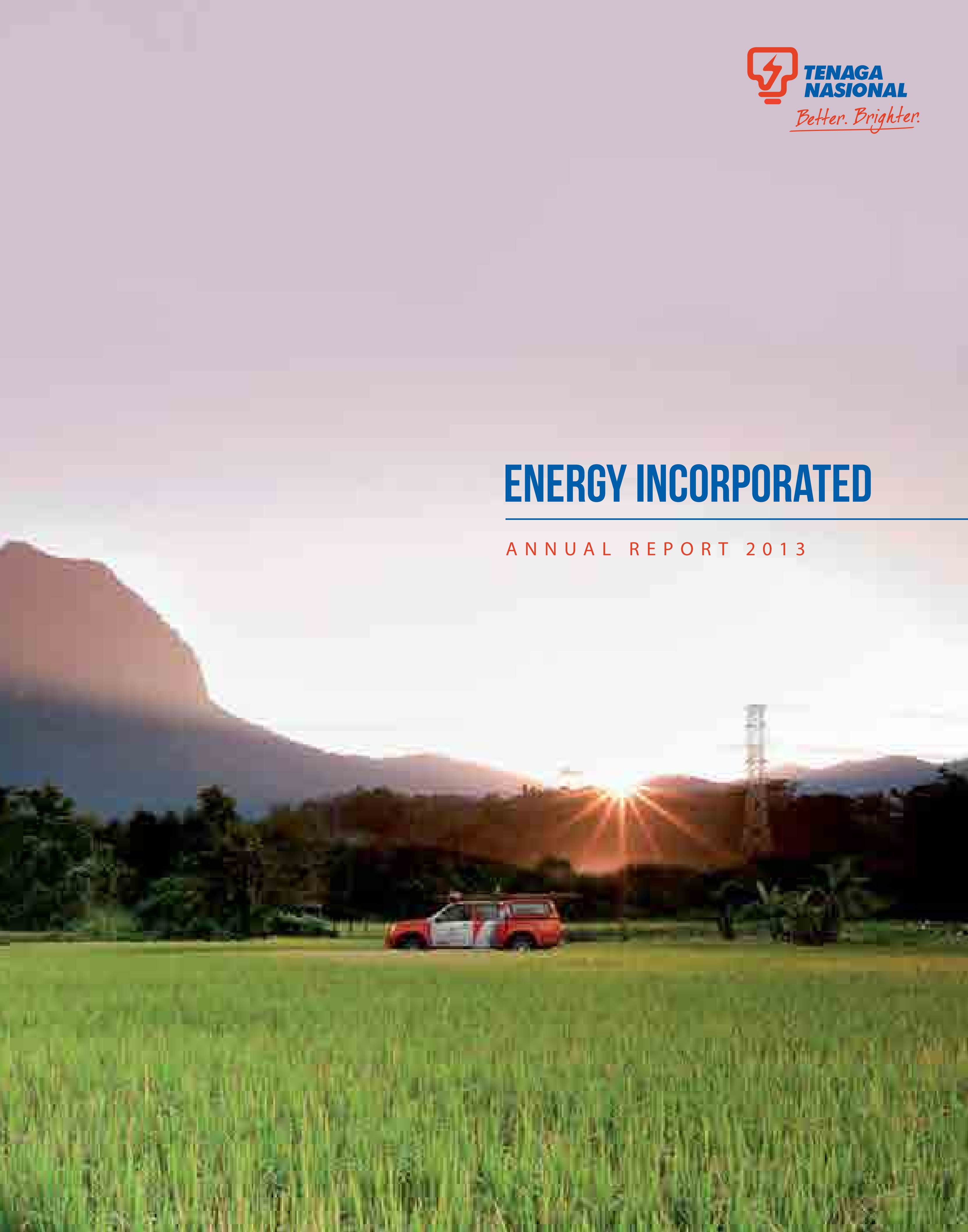
TENAGA NASIONAL
Better. Brighter.

ENERGY INCORPORATED

ANNUAL REPORT 2013



OUR VISION

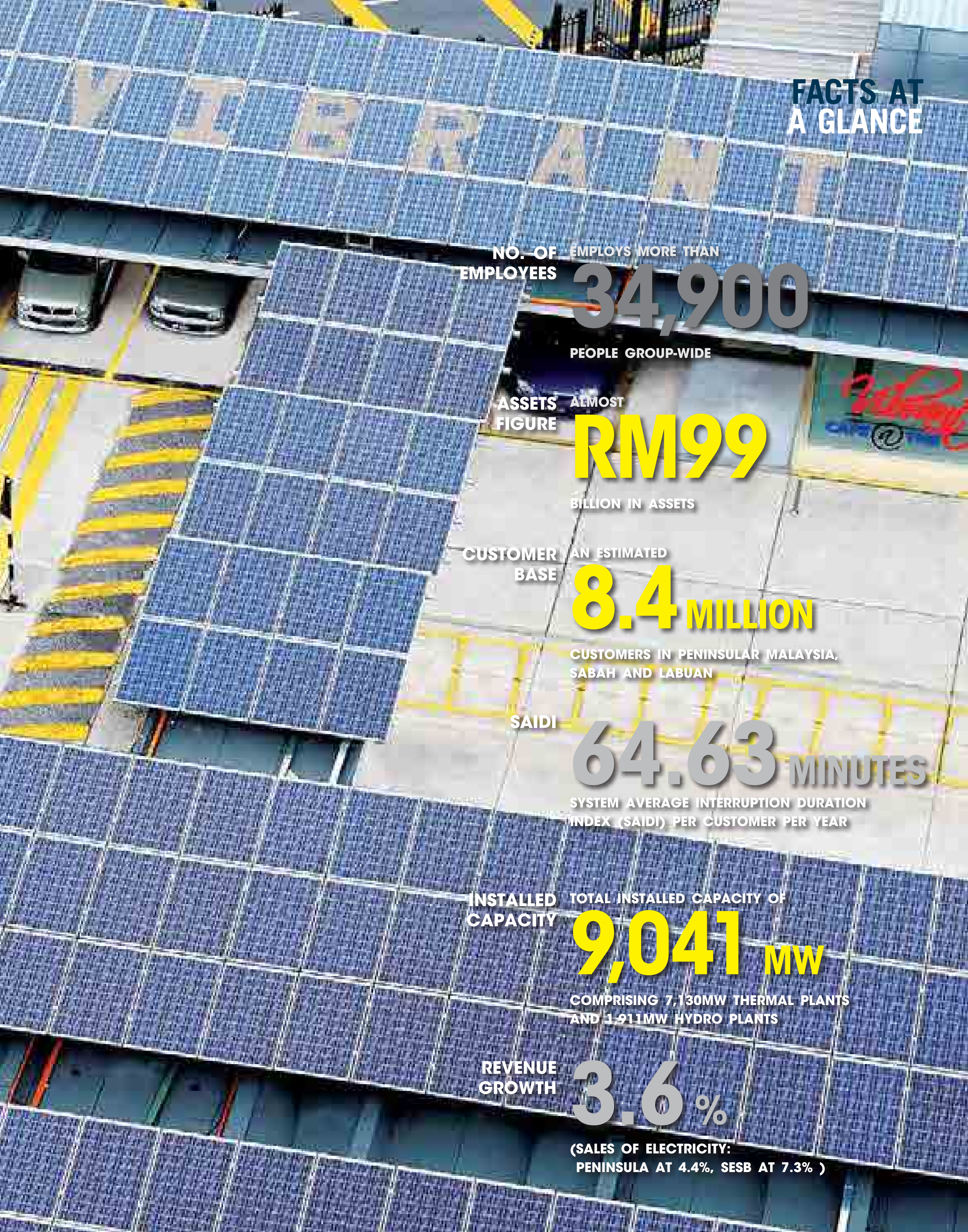
TO BE AMONG THE LEADING CORPORATIONS IN ENERGY AND RELATED BUSINESSES GLOBALLY

OUR MISSION

WE ARE COMMITTED TO EXCELLENCE IN OUR PRODUCTS AND SERVICES

WHAT IS ENERGY INCORPORATED?

Energy is the driving force behind the better, brighter world in which we wholeheartedly believe, It powers our passion, inspires our ideas and pushes us ever onwards, no matter the challenges we face. For ultimately, we know that the outcome of energy precisely channelled and well spent will prove, in all aspects, a positive charge in the lives off all it touches. And that alone, makes our every endeavour well worth the effort we take.



FACTS AT A GLANCE

NO. OF EMPLOYEES

EMPLOYS MORE THAN

34,900

PEOPLE GROUP-WIDE

ASSETS FIGURE

ALMOST

RM99

BILLION IN ASSETS

CUSTOMER BASE

AN ESTIMATED

8.4 MILLION

CUSTOMERS IN PENINSULAR MALAYSIA, SABAH AND LABUAN

SAIDI

64.63 MINUTES

SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI) PER CUSTOMER PER YEAR

INSTALLED CAPACITY

TOTAL INSTALLED CAPACITY OF

9,041 MW

COMPRISING 7,130MW THERMAL PLANTS AND 1,911MW HYDRO PLANTS

REVENUE GROWTH

3.6%

(SALES OF ELECTRICITY:
PENINSULA AT 4.4%, SESB AT 7.3%)

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TENAGA NASIONAL
Better. Brighter.

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NOTICE OF THE 23RD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE **TWENTY-THIRD ANNUAL GENERAL MEETING ("23RD AGM")** OF TENAGA NASIONAL BERHAD WILL BE HELD ON **THURSDAY, 19 DECEMBER 2013**, AT **10.00 A.M.** AT DEWAN SERBAGUNA, KOMPLEKS SUKAN TNB, JALAN PANTAI BARU, 59200 KUALA LUMPUR TO TRANSACT THE FOLLOWING BUSINESSES:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the Financial Year ended 31 August 2013 together with the Reports of the Directors and Auditors thereon.
Please refer to Note (i) of the Explanatory Notes on Ordinary Businesses

2. To approve the declaration of a final single-tier dividend of 15.0 sen per ordinary share for the Financial Year ended 31 August 2013. **Ordinary Resolution 1**

3. To approve the following Directors' Fees:
   (i) Increase in Directors' Fees amounting to RM180,000.00 per annum for the Non-Executive Chairman and RM120,000.00 per annum for the Non-Executive Director with effect from 1 January 2013; **Ordinary Resolution 2**
   (ii) Payment of Directors' fees of RM1,900,000.00 for the Financial Year ended 31 August 2013. **Ordinary Resolution 3**

4. To re-elect the following Directors who retire in accordance with Article 135 of the Company's Articles of Association:
   (i) Datuk Nozirah binti Bahari; **Ordinary Resolution 4**
   (ii) Datuk Chung Hon Cheong. **Ordinary Resolution 5**

   Tan Sri Dato' Hari Narayanan a/l Govindasamy who retires pursuant to Article 135 of the Company's Articles of Association, has expressed his intention not to seek re-election. Hence he will retain office until the conclusion of the 23rd AGM of the Company.

5. To re-appoint the following Directors who retire in accordance with Section 129(6) of the Companies Act, 1965 ("Act") to hold office until the conclusion of the next Annual General Meeting ("AGM"):
   (i) Tan Sri Leo Moggie; **Ordinary Resolution 6**
   (ii) Tan Sri Dato' Seri Siti Norma binti Yaakob. **Ordinary Resolution 7**

6. To re-appoint Messrs PricewaterhouseCoopers, having consented to act, as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**

AS SPECIAL BUSINESS:

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

7. Proposed Continuation in Office as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012:

   "THAT Dato' Zainal Abidin bin Putih who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby authorised to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company". **Ordinary Resolution 9**

8. Proposed renewal of authority for the purchase by the Company of its own shares.

"THAT subject to compliance with the Act, the Company's Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and all other applicable laws, guidelines, rules and regulations for the time being in force or as may be amended from time to time, and the approvals from all relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through Bursa Malaysia Securities Berhad ("BMSB") upon such terms and conditions as the Directors of the Company ("Board") may deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total issued and paid-up share capital of the Company ("Proposed Share Buy-Back");

(ii) the maximum amount of funds to be utilised for the purpose of the Proposed Share Buy-Back shall not exceed the Company's aggregate retained profits and/or share premium account at the time of purchase be allocated by the Company for the Proposed Share Buy-Back;

(iii) the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

(a) the conclusion of the next AGM of the Company at which time the authority shall lapse unless by an ordinary resolution passed by the shareholders of the Company in a general meeting, the authority is renewed either unconditionally or subject to conditions;

(b) the expiry of the period within which the next AGM of the Company is required by law to be held;

(c) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier".

"AND THAT authority be and is hereby given to the Board to decide in its discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares or to cancel them or a combination of both and/or to resell them on BMSB and/or to distribute them as share dividends".

"AND THAT the Board be and is hereby authorised to take such steps to give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company". **Ordinary Resolution 10**

9. To transact any other business of which due notice shall have been given in accordance with the Act.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 23rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository") in accordance with Article 87(B)(1) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 ("SICDA") to issue a General Meeting Record of Depositors ("ROD") as at 12 December 2013. Only a depositor whose name appears on the ROD as at 12 December 2013 shall be entitled to attend the said meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Members at the 23rd AGM to be held on 19 December 2013, a final single-tier dividend of 15.0 sen per ordinary share for the Financial Year ended 31 August 2013 will be paid on 31 December 2013 to Depositors whose names appear in the ROD on 20 December 2013.

FURTHER NOTICE IS HEREBY GIVEN THAT a Depositor shall qualify for entitlement to the dividend only in respect of:

(i) shares transferred into the Depositor's securities account before 4.00 p.m. on 20 December 2013 in respect of ordinary transfers; and

(ii) shares bought on BMSB on a cum entitlement basis according to the Rules of the BMSB.

BY ORDER OF THE BOARD

NORAZNI BINTI MOHD ISA
(LS 0009635)
Company Secretary

Kuala Lumpur
21 November 2013

NOTICE OF THE 23RD ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

(i) **Agenda item no. 1** is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item is not put forward for voting.

(ii) Ordinary Resolution 2 – Proposed Increase in Directors' Fees

The proposed increase of the Non-Executive Directors' (NEDs) Fees is in view that presently, the NEDs face increasingly demanding challenges in discharging their fiduciary duties, roles and responsibilities, whether individually or collectively and to ensure that it commensurate with the responsibilities and accountabilities of the NEDs.

The proposed increase of the NEDs' Fees is in accordance with Article 116(3) of the Company's Articles of Association and if passed, shall authorise the increase in NEDs' Fees amounting to RM180,000.00 per annum for the Non-Executive Chairman and RM120,000.00 per annum for the NEDs with effect from 1 January 2013 for the Financial Year ended 31 August 2013.

(iii) Ordinary Resolution 5 – Proposed Re-election of Director

The Board Nomination and Remuneration Committee (BNRC) has conducted assessment on the independence of the Independent Directors and is satisfied that the Independent Directors have complied with the independence criteria of the Company and continue to bring independent and objective judgment to the Board deliberations.

(iv) Ordinary Resolution 7 – Proposed Re-appointment of Director In Accordance With Section 129(6) of the Act

The BNRC is satisfied with the skills, competency, contribution and independent judgment that Tan Sri Dato' Seri Siti Norma binti Yaakob brings to the Board. She demonstrated that she is independent of management and free from any business or other relationship of which could interfere with the exercise or the ability to act in the best interest of the Company. In view of that, the Board further recommends and supports her re-appointment, as she has offered herself for re-appointment as the Director of the Company, to be approved by the shareholders at the 23rd AGM of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESSES:

(i) Ordinary Resolution 9 – Proposed Continuation in Office as Independent Non-Executive Director In Accordance With Recommendation 3.3 Of The Malaysian Code On Corporate Governance 2012

The BNRC and the Board have assessed the independence of Dato' Zainal Abidin bin Putih, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and with their consent have recommended for Dato' Zainal Abidin bin Putih to continue to act as Independent Non-Executive Director of the Company based on the following justifications:

(a) the criteria of the definition of Independent Director as stated in the MMLR has been fulfilled and he has expressed his willingness to continue in office as Independent Non-Executive Director of the Company;

(b) his vast experience and expertise enable the Board to discharge its duties effectively and in a competent manner;

(c) he has served the Company as Independent Director for a cumulative term of more than nine (9) years of which he has acted in the best interest of the Company, providing independent view to the deliberations and decision-making of the Board and Board Committee Meetings and fully understand the Company's objective and strategies as well as the business operation of the Company and the electricity industry market;

(d) he has proven to be a reliable Independent Director with his professionalism aptitude and outlook of business perspective, devoted sufficient time and attention to his professional obligations for informed and balance decision making and has also exercised due care diligence during his tenure in the best interest of the Company and the shareholders.

(ii) Ordinary Resolution 10 – Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution, if passed, is to empower the Directors to purchase the Company's shares of up to 10% of the issued and paid-up share capital of the Company by utilising the funds allocated out of retained profits and share premium account of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

Information on the Proposed Renewal of Share Buy-Back Authority is set out in the Statement to Shareholders dated 21 November 2013, dispatched together with the 2013 Annual Report.

Abstention from Voting

(i) All the NEDs who are shareholders of the Company will abstain from voting on Resolutions 2 and 3 concerning Directors' Fees at the 23rd AGM.

(ii) The Directors referred to in Resolutions 7 and 9, who are shareholders of the Company will abstain from voting on the resolution in respect of his/her re-election or re-appointment at the 23rd AGM.

Additional Information on Ordinary Resolutions 4 to 7 and 9

Additional information on the particulars of the retiring Directors, as required under Appendix 8A of the MMLR is detailed out in the Annual Report.

NOTES:-

1. Only members registered in the ROD as at 12 December 2013 shall be eligible to attend the AGM or appoint proxy to attend and vote on their behalf.
2. 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.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that, where a member is an authorised nominee as defined in accordance with the provisions of the SICDA, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
5. The instrument appointing a proxy/Proxy Form shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
6. A corporation which is a member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting in accordance with Article 107(6) of the Company's Articles of Association.
7. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the Meeting or **no later than 17 December 2013 at 10.00 a.m.**
8. At any general meeting, every question submitted, a resolution put to the vote of the Meeting, and/or in the case of an equality of votes, shall be decided on a show of hands by members present and being entitled to vote at the General Meeting unless a poll is demanded by either:-
   (a) the Chairman (being a person entitled to vote); or
   (b) at least five (5) members present in person or by proxy and being entitle to vote; or
   (c) any member or members holding or representing by proxy or power of attorney not less than one-tenth of the issued share capital of the Company and entitled to vote.
9. The demand for a poll may be withdrawn. Unless a poll be so demanded, it shall be taken in such manner and at such time and place as the Chairman of the meeting directs and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
10. A poll demanded on the election of a Chairman of a meeting and a poll demanded on a question of adjournment shall be taken at the meeting without adjournment. In the case of any dispute as to the admission or rejection of a vote the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.
11. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the business on which a poll has been demanded.

Registration of Members/Proxies

Registration of Members/Proxies attending the Meeting will be from 7.00 a.m. on the day of the Meeting. Members/Proxies are required to produce identification documents for registration.

STATEMENT ACCOMPANYING NOTICE OF THE 23RD ANNUAL GENERAL MEETING

(Pursuant To Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The Directors who are retiring in accordance with Article 135 of the Company's Articles of Association and seeking re-election:

(i) Datuk Nozirah binti Bahari

(ii) Datuk Chung Hon Cheong

The Directors who are standing for re-appointment in accordance with Section 129(6) of the Companies Act, 1965:

(i) Tan Sri Leo Moggie

(ii) Tan Sri Dato' Seri Siti Norma binti Yaakob

The Director who is standing for continuation in office as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012:

(i) Dato' Zainal Abidin bin Putih

The profiles of the above Directors are set out in the Profile of Directors on pages 80 to 89 of this Annual Report.

The details of interest in the securities of the Company or its subsidiaries (if any) held by the said Directors are set out in the Directors' Report on page 226 of the Audited Financial Statements of this Annual Report.

FINANCIAL CALENDAR

2013

QUARTERLY RESULTS

23 JANUARY 2013
Announcement of the unaudited consolidated first (1st) quarter results ended 30 November 2012

18 APRIL 2013
Announcement of the unaudited consolidated second (2nd) quarter results ended 28 February 2013

18 JULY 2013
Announcement of the unaudited consolidated third (3rd) quarter results ended 31 May 2013

31 OCTOBER 2013
Announcement of the audited consolidated fourth (4th) quarter results ended 31 August 2013

DIVIDEND

Notice Date – 26 April 2013

Entitlement Date – 17 May 2013

Payment Date – 29 May 2013

Interim Single-Tier Dividend of 10.0 sen per ordinary share in respect of the Financial Year ending 31 August 2013

ANNUAL GENERAL MEETING

21 NOVEMBER 2013
Notice of the 23rd Annual General Meeting and Issuance of 2013 Annual Report together with the Statement to Shareholders of Proposed Renewal of Share Buy-Back Authority

19 DECEMBER 2013
23rd Annual General Meeting

2012

QUARTERLY RESULTS

31 OCTOBER 2012
Announcement of the audited consolidated fourth (4th) quarter results ended 31 August 2012

DIVIDEND

Notice Date – 21 November 2012

Entitlement Date – 19 December 2012

Payment Date – 28 December 2012

Final Single-Tier Dividend of 15.0 sen per ordinary share for the Financial Year ended 31 August 2012

ANNUAL GENERAL MEETING

21 NOVEMBER 2012
Notice of the 22nd Annual General Meeting and Issuance of 2012 Annual Report together with the Statement to Shareholders of Proposed Renewal of Share Buy-Back Authority

18 DECEMBER 2012
22nd Annual General Meeting

INVESTOR RELATIONS

The year 2013, which was marked by the 13th General Election, was momentous for TNB. By ensuring reliable, sustainable and efficient supply of electricity, TNB continues to support Malaysia's reform initiatives under the Economic Transformation Programme (ETP).

At the same time, encouraging developments within the Malaysian Electricity Supply Industry (MESI), especially in the areas of competitive bidding and implementation of Incentive Based Regulation (IBR), promoted positive sentiments towards the power sector in general and TNB in particular. This reinforced the need for proactive and continuous Investor Relations (IR) engagements with the financial community, enhancing TNB's relationship with its financial stakeholders.

Prudent financial management supported by lower coal price and favourable exchange rates drove sustained financial results for TNB during Financial Year 2013 (FY2013). This, together with the fuel cost compensation mechanism during the financial year and improved fuel supply security with inflows of liquefied natural gas (LNG) from the Melaka regasification terminal starting on 23 May 2013 emphasised IR's vital role in facilitating communication and disseminating essential information to assist informed decision-making by the financial community.

The IR team has constantly upheld its strategic function of delivering timely, accurate and relevant information on the Company's financial and operational performance to existing and potential institutional investors, financial analysts and retail shareholders. Its capabilities are further enhanced through its strategic placement within the Investor Relations and Management Reporting Department under the purview of Group Finance Division. The functions of IR and Management Reporting complement each other, enhancing IR's comprehension of the Company's operations while reinforcing Management Reporting's understanding of the needs and concerns of the financial community.

ENGAGEMENT ACTIVITIES

The IR team continued to strengthen its relationship with the financial community in line with one of the four pillars mooted by TNB President/ Chief Executive Officer (CEO), namely Building Trust and Relationships. In 2013, it further enhanced its interactions with the market by hosting numerous in-house meetings and conference calls with analysts, fund managers, investors, rating agencies as well as other financial stakeholders, both local and foreign based. This, in turn, garnered greater interest by the financial community towards TNB during the year under review, as exemplified by more active engagements.

Engagement Activities in FY2013

Event	Number of participants
Quarterly Financial Results Announcements & Analyst Briefings	338 research analysts, fund managers and media (including teleconferencing)
One-on-one and Group Meetings at Conferences	123 research analysts, fund managers and investors
In-house Meetings (68) & Conference Calls (27)	193 research analysts, fund managers and investors
Dialogue Sessions & Site Visit	45 research analysts & fund managers

Key Events in FY2013

Results Announcement	Date
4th Quarter FY2012	31 October 2012
1st Quarter FY2013	23 January 2013
2nd Quarter FY2013	18 April 2013
3rd Quarter FY2013	18 July 2013

IR Roadshow and Conferences

During the year, TNB intensified its efforts to reach out to a wider investment population through active participation in domestic and international events organised by local and foreign research houses. Three non-deal roadshows and four conferences were attended as compared to only three conferences participated in the previous financial year.

Date	Event	Venue
8-9 October 2012	Macquarie Non-deal Roadshow	Hong Kong
4-6 March 2013	CIMB Asia Pacific Leaders' Conference & Non-deal Roadshow	New York, USA
13-15 March 2013	CLSA ASEAN Corporate Access Forum	Bangkok, Thailand
20-21 May 2013	Deutsche Bank 4th Annual dbAccess Asia Conference	Singapore
30-31 May 2013	Nomura Non-deal Roadshow	Tokyo, Japan
13-14 June 2013	Invest Malaysia 2013	Kuala Lumpur

RELATIONSHIP BUILDING WITH FINANCIAL COMMUNITY

Besides meetings and briefings, the financial community is able to connect with the Company by emailing tenaga_ird@tnb.com.my where queries and concerns will be addressed in a timely manner. Additionally, the IR portal on TNB Group website http://www.tnb.com.my/investors-media.html provides up-to-date corporate information and financial data to ensure prompt dissemination of information as well as to improve disclosure and transparency in the sharing of information with the financial community. The IR portal contains key segments and sub-segments incorporating:

- **News & Highlights**
  - Announcement to Bursa Malaysia
  - Changes in Shareholding
  - News Clips
  - Conference Materials
- **Financial Info**
  - Quarterly Results
  - Group Financial Statistics
  - Headline Key Performance Indicators
  - Credit Ratings
  - Top 30 Shareholders
- **Share Info**
  - Price Ticker
  - Share Price Volume
  - Stock Chart
- **Demand Sales & Foreign Shareholding**
- **Annual Reports**
- **Circulars/Notices to Shareholders**
- **Requests for Meeting**
- **Requests for IR Info**

ANALYST COVERAGE

Proactive IR engagement also led to an increase in the number of research houses that cover TNB. As at August 2013, there were 25 research houses covering the Company as compared to 22 in the previous year. These were:

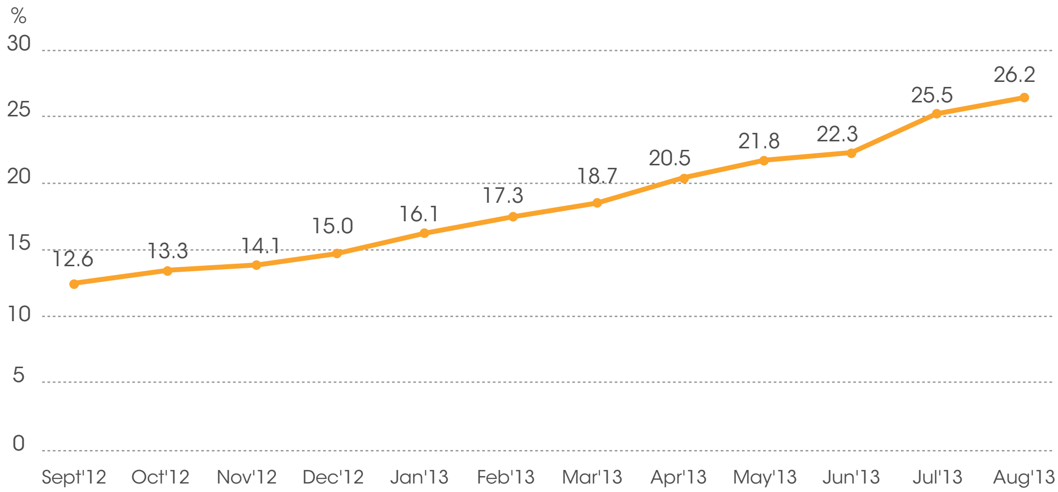
No.	Research House	No.	Research House
1	Affin Investment Bank	14	KAF – Seagroatt & Campbell Securities
2	Alliance Research	15	Kenanga Research
3	AM Research	16	M & A Securities*
4	Bank of America Meryll Lynch*	17	Macquarie Equities Research
5	BIMB Securities*	18	Maybank IB
6	CIMB	19	MIDF
7	Citi Research	20	Morgan Stanley*
8	CLSA	21	Nomura Equity Research
9	Credit Suisse	22	Public Investment Bank*
10	Deutsche Bank	23	RHB
11	Hong Leong Investment Bank	24	TA Securities
12	Hwang DBSVickers	25	UBS Investment Research
13	JP Morgan		

* *New coverage*

SHAREHOLDER BASE

As at 31 August 2013, TNB had 32,097 shareholders comprised of government agencies, corporates and institutional and private shareholders holding a total of 5,643,611,171 shares. By and large, the Company's shareholders are optimistic that over and above having strong fundamentals, TNB stands to benefit from the Government's reform agenda. As a result, TNB's foreign shareholding improved significantly throughout the financial year, from a one-year low of 12.6% in September 2012 to rally to a steady 26.2% in August 2013.

Foreign Shareholding



Dividend

TNB's commitment to its shareholders is reflected in the Group's Dividend Policy which ensures a stable dividend pay-out based on 40% to 60% of the Company's annual free cash flow after interest servicing and normalised capital expenditure. Project expenses related to new generation capacity are not part of the Company's normalised capital expenditure, hence shareholders' dividend payment is not affected when TNB undertakes new planting-up projects. For its part, TNB has always ensured optimal capital structure for current and future growth as well as to provide sustainable returns to its shareholders.

For the financial year ended 31 August 2013, TNB's Board of Directors has declared:

- a single-tier interim dividend of 10.0 sen per ordinary share representing 53% of the Company's free cashflow amounting to RM560 million (paid in May 2013); and
- a proposed single-tier final dividend of 15.0 sen per ordinary share.

Credit Rating by External Rating Agencies

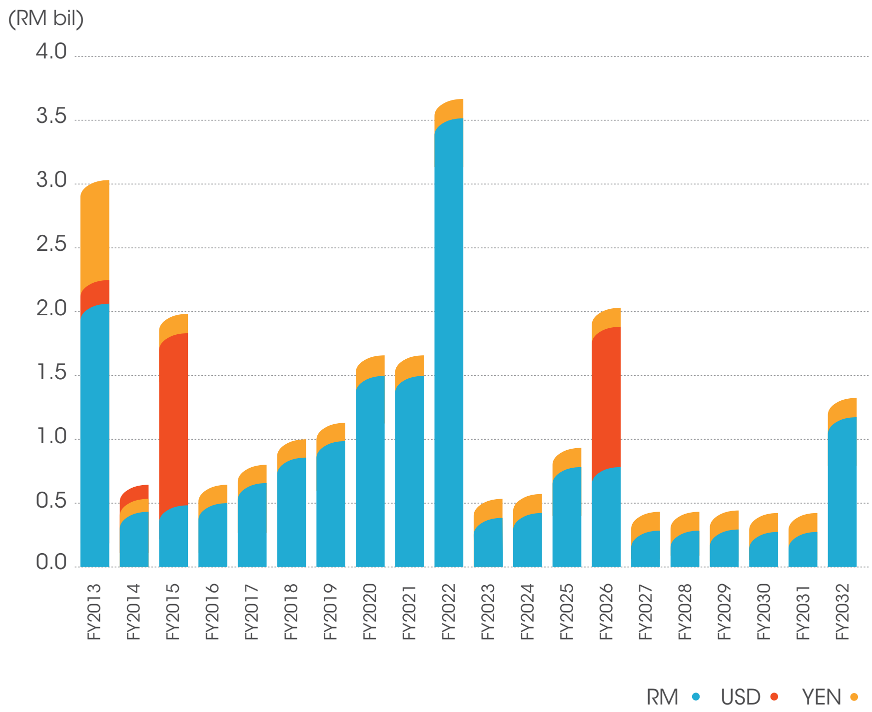
TNB's long-term credit ratings were reviewed as Stable during the financial period by all four rating agencies mainly due to strong Government backing. The Company's credit ratings are summarised as follows:

Agency	Rating	Summary
RAM	AAA Stable Outlook	• RAM reaffirmed its AAA long-term rating of TNB's medium-term notes with a Stable outlook. • Based on RAM's methodology on government-linked companies, there is a very high likelihood of extraordinary Government support for TNB in the event of financial distress, given the Group's strategic role as the national electricity company.
MARC	AAA AAA_{ID} Stable Outlook	• MARC reaffirmed TNB's issuer rating of AAA and Islamic debt rating of AAA_{ID} for the outstanding RM2.0 billion Bai' Bithaman Ajil bonds. • The ratings reflect a high likelihood of continued Government support, as well as an uplift from TNB's standalone credit assessment strength on its capital needs and debt profile, satisfactory debt service coverage and sound operational track record.
S&P	BBB+ Stable Outlook	• S&P revised its outlook to Stable from Negative and reaffirmed a BBB+ corporate credit rating on TNB's senior unsecured bonds. • The Stable outlook reflects its expectation that continued Government support will mitigate the impact of rising fuel costs and debt-funded investments over the next two years.
MOODY's	Baa1 Stable Outlook	• TNB's baseline credit assessment (BCA) takes into account the Company's importance and dominance in Malaysia's electricity sector as the largest and only integrated utility in the country, as well as a favourable regulatory environment.

INVESTOR RELATIONS

Debt Maturity Profile

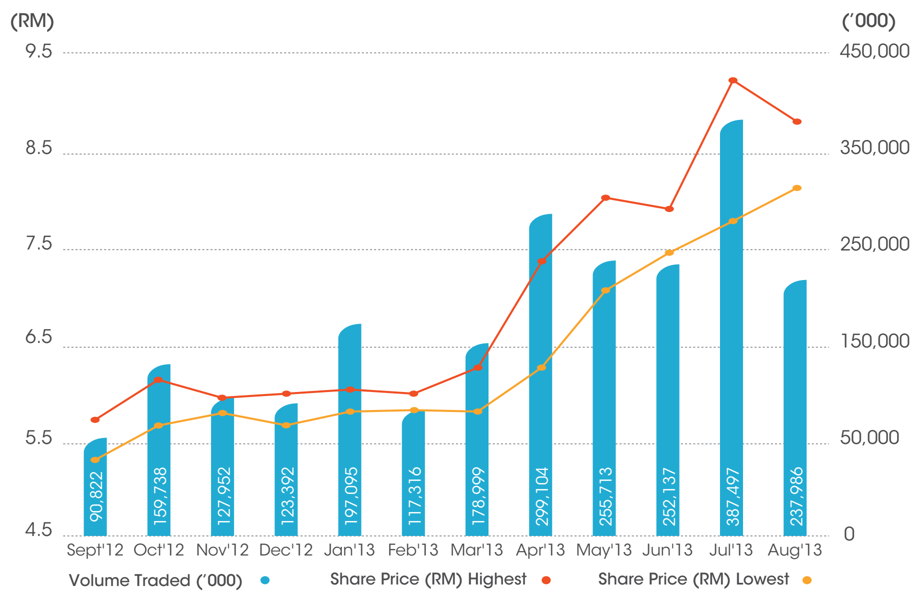
In line with the Group's prudent debt maturity management, TNB took advantage of the weakening of Yen in FY2013 to early repay some of its Japanese International Cooperation Agency (JICA) loans or previously known as Japan Bank for International Cooperation (JBIC) loans. In addition, Kapar Energy Venture (KEV), which is 60% owned by TNB, successfully refinanced its Islamic Debt Securities – Bai' Bithaman Ajil (BaIDS) – via a Sukuk issuance with a nominal value of RM2.0 billion to take advantage of low yields in the domestic bond market and lower borrowing costs.



Share Performance

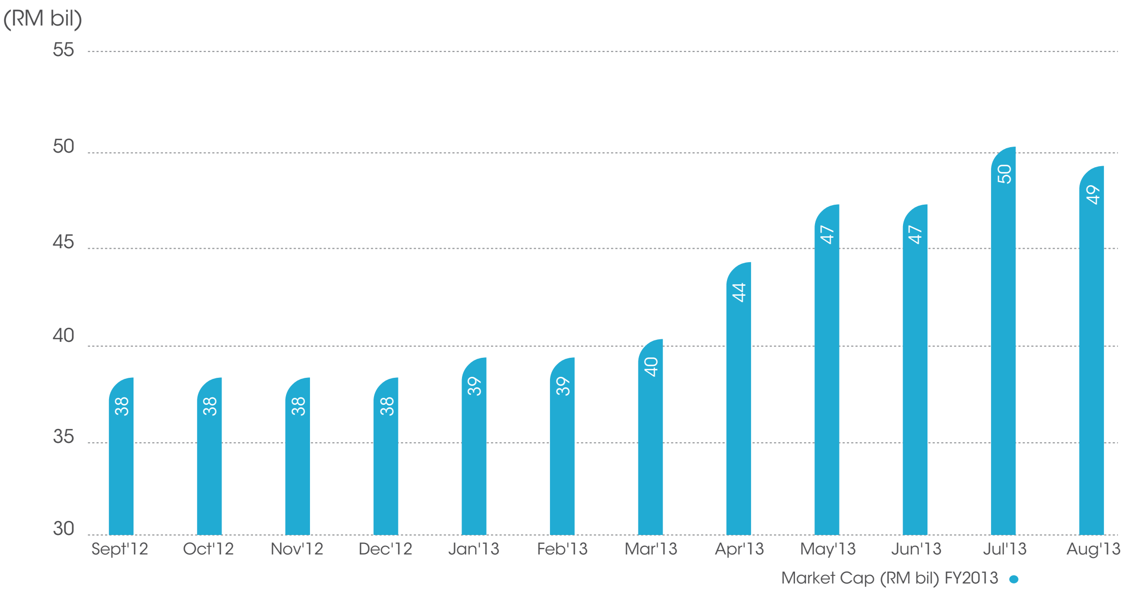
TNB shares recorded a total turnover of RM18.93 billion with a significant increase to 2,428 million shares traded during the year as compared to total turnover of RM6.33 billion with 1,018 million shares traded in FY2012. The increase in trading volume together with steady trend in share price clearly shows stronger market confidence and positive sentiments on TNB's stock.

TNB Share Price Movement and Monthly Volume Traded

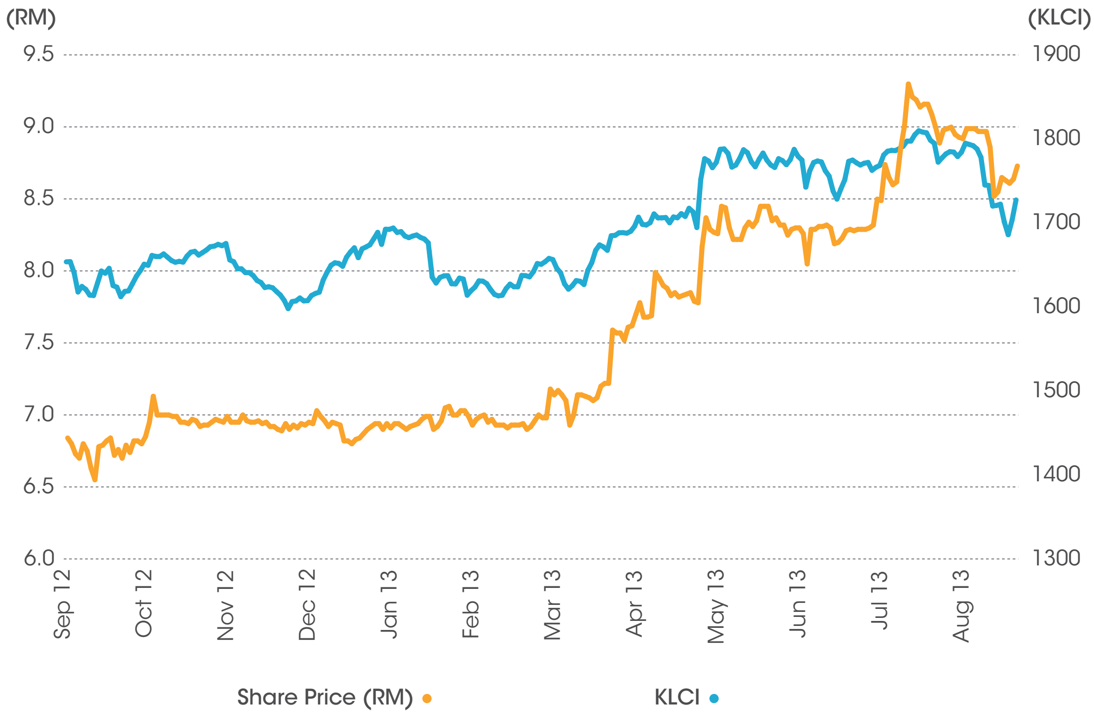


	Sept'12	Oct'12	Nov'12	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13	Jul'13	Aug'13
Share Price (RM) Highest	6.84	7.13	7.00	7.03	7.06	7.03	7.22	7.99	8.45	8.37	9.30	9.00
Share Price (RM) Lowest	6.55	6.80	6.89	6.80	6.90	6.91	6.90	7.22	7.78	8.05	8.28	8.52

Market Capitalisation FY2013



TNB Share Price Performance vs. FBM KLCI (Sept 2012 – August 2013)



CHAIRMAN'S LETTER TO SHAREHOLDERS

TAN SRI LEO MOGGIE
Chairman

Dear Shareholders

The economics of electricity supply involve factors such as the availability and cost of fuel, capital investments and technology, environmental costs and national policies, among others. These have to be carefully balanced to ensure optimum reliability and affordability of electricity to the end user, for whom power today is an absolute essential.

I am proud to say that we at Tenaga Nasional Berhad (TNB) have always embraced our responsibility whole-heartedly and, driven by a passion to support national development, have continuously risen to the challenges that face us. The Financial Year 2013 (FY2013) was no different. Despite operating in a volatile global environment, we have rallied together to produce another year of impressive financial and operational results.

As our new theme indicates, we have grown *'Better and Brighter'*, and it gives me great pleasure to be able to share our accomplishments during the year with you.

CHAIRMAN'S LETTER TO SHAREHOLDERS

AN INDUSTRY IN GREAT FLUX

The electricity industry globally is under severe pressure due to increasing demand for power in the face of depleting fuel resources, and we in Malaysia are not spared the strain of this situation. Currently, more than 90% of our fuel mix constitutes fossil fuels. The gradual depletion of fossil fuels in this region has contributed directly to their rising cost. In the case of natural gas, it has meant increased subsidies that have placed a growing strain on the Government. In response, the Government is embarking on a programme that will see a gradual lessening of current subsidies, including for petrol and gas. Yet, because of these challenges, it is also an extremely exciting period for the Malaysian Electricity Supply Industry (MESI). In order to safeguard its sustainability, the Government is intent on reforming the MESI. TNB fully supports these changes for the overall good of the nation.

In line with ongoing reforms, the Suruhanjaya Tenaga (Energy Commission) has launched the Competitive Bidding process for new generation capacities. Accordingly, TNB has submitted proposals for new projects and pitched our resources just like any other bidder. In doing so, we are encouraging healthy competition among industry players which will ultimately bring down prices in the best interest of the *rakyat*. Additionally, TNB has always sought to be transparent in all our activities to create more confidence in the industry.

One of the more important reform activities is in delivering the Incentive Based Regulation (IBR) for the industry. The IBR will result in greater transparency of our financial operations, which we welcome as we believe the outcome will be beneficial to all parties concerned. Under the IBR, a Fuel Cost Pass Through (FCPT) mechanism will be implemented and shelter the industry from volatile market fuel prices. TNB is fully committed to operating under this new environment as it will motivate and incentivise us to greater heights of operational and financial efficiency, and allow us to deliver greater returns to our shareholders while ensuring better services to our customers.

In addition to supporting the Government in its economic and operational reforms of the electricity supply industry, we are also exploring and investing in new alternatives to safeguard future electricity supply. We are actively facilitating growth of renewable energy, demand side management, energy efficiency and research through TNB Research and UNITEN to deliver solutions for the good of the environment.

FINANCIAL HIGHLIGHTS

In FY2013, the Group made a healthy net profit of RM4.12 billion before forex translation. This marks a 21.8% increase from the adjusted profit of RM3.38 billion reported in FY2012 (in FY2012, TNB received the fuel cost compensation owing to us for the period beginning from January 2010, hence the non-adjusted profit for FY2012 is highly inflated). A large part of this financial performance was contributed by a depressed coal price of USD83.6 per metric tonne. Taking into account our forex gains as a result of a strong Ringgit against the Yen during the year, our net profit stands at RM4.61 billion. Group revenue, meanwhile, increased to RM37.13 billion from RM35.85 billion in FY2012, reflecting a 3.8% growth in unit electricity demand in Peninsular Malaysia in FY2013.

As a result of this healthy showing, the Board of Directors is recommending a final single-tier dividend of 15.0 sen per ordinary share, equaling the final dividend that was paid to our valued shareholders in FY2012. This recommendation will be put to our shareholders for their approval at TNB's Annual General Meeting.

FORGING AHEAD WITH OUR TRANSFORMATION

Our aspiration is for TNB to live up to our new motto of Domestic Dominance and Regional Champion and deliver higher value to our stakeholders. In order for us to deliver on our new aspiration, we have developed a 1TNB Transformation Programme, which will revolutionise the way we strategise and operate our business towards a *'Better and Brighter'* TNB. We are optimistic that this programme will enable our organisation to make a quantum leap in terms of our business and technical capabilities.

The 1TNB Transformation Programme focuses on five Key Result Areas (KRAs), namely: engaging effectively with our major stakeholders, delivering exceptional customer experience, delivering efficiency in our business cost, growing our business internationally and enhancing the capability of our people. I am glad to share that we have made significant progress in all the KRAs in FY2013.

We have enhanced our generating capacity potential, transmission efficiency and distribution reach. We won two bids for new power plants with a total additional capacity of 2,071MW. Transmission Division achieved a new record for Transmission System Minutes, marking a reduction of more than 60% from 1.03 minutes in FY2012 to 0.43 minutes. Distribution, meanwhile, maintained a world-class system reliability in terms of its TNB System Average Interruption Duration Index (SAIDI) which recorded 64.63 minutes for this financial year. TNB Melaka, acquired the distinction of being the first state in TNB to be certified with PASS 55 for outstanding asset management capabilities to achieve cost efficiencies. In our commitment to enhancing the customer experience, we now have more efficient communication channels and a new and easy-to-read bill format; and we are rolling out several technology-driven initiatives such as the MyTNB mobile application which includes bill enquiries and payments.

Internationally, we have made inroads into new markets via our New Business & Major Projects Division. Meanwhile, our subsidiaries TNB REMACO and TNB Engineering Corporation are exploring more opportunities to offer their products and services abroad, focusing on the three markets that TNB has targeted, namely Southeast Asia, the Middle East and Africa, where there is growing need both for energy and energy-related expertise.

CHAIRMAN'S LETTER TO SHAREHOLDERS

But perhaps most importantly, we have enhanced the capabilities of our people. TNB recognises that the single most important factor in driving our transformation is our employees. It is critical in this time of great change to have people with commitment, skills, knowledge and leadership potential to propel our Company to higher levels. We have therefore embarked on various initiatives to increase competencies, develop a deep leadership bench strength, and to inspire our employees to embrace change. A key achievement has been the establishment of a Leadership Development Centre to provide targeted intervention to nurture a cadre of leaders at all levels of the organisation.

Our efforts to nurture a dynamic and productive team have not gone unnoticed. In FY2013, TNB once again received the Asia's Best Employer Brand Award from the Employer Branding Institute at the World HRD Congress for excellence in developing future leaders, consistently enhancing our human resources policies, promoting an innovative culture and being a caring employer.

CORPORATE RESPONSIBILITY

It goes without saying that TNB's most critical responsibility is to ensure that we keep the lights on in Malaysia all the time, and that we light up lives even in remote locations. I'm pleased to say that our efforts have resulted in Peninsular Malaysia being almost 100% electrified. However, we have always gone beyond our role as a provider of electricity to lending our support to the Government in bridging development and social gaps. This we do via various initiatives targeted at uplifting underprivileged communities, and creating greater equity in access to quality education. Via the Baiti Jannati programme that we launched in 2007, we renovate the homes of the underprivileged, ensuring these are equipped with basic utilities such as electricity, water and proper sanitation.

In terms of education, our own Universiti Tenaga Nasional (UNITEN) continues to produce high quality graduates who will contribute towards the socio-economic agenda of nation-building, while Yayasan Tenaga Nasional offers scholarships to deserving students entering other universities locally and abroad. At the primary level, we are a staunch

supporter of the Khazanah Nasional-inspired PINTAR programme, through which we adopt under-performing schools and motivate both the students and teachers to strive for excellence. In FY2013, we adopted 13 new schools which we will support for a period of three years.

PROSPECTS

TNB has evolved from strength to strength in recent years as a result of concerted efforts to be better and to lend to a brighter future. We are ahead of many emerging/developing markets in terms of our supply reliability and other key performance parameters. Even so, we are constantly strategising and driving change in our organisation to enhance our business in the fastest, most efficient manner via our 1TNB Transformation Programme.

We believe that our business will be more stable and grow due to several factors. Firstly, the impending introduction of IBR will insulate us from the volatilities of fuel prices. We are also optimising our capex and opex to drive operational cost efficiencies. Next, we are focused on growing the international business in three regions, namely Southeast Asia, the Middle East and Africa. In addition, we are supporting the professional development of our people to become world-class leaders with exceptional business

competencies. Externally, steady electricity demand growth will ensure long term sustainability of the Group.

We are confident that with the regulatory and policy changes taking place, coupled with our own internal transformation initiatives, we stand in a good position to attain our vision of Domestic Dominance and Regional Champion.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank the Government of Malaysia and the utility regulatory bodies, particularly Kementerian Tenaga, Teknologi Hijau dan Air (Ministry of Energy, Green Technology and Water) and the Suruhanjaya Tenaga (Energy Commission), for their unrelenting efforts to create a vibrant and self-sustaining energy supply industry.

Over and above the regulatory environment that we operate in, our success is determined by the commitment and dedication of the Management Team and all TNB employees. Recognising the critical contributions of our staff, I once again represent the Board in expressing our sincere gratitude to the TNB family for delivering an excellent performance in the year under review.

All good teams are led by exemplary leaders, hence we would like to acknowledge the contributions of Datuk Seri Ir. Azman bin Mohd, who celebrates his first anniversary at the helm of TNB as the Group's President and Chief Executive Officer. We would also like to take this opportunity to congratulate him on being named the ASEAN CEO of the Year 2013 at the Power & Electricity World Asia 2013. Under Datuk Seri Azman's visionary and caring stewardship, we are steadily moving towards a 'Vibrant Workforce and Productivity Revolution'.

Further boosted by the newly-launched 1TNB Transformation Programme, TNB is well-positioned to become a leading utility company regionally, a preferred employer and a responsible service provider in the power supply industry. We are, in every sense possible, getting *Better and Brighter*.

TAN SRI LEO MOGGIE
Chairman

PRESIDENT/CEO'S REVIEW

DATUK SERI IR. AZMAN BIN MOHD
President/Chief Executive Officer

The financial year ended 31 August 2013 (FY2013) continued to be challenging globally and domestically on several fronts. Globally, major economies across the Atlantic have been relatively slow to recover from their fiscal and sovereign debt crises while in Asia, bearish external demand has stunted the export market. In Malaysia, this has led to a lowered projection of gross domestic product (GDP) growth for the calendar year 2013, from 5 – 6% previously to 4.5 – 5% according to Bank Negara Malaysia.

While the microeconomic ripples have affected demand for electricity, this continued to be resilient, attributed to Government initiatives such as the Economic Transformation Programme (ETP), and ongoing major development projects. This has seen demand for electricity in Peninsular Malaysia increase by 3.8%, with peak demand growing by 4.7% from 15,826MW in June 2012 to 16,562MW in May 2013.

While buoyed by the relatively strong demand for electricity, Tenaga Nasional Berhad (TNB) continued to be impacted by a prolonged shortfall in natural gas which necessitated reliance on alternative, and more expensive, fuels such as medium fuel oil (MFO) and distillates. However, we were fortunate in that our increase in fuel costs was partly buffered by compensation received from the Government and Petronas. Towards the end of our financial year, moreover, gas supply was back to almost normal levels due to the commissioning of the re-gasification LNG terminal in Melaka.

We also stood to benefit from a lower price of thermal coal throughout the financial year, which contributed to reduced operational costs. This, along with the fuel cost compensation, increase in demand for electricity and a generally positive foreign exchange environment, led to a very satisfactory financial performance by TNB in FY2013.

PRESIDENT/CEO'S REVIEW

FINANCIAL PERFORMANCE

During the year under review, TNB's Group revenue increased to RM37.13 billion from RM35.85 billion in FY2012, in tandem with the 3.8% growth in unit electricity demand in Peninsular Malaysia. The Company also achieved significant savings from lower generation costs as a result of reduced coal prices, which averaged USD83.6 per metric tonne (mt) in FY2013, 19.3% lower than its price of USD103.6/mt in FY2012.

Countering this, we still incurred additional fuel costs from burning oil and distillate to meet rising electricity demand in FY2013. This contributed to an 1.8% increase in our operating expenses from RM31.31 billion the previous year to RM31.86 billion.

The lower cost of coal led to a net profit attributable to shareholders of RM4.61 billion, though after adjusting for foreign exchange translation gains, our net profit before forex translation stood at RM4.12 billion as compared to RM4.64 billion in FY2012. This FY2012 figure was, however, inflated due to the fuel cost compensation received for the period prior to FY2012, i.e. from January 2010 until August 2011.

After adjusting for the fuel cost compensation, TNB's net profit before forex translation for the current year under review improved by 21.8% to RM4.12 billion from RM3.38 billion in FY2012, resulting in an enhanced EBITDA margin of 2.3 percentage points year-on-year.

OPERATIONS HIGHLIGHTS

Our core businesses of Generation, Transmission and Distribution continued to perform well, further entrenching our position as a top three electric utility company in Asia. Transmission Division in particular rose above expectations to best previous records and maintain an excellent showing all round in its efforts to become the leading transmission entity and grid system operator in ASEAN.

The division achieved a new record for Transmission System Minutes, which is a measure of system downtime, of 0.43 minute, marking a significant 60% drop from 1.03 minute in FY2012. It also further reduced its Monthly Delay Index, which measures transmission project delivery, from 5.03 months in FY2008 to 1.38 months in FY2013. Most impressively, Transmission did TNB proud by becoming the first transmission entity in Southeast Asia to be certified with PASS 55, which recognises the highest standards of asset management practices in accordance with the British Standards Institution's Publicly Available Specifications.

Meanwhile, recent investments in technology are bearing fruit in our Distribution Division. Among its key achievements during the year was an impressive System Average Interruption Duration Index (SAIDI) of 64.63 minutes per customer per year, which is comparable to the reliability levels of network service providers in developed countries. It also managed to streamline its project planning approval processes, thus reduce the time taken for approvals from more than three months to less than 14 days. And, in line with our focus on service excellence, the division continued to create greater customer convenience

by expanding its e-services, introducing new channels of bill payment and even reformatting the old electricity bills to make them easier to read and understand.

In terms of Generation, our plants in general continued to operate at a high level of efficiency during the year, maintaining a healthy equivalent availability factor (EAF) of 88.1%, with 60% of them exceeding an EAF of 90%. This allowed us to maintain 47.7% of the generation market share. We also increased our total Net Unit Generated by 3.0% to 40,202GWh in FY2013.

1TNB TRANSFORMATION PROGRAMME

Whilst we have improved our financial and technical performance, we believe that our Company can deliver more to our stakeholders and customers. We have, in fact, set a goal for TNB to be dominant at home and successful in our business ventures abroad. Towards achieving our new 'Domestic Dominance, Regional Champion (DDRC)' aspiration, we have embarked on a 1TNB Transformation Programme which hinges on five Key Result Areas (KRAs), namely:

- KRA 1 – Enhance regulatory engagement
- KRA 2 – Exceed customer expectations
- KRA 3 – Drive operational cost efficiencies
- KRA 4 – Grow profitable new business
- KRA 5 – Transform the organisation

These KRAs were launched in May 2013 and will guide the Company towards achieving higher returns on our asset base by optimising our capital expenditure, reducing our non-fuel operating costs, increasing revenue from non-regulated businesses and improving our Customer Service Index. At the same time, it will ensure that we have the capabilities in-house to deliver on our transformation. These targets are ambitious, but I believe that with the dedicated commitment of all employees in the spirit of 1TNB, we have what it takes to make it happen.

KRA 1 – ENHANCE REGULATORY ENGAGEMENT

The Government is in the midst of reforming the electricity supply industry towards creating a more efficient ecosystem, driving down costs for producers and ultimately benefitting consumers. A revised Electricity Supply Act and various new regulatory policies are part of this reform, including the recently introduced competitive bidding process for new generation capacity and the Incentive-Based Regulation which is still being finalised. TNB is fully supportive of these changes, and we would like to facilitate the process by engaging more actively with the relevant government agencies to ensure that the needs of electric utility players are also taken into account.

PRESIDENT/CEO'S REVIEW

In terms of the IBR, we have already submitted our projected financial parameters such as capital expenditure (CAPEX), operational expenditure (OPEX) and weighted average cost of capital (WACC), as well as our performance indicator targets. I'm pleased to say that upon extensive discussions with the Energy Commission, we have come to an agreement on the different aspects controlled by the IBR which would allow us to operate in a more predictable environment and earn fair returns.

We have also been defending TNB's status as a vertically integrated utility (VIU), as we believe this is critical in giving us the capabilities, size and economies of scale to overcome market volatilities and serve Malaysians at the highest levels of efficiency. Additionally, the consolidation of our three core businesses would lend TNB a stronger competitive edge to take our Malaysian brand into the global space, and contribute to the Government's regional aspiration for GLCs.

KRA 2 – EXCEED CUSTOMER EXPECTATIONS

In line with our transformation programme, TNB has been looking into meaningful ways of enhancing our service delivery. Various initiatives were undertaken during the year to improve our billing format, to allow for mobile applications, to expand our communication channels with customers and to facilitate the payment of bills.

In collaboration with the Malaysian Consumers Associations (FOMCA), we obtained feedback from customers on how to simplify our bills and make them easier to understand. A key input was to make it clear whether the calculations were based on actual or estimated meter readings, which we incorporated in our new design. The redesigned bills were rolled out in a trial run to 573,000 users from 1 January to 30 April 2013 in Petaling Jaya, Subang Jaya and Shah Alam. We engaged UNITEN to study consumers' perception of the new electricity bill design, and continued to improve on the bill layout based on its feedback. Starting from 1 October 2013, all Ordinary Power Customers are receiving our new and improved TNB bill, which can be said to have been co-designed by our customers.

Leveraging on technology, in July 2013 we introduced myTNB, our first mobile application for customers which allows them to check their bill information, status of applications, pay their bills and locate the nearest TNB customer centre. We are also reaching out to our customers and enabling them to communicate with us via SMS, email or our instantaneous response systems on Facebook and Webchat. Given that 48.7% of Malaysians are internet users, this channel of communication has seen greater interactions between TNB and our customers.

In terms of payment, we have been encouraging our customers to use the Payment Kiosks at our Customer Service Centres to pay their bills in order to reduce their waiting time. This service began in FY2012, when we had 10 kiosks. In FY2013, we tripled the number by installing another 20 kiosks, and in the next financial year we will almost double the number again with 37 new kiosks. Customers can use cash, cheques, credit or debit cards to make their payments and can even pay their water and telephone bills at the same time.

Further adding to customer convenience, beginning on 23 May 2013, we are also providing cash payment facilities at Kedai Mesra Petronas outlets. This initiative provides our customers with 790 convenient outlets to make their payments, even after office hours.

KRA 3 – DRIVE OPERATIONAL COST EFFICIENCIES

As highlighted earlier, our three core businesses – Generation, Transmission and Distribution – have achieved operational efficiencies that are on par with some of the best electric utilities in the world. While we are making good progress towards operational excellence, we realise this journey is never-ending, hence we will always look for more and better ways to further drive cost-efficiencies.

Certification with the PAS 55 is one such initiative. While Transmission Division has made history with its certification, our vision is for the entire organisation to be similarly accredited, and the process has begun in both Generation and Distribution. TNB Janamanjung was the first among our plants to have been PAS 55 certified, while in Distribution TNB Melaka has the distinction of becoming the first state to be awarded the prestigious certificate. We are working assiduously towards acquiring this certification because it is more than just a piece of paper; it reflects the highest attention paid to lowering our costs while maintaining or increasing our system reliability.

PRESIDENT/CEO'S REVIEW

KRA 4 – GROW PROFITABLE NEW BUSINESS

A major component of TNB's 20-Year Strategic Plan which we launched in 2005 is further growth of our business, both domestically and internationally, in our core areas of expertise as well as in non-regulated but energy-related areas. Towards this end, a definite highlight of this financial year was the setting up of a new division to oversee the expansion and diversification of TNB's operations, leveraging on our reputation and established brand name. I am pleased to say that this aptly called New Business & Major Projects (NBMP) division has produced results within its first year of functioning.

TNB took part in three bids issued by the Energy Commission (EC) for new power generating projects – Tracks 1, 3A and 3B. On 23 November 2012, we were awarded the project to build, own and operate a 1,071MW Combined Cycle Gas-Fired Power Plant in Prai, Penang under Track 1. In July 2013, we were announced as the preferred bidder for Track 3A comprising the development of a 1,000MW coal-fired power plant at the site of the existing Sultan Azlan Shah Power Station in Manjung, Perak, and was awarded the project in August 2013. Having submitted our bid for Track 3B on 30 October 2013, we have been short-listed for the project along with four consortiums. Track 3B involves a greenfield 2 x 1,000MW Coal-Fired Power Plant.

On the international front, we already have a presence in Indonesia, Brunei, Pakistan, Saudi Arabia, United Arab Emirates and Kuwait, and are targeting further expansion into three hubs, namely Southeast Asia, the Middle East and Africa. We have set up an International Business Department under the NBMP Division to look into the provision of power generation, operations & maintenance (O&M) services as well as the supply of electrical equipment and material to markets within these hubs.

Meanwhile, our subsidiaries have continued to make further inroads in the international space, focusing on our target markets. TNB REMACO secured a seven-year O&M contract for the Shuaiba North Co-Generation Power and Distillation plant in Kuwait worth an estimated RM1 billion in a joint venture with Kharafi National of Kuwait. It also inked a 10-year Long-Term Service Agreement with Turbo Care SpA for gas turbines in Brunei inclusive of overhauls and repairs, valued at RM200 million; and signed a Memorandum of Understanding with Iraqi company Raban Al-Safina to secure an O&M contract for a 1,025MW-capactiy gas turbine plant in Karbala.

TNB Engineering Corporation (TNEC), through a joint venture company with Al Samah Elect & Refrig., undertook the construction of 8,000RT and 14,000RT district cooling system (DCS) plants for the Al-Reef Downtown Development and Building Material City in Abu Dhabi respectively. While expanding its business to include electricity distribution and cogeneration, TNEC is also exploring the DCS market in Southeast Asia. Tenaga Cable Industries and Tenaga Switchgear, meanwhile, are actively looking for opportunities to take their products and services to more foreign markets in line with NBMP's strategy.

We believe our experience as a premier utility company gives us a strategic advantage in sharing our expertise in the non-regulated business both domestically and internationally, and are looking to capitalise on what we believe to be a large untapped market. During the financial year under review, our non-regulated revenue totaled RM2.2 billion, and given the number of ongoing discussions and negotiations, we are confident of the figure increasing over the next couple of years.

KRA 5 – TRANSFORM THE ORGANISATION

While investing in new business opportunities, we are also focusing more intently on building our internal human capabilities. Our people are being sent to our training centre ILSAS, Universiti Tenaga Nasional (UNITEN) and other reputable centres of excellence globally to attend leadership, business and technical programmes. This focus on training is in line with the *Vibrant Workforce, Productivity Revolution* motto launched last year. Under these programmes, we are building capacity via more effective and targeted training and professional development.

In May 2013, we officially launched our Online Training Application Module to enable staff to select training modules that are relevant to their current needs and longer-term career progression. We also continue to conduct classroom training, but are complementing this with greater emphasis on experiential learning. In the year under review, TNB placed numerous employees on job attachments or rotation programmes in selected units, departments and divisions throughout the Company as well as overseas.

Another significant milestone in the year under review was the setting up of a Leadership Development Centre (LDC) to provide learning solutions and intervention to address all levels of leadership, from non-executives all the way to Management. We believe it is critical not only to fill all leadership positions in the Company as we strive to achieve Domestic Dominance and become a Regional Champion, but also to build a ready pipeline of potential leaders for the nation. This not only ensures smooth succession planning but also creates a high level of motivation among our talent pool.

To keep our staff motivated we offer attractive career progression plans. In the past, for example, specialists had limited career paths. To address this, we have introduced flexi-grades for all positions enabling incumbents to be promoted right up to Top Management level. This serves the dual function of increasing the number and level of professionalism of our specialists. At the ground level we are reinforcing all our productivity and capacity-building initiatives by nurturing a culture of trust and unity in the Company. We encourage greater engagement among employees as well as between Management and employees in order to nurture a sense of belonging and to create synergies from a cohesive and cooperative 1TNB. Our wide-ranging efforts were reflected by an employee competency score of 80% and winning the Asia's Best Employer Brand Award from Employer Branding Institute once again in FY2013.

GREENING THE INDUSTRY

In support of the Government's green agenda and to ensure our own sustainability, TNB has been a keen promoter of green energy. We have several ongoing Renewable Energy (RE) projects which include a pilot 10MW biomass plant in Jengka, Pahang based on oil palm waste. I am also pleased to share that TNB has performed remarkably well in the collection of the Feed-in Tariff (FIT) fund for the Government. We have signed a total of 1,792 RE Power Purchase Agreements (REPPAs) with a total capacity of 405MW, and are heartened by the large numbers of RE plants that we have connected to the grid. Going by current numbers, we are hopeful of attaining our nation's target for RE to make up 5.5% of the energy fuel mix by 2015.

Our initiatives to support the transformation of the electricity industry, meanwhile, include efficient demand side management via smart grid technology, which would help to lower maximum peak demand thus reduce the required generation installed capacity. To date, we have commenced a pilot Advanced Metering Infrastructure (AMI) project in Melaka comprising smart meter installation, and hope to integrate our ICT systems with demand response in 2014.

VISION FOR TOMORROW

The next financial year promises to be extremely exciting for TNB, particularly given the expectation of IBR implementation. One of the more salient aspects of the IBR is the Fuel Cost Pass Through (FCPT) mechanism which will insulate TNB from the volatilities of coal and gas prices, thus help us manage our costs more efficiently.

In order to benefit optimally from the IBR, however, we have to maintain a high level of financial and operational performance, as agreed with the regulators. Towards this end, we have set ourselves some challenging targets in our transformation programme, particularly in the five Key Result Areas. If successful, the programme will not only enhance our leadership role in the Malaysian ESI but will increase the TNB brand presence regionally, and eventually further afield.

To drive greater efficiencies and sustainability, we will continue to invest in new technologies in all of our core operations. Our new coal generators are fitted with the latest super-critical boiler technology, whilst our Transmission and Distribution Divisions are implementing the latest components for smart grid operations. For example, the Distribution Automation (DA) that we are installing will enable us to reduce losses, locate faults and restore supply more efficiently. This pilot infrastructure is planned for implementation in Bukit Bintang, Kuala Lumpur and Bayan Lepas, Penang.

As this is written, TNB has just won the prestigious 2013 Platt's Global Energy Awards in Singapore, as the No. 1 Electric Utility in Asia. This is a humbling award in that it recognises, and is a testament of, all the hard work and dedication of our people in propelling this Company to where we are today. My hat goes off to all of our staff in all parts of the world.

We have been through some very challenging years during which growth was restricted by cost constraints beyond our control. With the winds of change taking place today and with our concerted efforts to nurture a vibrant, forward-looking corporation, we believe a new age is beginning to dawn. This is the age of a *Better and Brighter* TNB.

ACKNOWLEDGEMENTS

Having just completed my first full year at the helm of TNB, I am once again made aware of how blessed the organisation is in terms of having a very dedicated and knowledgeable Board of Directors, which has helped steer the Company through numerous challenges in the recent past, thus strengthening TNB at its very core. I would like to acknowledge my deep appreciation to our Board for their invaluable wisdom which is very much part of the TNB success story.

I have also begun to fully appreciate the wealth of talent and ability that we have among our staff, which we would truly like to develop. It has been wonderful to work more closely with colleagues from different departments, and heartening to see how everyone has embraced the idea of a transformed 1TNB making waves in Malaysia and regionally. On behalf of the TNB Management, I would like to offer our heartfelt gratitude to all *warga* TNB for your commitment to the Company.

I would also like to thank the Government, the Suruhanjaya Tenaga (Energy Commission) and other regulatory bodies for their efforts to transform the energy supply industry and to create greater efficiencies for the ultimate benefit of the various stakeholders. For our part, TNB will continue to support these efforts for the greater good of keeping the lights on.

Finally, to our customers, business partners, shareholders and other stakeholders – thank you for your continued support and trust in TNB. It is my firm belief that if we continue to collaborate and cooperate in a positive manner, we can make this nation *Better and Brighter* for all to live in.

DATUK SERI IR. AZMAN BIN MOHD
President/Chief Executive Officer

KEY HIGHLIGHTS

Unit Demand Growth (Peninsula)
3.8%
4.3% in FY2012

Revenue Growth
3.6%
(Sales of Electricity: Peninsula at 4.4% and SESB at 7.3%)

Operating Expenses Increase
1.8%
1.1% in FY2012 (Restated)

Net Profit Attributable to Owners of the Company
RM4.61 billion
RM4.41 billion in FY2012 (Restated)

EBITDA Margin
28.2%
25.9% in FY2012 (Restated)*

Average Coal Price
USD83.6/mt
USD103.6/mt in FY2012

ROA
4.9%
4.5% in FY2012 (Restated)*

CAPEX
RM8.5 billion
RM7.3 billion in FY2012

* *FY2012 – After adjusting for Fuel Cost Compensation in respective periods*

KEY FINANCIAL HIGHLIGHTS

	Group		Company	
	2012 (restated)	2013	2012 (restated)	2013
PROFITABILITY (RM Million)				
Revenue	35,848.4	**37,130.7**	33,341.0	**34,768.5**
Operating profit	6,680.8	**5,889.2**	6,148.6	**6,016.2**
Profit before taxation and zakat	5,821.1	**5,855.6**	4,713.7	**5,514.1**
Net profit attributable to owners of the Company	4,410.5	**4,614.2**	3,331.1	**4,582.2**
KEY STATEMENT OF FINANCIAL POSITION DATA (RM Million)				
Property, plant and equipment	64,769.9	**73,973.6**	61,271.8	**67,734.2**
Total assets	88,469.1	**99,030.6**	81,848.3	**89,243.2**
Total borrowings	23,071.8	**23,189.6**	11,494.9	**9,833.6**
Total liabilities	53,311.8	**63,639.7**	50,641.9	**57,752.2**
Share capital	5,501.6	**5,643.6**	5,501.6	**5,643.6**
Shareholders' equity	34,897.7	**35,117.3**	31,206.4	**31,491.0**
SHARE INFORMATION				
Per share (sen)				
– Basic earnings	80.71	**82.81**		
– Diluted earnings	80.51	**82.67**		
Dividend:				
Gross	0.38	**–**		
Single-tier – Interim	4.71	**10.00**		
– Final (proposed)	15.00	**15.00**		
Net assets per share attributable to owners of the Company	634.3	**622.2**		
FINANCIAL RATIOS				
Return on assets (%)*	4.5	**4.9**		
EBITDA margin (%)*	25.9	**28.2**		
Debt-equity (net of cash) ratio	0.41	**0.39**		

* *FY2012 – After adjusting for Fuel Cost Compensation in respective periods*

FIVE-YEAR GROUP FINANCIAL SUMMARY

Year Ended 31 August	2009	2010	2011 (restated)	2012 (restated)	2013
			Group		
OPERATING RESULTS (RM MILLION)*					
Revenue	28,801.3	30,317.4	32,241.2	35,848.4	**37,130.7**
Operating Profit	3,714.6	4,180.0	1,816.8	6,680.8	**5,889.2**
Profit before taxation and zakat	1,558.8	4,019.4	1,156.7	5,821.1	**5,855.6**
Net profit attributable to owners of the Company	930.5	3,200.8	965.4	4,410.5	**4,614.2**
KEY BALANCE SHEET DATA (RM MILLION)**					
Property, plant and equipment	59,080.6	58,895.3	61,861.4	64,769.9	**73,973.6**
Total assets	73,165.2	78,662.4	79,064.3	88,469.1	**99,030.6**
Total borrowings	22,616.0	21,095.6	19,054.1	23,071.8	**23,189.6**
Total liabilities	45,752.0	46,709.5	48,286.4	53,311.8	**63,639.7**
Share capital	4,337.0	4,352.7	5,456.6	5,501.6	**5,643.6**
Shareholders' equity	27,373.0	31,761.7	30,547.3	34,897.7	**35,117.3**
SHARE INFORMATION					
Per share (sen)					
Basic earnings	21.47	58.92	17.71	80.71	**82.81**
Diluted earnings	21.44	58.71	17.67	80.51	**82.67**
Gross dividend	17.77	26.00	4.50	20.09	**25.00**
Net Assets	631.20	729.70	559.80	634.30	**622.20**
Share price as @ 31 August (RM)	8.02	8.86	5.25	6.84	**8.73**
FINANCIAL RATIOS***					
Return on assets (%)***	3.9	4.7	4.1	4.5	**4.9**
Return on shareholders' equity (%)***	10.5	11.4	10.1	11.4	**13.4**
Gearing (%)	45.2	41.3	38.2	39.6	**39.6**
EBITDA margin (%)***	25.3	26.8	23.3	25.9	**28.2**
Effective weighted average cost of funds (%)	5.3	5.3	5.1	4.9	**4.8**
Interest coverage (%)***	6.5	7.6	8.5	11.3	**11.2**
Currency mix (RM:Foreign)	51:49	54:46	56:44	65:35	**72:28**
Debt-equity (net of cash) ratio	0.60	0.43	0.47	0.41	**0.39**

* *Amounts for periods prior to FY2012 have not been restated for the Amendments to MFRS 119, early adopted during the financial year*

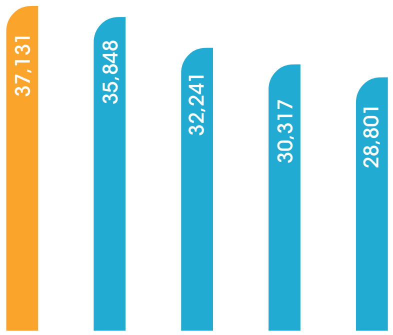
** *Balances prior to 1 September 2011 have not been restated for the Amendments to MFRS 119, early adopted during the financial year*

*** *FY2011 and FY2012 – after adjusting for Fuel Cost Compensation in respective periods*

FIVE-YEAR GROUP GROWTH SUMMARY

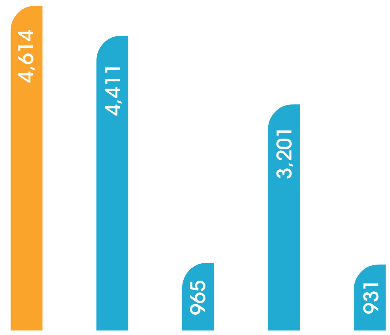
Revenue (RM Million)

FY2013 2012 (restated) 2011 (restated) 2010 (restated) 2009



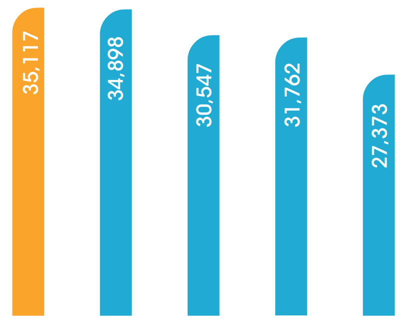
Net Profit Attributable to Owners of the Company (RM Million)

FY2013 2012 (restated) 2011 (restated) 2010 (restated) 2009



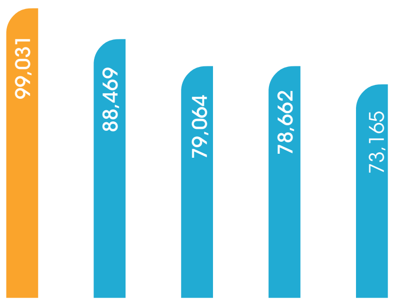
Shareholder's Equity (RM Million)

FY2013 2012 (restated) 2011 (restated) 2010 (restated) 2009



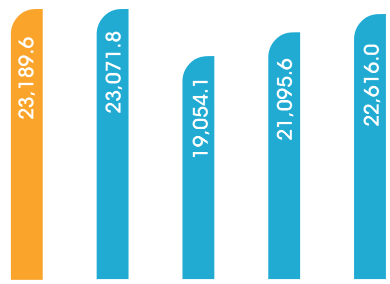
Total Assets (RM Million)

FY2013 2012 (restated) 2011 (restated) 2010 (restated) 2009



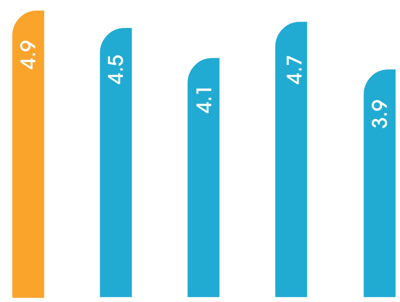
Total Borrowings (RM Million)

FY2013 2012 (restated) 2011 (restated) 2010 (restated) 2009



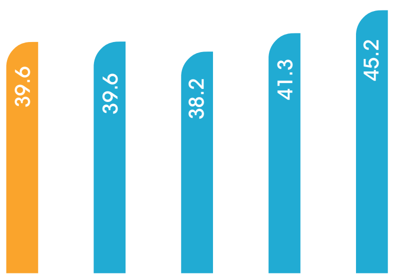
Return on Assets* (%)

FY2013 2012 (restated) 2011 (restated) 2010 (restated) 2009



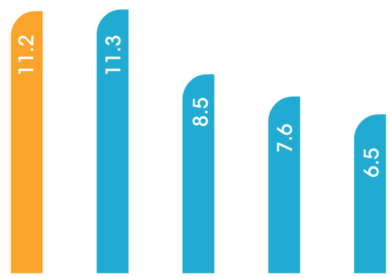
Gearing (%)

FY2013 2012 (restated) 2011 (restated) 2010 (restated) 2009



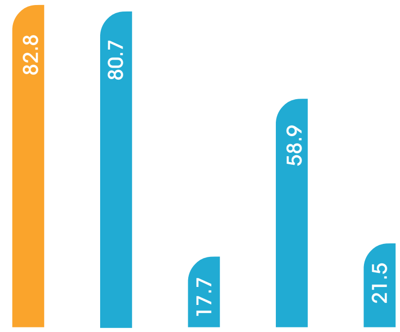
Interest Coverage* (%)

FY2013 2012 (restated) 2011 (restated) 2010 (restated) 2009



Basic EPS (Sen)

FY2013 2012 2011 2010 2009



* *FY2011 and FY2012 – after adjusting for Fuel Cost Compensation in respective periods*

POWER AMPLIFIED

A commitment to hard work and high standards has certainly helped us build a strong and stable business over the years. Yet above and beyond that, we believe building human capital to be the real key to success. Hence, to keep our competitive edge ever keen, we invest more than RM100 million annually on staff training programmes.

ABOUT US

TENAGA NASIONAL BERHAD (TNB) IS THE LARGEST ELECTRICITY UTILITY IN MALAYSIA WITH ALMOST RM99 BILLION IN ASSETS.

Tenaga Nasional Berhad (TNB) is the largest electricity utility in Malaysia with almost RM99 billion in assets. The Company is listed on the main board of Bursa Malaysia and employs more than 34,900 people (Group) to serve a customer base of approximately 8.4 million in Peninsular Malaysia, Sabah and Labuan. TNB plays an integral role in the national, economic and social prosperity of the country by providing reliable and efficient services.

TNB's core businesses are in the generation, transmission and distribution of electricity. In Peninsular Malaysia, TNB is a major contributor to the total industry capacity through six thermal stations and three major hydroelectric schemes. The company also manages and operates a comprehensive transmission network, the National Grid. Spanning the Peninsular, the grid links TNB power stations and Independent Power Producers (IPPs) to the distribution network. The grid is also interconnected to Thailand's transmission system in the North and Singapore's transmission system in the South. TNB's distribution network is managed through a comprehensive distribution system, customer service centres and call management centres.

Today, TNB is also involved in diversified activities linked to the power industry. Through subsidiaries, the Company is in the manufacture of transformers, high voltage switchgears and cables, the provision of professional consultancy services, architectural, civil, electrical engineering works and services, repair and maintenance, as well as in research and development, property development, and management services.

To ensure the Company's continued service excellence and to support its strategic vision of global leadership, employee competencies are continuously enhanced through structured programmes. In advancing human capital, Universiti Tenaga Nasional (UNITEN) has been established to produce well-rounded competent individuals in various fields.

As a responsible corporate citizen, TNB also places great emphasis on its engagement with the community to ensure society gains and benefits from our efforts. A major part of the Company's corporate responsibility are in education, sponsorships and contributions, for the under privileged, as well as development of sports and arts in the country.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Leo Moggie
(Chairman)
(Non-Independent Non-Executive Director)

Datuk Seri Ir. Azman bin Mohd
(President/Chief Executive Officer)
(Non-Independent Executive Director)

Datuk Nozirah binti Bahari
(Non-Independent Non-Executive Director)

Dato' Mohammad Zainal bin Shaari
(Non-Independent Non-Executive Director)

Dato' Zainal Abidin bin Putih
(Senior Independent Non-Executive Director)

Tan Sri Dato' Hari Narayanan a/l Govindasamy
(Independent Non-Executive Director)

Dato' Fuad bin Jaafar
(Independent Non-Executive Director)

Tan Sri Dato' Seri Siti Norma binti Yaakob
(Independent Non-Executive Director)

Dato' Abd Manaf bin Hashim
(Independent Non-Executive Director)

Datuk Chung Hon Cheong
(Independent Non-Executive Director)

Suria binti Ab Rahman
(Alternate Director to Dato' Mohammad Zainal bin Shaari)
(Non-Independent Non-Executive Director)

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Zainal Abidin bin Putih
Email: cosec@tnb.com.my

COMPANY SECRETARY

Norazni binti Mohd Isa (LS 0009635)

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd. (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Telephone : 603-7841 8000
Facsimile : 603-7841 8151

PRINCIPAL BANKERS

Malayan Banking Berhad
Level 1, Tower A
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Malaysia

CIMB Bank Berhad
No. 21 & 23, Lorong Ara Kiri 1
Lucky Garden, Bangsar
59100 Kuala Lumpur
Malaysia

Bank Islam Malaysia Berhad
KL Sentral Branch
Ground Floor, No. CS/3B/G
Block 3B, Plaza Sentral
KL Sentral
50474 Kuala Lumpur
Malaysia

EXTERNAL AUDITORS

Messrs PricewaterhouseCoopers
(AF: 1146)
Level 10, 1 Sentral, Jalan Travers
KL Sentral, P.O. Box 10192
50706 Kuala Lumpur
Malaysia
Telephone : 603-2173 1188
Facsimile : 603-2173 1288

INVESTOR RELATIONS

Investor Relations Department
Tingkat 4, Ibu Pejabat Tenaga Nasional Berhad
No. 129, Jalan Bangsar
59200 Kuala Lumpur
Malaysia
Telephone : 603-2296 6077
Facsimile : 603-2284 0095
Email : tenaga_ird@tnb.com.my

REGISTERED OFFICE AND HEAD OFFICE

Tenaga Nasional Berhad (200866-W)
Pejabat Setiausaha Syarikat
Tingkat 2, Ibu Pejabat Tenaga Nasional Berhad
No. 129, Jalan Bangsar
59200 Kuala Lumpur
Malaysia
Telephone : 603-2296 5566
Facsimile : 603-2283 3686
Website : www.tnb.com.my
TNB CareLine: 15454

One Stop Engagement Centre:
1-300-88-5454

Whistle Blowing Information System:
wbis.tnb.com.my
Toll Free: 1-800-888-862

STOCK EXCHANGE LISTING

Listed on Main Market of
Bursa Malaysia Securities Berhad
since 28 May 1992

RATINGS

Moody's	Baa1
Standard & Poor's	BBB+
Rating Agency Malaysia	AAA
Malaysian Rating Corporation Berhad	
– Corporate Debt Ratings	AAA
– Islamic Debt Ratings	AAA_{ID}

AMERICAN DEPOSITORY RECEIPTS PROGRAMME (ADR)

ADR Level 1

GROUP CORPORATE STRUCTURE

TENAGA NASIONAL BERHAD
(200866-W)

GROUP OF COMPANIES

MALAYSIA TRANSFORMER MANUFACTURING SDN. BHD.
(100%)

TNB PASIR GUDANG ENERGY SDN. BHD.
(100%)

TNB INTEGRATED LEARNING SOLUTION SDN. BHD.
(100%)

TNB VENTURES SDN. BHD.
(100%)

- Tenaga Cable Industries Sdn. Bhd. (76%)
- *Dormant*
  Northern Utility Resources Sdn. Bhd. (20%)
  (Receiver and Manager Appointed)

TNB ENERGY SERVICES SDN. BHD.
(100%)

- Jana Landfill Sdn. Bhd. (20%)

TNB RESEARCH SDN. BHD.
(100%)

- TNBR QATS Sdn. Bhd. (100%)
- Gunung Tenaga Sdn. Bhd. (40%)

UNIVERSITI TENAGA NASIONAL SDN. BHD.
(100%)

- UNITEN R&D Sdn. Bhd. (100%)

ASSOCIATE COMPANIES

- Teknologi Tenaga Perlis Consortium Sdn. Bhd. (20%)
- Integrax Berhad (22.1%)
- GB3 Sdn. Bhd. (20%)
- Jimah Energy Ventures Holdings Sdn. Bhd. (20%)
  - Jimah Energy Ventures Sdn. Bhd. (100%)
- Fibrecomm Network (M) Sdn. Bhd. (49%)
- FTJ Bio Power Sdn. Bhd. (40%)
- *Dormant*
  Perusahaan Otomobil Elektrik (Malaysia) Sdn. Bhd. (20%)

INVESTMENT COMPANIES

- Labuan Reinsurance (L) Ltd. (10%)
- Federal Power Sdn. Bhd. (8.91%)

JOINTLY CONTROLLED ENTITY

- *Dormant*
  Seatrac Sdn. Bhd. (50%)

TRUST FOUNDATIONS

- Yayasan Tenaga Nasional
- Retirement Benefit Trust Fund
- Yayasan Canselor Universiti Tenaga Nasional

TNB MANJUNG FIVE SDN. BHD.
(100%)

- TNB Western Energy Berhad (100%)

POWER AND ENERGY INTERNATIONAL (MAURITIUS) LTD.
(100%)

- Independent Power International Ltd. (100%)
  - Malaysian Shoaiba Consortium Sdn. Bhd. (20%)

TNB JANAMANJUNG SDN. BHD.
(100%)

TNB FUEL SERVICES SDN. BHD.
(100%)

TNB QUANTUM SOLUTIONS SDN. BHD.
(100%)

ORION MISSION SDN. BHD.
(100%)

- Lahad Datu Holdings Sdn. Bhd. (100%)
  - *Dormant* Lahad Datu Energy Sdn. Bhd. (100%)
- Eastern Sabah Power Consortium Sdn. Bhd. (50%)

TNB REPAIR AND MAINTENANCE SDN. BHD.
(100%)

- TNB REMACO Pakistan (Private) Limited (100%)
- TNB Operations & Maintenance International Ltd. (100%)
  - Oasis Parade Sdn. Bhd. (100%)
    - Saudi-Malaysia Operation And Maintenance Services Company Limited (30%)
    - Alimtiaz Operation & Maintenance Company, Ltd (10%)
- *Dormant* Trichy Energy Limited (100%)
- *Dormant* Trichy Power Limited (100%)

TNB ENGINEERING CORPORATION SDN. BHD.
(100%)

- Airport Cooling Energy Supply Sdn. Bhd. (77%)
- Bangsar Energy Systems Sdn. Bhd. (100%)
  - *Dormant* Selesa Energy Systems Sdn. Bhd. (70%)
- TNEC Operations And Maintenance Sdn. Bhd. (100%)
  - Tomest Energy Management Sdn. Bhd. (51%)
- Abraj Cooling LLC (49%)
- *Dormant* TNEC Construction Sdn. Bhd. (100%)

TNB PRAI SDN. BHD.
(100%)

- TNB Northern Energy Berhad (100%)

TNB POWER DAHARKI LTD.
(100%)

- TNB Liberty Power Limited (100%)

TNB CAPITAL (L) LTD.
(100%)

SABAH ELECTRICITY SDN. BHD.
(83%)

KAPAR ENERGY VENTURES SDN. BHD.
(60%)

TENAGA SWITCHGEAR SDN. BHD.
(60%)

- TSG Ormazabal Sdn. Bhd. (60%)

Dormant Companies:

TNB Risk Management Sdn. Bhd. (100%)
TNB Generation Sdn. Bhd. (100%)
TNB Coal International Limited (100%)
- Dynamic Acres Sdn. Bhd. (100%)

TNB Workshop Services Sdn. Bhd. (100%) (Under Liquidation)
TNB Logistics Sdn. Bhd. (100%) (Under Liquidation)

TNB International Sdn. Bhd. (100%)
TNB Hidro Sdn. Bhd. (100%)
TNB Transmission Network Sdn. Bhd. (100%)
TNB Distribution Sdn. Bhd. (100%)
TNB-IT Sdn. Bhd. (100%)
Sepang Power Sdn. Bhd. (70%)
TNB Engineers Sdn. Bhd. (100%)
TNB Metering Services Sdn. Bhd. (100%) (Under Striking Off)

TNB Properties Sdn. Bhd. (100%)
- TNP Construction Sdn. Bhd. (100%)
- KM Metro-TNB Properties Sdn. Bhd. (40%)
- Indera-TNB Properties Sdn. Bhd. (40%)

ORGANISATIONAL STRUCTURE

BOARD OF DIRECTORS

BOARD COMMITTEES

COMPANY SECRETARY

CHIEF INTERNAL AUDITOR

PRESIDENT/CHIEF EXECUTIVE OFFICER

CHIEF STRATEGIC MANAGEMENT & PERFORMANCE

CORE BUSINESS

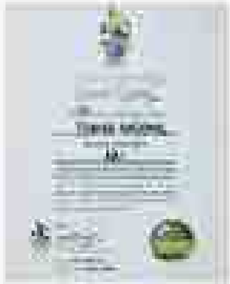
- **Vice President**
  (Generation Division)
- **Vice President**
  (Transmission Division)
- **Vice President**
  (Distribution Division)

NON-CORE BUSINESS

- **Chief Financial Officer/ Vice President**
  (Group Finance Division)
- **Vice President**
  (New Business & Major Projects Division)
- **Vice President**
  (Human Resource Division)
- **Vice President**
  (Planning Division)
- **Chief Corporate Officer**
  (Corporate Affairs & Services Division)
- **Chief Information Officer**
  (Information and Communication Technology Division)
- **Chief Procurement Officer**
  (Procurement Division)

AWARDS & RECOGNITION

BRAND RATING 2012



TNB was listed in Brand Finance plc's Top 10 Malaysian Brands 2012 on 10 September 2012, maintaining its 8th position with an improved rating of AA-, from A.

BEST SENIOR MANAGEMENT IR SUPPORT

TNB was awarded the Best Senior Management in IR Support 2012 among top companies in Southeast Asia on 11 September 2012 based on a poll of investors by investment magazine Alpha Southeast Asia.

ASEAN ENERGY AWARD 2012

TNB Energy Services Sdn Bhd (TNBES) was awarded the Asean Energy Award 2012 in the Off Grid Power Generation category on 12 September 2012 for its solar hybrid system in rural schools in Peninsular Malaysia, and particularly Sekolah Kebangsaan Ladang Mutiara in Kluang, Johor.

BEST EXHIBITION BOOTH

TNB was first runner-up for the Gerai Pameran Terbaik at the International Greentech & Eco-Products (IGEM) Conference and Exhibition 2012 held at the Kuala Lumpur Convention Centre, Kuala Lumpur from 10 to 13 October 2012.

AWARDS & RECOGNITION

ASIAN CEO OF THE YEAR AWARD

TNB President/CEO Datuk Seri Ir Azman Mohd was named the Asian CEO of the Year at the 4th Annual Power & Electricity Awards Dinner held in conjunction with the Power & Electricity World Asia 2013 at the Marina Bay Sands Convention Centre, Singapore on 16 April 2013.

NACRA GOLD FOR BEST DESIGN

TNB received a Gold Award for Best Design at the National Annual Corporate Report Awards (NACRA) 2011 on 1 November 2012.

MINISTER OF HUMAN RESOURCES AWARD

TNB Research Sdn Bhd (TNBR) won the Human Resources Minister Award for Human Resources Development 2012 in the Large Employer, Services Sector category on 27 November 2012. The award recognises employers that have successfully retained and increased the skills of employees, pioneers and trainers in line with business requirements.

BEST PAPER AWARD

Ir Asnawi Mohd Busrah, a researcher at TNB Research Sdn Bhd (TNBR), won the Best Paper Award in the Applied Power Engineering category at the 3rd International Conference on Advancements in Electronics and Power Engineering (ICAEPE'2013) for his paper titled Development of Macro-level Approach to Estimate Technical Losses in Malaysia Distribution Network.

WORLD INVENTOR AWARD

Associate Prof. Dr Hanim Salleh, a researcher at Universiti Tenaga Nasional (UNITEN), won the Invention for Women Order of Merit award in the individual women's category at the World Inventor Award Festival 2012 in Seoul, Korea.

FIRST PAS 55-1:2008 IN SOUTHEAST ASIA

Transmission Division created history when it was named the first division among all electricity utility organisations in Southeast Asia to be PAS 55-1:2008 (Asset Management System) certified. The certification was based on a successful technical evaluation by Lloyd's Register.

JANAMANJUNG PAS 55-1:2008 CERTIFIED

TNB Janamanjung became the first power station in Southeast Asia to receive the PAS 55-1:2008 – Unconditional Certification for its Asset Management System.

INNOVATE MALAYSIA DESIGN COMPETITION 2013

Three final year students from the Electrical & Electronics Engineering Faculty of UNITEN won third place in the Silterra category at the annual Innovate Malaysia Design Competition 2013 held in Penang, for their entry titled Design of High Speed 8-bit Binary Tree Multiplier using MCML Standard Cells.

INPEX 2013

UNITEN researchers created history by winning five gold medals at the Invention & New Product Exposition (INPEX) held in Pittsburgh, US. Organised by InventHelp, INPEX is the biggest exhibition in the US featuring new inventions, products and innovation, and has become a hub of inventors, entrepreneurs and industry leaders from all over the world.

ASIA'S BEST EMPLOYER BRAND AWARDS 2013

TNB was awarded the Asia's Best Employer Brand Award in a ceremony held at the Pan Pacific Hotel Singapore on 31 July 2013.

KEY PAST AWARDS

Frost & Sullivan Malaysia Excellence Awards 2012 – Power Plant Service Provider of The Year In The Energy Category: TNB REMACO

Asia Geospatial Forum 2011 Excellence Award

90th On PLATTS Top 250 Global Energy Companies 2011 List

Distinction – Malaysian Corporate Governance Index 2011

550th position in Forbes Global 2000 Year 2011

Best Energy Sector – Global Leadership Awards 2011

Asia's Best Employer Brand Award 2011

"Anugerah Kecemerlangan Perniagaan Beretika" 2010/2011 – Highest Recognition for Large Companies

Most Admired ASEAN Enterprise in Employment Category 2010

Best CEO Asia – Asia Power & Electricity Awards 2010: TNB President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh

ACCA 2009/2010 (Association of Chartered Certified Accountants) Approved Employer – Professional Development

Best Power Utility Brand – The BrandLaureate Awards 2009-2010

Prime Minister's Award For Industry Excellence 2009: UNITEN

Distinction – The Malaysian Corporate Governance (MCG) Index 2009

Grand Award – MSOSH 2009: Putrajaya Power Station

2009 Invention, Innovation and Technology Exhibition (ITEX 2009)
- UNITEN Won 3 Gold Medals
- Gold Award For The Best Exhibition Booth Design

Double Win by UNITEN at PERODUA Eco-Challenge 2009

2nd Runner Up, Overall – Malaysian Business – Chartered Institute of Management Accountants (CIMA) Enterprise Governance Awards 2009

Silver – Malaysia HR Award 2008-2009

4th Most Outstanding Power Utility Company In Asia – Platts Top 250 Global Energy Companies Rankings 2009

100th On Platts Top 250 Global Energy Company 2008 List

Excellence In Corporate Social Responsibility – The BrandLaureate Awards 2008

Overall Champion – ITEX 2008: UNITEN

Top Three Most Admired ASEAN Companies – Employment Category – ASEAN Business Awards (ABA) 2008

National Level 2008 Workers Day Gathering
- Competitive Employer Award (Large Industry)
- Outstanding Male Employee Award, Executive Group
- Outstanding Male Employee Award – Non-Executive Group

"2008 Corporate Awards – Tier 2, Category 1" by the Institute of Internal Auditors Malaysia (IIA Malaysia)

Malaysia's Best Chief Executive Officer 2008: TNB President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh

Best Practice Award 2007 (Public Listed Company) – NAfMA 2007

Finalist for Platts 2007 Global Energy Awards for Top Power Company of the Year, Ranked 32nd Among Top Energy Companies in Asia and 42nd Among Global Top 250

Winner of the 2007 Corporate Award – Tier 2, Category 1 – Institute of Internal Auditors Malaysia (IIA Malaysia)

Business of the Year Award 2007 – Superior Company Category

Prime Minister's Industry Excellence Award (AKIPM) 2007

Best Training Provider – Minister of Human Resources Award 2007: TNB Integrated Learning Solution Sdn. Bhd. – ILSAS

Asiamoney Awards 2006
- Best Investor Relations, Malaysia
- Second Best for Corporate Governance, Malaysia
- Third Best Asian Investor Relations Company

Best Show Awards – 5th Malaysia ICT ASEAN Communication & Multimedia (ACM) Expo & Forum 2006

Anugerah Harapan Majikan Prihatin – National Labour Day Celebration 2006

Juara Kaunter Perkhidmatan Terbaik – Kedai Tenaga Kangar, Perlis – Malam Anugerah Kualiti Menteri Tenaga, Air & Komunikasi 2006

Outstanding Personality & Power Industry Training Provider Awards: TNB Chairman Tan Sri Leo Moggie and TNB Integrated Learning Solution Sdn Bhd – ILSAS

Gold For CRM Implementation & Gold For Technology Innovation: TNB CareLine

IQC International Quality Crown Award – Gold Category: UNITEN

World's 72nd Largest Electricity Supplier – Plimsoll Top 100 Global Analysis – Electricity Suppliers

4th Best Company in Malaysia – Malaysia 1000

Lifetime Achievement Award – The Contact Centre Association of Malaysia: TNB Chairman, Tan Sri Leo Moggie

Asia's Best Employer Brand & Human Resource Leadership Award – Asia's Best Employer Brand Awards

575th In Forbes Global 2000 Ranking

3rd In Malaysia's Top 50 Most Valuable Brands

South East Asia Growth Strategy Leadership Award For Distribution Transformer Market: TNB Subsidiary, Transformer Manufacturing Sdn. Bhd.

Excellent Employee Award for Executives and Non-Executives – National 2009 Workers Day Gathering

MS ISO 9001 Certification by SIRIM QAS International Sdn. Bhd.

Most Improved Company in Malaysia – Deutsche Bank Study (Reported in The Star, 10 March 2006)

Excellent Laboratory – The Institute of Interlaboratory Studies (IIS): **Transformer Oil Lab, TNB Research (Three Consecutive Years)**

Gold Award for the Best Emerging Contact Centre in a GLC: TNB CareLine 1-5454

Human Resources Minister Award in The Big Employers (Services) Category: Sabah Electricity Sdn. Bhd. (SESB)

4th Best Company in Malaysia – Malaysia 1000

Best Investor Relations in The Singapore Market for a Malaysian Company

Business Leadership Award – Energy Sector – Malaysia Business Leadership Awards 2010: TNB President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh

MEDIA HIGHLIGHTS

Need to remove energy subsidies

WASTEFUL: Malaysians are not energy efficient and prone to abuse the low price of electricity

Hadiah bermakna SK Ladang Mutiara

Anak pendayung kunjungi ibu negara

Memastikan setiap desa terang-benderang

Keep up efficient service

TNB catat untung 2.042 bilion

SOP Tenaga Nasional Berhad dikaji semula

TNB sumbang RM90,000

PM: TNB to power ahead as single entity

IPPs paid based on contractual price

国能签3合约

北赖发电厂释 24.7 亿合约

TNB to invest RM9.7b in next 5 years to boost capacity

Bil tinggi kerana tukar tarif

Warga emas terima rumah baru ehsan TNB

'TNB lights up their lives'

Tenaga blitz Nur Insafi

MRTCorp and TNB ink electricity supply accord

Drive to promote electrical safe

POWERING UP THE ISKANDAR REGION FOR GREATER ECONOMIC GROWTH

Higher fuel costs from 2014 for consumers?

Govt expected to implement FCPT mechanism by next year

Ninth 1TNB kindergarten launched

TNB investing RM10b over 5 years

TNB upbeat on power plant issues in Pakistan


KPTM, UNITEN jalin kerjasama
Pengecualian RM20 dilanjut
Tenaga a stock to watch post-election
RM1b di Kuwait
Bayar bil TNB secara ePay di Petronas
TNB jalin hubungan silaturahim
陳華貴：國能本月付2.5%利息給用戶
電費回扣延至12月
Ceria dapat beraya di rumah baru
国能助24贫户修屋
Ceria dapat beraya di rumah baru
TNB muktamad kontrak di Kuwait
TNB serah sumbangan bernilai RM30,000
Coal power plant still a cheaper alternative for Sabah, says ministry
Making it easier to pay bills
Underwater power cable project on track
Reforms for power sector?
'Fuel-cost mechanism resumption good for TNB'
Bekalan elektrik rentas lautan
TNB anjur kempen elak kemalangan
PRIMA homes for TNB staff
Concerns over new power charge
Fewer electrical accidents in 2012
TNB to boost power output
Move to cushion fuel price hike

CALENDAR OF EVENTS

SEPTEMBER 2012

3 SEPTEMBER 2012

Anniversary with the PM

TNB employees assembled at the Multipurpose Hall of TNB's Sports Complex, Jalan Bangsar to meet Prime Minister Dato' Sri Mohd Najib Bin Tun Abdul Razak in conjunction with the Group's 63rd anniversary.

25 SEPTEMBER 2012

TNB-ST Dialogue

TNB and Suruhanjaya Tenaga officials met for a dialogue session at the Marriot Hotel, Putrajaya.

OCTOBER 2012

9 OCTOBER 2012

New SL1M Programme Launched

TNB launched the Group 3C 1Malaysia Training Scheme (SL1M) at ILSAS at a ceremony officiated by YB Tan Sri Nor Mohamed Yakcop, Minister in the Prime Minister's Department.

10 – 13 OCTOBER 2012

IGEM Exhibition 2012

TNB took part in the International Green Technology & Eco Product (IGEM) Exhibition 2012 held at the Kuala Lumpur Convention Centre.

16 – 18 OCTOBER 2012

IEW 2012 Exhibition

TNB took part in the International Energy Week (IEW) 2012 Exhibition held at the Borneo Convention Centre in Kuching, Sarawak.

24 OCTOBER 2012

Tenaga Switchgear – Widewall Investment (Ormazabal), Signing Ceremony

Wholly-owned subsidiary Tenaga Switchgear signed a Shareholders Agreement (SHA) with Widewall Investment (Ormazabal), Spain for the joint production of the fully insulated switchgear 36kV in Malaysia.

NOVEMBER 2012

3 – 4 NOVEMBER 2012

15th UNITEN Convocation

1,738 students graduated at the 15th UNITEN Convocation, which was held at the main campus in Putrajaya.

10 NOVEMBER 2012

The Rays of Fireflies Carnival

TNB organised The Rays of Fireflies Carnival at the Tourism Centre in Kampung Kuantan to promote the firefly colony and as a means of getting the community to be involved in the carnival.

16 – 18 NOVEMBER 2012

BN Youth Job Fair 2012

TNB took part in the BN Youth Job Fair held at the Putra World Trade Centre, Kuala Lumpur.

19 – 21 NOVEMBER 2012

TNB-KEPCO Annual Meeting

TNB and the Korea Electric Power Corporation (KEPCO) held their annual meeting at TNB's headquarters to discuss various issues related to the businesses.

27 NOVEMBER 2012

Deepavali Celebration

TNB shared in the joy of Deepavali with its employees at a celebration held at the Multipurpose Hall at Jalan Bangsar, Kuala Lumpur.

DECEMBER 2012

14 DECEMBER 2012

ESA for Mass Rapid Transport

TNB signed an Electricity Supply Agreement (ESA) with Mass Rapid Transit Corporation Sdn Bhd (MRT) for the MRT project.

18 DECEMBER 2012

Annual General Meeting

TNB held its 22nd Annual General Meeting at its Multipurpose Hall on Jalan Bangsar, Kuala Lumpur.

CALENDAR OF EVENTS

JANUARY 2013

15 JANUARY 2013

Annual Assembly

TNB employees gathered at the Multipurpose Hall on Jalan Bangsar, Kuala Lumpur for TNB's annual New Year's assembly.

24 JANUARY 2013

Maulidur Rasul Celebration

TNB employees took part in a procession and assembly in conjunction with the national Maulidur Rasul 1434/2013 Celebrations held at the Putra Mosque in Putrajaya.

FEBRUARY 2013

16 – 17 FEBRUARY 2013

Recognising Loyalty

TNB presented Long Service Awards to 1,241 employees who had served the Company for more than 20, 25, 30 and 35 years at the Multipurpose Hall on Jalan Bangsar, Kuala Lumpur.

18 FEBRUARY 2013

Chinese New Year Celebration

TNB celebrated Chinese New Year with its employees at a celebration held at the Multipurpose Hall at Jalan Bangsar, Kuala Lumpur.

MARCH 2013

6 MARCH 2013

Meeting the PM

TNB employees assembled at the Multipurpose Hall of TNB's Sports of Complex, Jalan Bangsar to meet the Prime Minister of Malaysia.

20 – 23 MARCH 2013

ASEAN Elenex Exhibition

TNB took part in the ASEAN Elenex Exhibition 2013 held at the Kuala Lumpur Convention Centre.

20 – 22 MARCH 2013

OSH Week

TNB organised its Occupational Safety and Health Week which was held at the National Load Dispatch Centre (NLDC) in the grounds of its headquarters.

22 MARCH 2013

Honouring Earth Hour

TNB launched the TNB-World Wildlife Fund (WWF) Malaysia Earth Hour 2013 Awareness Campaign at the Customer Service Centre (PKP) in TNB Kepong.

23 MARCH 2013

Afternoon with the Minister

TNB employees got to spend an afternoon with the Minister of Federal Territories and Urban Wellbeing YB Senator Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin at the Company's headquarters.

25 MARCH 2013

Second Dispensary at Sentral

TNB Chairman Tan Sri Leo Moggie officially opened TNB's second dispensary on Level 7 of the Sentral Two Building.

APRIL 2013

4 APRIL 2013

Education Certificates

TNB presented Education Programme Certificates 2013 to 827 students who had completed various training programmes at the UNITEN Campus in Putrajaya.

22 APRIL 2013

Long-Term Parts between TNB – TNB REMACO – MHI – MITSUI

TNB signed the "Long Term Parts Management (LTPM) and Service Agreements" with REMACO, Mitsubishi Heavy Industries (MHI) and Mitsui Co. Ltd. (MITSUI).

23 APRIL 2013

Payment to Residents

TNB presented cheques amounting to RM4.4 million to the orang asli in Ulu Jelai, Pahang whose homes were affected by the construction of TNB's hydroelectric project.

23 APRIL 2013

New TASKA at Headquarters

YB Senator Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin, Minister of Federal Territories and Urban Wellbeing officially opened TNB's new child care centre at Jalan Pantai Baharu, Kuala Lumpur.

28 APRIL 2013

Janamanjung Fellowship Ride 2013

The annual Janamanjung Fellowship Ride flagged off with 700 cyclists from the Sultan Azlan Shah Power Station in Manjung, Perak.

CALENDAR OF EVENTS

MAY 2013

19 MAY 2013

TNB Thunderbolts wins President's Trophy

In a closely contested finals match between TNB Thunderbolts and UiTM at the National Hockey Stadium Bukit Jalil, TNB Thunderbolts emerged the winner to nab the prestigious President's Trophy.

JUNE 2013

6 JUNE 2013

OSHE Excellence Awards

TNB presented its 2012 Occupational Safety, Health and Environment Excellence Awards to divisions that scored the highest marks during the Safety Excellence Management Systems (SEMS) Audit at the Marriott Hotel, Putrajaya.

10 JUNE 2013

Visit by Minister

Minister of Energy, Green Technology and Water Datuk Seri Panglima Dr. Maximus Johnity Ongkili paid a working visit to TNB's headquarters.

11 JUNE 2013

Residents Briefing

TNB held a briefing session for residents of the Pantos Orang Asli Remote Area Integrated Village Programme in Kuala Medang, Pahang who are affected by the Tenom Hydroelectric project which will benefit more Malaysians, especially in the state of Pahang.

20 JUNE 2013

Risk Management Forum

TNB held its second Risk Management Forum for the financial year at UNITEN Putrajaya Campus.

22 JUNE 2013

Workers Unite

TNB took part in the National Workers Day Solidarity Assembly 2013 held at the Putra Stadium in Bukit Jalil.

30 JUNE 2013

Recognition to Transmission Division

A ceremony was held to honour Transmission Division for achieving PAS 55-1:2008 (Asset Management System) certification.

JULY 2013

22 JULY 2013

Breaking of Fast

TNB held a breaking of fast with corporate guests at the Balai Islam grounds at its headquarters.

24 JULY 2013

New Disciplinary Procedures

TNB President/Chief Executive Officer Datuk Seri Ir Azman Mohd launched the sixth edition of the Company's Disciplinary Procedures at an event in ILSAS, attended by top management, heads of department and key leaders of TNB's unions and associations.

26 JULY 2013

1Malaysia Around the World

Captain James Anthony, the 21-year old national hero who flew around the world solo, shared his experiences with TNB employees at a session held at the headquarters.

AUGUST 2013

19 AUGUST 2013

Aidilfitri with Employees

TNB celebrated Aidilfitri with its employees at the Multipurpose Hall at the Kuala Lumpur headquarters.

20 AUGUST 2013

Aidilfitri Celebration

TNB held an Aidilfitri celebration for corporate guests at the Multipurpose Hall of TNB's Sports Complex, Jalan Bangsar.

27 AUGUST 2013

Celebrating PAS 55 Certification

TNB celebrated Janamanjung's British Standard Institution (BSI) PAS 55-1:2008 certification at an event held at Impiana Hotel in Ipoh.

31 AUGUST 2013

Merdeka March

A contingent from TNB took part in the procession held in conjunction with the 56th Merdeka Day Celebrations at Kuala Lumpur's Merdeka Square.

MILESTONES FROM 1949

FROM 1949 TO 1964

1 September 1949

The Central Electricity Board of the Federation of Malaya was formed, and became the controlling authority for electrical installation in the country, with W.D.Godsall as the first Chairman (1949-1952) and Frank P. Egerton as the first General Manager (1949-1953).

1953

Frank P. Egerton was succeeded by J Sharples as General Manager of the Central Electricity Board (1953-1964).

1957

The Central Electricity Board (CEB) took over the Huttenbachs installations in Province Wellesley (Seberang Perai), Penang. In March 1964, the Board took over all remaining Huttenbachs installations in the Peninsular.

1959

Work commenced on the development of the Cameron Highlands hydroelectric power plant, a landmark in the history of hydroelectric technology in the country and region.

1960

Dato' Kurnia Jasa Haji Osman Taib became the first Malayan Chairman of the Central Electricity Board (1960-1970).

1963

A Grid Control Centre was set up in 1963 at the Connaught Bridge Power Station. Its main responsibility was to co-ordinate generation and control of the grid network of 66kV to 132kV.

1964

Raja Tan Sri Zainal Raja Sulaiman succeeded J.Sharples to become the first Malaysian General Manager of CEB (1964-1974).

1964

Maimunah Suleiman joined NEB as its first woman engineer. She was also the first woman engineer in the country. She went on to become the Company's first female General Manager.

FROM 1965 TO 1980

22 June 1965

CEB was renamed "Lembaga Letrik Negara (LLN)" Tanah Melayu (National Electricity Board or NEB) of the States of Malaya.

1966

NEB commissioned the first computer system in the country – an IBM 1440 mainframe with 8000KB memory – envisioned as the bedrock of the nerve centre of the Company's new HQ in Jalan Bangsar, Kuala Lumpur.

26 March 1966

The first Prime Minister, Tunku Abdul Rahman Putra Al-Haj, officially opened the NEB Headquarters.

1968

Malaysianisation of the NEB was completed with more than 80 expatriate officers in key positions replaced by qualified Malaysians within a decade.

1974

Tan Sri Dato' Abu Zarim Haji Omar became General Manager of NEB (1974-1984).

1976

The Board, under the leadership of Tan Sri Dato' Abu Zarim Haji Omar, set up a training institute in 1976 known as the Institut Latihan Sultan Ahmad Shah (ILSAS).

First Grid connection was made from the West Coast to the East Coast, supplying Kuantan and Pekan.

NEB took over the installations of the Penang City Council at a cost of some $22 million. During the same year, the Central Government gained control of the Perak River Hydroelectric Power (PRHEP) company and its subsidiary, the Kinta Electrical Distribution Company. In 1978, the PRHEP system was integrated with that of the NEB.

2 June 1979

The National Load Despatch Centre (NLDC) was officially opened by Prime Minister Tun Hussein Onn. It was established in 1978.

1980

Construction begins on the 150m-high Kenyir dam, the largest hydroelectric scheme in the Peninsular and on the East Coast then. During construction, the Company was involved in Operation Jumbo to relocate a herd of elephants trapped by rising waters on the man-made islands in the lake. The dam was completed in December 1985.

FROM 1981 TO 1995

1981

First Grid connection (132kV) to Hadyai, Thailand from Bukit Keteri, Kedah.

July 1982

NEB, under the aegis of ASEAN, signed bilateral agreements with the Electricity Generating Authority of Thailand (EGAT) and the Public Utilities Board (PUB) of Singapore, paving the way for systematic and integrated connections between NEB's system and those of its two neighbours.

1984

Tan Sri Mohd Jalaluddin Zainuddin succeeded Tan Sri Abu Zarim Haji Omar as Deputy Chairman and General Manager of NEB (1984-1989).

November 1984

Paka Power Station, one of the first combined cycle plants in the world, began receiving natural gas from Petronas.

1985

First undersea cable connection (230kV) to Singapore.

1989

Datuk Haji Ibak Abu Hussein succeeded Tan Sri Jalaluddin Zainuddin as Deputy Chairman/ General Manager (1989-1990).

1 September 1990

NEB was corporatised and changed its name to Tenaga Nasional Berhad (TNB). Tan Sri Ani Arope was appointed Chairman (1990-1992).

28 May 1992

TNB's shares made a successful debut on the KLSE at RM8.00, a solid premium of RM3.50 above its minimum issue price of RM4.50.

1 September 1992

Tan Sri Ani Arope was appointed Executive Chairman of TNB (1992-1996).

29 September 1992

Nationwide power blackout in Peninsular Malaysia. It resulted in a 'fast track' plant up programme through the installation of additional gas turbines at various existing plants.

1993

TNB Research was established as a department in TNB, and evolved into a subsidiary. In 1997, TNBR was approved as an R&D status company by MIDA.

19 January 1993

Minister of Energy, Telecommunications and Posts Dato' Seri Samy Vellu announced the formation of a Crisis Management Team headed by Executive Chairman Tan Sri Ani Arope to resolve the energy crisis.

31 March 1993

TNB signed a 21-year Electricity Power Purchase Agreement (PPA) with Independent Power Producer (IPP), Yeoh Tiong Lay Corporation Bhd., (YTL). This was the first PPA ever signed by TNB with an IPP.

6 July 1993

The Tenaga Nasional Foundation was launched at ILSAS.

1994

Establishment of Institut Kejuruteraan Teknologi Tenaga Nasional (IKATAN).

1995

TNB's monopoly in electricity generation ended with the establishment of five IPPs which supplied 30.99% of electricity supply to the National Grid. The five were YTL Power Generation Sdn. Bhd., Segari Energy Ventures Sdn. Bhd., Port Dickson Power Bhd., Powertek Bhd. and Genting Sanyen Power Sdn. Bhd.

1 September 1995

Tenaga Nasional Repair and Maintenance Sdn. Bhd. (REMACO) was incorporated to provide cost-effective maintenance services for TNB's power plants.

November 1995

The first of its kind wind turbine generator hybrid system was installed and constructed in Pulau Layang-Layang, Sabah by TNB Research Sdn. Bhd.

FROM 1996 TO 2002

1996

TNB became the first non-American and the first Asian to issue the Yankee Century bonds in New York. A tranche of USD150 million bond with an interest rate of 7.5% per year was issued and was well received by investors.

March 1996

Putrajaya Power Station *(formerly known as Serdang Power Station)* became the first power plant in Malaysia to be awarded MS ISO 9000 certification. Subsequently, all other TNB power stations were accredited with the standard.

3 August 1996

Nationwide blackout lasting between two to 20 hours. It led to the implementation of an islandisation programme and strengthening of the National Grid with a 500kV network which would function as the new backbone of the distribution grid.

1 September 1996

Tan Sri Datuk Dr Ahmad Tajuddin Ali was appointed Executive Chairman of TNB (1996-2000).

19 December 1996

Education Minister Dato' Seri Najib Tun Razak handed over a Letter of Offer to TNB's Executive Chairman for the establishment of Universiti Tenaga Nasional (UNITEN).

1 September 1997

Two wholly-owned subsidiaries were established – TNB Generation Sdn. Bhd. and TNB Engineers Sdn. Bhd.

26 August 1998

TNB, through its wholly-owned subsidiary Sabah Electricity Sdn. Bhd. (SESB), entered into a privatisation agreement with the Government of Malaysia and Sabah Electricity Board (SEB) to take over SEB's electricity business operations in the state and the Federal Territory of Labuan.

1998

Tenaga Nasional Ventures Sdn. Bhd., TNB Metering Services Sdn. Bhd., TNB Workshop Services Sdn. Bhd. and TNB Fuel Services Sdn. Bhd. were operationalised.

1 September 1999

TNB celebrated its 50th anniversary.

Two subsidiaries were spawned on 1 September 1999. Tenaga's transmission and distribution divisions were hived off as part of the group's restructuring efforts to focus on core activities and supporting services.

February 2000

New Vision, Mission and Shared Values.

1 September 2000

Dato' Dr Jamaludin Jarjis was appointed as Chairman of TNB (2000–2002).

November 2000

Dato' Fuad Jaafar was appointed as President/Chief Executive Officer of TNB (2000-2001).

10 September 2001

Commencement of the Liberty Power Limited (LPL) operations in Pakistan, involved in the generation and sale of electricity to the Water and Power Development Authority (WAPDA) of Pakistan. LPL operates a 235MW combined-cycle natural gas power plant.

November 2001

Dato' Pian Sukro was appointed as President/Chief Executive Officer of TNB (2001-2004).

August 2002

TNB declared that it intended to become the best corporation in Malaysia by a self-imposed deadline of August 2007. The Company aimed to do this via focusing on the T7 Strategy for transformation and the inculcation of an effective goal-oriented culture underpinned by its core values of Integrity, Customer Focus, Business Excellence and being Caring.

FROM 2002 TO 2007

18 October 2002

Prime Minister Dato' Seri Dr Mahathir Mohamad officially launched the Liberty Power Plant in Pakistan.

1 December 2002

Datuk Dr Awang Adek Hussein was appointed Chairman of TNB (1 December 2002 – 31 March 2004).

April 2004

The Jana Landfill Small Renewable Energy Programme (SREP) developed by TNB-ES commenced commercial operations. It is based on a Renewable Energy (RE) power purchase agreement (REPPA) signed in October 2001.

12 April 2004

Tan Sri Leo Moggie was appointed Chairman of TNB.

1 July 2004

Dato' Sri Che Khalib Mohamad Noh was appointed President/CEO of TNB.

July 2004

The Kapar Power Station was divested to Kapar Energy Ventures Sdn. Bhd. (KEV). TNB retained a 60 per cent share in KEV.

16 April 2005

Tun Dato' Seri Utama (Dr) Haji Abdul Rahman Haji Abbas, the Yang di-Pertua Negeri Pulau Pinang, was appointed Chancelor of UNITEN.

June 2005

The Saudi-Malaysian consortium (of which TNB was a member) was selected to build, own and operate the Shuaibah Independent Water and Power Project (IWPP) developed by the Shuaibah Water and Electricity Company.

13 June 2005

The new 750MW combined cycle power plant under Phase 1 of the Rehabilitation Project of the Tuanku Jaafar Power Station in Port Dickson, Negeri Sembilan, began commercial operations.

26 September 2005

TNB signed an agreement with the State Government of Selangor on the Kampung Kuantan Firefly Rehabilitation Project in Kuala Selangor.

1 February 2006

TNB Corporate as a whole achieved MS ISO 9000 certification.

24 May 2006

TNB announced its first tariff rebalancing exercise in nine years since 1997.

13 June 2006

TNB's CareLine 1-5454 service was launched by the Minister of Energy, Water and Communications Datuk Seri Lim Keng Yaik.

2006

TNB launched its 20-Year Strategic Plan, the first 5-year phase of which revolved around achieving Service Excellence.

30 April 2007

Official opening of the 3x700MW coal-fired Sultan Azlan Power Station in Manjung by the Sultan of Perak.

26 November 2007

Sabah Grid was launched by Tun Datuk Seri Panglima Haji Ahmadshah bin Abdullah, the Yang di-Pertua Negeri Sabah. The East-West grid project in Sabah was completed on 28 July 2007 with the commissioning of the 275kV lines from Kolopis substation to Segaluid substation. With the commissioning of the 246km double circuit lines, the state-wide Sabah Grid was formed, linking the West Coast Grid and the East Coast Grid.

FROM 2007 TO 2010

2007

Malaysia Transformer Manufacturing Sdn. Bhd. (MTM) became a wholly-owned subsidiary of the Tenaga Group following the successful acquisition of 27% of its equity by TNB from ABB.

27 May 2008

TNB received the coveted Prime Minister's Industry Excellence Award for 2007. It also won the Quality Management Excellence Award (Category 4).

21 January 2009

TNB, together with Sarawak Energy Berhad (SEB), announced its proposal to take over the Bakun project. Under the agreement, TNB and SEB would lease the dam from Sarawak Hidro Sdn. Bhd. after its completion, while a special purpose vehicle (SPV) would be set up to develop the cables. All three parties would hold stakes in the SPV, with Sarawak Hidro taking the lead.

January 2009

Maybank and TNB set a milestone in electronic payments in Malaysia with the launch of an innovative Online Bill service for customers who can now view and pay their electricity bills via Maybank2u.com.

April 2009

TNB was ranked the 575th biggest company in the world by Forbes Global 2000.

June 2009

The successful completion of the second phase of the Tuanku Jaafar Power Station Rehabilitation Project (PD2) was officiated by the Minister of Energy, Green Technology and Water, Dato' Sri Peter Chin Fah Kui.

1 September 2009

TNB celebrates its 60th anniversary.

23 October 2009

TNB signed an agreement with the Perusahaan Listrik Negara Indonesia (PLN) on the Sumatera-Peninsular Malaysia Interconnection, which forms part of the ASEAN Power Grid. The project is expected to be completed in 2015.

31 October 2009

TNB received the first official visit by Prime Minister Dato' Sri Mohd Najib bin Tun Haji Abdul Razak in conjunction with its 60th anniversary. The Prime Minister launched the 60th Anniversary of LLN/TNB Commemorative Book.

12 February 2010

TNB's hockey team won the Malaysian Hockey Championship League. Team players Baljit Singh Charun was named the Best Player, S. Kumar the Best Goal Keeper, and Mohd Amin Rahim the Best Scorer. The team also won the Fair Play Team Award.

19 April 2010

TNB President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh launched the Customer First Programme as part of the Company's initiative to upgrade the quality of its service.

7 May 2010

TNB signed a Memorandum of Understanding with Provincial Electricity Authority (PEA) Thailand on a 33kV Electricity Supply System from the Principal Distribution Substation (PPU) at Pengkalan Hulu, Perak, to Betong, Thailand. This would ensure stable electricity supply to Betong and Yala Districts in Thailand.

10 June 2010

TNB Nuclear Power Colloquium 2010 was held as part of initiatives to promote green technology. The colloquium served to create awareness and to expose TNB employees to the need for nuclear power in the country.

FROM 2010 TO 2011

28 June 2010

TNB organised a two-day TNB-KEPCO Joint Workshop Nuclear Preliminary Feasibility Study. During the workshop, an agreement on Consultancy for Site Selection and Evaluation for Nuclear Power Plant in Peninsular Malaysia was signed between TNB Research Sdn. Bhd. and Korea Power Engineering Company Inc (KOPEC).

30 June 2010

The Ministry of Energy, Green Technology and Water organised a Nuclear Power Development Dinner Talk for Members of Parliament in Kuala Lumpur to clarify issues and concerns raised on using nuclear power to generate electricity in Malaysia.

2 December 2010

Dato' Sri Peter Chin Fah Kui, Minister of Energy, Green Technology and Water launched the undersea cable in Pulau Ketam.

8 December 2010

Dato' Sri Peter Chin Fah Kui, Minister of Energy, Green Technology and Water launched TNB's Customer Charter.

1 March 2011

The ground breaking ceremony of the Ulu Jelai Hydroelectric Project in Mukim Ulu Telom, Cameron Highlands was graced by the presence of His Royal Highness the Sultan of Pahang.

31 May 2011

The Energy Commission's new state-of-the-art green headquarters, the Diamond Building (Bangunan Berlian) in Putrajaya, was officially opened in conjunction with the commission's 10th anniversary.

24-26 June 2011

The GLC Open Day 2011 was held for the first time at the Kuala Lumpur Convention Centre, officiated by Prime Minister Dato' Sri Mohd Najib bin Tun Haji Abdul Razak.

7 July 2011

The government-funded SAVE (Sustainability Achieved Via Energy Efficiency) Programme was launched in Putrajaya. The programme offers consumers a rebate of RM200 on the purchase of energy efficient electrical appliances such as refrigerators, air-conditioners and chillers.

26 July 2011

Launch of the Skim Latihan 1Malaysia (SL1M), a graduate employability and outreach programme by Datuk Awang Adek Hussin, Deputy Finance Minister II Malaysia, at the Auditorium Abu Zarim of the TNB Integrated Learning Solution Sdn. Bhd. – ILSAS in Bangi.

26 July 2011

TNB held its Integrity Pledge ceremony held with the Malaysian Anti-Corruption Commission (MACC) at the Multipurpose Hall of the Sports Complex on Jalan Pantai Baru.

6 December 2011

TNB received the Gold Merit, the most prestigious accolade, at National Award for Management Accounting (NAfMA) 2011, in recognition of its impressive accounting practices.

FROM 2011 TO 2012

7 December 2011

TNB was awarded a Distinction by the Malaysian Corporate Governance (MCG) Index 2011 at a ceremony held at the Sime Darby Convention Centre in Kuala Lumpur.

16 February 2012

The company launched its Call Management Centre (CMC), TNB CareLine at Wisma Annex MPE TNB, Petaling Jaya, in the presence of Dato' Sri Peter Chin Fah Kui, Minister of Energy, Green Technology and Water.

12 April 2012

TNB REMACO received the Frost & Sullivan Malaysia 2012 Excellence Award in the Power Plant Service Provider Category.

30 April 2012

TNB celebrated the completion of a river diversion project at the Hulu Terengganu Hydroelectric site in Terengganu.

1 July 2012

TNB officially appoints Datuk Wira Ir. Azman bin Mohd as the new CEO replacing Dato' Sri Che Khalib Mohamad Noh.

10 July 2012

Datuk Wira Ir. Azman bin Mohd held his first gathering as the new President/Chief Executive Officer with the employees at the Multipurpose Hall of TNB's Sports Complex at the headquarters in Kuala Lumpur.

3 September 2012

TNB employees assembled at the Multi-Purpose Hall of the Sports Complex on Jalan Bangsar to meet Prime Minister Dato' Sri Mohd Najib Bin Tun Abdul Razak in conjunction with the Group's 63rd anniversary.

14 December 2012

TNB signed an Electricity Supply Agreement (ESA) with Mass Rapid Transit Corporation Sdn Bhd (MRT) for the MRT project.

CURRENT 2013

6 March 2013

YAB Dato' Sri Najib Tun Razak reaffirmed TNB's status as a vertically integrated utility (VIU).

25 March 2013

TNB Chairman Tan Sri Leo Moggie officially opened TNB's second dispensary on Level 7 of the Sentral Two Building.

23 April 2013

YB Senator Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin, Minister of Federal Territories and Urban Wellbeing officially opened TNB's new child care centre on Jalan Pantai Baharu, Kuala Lumpur.

30 June 2013

A ceremony was held to honour Transmission Division for achieving PAS 55-1:2008 (Asset Management System) certification.

27 August 2013

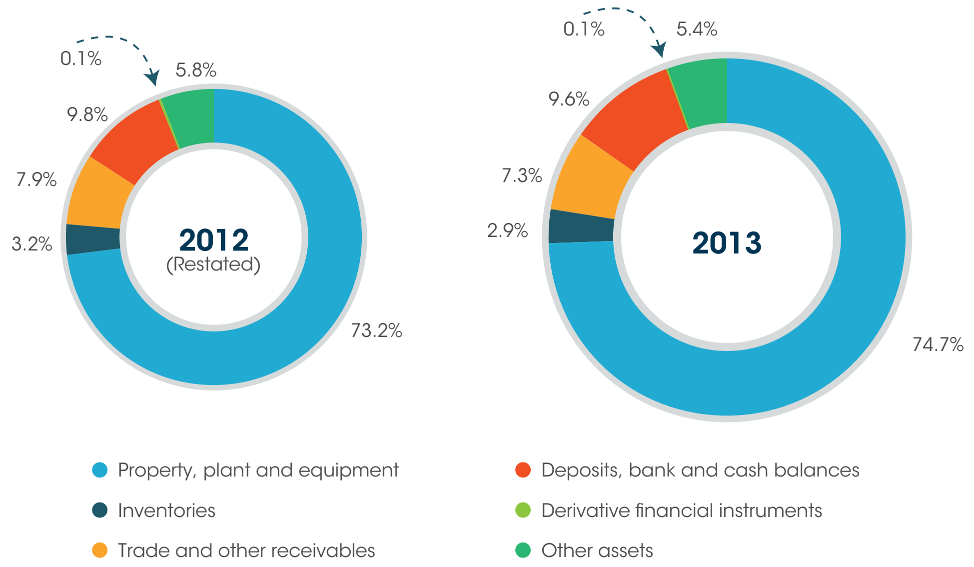
TNB celebrated Janamanjung's British Standard Institution (BSI) PAS 55-1:2008 certification at an event held at the Impiana Hotel in Ipoh.

SPARKS EVERYWHERE

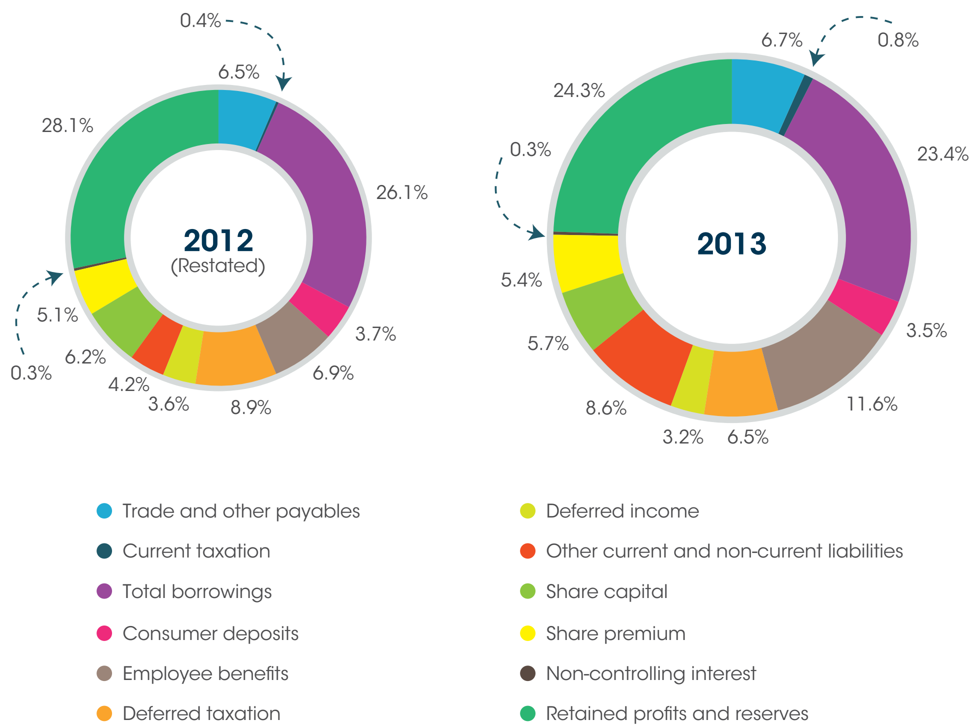
We believe a sound, well-rounded education is the right of every child and hence, have long lent whatever support we can to advance Malaysia's PINTAR programme. Since 2007, we have adopted 40 disadvantaged schools and assisted 10,669 students in their pursuit of academic excellence.

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS
(RM Million)



TOTAL LIABILITIES & EQUITY
(RM Million)



GROUP QUARTERLY FINANCIAL PERFORMANCE

2013

In RM Million	1Q13	2Q13	3Q13	4Q13	2013
Revenue	9,130.8	8,850.2	9,647.5	9,502.2	**37,130.7**
Operating profit	1,757.8	1,332.0	1,851.8	947.6	**5,889.2**
Profit before taxation and zakat	2,002.6	1,605.0	2,042.0	206.0	**5,855.6**
Net profit attributable to owners of the Company	1,415.5	1,272.1	1,707.2	219.4	**4,614.2**
Basic earnings per share (sen)	25.71	23.06	30.83	3.94	**82.81**

2012

In RM Million	1Q12	2Q12	3Q12	4Q12	2012 (Restated)
Revenue	8,694.4	8,628.2	9,191.0	9,334.8	35,848.4
Operating profit	529.5	3,091.5	1,696.3	1,363.5	6,680.8
Profit before taxation and zakat	(13.4)	3,497.8	980.3	1,356.4	5,821.1
Net profit attributable to owners of the Company	(74.1)	2,751.2	672.4	1,061.0	4,410.5
Basic earnings per share (sen)	(1.36)	50.42	12.32	19.42	80.71

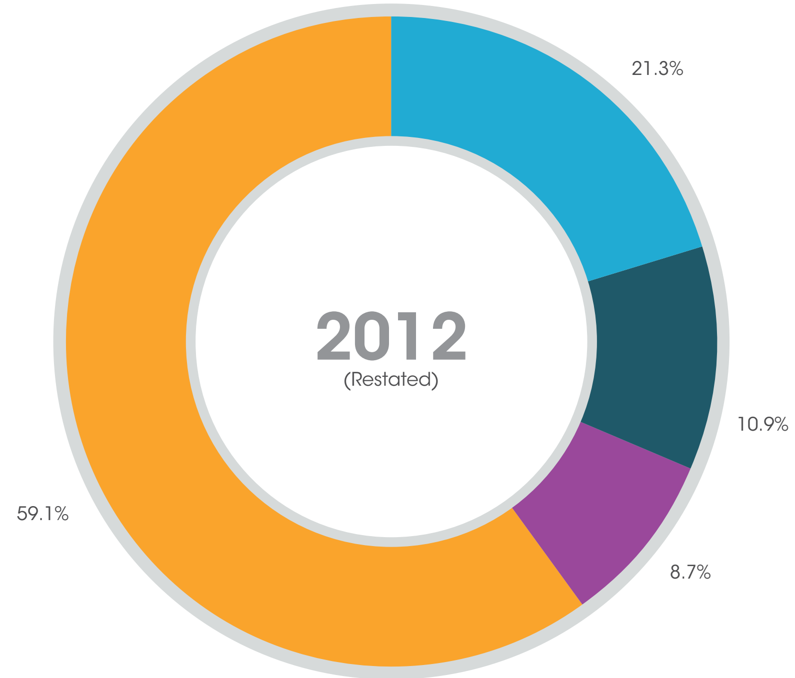
STATEMENT OF VALUE ADDED

Value added is a measure of wealth created by the TNB Group. The statement of value added shows the total wealth created and its distribution to stakeholders, including the Government, with the balance retained in the Group for reinvestment and future expansion of the Group's business.

	2012 (restated) RM Million	2013 RM Million
VALUE ADDED		
Revenue	35,848.4	**35,849.4**
Operating expenses excluding staff costs, depreciation and amortisation	(24,305.70)	**(23,782.1)**
Other operating income	2,140.6	**620.8**
Finance income	188.7	**225.2**
Finance cost	(823.0)	**936.3**
Foreign exchange gain/(loss) on borrowings	(252.2)	**602.7**
Share of results of associates	27.0	**74.9**
Value added available for distribution	12,823.8	**14,527.2**
DISTRIBUTION		
To employees:		
Employment costs	2,734.4	3,510.7
To the Government:		
Taxation and zakat	1,402.0	1,224.9
To shareholders:		
Dividends	1,103.3	560.0
Non-controlling interest	8.6	16.5
To reinvest to the Group:		
Depreciation and amortisation	4,268.1	4,569.5
Retained profits	3,307.4	4,645.6
Total distributed	**12,832.8**	**14,527.2**

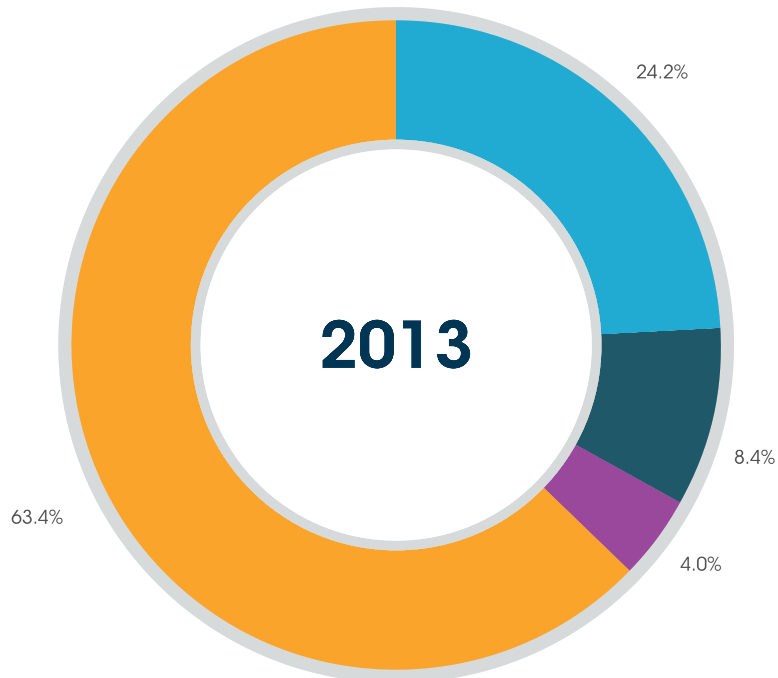
DISTRIBUTION OF VALUE ADDED

- To employees: Employment costs
- To the Government: Taxation and zakat
- To shareholders: Dividends and non-controlling interest
- To reinvest to the Group: Depreciation, amortisation and retained profits



- To employees: Employment costs
- To the Government: Taxation and zakat
- To shareholders: Dividends and non-controlling interest
- To reinvest to the Group: Depreciation, amortisation and retained profits

** Excluding proposed final dividend*

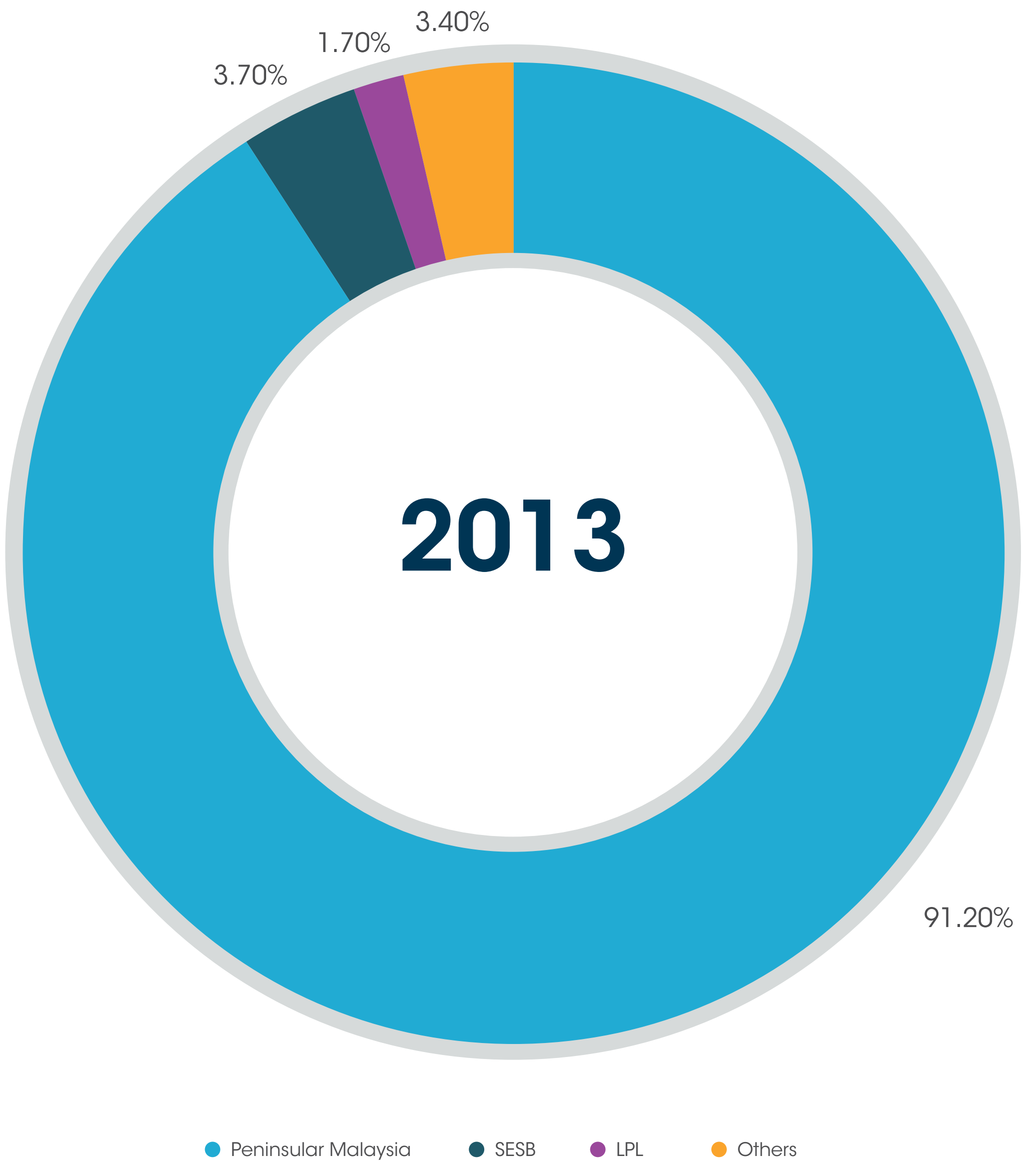


FY2013
CORE REVENUE

FY2013 total

37,130.7

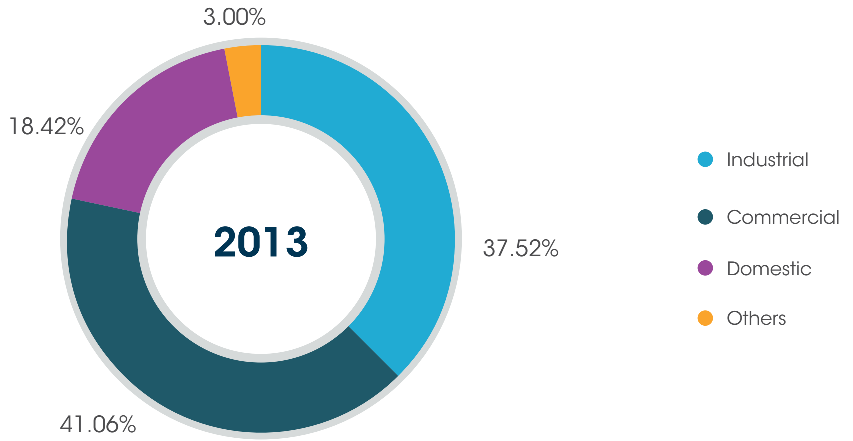
FY2012 (restated) total 35,848.4



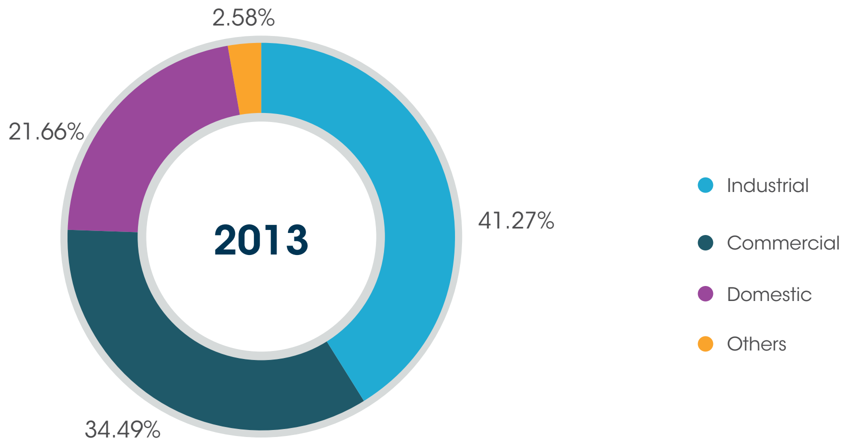
* *Others include EGAT, Accrued Revenue, Goods & Services and Deferred Income*

OPERATIONAL STATISTICS

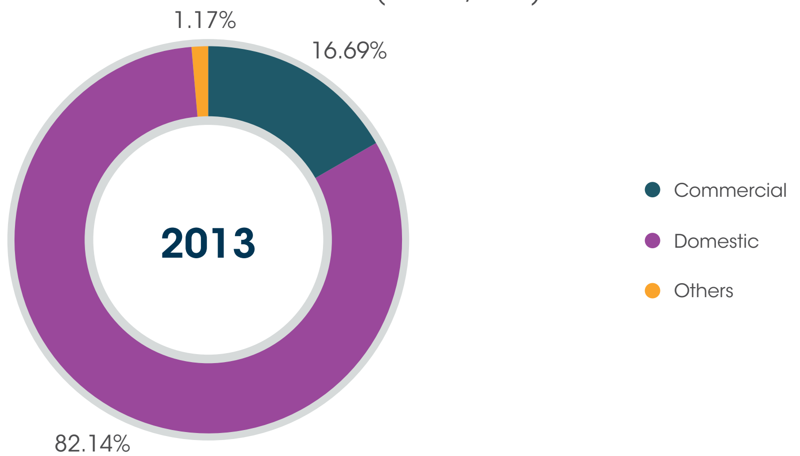
SALES OF ELECTRICITY
(GROUP/RM Million)



SALES OF ELECTRICITY
(GROUP/GWh)



NUMBER OF CUSTOMERS BY CLASSIFICATION
(GROUP/NOC)



GROUP FINANCIAL REVIEW

REVENUE

The financial year (FY) ended 31 August 2013 saw the Group's revenue increase to RM37,130.7 million from RM35,848.4 million in FY2012. This was primarily the result of a 3.8% growth in electricity units sold in Peninsular Malaysia, which in turn was driven by growth in the commercial and residential sectors.

OPERATING EXPENSES

To cater for the rising demand, Operating Expenses increased by 1.8% from the previous year.

Fuel and IPP Costs

Savings in fuel costs was derived mainly from the lower average coal price during FY2013 of USD83.6 per metric tonne (mt) as compared to USD103.6/mt in FY2012, representing a decrease of 19.3% over the 12 months. On the other hand, TNB still incurred additional fuel costs from the burning of fuel oil and distillate to meet rising demand in FY2013.

General Expenses

Significantly for the year under review, TNB's general expenses fell from RM1,705.4 million to RM1,288.0 million, representing a reduction of RM417.4 million or 24.5% from the preceding year.

Depreciation and Amortisation

In line with increased capital expenditure programmes during the year, there was a 7.1% increase in depreciation and amortisation in FY2013, which stood at RM4,569.5 million compared to RM4,268.1 million in 2012.

OPERATING INCOME

The Group's operating income had decreased from RM2140.6 million in FY2012 to RM620.8 million in FY2013. The large increase in 2012 was mainly attributable to the fuel cost compensation totalling RM1.68 billion in relation to the fuel expenses incurred in the prior years.

TAXATION

For FY2013, the Group recorded an effective tax rate of 20.9%, which is lower than the statutory tax rate of 25.0%. This was mainly due to unrealised forex gains and income which are non-taxable.

TOTAL ASSETS

Total assets amounted to RM99,030.6 million as at 31 August 2013, an increase of 11.9% from RM88,469.1 million in the previous financial year.

Property, plant and equipment (PPE)

The Group's PPE including non-current assets held for sale in FY2013 of RM73,973.6 million, increased by 14.2% in comparison to FY2012. This is in line with the higher capital expenditure in FY2013.

Trade and Other Receivables

Trade and other receivables were recorded at RM7,239.0 million, representing an increase of 3.58% compared to FY2012.

Deposits, Cash and Bank Balances

Deposits, cash and bank balances increased from RM8,626.3 million in FY2012 to RM9,531.1 million in FY2013. This includes the Sukuk balance for TNB Prai amounting to RM1.5 billion.

TOTAL LIABILITIES

TNB's total liabilities amounted to RM63,639.7 million as at 31 August 2013, marking an increase of 19.3% from RM53,311.8 million in FY2012.

Long Term Borrowings

The increase in liabilities is attributable to an increase in long term borrowings from RM21,467.6 million in FY2012 to RM22,013.7 million in FY2013. As at 31 August 2013, the effective average cost of borrowings based on final exposure as at 31 August 2013 was 4.77% compared to 4.90% for FY2012.

TOTAL EQUITY

TNB's total equity increased from RM35,157.3 million in FY2012 to RM35,390.9 million in FY2013 mainly contributed by the increase in FY2013 profits.

Earnings per share (EPS)

The basic EPS increased from 80.71 sen per ordinary share in FY2012 to 82.81 sen per ordinary share in FY2013. Accordingly, the return on equity also increased to 13.6% in FY2013 from 11.4% in FY2012.

Dividends

An interim single tier dividend of 10.0 sen per ordinary share for FY2013 was paid on 29 May 2013 totalling RM560.0 million. The Board of Directors has proposed a final single tier dividend of 15.0 sen per ordinary share in respect of the period ending 31 August 2013 subject to shareholders' approval at the upcoming Annual General Meeting.

TAKING CHARGE

More than a trendy buzzword, eco-friendliness is a long-term commitment to help secure a sustainable future for Mother Earth. With that in mind, we've made meaningful investments to conserve the largest firefly colony in Southeast Asia at Kampung Kuantan, Kuala Selangor as well as support the livelihoods of the local villagers.

BOARD OF DIRECTORS

From left:

Datuk Chung Hon Cheong, Dato' Mohammad Zainal bin Shaari, Tan Sri Dato' Seri Siti Norma binti Yaakob, Dato' Fuad bin Jaafar, Tan Sri Dato' Hari Narayanan a/l Govindasamy, Tan Sri Leo Moggie

From left:

Datuk Seri Ir. Azman bin Mohd, Dato' Zainal Abidin bin Putih, Datuk Nozirah binti Bahari, Dato' Abd Manaf bin Hashim, Suria binti Ab Rahman (Alternate Director to Dato' Mohammad Zainal bin Shaari), Norazni binti Mohd Isa (Company Secretary)

PROFILE OF DIRECTORS

TAN SRI LEO MOGGIE

Aged 72, Malaysian
Non-Independent Non-Executive Chairman

Date Appointed to the Board: 12 April 2004
Years of Directorship: 9 years
Number of board meetings attended in the Financial Year: 16/17

QUALIFICATIONS:

- Master of Arts in History, University of Otago, New Zealand
- Master of Business Administration, Pennsylvania State University, USA

SKILLS, EXPERIENCE AND EXPERTISE:

Tan Sri Leo Moggie is a prominent and well respected figure in the utility industry in Malaysia. Prior to the appointment as Chairman of Tenaga Nasional Berhad, he has had a remarkable career with the Government of Malaysia where he held several senior ministerial positions at both Federal and State level for more than 38 years since 1976. His positions included as Minister of Energy, Communications and Multimedia (1998 – 2004), Minister of Works (1989 – 1995), Minister of Energy, Telecommunications and Posts (1978 – 1989 and 1995 – 1998), Minister of Local Government (1977 – 1978) and Minister of Welfare Services (1976 – 1977) in the State Government of Sarawak. He was also elected as Member of Sarawak State Council (1974 – 1978) and a Member of Parliament (1974 – 2004).

COMMITTEE MEMBERSHIP:

Chairman of the Board Finance and Investment Committee

CURRENT DIRECTORSHIPS:

- ACE Jerneh Insurance Berhad
- TNB Group of Companies

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None

DATUK SERI IR. AZMAN BIN MOHD

Aged 56, Malaysian
President/Chief Executive Officer
Non-Independent Executive Director

Date Appointed to the Board: 15 April 2010
Years of Directorship: 3 years
Number of board meetings attended in the Financial Year: 17/17

QUALIFICATIONS:

- Master of Business Administration, University of Malaya
- Bachelor of Engineering (Electrical Engineering), University of Liverpool, United Kingdom

SKILLS, EXPERIENCE AND EXPERTISE:

Datuk Seri Ir. Azman was appointed as President/Chief Executive Officer of Tenaga Nasional Berhad on 1 July 2012. He has served the Company in various technical and engineering capacities within the Distribution Division, one (1) of the Company's core business division since 1979 including as Assistant District Engineer, District Manager, Area Manager, Assistant General Manager, General Manager and Senior General Manager. Prior to this appointment, he was the Executive Director/Chief Operating Officer of TNB from 15 April 2010 until 30 June 2012, after served as Vice President, Distribution from 14 November 2008 until 14 April 2010.

COMMITTEE MEMBERSHIP:

Attends Board Committee Meetings

CURRENT DIRECTORSHIP:

- TNB Group of Companies

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None

PROFILE OF DIRECTORS

DATUK NOZIRAH BINTI BAHARI

Aged 58, Malaysian
Non-Independent Non-Executive Director

Date Appointed to the Board: 28 June 2011
Years of Directorship: 2 years
Number of board meetings attended in the Financial Year: 13/17

QUALIFICATIONS:

- Bachelor of Social Science (Hons.) (Urban Studies), University of Science, Malaysia
- Diploma in Public Administration, Institute of Public Administration (INTAN)
- Harvard Business School

SKILLS, EXPERIENCE AND EXPERTISE:

Datuk Nozirah began her career in the Malaysian Civil Service in 1981 as Assistant Secretary, Finance Division in the Ministry of Finance before being appointed to her current position as Deputy Secretary General (Management). Among other key positions she has held in the Ministry of Finance prior to her current position were Deputy Under Secretary, Procurement and Supplies Division (2002 – 2004), Deputy Under Secretary, Loan Management (2005 – 2007) and Under Secretary, Loan Management, Financial Market and Actuary Division (2007 – 2011) and Director of Budget Management Division (21 March – 20 May 2011).

COMMITTEE MEMBERSHIPS:

- Chairman of the Board Tender Committee
- Member of the Board Risk Committee

CURRENT DIRECTORSHIPS:

- Bank Pembangunan Malaysia Berhad
- Proton Holdings Berhad
- Felda Global Ventures Holdings Berhad

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None

DATO' ZAINAL ABIDIN BIN PUTIH

Aged 67, Malaysian
Senior Independent Non-Executive Director

Date Appointed to the Board: 1 May 2003
Years of Directorship: 10 years
Number of board meetings attended in the Financial Year: 17/17

QUALIFICATION:

- Chartered Accountant of England and Wales Institute

SKILLS, EXPERIENCE AND EXPERTISE:

Dato' Zainal Abidin possesses extensive experience in public accounting practice and audit. He has been a Partner, Executive Director, Country Managing Partner and Chairman in the firm of Hanafiah Raslan & Mohamad, which merged with Ernst & Young in 2002. Dato' Zainal Abidin was the former Chairman of Malaysian Accounting Standards Board, Mentakab Rubber Company Berhad and Pengurusan Danaharta Nasional Berhad. He was also the former President of Malaysian Institute of Certified Public Accountants, former member of Malaysian Communications and Multimedia Commission and a former Advisor to Messrs Ernst & Young Malaysia. He is currently the Chairman of CIMB Bank Berhad, Dutch Lady Milk Industries Berhad and Land & General Berhad. He also holds directorships in a number of private companies including as Chairman of Mobile Money International Sdn. Bhd. and Touch 'n Go Sdn. Bhd. Dato' Zainal Abidin is also a Trustee of the National Heart Institute Foundation, the Perdana Leadership Foundation and MACPA Educational Trust Fund as well as a member of Perbadanan Putrajaya.

COMMITTEE MEMBERSHIPS:

- Chairman of the Board Audit Committee
- Member of Board Finance and Investment Committee
- Member of Board Risk Committee

CURRENT DIRECTORSHIPS:

- CIMB Group Holdings Berhad
- Petron Malaysia Refining & Marketing Bhd
- Dutch Lady Milk Industries Berhad
- Land & General Berhad
- CIMB Investment Bank Berhad
- CIMB Bank Berhad
- Southeast Asia Special Asset Management Berhad

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None

PROFILE OF DIRECTORS

DATO' MOHAMMAD ZAINAL BIN SHAARI

Aged 50, Malaysian
Non-Independent Non-Executive Director

Date Appointed to the Board: 31 March 2007
Years of Directorship: 6 years
Number of board meetings attended in the Financial Year: 16/17

QUALIFICATIONS:

- Fellow of the Institute of Chartered Accountants in England and Wales
- Fellow of the Association of Chartered Certified Accountants, United Kingdom
- Member of the Malaysian Institute Accountants
- Member of the Malaysian Institute of Certified Public Accountants

SKILLS, EXPERIENCE AND EXPERTISE:

Dato' Mohammad Zainal has served in various capacities in the private sector of which include a public accounting firm in the United Kingdom from 1984 until 1990. He returned to Malaysia and joined PricewaterhouseCoopers from 1990 until 2002. After a total of 12 years in audit, he was with BinaFikir Sdn. Bhd. for a brief period prior to joining Khazanah Nasional Berhad in October 2004 where he was the Executive Director/Chief Operating Officer until February 2013.

COMMITTEE MEMBERSHIPS:

- Member of the Board Tender Committee
- Member of the Board Nomination and Remuneration Committee
- Member of the Board Finance and Investment Committee

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None

TAN SRI DATO' HARI NARAYANAN A/L GOVINDASAMY

Aged 63, Malaysian
Independent Non-Executive Director

Date Appointed to the Board: 1 March 1995
Years of Directorship: 18 years
Number of board meetings attended in the Financial Year: 17/17

QUALIFICATION:

- Bachelor of Electrical and Electronics Engineering, University of Northumbria, England

SKILLS, EXPERIENCE AND EXPERTISE:

Tan Sri Dato' Hari Narayanan is a Registered Professional Engineer with the Board of Engineers, Malaysia. He has vast and extensive experience in the field of electrical and electronics engineering and has held key positions in InchCape Berhad and Tamco Cutler-Hammer Sdn. Bhd. He was the former Chairman of Noblemax Resources Sdn. Bhd. and Deputy Chairman of Emrail Sdn. Bhd.

COMMITTEE MEMBERSHIPS:

- Member of the Board Audit Committee
- Member of the Board Nomination and Remuneration Committee
- Member of the Board Risk Committee

CURRENT DIRECTORSHIPS:

- SP Setia Berhad
- Puncak Niaga Holdings Berhad
- IEV Holdings Ltd.

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None

PROFILE OF DIRECTORS

TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB

Aged 73, Malaysian
Independent Non-Executive Director

Date Appointed to the Board: 12 September 2008
Years of Directorship: 5 years
Number of board meetings attended in the Financial Year: 16/17

QUALIFICATIONS:

- Barrister-at-Law, Gray's Inn, London
- Certificate in Public International Law in Post-Finals Course, Council of Legal Education, London

SKILLS, EXPERIENCE AND EXPERTISE:

Prior to her appointment as Chief Judge of Malaya, Tan Sri Dato' Seri Siti Norma has served various senior positions in the Legal Services of Malaysia including Senior Assistant Registrar of High Court, President of the Sessions Court, Senior Federal Counsel of the Attorney General's Chambers, Deputy Public Trustee and Chief Registrar of the Federal Court. Tan Sri Dato' Seri Siti Norma was appointed as Judge of the High Court of Malaya from 1983 until 1994 before being appointed as Judge of the Court of Appeal, Malaysia from 1994 until 2000. She was made Judge of Federal Court of Malaysia on 1 January 2001 and eventually elevated to Chief Judge of Malaya, a position she held from 8 February 2005 until her retirement on 5 January 2007 after 43 years of exemplary service. Tan Sri Dato' Seri Siti Norma is presently the Chairman of Malaysian Competition Commission.

COMMITTEE MEMBERSHIPS:

- Chairman of the Board Nomination and Remuneration Committee
- Chairman of the Board Disciplinary Committee
- Member of the Board Finance and Investment Committee

CURRENT DIRECTORSHIPS:

- RAM Holdings Berhad
- RAM Rating Services Berhad
- RAM Rating (Lanka) Limited

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None

DATO' FUAD BIN JAAFAR

Aged 69, Malaysian
Independent Non-Executive Director

Date Appointed to the Board: 15 March 2007
Years of Directorship: 6 years
Number of board meetings attended in the Financial Year: 17/17

QUALIFICATION:

- Diploma in Technology, Brighton College of Technology (now Brighton University), United Kingdom

SKILLS, EXPERIENCE AND EXPERTISE:

Dato' Fuad has devoted his entire career with Tenaga Nasional Berhad. He began in 1966 and served for 35 years in various technical and engineering key positions including Assistant Distribution Engineer, Senior District Manager, Construction Engineer, Assistant Senior Construction Engineer, Senior Construction Engineer, Deputy Chief Engineer/Assistant General Manager and Deputy General Manager. Subsequently, Dato' Fuad was appointed as General Manager of Transmission Division in January 1994 and later was made Senior General Manager of Energy Supply. He was appointed as President/Chief Executive Officer on 16 October 2000, a position he held until November 2001, after serving as Chief Operating Officer and Executive Director since September 1997.

COMMITTEE MEMBERSHIPS:

- Member of the Board Tender Committee
- Member of the Board Nomination and Remuneration Committee
- Member of the Board Disciplinary Committee

CURRENT DIRECTORSHIP:

- TNB Group of Companies

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None

PROFILE OF DIRECTORS

DATUK CHUNG HON CHEONG

Aged 52, Malaysian
Independent Non-Executive Director

Date Appointed to the Board: 1 October 2010
Years of Directorship: 3 years
Number of board meetings attended in the Financial Year: 17/17

QUALIFICATION:

- Advanced Computer Programming, CDS Computer Data Services

SKILLS, EXPERIENCE AND EXPERTISE:

Datuk Chung Hon Cheong is the Chief Executive Officer/Executive Director of Rexit Berhad. He began his career in the early 1980s and has over 30 years of professional experience and profound knowledge in information technology (IT) industry. In 2001, he was appointed as Managing Director of E-Resource.com Sdn. Bhd., a company which conducts research and development in RFID applications. He then joined Rexit Solution Sdn. Bhd. in 2003 and later became the Managing Director of Rexit Venture Sdn. Bhd.

COMMITTEE MEMBERSHIPS:

- Chairman of the Board Risk Committee
- Member of the Board Audit Committee
- Member of the Board Finance and Investment Committee

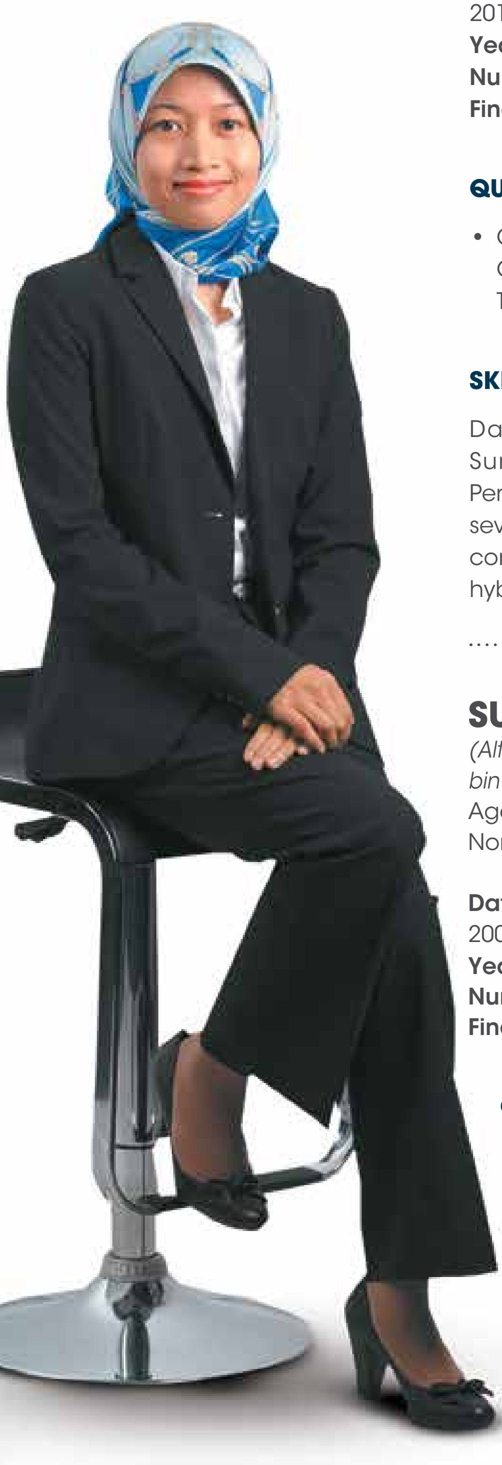
CURRENT DIRECTORSHIPS:

- Rexit Berhad
- Rexit (Labuan) Berhad

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None



DATO' ABD MANAF BIN HASHIM

Aged 57, Malaysian
Independent Non-Executive Director

Date Appointed to the Board: 1 February 2010
Years of Directorship: 3 years
Number of board meetings attended in the Financial Year: 14/17

QUALIFICATION:

- O.N.D. (Engineering), Cambridgeshire College of Arts and Technology H.N.D., Thames Valley University (Slough Campus)

SKILLS, EXPERIENCE AND EXPERTISE:

Dato' Abd Manaf is a member of the Suruhanjaya Perkhidmatan Awam Negeri Perak since 2009 and serves as Chairman in several private companies that involve in the constructions, telecommunications and solar hybrid sectors since 1993. Prior to that, he has held various positions in Shapadu Decloedt Dredging Sdn. Bhd. (1990 – 1992), Industrial Boilers and Allied Equipment (1984 – 1986), Hakasa Sdn. Bhd. (1983 – 1984) and Asie Sdn. Bhd. (1982 – 1983). Dato' Abd Manaf is a member of Perak State Assembly subsequent to the Malaysian General Election 2013.

COMMITTEE MEMBERSHIPS:

- Member of the Board Audit Committee
- Member of the Board Tender Committee
- Member of the Board Disciplinary Committee

CURRENT DIRECTORSHIP:

- Integrax Berhad

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None

SURIA BINTI AB RAHMAN

(Alternate Director to Dato' Mohammad Zainal bin Shaari)
Aged 40, Malaysian
Non-Independent Non-Executive Director

Date Appointed to the Board: 30 November 2009
Years of Directorship: 4 years
Number of board meetings attended in the Financial Year: 1/1

QUALIFICATIONS:

- Master of Business Administration, Judge Business School, University of Cambridge
- Bachelor of Science in Economics (Accounting and Finance), London School of Economics
- Associate of the Institute of Chartered Accountants in England and Wales
- Associate of the Institute of Internal Auditors UK and Ireland
- Member of the Malaysian Institute of Accountants

SKILLS, EXPERIENCE AND EXPERTISE:

Suria is currently a Director in Strategic Human Capital Management of Khazanah Nasional Berhad. She has served the Managing Director's Office as Director from June 2009 until June 2012. She has held various key roles in Khazanah Nasional Berhad which includes Head of Risk Management Unit from February 2006 until May 2009 and Vice President, Risk Management Unit from April 2005 until January 2006. Prior to that, she served KPMG in its London office for nine-and-a-half-years from mid-1996 until 2005.

Family Relationship with Director and/or Major Shareholder of TNB (if any): None

Conflict of interest with TNB (if any): None

Convictions for offences within the past 10 years other than traffic offences (if any): None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GROUP EXECUTIVE COUNCIL COMMITTEE – GECC

The Group Executive Council Committee (GECC) is entrusted with the responsibility to ensure that the Group's operations are aligned with its vision and mission while being implemented within the framework of the strategy and policy approved by the Board of Directors.

GECC is also responsible for monitoring the overall performance of the Group and the other Management Committees, including the appointments of members of the respective Group Management Committees and the promotions of executives within the Group.

The GECC held 13 meetings during the Financial Year ended 31 August 2013.

COMPOSITION:

1. **Datuk Seri Ir. Azman bin Mohd**
   President/Chief Executive Officer
2. **Fazlur Rahman bin Zainuddin**
   Chief Financial Officer/Vice President,
   Group Finance
3. **Dato' Ir. Mohd Nazri bin Shahruddin**
   Vice President,
   New Business & Major Projects
4. **Zainudin bin Ibrahim**
   Vice President, Generation
5. **Datuk Rozimi bin Remeli**
   Vice President, Transmission
6. **Datuk Ir. Baharin bin Din**
   Vice President, Distribution

ENERGY SUPPLY COMMITTEE – ESC

The Energy Supply Committee (ESC) is the highest management forum with the authority to endorse and approve all power system development plans and proposals for TNB in Peninsular Malaysia. ESC also makes decisions on matters related to expediting on-going generation, transmission and primary distribution development projects as well as decision on major operational issues affecting the Company's core business in Peninsular Malaysia.

ESC held six (6) meetings in the Financial Year ended 31 August 2013.

COMPOSITION:

1. **Datuk Seri Ir. Azman bin Mohd**
   President/Chief Executive Officer
2. **Fazlur Rahman bin Zainuddin**
   Chief Financial Officer/Vice President,
   Group Finance
3. **Dato' Ir. Mohd Nazri bin Shahruddin**
   Vice President,
   New Business & Major Projects
4. **Zainudin bin Ibrahim**
   Vice President, Generation
5. **Datuk Rozimi bin Remeli**
   Vice President, Transmission
6. **Datuk Ir. Baharin bin Din**
   Vice President, Distribution
7. **Datin Roslina binti Zainal**
   Vice President, Planning


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GROUP EXECUTIVE MANAGEMENT COMMITTEE – GEMC

The Group Executive Management Committee (GEMC) comprises 12 members led by the President/ Chief Executive Officer is responsible for the daily management of the Company's business and operations, strategic planning, resource management and risk assessment. GEMC oversees and manages issues in ensuring that the Company's obligations are fulfilled and the expectations of shareholders and other stakeholders are met.

GEMC also deliberates on the achievements of the Divisions' Key Performance Indicators (KPIs) and the challenges faced in achieving these. The KPIs are then reviewed and realigned with the targets set for the year to deliver sustainable and satisfactory returns to shareholders and stakeholders.

The GEMC usually meets on a monthly basis and as and when the need arises. 18 meetings were held during the Financial Year ended 31 August 2013.

COMPOSITION:

1. **Datuk Seri Ir. Azman bin Mohd**
   President/Chief Executive Officer
2. **Fazlur Rahman bin Zainuddin**
   Chief Financial Officer/Vice President, Group Finance
3. **Dato' Ir. Mohd Nazri bin Shahruddin**
   Vice President, New Business & Major Projects
4. **Zainudin bin Ibrahim**
   Vice President, Generation
5. **Datuk Rozimi bin Remeli**
   Vice President, Transmission
6. **Datuk Ir. Baharin bin Din**
   Vice President, Distribution
7. **Dato' Muhammad Razif bin Abdul Rahman**
   Vice President, Human Resource
8. **Datin Roslina binti Zainal**
   Vice President, Planning
9. **Dato' Roslan bin Ab Rahman**
   Chief Corporate Officer
10. **Kamaruddin bin Mahmood**
    Chief Information Officer
11. **Ir. Syed Abu Hanifah bin Syed Alwi**
    Chief Procurement Officer
12. **Norazni binti Mohd Isa**
    Company Secretary

PROFILE OF MANAGEMENT TEAM

COMPOSITION:

1. **Fazlur Rahman bin Zainuddin**
   Chief Financial Officer/Vice President, Group Finance

2. **Dato' Ir. Mohd Nazri bin Shahruddin**
   Vice President, New Business & Major Projects

3. **Zainudin bin Ibrahim**
   Vice President, Generation

4. **Datuk Rozimi bin Remeli**
   Vice President, Transmission

5. **Datuk Ir. Baharin bin Din**
   Vice President, Distribution

6. **Dato' Muhammad Razif bin Abdul Rahman**
   Vice President, Human Resource

7. **Datin Roslina binti Zainal**
   Vice President, Planning

8. **Datuk Seri Ir. Azman bin Mohd**
   President/Chief Executive Officer

9. **Dato' Roslan bin Ab Rahman**
   Chief Corporate Officer

10. **Kamaruddin bin Mahmood**
    Chief Information Officer

11. **Ir. Syed Abu Hanifah bin Syed Alwi**
    Chief Procurement Officer

12. **Norazni binti Mohd Isa**
    Company Secretary

PROFILE OF MANAGEMENT TEAM

Datuk Seri Ir. Azman bin Mohd
President/Chief Executive Officer

Datuk Seri Ir. Azman bin Mohd, 55, has held several key positions in TNB since joining the organisation 32 years ago. Starting his career as a District Office electrical engineer, he gradually acquired positions of greater responsibility, holding posts such as District Manager, State General Manager and General Manager of Strategic Management & Organisation Development at the Company headquarters before being appointed as Senior General Manager of Operational Region 2 in 2006. On 14 November 2008, he was made Vice President of Distribution; and on 15 April 2010, he was appointed as Chief Operating Officer/Executive Director of TNB. He took over the helm of the Company as its President/CEO on 1 July 2012.

Datuk Seri Ir. Azman obtained a Diploma in Engineering from the England Newark Technical College, UK, in 1976, a Bachelor of Engineering in Electrical Engineering from the University of Liverpool, UK, in 1979, and a Master of Business Administration from the University of Malaya in 1996. He is currently the Chairman of the Institute of Asset Management (IAM UK) Malaysian Chapter, a professional body for those involved in the acquisition, operation and care of physical assets, especially critical infrastructure.

Fazlur Rahman bin Zainuddin
Chief Financial Officer/Vice President, Group Finance

Fazlur Rahman bin Zainuddin, 44, was appointed TNB Chief Financial Officer and Vice President (Group Finance) on 1 July 2012. Prior to this, he was the Chief Financial Officer of the Naza Group. Before joining the Naza Group in 2010, Fazlur was with Telekom Malaysia Berhad (TM) for five years from 2005, during which time he served in a number of different capacities culminating in the position of Vice President, Business Development. Fazlur also spent 10 years from 1995 with Shell Malaysia in various financial management and corporate roles. Prior to that, he gained four years' experience in public accounting practice, which included almost three years in Pricewaterhouse Kuala Lumpur as a tax consultant.

Fazlur also sits on the Board of Directors of various TNB subsidiaries. He is a professional accountant by training, a Fellow of the Association of Chartered Certified Accountants (ACCA), UK, and a member of the Malaysian Institute of Accountants (MIA).

Dato' Ir. Mohd Nazri bin Shahruddin
Vice President, New Business & Major Projects

Dato' Ir. Mohd Nazri bin Shahruddin, 57, joined the National Electricity Board (NEB) on 1 September 1979 upon completion of his studies in the UK as an NEB scholar. He served in several power stations in the field of Operations and Maintenance and was involved in developing a number of power plants, most notably the Sultan Azlan Shah Power Station in Perak. Later, Dato' Nazri headed a team from TNB, Khazanah Nasional and Malakoff which, in association with a private Saudi firm, developed the first Independent Water and Power Producer (IWPP) project in Saudi Arabia, the Shuaibah Power and Water Facility. He was based in Jeddah for three years to complete the project. In 2008, Dato' Nazri was appointed Vice President of Generation, a position he held until his appointment in September 2012 as Vice President of New Business & Major Projects.

Dato' Nazri holds a Bachelor of Science (Honours) in Mechanical Engineering from King's College, University of London.

Zainudin bin Ibrahim
Vice President, Generation

Tuan Haji Zainudin Ibrahim, 57, began his 33-year career in TNB as a Mechanical Engineer at Tuanku Ja'afar Power Station in 1980. Following a two-year stint as a Shift Charge Engineer at Sultan Ismail Power Station, Paka, he returned to Tuanku Ja'afar Power Station where he continued to serve for the next 20 years in various positions in the Operations & Maintenance Departments culminating as a Senior Manager. Between 2007 and April 2012, he assumed the post of General Manager, first at the Putrajaya Power Station, and later at the Tuanku Ja'afar Power Station. He then spent six months as the Senior General Manager (Operations) of Generation Division. On 3 September 2012, he assumed his current position as the Vice President, Generation.

Tuan Haji Zainudin obtained his Bachelor of Engineering in Mechanical Engineering from the University of Sheffield, UK in 1980 and his Master of Engineering Management from University Tenaga Nasional in 2005.

Datuk Rozimi bin Remeli
Vice President, Transmission

Datuk Rozimi bin Remeli, 55, has spent over 33 years in TNB, most of which has been in the Transmission Division. He was an engineer in Transmission Butterworth in 1984 until being promoted to head the Transmission Northern Region. He was subsequently made General Manager of Maintenance in 2006 and in 2007 was again promoted, this time to Senior General Manager of Transmission Asset Development. On 9 January 2010, he assumed his current position as the Vice President of Transmission Division

Datuk Rozimi holds a Diploma in Electrical Engineering from Universiti Teknologi Malaysia, a Bachelor of Engineering from Northorp University, USA, and a Master of Business Administration (MBA) from Universiti Sains Malaysia. He is currently also an Adjunct Professor in the Civil Engineering Department of University Tenaga Nasional (UNITEN), and the National Mirror Committee Chairman of IEC/TC 115 of which Malaysia is a participating member.

Datuk Ir. Baharin bin Din
Vice President, Distribution

Datuk Ir. Baharin bin Din, 50, has spent his 28-year career at various engineering and managerial positions in TNB. He had also been on a secondment for 2½ years with the newly-called Ministry of Energy, Green Technology and Water (KeTTHA) as the Deputy Director and Director of the Electrical Inspectorate Department of Sabah and Pahang, sequentially.

Within TNB, Datuk Ir. Baharin had served in various disciplines including Business Development, Network Maintenance, Network Planning, Construction Services, Metering Service and Engineering Services.

He served as Managing Director of Sabah Electricity Sdn. Bhd. (SESB) for 4½ years from March 2007, responsible for overall business of the company which includes Generation, Transmission and Distribution.

He came back from Sabah to serve as Senior General Manager (Customer Service & Metering) on 1st December 2011 and was promoted to this current position as Vice President of Distribution from 1st January 2012.

Datuk Ir. Baharin was awarded a Bachelor of Science in Electrical Engineering from Syracuse University, New York, USA, and a Master of Business Administration from UNITEN and Bond University, Australia, under a joint UNITEN/Bond MBA programme.

Currently, since 1st January 2012 he is a Chairman of CIRED Malaysia, an organization actively involved in promoting common understanding of industry energy issue. He also sits on Board of Directors of various TNB Subsidiaries such as Malaysia Transformer Manufacturing Sdn. Bhd. (MTM), TNB Energy Services Sdn. Bhd. (TNBES), TNB Research Sdn. Bhd. (TNBR) and also as an Industrial Advisory Panel (IAP), Department of Electronics & Communication Engineering and Department of Electrical Power Engineering, UNITEN.

PROFILE OF MANAGEMENT TEAM

Dato' Muhammad Razif bin Abdul Rahman
Vice President, Human Resources

Dato' Muhammad Razif bin Abdul Rahman, 51, has spent his entire 29-year career with LLN/TNB. During this time, he has served in various capacities as Transmission Protection Engineer, Power Plant Engineer, TNB Workshop Services Sdn. Bhd. Business Development Manager, Perusahaan Otomobil Elektrik Malaysia's Operations Manager and Head of Training at TNB Transmission Network Sdn. Bhd. In 2002, he moved from operations to the Group Human Resources Division, where he served as Head of Training & Development and, later, as Head of Human Resources Planning and Staffing, before been promoted to Vice President of Human Resources in December 2008.

Dato' Muhammad Razif obtained a degree in Electrical Engineering from the University of Liverpool in 1984.

Datin Roslina binti Zainal
Vice President, Planning

Datin Roslina Zainal, 51, has been working for LLN/TNB for 28 years in various capacities in Distribution, Transmission and Planning. During this time, she was also seconded as the Assistant Director (Energy) of the Energy Section at the Economic Planning Unit for two years.

As Vice President (Planning), her responsibilities include energy and load forecasting, long-term transmission and generation development planning, strategic planning and procurement of energy from Independent Power Producers and inter-utility transactions. She represents TNB in various forums and national committees addressing issues such as the formulation of energy policies, the use of coal, and re-negotiation of Power Purchase Agreements. She is also a Council member of the Malaysian Gas Association (MGA), Chairman of the Technical Committee of AESIAEP, member of the National Steering Committee for Nuclear Development, and a Board member of TNB Fuel Services Sdn Bhd and TNB Quantum Solutions Sdn Bhd.

Datin Roslina holds a degree in Electrical Engineering from Lakehead University, Canada and a Master of Business Administration (MBA) from the University of New England, Australia.

Dato' Roslan bin Ab Rahman
Chief Corporate Officer

Dato' Roslan Ab Rahman, 56, joined the company, then National Electricity Board (NEB) upon graduation in 1980 and has served for 33 years in various positions in the areas of operations and management spanning the Distribution and as well at the company headquarters.

Presently he is the Chief Corporate Officer and principally responsible for the Corporate Affairs & Services Division. With the Corporate Affairs & Communications Department, he is responsible for the internal communications within the company's staff as well as the external communication/public relations with the customers at large. He is also responsible for the Regulatory & Stakeholders Management, ensuring the licence conditions set by the Electricity Commission are coordinated and adhered to. He ensures links and cooperation are there between the company and the government through several secondees attached to the various government agencies.

He supports the CEO's/President to ensure the support services within the organisation functions well. This is done through the Corporate Services Department that covers the functions of property management, security management, logistics and land management.

He holds a Bachelor of Science in Electrical Engineering from the University of Southampton, United Kingdom.

Kamaruddin bin Mahmood
Chief Information Officer

Kamaruddin bin Mahmood, 53, has more than 28 years' experience in the Information & Communication Technologies (ICT) industry, the last eight years of which have been spent in TNB. He joined TNB in May 2005 as General Manager of the IT Department in the ICT Division. Since then, he has acquired a range of expertise within the ICT Division, spending seven months as GM of the IT & Telecommunications Development Department, one-and-a-half years as GM of the IT & Business Solutions Department, and another two years as Senior GM of the same department, following which he was promoted to his current position as Chief Information Officer (CIO) in March 2012. As CIO, Kamaruddin is responsible for ensuring the Company's vision, mission, strategy and goals are achieved through the effective use of ICT. Before joining TNB, he served in various key positions in ICT in large companies dealing in commodities and oil and gas.

Kamaruddin obtained a Bachelor of Science from Murdoch University, Australia, and attended management programmes at the University of Cambridge, UK and IMD Business School, Switzerland.

Ir. Syed Abu Hanifah bin Syed Alwi
Chief Procurement Officer

Ir. Syed Abu Hanifah bin Syed Alwi, 55, has served LLN/TNB for almost 30 years, half of this time devoted to the procurement line. He began his career as an Assistant Engineer in the KL (South) district in the area of operations and maintenance of electrical systems up to 33kV. His first promotion was to become the District Manager in Kulim, Kedah where he was exposed into the art of management.

As an Electrical Engineer, Ir. Syed Abu Hanifah's continuous efforts to enhance his technical knowledge led to a transfer back to Kuala Lumpur where he was placed in the Engineering Department of Distribution Division. Here, he introduced new equipment and work processes for the adoption of best engineering practices.

His career in procurement started in 1998 when he was assigned as a Material Planning Manager, Material Resource Management Department, Distribution Division. Thereafter, he rose through the ranks to become Senior General Manager of Material Management Department, Distribution Division which was his last post prior to his current position. He assumed the post of Chief Procurement Officer at TNB on 1 January 2013.

Ir. Syed Abu Hanifah is a graduate of Electrical (Power) Engineering from Universiti Teknologi MARA and has attended a Management Programme at the Judge Business School, University of Cambridge, UK.

Norazni binti Mohd Isa
Company Secretary

Norazni binti Mohd Isa, 50, has served more than 22 years in TNB, with vast experience in tender and contract management where she held various positions in the Shared Purchasing Department, Procurement Division. Previous positions in TNB before assuming her current role include Legal Executive in the Legal Services Department, Company Secretary's Office, Manager of Licensing and Compliance Unit in Corporate Communications Department and Head of Tender and Contract, Procurement Division.

Norazni was made the Deputy Company Secretary on 1 April 2011 and thereafter, assumed as the Joint Company Secretary on 1 July 2011. She was appointed to her current position as Company Secretary on 31 May 2012.

Norazni obtained a Master of Laws from the University of Malaya and a Diploma and an Advanced Diploma in Law from Mara Institute of Technology (now Universiti Teknologi MARA).

UTTER BRILLIANCE

The future holds many complex challenges for the energy industry yet come what may, it is our intent to always be at the cutting edge of all key developments. Hence, in 2008, we established the Centre of Renewable Energy at UNITEN to pioneer the research and application of prevailing technologies using marine, wind, wave, biomass and biodiesel energies.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of TNB (Board) is committed to a high level of corporate governance and fostering a culture that values ethical behaviour, integrity and respect. The Board believes that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

The Board is concerned to ensure that the Group is properly managed to protect and enhance shareholders' interests, and that the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance.

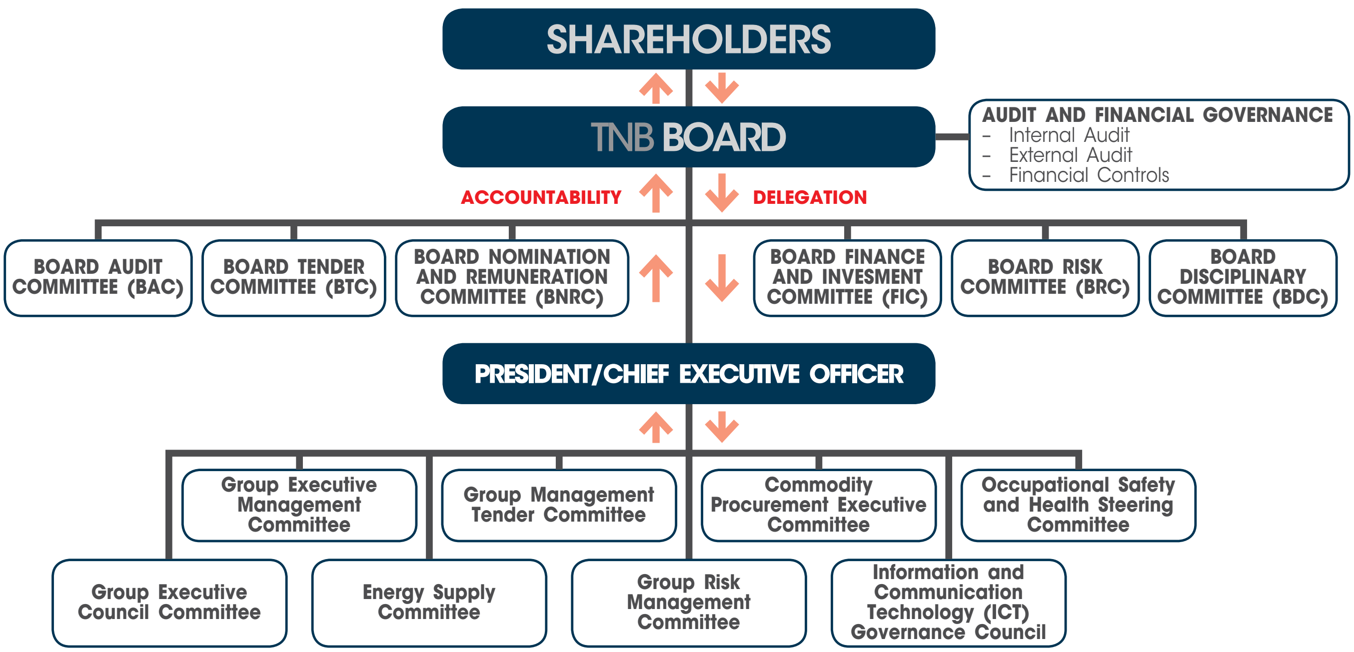
This Statement reports on TNB's key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate to reflect the changes in the relevant regulations and developments in corporate governance.

The Board has adopted a corporate governance framework comprising principles and policies that are consistent with the Malaysian Code of Corporate Governance 2012 (MCCG 2012) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR). This framework as illustrated below is designed to promote responsible management and assists the Board to discharge its corporate governance responsibilities on behalf of the Company's shareholders.

In furtherance, TNB in general is in compliance with the principles and their respective corresponding recommendations as set out in the MCCG 2012 and such application of the principles will be addressed accordingly in this Statement of Corporate Governance.

The Board will continuously review the existing corporate governance practices throughout the Group and shall undertake appropriate action in embedding the said principles and recommendations of the MCCG 2012 in the existing framework.

CORPORATE GOVERNANCE FRAMEWORK



BOARD OF DIRECTORS

Clear Roles and Responsibilities

Principle 1 of the MCCG 2012

The Company's Constitution provides that the business and affairs are to be managed by or under the direction of the Board. The Board has approved a formal Board Charter which entails the Board's roles, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of TNB's operational activities is delegated to the President/Chief Executive Officer who is accountable to the Board. The Board Charter and the delegation of Board authority to the President/Chief Executive Officer are reviewed regularly.

The central role of the Board is to set the Company's strategic direction and to oversee the Company's management and business activities.

In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for decision:-

- Approving the strategic direction of the Group;
- Promoting ethical and responsible decision making;
- Monitoring compliance with all applicable laws and regulations, applicable accounting standards and significant corporate policies;
- Overseeing and reviewing the conduct of the Group's business including its control and accountability systems;
- Approving the annual operating and capital budget and monitoring the financial performance of the Group;
- Appointing and determining the duration, remuneration and other terms of appointment of the President/Chief Executive Officer as well as the Top Management;
- Evaluating and monitoring the performance of the President/Chief Executive Officer and the Top Management through their Key Performance Indicators (KPIs);
- Developing and reviewing the succession planning of the Top Management;
- Monitoring and reviewing the Group's Risk Management System and internal compliance and control; and
- Overseeing the development and implementation of the shareholder communications policy for the Company.

The Limits of Authority outlines principles to govern decision making within the Group, including appropriate escalation and reporting to the Board. The Board has also delegated to the President/Chief Executive Officer and through the President/Chief Executive Officer to other Executives, responsibility for the day-to-day management. The Limits of Authority encompasses both the monetary and non-monetary limits of authority for recommending and approving its operational and management decision making activities prior to their execution. These delegations balance effective oversight with appropriate empowerment and accountability of Management.

The Board has established a clear division of roles and responsibilities of the Non-Executive Chairman of which are distinct and separate from the duties and responsibilities of the President/Chief Executive Officer. This segregation ensures an appropriate balance of power and authority, roles and responsibilities as well as accountability such that no one individual has unfettered power of decision making.

The Chairman of the Board is Tan Sri Leo Moggie, whose extensive knowledge, experience and reputation is inimitable in the energy related industry. He takes the lead and guides the Board with a keen focus on governance, compliance and the Board performance. He maintains a constant flow of dialogue with the President/Chief Executive Officer and provides appropriate mentoring and guidance. He also maintains the relationship between Directors and Management that are open, cordial and conducive to productive cooperation and he is the primary point of communication between the Board and the President/Chief Executive Officer. Tan Sri Leo Moggie is also Chairman of several subsidiaries within TNB Group.

The Board considers that neither his other directorships, nor any of his other related commitments, interfere with the discharge of his duties to the Company. The Board is satisfied that Tan Sri Leo Moggie commits the time necessary to discharge his role effectively.

The President/Chief Executive Officer, Datuk Seri Ir. Azman bin Mohd together with his Management team are responsible for developing strategic objectives for the business and for the day-to-day management of the Company with all powers, discretions and delegations as authorised by the Board.

Board Composition

There are currently 10 members on the Board comprising of one (1) Executive Director and nine (9) Non-Executive Directors, of whom six (6) are Independent Directors. The Independent Directors comprise more than half of the Board, of which align with the recommendation of MCCG 2012 and the number exceeds the minimum requirement of the MMLR. These Directors are considered by the Board to be independent of management and free of any business or other relationships or circumstances that could materially interfere with the exercise of objective, unfettered or independent judgment.

The Board may appoint a new Director either to fill a casual vacancy or to add to the existing Directors and the Minister of Finance Incorporated (MoF Inc), being the Special Shareholder, shall have the right to appoint up to six (6) Directors. The Constitution provides that the Company is not to have more than twelve (12), nor less than two (2) Directors.

The Board considers that it should include significant representation by Directors who are capable and willing to make decisions in the best interests of the shareholders, free from interests or influences which conflict with that duty and are also independent of management.

The Board collectively has a broad range of qualification, diversity, experience and expertise considered of benefits to the Company. Board Members have expertise and experience in areas of public service, administration, finance, engineering, law, accounting, information technology and business. The President/Chief Executive Officer brings an additional perspective to the Board through an in depth understanding of TNB's business.

Details regarding each Director in office at the date of the Annual Report can be found on pages 80 to 89 of the Annual Report.

Re-election and Re-appointment of Directors

The Constitution states that one third (1/3) of the Directors shall retire from office by rotation at each Annual General Meeting (AGM), and all Directors shall retire from office at least once every three (3) years but shall be eligible, and may offer themselves, for re-election.

Sections 129(2) and 129(6) of the Companies Act, 1965 state that a Director who is over 70 years of age shall retire at every AGM and may offer himself/herself for re-appointment to hold office until the Company's next AGM.

Pursuant to the Recommendation 3.3 of MCCG 2012, an Independent Director can remain as Independent Director after serving a cumulative term of nine (9) years provided that the Board recommends upon concrete justification and seek shareholders' approval in a general meeting.

The Board acknowledges that the re-election and re-appointment of Directors are not automatic and believes it is subject to the satisfactory performance of the Directors in accordance with the annual evaluation and independence assessment of the Independent Directors which will be assessed by the BNRC, and thereupon submit its recommendation to the Board for deliberation and approval.

As such, during the Financial Year under review the Directors who are due for re-election, re-appointment as well as the continuation in office at the AGM as assessed by the BNRC and thereafter be approved by the Board, have met the Board's expectation and continuously perform their duties diligently as Directors of the Company.

The Board makes recommendations to the shareholders concerning the re-election, re-appointment and the continuation in office of the Directors at the AGM. Information on the Directors who are standing for re-election, re-appointment as well as the continuation in office at the forthcoming 23rd AGM is contained in the Statement Accompanying Notice of the 23rd AGM.

Board Committees

The Board has the ability under the Company's Constitution and the Board Charter to delegate its powers and responsibilities to the respective Board Committees, of which allows the Board to spend additional and focused time to deliberate on specific and pertinent issues.

The Board Committees operate principally in a review or advisory capacity, except in cases where powers and authorisation are specifically conferred on a Committee by the Board.

In accordance with the Recommendation 6.1 of the MCCG 2012 and in view of the Board's responsibility for the governance of risk and disclosure, the Board Risk Committee (BRC) was established on 5 June 2013 to strengthen the existing risk management framework and functions within the Company in ensuring it is effectively discharged and properly monitored.

With the establishment of BRC, TNB currently has six (6) principal Board Committees that assist the Board in its oversight functions. The functions of the Committees are governed by clearly defined Terms of References (TORs), which are reviewed periodically to ensure they remain relevant and up-to-date.

The six (6) standing Board Committees are as follows:

(i) Board Audit Committee;

(ii) Board Tender Committee;

(iii) Board Nomination and Remuneration Committee;

(iv) Board Finance and Investment Committee;

(v) Board Risk Committee;

(vi) Board Disciplinary Committee.

Each Board Committee has to submit to the Board reports of their respective deliberations and recommendations. All deliberations and recommendations have to be minuted and approved by each Committee and confirmed by the Chairman of the Committee at the next Board Committee's meeting.

Each Board Committee is entitled to seek information from any employee of the Company and to obtain any professional advice it requires in order to perform its duties.

Each standing Committee participates in the annual evaluation of its performance and effectiveness. As a result of the 2012 review, the Board is satisfied that the Committees have performed effectively with reference to their TORs.

Specifically, the salient TORs of the six (6) standing Board Committees are as follows:

Board Audit Committee (BAC)

Responsibilities

- The principal functions of the BAC are to oversee the integrity of the financial statements in compliance with legal, regulatory requirements and applicable accounting standards and to assess the effectiveness of the Group's internal control framework as well as internal and external audit functions.
- The detailed TOR of the BAC is on pages 134 to 137 of the Annual Report.

Board Tender Committee (BTC)

Responsibilities

- To establish the framework of TNB's Procurement Policy and Procedures.
- To advise the Board regarding the details and implementation of the framework of TNB's Procurement Policy and Procedures.
- To assist the Board in regulating the compliance of Top Management and other Executive Directors with TNB's Procurement Policy and Procedures.
- To ensure TNB complies with the applicable laws, regulations, rules and guidelines to achieve best practices in its procurement of equipment, materials, work and services.

Board Nomination and Remuneration Committee (BNRC)

Responsibilities

- To identify and recommend new nominees to the Board, Board Committees and TNB Group of Companies.
- To assist the Board in reviewing the Board's required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.
- To implement the process formulated by the Board to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director.
- To determine and recommend to the Board the remuneration packages of Non-Executive Directors.

Board Finance and Investment Committee (FIC)

Responsibilities

- To establish a framework of policies to assist the Committee in making recommendations to the Board in relation to the management of the Group's financial and investment activities as well as in evaluating corporate proposals.

Board Risk Committee (BRC)

Responsibilities

- To identify principal risks and ensure the implementation of appropriate systems to manage risks.
- To oversee the establishment and implementation of the risk management system, the effectiveness of which to be reviewed at least annually that include reviewing the risk management policies and practices approved by the Group Risk Management Committee.
- To approve the risk management policies and practices on behalf of the Board and review periodic reports on risk management and recommendations that will be presented to the Board.

STATEMENT OF CORPORATE GOVERNANCE

Board Disciplinary Committee (BDC)

Responsibilities

- To manage disciplinary issues and actions with regards to employees' misconduct except for the hearing of appeal of executives of grade M15 and above or equivalent grade pertaining to disciplinary cases, for which the power lies with the Board.
- To establish new disciplinary procedures or review existing procedures whenever applicable, subject to the Board's approval.

Ad hoc committees are convened to consider matters of special importance or to exercise the delegated authority of the Board.

Board Meetings

The Board schedules monthly meetings with additional meetings convened as and when key strategic issues or urgent matters arise that require deliberations in between the scheduled meetings. During the Financial Year under review, the Board held 17 Board meetings.

The Board and Board Committee meetings are scheduled well in advance, with dates for the year circulated in the month of October of the preceding year to give the Directors ample time to plan ahead.

A pre-Board meeting is held prior to any Board meetings for the Management to provide the Chairman with insights into the papers to be deliberated.

The agenda of Board meeting is drawn up upon consultation between the Chairman, President/Chief Executive Officer and Company Secretary at the pre-Board meeting, after which the copies of agenda and Board papers are circulated to Board Members in electronic and hard copy forms at least three (3) working days prior to the Board meeting. This allow the Directors to review, consider and if necessary obtain further information to be deliberated at the meeting to support informed decision making. Any Director may request matters to be included in the agenda.

Top Management and external advisors may be invited to attend Board meetings to advise the Board when matters under their responsibility are being considered or as otherwise requested by the Board so as to enable the Board to make informed decisions. Should a Director is unable to attend a meeting, his views are sought in advance then put to the meeting to facilitate a comprehensive discussions. This way, each Director makes himself/herself available to fellow Directors and contributes to all major decisions before the Board.

A comprehensive Board paper is prepared which comprises of the objectives, background, issues, implications, risks, recommendations and other relevant information to enable the Board to make informed and effective decisions.

The Board and Board Committee meetings are also held at various business operating units or sites of new projects to allow the Board to better assess progress made and note on any other important issues. During the Financial Year under review, the Board has visited an on-going major project of TNB, the Ulu Jelai Hydroelectric Project in Cameron Highlands, Pahang.

Decisions of the Board are made unanimously or by consensus and these decisions and conclusions are recorded in the minutes of the meeting. Minutes of the meetings are circulated to all Directors for their perusal. The Directors may request for clarification or raise comments on the minutes prior to confirmation of the minutes. After the said confirmation of the Directors have been sought, the Chairman of the meeting shall sign the minutes as a correct record of the proceedings of meeting.

Details of Directors' attendance at Board and Board Committees meetings for the Financial Year ended 31 August 2013:

Name of Directors	BOD		BAC		BTC		BNRC		FIC		BRC		BDC	
	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%
Tan Sri Leo Moggie	16 (Chairman)	94	-		-		-		5 (Chairman)	100	-		-	
Datuk Seri Ir. Azman bin Mohd	17	100	-		-		-		-		-		-	
Datuk Nozirah binti Bahari[1]	13	77	-		12 (Chairman)	100	-		-		1	100	-	
Dato' Mohammad Zainal bin Shaari	16	94	-		9	75	6	100	5	100	-		-	
Dato' Zainal Abidin bin Putih[2]	17	100	14 (Chairman)	100	-		–		5	100	1	100	-	
Tan Sri Dato' Hari Narayanan a/l Govindasamy[3]	17	100	13	93	-		6	100	-		1	100	-	
Dato' Fuad bin Jaafar	17	100	-		12	100	6	100	-		–		3	100
Tan Sri Dato' Seri Siti Norma binti Yaakob	16	94	-		-		6 (Chairman)	100	4	80	-		3 (Chairman)	100
Dato' Abd Manaf bin Hashim	14	82	13	93	11	92	-		-		-		3	100
Datuk Chung Hon Cheong[4]	17	100	14	100	-		-		5	100	1 (Chairman)	100	3	100
Suria binti Ab Rahman (Alternate Director to Dato' Mohammad Zainal bin Shaari)	1	100	-		1	33	-		-		-		-	
Number of Meetings held in FY2013	**17**		**14**		**12**		**6**		**5**		**1**		**3**	

Note:-

1 Appointed as Member of BRC w.e.f. 5 June 2013

2 Appointed as Member of BRC w.e.f. 5 June 2013

3 Appointed as Member of BRC w.e.f. 5 June 2013

4 Appointed as Chairman of BRC w.e.f. 5 June 2013

All Board and Board Committee Members have complied with the minimum percentage required of at least 50% in attendance as stipulated in the MMLR whereby the Directors have attended more than 50% of the Board and Board Committee Meetings during the Financial Year.

Code of Ethics

The Board continues to observe a high standard of ethical conduct in accordance with the code of conduct expected of Directors as set out in the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Each Director is supplied with the Directors' Handbook as reference for the Directors in relation to their professional responsibilities as well as the terms and conditions of their service. The Directors' Handbook is updated as and when the need arises so as to reflect any changes in the rules and procedures that govern the conduct of the Directors.

In addition, TNB has established a Code of Ethics which outlines TNB's commitment to appropriate and ethical corporate practices. All employees of TNB are required to comply with the Code of Ethics.

The Code of Ethics describes TNB's mission, vision and values and set out the principles, practices and standards of personal and corporate behaviour that TNB expects in daily business activities. It covers matters such as compliance with law and regulations, sound employment practices, confidentiality, privacy, conflicts of interest, giving and accepting business courtesies and the protection and proper use of TNB's assets and resources.

Apart from that, TNB believes that all supplier/contractor relationships should be based on principles of good governance such as integrity, accountability, fairness and a no tolerance rule towards bribery and corruptions. These principles are enforced in detailed TNB's Procurement Code of Conduct which is constantly revised to capture changes in regulations, reputational demands and changes in business.

Directors and employees of TNB Group as well as all existing and potential suppliers/contractors including its Directors and employees are to adhere to the Procurement Code of Conduct.

TNB's Code of Ethics and Procurement Code of Conduct are available in the respective sections of the Company's website.

Indemnification of Directors and Officers

Directors and Officers are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. The Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

Supply of Information and Access to Advice

All Directors have direct access to Management and to the Company's information in the possession of Management and shall receive regular detailed financial and operational reports from the Management.

The Chairman and the Non-Executive Directors regularly consult the President/Chief Executive Officer, Chief Financial Officer/Vice President (Group Finance) and other Top Management, and may consult with, or request additional information from, any of the Group's employees.

The Board collectively and individually has the right to obtain external independent legal, accounting or other professional advice to the fulfilment of its roles and responsibilities. The cost of procuring these professional services shall be borne by the Company.

The Board Breakout Session (BBO) is conducted by the Company Secretary's Office as and when the need arises. It is a platform for the Board and Management to deliberate and exchange views as well as opinions in formulating strategic plans and to chart the direction of the Group. During these sessions, the Management will highlight to the Board the current issues and challenges encountered by the Group.

Company Secretary

The Board regularly consults the Company Secretary on procedural and regulatory requirements. The Company Secretary also plays an important role in supporting the Board by ensuring adherence to Board's policies and procedures.

The Company Secretary attends Board and Board Committee meetings and is responsible for providing Directors with advice on compliance and corporate governance issues. The Company Secretary is responsible for the operation of the secretariat function, including lodgements with relevant statutory and regulatory bodies, the administration of Board and Board Committee meetings (including preparation of the minutes, matters arising and Chairman's reports), the management of dividend payments and the Employee Share Option Scheme (ESOS), the administration of the Company's subsidiaries and oversight of the relationship with the Company's Share Registrar.

The Company Secretary's profile is set out on page 99 of the Annual Report.

Board Charter

The Board Charter acts as a source of reference to the Board of its duties and responsibilities in setting the overall direction and control of the Company. It will also assist the Board in the assessment of its own performance.

The Board Charter is made available on the Company's website, at www.tnb.com.my and the Board shall review its charter regularly to keep it up to date with the changes of regulations and best practices to ensure its effectiveness and relevance to the Board's objectives.

STRENGTHEN COMPOSITION

Principle 2 of the MCCG 2012

The Board strives to achieve a balance of skills, experience, diversity and perspective among its Directors.

The BNRC is delegated with the responsibility of assessing and making recommendations to the Board regarding Board compositions and remunerations as well as to assist with the selections and appointments of high calibre Directors who are able to meet the present and future needs of the Company.

The BNRC is chaired by Tan Sri Dato' Seri Siti Norma binti Yaakob, an Independent Non-Executive Director, a well known figure in legal profession and majority of its members are also Independent Non-Executive Directors.

During the Financial Year under review, the key activities undertaken by the BNRC, amongst others, are as follows:

(i) review and assess the annual evaluation of performance and effectiveness of the Board and the Board Committees as a whole;

(ii) develop the criteria of independence assessment and to review and assess the annual independence assessment of its Independent Directors;

(iii) approved the set up of the BRC, its composition and its defined TOR;

(iv) established the Board Charter as Board's reference of its duties and responsibilities;

(v) making recommendations to the Board regarding the Directors who are seeking for re-election, re-appointment and continuation in office.

The Board manages its succession planning with the assistance of BNRC. The BNRC annually reviews the size, composition and diversity of the Board as well as the mix of existing and desired competencies across Members and reports its conclusions to the Board.

The Board through its annual evaluation and recommendations made by the BNRC is confident and satisfied of its existing number and composition and is of the view that, with the current mix of skills, knowledge, experience and strength of the Directors appointed, the Board is able to discharge its duties effectively.

Board Performance Evaluation

The BNRC is also responsible for determining the process of evaluating the Board's performance as a whole and the performance of its Committees. Evaluations are conducted annually and have produced significant improvements in Board processes and overall efficiency. It is also used as a tool to recognise the Board's strengths and to identify gaps or areas for improvement for the Board and its Committees.

The Board Performance Evaluation is conducted by way of questionnaires appropriate in scope and content to effectively review the performance of the Board and its Committees against the predetermined criteria which covers the following key areas:

- Board Structure
- Board Operations and Interaction
- Board Roles and Responsibilities
- Understanding the Committees' Roles
- Mix of Skills and Knowledge
- Commitment of Members
- Depth of Discussions

The questionnaires are completed by each Director and the responses and findings of the evaluation are compiled into a report. The report on the Board and its Committees' performance are provided to all Directors and be deliberated by the BNRC and, subsequently, by the Board.

As such, the performance of the Directors who are retiring at the next AGM is taken into account by the Board in determining whether or not the Board should recommend the re-election of the Directors.

STATEMENT OF CORPORATE GOVERNANCE

The Board performance evaluation process in 2012 reported that the Board and Board Committees had continued to operate effectively in discharging their duties and responsibilities. The Board as a whole is of the opinion that the Directors have fulfilled their responsibilities as Members of the Board and respective Board Committees.

In respect of gender diversity, the Board acknowledges and strongly supports the need to enhance board diversity as it is critical to the efficient functioning of the Board and good governance. In addition, the Board believes that the appointment of the existing Directors are guided by the skills, experience, competency and wealth of knowledge together with gender diversity as the foundation consideration in the selection of the potential candidate.

As of to date, three (3) women Directors sit on the Board of TNB namely Tan Sri Dato' Seri Siti Norma binti Yaakob, Datuk Nozirah binti Bahari and Suria binti Ab Rahman, Alternate Director to Dato' Mohammad Zainal bin Shaari. The Board shall continue to undertake initiatives with regard to gender diversity not only at the Board itself but also across the Boards of its Group of Companies.

Directors' Remuneration Framework

The Board, with the assistance of BNRC, reviews the overall remuneration policy of the Non-Executive Directors, Executive Director and Top Management to attract, retain and motivate executives and Directors who will create sustainable value and returns for members and other stakeholders of the Company.

The policy for Directors' remuneration is to provide a package that is able to attract and retain Directors of calibre, thus acquire the leadership skills and experience required. The policy also ensures that the remuneration package does commensurate with the Director's responsibilities, expertise and complexity of the current Company's activities as well as to be aligned with the Company's business strategy and long term objective for effective management and operations of the Group.

The remuneration package for the Executive Director is structured in such a way as to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other customary benefits as accorded by comparable companies. A significant portion of an Executive Director's compensation package has been made variable, to be determined by performance during the year against individual KPIs in a scorecard aligned with the corporate objectives as approved by the Board. The Executive Director abstains from deliberation and voting on his remuneration at Board meetings.

The BNRC reviews the performance of the Executive Director annually and submits recommendations to the Board on adjustments in remuneration and/or rewards to reflect the Executive Director's contributions towards the Group's achievements for the year.

The Board as a whole shall determine and recommend the remuneration of the Non-Executive Directors to the shareholders for approval at the AGM. The Non-Executive Directors are paid fixed monthly fees, meeting allowances and benefits-in-kind inclusive of the reimbursement on electricity and telephone bills as well as business peripherals.

Presently, the Non Executive Directors face increasingly demanding challenges in discharging their fiduciary duties, roles and responsibilities, whether individually or collectively as well as given the complexity of the Company's business. In view of that, the Board hereby seeks the shareholders' approval on the proposed increase in Directors' Fees of the Non-Executive Directors to ensure that it commensurate with the responsibilities and accountabilities of the Non-Executive Directors.

Details of each Director's comprehensive remuneration package for the Financial Year ended 31 August 2013:

Name of Directors	(i) Salary (ii) Contribution to EPF (RM)	Director's Fees Company (RM)	Director's Fees Subsidiaries (RM)	Meeting Allowances Company (RM)	Meeting Allowances Subsidiaries (RM)	(i) Bonus (ii) Variable Pay (iii) Ex-Gratia (RM)	Benefits-in-Kind (i) Car Allowance (ii) Management Allowance (RM)	Benefits-in-Kind Utilities (RM)	Benefits-in-Kind Others (RM)	Subsidiary (RM)	Total (RM)
Executive Director											
Datuk Seri Ir. Azman bin Mohd	(i) 1,520,000.00 (ii) 336,600.00	-	-	-	-	(i) 50,000.00 (ii) 250,000.00 (iii) 15,000.00	(i) 108,000.00 (ii) 4,800.00	-	48,180.55	-	
	1,856,600.00	**-**	**-**	**-**	**-**	**315,000.00**	**112,800.00**	**-**	**48,180.55**	**-**	**2,332,580.55**
Non-Executive Directors											
Tan Sri Leo Moggie	-	300,000.00	263,000.00	49,500.00	31,500.00	-	-	5,670.35	4,996.40	-	654,666.75
Datuk Nozirah binti Bahari	-	200,000.00	-	50,000.00	-	-	-	-	14,676.56	-	264,676.56
Dato' Mohammad Zainal bin Shaari	-	*200,000.00	-	*58,000.00	-	-	-	41,397.01	15,594.30	-	314,991.31
Dato' Zainal Abidin bin Putih	-	200,000.00	-	68,000.00	-	-	-	14,722.74	18,291.91	-	301,014.65
Tan Sri Dato' Hari Narayanan a/l Govindasamy	-	200,000.00	18,000.00	62,500.00	1,700.00	-	-	6,236.50	10,000.00	-	298,436.50
Dato' Fuad bin Jaafar	-	200,000.00	36,000.00	63,000.00	5,950.00	-	-	11,784.15	20,905.80	3,000.00	340,639.95
Tan Sri Dato' Seri Siti Norma binti Yaakob	-	200,000.00	-	54,000.00	-	-	-	4,684.00	20,049.00	-	278,733.00
Dato' Abd Manaf bin Hashim	-	200,000.00	-	65,500.00	-	-	-	-	6,667.00	-	272,167.00
Datuk Chung Hon Cheong	-	200,000.00	-	67,000.00	-	-	-	25,499.88	22,524.38	-	315,024.26
Suria binti Ab Rahman (Alternate Director to Dato' Mohammad Zainal bin Shaari)	-	-	-	*4,500.00	-	-	-	-	11,120.00	-	15,620.00
Total	**1,856,600.00**	**1,900,000.00**	**317,000.00**	**542,000.00**	**39,150.00**	**315,000.00**	**112,800.00**	**109,994.63**	**193,005.90**	**3,000.00**	**5,388,550.53**

** Inclusive of RM60,000.00 and RM23,000.00 paid to Khazanah Nasional Berhad, in respect of Director's Fees and Meeting Allowances provided for Dato' Mohammad Zainal bin Shaari and Puan Suria binti Ab Rahman.*

REINFORCE INDEPENDENCE

Principle 3 of the MCCG 2012

Currently, TNB's Board consists of six (6) Independent Non-Executive Directors. The Independent Directors fulfil the criteria of "Independence" as prescribed under Paragraph 1.01 of the MMLR. The Independent Non-Executive Directors are persons of high calibre and integrity, who collectively provide skills and competencies to ensure the effectiveness of the Board.

Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationships and are willing to express their opinion at the Board free of concern about their position or the positions of any third party. This mitigates risks arising from conflict of interests or undue influences from interested parties.

Independence Assessment of Independent Directors

It is vital for the Board to undertake an annual independence assessment of its Independent Directors. The Board assesses independence with reference to the key criteria of the independence framework adopted by TNB of which are independent from the Management and the absence of any business relationship which could materially interfere with, or could reasonably be perceived to materially interfere with the Independent Director's judgment. Hence the ability to provide a strong, valuable contribution to the Board's deliberations, or which could interfere with the Director's ability to act in the best interest of TNB.

The BNRC has developed the criteria to assess independence and in making of this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board takes into account when assessing independence, amongst others, are whether the Independent Director:

(a) is a major shareholder of the Company or an officer of, or otherwise associated directly with, a major shareholder of the Company;

(b) is employed, or has previously been employed within the last two (2) years in an executive capacity by the Company;

(c) has not been engaged as an adviser by the Company under such circumstances or is not presently a partner, Director (except as an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company under such circumstances; or

(d) has not engaged in any transaction with the Company under such circumstances or is not presently a partner, Director or major shareholder, as the case may be, of a firm or corporation which has engaged in any transaction with the Company under such circumstances.

As of to date the Board has reviewed the independence of each Independent Non-Executive Director in office and the Board further concluded that the independence criteria as set out in the MMLR has been met by each Independent Non-Executive Director. The Board is generally satisfied with the level of independence demonstrated by the Independent Non-Executive Directors as well as their ability to act in the best interest of the Company.

In furtherance of the above findings and in accordance with the Recommendation of 3.3 of MCCG 2012, the Board views that the length of tenure of Independent Directors on Board shall not interfere with their objective and independent judgment and the ability to act in the best interest of the Company. Thus, the Board and BNRC deliberated and concluded that Dato' Zainal Abidin bin Putih who has served on the Board for a cumulative term of more than nine (9) years remain objective and independent in participating in deliberations as well as decision making of the Board Meetings and the respective Board Committees Meetings that he serves.

Dato' Zainal Abidin bin Putih has proven to be reliable as Independent Director with professionalism and strong commitment that he has shown for informed and balance decision making of the Board.

As such, based on the independent assessment made, the BNRC and Board hereby recommend and seek the shareholders' approval on the authorisation for Dato' Zainal Abidin bin Putih to continue in office as Independent Director of the Company and to hold office until the conclusion of the next AGM of the Company.

The independent status of Independent Non-Executive Directors standing for re-election, re-appointment and the continuation in office is disclosed in the Notice of 23rd AGM.

Senior Independent Non-Executive Director

Dato' Zainal Abidin bin Putih, the current Chairman of BAC, was appointed as the Senior Independent Non-Executive Director in 2010. He acts as a designated contact to whom shareholders and stakeholders may convey any concerns or queries on the affairs of the Company, as an alternative to the formal channel of communication with shareholders.

The Senior Independent Non-Executive Director may be contacted at the following email address: cosec@tnb.com.my.

Conflict of Interests

Over and above the issue of independence, each Director has a continuing responsibility to determine whether he or she has a potential or actual conflict of interests in relation to any material matter which comes before the Board. Such a situation may arise from external associations, interests or personal relationships.

The Company has adopted a practice whereby should there be any conflict between the personal interest of a Director, or the duties a Director owes to another Company and the duties the Director owes to TNB, the Director is required to declare whether he/she has any interest in any transaction that may affect or be perceived to affect his/her ability to exercise independent judgment so as to enable the Board to assess his/her independence.

A Director with an actual or potential conflict of interests in relation to a related transaction or matter shall abstain from deliberations and decisions of the Board on the subject proposal.

FOSTER COMMITMENT

Principle 4 of the MCCG 2012

Commitment by the Board

Each Director has devoted his/her time sufficiently in carrying out his/her responsibilities. The Directors' Handbook stipulates that a Director, upon acceptance of his appointment, must commit sufficient time to carry out his duties and declare to the Board details of all other significant business and interests, indicating broadly the time spent on such commitments. The Director must advise the Board and the Company Secretary of any subsequent changes to these commitments and the Company Secretary to monitor the number of directorships and the changes, if any of each Director on the Board.

The Directors of TNB complied with the requirements of MMLR with regard to the number of directorships held in listed companies. The Board is satisfied with the current number of external directorships by the Board Members of which does not impair their ability and judgment in discharging their roles and responsibilities.

Apart from that, all Board and Board Committee Members have complied with the minimum percentage required as stipulated in the MMLR whereby the Directors have attended more than 50% of the Board and Board Committee Meetings during the Financial Year. This demonstrates that they have devoted sufficient time and committed in carrying out their responsibilities.

Continuing Development Programme for Directors

An induction programme is available to newly appointed Directors, specifically designed to help familiarise them with issues relating to the current business before the Board. Newly appointed Directors are provided with a comprehensive information pack which contains the Directors' Handbook, the Company's Constitution, relevant Acts to the Company, the latest Annual Report, TNB's Procurement Policy and Procedures, Procurement Code of Conduct and Code of Ethics in order to facilitate the Directors in discharging their duties.

New Board Members are provided with the opportunity to experience first-hand the operations of the Company and to meet and discuss all aspects of the Company's operations with the Top Management. The Company Secretary shall facilitate the induction program in providing access to information in areas such as operations, finance, treasury and risk management to assist the new Board Member as required.

All Directors of the Company have successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by the MMLR. The Directors are expected to maintain and enhance their skills required to discharge their obligation to the Company in order for the Directors to sustain their active participation in the board deliberations. As such, the Board encourages Directors to devote sufficient time to undertake continuing professional education by participating in workshops held throughout the year, visiting relevant sites and undertaking external programmes which are relevant to the nature of business of the Company. These are paid for by the Company according to the Directors' entitlement, where appropriate.

STATEMENT OF CORPORATE GOVERNANCE

During the Financial Year under review, the Board has attended conferences/training programmes which were held by the local and international training providers namely the 22nd International Conference and Exhibition on Electricity Distribution, Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers, Seminar on Regulatory Updates, Governance and Current Issues for Director of PLCs and Body Corporate 2012, Directors Duties, Regulatory Updates and Governance Seminar for Director of PLCs 2013, Financial Institutions Directors' Education Program, Khazanah Megatrends Forum 2012 and Nominating Committee Programme by Bursa Malaysia Securities Berhad.

The Company Secretary's Office facilitates in coordinating internal and external programmes, training sessions, briefings, workshops and seminars that are relevant to the Directors, that include the annual Board Development Programme (BDP) which is organised in-house as part of TNB's Continuing Development Programme for the Board.

The Board also participates in annual Board Technical Visits, either locally or abroad, with the aim of enhancing the Board's understanding and knowledge of the technical and operational aspects of the power sector as well as to keep abreast with the latest technologies.

UPHOLD INTEGRITY AND FINANCIAL REPORTING

Principle 5 of the MCCG 2012

Financial Reporting

The Board aims to provide a clear, balanced and comprehensive assessment of the Group's financial performance and prospects via the Audited Financial Statements and quarterly financial reports as well as through material disclosure made in accordance with the MMLR.

The Board of Directors is assisted by the BAC to oversee the integrity of the Group's financial reporting and as part of these roles, the operation of the financial reporting processes. The processes are aimed at providing assurance that the financial statements and related notes are completed in accordance with applicable legal requirements and accounting standards and give a true and fair view of the Group's financial positions.

Relationship With External Auditors

The Board maintains transparent and professional relationship with the External Auditors and through the BAC, oversees the detailed terms of engagement with TNB's External Auditors.

As underlined by its TOR, the BAC shall meet the external and internal auditors or both at least twice a year to discuss issues arising out of audit and any matters that the auditors wish to discuss in the absence of the Management.

For the year under review, two (2) sessions between the BAC and the External Auditors in the absence of Management were held as part of the medium for greater exchange of views and opinions between both parties in relation to the financial reporting.

The BAC has considered the provision of non-audit fees by the External Auditors during the Financial Year and concluded that the provision of these fees did not compromise the External Auditors' independence and objectivity as the amount of fees paid were not significant as compared to the total fees paid to the External Auditors.

Having satisfied with the External Auditors' performance, the Board recommends their re-appointment, upon which the shareholders' approval will be sought at the AGM.

RECOGNISE AND MANAGE RISKS

Principle 6 of the MCCG 2012

Internal Control

The Board is responsible for satisfying itself that the Management has developed and implemented a sound system of risk management and internal control. In realising the importance of establishment of sound framework to manage the Company's risk as a whole, the Board has set up its BRC delegated to oversee the risk management policy, including review of the effectiveness of the Company's internal control system and risk management process.

The Management is responsible for promoting and applying the risk management policy. This responsibility involves in identifying and assessing business and operational risks, developing and implementing appropriate risk mitigation strategies, monitoring the effectiveness of risk controls and reporting on risk management capability and performance.

Every Division has a risk management section within its annual business plan and these plans are discussed at regular performance review.

The Enterprise Wide Risk Management (EWRM) Department is responsible for the Company's risk management process, development of risk management capability and providing risk management reports to the executive team and the BRC on the corporate risk profile and the Group's risk management process.

The Group's inherent system of internal control and risk management framework are designed to manage, rather than eliminate, the risk of failure to achieve the Company's corporate objectives, as well as to safeguard shareholders' investments and the Company's assets. The details of the Company's Risk Management Framework and Internal Control System are set out in the Statement on Risk Management and Internal Control and the BRC Report on pages 120 to 128 in the Annual Report.

Internal Audit Function

Internal Audit is independent of both business management and of the activities under its review. Internal Audit is responsible in providing assurance that the design and operation of the Group's risk management and internal control system is effective.

The Group Internal Audit Department carries out the internal audit function of TNB. The Group Internal Audit Department reports functionally to BAC, thereafter to the Board and administratively to the President/Chief Executive Officer.

The BAC oversees and monitors Group Internal Audit Department's activities and reviews its performance. It approves the annual audit program and receives reports from the Group Internal Audit Department concerning the effectiveness of risk management and internal control.

TNB's Group Internal Audit Department supports the Board through the BAC to facilitate in discharging its responsibilities in maintaining a sound system of internal control to safeguard shareholders' investment, the interest of stakeholders and the Group's assets.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Principle 7 of the MCCG 2012

Corporate Disclosure Policy

TNB is committed in ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by TNB.

Through TNB's Corporate Disclosure Policy, TNB demonstrates its commitment in achieving best practice in terms of disclosure by acting in accordance with the spirit, intention and purpose of the applicable regulatory requirements and by looking beyond form to substance. The Corporate Disclosure Policy as well as associated guidelines reinforce TNB's commitment to continuous disclosure and outline Management's accountabilities and the processes to be followed for ensuring compliance.

TNB's practice is to release all price sensitive information to Bursa Malaysia Securities Berhad in a timely manner as required under the MMLR and to the market and community generally through TNB's media releases, website and other appropriate channels.

For disclosure purposes, price sensitive information is information that a reasonable person would expect to have a material effect on the price or value of TNB's securities. The Company Secretary is responsible for reviewing proposed disclosures and making decisions in relation to what information can or should be disclosed to the market. Each Division in TNB is required to inform the Company Secretary on any potential price sensitive information concerning TNB as soon as this becomes known.

Leverage on Information Technology For Effective Dissemination of Information

TNB employs a wide range of communication approaches such as direct communication and publication of all relevant Group information on the website at www.tnb.com.my.

TNB utilises its corporate website as a means of providing information to its shareholders and the broader investment community. TNB has dedicated a section on the website to TNB's investors where media releases, investor presentations, quarterly and annual financial statements, announcements, Share and Financial Information, Annual Reports and Circulars/Statement to Shareholders as well as Demand Sales and Foreign Shareholdings are made available for review.

Insider trading

The Directors and Top Management of TNB are prohibited from trading in securities or any kind of price sensitive information and knowledge which have not been publicly announced in accordance with the MMLR and the relevant provisions of the Capital Markets & Services Act 2007. Notices on the closed period for trading in TNB's securities are circulated to Directors and Top Management who are deemed to be privy to any price sensitive information and knowledge, in advance of the closed period where applicable.

STATEMENT OF CORPORATE GOVERNANCE

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Principle 8 of the MCCG 2012

The Board recognises that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares.

The Board encourages effective communication with the Company's shareholders by requiring:

- the disclosure of full and timely information about TNB's activities in accordance with the disclosure requirements of MMLR;
- all information released to the market to be placed in TNB's website promptly following the release;
- all announcements to Bursa Malaysia Securities Berhad are made available in the website;
- all disclosures including notices of meetings and other shareholders communication are drafted clearly and concisely.

TNB recognises the importance of shareholders' participation in general meetings and encourages such participation. The shareholders are encouraged to attend the AGMs and to use the opportunity to ask questions and vote on important matters affecting the Group, including the election of Directors and the advisory vote on the remuneration report.

The outcome of voting on the proposed resolutions are disclosed to the market and posted to the Company's website after AGM. The External Auditors attend the AGM to answer shareholders' questions on the conduct of audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the external auditors in relation to the conduct of audit.

TNB further encourages shareholders to access the Annual Report online to complement the Group's commitment to the environment, as well as to achieve greater cost efficiencies. Nevertheless, the shareholders are still provided with the Annual Report in CD-ROM format together with a summarised version of the Financial Statements, Notice of AGM and Proxy Form.

The Board also encourages poll voting particularly on substantive resolutions. As practice by the Company, during the proceeding of AGM, the Chairman shall inform the shareholders of their right to demand for a poll vote at the commencement of the AGM and any other general meetings.

The Board and Top Management also encourage constructive engagements with the shareholders on the Company's performance, corporate governance practice throughout the Company and other matters affecting the shareholders' interest. This will assist the shareholders in evaluating the Company and facilitate the considered use of their votes.

Investor Relations Activities

To uphold the principles of corporate governance, TNB maintains its commitment in pursuing higher standards of corporate disclosure and transparency through dissemination of relevant and timely information to the financial community. By having an open communication with existing and potential institutional investors, financial analysts as well as retail shareholders, both local and international based, information are propagated in effective and comprehensive manner to facilitate informed investment decisions.

The Investor Relations (IR) team has always been in the front line to support TNB's pillar on Building Trust and Relationship. With growing developments in relation to Malaysia Electricity Supply Industry (MESI) reform initiatives, proactive sharing of current updates on power industry as well as the Company are shared through direct engagements with the financial community. To further build public confidence towards TNB and elevates Company's integrity and corporate governance, non-discriminatory approach is practiced whereby broad public dissemination of information is exercised without prejudiced.

Given the environment affecting the industry, quest for reliable and up-to-date news flows has prompted an upsurge of IR meeting requests in Financial Year 2013. The IR team has always provided open avenues through various platforms that allow visibility and accessibility for the Company's Top Management to regularly engage with the financial community.

- ***Quarterly and Full Year Financial Results Announcements***
  TNB announces its quarterly and year-end financial results at the end of trading day upon the release of disclosures to Bursa Malaysia Securities Berhad. Immediate to this, media briefing and followed by analysts briefing are conducted at TNB Headquarters. The analysts briefing session is also accessible through conference call to allow greater coverage from overseas as well as local participants that are unable to attend in person.

- ***Analysts Briefing Presentation***
  During the Analyst Briefing, TNB's shares detailed financial results together with key financial and operational highlights of the Company's performance, including current updates pertaining to the industry and TNB in particular. The Group is presented with IR presentation materials followed by question and answer session for on-site and remote participants. The presentation material is also shared promptly through TNB's website after the release of financial results to Bursa Malaysia Securities Berhad to ensure broad public dissemination of information.

- ***One-on-one and Group Meetings at IR Conferences***
  To foster strong relationship with the investment community, IR team plans ahead its annual IR programs to ensure a well-organised and structured approach in engaging with the financial community at various localities. Regular participation in road shows and conferences allows TNB to secure constant interactions with the current and prospective investors both locally and abroad.

- ***Site Visits***
  Site visits to operational facilities give greater insights and first-hand information on power plant operations. Plant tour and on-site briefing session given by plant operator enhances knowledge and appreciation of TNB's operations. During the Financial Year, a trip to Sultan Mahmud Hydro Power Station located at Kenyir was carried out.

- ***In-house and External Meetings***
  The IR team treats request for meeting with TNB's Top Management from the investment community as high priority due to strong interests registered, propelled by encouraging developments in MESI reforms coupled with widespread coverage from local and foreign research houses in Financial Year 2013. The meeting sessions are highly valued as it gives an avenue for the Top Management to address queries or concerns raised pertaining to the Company's strategies, performance and latest developments.

- ***Dialogue Session***
  In September 2012, IR initiated a dialogue session with the local analysts and rating agencies to introduce the newly appointed President/Chief Executive Officer and Chief Financial Officer/Vice President (Group Finance) of the Company. The session was arranged as part of IR's proactive measures to present the new management as well as sharing the new management team's aspirations and key strategic plans for the Company.

Whistle-blowing Procedure

The Whistle-blowing procedure documents TNB's commitment to maintain an open working environment in which TNB employees, contractors and members of the public are able to report instances of unethical, unlawful or undesirable conduct on a confidential basis without any fear of intimidation or reprisal. An independent investigation team shall investigate all reported concerns appropriately and will, where applicable, provide feedback regarding the investigation's outcome.

The purposes of Whistle-blowing procedure are as follows:

- To detect and address unacceptable conduct;
- To provide the employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and to TNB;
- To protect people who report unacceptable conduct in good faith.

Complaints can be channelled online via http://wbis.tnb.com.my or by calling the toll-free line at 1-800-888-862.

RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL YEAR UNDER REVIEW

(Pursuant to paragraph 15.26(a) of the MMLR)

The Board is fully accountable for ensuring the Audited Financial Statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the state of affairs of the Group and of the profit or loss and cash flows as at the end of the accounting period.

In preparing the Audited Financial Statements, the Directors are satisfied that the applicable approved accounting standards in Malaysia have been complied with and reasonable and prudent judgments and estimates have been made. The Audited Financial Statements are also prepared on a going concern basis as the Board has a reasonable expectation, after having made enquiries, that the Group has adequate resources to continue its operational existence for the foreseeable future.

ADDITIONAL COMPLIANCE STATEMENT

(1) Utilisation of Proceeds Raised from Any Corporate Proposal

(a) Kapar Energy Ventures Sdn. Bhd., a subsidiary of TNB, raised funds via the New Sukuk Ijarah for refinancing the existing outstanding Bai' Bithaman Ajil Islamic Debt Securities (BaIDS) of RM1.512 billion. As of 31 August 2013, the total Sukuk raised was RM2.0 billion with a total amount of utilisation of proceeds of RM1.573 billion;

(b) TNB Northern Energy Berhad, a wholly owned subsidiary of TNB Prai Sdn. Bhd., which in turn a wholly owned subsidiary of TNB raised funds via Sukuk for the financing of 1,071.43MW Combined Cycle Gas Fired Power Plant at Prai, Pulau Pinang. As of 31 August 2013, the total Sukuk raised was RM1.625 billion with a total amount of utilisation of proceeds of RM175.03 million.

(2) Share Buy-Back for the Financial Year

The Company did not propose any share buy-back for the Financial Year under review.

(3) Options, Warrants or Convertible Securities Exercised

For the Financial Year under review, 142,057,440 new ordinary shares of RM1.00 each were issued by the Company pursuant to the Employees' Share Option Scheme II (ESOS II) at exercise prices of RM4.45, RM4.76, RM5.06, RM5.08, RM5.36, RM5.45, RM5.59 RM5.62, RM5.64, RM5.74, RM5.86, RM5.93 RM6.09, RM6.20, RM6.24, RM6.27, RM6.28, RM6.36, RM6.38, RM6.40, RM6.53, RM6.56, RM6.60, RM6.62, RM6.75, RM6.98, RM7.33, RM7.35 and RM8.85 per share.

The new ordinary shares issued during the Financial Year ranked pari passu in all respects with the existing ordinary shares of the Company.

The Company has been granted exemption by the Companies Commission of Malaysia via a letter dated 1 October 2013 from having to disclose in the Audited Financial Statements the name of the persons to whom options have been granted during the Financial Year and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965 except for information on employees who were granted options representing 620,000 ordinary shares or more. The employees who were granted options representing 620,000 ordinary shares or more under ESOS II is set out on page 225 in this Annual Report.

(4) American Depository Receipts

In January 1994, TNB launched its Level 1 American Depository Receipts (ADR) in New York, USA. Each ADR carries an equivalent of four (4) underlying TNB shares. The only custodian bank for TNB's ADR programme is Malayan Banking Berhad. The Bank of New York in the USA is the depository bank and the ADRs are traded over the counter. As at 31 August 2013, a total of 11,990,868 ordinary shares were held through these ADRs, which represented less than 1% of the total issued and paid-up capital of the 5,643,611,171 shares of TNB.

(5) Imposition of Sanctions and/or Penalties

Neither the Company nor any of its subsidiaries, Directors or Management was imposed with any sanction and/or penalty by the relevant regulatory bodies for the Financial Year under review.

(6) Non-Audit Fees

The Group's Non-Audit fees payable to the External Auditors, Messrs PricewaterhouseCoopers, for the Financial Year under review amounted to RM1,130,695.00.

(7) Variation in Results

The Group did not issue any profit forecast for the Financial Year under review.

(8) Profit Guarantee

The Group did not issue any profit guarantee for the Financial Year under review.

(9) Material Contracts

Save as disclosed below, the Group and/or its subsidiaries did not enter into any material contracts involving the interest of the Directors or Major Shareholders which are still subsisting as at 31 August 2013:

Lender	Lembaga Kumpulan Wang Simpanan Pekerja (KWSP)
Borrower	Tenaga Nasional Berhad
Borrower/Lender Relationship	KWSP is one (1) of the major shareholders in TNB
Purpose of Loan	Refinancing
Amount	An aggregate of RM2,800.0 million
Details of facility	Facility I – RM700.0 million Facility II – RM700.0 million Facility III – RM700.0 million Facility IV – RM350.0 million Facility V – RM350.0 million
Interest Rate	Facility I – 5.45% Facility II – 5.50% Facility III – 5.60% Facility IV – 5.65% Facility V – 5.70%
Payment terms	Interest Payment 30 June and 31 December each calendar year Principal repayment Facility I – 31 December 2019 Facility II – 31 December 2020 Facility III – 31 December 2021 Facility IV – 31 December 2024 Facility V – 31 December 2025

(10) Related Party Transactions

The Group has established appropriate procedures to ensure it complies with MMLR with regards to related party transactions. All related party transactions are reviewed by the Group Internal Audit Department, following which a Group-Wide Report is submitted to the BAC on a quarterly basis for monitoring purposes.

The Group did not seek any mandate of its shareholders pertaining to related party transactions for the Financial Year under review.

STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE OF CORPORATE GOVERNANCE 2012

(Pursuant to paragraph 15.25 of the MMLR)

The Board is pleased to report to its shareholders that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCCG 2012 and all other applicable laws.

Signed on behalf of the Board in accordance with their resolution dated 23 October 2013.

DATO' ZAINAL ABIDIN BIN PUTIH
Senior Independent Non-Executive Director

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control has been prepared in compliance with Bursa Malaysia's Listing Requirements and in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (2012), which provides guidelines in making disclosures concerning the obligations of management and the board of directors with respect to risk management and internal control.

BOARD RESPONSIBILITY

The Board of Directors (Board) is responsible for Tenaga Nasional Berhad Group's (the Group) system of risk management and internal controls. This system covers risk management, finance, operations, management information systems and compliance with relevant laws, regulations, policies and procedures. The system is designed to manage rather than eliminate risk that may impede the attainment of the Group's business objectives. Thus, the system only provides reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has set a framework in place for identifying, evaluating and managing key risks faced by the Group except for associated companies and joint ventures which are not under the control of the Group. The framework and risk management processes are regularly reviewed by the Board taking into account changes in the regulatory and business environment to ensure the adequacy and integrity of the system of risk management and internal controls.

The Board is assisted by Management to ensure that internal controls and risk management practices are implemented within the Group. The Board has obtained assurances from the President/Chief Executive Officer and the Chief Financial Officer / Vice President (Group Finance) that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this statement for inclusion into the annual report, is adequate and effective to safeguard shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

RISK MANAGEMENT

The Board is ultimately responsible for the management of risks. It has approved the Enterprise Wide Risk Management (EWRM) Policy governing the Group's approach to risk management. As a result, the EWRM Framework and Department was set-up in 2003. The Board and Management have ensured that the risk management and control system is embedded into the culture, processes and structures of the Group. The EWRM framework incorporates the identification, evaluation, monitoring and reviewing of the Group's business risks taking into account changes in the environment and it has been clearly communicated to all levels in the Group.

The Board, through the newly established Board Risk Committee (BRC) in the year under review, reaffirms the Board's commitment to safeguard stakeholders' interests and the Group's assets. The BRC reviews the effectiveness of the EWRM framework and is assisted by the Group Risk Management Committee, Group Risk Management Working Committee, Chief Risk Officer, EWRM Department and TNB employees to effectively embed a strong risk management culture within the Group.

In the year under review, the EWRM Department undertook the following initiatives to enhance EWRM implementation within the Group:

- Held a management colloquium with the Group Executive Management Committee members to internalise and embed risk management culture in the Group.

- Conducted 2 risk management forums and 21 risks awareness and review sessions across the Group in the effort to communicate and ensure the application of EWRM in daily business operations.
- Conducted 7 one-day risk management training sessions as part of the Young Executive Development Programme as well as other scheduled risk management and TNB Risk Information System (TRIS) trainings.
- Conducted 19 Risk Management Compliance Reviews across the Group to establish the adequacy of EWRM implementation and the effectiveness of identified mitigation controls.
- Ongoing TRIS Helpdesk system support for efficient management of queries/feedback and system maintenance to ensure timely information for decision-making purposes.

INTERNAL CONTROL

The Board is committed to evaluating, enhancing and maintaining the established internal control system in order to respond appropriately to significant business, operational, financial, compliance and other risks to achieve the Group's objectives. The internal control framework is structured in such a manner that it provides reasonable assurance that the likelihood of a significant adverse impact on business objectives arising from an event is at a level acceptable to the Group. This is achieved through a combination of preventive, detective and corrective measures.

The following internal control components work together to assist the Board in maintaining an adequate control environment to support the achievement of the Group's business objectives:

A. CONTROL ENVIRONMENT

Board and Management Committees

To promote corporate governance, transparency and accountability, the Board has set up board and management committees to assist in accomplishing the vision, mission, strategies and objectives set for the Group. These committees oversee the areas assigned to them under their Terms of Reference and each plays an important role in directing, monitoring and providing on-going assessment that the plans and operations are in accordance with the Group's approved long-term and short-term business plans and established policies. The committees are:

Board Committees

- Audit Committee
- Tender Committee
- Disciplinary Committee
- Nomination & Remuneration Committee
- Finance & Investment Committee
- Risk Committee

Management Committees

- Group Executive Council Committee
- Group Executive Management Committee
- Energy Supply Committee
- Group Management Tender Committee
- Group Risk Management Committee
- Fuel Procurement Executive Committee
- Information & Communication Technology Governance Council
- Incentive Based Regulation Council

Organisation Structure

The Board has implemented a divisional structure for the Group. Clear lines of authority, responsibility and accountability have been established to support the Group in achieving its vision, mission, strategies and operational objectives. The divisional structure enhances the ability of each division to focus on its assigned core or support functions within the Group.

The Board also reviews and refines the effectiveness of the Group's organisation and control structures to enhance the Group's ability to achieve its strategic and operational objectives and manage challenges in its operating environment.

Group Policies and Procedures

The Board has approved policies and procedures to ensure that ethics and internal control principles and mechanisms are embedded in business operations. This enables the Group to respond quickly to evolving risks and immediately report any significant control failure. These policies and procedures are reviewed regularly to ensure relevance and effectiveness. Among others, the policies and procedures implemented are:

- TNB Code of Ethics
- TNB Confidentiality Policy
- TNB Limits of Authority
- TNB Procurement Policy and Procedures

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- TNB Disciplinary Procedures
- TNB ICT Codes of Practice and Guidelines
- TNB Safety & Health Policy
- TNB Environmental Policy
- TNB Enterprise Wide Risk Management Policy
- TNB Group Financial Policies and Procedures
- TNB Group Human Resource circulars and guidelines

Human Resource Management and Development

The Board acknowledges the importance of having leaders with technical and management capabilities to steer the company forward. Job descriptions and responsibilities of approved job positions are clearly defined, up-to-date and communicated to employees through the TNB Job Description Online system. Employee competency levels are regularly assessed and various programmes are in place to address competency gaps in addition to on-job training and coaching. Group Human Resource Division consistently implements programmes such as the Young Executive Development Programme, Mandatory Programme for non-executives, technical training programme, public and international programmes, job rotation and job attachments.

B. RISK ASSESSMENT

Risk is defined in TNB as "anything that has the potential to prevent the organisation from achieving its objectives". Risk assessment therefore involves the identification and analysis of relevant risks and determining how the risks should be managed to achieve predetermined objectives.

With the consistent application of the TNB Group-Wide Risk Assessment process in the Group, key risks have been identified, are being mitigated, regularly reviewed and communicated to management and employees. Periodic reviews are carried out to assess changes in the economy, environment, technology and regulatory that could significantly impact the Group and its key risks.

Risk profiles in the Group are categorised as 'strategic' or 'operational'. The Group strategic risk profile is reviewed and deliberated in board and management committees. In addition, the operational risk profile for each division, department and key subsidiary is deliberated in its respective divisional risk management committee and/or management committee, addressing key operational risks and identifying appropriate mitigating action as well as assessing its effectiveness. Risk matters are escalated and deliberated in management and board committees in compliance with the EWRM reporting structure as described in the EWRM Policy.

Risk management ownership has been clearly defined and accepted by the employees concerned, evidenced through the risk ownership assignment in TRIS, which functions as an online real-time database of all risks registered in the Group.

Risk assessments are also carried out before committing resources to new projects and initiatives, identifying its impact on current operations and business objectives, which are reported in proposal papers to approving management and/or board committees. In Distribution Division, for example, a Distribution Projects Evaluation Template is used to assess and analyse the feasibility, cost-benefit and risks attached to a project.

Risk appetite (tolerance) of the division, department and key subsidiary has been identified, updated and communicated to management and employees, taking into account the Group's risk tolerance level.

C. CONTROL ACTIVITIES

Control activities are the policies, procedures and practices put in place to ensure objectives are achieved and risk mitigation strategies are carried out.

Key Result Areas

The Board had approved the implementation of a 20-Year Strategic Plan starting from 2005 until 2025. In September 2012, Board approved the formation of the Strategic Management and Performance Department (SMPD) with the Chief Strategic Officer reporting to the President/Chief Executive Officer. In the year under review, SMPD, together with the appointed consultant, had identified and launched the implementation of Five Key Result Areas (5 KRAs), which are:

1. Shape Regulatory Outcome
2. Exceed Customer Expectations
3. Drive Operational Cost Efficiency
4. Grow Profitable New Business
5. Transform Organisation

Specific Heads of Division had been mandated to drive the implementation of the assigned KRA. Through intensive lab sessions, comprehensive risks assessments were carried out resulting in the identification of various initiatives to manage risks and achieve specific objectives. Detailed short- and long-term initiatives and control activities are being implemented and closely monitored to propel the Group towards its vision of becoming a leading corporation in energy and related businesses globally.

Financial & Operational Control Framework

TNB Group Financial Policies and Procedures (GFPP) is a set of financial policies that matches the risk profile and financial operational requirements of the Group. It serves as a compulsory source of reference for the Group in conducting its operations to manage the associated risks. The Group has acted in accordance with generally accepted accounting principles and the Malaysian Financial Reporting Standards.

Operational existing controls reflected in risk registers are regularly reviewed and tested for their effectiveness and efficiency, as well as adapted to significant changes in operations and the external environment. Periodic reviews of actual performance versus budgets, targets, and performance in prior periods for major initiatives or key functions are carried out and appropriate mitigating and follow-up action are taken. The Board and Management receive timely, relevant and reliable reports on progress against business objectives and the related risks to enable them to make appropriate decisions.

The procedures for critical functions and key activities are documented, communicated to employees and periodically reviewed. The Group has formalised its Quality Management System (QMS) using the requirements of QMS MS ISO 9001:2008 as a guide and has consistently maintained its certification since 2005.

In addition, the Governance, Risk and Compliance (GRC) System has been implemented to control and govern the access to TNB Enterprise Application based on approved regulations and guidelines to ensure that access to relevant information systems and confidential information is adequately monitored and controlled. ICT security assessments were also carried out on IT systems at the divisions and power stations.

With regard to physical security and safety, adequate measures such as biometrics identification at critical centres, have been effectively implemented and regularly tested. Employees have been made aware of the importance of compliance to security and safety procedures.

In the year under review, Generation Division developed the Management of Change (MoC) Manual to provide the framework and processes for changes to be implemented (e.g., organisational, processes/systems and equipment/tools) to ensure they are managed consistently and effectively. Pilot projects in implementing the MoC Manual were carried out at Sg. Perak and Sultan Azlan Shah power stations and in the Generation Plant Management System (GPMS) Team.

Customer Feedback

Customer feedback is regularly collated and analysed with appropriate follow-up action taken. The One Stop Engagement Centre has been established, offering a single point of contact to respond to customer enquiries and feedback on billing and account related matters. A variety of channels utilising online infrastructure and social media is made available for customers to submit inquiries or report any problems.

Business Continuity Planning

Specific contingency plans are in place and are regularly tested to ensure the continuity of critical functions and services in the event of an emergency. At the corporate level, a Corporate Emergency Response Plan (CERP) has been developed to mobilise a coordinated and prompt response to a national level emergency affecting the Group. A CERP Steering Committee, chaired by the appointed TNB Crisis Commander and consisting of representatives from operating divisions, provides direction and guidance for the successful formulation and implementation of emergency response and disaster recovery across TNB Group.

In the year under review, ongoing implementation activities were taken towards achieving ISO/IEC 27001:2005 Information Security Management System (ISMS) certification to secure the Group's critical functions against the threat of cyber or information security. This is in response to the Government's mandate to ensure that the country's critical national information infrastructure is resilient and able to respond effectively to any cyber or information security threat.

D. INFORMATION AND COMMUNICATION

Information and communication is a component that supports all other control components by communicating control responsibilities to employees and by providing information in a form and time frame that allows them to carry out their duties.

Management Information Systems

The Board recognises the importance of leveraging on information and communication technology to promote effective and efficient business operations, timely and accurate communication with stakeholders, and enhance the Group's performance in the long term.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The major information systems utilised by the Group for that purpose are:

- Enterprise Resource Management System (ERMS)
- Enterprise Human Resources Management System (EHRMS)
- Supervisory Control and Data Acquisition System (SCADA)
- eCustomer Information & Billing System (eCIBS)
- Remote Meter Reading (RMR)
- Employee Self Service (ESS)
- TNB Outage Management Systems (TOMS)
- Supply Chain Management System (SCM)
- Corporate Geospatial Information System (CGIS)

The aim of the Corporate Geospatial Information System (CGIS) is to create the most accessible, coordinated, efficient, advanced and complete company-wide GIS to improve efficiency and reduce operational costs via intelligent geospatial analysis. In the year under review, 10 modules have been rolled out bringing the total modules operational to date to 30. This project spans ten (10) years with 50 modules at the end of the project period.

Whistle Blowing Policy

The TNB Whistle Blowing policy and procedures have been communicated to employees to report any non-compliance to the TNB Code of Ethics or any unlawful activity. The Group is committed to manage and investigate all reports, treating each with utmost confidentiality. The available channels for reporting include filling up the appropriate form or writing directly to the Head of Internal Affairs Department, utilising the dedicated email address or submitting a report through the TNB Whistle Blowing Information System.

E. MONITORING

Monitoring covers the external oversight of internal controls by management or other parties outside the process, or the application of independent methodologies, such as customised procedures or standard checklists, by employees within a process. There are ongoing processes embedded within the Group's overall business operations to identify internal control deficiencies (inaccuracies or exceptions) and responsible parties are alerted to take preventive and/or corrective action.

Financial and Operational Review

The Board Audit Committee (BAC) reviews the Group's quarterly financial performance together with management, and these are subsequently reported to the Board. The quarterly reviews enable the BAC to deliberate and assess the Group's financial results and operational performance. Group Monthly Management Reports, which serve as a monitoring tool, are also circulated to the Board and key management to provide information on key financial results, operational performance indicators and budget variances to enable them to monitor and contribute towards improving performance.

In the year under review, Management Audit has been introduced in Generation Division for all TNB power stations with the objectives of assisting local management in identifying priority areas for improvement, including the standardisation of industry best practices amongst TNB power stations and enhancing the urgency in resolving issues affecting the power generation business, such as plant outage management, management of recurring defects and the creation of a vibrant work culture.

Division Compliance Departments/Units/Taskforces

The Board approved the set-up of Compliance departments, units and taskforces at EWRM Department, Generation, Transmission, Distribution, Group Finance, ICT and Group Human Resource divisions. These compliance departments, units and taskforces ensure that its respective operations adhere to approved policies and procedures and enhance control consciousness.

Group Internal Audit (GIA)

The GIA was set up by the Board to provide an independent assurance on the adequacy of governance, risk management and internal control systems. GIA reports functionally to the Board through the BAC. GIA annual audit plans, budgets, adequacy of resources and competencies are reviewed and approved by the BAC. This is to ensure adequate resources to provide a high level of assurance. During the financial year, GIA was helmed by a Chief Internal Auditor who is a Certified Internal Auditor, Certified Risk Management Auditor and has the relevant qualifications and experience. GIA activities are guided by an Internal Audit Charter which is approved by the BAC and aligned with the International Professional Practice Framework (IPPF) issued by the Institute of Internal Auditors.

Assurance is given through regular reviews on the existence, adequacy, effectiveness and efficiency of governance, risk management and internal controls processes established by the Group in managing their strategic and operational risks. The Committee of Sponsoring Organisations of the Treadway Commission's (COSO) Internal Control and Control Objectives for Information and related Technology (COBIT) Frameworks are applied in the reviews and are based on international best practices. In areas with internal control deficiencies, improvement opportunities are recommended and follow up audits on corrective actions are carried out. A Key Performance Indicator (KPI) is allocated to each Division Head for completion of corrective actions and the achievement is rated and deliberated by the BAC to ensure that weaknesses are addressed.

GIA also partners with management for consulting activities to assist the organisation in improving their performance and achieving objectives. Ad hoc appraisals and investigations were also conducted as and when requested by the Management and the Board.

In certain areas where technical experts are required, assistance from external experts is obtained through outsourcing or co-sourcing. This is to ensure the assignments add value to the organisation.

The BAC deliberates regularly on audit reports that contain improvement opportunities, audit findings, management response and corrective actions in areas with significant risks and internal control deficiencies. These are also monitored regularly to ensure proper closure.

The audit reports together with the status of corrective actions provide the overall assurance and enable the BAC to have the overview of the state of internal controls in the organisation.

CONCLUSION

The Board's focus on effective risk oversight is critical to setting the tone and culture towards effective risk management and internal control. This oversight includes embedding risk management in all aspects of the Group's activities, establishing the acceptable risk appetite and reviewing the risk management framework, processes, responsibilities and assessing whether it provides reasonable assurance that risks are managed within tolerable ranges.

For the year under review, based on the information and assurance provided by Management, the Board is satisfied that adequate and reasonable action and enhancements to the risk management and internal control system have been taken to address risks as well as to safeguard shareholders' investments and the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the year ended 31 August 2013. Based on their review, nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control to be included in the annual report is inconsistent with their understanding of the process the Board of Directors has adopted in the review of the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is made in accordance with the resolution of the Board of Directors dated 23 October 2013.

BOARD RISK COMMITTEE REPORT

The Board Risk Committee (BRC) was established on 5 June 2013 by the Board of Directors (Board) to assist the Board to carry out its responsibilities. The Board of Directors, through the BRC, is ultimately responsible for the identification of Tenaga Nasional Berhad Group's (the Group) risks and implementing appropriate systems and processes to manage these, in line with the Malaysian Code on Corporate Governance and Bursa Malaysia's Listing Requirements.

MEMBERSHIP AND MEETINGS

The BRC is to consist of a minimum of three members including the Chairman, with a majority of Non-Executive Directors, at least one of whom shall preferably have recent and relevant experience in risk management.

BRC members and details of their attendance at BRC meeting(s) held during the Financial Year are as follows:

Name	Status of Directorship	Independent	No. of Meetings Attended
Datuk Chung Hon Cheong *Chairman*	Non-Executive Director	Yes	1/1
Dato' Zainal Abidin bin Putih	Non-Executive Director	Yes (Senior Independent)	1/1
Tan Sri Dato' Hari Narayanan a/l Govindasamy	Non-Executive Director	Yes	1/1
Datuk Nozirah binti Bahari	Non-Executive Director	No	1/1

As the BRC was established in June 2013, only one meeting was held during the financial year. Attendees, internal or external, were invited to deliberate on matters within their purview. Action sheets were issued by the Company Secretary on the decisions made and actions required. These were circulated to Management for their action.

PURPOSE

The purpose of the BRC is to assist the Board of Directors in ensuring that the Group has in place a sound and robust enterprise risk management framework to enhance the Group's ability to achieve its strategic objectives.

ROLES AND RESPONSIBILITIES

The BRC is:

a) Unreservedly committed to monitoring the establishment and implementation of the risk management system, and to reviewing its effectiveness at least annually, including the risk management policies and practices approved by Management;

b) Accountable to endorse the risk management policies and practices on behalf of the Board, and to review periodic reports on risk management and recommendations that will be presented to the Board;

c) Essentially well-versed on risk management matters to present periodic summarised information on the Group Wide Risk Assessment process. It has the authority to request for information and/or direct special investigations, on behalf of the Board, into significant risk management activities as and when necessary;

d) Responsible to review the adequacy of and to provide independent assurance to the Board of the effectiveness of risk management functions in the Group;

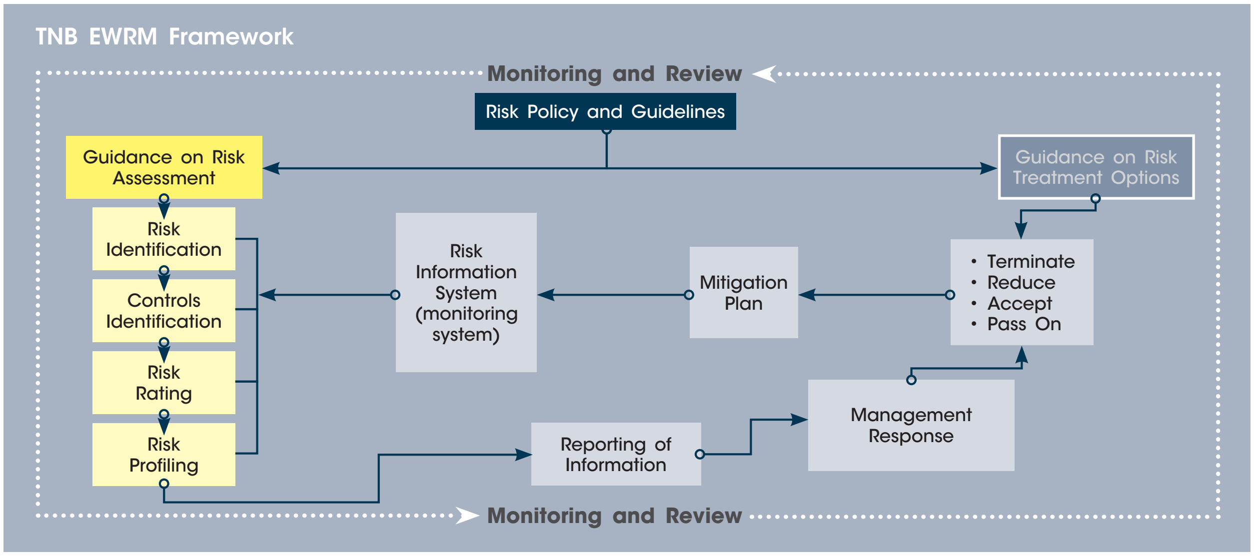
e) To ensure that the principles and requirements of managing risk are consistently adopted throughout the Group;

f) To identify, analyse, evaluate and deliberate strategic risks as well as key operating risks highlighted by Management in their report to BRC; and

g) To effectively control, monitor and measure the risk exposure of the Group and ensure it adheres strictly to the TNB Enterprise Wide Risk Management Policy.

ENTERPRISE WIDE RISK MANAGEMENT

The TNB Enterprise Wide Risk Management (EWRM) framework, in place since 2003, prioritises strategic and operational risks throughout the Group while enabling the development of an internal compliance and review plan. This framework provides for a complete risk management cycle incorporating the assessment, analysis, treatment, monitoring and review of business risks within the Group.



The implementation of EWRM is supervised through risk committees, with operational divisions being primarily responsible for identifying and managing risks at the onset. The EWRM Department is principally tasked with assisting the risk committees and monitoring and reporting on the implementation of EWRM in the Group. The implementation of EWRM is also subjected to the independent assurance and assessment of the Group Internal Audit Department.

BOARD RISK COMMITTEE REPORT

The application of the EWRM framework is described in detail in the TNB Group-Wide Risk Assessment Process. It details a six-step process of risk identification, controls identification and effectiveness, risk profiling and risk treatment options. The online and real-time TNB Risk Information System (TRIS) captures the risk registers of the Group and provides the platform for operating divisions and subsidiaries to monitor their identified risks and mitigation plans.

Below is a summary of activities carried out by EWRM Department in the financial year under review to internalise enterprise risk management in the Group:

Risk Reporting & Monitoring	21 risk awareness and review sessions for the Group.
	Analysis and reporting of half-year risk assessment reports to risk management committees.
	A management colloquium with the Group Executive Management Committee members to internalise and embed risk management culture in the Group.
Risk Communication	Two risk management forums: 1) Discussed TNB's current strategic direction and related risks, as well as the risk of stress and its impact on human resources. 2) Discussed the challenges and success factors in the application of enterprise risk management in Securities Commission Malaysia, the risks involved in the implementation of TNB Key Result Area no. 4, Grow Profitable New Business, and the compliance risk of debt covenants.
	Risk management training made available by TNB's training subsidiary, TNB Integrated Learning Solutions Sdn Bhd (ILSAS).
	Seven risk management training sessions held as part of the Young Executives Development Programme (YEDP).
TNB Risk Information System (TRIS)	241 TRIS Helpdesk requests received and resolved.
Risk Management Compliance Review	19 risk management compliance reviews were conducted. Observation: most of the divisions/departments/subsidiaries reviewed have fulfilled the requirements stipulated in the EWRM Policy and Procedures.
TNB Corporate Emergency Response Plan (CERP)	Ongoing review and update of CERP documents and maintenance of the National and Strategic Operation Rooms to increase preparedness.
	Ongoing activities towards ISO/IEC 27001: 2005 Information Security Management System (ISMS) certification of TNB critical installations to secure against cyber or information security threat.

CONCLUSION

Throughout the financial year, the operational risks of the Group were adequately and satisfactorily managed. The Group will remain attuned to changes in the environment and seek to implement responses as appropriate to limit potential negative impact while capturing any possible upside opportunities.

This statement was made in accordance with the resolution of the Board of Directors dated 23 October 2013.

BOARD AUDIT COMMITTEE REPORT

1. **Dato' Zainal Abidin bin Putih**
   Chairman
   Senior Independent
   Non-Executive Director

2. **Tan Sri Dato' Hari Narayanan a/l Govindasamy**
   Independent
   Non-Executive Director

3. **Dato' Abd Manaf bin Hashim**
   Independent
   Non-Executive Director

4. **Datuk Chung Hon Cheong**
   Independent
   Non-Executive Director

The Board Audit Committee (BAC) was established on 9 December 1990 by the Board of Directors to assist the Directors to carry out their responsibilities. The BAC is guided by its Terms of Reference which are set out on pages 134 to 137 of the Annual Report.

MEMBERSHIP AND MEETINGS

BAC members and details of their attendance at BAC meetings held during the financial year are as follows:

No.	Name	Status of Directorship	Independent	No. of Meetings Attended
1.	**Dato' Zainal Abidin bin Putih** *Chairman*	Non-Executive Director *(Senior Independent)*	Yes	14/14
2.	**Tan Sri Dato' Hari Narayanan a/l Govindasamy** *Member*	Non-Executive Director	Yes	13/14
3.	**Dato' Abd Manaf bin Hashim** *Member*	Non-Executive Director	Yes	13/14
4.	**Datuk Chung Hon Cheong** *Member*	Non-Executive Director	Yes	14/14

BOARD AUDIT COMMITTEE REPORT

TNB's BAC consists of four members, all of whom are Non-Executive Directors. Dato' Zainal Abidin bin Putih and Tan Sri Dato' Hari Narayanan a/l Govindasamy have exceeded the limit of tenure of Independent Directors (cumulative of nine years) as stipulated by the Malaysian Code on Corporate Governance 2012. Dato' Zainal Abidin will seek approval to remain as Independent Director from TNB's shareholders at the Annual General Meeting to be held in December 2013. Whereas Tan Sri Dato' Hari Narayanan has expressed his intention not to seek re-election and will retain office until the close of the 23rd AGM.

While the BAC Terms of Reference requires the Committee to meet six times annually, they met 14 times during the financial year. The Chief Internal Auditor and Company Secretary, who is also the secretary to the BAC, attended the meetings. The President/Chief Executive Officer and other officers were invited to the meetings to deliberate on matters within their purview.

After each meeting, the BAC Chairman submits a report on matters deliberated to the Board of Directors for their information and attention. Matters reserved for the Board's approval are tabled at TNB Board meetings. Action sheets are issued by the Company Secretary on the decisions made and actions required. These are then circulated to Management for their action.

SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

BAC's principal activities during the financial year are as summarised below:

Risk Management

- Reviewed the TNB Strategic Risk Reports, TNB Risk Assessment Reports and activities undertaken by the Enterprise Wide Risk Management Department to promote and improve risk management awareness and processes.
- Recommended the set-up of a Board Risk Management Committee and appointment of a Chief Risk Officer.

Internal Audit

- Reviewed and approved Group Internal Audit (GIA)'s structure, budget and annual audit plan to ensure adequacy of resources, competencies and coverage of auditable entities with significant and high risks.
- Reviewed and approved GIA's revised Internal Audit Charter.
- Reviewed internal audit reports issued by GIA and external parties on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised.
- Deliberated the results of ad-hoc investigations and confirmed that appropriate actions were taken to correct the weaknesses.
- Reviewed and approved the appointment of consultants for co-sourced technical audits.
- Approved the procurement and award of the Management & Engineering Audit 2012 to external consultants.
- Assessed the Group Internal Audit Department's performance.
- Reviewed the Key Performance Indicators achieved by division heads in completing corrective actions.

External Audit

- Reviewed and approved the external auditor's audit plan and the scope for the annual audit.
- Deliberated and reported the results of the annual audit to the Board of Directors.
- Assessed the performance of the external auditors and recommended their appointment and remuneration to the Board of Directors.
- Met with the external auditors without the presence of Management to discuss matters that they may wish to present.

Financial Results

- Reviewed the quarterly and annual financial statements of the Company and Group, including announcements, and recommended them to the Board for approval.
- Reviewed the Internal Control Memorandum (ICM) & Significant Accounting Issues (SAI) reported by the external auditor.

Related Party Transactions

- Reviewed the system for identifying, monitoring and disclosing related party transactions for TNB and its subsidiaries.

Annual Reporting

- Reviewed and recommended the Statement on Risk Management & Internal Control, Board Audit Committee Report, and Statement on Internal Audit Function.

Others

- Reviewed and approved the allocation of options granted under the Employees' Share Option Scheme (ESOS) during the financial year against the provisions set out under the Company's Scheme.
- Reviewed the implementation of the Malaysian Financial Reporting Standards (MFRS).
- Reviewed the customisation and realignment of policies and procedures for TNB's subsidiaries.
- Reviewed the restructuring of Malaysian Electricity Supply Industry (MESI) reports as proposed by the government and assessed their potential impact on TNB.
- Deliberated on TNB's business expansion and staffing requirements for overseas projects.
- Deliberated on the readiness assessment in implementing the Malaysian Code on Corporate Governance 2012.
- Reviewed the guidelines for preparing the Statement On Risk Management & Internal Control issued on 31 December 2012.
- Reviewed TNB's Whistleblowing Procedures.

GROUP INTERNAL AUDIT

BAC is assisted by the Group Internal Audit (GIA) Department in discharging its duties and responsibilities. GIA is independent of operations and is primarily responsible for providing assurance to the BAC on the effectiveness of governance, risk management and internal control processes within the Company.

GIA uses a risk-based approach and a weightage system to determine the priorities of the internal audit activities, consistent with the Group's strategies. An Audit Management System (Teammate) is used to enhance the effectiveness and efficiency of the audit process. GIA also uses Computerised Audit Tools (IDEA) to improve data analytics and to monitor trends thus identify anomalies, exceptions or unexplained patterns that may indicate fraud. During the year, GIA embarked on continuous auditing of areas regarding Customer Billing.

During the financial year, a total of 256 reports covering 319 assignments were issued. The areas reviewed included generation, transmission, distribution, procurement, engineering, projects, finance, corporate governance, human resources, logistics, information and communication technology, investments in subsidiaries and risk management.

Internal audit reports are issued to Management and contain improvement opportunities, audit findings, Management response and corrective actions in areas with significant risks and internal control deficiencies. Management provides the corrective and preventive actions as well as deadlines to complete the actions. These reports together with follow-up audit reports were tabled to the BAC for deliberation. Management is required to be present at the BAC meetings to respond and provide feedback on their progress on business process improvement opportunities identified by GIAD.

Dato' Zainal Abidin bin Putih
Chairman
Board Audit Committee
Tenaga Nasional Berhad
(Senior Independent Non-Executive Director)

STATEMENT ON INTERNAL AUDIT FUNCTION

The Group Internal Audit Department (GIA) carries out TNB's internal audit function. GIA was established to support the Board, through the Board Audit Committee (BAC), in discharging its responsibilities to maintain a sound system of internal control thus safeguard shareholders' investment, the interest of stakeholders and the Group's assets.

GIA reports functionally to the BAC and administratively to the President/Chief Executive Officer. GIA's authority, scope and responsibilities are governed by an Internal Audit Charter which is approved by the BAC and aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors.

MISSION AND OBJECTIVES

GIA's mission is to provide independent and objective assurance on governance, risk management and control systems adopted by the Company and make recommendations that will improve or add value to the Group. This is achieved through the following:

i. Preparing a detailed Annual Audit Plan using an appropriate risk-based methodology that is aligned to the organisation's strategic objectives.

ii. Evaluating risk exposures and the adequacy and effectiveness of controls to manage the risks within the organisation's governance, operations and information systems.

iii. Reviewing internal control systems and reporting on whether these provide reasonable assurance against material misstatement, loss and fraud.

iv. Reporting any significant issues that affect the processes of controlling the activities of, and managing the risks faced by, the divisions/ companies audited.

v. Obtaining updates from operating management on the agreed courses of action to rectify weaknesses identified and, in the case of critical issues, perform follow-up audits to confirm if agreed recommendations have been correctly implemented, and are adhered to consistently.

COVERAGE AND RESOURCES

GIA is structured into core and non-core units. The audit coverage includes the functions of governance, risk management and review of controls in the areas of generation, transmission, distribution, procurement, projects, engineering, accounting and finance, human resources, information and communication technology and investment in subsidiaries.

During the financial year, GIA issued 256 reports arising from the performance of 119 planned jobs, 10 ad hoc jobs and 127 follow-up audits on corrective actions. Three planned audits were co-sourced out to external consultants while the rest were performed in-house by GIA.

As at 31 August 2013, GIA had a total of 119 auditors, comprising staff from various backgrounds in engineering, finance, business, accounting, information and communication technology and quantity surveying. During the financial year, 20 staff joined while 11 staff left the Department. The BAC is informed of promotions and movements of GIA personnel.

In the financial year 2013 (FY2013), GIA spent a total of RM19.05 million, 70% of which was for staff-related costs, 22% for other operating costs and 8% for consultancy fees.

COMMITMENT TO COMPETENCE

A total of RM516,889 was spent on training in FY2013, with GIA staff being sent for courses in the areas of auditing skills, technical skills, business acumen, strategic management and personal development. Two staff were attached for four months at McKinsey & Company to gain knowledge on strategic planning and review.

GIA staff are also encouraged to take Certified Internal Auditor (CIA), Certified Information System Auditor (CISA) and Certification in Risk Management Assurance (CRMA) examinations. They are provided with incentives such as study allowance, reimbursement of examination and registration fees and fixed allowance for five years after they pass the examinations. During the year, three staff passed the CIA examination and one obtained the CRMA certification, bringing the total number of CIAs to 10 and CRMA to one in GIA. Meanwhile, 20 staff are pursuing the CIA qualification.

To date, GIA has won six consecutive Corporate Awards from the Institute of Internal Auditors Malaysia. The earlier five awards were for strong commitment to Continuous Professional Development while the latest award was for strong commitment to the Certified Internal Auditor Programme.

IMPROVEMENT INITIATIVES

During the financial year many initiatives were undertaken to improve GIA's operations and organisational control consciousness, as listed below.

i. Revision of the Internal Audit Charter to be aligned with the latest additions to the International Professional Practices Framework on Internal Auditing.

ii. Attachment of two GIA staff at McKinsey & Company to enable them to understand and experience strategy reviews, formulation and planning up to the rolling out of Key Result Areas and Action Plans.

iii. Issuance of guidelines to assist staff to carry out strategic reviews more comprehensively and effectively.

iv. Appointment of three subject matter experts to assist GIA to conduct technical audits. More specifically, the appointments enabled the transfer of knowledge to GIA staff, provided value-added recommendations and assisted in obtaining management buy-in for implementing cost-beneficial improvements.

v. Recommended business process improvement opportunities to strengthen internal control systems.

vi. Provided recommendation/improvement counts for each control element (under the Committee of Sponsoring Organisations of the Treadway Commission's Framework) to assist Management to identify control elements that require strengthening.

vii. Introduction of operational attachment programmes to enable executives to gain practical experience.

viii. Revision of allowance of staff with Certified Internal Auditor (CIA) and Certified Information System Auditor (CISA); and introduction of Certification in Risk Management Assurance (CRMA) to promote professionalism and to attract and retain staff.

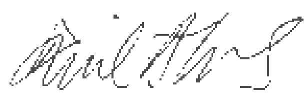
ix. Introduction of a Competency Framework for Internal Auditors to enable identification of required training for staff to increase competency levels.

x. Formulation of policies and procedures on Quality Assurance Improvement Programme.

xi. Revision of the Internal Audit Manual to include a Quality Assurance Review, Quality Assurance Improvement Programme and the revised Internal Audit Charter.

xii. Utilisation of the Audit Management Software for effective management and monitoring of all audit activities.

GIA is committed to providing objective and independent assurance as well as value-added services to its customers in accordance with the International Professional Practices Framework on Internal Auditing.



Dato' Zainal Abidin bin Putih
Chairman
Board Audit Committee
Tenaga Nasional Berhad
(Senior Independent Non-Executive Director)

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

1. CONSTITUTION

1.1 The Board of Directors of Tenaga Nasional Berhad (TNB), in accordance with Article 146 of the Memorandum and Articles of Association of TNB, established a Committee of the Board, known as the Board Audit Committee (BAC), vide Minute No. 39/90 on 9 October 1990.

1.2 The function and authority of the BAC extend to TNB and all its subsidiaries, joint ventures and associates where management responsibility is vested to TNB or its subsidiaries (collectively referred to as the "Group").

2. COMPOSITION OF THE COMMITTEE

2.1 Members of the BAC shall be appointed by the Board of Directors of TNB and shall consist of not less than three Directors, all of whom must be Non-Executive Directors, with the majority being independent, in accordance with the Bursa Malaysia Listing Requirements.

2.2 Where the members for any reason are reduced to less than three, that Board shall within three months of the event, appoint such number of new members as may be required to make up the minimum number of three members.

2.3 At least one member of the Committee must meet the criteria set by the Bursa Malaysia Listing Requirements, i.e.:

i. must be a member of the Malaysian Institute of Accountants or

ii. if he/she is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience, and:

a. must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or

b. must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

2.4 The Board shall elect a Chairman from the Committee who shall be an Independent Director as set out in the Bursa Malaysia Listing Requirements.

2.5 The term of office and performance of the Committee shall be reviewed by the Board to determine whether the Committee has carried out its duties in accordance with its terms of reference.

2.6 No alternate Directors shall be appointed to the BAC.

3. CHAIRMAN OF THE COMMITTEE

3.1 The following are the main duties and responsibilities of the Chairman of the Committee:

3.1.1 to steer the Committee to achieve its objectives;

3.1.2 to provide leadership to the Committee and ensure proper flow of information to the Committee, review adequacy and timing of documentation;

3.1.3 to provide a reasonable time for discussion at the Committee meetings, organise and present the agenda for Committee meetings based on input from members, and ensure that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy level of skepticism and independence;

3.1.4 to ensure that consensus is reached on every Committee resolution and, where considered necessary, call for a vote for the decision to be made by a simple majority. Dissenting opinions should be captured;

3.1.5 to manage the process and working of the Committee and ensure that the Committee discharges its responsibilities;

3.1.6 to ensure that all members participate in the discussion to enable effective decisions to be made; and

3.1.7 to be available to answer questions about the Committee's work at the Annual General Meeting of the company.

4. COMMITTEE MEMBERS

4.1 Each Committee member is expected to:-

4.1.1 provide independent opinions to the fact-finding, analysis and decision-making process of the Committee, based on his/her experience and knowledge;

4.1.2 consider viewpoints of the other Committee members, and make decisions and recommendations in the best interest of the Group;

4.1.3 keep abreast of the latest corporate governance guidelines in relation to the Committee and the Board as a whole; and

4.1.4 continuously seek out best practices in terms of the processes utilised by the Committee, following which these should be discussed with the rest of the Committee for possible adoption.

5. OBJECTIVES OF THE COMMITTEE

The objectives of the Committee are:

5.1 to ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;

5.2 to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;

5.3 to improve the Group's business efficiency, the quality of the accounting and audit function and strengthen public confidence in the Group's reported financial results;

5.4 to maintain, through regularly scheduled meetings, a direct line of communication between the Board and the External and Internal Auditors;

5.5 to ensure the independence of the external and internal audit functions; and

5.6 to create a climate of discipline and control which will reduce the opportunity for fraud.

6. AUTHORITY OF THE COMMITTEE

The Committee is authorised by the Board to:

6.1 investigate any activity within its Terms of Reference, or as directed by the Board of Directors;

6.2 determine and obtain the resources required to perform its duties, including approving the budget for the external and internal audit functions;

6.3 have full and unrestricted access to all employees, the Group's properties and works, to all books, accounts, records and other information of the Group in whatever form;

6.4 have direct communication channels with external auditors and person(s) carrying out the internal audit function or activity for the Group;

6.5 direct the internal audit function in the Group;

6.6 approve the appointment of the Head of Internal Audit;

6.7 engage independent advisers and to secure the attendance of outsiders with relevant experience and expertise if considered necessary; and

6.8 review the adequacy of the structure and Terms of Reference of the Board Committees, including the BAC.

7. FUNCTIONS OF THE COMMITTEE

The functions and responsibilities of the Committee are as follows:

7.1 Corporate Financial Reporting

7.1.1 To review and recommend acceptance or otherwise of accounting policies, principles and practices.

7.1.2 To review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:

i. any changes in the existing accounting policies or implementation of new accounting policies;

ii. major judgment areas, significant and unusual events;

iii. significant adjustments resulting from audit;

iv. the going concern assumptions;

v. compliance with accounting standards; and

vi. compliance with Bursa Malaysia Listing Requirements and other legal and statutory requirements.

7.1.3 To review with Management and the external auditors the results of the audit, including any difficulties encountered.

7.1.4 To review and verify the allocation of scheme options pursuant to the company's Employee Share Option Scheme (ESOS) in accordance with the Bursa Securities Listing Requirements as to provide a statement in the annual report.

7.2 Enterprise Wide Risk Management

7.2.1 To review the adequacy, and to provide independent assurance to the Board, of the effectiveness of the risk management functions in the TNB Group.

7.2.2 To ensure that the principles and requirements of managing risk are consistently adopted throughout the TNB Group.

7.2.3 To deliberate on the key risk issues highlighted by the Group Risk Management Committee in their reports to BAC.

7.3 Internal Control

7.3.1 To assess the quality and effectiveness of the system of internal control and the efficiency of the Group's operations.

7.3.2 To review the findings on internal control in the Group by the internal and external auditors.

7.3.3 To review and approve the Statement on Internal Control for the annual report as required under Bursa Malaysia Listing Requirements.

7.4 Internal Audit

7.4.1 To approve the Corporate Audit Charter of the internal audit function in the Group.

7.4.2 To ensure that the internal audit function has appropriate standing in the Group and has the necessary authority, resources and competency to carry out its work. This includes a review of the organisational structure, resources, budgets and qualifications of the internal audit personnel.

7.4.3 To review internal audit reports and Management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by Management, the BAC will report the matter to the Board.

7.4.4 To review the adequacy of internal audit plans and the scope of audits, and ensure that the internal audit functions are carried out without any hindrance.

7.4.5 To appraise the performance of the Head of Internal Audit.

7.4.6 To be informed of resignations and transfers of senior internal audit staff and provide resigning/transferred staff an opportunity to express their views.

7.4.7 To direct any special investigation to be carried out by internal audit.

7.4.8 To review and approve the Statement on Internal Audit Function required under Bursa Malaysia Listing Requirements.

7.5 External Audit

7.5.1 To nominate the external auditors together with such other functions as may be agreed to by the Board and recommend for approval of the Board the external audit fee, and consider any question of resignation or termination.

7.5.2 To review the external audit reports and Management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by Management, the BAC will report the matter to the Board.

7.5.3 To review the external audit's plans and scope of work.

7.5.4 The BAC shall meet the external and internal auditors or both at least twice a year to discuss problems and reservations arising out of audits and any matters the auditors may wish to discuss, in the absence of Management, Executive Directors or Non-Independent Directors where necessary.

7.6 Corporate Governance

7.6.1 To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

7.6.2 To review the findings of any examinations by regulatory authorities.

7.6.3 To review any related party transaction or conflict of interest situation that arises within the Group, including any transaction, procedure or course of conduct that raises questions of integrity.

7.6.4 To review and approve the Statement of Corporate Governance for the annual report as required under Bursa Malaysia Listing Requirements.

7.6.5 To review the investor relations programme and shareholder communications policy for the company.

7.6.6 To examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.

7.6.7 Where the BAC is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of Bursa Malaysia Listing Requirements, to promptly report such matters to Bursa Malaysia.

8. COMMITTEE MEETINGS

8.1 The Committee shall convene meetings as and when required, and at least six times during the financial year of TNB.

8.2 The number of Committee meetings held a year and the details of attendance of each individual member in respect of meetings held should be disclosed in the annual report.

8.3 The Chairman or Secretary of the Committee, on the request of any member, the Head of Internal Audit or the External Auditors, shall at any time summon a meeting of the Committee by giving reasonable notice. It shall not be necessary to give notice of a Committee meeting to any member who at the time is overseas.

8.4 No business shall be transacted at any meeting of the Committee unless the quorum of three members is satisfied.

8.5 The Chairman of the Committee shall chair the Committee meetings and in his absence, the members present shall elect one amongst themselves to be the Chairman of the meeting.

8.6 In appropriate circumstances, the Committee may deal with matters by way of circular reports and resolution in lieu of convening a formal meeting.

8.7 Officers of the Group or others as necessary may be invited to attend meetings where the Committee considers their presence necessary.

8.8 All recommendations of the Committee shall be submitted to the Board for approval.

8.9 A Committee member shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this causes insufficient Directors to make up a quorum, the Committee has the right to appoint one or more Director(s), who meet the membership criteria.

8.10 The Committee, through its Chairman, shall report to the Board after each meeting.

8.11 Subject to the provisions of these Terms of Reference and Memorandum and Articles of Association of TNB, the Committee shall establish its own procedures for meetings.

9. SECRETARY OF THE COMMITTEE

9.1 The Secretary of the Committee shall be the Company Secretary.

9.2 The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee. The Agenda shall be sent to all members of the Committee and the Head of Internal Audit at least three working days before each meeting, together with the relevant papers.

9.3 The Secretary shall promptly prepare the written minutes of the meeting and distribute it to each member. The minutes of the Committee meeting shall be confirmed and signed by the Chairman of the meeting at the next meeting.

9.4 The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custody of the Company Secretary. The minutes shall be available for inspection by members of the Board, external auditors, internal auditors, and other persons deemed appropriate by the Company Secretary.

10. DISCLOSURE

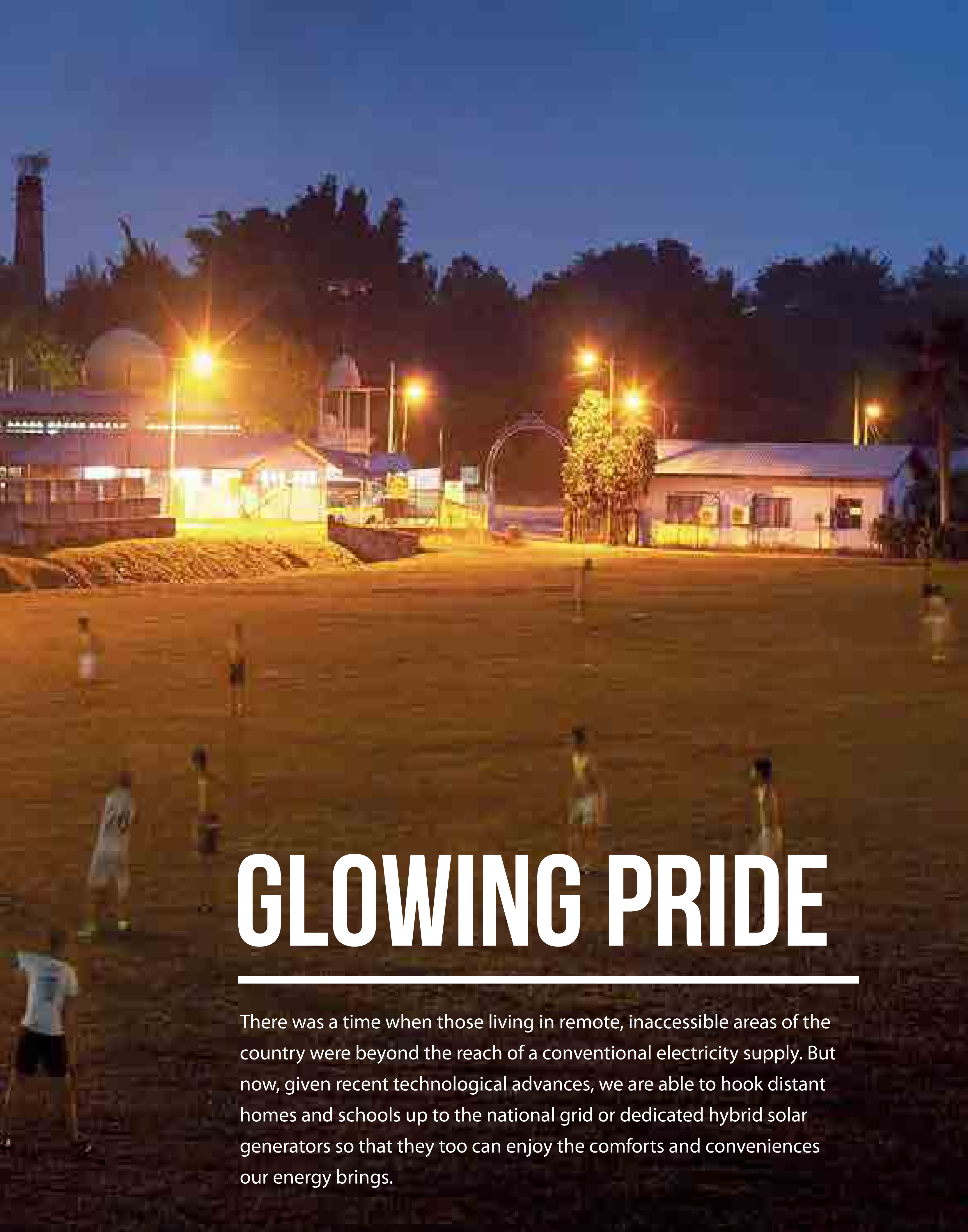
10.1 The Committee shall assist the Board in making disclosures concerning the activities of the Committee, in the Report of the Board Audit Committee, to be issued in the annual report.

10.2 The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests and the interests of the Company. In the event of a conflict, either perceived or actual, this Disclosure of Interest shall be submitted to the Chairman of the Committee with a copy to the Company Secretary.

11. REVISION OF THE TERMS OF REFERENCE

11.1 Any revision or amendment to the Terms of Reference, as proposed by the Committee or any third party, shall be presented to the Board for its approval.

11.2 Upon the Board's approval, the said revision or amendment shall form part of these Terms of Reference, which shall be considered duly revised or amended.



GLOWING PRIDE

There was a time when those living in remote, inaccessible areas of the country were beyond the reach of a conventional electricity supply. But now, given recent technological advances, we are able to hook distant homes and schools up to the national grid or dedicated hybrid solar generators so that they too can enjoy the comforts and conveniences our energy brings.

Energy Incorporated

OPERATIONS REVIEW

In this section	Page

CORE BUSINESSES

TNB's core business lies in the generation, transmission and distribution of electricity. The company has provide the nation with energy that will be the driving force to a 'Better, Brighter' future.

The Generation Division is responsible for generating electricity at TNB's six thermal power stations and three hydroelectric power generating schemes in Peninsular Malaysia. Together with two independent power producers (IPPs) that it supports, namely the wholly-owned Sultan Azlan Shah Power Station and the majority-owned Sultan Salahuddin Abdul Aziz Shah Power Station, these plants make up 36.6% of the generation market share in the peninsula. Generation also owns TNB Liberty Power Limited of Pakistan.

The Transmission Division transports electricity from power generators to distributors and large industrial customers. Its primary business includes operating the grid and maintaining thousands of circuit-kilometres of transmission lines and pylons in the peninsula. The division is committed to providing safe, secure and reliable electricity supply at optimal cost.

The Distribution Division is responsible for reliable and robust network delivery. It plans, designs, constructs, operates and maintains the nation's electricity supply system to provide sufficient electricity to all segments of customers, as efficiently as possible. The division also presents TNB's frontline service, handling the Customer Service Centres, collecting revenue, and operating the Call Management Centres.

GENERATION

TNB's Generation Division operates and maintains six thermal power stations and three major hydroelectric power generating schemes in Peninsular Malaysia.

Zainudin bin Ibrahim
Vice President

The six thermal power stations comprise conventional gas and oil-fired plants as well as open and combined cycle gas turbine plants. The division further supports the operations and maintenance of three IPPs, namely the wholly TNB-owned Sultan Azlan Shah Power Station and TNB Liberty Power Limited of Pakistan, and the majority-owned Sultan Salahuddin Abdul Aziz Shah Power Station.

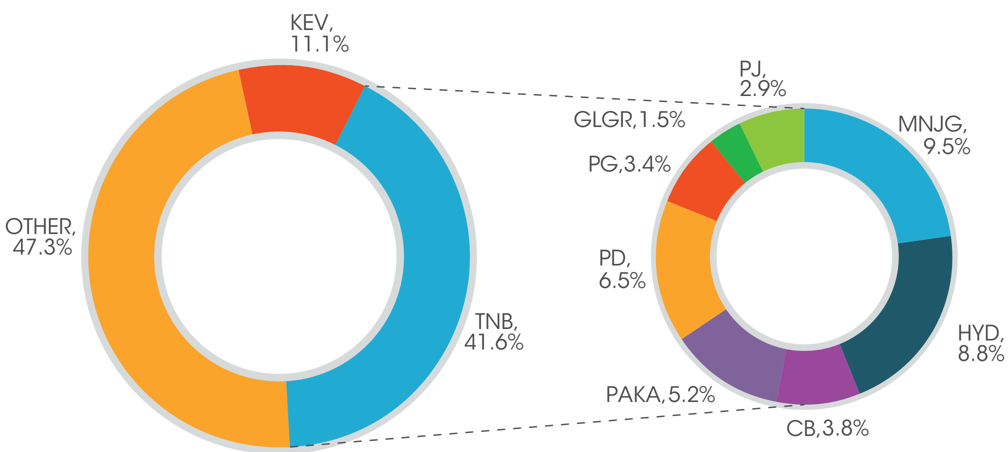
With over 60 years of experience, Generation Division takes the lead in providing the technical expertise in TNB's overseas ventures.

SUMMARY OF OPERATIONS

Peak Demand for electricity in Peninsular Malaysia increased 4.7% to 16,562MW, as recorded in May 2013, from 15,826MW recorded in June 2012. Generation Division has a total installed capacity of 9,041MW, comprising 7,130MW from thermal plants and 1,911MW from hydro plants[1].

Graph 1 shows the overall TNB Generation Division installed capacity for the Financial Year 2013 in Peninsular Malaysia.

Graph 1: Generation Installed Capacity in FY2013



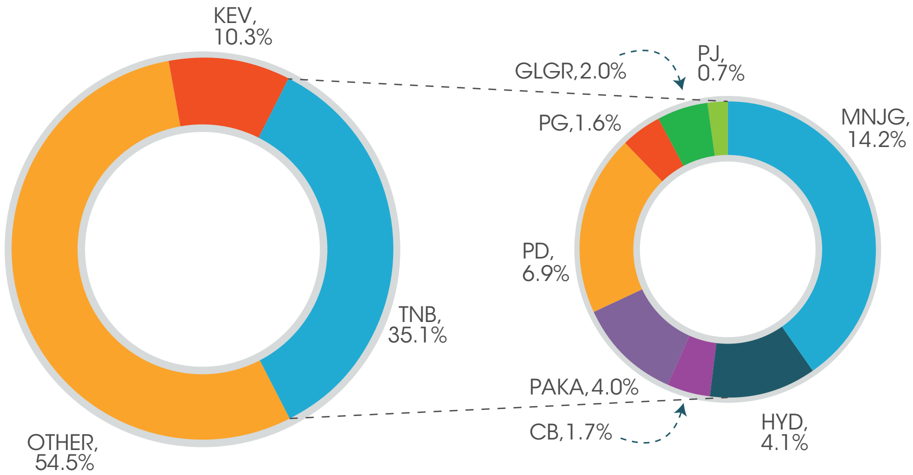
[1] Based on Generation Security Standard (June 2011) by Energy Procurement Department, TNB

OPERATIONS
REVIEW – GENERATION

TNB's generation market share decreased by 1.5 percentage points year-on-year from 36.6% to 35.1%. The main contributor was due to unplanned outages at Tuanku Ja'afar Power Station in Port Dickson. Sultan Azlan Shah Power Station in Manjung and Tuanku Ja'afar Power Station continued to be the major contributors of energy generated, constituting 40.5% and 19.5% of TNB's total generation respectively.

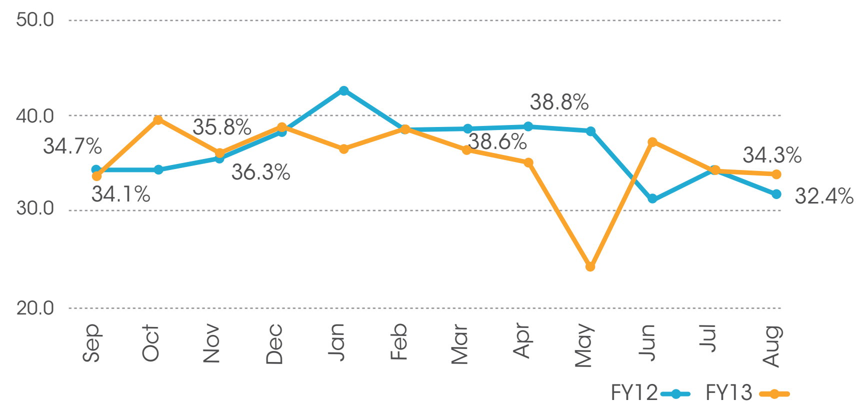
Graph 2 illustrates the overall generation market share in FY2013.

Graph 2: Overall Generation Market Share by Sales in FY2013



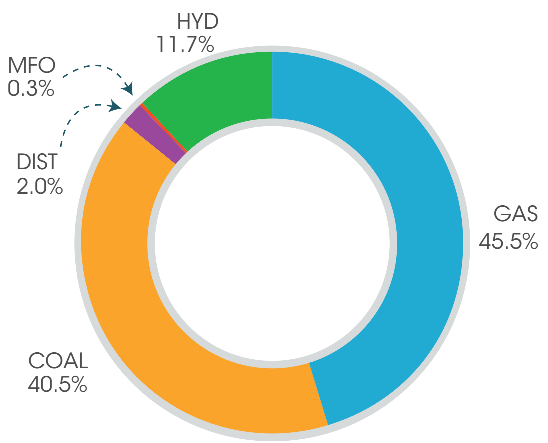
Graph 3 compares TNB's monthly energy market share in FY2012 and FY2013.

Graph 3: TNB's Monthly Market Share in FY2012 and FY2013



Graph 4 shows TNB's generation fuel mix during the year under review. Generation from fuel gas contributed to 45.5% of the total energy generated by TNB in FY2013, followed by coal (40.5%), hydro (11.7%) and distillates (2.0%).

Graph 4: TNB's Generation Fuel Mix in FY2013



TECHNICAL PERFORMANCE REVIEW

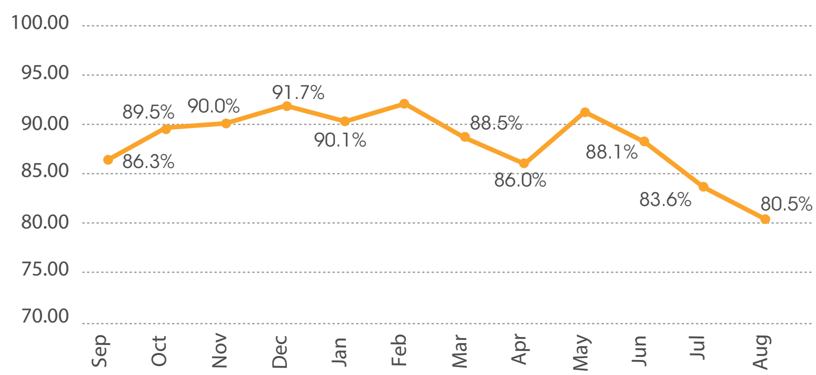
Plant Equivalent Availability Factor (EAF)

TNB's plant Equivalent Availability Factor (EAF) in FY2013 was 88.1%, a reduction of 0.7% from FY2012.

The overall stations' performances were good, with 60% of the power stations exceeding an EAF of 90%. Among the different plant types, conventional oil/gas thermal plants achieved an EAF of 96.4%, hydro plants 93.0%, conventional coal thermal plants 91.2%, open-cycle gas turbines 90.0% and combined-cycle plants 82.4%.

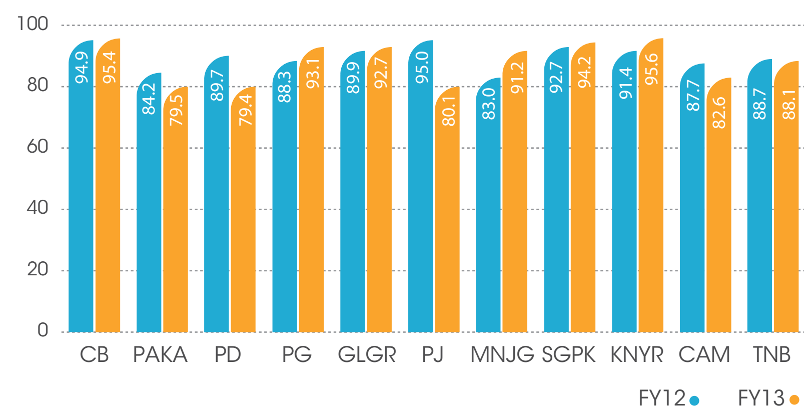
As illustrated in Graph 5, the lowest EAF of 80.5% was recorded in August 2013, due to multiple planned outages. Among these were minor planned outages of Blocks 1 and 4 at Sultan Ismail Power Station, Paka, minor planned outages of Units 2 and 3 at Sultan Azlan Shah Power Station, Manjung, and a major overhaul of GT1 at Gelugor Power Station, Gelugor.

Graph 5: Equivalent Availability Factor in FY2013 (%)

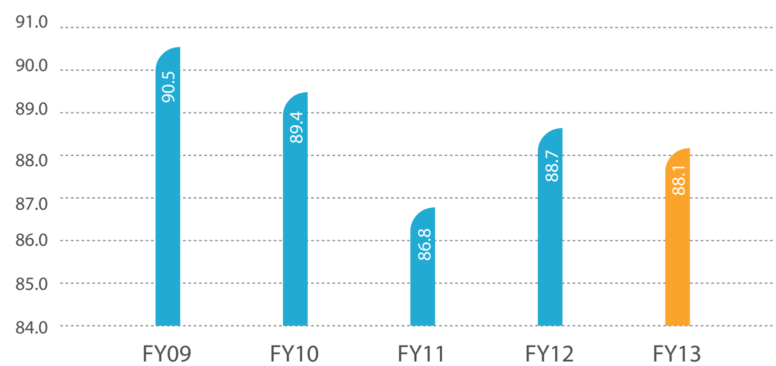


Graph 6 shows the EAF of TNB's power stations in FY2012 and FY2013, while Graph 7 shows the EAF trend since FY2009.

Graph 6: Equivalent Availability Factor by Station (%)



Graph 7: Trend of Equivalent Availability Factor (%)



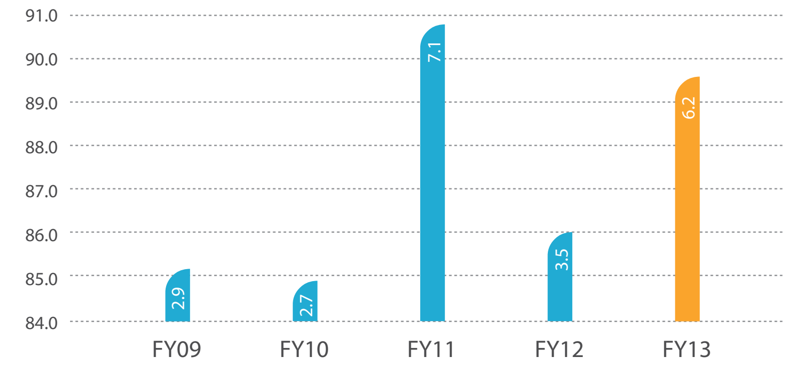
OPERATIONS
REVIEW – GENERATION

Plant Equivalent Unplanned Outage Factor (EUOF)

Overall TNB's stations reliability in FY2013 was relatively good, with the exception of the Tuanku Ja'afar Power Station and Putrajaya Power Station. The overall Plant Equivalent Unplanned Outage Factor in FY2013 was 6.2%.

Graph 8 shows the EUOF trend from FY2009 to FY2013.

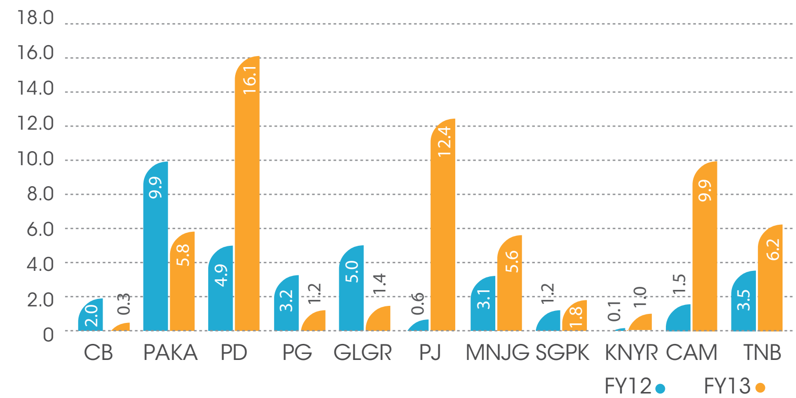
Graph 8: Trend of Equivalent Unplanned Outage Factor (%)



Graph 9 shows the EUOF of all the power stations in FY2013.

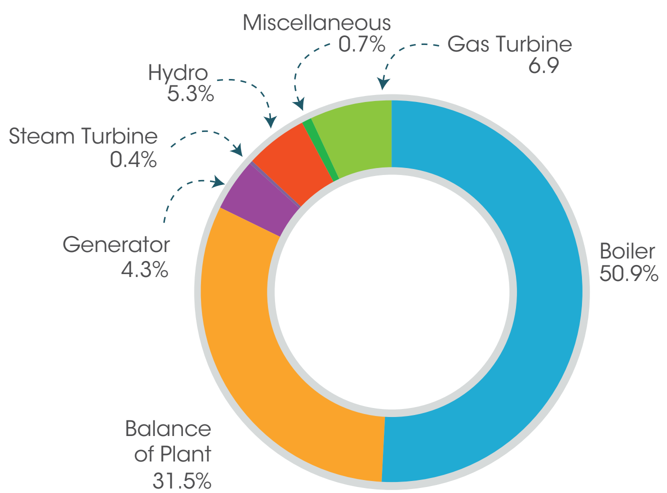
Overall, 50% of TNB's stations achieved an EUOF of less than 4%, with two power stations – Connaught Bridge Power Station in Klang and Sultan Mahmud Power Station in Kenyir – recording EUOF of less than 1.0%.

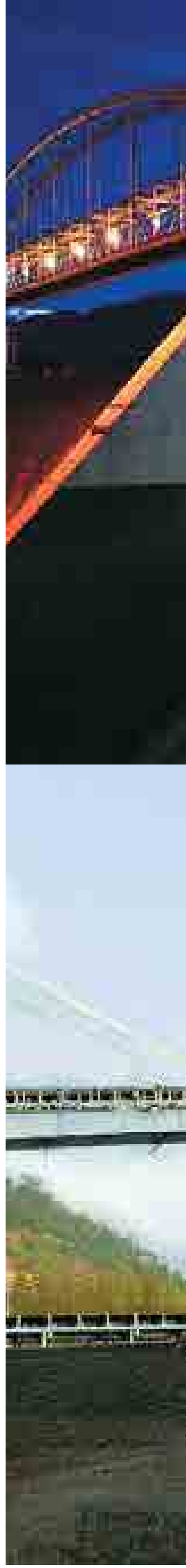
Graph 9: Equivalent Unplanned Outage Factor by Station (%)

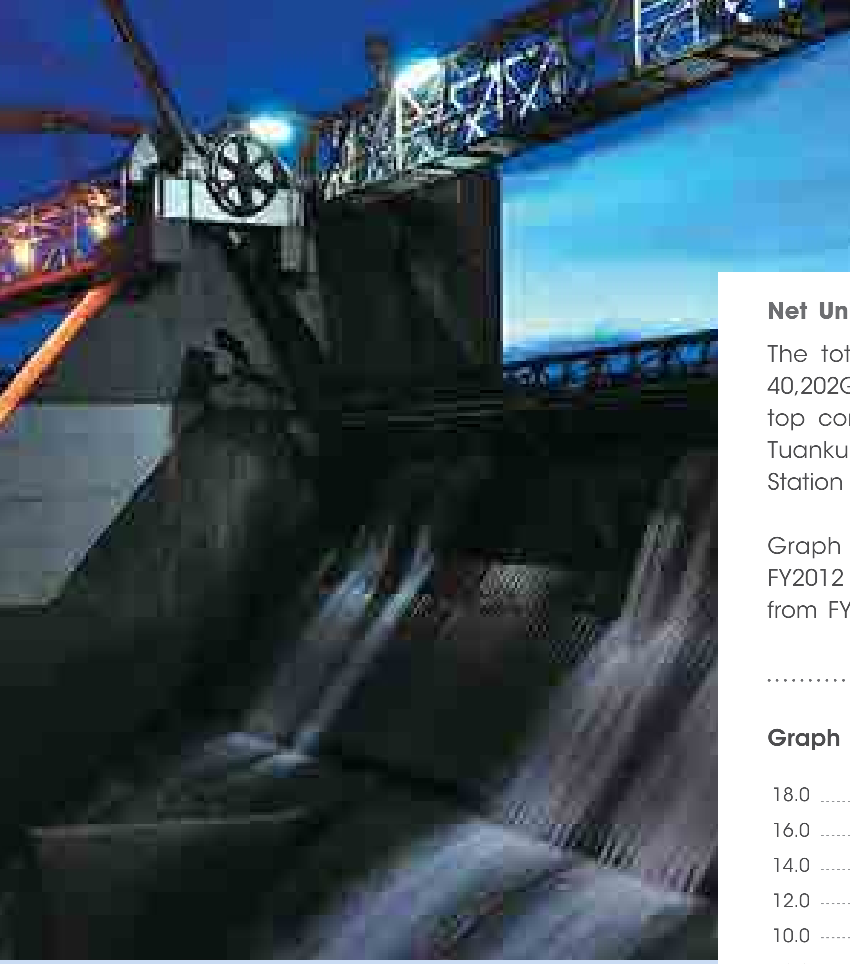


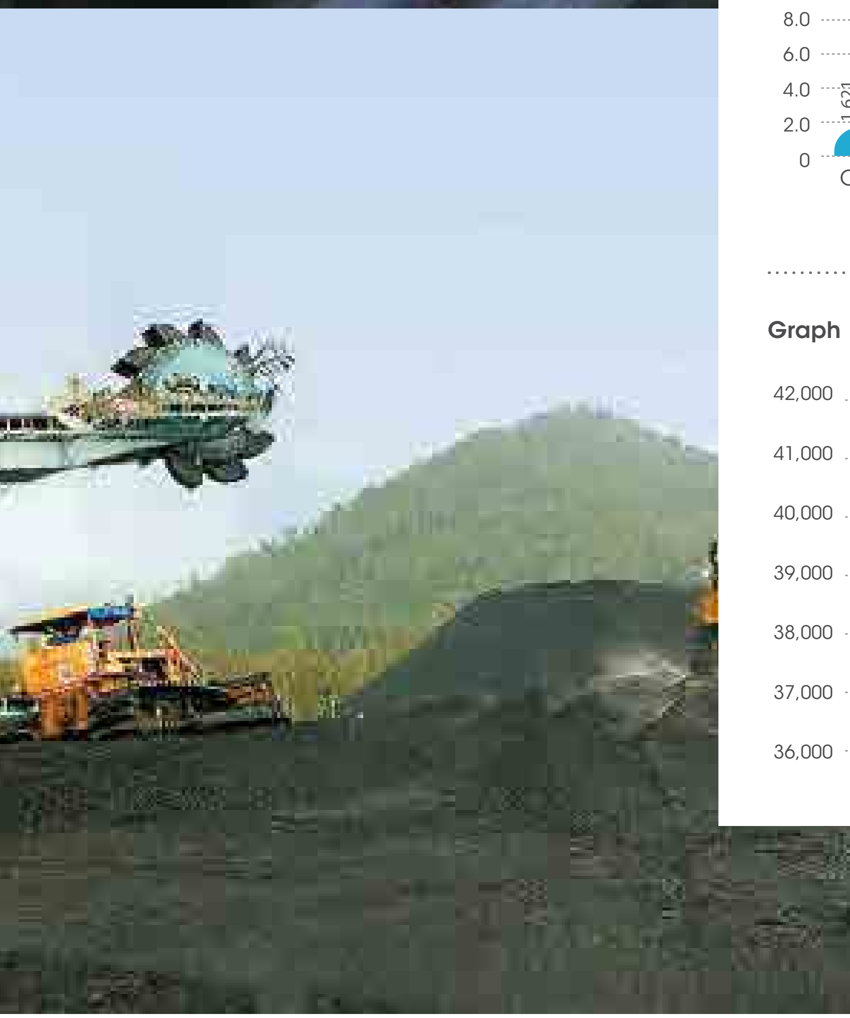
Graph 10 indicates the major components that contributed to the unplanned outages.

Graph 10: Unplanned Outage Main Contributors







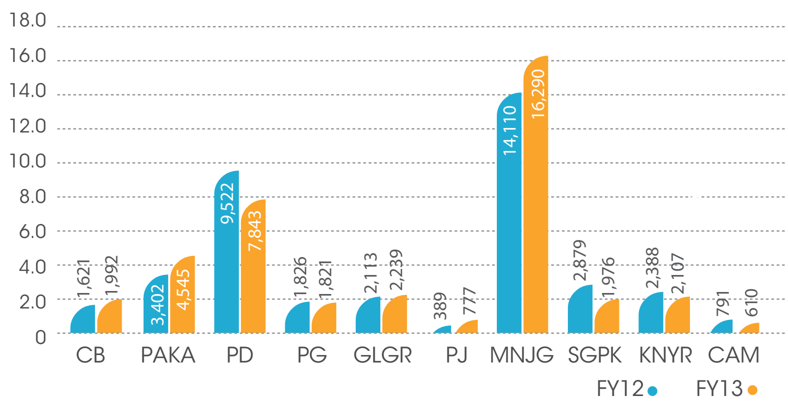


Net Unit Generated (NUG)

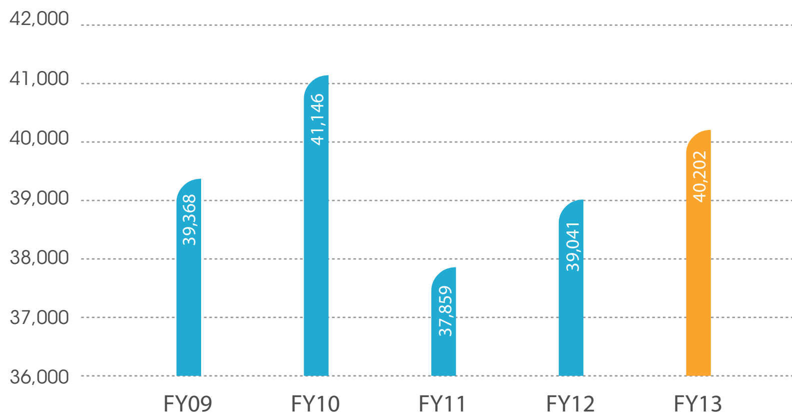
The total Net Unit Generated increased by 3.0% from FY2012 to 40,202GWh in FY2013. The Sultan Azlan Shah Power Station was the top contributor, with 16,290GWh units generated, followed by the Tuanku Ja'afar Power Station (7,843GWh) and Sultan Ismail Power Station (4,545GWh).

Graph 11 compares the energy generated by power stations in FY2012 and FY2013 while Graph 12 depicts TNB's energy generated from FY2009 to FY2013.

Graph 11: Net Unit Generated by Station (GWh)



Graph 12: Trend of Net Unit Generated (GWh)



TRANSMISSION

"The strongest may survive but it is the 'passionate' that will thrive"

Further improve on existing world class **system minutes** from **1.03** in FY2012 to **0.43** in FY2013

Datuk Rozimi bin Remeli
Vice President

As one of the core divisions in TNB, Transmission Division bridges the electricity supply connection between the Generation network of various power stations in the Peninsula of Malaysia and the Distribution system to our esteemed consumers via comprehensive transmission network. Throughout our passionate commitment, the Division thrives as amongst the best in the world. This is indeed in endeavour with the Group's Aspirations towards attaining Domestic Dominant, Regional Champion and further blend in with the slogan of 'Vibrant Workforce, Productivity Revolution' as introduced by the President/Chief Executive Officer.

The Division has embarked on a robust asset data management as a way towards improving and streamlining its' productivity. All asset policies and guidelines are harmonised with the best known engineering practices and processes, which marked with a successful recommendation of PAS 55 certification, an international accredited certification on Best Practices of Asset Management.

The Division's Asset Life Cycle Management lead by its' Asset Management Department, was a shining example to asset management departments from the Group's other divisions when in June 2013, Lloyd's Register recommended for Transmission Division to be PAS 55-1: 2008 certified. This is a historic achievement not just for the division, but the entire Group, as the entity is the first in Southeast Asia to be PAS 55 certified.

In its' effort of operating and maintaining the National Grid System at the best performance, the Division has again notched another outstanding performances for the Financial Year 2013, with a remarkable continuity of Excellence embedded from a high scale of competencies of the Division's vibrant workforce.

TRANSMISSION IN BRIEF

Transmission Division is entrusted in planning, developing, operating and maintaining TNB's 500kV, 275kV and 132kV of transmission network, known as the National Grid System, which transports electricity in bulk from power generators to distributors and also directly to its' 57 large industrial customers. Its primary responsibility is to safeguard the reliability and security of the National Grid System, which in turn requires the proper maintenance of all equipment and further development of the network.

The National Grid System is interconnected to Thailand's transmission system operated by Electricity Generating Authority of Thailand (EGAT) in the North via a HVDC interconnection with a transmission capacity of 300MW and a 132kV HVAC overhead line with maximum transmission capacity of 90MW. In the South, the National Grid is connected to Singapore Power's transmission system at Senoko via two 230kV submarine cables with a firm transmission capacity of 200MW.

In FY2013, the Division had an increased in system capacity with additional 1,665MVA transformer capacity, 95.0 circuit-kilometers of transmission lines and 15.4 circuit-kilometers of underground cables, through completion of 38 transmission projects.

At the heart of the National Grid is the National Load Despatch Center (NLDC) that monitors and controls in real-time the flow of power within the grid, ensuring that supply meets the ever growing demand in the most secured and optimal manner. NLDC has gone through modernisation at its third year through a new supervisory and energy management system (SCADA and EMS) which incorporated many security features that enable the Division operates at its' best performance.

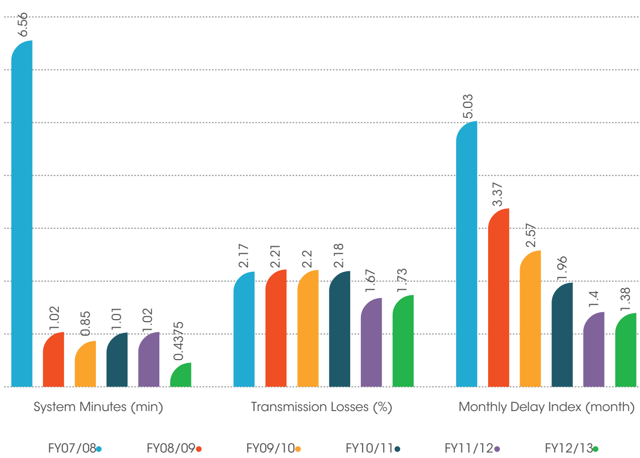
In FY2013, the Transmission Planning Department, which formerly hive in the Planning Division, was now back into the Transmission Division. This facilitates towards better development and control of the network performance and operation of National Grid System. The Division has now evolved towards another successful productivity revolution.

It is an essence to iterate that through the PAS 55 certification, a process of streamlining asset management practices and processes to the world-accepted practices, in accordance with the British Standards Institution's of the Publicly Available Specification (BSI-PAS), the Division has a robust system of capturing an accurate and up-to-date asset information system, integrating the risk management as part of the asset management system, and continuously improving the existing asset and system performance.

TRANSMISSION IN NUMBERS

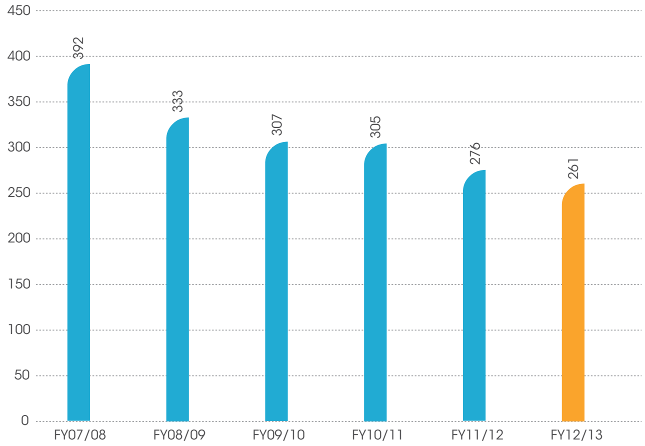
Besides as the first in South-east Asia to be PASS 55 certified; Transmission Division has a remarkable records of Excellence through the achievement of numerous milestones in operational and corporate performance over the last financial year, some of which are highlighted below:

Operational Excellence



OPERATIONS
REVIEW – TRANSMISSION

Transmission Related Tripping



- Achieved a new record for Transmission System Minutes, marking a reduction of more than 60% from 1.03 minutes in FY2012 to 0.43 minutes.
- Maintained low Transmission System Loss of 1.73%, inclusive of losses from distribution power transformers.
- Further reduced the Monthly Delay Index, which measures transmission project delivery, from 5.03 months in FY2008 to 1.38 months in FY2013.
- Achieved its' Highest maximum demand of 16,562MW (recorded on 13 May 2012).
- Improvement of system operation through Zero Major Disturbance over the last eight years.
- Sustained Zero tripping with load loss at the 500kV and 275kV levels for five consecutive years.
- Further reduction in number of transmission-related tripping to 261 incidents in FY2013 from 392 in FY2008.
- Occupational Health Safety Assessment Series (OHSAS18001) Surveillance Audit successfully achieved under 1-Transmission certification by all 25 business units.
- Five units were ISO14001 - Environmental Management System certified, namely Asset Maintenance (Negeri Sembilan), Asset Maintenance (Pulau Pinang), Asset Maintenance (Selangor), Asset Maintenance (Kedah-Perlis) and Warehouse Management Unit, Asset Maintenance HQ.
- Attained two Grand Awards (Asset Development East - Grand; and Asset Maintenance Kelantan - Gold Merit) and seven Gold Awards from the Malaysian Society for Occupational Safety & Health (MSOSH).
- Transmission Division received the MSOSH Awards for four consecutive years.
- Passed the SIRIM Surveillance ISO9001:2008 audit with zero Non-Conformance Report (NCR) for the third year running.

DRIVING OPERATIONAL PERFORMANCE & QUALITY EXCELLENCE

The Transmission Division's unwavering focus on achieving best Operational Performance over the last eight years by reducing System Minutes and commissioning projects on time, while maintaining Zero Major Disturbance, has contributed to TNB establishing itself as the champion of power utilities within the Regions.

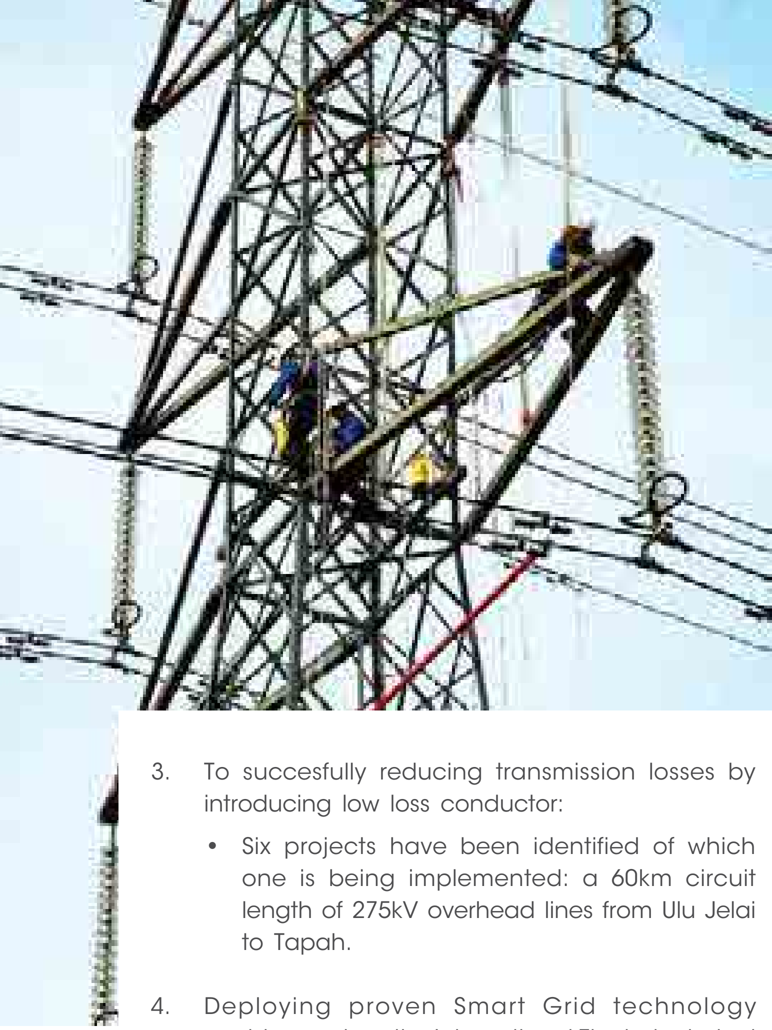
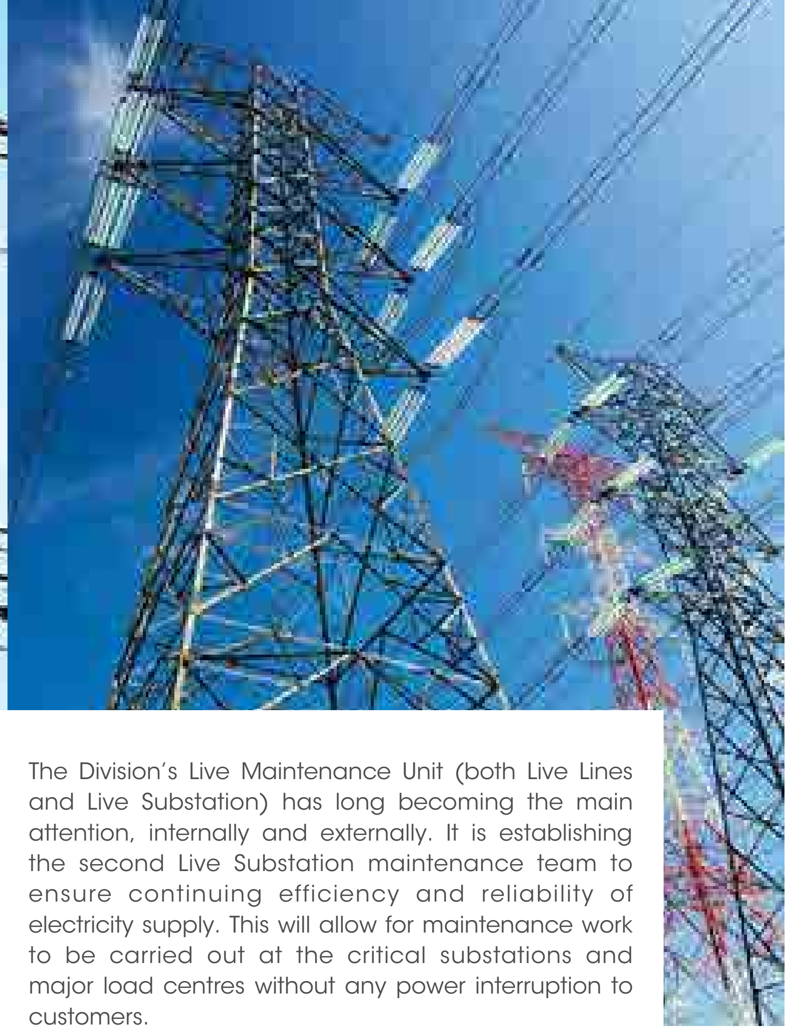
The Division's quest for Excellence had also led to its' benchmarking against the world's best power utilities. In FY2013, through active participation at the Head of ASEAN Power Utilities and Authorities (HAPUA) meeting held in Ho Chi Minh, Vietnam, the Division has focused on finalising guidelines for future interconnection of power within the ASEAN nations. The Division's presented on Harmonisation of Technical Standard Codes and Guidelines in the Area of Planning & Design, System Operation & Maintenance of ASEAN Power Grid which will form integral documents for the interconnection guideline.

Also, through recognition of Best Asset Practices from PAS55 accreditation and continuous certification received on quality, safety, environmental & processes certifications (namely, ISO9001:2008, OHSAS18001 and ISO14001 EMS) & other awards from reputable entity such as MSOSH, the Division also strengthening is foot on the Operational Excellence, locally. The Excellence not only exhibited through it day-to-day operations, but is also evidences at the state-wide local offices and also stores/yards at various location in the Country.

For Gemilang 2015, the Division has recorded a high percentile of progress towards 100% completion, ahead of its' intended target by the Year 2015. This initiative encompasses;

1. Enhancing supply reliability in maintenance initiatives,
   - These initiatives (such as ZTAP) mitigate the strategic risk of inability to ensure full reliability and quality of supply as to maintain low system minutes. The activities focus on refurbishing and replacing ageing and problematic equipment at critical installations.

2. Enhancing supply reliability by develop and implement Wide Area Intelligence System (WAIS) to maintain zero major disturbance.

3. To succesfully reducing transmission losses by introducing low loss conductor:
   - Six projects have been identified of which one is being implemented: a 60km circuit length of 275kV overhead lines from Ulu Jelai to Tapah.

4. Deploying proven Smart Grid technology enablers such as the International Electrotechnical Commission IEC61850 Standard to automate the electrical substation and make it more intelligent.
   - Transmission's technical expert has presented technical papers related to IEC61850 at international conferences such as the Asia-Pacific Protection & Testing Conference, CEPSI Conference and the IEEE International Power and Energy Conference (PECon), in assembling the aspirations of the Division for an intelligent technology.

PROSPECTS

Transmission Division aims to implement the remaining initiatives under Gemilang 2015 while driving the New Key Result Areas (KRA) that have been identified to promote TNB's transformation.

In the meantime, as part of capacity building of the workforce, assimilating with TNB's transformation initiative, the Division provides for the best workforce for the Group. The Division believes in training and developing its workforce to ensure that they have the required competencies to perform their duties. Through the established TNA/TNI exercises, which are duly executed at all level (both executives and non-executives of the Division), competency-based training programs were implemented.

The Division's Live Maintenance Unit (both Live Lines and Live Substation) has long becoming the main attention, internally and externally. It is establishing the second Live Substation maintenance team to ensure continuing efficiency and reliability of electricity supply. This will allow for maintenance work to be carried out at the critical substations and major load centres without any power interruption to customers.

The Division continue to enhance its' Transmission Operation Monitoring and Analysing System (TOMAS), a centralised maintenance information system consisting of work process management and dashboard monitoring, by introduction of improved substation inspection checklist. The automated checklist, which was captured in digitise formatting via a normal laptop or personal computers, will ease off operation and maintenance of the National Grid System. The Division now are in its' progress to integrate the Group-wide initiative, the Corporate Geospatial Information System (CGIS) with TOMAS.

The Division is also committed to improving its project management and ensuring on-time delivery, as any delay in critical transmission development projects poses a risk to the security and reliability of the system. Sustaining world-class system minutes, moreover, is critical in maintaining the highest level of customer satisfaction. Now, with the PAS 55 accreditation, the Division is enforced to integrate risk assessment to all of its' development projects.

The Division remains committed to ensuring product and service excellence as it strives to establish itself as among the best in the world.

DISTRIBUTION

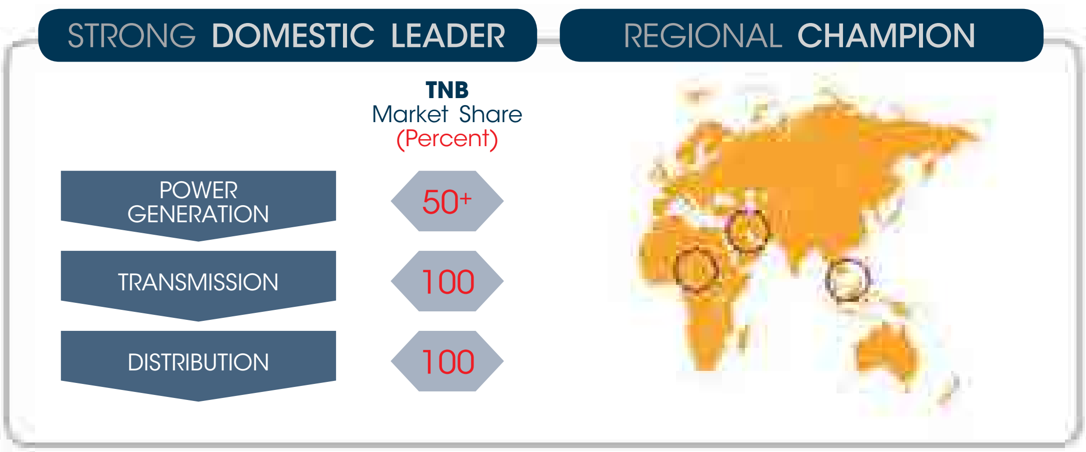
"Improved ranking in Electricity Supply and Connection by seven places up to 21st from 28th position across 189 economies." – World Bank, Doing Business Report (2013,2014)

"Towards Exceeding Customers' Expectations…76 impactful initiatives are identified and being implemented. These initiatives lay the foundation for transforming Distribution Division to becoming more customer-focus, innovative and dynamic in its supply and network delivery systems. As such, more IT related transactions are carried out in a more efficient manner resulting in lower face-to-face interactions while allowing maximum convenience and benefits to customers. At the same time, Distribution Division has also embarked on using the PAS 55 Framework to manage our assets. In this instance, TNB Melaka is the first state to be certified under PAS 55 Asset Management Systems."

Datuk Ir. Baharin bin Din
Vice President

ENHANCING POWER SUPPLY AND EXCELLENT CUSTOMER SERVICE

During the period under review, Distribution Division under the dynamic leadership of its Vice President, Datuk Ir. Baharin Din, continued to play out its role of enhancing network supply delivery and meeting customers' needs. As the division with the closest contact with TNB's customers, Distribution Division is critical to achieving TNB's transformation under the Domestic Dominance Region Champion (DDRC) strategy as well as the Company's newly-launched five Key Result Areas. Much focus is therefore placed on the efficiency of the distribution network and retail operations. Enhancing all efforts towards operational excellence, a Distribution Transformation Plan was launched during the year 2013 incorporating the division's existing 10-Year Roadmap, and aligned with the DDRC strategy and the five KRAs. This is expected to take TNB to greater heights.



KRA1	***Shape Regulatory Outcome***
KRA2	***Exceed Customer Expectations***
KRA3	***Drive Operational Cost Efficiency***
KRA4	***Grow Profitable New Business***
KRA5	***Transform Organisation***

OPERATIONS REVIEW – DISTRIBUTION

POWERING THE NATION, EMPOWERING CUSTOMERS

Distribution Division is entrusted with ensuring a reliable and robust network delivery through effective planning, designing, constructing, operations and maintenance of the nation's electricity supply system. This role covers electricity supply to all customers at the required voltage levels of 33kV, 22kV, 11kV, 6.6kV and 400/230V.

At the same time, Distribution Division is also responsible for meeting the increasing demand for electricity and to deliver these needs at high quality to meet demanding customers' expectations. To do so, Distribution Division has formulated a platform that integrates its marketing and retailing services and includes faster, hassle-free connection of new electricity supply.

In addition, Distribution Division provides and manages channels of communication for customers' feedback which include counter services (Pusat Khidmat Pelanggan), the Call Management Centre (TNB CareLine 1-5454 and One Stop Engagement Centre 1-300-88-5454) and electronic/web services. The division has also established a network of 13 state and 45 area offices covering strategic locations nationwide to deliver these services.

Highlights and Achievements

Distribution Division's main achievements throughout the financial year 2013 are:

- Serving a cumulative total of about 7.85 million customers as at August 2013
- Growing 3.8% in terms of annual sales of electricity (units) to 99,920.50 Gwh
- Improving the ranking for Electricity Supply and Connection by 7 places from 28th to 21st place from a study by World Bank across 189 countries worldwide
- Recording a System Average Interruption Duration Index (SAIDI) of 64.63 minutes per customer per year, placing TNB on par with other network service providers in developed countries such as England and Australia in terms of reliability
- Recording losses of 6.66% despite numerous challenges from the business environment and collecting RM53.98 million from back-bills due to meter tampering compared with RM52.62 million in FY2012
- Achieving 95.8% Minimum Service Level (MSL) compliance and 98.2% Guaranteed Service Level (GSL) compliance
- Reducing project planning approval time from more than three months to less than 14 days through a revamped process
- Incorporating internally developed investment planning tools towards more efficient and effective project evaluation and selection
- Implementing 33kV overhead line automation to reduce outage time from more than four hours to less than five minutes
- Segmentising urban and rural SAIDI to focus on high-priority areas
- Installing more than 700 pole top and 42 ground mounted capacitor banks as part of the continuous Reactive Power (VAR) management improvement strategy
- Successfully implementing new technologies such as H-poles covering 33kV and 11kV, ultrasonic detectors for MVOH CBM, LFI SCADA-Ready, tape resin joint for odd-sized cables, and special tools for MR OLTC maintenance to improve SAIDI
- Implementing Mobile Field Force Automation (MFFA) nationwide towards more efficient network operation practices
- Embarking on a Publicly Available Specifications 55 (PAS 55) framework to manage assets in an optimal manner – TNB Distribution Melaka was certified by International PAS 55 Auditors in August 2013 in the initial phase
- Enhancing e-Services to empower customers to manage their electricity usage by checking their electricity bills, monitoring tenants' bills, checking the status of new electricity supply applications and making payments online
- Successfully pilot-testing a new bill layout in January 2013 and rolling it out towards the end of the year
- Signing an electricity supply agreement with Mass Rapid Transit Corp Sdn Bhd for the construction and operations of the MRT Sungai Buloh – Kajang Line with a maximum electricity supply of 116.5MW
- Launching a convenient alternative channel for paying TNB bills – via 790 Kedai Mesra Petronas outlets across Peninsular Malaysia – in May 2013
- Introducing 30 payment kiosks at selected customer service centres nationwide, enabling customers to reduce waiting time at the payment counters

COMMITTED TO EXCEEDING CUSTOMERS' EXPECTATIONS

TNB is no different from other service companies: it exists for its customers. Within the organisation, Distribution Division plays a prominent role in ensuring customers are satisfied. As such, a number of customer-related initiatives have been implemented to bring about a new customer experience by engaging and empowering them.

People 1st Programme

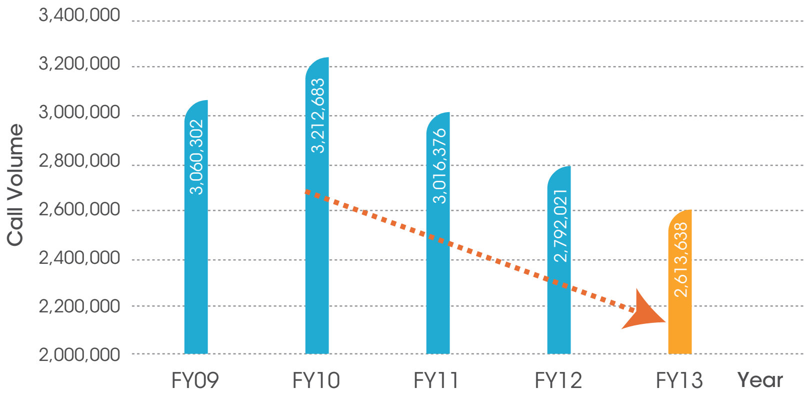
TNB is committed to making sure that all front-liners are trained, monitored and motivated to give their best in meeting customer needs. Under the People 1st Programme (P1PD), a customer focused working culture has been embraced. TNB is also a member of the Urban Transformation Centre (UTC), a one-stop centre through which urban residents as well as micro enterprises and small businesses can carry out transactions with utility companies and government bodies easily and efficiently.

Closer Communication and Rapport With Customers

TNB CareLine has been operating to deliver a one-stop engagement platform which handles all customer enquiries. These are serviced by two TNB CareLine sub-units, namely the Call Management Centre (CMC) and One-Stop Engagement Centre (OSEC). CMC handles reports on outage issues and supply disruption while OSEC deals mainly with billing or account-related matters.

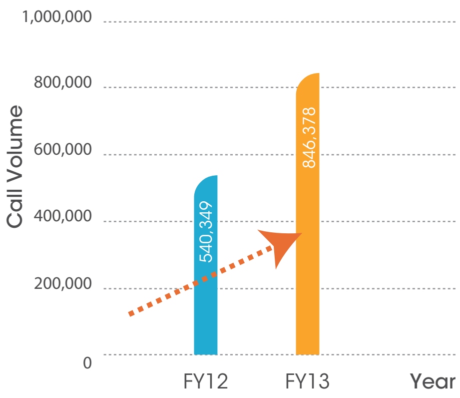
TNB is currently expanding its efforts to reach out to all customer segments via the social media, including Facebook and Web-Chat.

CMC – Total Call Volume (Supply Interruptions)



Downward Trend Year On Year Indicating Increasing Improvement In TNB Network Reliability

OSEC – Total Call Volume (Enquiries)



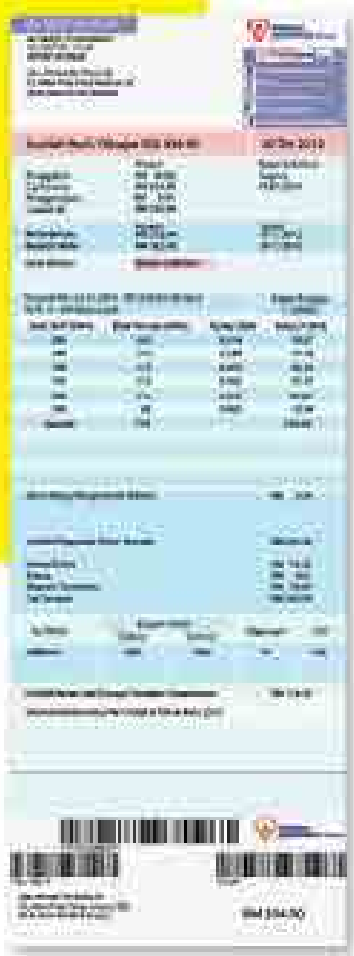
More customers are using this communication channel for information and feedback as opposed going to TNB customer service centre

OPERATIONS REVIEW – DISTRIBUTION

New Electricity Bill

TNB has redesigned its electricity bill to be more transparent and informative. In collaboration with the Federation of Malaysian Consumers Associations (FOMCA), the Company ran the first trial on its new-design bills from 1 January to 30 April 2013 in three areas in the Klang Valley, namely Petaling Jaya, Subang Jaya and Shah Alam. The second and final stage was conducted from May to September 2013, covering Selangor, Kuala Lumpur, Putrajaya and Cyberjaya and involving 2.6 million consumers.

Essentially, the new electricity bill allows customers to understand their electricity consumption easily and to better control their usage, in order to save costs. In addition, the new layout helps customers to quickly find information that is important to them.



TNB Customer Programme

The Customer Programme (Hari Bersama Pelanggan) was launched on 16 January 2013 by Dato' Sri Peter Chin Fah Kui, Minister of Energy, Green Technology and Water, to exceed customers' needs and expectations.

I LOVE TNB

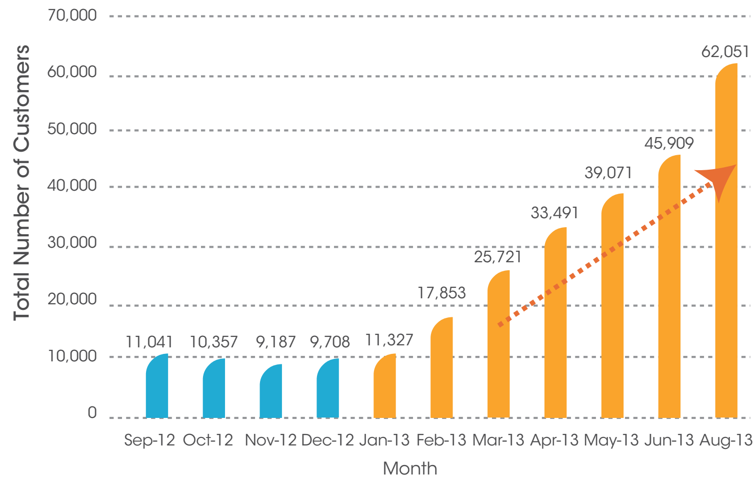
The 'I LOVE TNB' programme was launched on 24 April 2013 in line with TNB's aspiration to galvanise its workforce to work as a team and ensure all network delivery systems perform as expected for the benefit of customers. For its part, Distribution Division has been inspiring its 16,000 employees to be agents of change in creating a productive and vibrant work culture, hence enabling TNB to reach out and win the hearts of its customers.

Services at Customers' Fingertips

TNB enhanced its e-Services and introduced the Mobile Application (myTNB) to empower customers to manage their electricity usage. With this enhancement, customers are able to check their electricity bills, monitor tenants' bills, the status of new electricity supply applications and make payments online.

- **myTNB** was introduced in July 2013, representing TNB's first mobile application for customers which is supported by iOS (iphones and ipads) and Androids (2.2 and above).

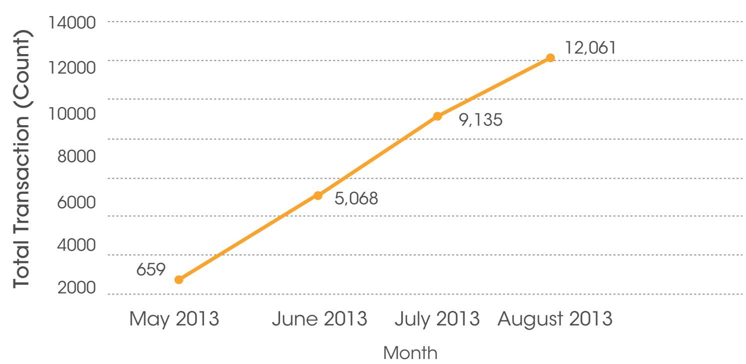
TNB e-Services Users



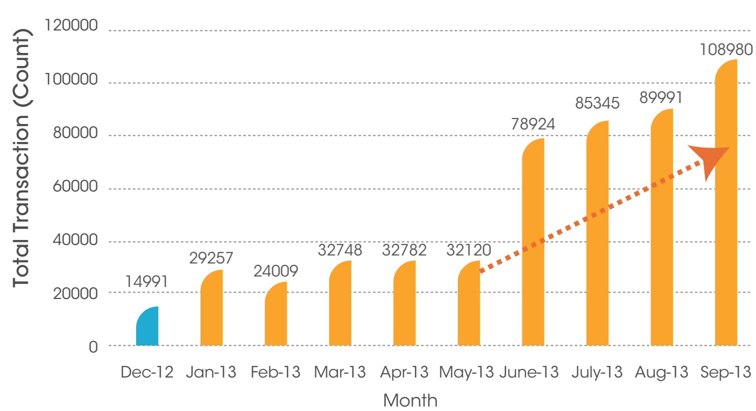
Increasing Customers' Convenience

- In May 2013, an alternative channel for customers to pay their bills was made available in the form of 790 Kedai Mesra Petronas outlets across Peninsular Malaysia.
- Payment kiosks have been introduced for added customer convenience, enabling them to avoid having to queue up at TNB payment counters.

Number of transactions at Kedai Mesra Petronas



Number of transactions at TNB Payment Kiosk



OPERATIONS
REVIEW – DISTRIBUTION

NETWORK SERVICES – TOWARDS SAIDI 50 BY 2015

A significant Improvement in Supply Reliability

A number of initiatives were carried out in FY 2013 to reduce SAIDI, which can be broadly categorised into four main operational strategies:

1) Reducing cable failure
2) Reducing repetitive breakdown
3) Reducing restoration time
4) Reducing distribution intake station tripping

The numbers of Medium Voltage (MV) and Low Voltage (LV) breakdowns were reduced by 12.75% and 7.66% respectively over the last financial year. At the same time, the average restoration time as measured by CAIDI dropped by 12.79% from 86.56 minutes to 75.49 minutes.

New Technology To Further Enhance SAIDI Reduction

During the year under review, Distribution Division tested and implemented a number of new equipment and tools to reduce the number of breakdowns. These include:

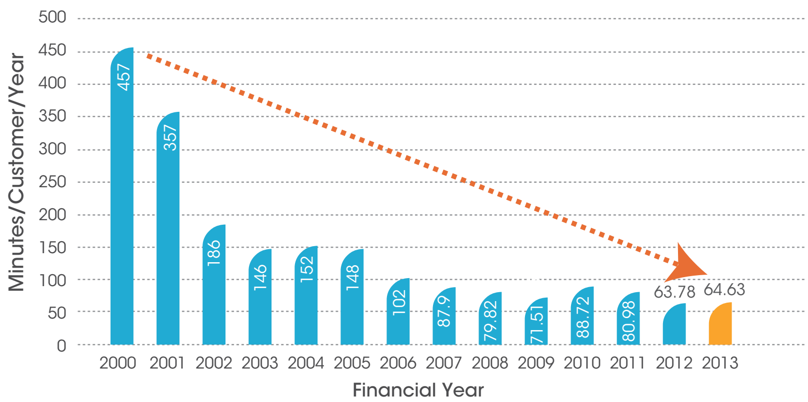
1) 33kV overhead line automation
2) Pole top and ground mounted capacitor banks
3) SCADA-Ready Line Fault Indicator (LFI)
4) Ultrasonic detector for MVOH CBM
5) Tape resin joint for odd-sized cables

The division also implemented Mobile Field Force Automation (MFFA) to enhance efficiencies in network operations and aid operational staff nationwide in rectifying network faults.

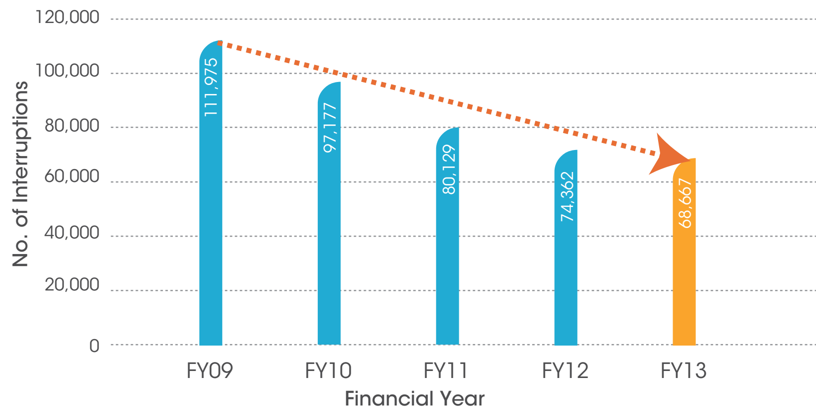
Ultrasonic detector for MVOH CBM

Line Automation

SAIDI TNB



LV Interruptions



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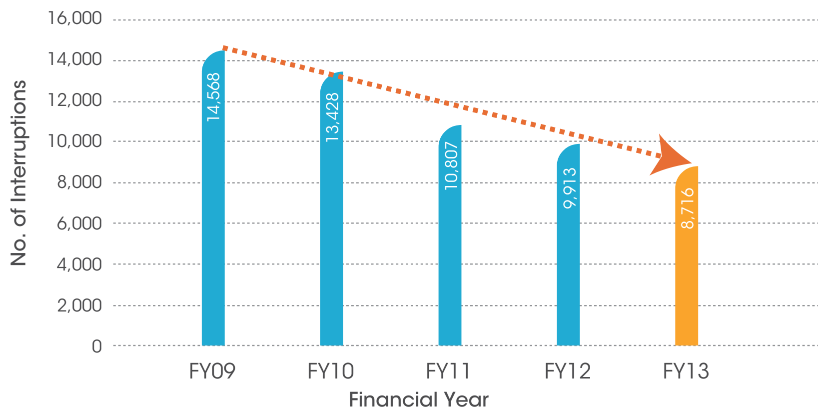



amcl

In accordance with the terms defined in AMCL
Audit Report reference 307/001
This is to certify that:

Tenaga Nasional Berhad
Melaka Distribution Division

Has achieved the standard necessary to
demonstrate compliance with the requirements of

BSI PAS 55: 2008 Part 1

For the scope of

"TNB Distribution's Asset Management System as
applied to Melaka State"

30th September 2013

M. Pilling
Director, AMCL

A. Wingyee
Lead Auditor

IAM endorsed ASSESSOR

(Expires 29th September 2016)

Asset Management Towards World-Class Practice

In line with TNB's Strategy on Asset Management, in FY 2013 Distribution Division made the decision to become PAS 55 certified. TNB Melaka was the first state to undergo the process of certification, achieving it in August 2013. The certification programme will be rolled out in the other states in the next financial year.

WAY FORWARD

Management Platform D.O.I.T Council

The Distribution Organisational Improvement & Transformation (D.O.I.T) Council was established as a management platform to approve, drive and monitor the implementation of high-impact initiatives from the Distribution Roadmap10, TNB Transformation Programme and departmental initiatives.

The Council optimises TNB's resources on high-impact initiatives to propel the Company towards its vision 'To be among the leading corporations in energy and related businesses globally'. The seven top Management members of the Council met monthly to examine the proposed initiatives brought forward by departments and cross functional teams. In FY 2012/13, there are 52 initiatives were approved for implementation.

OPERATIONS REVIEW – DISTRIBUTION

DISTRIBUTION TRANSFORMATION

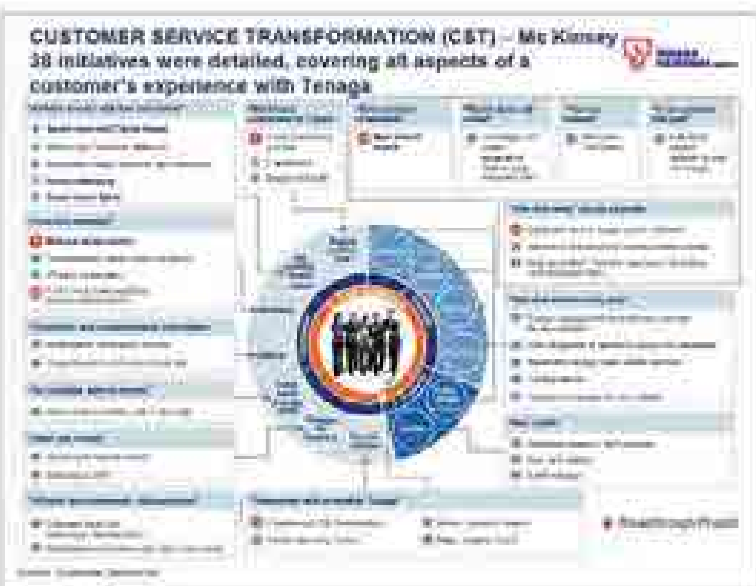
76 transformation initiatives to cover all aspects of a customer's experience with TNB

TNB has engaged renowned consultants Renoir Consulting and McKinsey to facilitate the process of transforming the Company's Customer Services to meet and exceed customer expectations. Using the Lab Methodology and best practices, the consultants guided selected Distribution staff from operations and support services to formulate 76 initiatives covering every aspect of the customer experience with TNB, specifically the touchpoints, channels and products.

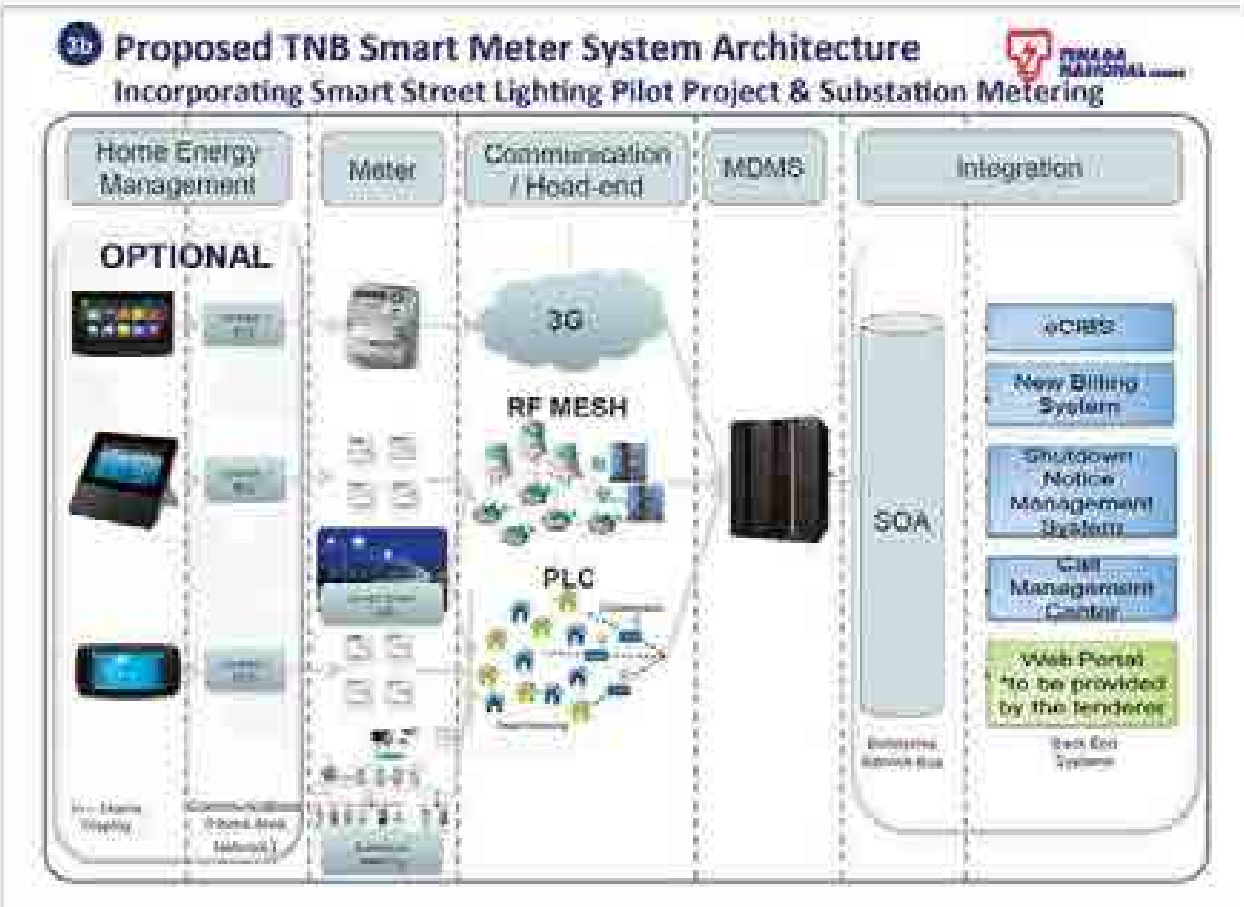
Among the initiatives outlined to transform Distribution Division are:

(a) Third party certification;
(b) Comprehensive and easy-to-read bills;
(c) Seven-day supply connection;
(d) Smart meters;
(e) Group re-lamping;
(f) Interactive TNB online;
(g) Full-fledged call centre; and
(h) New-look TNB outlets.

These initiatives are being aggressively developed, tested and rolled out in phases throughout TNB and are expected to be completed in 2015. A dedicated Distribution Transformation department has even been formed to drive these initiatives.



BREAKTHROUGH PROJECTS



Remote Meter Reading & Smart Meters

Remote Meter Reading (RMR) and Smart Meter technologies not only improve operational efficiency tremendously but provide a new way to carry out the retail business. Distribution has successfully implemented and installed RMRs for 4,700 high and medium voltage consumers (HVMV), 70,000 low voltage large power consumers (LPC) and 20,000 ordinary power consumers (OPC). A pilot project for Smart Meters will be carried out in the near future to test its viability in Malaysia.

OPERATIONS
REVIEW – DISTRIBUTION

Billing & Customer Relationship Management (BCRM)

To provide a more comprehensive and enhanced service to customers, a new BCRM system will be implemented to replace the existing customer information billing system (e-CIBS). This is in line with other world class utilities practices that emphasise on effective and efficient customer service through better data management and utilisation.

In summary, Distribution Division has performed very well in the year under review. It has rolled out a number of innovative customer-related services to enhance the customer experience with TNB. Taking into account research on customers' needs, it has come out with a number of services to empower customers with respect to supply application and bill payments. In addition, Distribution Division has taken steps to enhance and strengthen its network so as to achieve its ultimate objective of attaining a network service reliability, or SAIDI, of 50 mins/customer/year by FY2015.

NON-CORE BUSINESSES

TNB's core business lies in the generation, transmission and distribution of electricity. The company has provide the nation with energy that will be the driving force to a 'Better, Brighter' future.

TNB's Generation, Transmission and Distribution Divisions are strongly supported by other divisions in the Group that bring into play their knowledge and expertise to ensure TNB operates as a dynamic, well-run enterprise that is able to fulfill its promise of 'Better, Brighter'. Among these support divisions are New Business & Major Projects, Group Finance, Planning, Corporate Affairs and Services and Procurement.

New Business & Major Projects Division represents a new division created in 2012 to spearhead the growth of TNB's non-regulated business locally and internationally. The division will oversee and consolidate all business development roles and services under one roof to capitalise on the Group's extensive knowledge and capabilities in providing a range of energy-related services.

The Group Finance Division is responsible for strategising TNB's overall financial management. It assumes the conventional financial functions of financial and management reporting, taxation, budgeting, corporate finance and treasury operations. In addition, the division also undertakes the financial planning, business development, enterprise-wide risk management and investor relations aspects of the Group's business.

The Planning Division comprises departments responsible for strategic planning, system planning and development, as well as energy procurement activities. These departments collaborate to formulate and implement TNB's long-term strategies, ensure reliable national supply as well as manage energy procurement activities, including power purchase agreements (PPAs).

The Corporate Affairs and Services Division ensures the Group communicates effectively and efficiently as well as maintaining close relationship with various TNB's stakeholders. With the focus on building a positive brand and image of TNB, the division will strengthen its strategies to further enhance the Company's corporate image. In addition the Division is also tasked with managing and ensuring the security of all TNB's properties and assets while also providing logistics, project management and consultancy support services.

The Procurement Division supports the other divisions by formulating effective procurement policies and implementing strategic supply chain initiatives that enhance procurement activities.

NEW BUSINESS & MAJOR PROJECTS

Dato' Ir. Mohd Nazri bin Shahruddin
Vice President

The New Business and Major Projects (NBMP) division was set up in September 2012 specifically to implement breakthrough strategies targeted at expanding TNB's non-regulated business (new business) locally and globally, while streamlining TNB's existing portfolio of investments to bring positive value to the Company as a whole.

Three major departments – Major Projects, International Business and Investment Management – were consolidated into one single structure, thus ensuring better coordination in strategising new ventures, including bidding for new generation projects and optimising the expertise within the division to create a competitive advantage for TNB.

To support TNB's aspiration to become a domestic dominance and a regional champion (DDRC) by growing profitable non-regulated businesses, four strategic objectives were identified:

- To increase TNB's local generation market share by participating in competitive bids sponsored by the Energy Commission (EC)
- To ensure efficient local power project execution to meet future energy demand
- To grow profitable non-regulated power-related businesses by aggressively pursuing business opportunities in sectors related to the energy industry
- To expand TNB's international presence by growing hubs in Southeast Asia, the Middle East and Africa

INCREASING DOMESTIC GENERATION MARKET SHARE THROUGH PROJECT CAPACITY-BIDDING

The EC has launched a competitive bidding process for the construction of new power plants and extension of existing ones in order to create more transparency and to elicit better pricing for the benefit of the end customers. To date, three major competitive bids have been held, Track 1, Track 2 and Tracks 3A & 3B, all of which were participated by TNB.

Under the guidance of NBMP Division, which has vast experience in international bidding, and with the support of internal resources within TNB, TNB's Bidding Team has managed to acquire 2,071MW of new thermal generation capacity, and is to extend the operations of an existing 275MW combined-cycle gas turbine plant.

Track 1: 1,000-1,400MW Combined Cycle Gas-Fired Power Plant in Prai

Track 1 bidding began in March 2012. Six qualified international consortiums including TNB submitted their proposals on 16 July 2012 to develop a 1,000-1,400MW Combined Cycle Gas-Fired Power Plant in Prai, Penang. TNB offered two blocks of the latest proven design single shaft combined cycle plant with state-of-the-art technology with a total capacity of 1,071MW and plant efficiency of approximately 60%. On 23 November 2012, TNB was awarded the project to build, own and operate the plant, with a Commercial Operation Date (COD) of 1 January 2016.

The EPC Contract was awarded to Samsung Engineering & Construction (M) Sdn Bhd on 2 May 2013 with a contract period of 32 months. Approvals for the Environmental Impact Assessment (EIA) and Development Order (DO) were received from the Department of Environment (DOE) Pulau Pinang and Majlis Perbandaran Seberang Perai (MPSP) on 14 March 2013 and 5 August 2013 respectively.

The project documents have been signed and the project achieved financial close on 22 May 2013.

New Power Generation Capacity – Fast Track Project 3A 1,000MW

TNB submitted a proposal on 28 May 2013 for the development of a 1x1,000MW ultra-super critical coal-fired power plant under Fast Track Project 3A that met and complied with the request for proposal (RFP) requirements. The plant is to be located at the site of the Sultan Azlan Shah Power Station in Manjung, Perak and will be sharing a few facilities with the existing Units 1, 2 and 3 and under construction Unit 4. On 2 August 2013, TNB was awarded the project to build, own and operate the plant, with COD of 1 October 2017. The project team is finalising the project documents and expects to achieve a financial close by end November 2013.

2 x 1,000MW Coal-Fired Power Plant (Project Track 3B)

The full bid proposal is being prepared and will be submitted to the EC before the closing date on 30 October 2013. The project is to be developed in Perak.

EXECUTING POWER PLANT PROJECTS EFFICIENTLY

Ongoing Projects

Hulu Terengganu Hydroelectric Project (2 x 125MW Puah and 2 x 7.5MW Tembat)

The project is 49% complete. Having carried out all the preliminary civil works, the contractor is now making good progress on the major civil works, and has started on the mechanical and electrical works. The project is on target to achieve its CODs of 16 September and 17 December 2015 respectively for Units 1 and 2 of the Puah Station; and 16 March and 16 April 2016 for Units 1 and 2 of the Tembat Station.

OPERATIONS
REVIEW – NEW BUSINESS & MAJOR PROJECTS

Ulu Jelai Hydroelectric Project (2 x 186MW)

The project is 41% complete. All the preliminary civil works have been substantially completed, and the contractor is making good progress on the major civil works, design and procurement of electrical and mechanical plant items. The project is on track to meet its targeted CODs of December 2015 for the first unit and March 2016 for the second unit.

Manjung Unit 4 Coal-Fired Power Plant Project (1,010MW)

The engineering, procurement and construction (EPC) contract is progressing ahead of schedule with 80% of the EPC activities having been completed, as opposed to 79% as planned. The engineering works are 97% completed, while civil & building works and mechanical & electrical works are 76% and 21% completed respectively. At the rate this project is progressing, it is well on track to achieving its targeted COD of 31 March 2015.

Combined Cycle Generating Plant Redevelopment Project at Connaught Bridge Power Station (384.7MW)

The EPC contract was awarded to Sinohydro Corporation Ltd and Sinohydro Corporation (M) Sdn Bhd Consortium on 2 May 2013 with a contract period of 28 months. Approvals for the Environmental Impact Assessment and Development Order were received from the Department of Environment (DOE) and Majlis Perbandaran Klang (MPK) on 31 December 2012 and 2 May 2013 respectively. The project has subsequently commenced and the plant is targeted to begin commercial operations on 1 September 2015.

Lahad Datu Combined Cycle IPP Project (300MW)

The Environmental Impact Assessment was approved by the DOE in October 2012, and the tender for the EPC contract was closed in July 2013. Evaluation of the tender has been pending since 18 September 2013 when the Federal Government announced it may revive the 300MW coal-fired power plant option instead of the proposed LNG power plant due to high LNG fuel costs.

New Projects

Chenderoh Additional Generation Capacity – Unit 5 Project

This project will add a fifth generating unit to the existing four units in the Chenderoh hydroelectric scheme to harness energy from water spilling off the Chenderoh dam especially during the monsoon season. The potential energy output of the dam has been estimated at 22.5GWh/year. The contract for engineering services was awarded in early 2013; the Tender Document is being prepared and works will be tendered out by the end of 2013 with a COD slated for end 2018.

Tekai Hydroelectric Project (155.8MW)

The proposed project, located on the Tekai River in the district of Jerantut, Pahang, will consist of two cascading dams, namely the Upper Tekai Dam and Lower Tekai Dam both of which will have surface powerhouses or power stations. The surface power station at Upper Tekai will have an installed capacity of 150MW peaking generating units and Lower Tekai will have an installed capacity of 5.8MW base-load generating unit. The total installed capacity and average annual energy output of the proposed scheme are 155.8MW and 274GWhr, respectively.

In July 2012, the EC awarded the project to TNB with a COD in year 2020.

Currently, TNB is in the process of procuring consultants for the Engineering Services and Environmental Impact Assessment. Meanwhile, the Mineral and Geosciences Department is conducting a Mineral Study, and TNB is liaising with relevant authorities in the Pahang State Government to obtain various approvals and permits for project implementation.

OPERATIONS
REVIEW – NEW BUSINESS & MAJOR PROJECTS

GROWING INTERNATIONAL PRESENCE

TNB has to date established an international presence in six countries beyond Malaysia: Indonesia, Brunei, Pakistan, Saudi Arabia, United Arab Emirates and Kuwait.

Towards further international expansion, TNB is focusing on three energy hubs of Southeast Asia, the Middle East and Africa, where there is much potential for growth that will require the kind of expertise TNB is able to provide. Within each hub, TNB's business approach for individual countries will be based on the country's risk rating and a mix of asset-light to asset-heavy strategies. Sectors to invest in will be identified based on their individual risk and attractiveness.

TNB's vast experience operating in Malaysia gives it a competitive advantage in these regions, where it will target the following sectors:

- Power Generation – thermal and renewable energy
- Services – power generation operations & maintenance services
- Supply of electrical equipment and material – power cables, transformers and switchgear

To support its plans, TNB has established the International Business Department under the NBMP Division, with adequate financial and human capital resources allocated to gather global expertise and experience, and to ensure successful international business ventures. This ambition is pursued intensely yet cautiously so as not to expose TNB to unnecessary business risks.

NBMP recognises that, by presenting a consolidated view of TNB's businesses, it will be able to offer holistic solutions to new business customers. NBMP's Marketing department has taken the lead in introducing NBMP's products and services, leveraging on TNB's brand name, by participating in international exhibitions and conferences. During the first year of NBMP's formation, the division and its subsidiaries have participated in Asian ELENEX in Kuala Lumpur; Power and Electricity World Asia 2013 in Singapore; and Malaysia Services Exhibition in Algeria. Participation in these international events has enabled TNB to build business networks with other exhibitors and visitors from various ASEAN and African countries.

GROWING PROFITABLE NEW BUSINESSES

The Investment Management Department (IMD) of NBMP Division manages the portfolio of TNB's local and foreign investments with the aim of bringing positive value to TNB as a whole. It assumes the roles of both the performance driver and holistic governor of each business entity under its purview. IMD has been tasked with propelling TNB's 4th Key Results Area, namely to grow profitable new business, and carries out this function by participating actively in key aspects of each subsidiary's corporate and business processes while ensuring overall good governance through effective internal control.

TNB Repair And Maintenance Sdn Bhd (TNB REMACO)

TNB Repair And Maintenance Sdn Bhd (TNB REMACO), a wholly-owned subsidiary of TNB, is involved in three core businesses: plant turnaround for planned overhaul (maintenance services); refurbishment of components; and testing and diagnostic services. With 7 bases in Peninsular Malaysia and 2 in East Malaysia, 80% of the company's revenue for the past 15 years until 2009 was derived from the maintenance, overhaul and turnaround of all power plants owned by TNB.

From 2010, however, TNB REMACO began to offer operations and maintenance (O&M) services under contracts that typically extend for five to seven years. The O&M business has since contributed significantly to the company's revenue, increasing to RM567 million in the financial year 2013.

TNB REMACO has also expanded into the overseas market. Starting in Pakistan, where it established a firm foothold with three O&M contracts, the company subsequently ventured into Jeddah and Saudi Arabia, where it is also involved in the O&M of the Shuaiba Independent Water And Power Producer (IWPP). In line with the Group's strategy, TNB REMACO is now focusing on further business expansion in Southeast Asia (Indonesia and Vietnam), the Middle East and Africa (Nigeria).

TNB REMACO's achievements during the financial year include:

- A seven-year O&M contract for the Shuaiba North Co-Generation Power and Distillation plant in Kuwait estimated at RM1 billion, in a joint venture with Kharafi National of Kuwait

- O&M contract for combined cycle gas turbine power plant in Seberang Perai, Penang
- Winner of 2013 Frost & Sullivan Malaysia Power Plant Service Provider of the Year
- Winner of 2013 'Building Growth', one of TNB's four thrusts
- 10-year Long-Term Service Agreement with Turbo Care SpA for Frame 6 and Frame 7 GE gas turbines in Brunei inclusive of planned overhaul and hot gas component repairs, valued at RM200 million
- Memorandum of Understanding with Iraqi company Raban Al-Safina to secure O&M contract for a 1,025MW-capactiy gas turbine plant in Karbala

The company is currently exploring more O&M ventures, including the supply of operations staff to 10 power stations along the east coast of Saudi Arabia (covering Thaif, Madinah, Makkah & Jeddah), repair of hot gas components in Saudi Arabia Electricity Company (SEC) and O&M contracts for seven hydro IPP projects which are expected to come on stream in the next five years in Kashmir, India.

In addition, through TNB, TNB REMACO has submitted a proposal to operate a coal-fired power plant in Bangladesh.

TNB Energy Services Sdn Bhd (TNBES)

As a wholly-owned subsidiary, TNB Energy Services Sdn Bhd (TNBES) specialises in providing quality and reliable end-to-end (E2E) green energy solutions and services for the development, implementation, operation and maintenance of renewable energy (RE) projects, such as wind/solar hybrid, biomass, biogas and mini hydro. TNBES is also known for its power quality (PQ) audits, monitoring, testing and mitigation, energy efficiency (EE) audit and implementation, as well as power system studies for the interconnection of RE plants into the grid system.

Being a specialist in green energy, TNBES has branded itself as a leading proponent and driver in realising TNB's Green objective. TNBES' activities over the years testify to TNB's support of the Government's green agenda encompassing both RE and EE.

During the financial year under review, TNBES was appointed by the Public Private Partnership Unit (UKAS), Jabatan Perdana Menteri as a consultant to its proposed solar hybrid station and supply system to rural areas in Sarawak. TNBES also secured a contract from the Ministry of Rural and Regional Development to develop a solar hybrid station for RPS Kemar in Grik, Perak. Meanwhile, the company received the ASEAN Energy Award 2012 under the Off Grid Power Generation category for its involvement in the E2E Solar Hybrid System for Ministry of Education Remote Schools in Peninsular Malaysia.

TNBES has also signed a Shareholders Agreement (SHA) with Amcorp Power Sdn Bhd, for the development of 20MW Mini Hydro Plant at Sg Liang Raub Pahang. In addition, it is developing a biogas plant together with Sime Darby Plantation (SDP) in Perak and Johor; and has been appointed as an O&M service provider for the Jengka Advanced Renewable Energy Plant (JAREP) Biomass Power Plant in Jengka, Pahang.

TNBES has delivered a robust set of results as it continued to build on its consistent and well-executed strategies. It is optimistic that the Green Technology Financing Scheme launched by the Government in January 2010 will further boost the industry. With the introduction of the Feed-in Tariff (FiT) to promote RE, it has increasingly been involved in power system studies for future RE developers. In its quest to fulfill TNB's mission to be a domestic dominance and regional champion in RE and EE, TNBES is also exploring opportunities in Southeast Asia and the Middle East, in line with TNB's regional expansion strategy.

OPERATIONS
REVIEW – NEW BUSINESS & MAJOR PROJECTS

TNB Engineering Corporation Sdn Bhd (TNEC)

TNB Engineering Corporation Sdn Bhd (TNEC) was established in October 1993 as a wholly-owned subsidiary of TNB. Having extensive experience spanning more than 10 years, TNEC today is the leading provider of District Cooling Systems (DCS) with Thermal Energy Storage (TES) in Malaysia. TNEC undertakes the full range of services for its DCS projects, from the initial concept or business viability study to the investment, engineering, procurement and construction (EPC), as well as comprehensive O&M.

During the financial year, TNEC successfully completed the construction of an 18,000RT capacity district cooling plant at KLIA2, Sepang. Under the Concession Agreement between Airport Cooling Energy Services (ACES) and Malaysia Airport Holdings Berhad (MAHB), the plant will supply cooling energy to the Main Terminal Building (MTB) of MAHB and the Integrated Complex (Airport Mall and Transportation Hub) for a 20-year period. ACES is a joint venture company between TNEC and MAHB. The plant is now ready for commercial operations, while MTB is expected to be fully operational in May 2014.

TNEC has a presence overseas through Abraj Cooling LLc (a joint venture company with Al Samah Elect & Refrig) in Abu Dhabi, UAE. Abraj Cooling LLc undertook the construction of 8,000RT and 14,000RT DCS plants for the Al-Reef Downtown Development and Building Material City in Abu Dhabi respectively. Both plants have been fully completed and are scheduled to be handed over to the client in the second quarter of 2014.

TNEC's long-term commitment to its clients through comprehensive O&M contracts with energy-related performance guarantees shall remain its primary business strategy. To expand its revenue from the DCS business in Malaysia, TNEC plans to:

- Undertake mergers or acquisitions of companies which are concessionaires of cooling energy supply contracts
- Form strategic partnerships with government-linked developers, private property developers and facility managers
- Secure energy management projects for government buildings

TNEC is also exploring the DCS market in the Southeast Asia region, and expanding its business segments to include electricity distribution and cogeneration locally.

Malaysia Transformer Manufacturing Sdn Bhd (MTM)

Malaysia Transformer Manufacturing Sdn Bhd (MTM) became a wholly-owned subsidiary of the Group following the successful acquisition of 27% of its equity by TNB from ABB in 2007. Since then, MTM has continued to maintain its identity to leverage on its long history in the region, while strengthening its corporate governance and improving its business orientation.

MTM's business includes the manufacture of distribution transformers (up to 5000kVA, maximum voltage of 33kV) and power transformers (up to 100MVA, maximum voltage 150kV), remanufacturing and refurbishment of transformers, servicing transformers at site, transformer testing and diagnostics, as well as erection, testing and commissioning services.

MTM has explored and expanded its service business to Indonesia with the refurbishment of PT Krakatau Daya Listrik's transformer. It aims to win more refurbishment contracts in the future and to be a total solution provider to its customers.

MTM recognises the world's growing need for energy and aims to produce quality products and related services at competitive prices with minimum impact to the environment without compromising on safety and health.

Tenaga Cable Industries Sdn Bhd (TCI)

Tenaga Cable Industries Sdn Bhd (TCI) is one of the leading manufacturers and distributors of power cables in Malaysia. Previously operating as Malayan Cables Limited, a domestic pioneer in cable manufacturing, TCI has evolved and strategically positioned itself to support growth of the electricity supply industry in Malaysia and abroad.

TCI offers four main products, clustered under the category of power conductors, power cables, aluminum and alloy rods and optical ground wires (OPGW). With over 55 years of experience and a manufacturing capacity of over 3,600km of power cables and overhead aluminum conductors, 10,000 metrics tonnes of aluminum rods and 1,400km of OPGW, TCI has provided connections to anchor projects including Putrajaya, Cyberjaya, KLIA, KLIA-2 and KTM Komuter while exporting to the United Arab Emirates, Jordan and Taiwan.

In line with the business plan theme set for FY2013 – to address competitiveness of the company – TCI has embarked on various successful cost-efficiency initiatives. Its efforts have been validated by the company being awarded contracts for 950km of 11kV 3c240mm2 cables valued at RM65.7 million by TNB in July 2013, and 50km of 11kV 3c240mm2 cables valued at RM3.4 million by Sabah Electricity Sdn Bhd in June 2013.

TCI's other notable achievements during the financial year include:

- Turning around from a loss before tax of RM38.9 million in FY2012 to a profit before tax of RM5.3 million in FY2013
- Securing a RM176.6 million contract from TNB for the supply of 1,980km of various sizes of power cables; and completing the delivery within six months
- Supplying 199.5km of OPGW for life-line project of TNB's 132kV and 275kV lines
- Supplying six out of eight packages of the Mass Rapid Transit (MRT) project in the Klang Valley
- Supplying 600 metric tonnes of aluminium rods to Central Cable Berhad, a local Bumiputera cable company, for a period of six months
- Winning a contract to supply conductors to the Ministry of Rural and Regional Development for a key development project in Sabah

Expanding beyond Peninsular Malaysia, the company is collaborating with local contractors for a bid to supply conductors to Sarawak Energy Berhad for the development of Sarawak's power grid. While gaining a dominant domestic position, TCI is structuring business arrangements with a number of prospects to tap into the vast overseas market for rods and conductors, with a focus on Southeast Asia and the Middle East.

TCI continues to evolve and is geared to face the challenges of competition in a fast-growing industry through various technological and product advancement initiatives. This is evident in the company's new OPGW designs as well as the upcoming production of low-loss conductors. Working in collaboration with potential international players, TCI is set to fulfill the demand for technologically advanced low-loss conductors in the local and regional markets.

Tenaga Switchgear Sdn Bhd (TSG)

Tenaga Switchgear Sdn Bhd (TSG), a 60%-owned TNB subsidiary, aspires to be the leader and symbol of quality in the high-voltage switchgear industry. TSG's main business includes manufacturing high and medium-voltage switchgears through joint ventures and collaborations with business partners, substation engineering and design, specialised maintenance and repair of high, medium and low-voltage equipment and turnkey contracting of transmission and distribution substations and project management.

TSG's products are type-tested for conformity to IEC standards and safety, and accredited by international test labs. The company's commitment to quality, safety and reliability, as manifested in its ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 quality systems, has enabled it to gain a firm foothold in the competitive global high-voltage power equipment market.

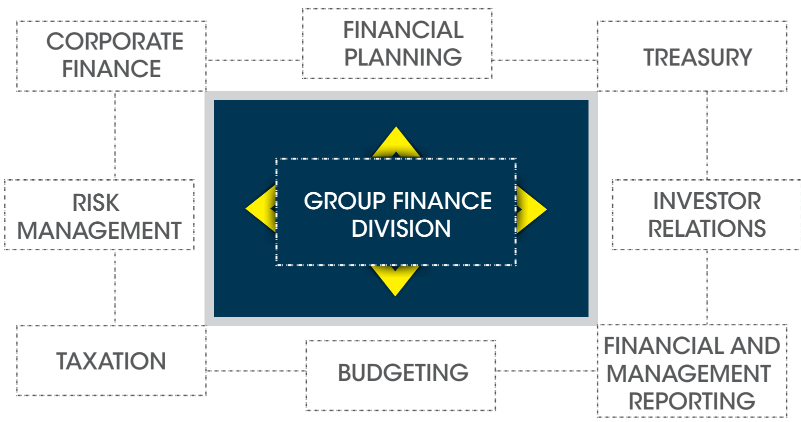
TSG has successfully penetrated the Indonesia, Vietnam, Pakistan and Thailand markets through its product selling, refurbishment and retrofitting of substation and engineering services. Moving forward, it aims to win more contracts to supply high and medium- voltage equipment locally as well as in Pakistan, Vietnam, Indonesia and the Middle East. It will also continue to provide refurbishment, project management, turnkey contracting, engineering design and solutions to Perusahaan Listrik Negara Indonesia, EGAT Thailand and power companies in the Middle East.

GROUP FINANCE

Fazlur Rahman bin Zainuddin
Chief Financial Officer/Vice President

Group Finance Division plays a core supporting role in maintaining and enhancing the Company's financial management practices and ensuring that investment decisions are based on sound criteria and processes.

In furtherance of the above mission, Group Finance's functional responsibilities encompass the following:



Supporting TNB's newly launched five Key Results Areas (KRAs), Group Finance Division is also tasked with driving operational cost efficiencies across the entire Group, as part of the broader organisational transformation objectives. Among others, this initiative will promote cost efficiencies in tandem with technical and capex efficiencies through the application of an ideal funding mix. Going forward, Group Finance Division is realigning and prioritising its roles within the ambit of the five KRAs.

KEY ACHIEVEMENTS

During the financial year 2013 (FY2013), Group Finance continued to pursue initiatives ongoing from the preceding financial year, with positive results. The following are some of the key achievements attained:

- Securing the 1,071MW Prai Power Station (IPP) project with a highly competitive funding rate of 4.28% and a levelised tariff of 34.7 sen/kWh
- Successfully refinancing the KEV (BAIDS) of up to RM2.0 billion via the issuance of Sukuk (Islamic bonds) on 5 July 2013
- Progress in preparing for the Incentive Based Regulation (IBR)
- Continued support for the Sustainability Achieved via Energy Efficiency (SAVE) scheme
- Gearing tax management for the implementation of GST in 2015, in line with TNB's cost optimisation KRA

Securing the Prai IPP Project

The 1,071MW Prai Power Station IPP award represents an important achievement for TNB in its efforts to secure and maintain a dominant role in the nation's power generation sector in the years to come. This was achieved on the back of a 4.28% (Sukuk) funding rate, which is highly competitive in the prevailing fund environment of the Malaysian capital markets and underscores the AAA credit standing of TNB in the Ringgit bond market. The levelised tariff of 34.7 sen per kWh also attests to the competitive nature of TNB's generation cost structure.

Completion of KEV Refinancing

The refinancing of the Kapar Energy Ventures (KEV) programme (BAIDS) of up to RM2.0 billion was successfully concluded with a Sukuk issuance on 5 July 2013. The use of Sukuk as a financing vehicle for both the KEV refinancing and Prai IPP project highlights the importance placed by Group Finance Division on tapping the Islamic debt markets as a competitive avenue to raise long-term funds, while reinforcing its support of the Islamic capital markets and the development of Kuala Lumpur as an Islamic financial centre.

Preparation for the Incentive Based Regulation

Much progress has been made in collaboration with the Energy Commission (EC) in advancing the implementation of the Incentive Based Regulation (IBR). Important milestones were met during the year, with TNB being well on the way to submitting its final proposals including its Key Performance Targets for the Incentive Framework for consideration by the EC. It is anticipated that the government via the EC will be in a position to implement the IBR by mid-2014.

The SAVE Programme

Group Finance continued to implement the Sustainability Achieved via Energy Efficiency (SAVE) scheme, which was launched in 2011 by the Ministry of Energy, Green Technology and Water. The goal of the scheme is to encourage the public to purchase energy saving electrical appliances by providing rebates for energy-efficient (EE) high-energy consuming appliances such as air conditioners and refrigerators. To date, more than RM3.677 million rebate funds have been disbursed under the scheme for FY2013.

Effective Tax Management

For the year under review, TNB achieved an effective tax rate of 20.9%, which is lower than the 25.0% statutory tax rate for Malaysian corporations. Although the lower effective rate can be attributed to unrealised forex gains and income of a non-taxable nature, the Tax Unit has been active in undertaking strategic tax planning initiatives as well as in obtaining governmental tax incentives and exemptions. The Unit also plays a key role in preparing TNB for the government's upcoming GST tax programme.

The Way Ahead

FY2013 saw TNB surmount various challenges, which however were mitigated by a softening of coal prices. Although the current outlook for global coal prices is benign, the sudden onset of volatility in prices cannot be precluded and vigilance of future price trends will need to be an ongoing effort.

The global macroeconomic outlook continues to be fraught with uncertainties due to pronounced economic imbalances and the need for structural reforms in the international monetary system. Volatilities in foreign currency markets will most likely continue to impact the Ringgit and their potentially adverse effects on TNB will need to be mitigated by the adoption of appropriate debt portfolio currency mixes and proactive hedging strategies.

Against this backdrop, Group Finance Division will focus on fully supporting the Company's organisational transformation objectives leading to the implementation of the five KRAs. As the driver of the operational cost efficiencies KRA, the division will strive to implement effective and efficient cost management initiatives to ensure TNB's continued financial sustainability in keeping with the Company's goal for a better and brighter future.

PLANNING

Datin Roslina binti Zainal
Vice President

2013 is a challenging year for Planning Division's business direction on enhancing efficiency and effectiveness in line with the TNB Transformation Program. It aims to facilitate numerous successful initiatives that will meet TNB's growth objective and its key result areas.

TNB is constantly taking positive steps in meeting the challenges facing the electricity utility due to increasing demand, higher customer expectations, high dependence on fossil fuels against a backdrop of depleting natural resources, increasing cost of supply, environmental concern on GHG emissions and energy security. TNB is fully supportive of the government continuous strive towards a more sustainable, efficient and transparent Electricity Supply Industry. One pivotal role is managing the transition for TNB into the Incentive Based Regulation (IBR) mechanism as an effective economic regulatory framework which drive cost efficiencies and enhanced transparency in the operational, financial and performance aspects. Substantial and significant innovative efforts focusing on numerous major initiatives such as enhancing the generation capacity planning process, more effective energy procurement by Single Buyer (SB), Key Result Areas (KRA), Smart Grid Initiatives, and Demand Side Management (DSM) plan including Enhanced Time of Use (ETOU) and facilitating renewable energy program were undertaken.

KEY ACHIEVEMENTS:

- Coordinate and carry-out the implementation of Incentive Based Regulation towards achieving efficiency and transparency in regulatory management.
- Establishing single buyer;
- Single Buyer Department was formed on 1 September.
- Planning Division is the main sponsor for Key Result Areas (KRA) - Shape Regulatory Outcome.
- Embarking on Demand side Management through studies about Enhanced Time of Use (ETOU) collaboratively with Korea Electric Power Corporation (KEPCO).
- Embarking on smart grid realisation plan study and smart grid related pilot programme.

KEY RESPONSIBILITIES:

- To coordinate implementation of IBR (2014-2017) to safeguard consumers by ensuring TNB services are efficient and tariff competitively priced to the end user.
- Single Buyer is to ensure the competitive bidding process done transparently and achieving least cost electricity supply in its operation.
- To promote and facilitate TNB Green and Sustainability initiatives including smart grid program via the SG Steering Committee and GREENER Committee.

ADDRESSING MAJOR INDUSTRY ISSUES

"Malaysian Electricity Supply Industry (MESI -Towards Sustainable Growth, Enhanced Transparency and Efficiency of the Industry"

The Malaysian Electricity Supply Industry (MESI) is facing multi-dimensional challenge in fulfilling its responsibility to deliver affordable and reliable electricity supply to consumers whilst tasked to support challenges in national socio-economic objectives. To ensure sustainable growth, enhance transparency and efficiency of the industry, TNB fully supports the Government in its efforts to reform the industry such as 9+1 holistic reform initiatives, The Energy Policy for Malaysia (2012-2050), Incentive Based Regulation (IBR) including Fuel Cost Pass Through Mechanisma etc. Even though a significant progress on MESI reform has been made, there are still areas to be addressed. In preparation for the path forward, TNB has embarked its own Transformation Program to overcome numerous challenges including security of supply via enhance engagement with stakeholders on MESI reform initiatives. This is to ensure a vibrant and sustainable electricity supply industry"

Leveraging on Advancement in Regulatory Framework & Tariff Setting Mechanism

Incentive Based-Regulation (IBR) is an economic regulatory framework to ensure that electric utilities such as TNB continuously enhance its efficiency and transparency in providing electricity supply to its customers. One of the key objectives of the IBR is to safeguard the consumers by ensuring TNB charges fair and competitively priced end user tariff. The implementation of IBR is guided by a set of Regulatory Implementation Guidelines (RIGs) published by the Suruhanjaya Tenaga (ST) in consultation with the industry's major stakeholders as well as TNB.

The IBR Department of the Planning Division, in early FY2013, spearheaded a collaborative effort to formulate, coordinate and consolidate TNB's proposal for IBR and Tariff Review Submission for the Interim period (FY2014) and First Regulatory period (FY2015 to FY2017) which encompasses the projected financial parameters such as Capital Expenditure (CAPEX), Operational Expenditure (OPEX), Weighted Average Cost of Capital (WACC) and performance indicators targets for the Customer Services, Transmission, Single Buyer and System Operations. Several collaborative sessions and meetings between TNB and ST were conducted for TNB to rationalise its proposal to the regulator. In addition to the IBR related tasks, the department was also actively involved in the Key Result Area (KRA) task force to enhance TNB regulatory management function under the TNB Transformation Program.

OPERATIONS REVIEW – PLANNING

Competitive Bidding to Meet Future Generation Capacity Needs

The system requires new capacity addition due to increasing electricity demand in the future and to replace the retirement capacity from both TNB and IPP power plants. The Government of Malaysia has entrusted Suruhanjaya Tenaga to facilitate competitive bidding process to secure new capacity for the country. Track 2 on extension of existing power plants was won by Segari Energy Ventures, Genting Sanyen Power and combined cycle block of TNB Pasir Gudang. The power purchase agreements for Track 1 and Track 2 were signed in November 2012 and February 2013 respectively. TNB is of the view that bidding is crucial to the electricity supply sector as it keeps prices at reasonable levels and encourages healthy competition. TNB's participation in future power plants' bidding process ensures that successful bidders make reasonable market returns and customers benefit from competitive electricity prices.

Long-Term Generation Planning

Capacity Planning Unit of Single Buyer Department has assisted ST in analysing the 20-year generation system expansion plan. The outcome of the study was presented to Jawatankuasa Perancangan dan Pelaksanaan Pembekalan Elektrik dan Tarif JPPPET, a committee chaired by the Minister of Energy, Green Technology and Water. In this study, renewable energy has been incorporated in the energy mix based on input from Sustainable Energy Development Authority.

Energy import from Sarawak has become crucial for the country to diversify further the fuel mix whilst striving to be less dependent on fossil fuels.

FUEL SUPPLY SECURITY

Impact of Gas Shortfall, Mitigation and Compensation

TNB continued to utilise alternate fuels such as oil and distillates throughout the financial year as the PETRONAS's LNG re-gasification terminal, which was supposed to ameliorate the deteriorating gas supply experienced by the power sector since 2010, was only completed late May 2013, instead of the original date of September 2011. As part of the utility's mitigation measure against the gas supply problem, TNB had also incurred higher cost due to the purchase of electricity via cross-border interconnections with neighbouring utilities. Since the cost sharing mechanism instituted by the Government during the last financial year was still in effect until the RGT was commissioned, TNB has received RM3,560 million in compensation from the Government and PETRONAS since January 2010.

ASSET PERFORMANCE

Management of Physical Asset

In reaching the next level of efficiency, TNB will leverage more on its physical asset in order to harness the higher utilisation efficiency or asset productivity. Asset management activities and practices will be carried out systematically and in a transparent manner and optimises assets performance, whilst balancing their associated risks and their life cycle cost. The asset management system will cover whole asset life cycle including planning, development, operation, maintenance and disposal of physical assets. Owning almost RM73 billion worth of assets spanning across the whole of Peninsular Malaysia and the state of Sabah, TNB realises on the importance of Physical Asset Management Policy and Asset Management Strategy which are robust and effective. TNB has developed a high level asset management roadmap which is targeting at optimising its asset further. TNB regards asset management as a continuous process of improvement and ensuring TNB's business continue to be relevant in meeting stakeholders' goals.

GREEN AND INNOVATION INITIATIVES

Smart Grid: Towards a Smarter-Living Nation

TNB is embarking on an Advanced Metering Infrastructure (AMI) demonstration project in Putrajaya and Melaka under the funding of AAIBE/KeTTHA. The project involves the installation of 1,000 smart meters as well as the corresponding ICT and system integration and a study on demand response at TNBR-UNITEN smart grid test-bed facility. A joint-feasibility study funded by METI Japan was initiated to assess the development of smart grid and smart community concept in Medini, Wilayah Iskandar Johor. TNB has also commenced a Smart Grid Realisation Plan project to develop a long term smart grid plan with the associated business case for its future implementation.

The main objectives of the 6-month project are to identify and define specific milestones and investments for smart grid implementation including AMI/smart meter deployment and technology standards for the Smart Grid.

Furthermore, communication and customer engagement activities are also planned to raise the awareness of smart grid across the organisation and also with related stakeholders.

Low Carbon Initiatives Towards Sustainability

TNB Planning Division is constantly and proactively involved in the development of comprehensive energy plan which relates to the critical issues of environment impact, energy supply security, and the sustainability of the Malaysia electricity supply industry. During the year under review, the division collaborated with related parties within the company as well as with other stakeholders in realising the following initiatives which were part of initiatives under TNB Green Energy Policy and Plan. First initiative is Demand Side Management (DSM) study. The study is to incorporate Demand Response programs and DSM tariff scheme including enhancement of Time of Use (ETOU) tariff and Interruptible Tariff which aim to encourage use of energy efficiently and reduce the peak load demand via load shifting. The study is being undertaken with the collaboration from Korean Electric Power Corporation.

Another initiative is the Green & Smart Grid Plan and Implementation in TNB reticulation system such as the Green Township Plan for Melaka, Putrajaya and Medini. The division is also actively supporting the Government agencies in numerous studies and initiative related to green energy and sustainability. In addition, there is continuous effort on people development or capacity building related to green energy aspect through involvement in research and training at TNB's training and research centers i.e. ILSAS, Centre for Renewable Energy (CRE) and Institute of Energy Policy and Research (IEPRE) in UNITEN.

ALTERNATIVE ENERGY PROSPECTS IN THE LONG TERM

TNB's Commitment to Ensuring Energy Security by Exploring Alternative Energy through the Nuclear Option

In 2010, nuclear energy for power generation was identified as one of the 19 entry point projects under the Oil, Gas & Energy Sector in the Economic Transformation Program. Through FY2013, TNB's Nuclear Energy Department (NED) has been part of the Government's nuclear study teams that are looking at the regulatory requirements, as well as the feasibility of a nuclear power program. In preparing for TNB's future involvement in the nuclear power program, NED is preparing syllabuses to prepare operators for nuclear operating certification by imparting basic nuclear knowledge to future possible operators. NED, together with Planning Division, has also established a Memorandum of Understanding with Electricite De France (EDF) in June 2012 to foster a strong relationship with an established nuclear power utility from Europe to better prepare TNB for nuclear power. NED is currently exploring possible activities with EDF to increase TNB's competencies in nuclear technology. To reach out and increase the knowledge of TNB staff, NED has developed an internal website for TNB staff to learn more on nuclear power technology.

CORPORATE AFFAIRS & SERVICES

Dato' Roslan bin Ab Rahman
Chief Corporate Officer

Corporate Affairs and Services Division (CASD) provides support services to the TNB Group to ensure the smooth and effective running of all business operations, thus enhance the Company's corporate image and reputation.

BUSINESS REVIEW

Corporate Affairs and Services Division (CASD) consists of six departments, namely Regulatory & Stakeholders Management (RSM), Corporate Affairs & Communications (CAC), Corporate Services (CS), Strategic Management and Organisation Development, Human Resources Management & Administration Services, and Finance.

The division networks closely with TNB's stakeholders and focuses on building relationships in order to manage the Company's brand and image. In addition to overseeing the Group's external communication, it looks into the needs of employees in line with the Management's aspiration to provide better facilities and a more conducive working environment.

Broadly speaking, CASD provides support services to the TNB Group to ensure the smooth and effective running of all business operations, thus enhance the Company's corporate image and reputation.

HIGHLIGHTS OF THE YEAR

Among the division's achievements during the year under review were:

- TNB being placed 5th in Brand Finance's 2013 Malaysia Top 100 Brands report, climbing up three spots from its 8th position last year.
- Launching a two-year Brand Revitalisation exercise themed 'Better. Brighter' to promote greater understanding of the TNB brand via an integrated communications campaign highlighting value propositions to all stakeholders.
- Hosting visits by foreign delegations keen to benchmark themselves against TNB, such as the Ministry of Energy Kenya, Bhutan Power Corporation and Muscat Electricity Company from the Sultanate of Oman.
- Installation of a solar panel on the roof of the parking lot at TNB's headquarters in support of the Company's Green Initiative.
- Value creation of RM52 million from Logistics services.
- Securing sites for new and upgraded TNB installations, accommodating the completion of 31 way leave entries and 157 endorsements submitted for registration in the financial year 2013.

OPERATIONS REVIEW

The division continued to drive stakeholder engagement programmes with decision-makers and legislators such as Ministers and Members of Parliament. During the year, it also made inroads into influential stakeholder circles comprising opinion leaders, think tanks and strategic resource planners in order to champion legislative issues more effectively and ensure all statutory requirements are met.

OPERATIONS
REVIEW – CORPORATE AFFAIRS & SERVICES

In maintaining close relations with regulators, government agencies, individuals and industry-relevant bodies/associations, the division ensures TNB's interests are managed and met.

As the custodian of TNB's image and reputation, CASD has enhanced its internal and external communication channels and approaches. All news that is broadcast pertaining to the Group, especially in the media, is closely monitored, analysed and evaluated in order to gauge the public's and stakeholders' perception of TNB. CASD also took the opportunity to engage with the public through various Corporate Responsibility initiatives.

To strengthen TNB's relationship with counterparts in Asean countries, benchmarking visits and inter-utility friendly games were organised. The division also supported TNB's vision of growing its non-regulated business by providing communication assistance at local and international exhibitions.

Internally, CASD kept employees well-informed of significant happenings via existing and newly-developed communication channels such as Vibrant News, SMS Blasts, *Tenagawan* Daily, *Bersama* CEO and TV TNB. Such efforts have been seen to promote a vibrant, engaged and productive workforce.

Further ensuring a conducive work environment, the division acquired and renovated several office buildings and work spaces. Among the major projects carried out were enhancing TNB's facilities in DuaSentral in central Kuala Lumpur; building a Leadership Development Centre in Bangi; restoring staff quarters; and building a childcare centre (Taska 1TNB). Recreational facilities for employees have also been improved; and an old store building at TNB's headquarters transformed into a 1TNB Futsal Centre.

Asset security also falls under CASD's domain. It carries out this critical responsibility by patrolling the transmission towers, substations and feeder pillars. Much emphasis is placed on a high level of professionalism and use of cutting-edge technology by security personnel. An Integrated Security Management System (ISMS) with deterrent, detection and response mechanisms has been deployed at the four Northern, Central, Southern and Eastern zones, safeguarding TNB assets from threats and intruders.

In terms of land acquisition for TNB installations, in recent years, the division has secured sites for the Sultan Azlan Shah Power Plant Manjung 4 Project, Ulu Jelai Hydro Power Plant Project and Sg Piah Power Plant Project, all in Perak; the Ulu Terengganu Hydro Power Plant Project in Terengganu; and the Prai Power Plant Project in Penang. To enhance its land management capabilities, CASD has launched an initiative to digitise all TNB land information in a Corporate Geospatial Information System (CGIS), which is expected to be completed by 2015. All property-related data fed into the CGIS will enable intelligent geospatial analysis for informed decision-making. The CGIS will also be used by other divisions to plan and implement their projects.

In addition to the functions mentioned above, CASD also manages TNB's mobile generator sets (gensets), vehicle fleets and logistics requirements for the transport of equipment and machines. To complement the Integrated Genset Management System (IGMS), a centralised Genset Control Centre has been set up in Kelana Jaya to cater for all requests for genset services from Generation, Transmission and Distribution. Meanwhile, new Eastern Region operational bases have been set up in Kemaman, Terengganu and Kota Bharu, Kelantan.

Another major project by the division is to equip Gensets and vehicles with GPS devices to provide accurate information which will help to reduce TNB's System Average Interruption Duration Index (SAIDI), thus safeguard continuous supply to customers.

MOVING FORWARD

The division is committed to ensuring that TNB communicates efficiently and effectively as well as maintains close relations with its stakeholders. To further promote the Group's image and reputation, CASD will review and strategise its branding initiatives focusing on proactive coverage and publicity in the media as well as through advertisements.

The division will also intensify its engagement with strategic stakeholders to support the attainment of TNB's newly formulated Key Result Areas (KRAs). These have been designed to manage impending challenges such as the Incentive-Based Regulation (IBR), which necessitate a high level of performance.

In terms of protecting the thousands of TNB installations across the country, CASD will continue to undertake proactive initiatives in strict compliance with legislation while employing the latest technologies. The division is committed to working closely with enforcement agencies to maintain an orderly approach towards enhancing the security of the Group's assets.

At the same time, CASD will review and strategise its land procurement procedures according to current requirements; and will explore the possibility of unlocking the value of under-utilised assets with minimum risk to TNB Group in terms of financial exposure.

Value of **Malaysia's top 100**

TOP 10 WINNERS

No.	Winner	Sector	Change in Brand Value (US$ mil)
1.	Petronas	Oil & Gas	1,272
2.	Maxis	Telecommunications	935
3.	Axiata	Telecommunications	497
4.	Sime Darby	Holding Companies-Divers	360
5.	Tenaga Nasional	Electric	268
6.	Digi	Telecommunications	183
7.	YTL	Holding Companies-Divers	172
8.	Kuala Lumpur Kepong Bhd	Agriculture	168
9.	Telekom Malaysia	Telecommunications	164
10.	Celcom	Telecommunications	156

Source: The Edge, 23 September 2013

PROCUREMENT

"Procument's function in TNB has progressed from providing general support services to playing a strategic role in defining and managing the Group's long-term procurement strategy"

Ir. Syed Abu Hanifah bin Syed Alwi
Chief Procurement Officer

Procurement Division has a major role to play not only as TNB progresses along its 20-Year Strategic Plan but also as the rapidly changing marketplace requires the organisation to evaluate its operating models and strategies to keep pace with, and capitalise on, new forces as they arise. In recent years, Procurement has taken to eliminating unnecessary costs while searching for opportunities to add strategic value to the business.

DIVISION GOALS

Procurement's function in TNB has progressed from providing general support services to playing a strategic role in defining and managing the Group's long-term procurement strategy. The division is responsible mainly for formulating procurement policies, providing procurement-related advisory and developing new supply chain strategies. It is also entrusted to provide excellent corporate support services to the other divisions. Finally, Procurement is responsible for the strategic management of TNB's key suppliers through a structured Supplier Relationship Management system, with the ultimate aim of developing a stable and competitive supplier base for the organisation.

HIGHLIGHTS OF ACHIEVEMENTS

- Significant procurement value creation of RM83.1 million in the financial year 2013 (FY2013)
- Development of a Procurement Competency Framework to elevate the knowledge and skills of procurement practitioners
- Formulation of various subsidiaries' Procurement Policy & Procedures adhering to industry best practices
- Implementation of the TNB Supply Chain Management System (SCMS)

OPERATIONS REVIEW – PROCUREMENT

SUMMARY OF OPERATIONS

During the period under review, Procurement Division continued to implement initiatives to enhance procurement efficiency towards meeting its objectives and targets.

- **Procurement Value Creation Achievement**

  Considerable procurement value creation of RM83.1 million was achieved in FY2013. As in the previous year, several levers contributed to this value creation, such as e-Bidding, the application of tax exemption, savings from negotiations and strategic sourcing.

  To enhance the value creation initiative, a guideline to measure and monitor value creation was developed and issued internally. This guideline clearly defines the value creation methodology, as well as the attendant monitoring and verification procedures.

  Following on the Strategic Sourcing Methodology Training conducted in FY2012, a training module on Purchasing Chessboard was completed as part of a Skills-Set Enhancement Programme for Procurement. The objective was to equip participants with the latest procurement tools and strategies to support TNB cope with market changes and volatility. The Purchasing Chessboard provides 64 fields, each representing a stand-alone, differentiated approach to reduce costs and increase value through different relationships between demand and supply.

- **Procurement Competency Framework**

  A Procurement Competency Framework, developed by the division, provides comprehensive training modules for TNB's Procurement community and practitioners. This comprehensive framework details a range of capability levels for procurement staff within TNB, and outlines the capacity-building requirements to enhance competency levels through skills assessment, identification of training and development needs and career planning. The framework is intended to complement and not replace TNB's existing personal development tools.

- **Supply Chain Management System (SCMS)**

  The Supply Chain Management System (SCMS) provides TNB with the technological ability to implement best practices in procurement processes and analyses, while standardising work processes to create value opportunities and sustain efficiency, transparency and consistency.

  Developed in 2011, the system has been commissioned in stages according to its modules and functionalities. These include modules on electronic tendering, electronic contract management system, Supplier-Buyer Service Portal, Spend Analytics and online Registration of Suppliers. SCMS involves end-to-end procurement processes and best practices that reduce costs by improving internal processes as well as facilitating TNB-supplier collaboration.

- **TNB Procurement Policy & Procedures**

  The second edition of TNB's Procurement Policy & Procedures, developed in 2011, continued to be disseminated and applied across the whole organisation. In addition, various procurement instructions and guidelines were issued to notify users of the latest procedures and instructions from the Top Management and Board on procurement-related topics.

  In FY2013, the Procurement Division also formulated and disseminated Procurement Policy & Procedures to TNB's subsidiaries, thus ensuring these subsidiaries abide by industry best practices.

  At the same time, compliance with TNB's Procurement Policy & Procedures and its effectiveness were regularly evaluated through a Procurement Compliance Review conducted across the core divisions. This review also served as an advisory platform in addressing issues faced by procurement practitioners in applying the Procurement Policy & Procedures.

- **Procurement Referral Group**

  Procurement Referral Group (PRG), formed in 2010, continued to serve as a formal interaction platform among procurement practitioners within TNB. Among its objectives, the committee aims to act as a feedback channel for internal customers and to discuss, oversee and review progress of strategic procurement and improvement initiatives implemented by Procurement Division and other divisions' procurement departments.

  In addition to existing members from the core divisions, two more members from ICT and Corporate Services Divisions were added to PRG as extended members. During the period under review, in addition to regular meetings, a workshop was held to discuss various topics aimed at enhancing the procurement function.

- **TNB Strategic Supplier Management**

  To support the government's national agenda, Procurement Division has been assigned the responsibility of developing strong and resilient Bumiputera vendors via the Bumiputera Vendor Development Programme. In addition, Procurement manages TNB's key suppliers through a Supplier Relationship Management programme with the ultimate aim of developing a stable and competitive supplier base for the organisation.

  TNB's ambition to be a regional champion, coupled with current regulatory developments, necessitate the Group's having international-class vendors that are capable and competitive. Accordingly several initiatives were implemented during the period under review, key among which was re-examining the vendor development model via the BRAVE10 Lab. Input from various stakeholders, including TNB Management, Khazanah Nasional, the Vendors' Association and relevant government agencies, was taken into consideration. Findings from the exercise are expected to be used to improve the vendor development model by FY2014.

CHALLENGES AND PROSPECTS

As a relatively new division tasked with strategic roles, Procurement's main challenge is still related to elevating the procurement function from the transactional and operational level to a strategic level to meet the ever-increasing expectations of stakeholders. In order to institutionalise innovative supply-chain strategies and tools throughout the Group, barriers to acceptance have to be broken within existing user groups and entrenched systems and processes.

As Procurement has become an integral part of corporate performance and is drawing increased attention from Senior Management and stakeholders, the division faces the additional challenge of fulfilling the expectations of all parties, both internally and externally. Moreover, the Division will have to continuously identify new and relevant strategies to sustain the momentum of value creation as current strategies and value creation levers progressively become business-as-usual activities.

Towards meeting these challenges, TNB is committed to nurturing a cadre of skilled and knowledgeable procurement practitioners through training and development programmes with international recognition or influence leading to professional certification. These efforts would further support TNB's Geographical Expansion initiatives under its 20-Year Strategic Plan.

The Procurement Competency Framework is intended to set out the skills and competencies required by procurement practitioners within TNB. Ultimately these skills and competencies will encourage positive behaviours resulting in efficient, dynamic and professional procurement operations that deliver value for money to the organisation. This framework is therefore an essential component of driving up procurement functions and individual capability as part of the procurement transformation agenda.

SABAH ELECTRICITY SDN. BHD.

Demand for electricity in Sabah is expected to grow by about 7% per year until 2013, and to increase substantially in the following years, reaching about 1,316MW by 2020.

Meanwhile, electrification coverage in the state stood at 91% as of December 2012, and Sabah Electricity Sdn Bhd (SESB) aims to increase this to 95% by year 2015 to enable more people in Sabah to enjoy the benefits of electricity supply. This is part of SESB's contribution to the socio-economic development of the state.

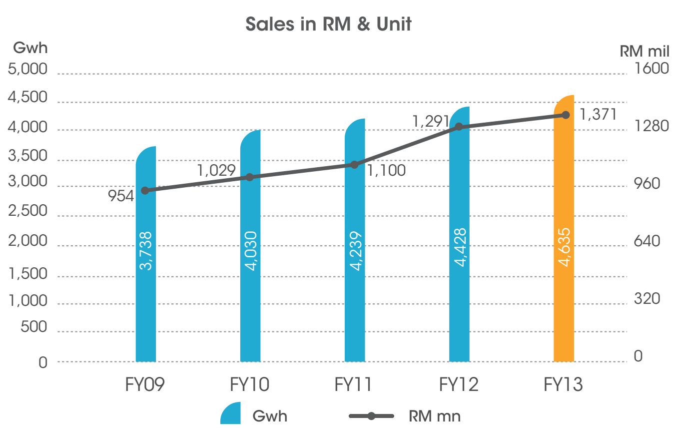
FINANCE

Sales of electricity in Sabah in FY2013 grew by 6.2% to reach RM1.37 billion compared to RM1.29 billion in the previous financial year. Total units sold amounted to 4,635GWh in FY2013 compared with 4,428GWh in FY2012.

The company's operating expenditure, however, decreased marginally from RM1,352 million in FY2012 (restated) to RM1,337 million. SESB received substantial diesel and medium fuel subsidies from the Malaysian Government, the amount presented being the net total subsidy.

Total profit for FY2013 stood at RM13.86 million, while total finance costs and foreign exchange losses amounted to RM174.3 million compared to RM181.34 million in FY2012. This is due to the fuel subsidy for FY2012 being claimed in FY2013 amounting RM32.0 million. SESB's Cost Per Unit (CPU) as at 31 August 2013 was 32.61 sen per kWh.

No.	Item	Denominator	FY 2013	FY 2012
1.	Sales	RM mil	**1,371.4**	1,291.7
2.	Units sold	GWh	**4,635**	4,428
3.	Opex	RM mil	**1,337.2**	1,352.7
4.	Fuel subsidy claim	RM mil	**735**	572



ENGINEERING

The Engineering Division was set up in 2011 to undertake the design of major projects, enhance quality assurance and control, develop technical specifications, implement energy efficiency (EE) and Power Quality (PQ) initiatives and evaluate new and emerging technologies.

Among the major projects undertaken in the year under review were:

(a) Transmission

- 132kV line from PMU Minintod to new PMU Damai
- 132kV line from PMU Tawau to new PMU Apas
- 132kV line from PMU Sandakan to new PMU Elopura
- 132kV line from PMU Segaliud to new PMU POIC Sandakan
- Upgrading of 132/33/11kV PMU Keningau
- Upgrading of 132/33kV PMU Beaufort
- 132/33kV Transformer in PMU Dam Road

(b) Distribution

- 33kV line from PMU Dam Reoad to PPU Sri Perdana
- 33kV line from PPOU Sri Menanti & PPU Kubota to new PPU Apas
- 33kV line from PMU Beaufort to PPU Kuala Penyu
- 33kV line from PMU Alamesra & PMU Minintod to SSU CM Office
- 33kV LILO to PPU Likas
- 33kV LILO to PPU Sembulan

(c) Generation

Upgrading of three rural power stations:
(i) SJ Tg Aru, Sandakan
(ii) SJ Nunuyan Laut, Sandakan
(iii) SJ Mantanani, Kota Belud

Other initiatives implemented include:

- Lightning performance study on new and existing transmission lines
- Setting up of the SESB Energy Audit & PQ team
- Capacity building of Quality Assurance Inspectors in collaboration with TNBR-QATS
- Development of a Quality Assurance Handbook
- EE Relamping Programme at Wisma SESB
- EE talks in schools, NGOs and for the public
- Online material feedback system

OPERATIONS

Generation

Sabah's total installed capacity is 1,321MW of which SESB contributes 553MW (42%) inclusive of 80MW from canopy gen sets. The remaining 768.83 (58%) is contributed by Independent Power Producers (IPPs).

One initiative to optimise the operation of the Tenom Pangi Hydro Power Station was the construction of the Trash Diverter to minimise clogging at the intake. The diverter was completed in December 2010 at a cost of RM2.8 million. To date, it has generated RM3.1 million in savings to SESB.

Transmission

In March 2012, SESB formed a Live Line Squad under the purview of Transmission Division to train qualified staff to conduct maintenance over the live line without shutting off electricity supply to customers. A total of 17 technical staff were sent for Live Line Training, following which eight staff were given a certificate of competence from the Electricial Industrial Training Institute (EITI).

The division also engaged Sabah Air Aviation Sdn Bhd to conduct helicopter surveys of SESB's transmission lines and towers to monitor and identify their ground condition and ensure they have not been affected by erosion, or face any other possible hazard such as trees that are dangerously close to them. The surveyors also inspected the way leaves and any new developments within these.

SABAH ELECTRICITY SDN. BHD.

To further enhance its services, in July 2012 Transmission Division purchased, installed, tested and commissioned a complete Lightning Detection System (LDS) which enables real-time monitoring of lightning activities and allows the Load Dispatch Centre to prepare generation contingency plans to reduce the impact of any system interruption caused by lightning.

As part of SESB's efforts to further improve the operations of its grid network, on 27 August 2013 the real-time monitoring of LDS was relocated to System Operation; and on 12 September 2013, LDS' technical support and maintenance was handed over to the Engineering Services Department to enhance the analysis of data and information obtained from the lightning detectors for future development and operations of SESB's grid network, as well as for other related purposes in Sabah and Wilayah Persekutuan Labuan, where the division's scope of work is not limited to the operation and development of transmission lines.

Another initiative undertaken by Transmission Division was to implement the Emergency Restoration System (ERS). As of October 2013, Transmission Division owns four sets of ERS. The ERS serves mainly as an alternative restoration method should a tower collapse, and represents one of SESB's initiatives to reduce SAIDI in Sabah. As of October 2013, the ERS team under Transmission Line Department had successfully installed five ERS units at various locations for transmission line diversion during emergency work as well as to assist in project timelines.

Another notable technology is the compact air insulated switch gears (cais) design at 132kV PMU Alam Mesra Kota Kinabalu. This design is the first of its kind in Malaysia which is built on half the land size of a conventional air insulated switch gears (ais) PMU of the same ratings. Such innovation is of necessity due to the urgent requirement to built a full pledged PMU on a densely populated area such as Kota Kinabalu.

DISTRIBUTION

In February 2011, SESB Management approved the implementation of the Assisted Rural Wiring Scheme (ARWS) with a Revolving Fund of RM5 million. The scheme is intended to help rural folk who cannot afford to pay wiring contractors through the normal electricity application process. The scheme allows applicants to pay SESB the cost of internal wiring of RM510 in installments of RM14.20 for the first six months and RM14.16 for the subsequent 30 months. The security deposit of RM40 and stamp duty of RM10 is to be paid during signing of the consumer agreement with SESB. The programme was enforced in April 2011 in collaboration with Persatuan Elektrik Sabah (PES) and contractors selected for the programme must register with SESB, PES and the Energy Commission (EC).

The status of the programme as at 31 August 2013 is as shown in the table below:

No.	Area	Estimated No. of Houses	No. of Applications	Wiring Complete	Status	(%) Completion
1	Ranau	1,520	44	44	Completed	100.00%
2	K. Belud	388	331	331	Completed	100.00%
3	Kudat	1,031	538	538	Completed	100.00%
4	Pitas	157	114	114	Completed	100.00%
5	Kota Marudu	977	489	489	Completed	100.00%
6	Tuaran	873	180	178	2 ongoing	98.89%
7	Kota Kinabalu	913	175	151	24 ongoing	86.29%
8	Beaufort	378	63	63	Completed	100.00%
9	Papar	513	68	68	Completed	100.00%
10	Sipitang	83	62	62	Completed	100.00%
11	Kuala Penyu	42	0	0	No Application	0.0%
12	Keningau	2,040	445	445	Completed	100.00%
13	Tambunan	431	91	91	Completed	100.00%
14	Tenom	417	54	54	Completed	100.00%
15	Lahad Datu	247	155	150	5 Ongoing	96.77%
16	Tawau	1,847	35	35	Completed	100.00%
17	Kunak	28	10	10	Completed	100.00%
18	Semporna	130	0	0	No Application	0.0%
19	Sandakan	970	0	0	No Application	0.0%
20	Beluran	1,159	66	66	Completed	100.00%
21	Telupid	527	34	34	Completed	100.00%
22	Kinabatangan	1,409	35	35	Completed	100.00%
	Total	**16,080**	**2,989**	**2,958**	**31**	**98.95%**

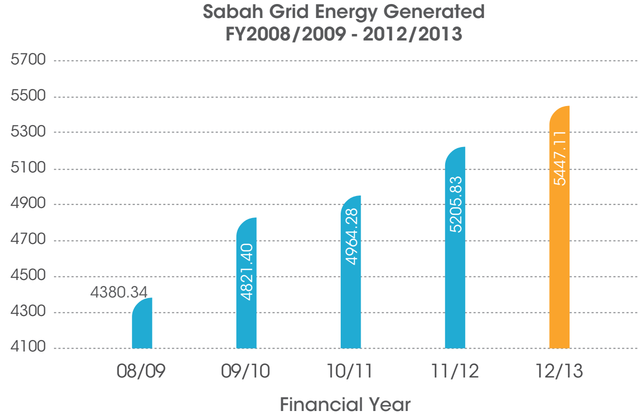
The programme was launched using a Soft Loan of RM5 million from the Ministry of Finance while progress and completion of work is being monitored by the Ministry of Rural & Regional Development (KKLW), the governing Ministry of this programme.

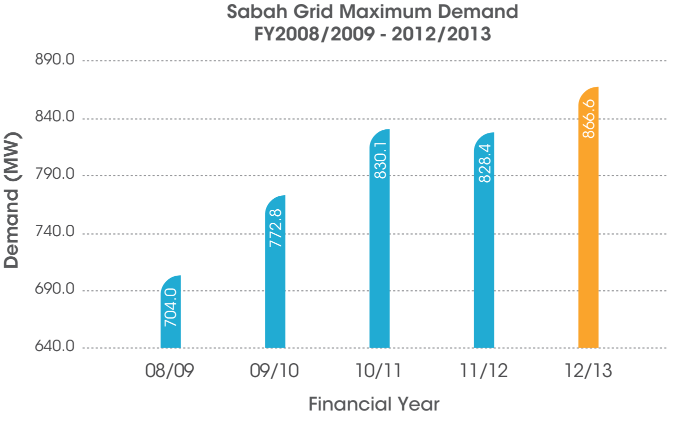
SESB has been actively carrying out routine meter replacement programme, for meters which had been in service for 15 years or more involving domestic, commercial and industrial customers statewide. In 2012, a total of 56,052 old meters were replaced.

OPERATIONS SYSTEMS

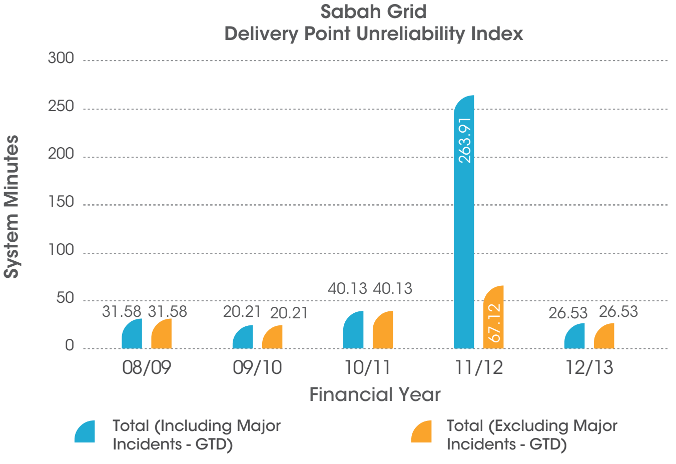
Maximum demand in the Sabah Grid in FY2013 was 867MW, marking an increase of 4.62% from the maximum demand recorded in FY2012 of 828.4MW.

SESB generated a total of 5447.11GWh (in the Sabah Grid System) in FY2013 marking a 4.63% increase from 5205.83GWh in FY2012.





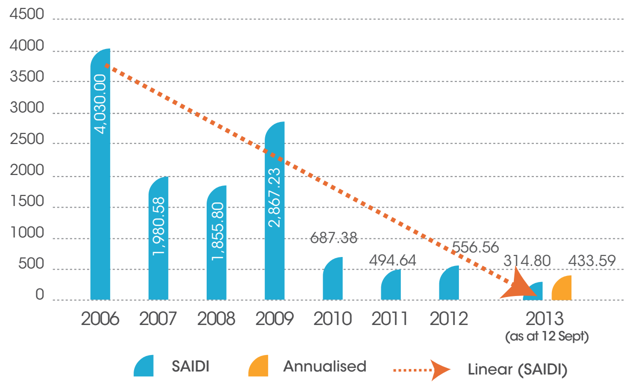
Transmission's Delivery Point Unreliability Index (DPUI) over the past five years is as shown in the graph below.



Financial Year	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Total System Minutes (Including Major Incidents – GTD	31.58	20.21	40.13	263.91	26.53
Total System Minutes (Excluding Major Incidents – GTD)	31.58	20.21	40.13	67.12	26.53

In SAIDI context, the figure is still quite high due to Generation shortage that resulted to Load Shedding. The SAIDI contributed by the Load Shedding was 132.9min or 37% of the YTD total SAIDI.

Sabah SAIDI
CY2006 - 2013



Calendar Year	2006	2007	2008	2009	2010	2011	2013 (As at 22 Sept)
SAIDI (mins/cust/year)	4,030.00	1,986.58	1,855.80	2,867.23	87.38	494.64	314.80 (Annualised 433.59)

ORGANISATIONAL DEVELOPMENT

SESB's Key Performance Indicators for FY2013 focused on four Strategic Themes, namely Enhance Financial Sustainability, Delight the Customer, Improve System Performance and Improve Productivity. There are nine Strategic Objectives under the four Strategic Themes under the Balanced Score Card framework, as follows:

5-Year Business Plan FY2011– FY2015 and Annual Operations Plan FY2013

SESB conducted a session to review its 5-Year Business Plan FY2011–FY2015 and Annual Operations Plan for FY2013 on 7-9 June 2013, with the participation of the Management Committee, selected Executives and members of the local union.

Key Performance Indicators (KPIs) for the Operations Plan 2013 were drawn up following a review and analysis of the performance of Operations Plan FY2012 as well as the FY2012 KPIs. Resolutions based on the review are:

- To identify gaps between the achievement of business and operational activities and the targets for the purpose of taking corrective measures so that the said targets can be achieved.
- For each division in SESB to develop a 5-Year Business Plan and Annual Operational Plan based on SESB's strategic objectives.
- For additional initiatives/activities to be introduced to further strengthen operational activities and to expedite and or launch the implementation of the said activities.
- To enforce the Strategic Transformation Action Roadmap 2026 (STAR 2026) FY2007–FY2026 by ensuring that employees' daily activities and initiatives are still aligned to its strategic objectives.

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MAJOR PROJECTS

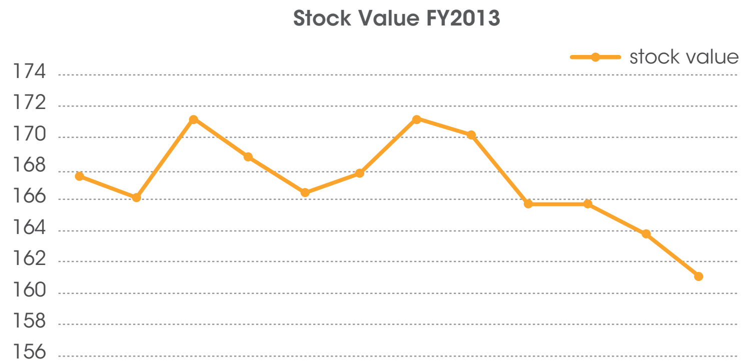
SESB's Major Projects Division was established in 2007 to undertake all project management activities for the construction of generation, transmission and distribution projects. Major Projects Division is committed to achieving excellence by meeting customers' requirements and completing projects within the specified time and cost, according to set specifications and quality.

In FY2013, Major Projects Division managed and supervised a total of 32 projects with a total value of RM1,376.9 million. Four of these projects were completed while the remaining 28 projects are still ongoing.

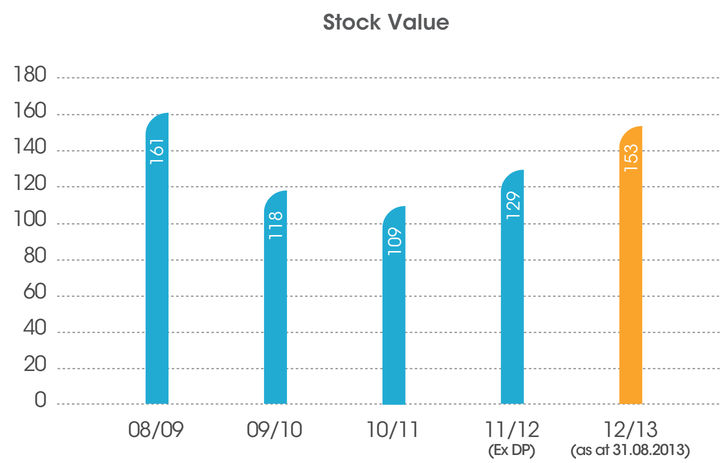
	Value of Project	Remarks
Generation	RM79.3 million	Excluding two Independent Power Producer projects, namely IPP SPR Energy Sdn Bhd and IPP Kimanis Power Sdn Bhd, and a small renewable energy project, namely Cash Horse Sdn Bhd.
Transmission	RM871.3 million	Including three 132kV Transmission Line projects funded by the Ministry of Rural and Regional Development.
Distribution	RM426.3 million	Including eight projects funded by the Ministry of Rural and Regional Development and six turnkey private development projects.
Total	**RM1,376.9 million**	

PROCUREMENT DIVISION

Procurement division is responsible to improve ability, efficiency, effectiveness, transparency, accountability and integrity in procurement and warehouse management in SESB. The core business of this division comprises of tender management, material planning and purchasing, warehouses and logistic services and suppliers relation management.



Sep -13	Oct -13	Nov -13	Dec -13	Jan -13	Feb -13	Mar -13	Apr -13	May -13	Jun -13	Jul -13	Aug -13
167.55	166.29	171.27	169.20	166.52	167.71	171.16	170.33	166.03	165.75	163.91	161.38

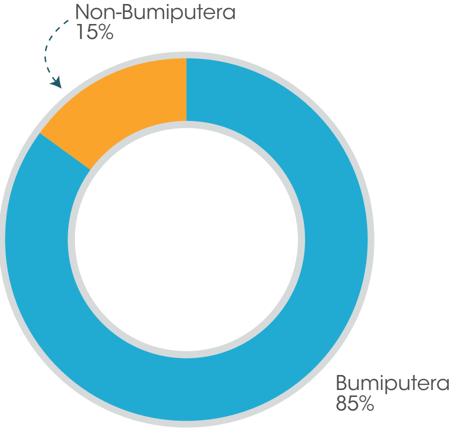


Procurement division is continuously striving to achieve customer satisfaction and requirement. Current initiatives have been identified for this purpose as below:

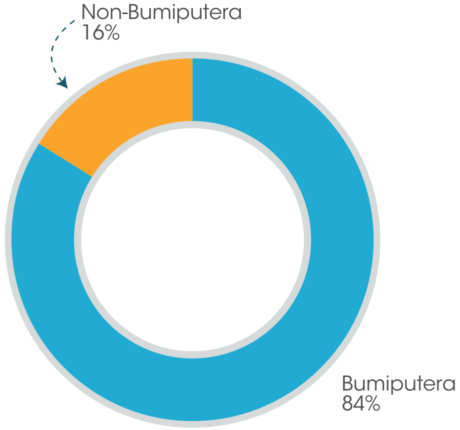
- Improve delivery performance
- Improve material availability and quality
- Ensure procurement compliances
- Enhance non-tariff revenue
- Improve vendor performance
- Vendor quality development programme
- Improve Supply Chain Management via:
  - o Strategic Alliances with original equipment suppliers/manufacturers and TNB subsidiaries
  - o Entrepreneur development for local products
  - o Vendor warehousing services
  - o Establishment of panel of suppliers/contractors/workshops as strategic business partnership

Through efficient procurement management, systematic material planning and effective warehouse management, Procurement division will further improve its quality service and subsequently achieve its Business objectives.

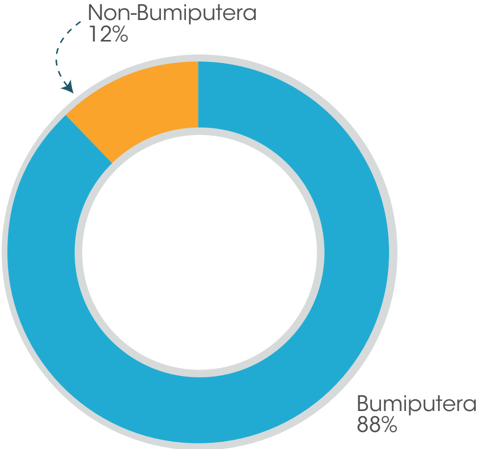
Active vendors registered with SESB as of FY2013



Tenders & Quotations Awarded for FY2013



Method of Procument for FY2013



HUMAN RESOURCES DIVISION

SESB recognises that it needs a competitive and competent workforce in order to realise its corporate objectives. During the year, it collaborated with ILSAS to carry out training programmes such as Electrical Machinery Janitor Programme (PJE) A1 Category to raise the competency level of its workforce and fulfill the requirements and regulations of the Energy Commission. Two groups of 42 employees each completed the said course while a third group is currently undergoing training. The competency level of SESB's 2,759-strong workforce has reached 84.66%.

CORPORATE SERVICES

The main activities and contributions of the Corporate Services Division in the last financial year were as follows:

Participation/Co-organisation of State and Federal events

- Corporate Services organised the first ever ***Annual Conference of Auxiliary Police*** on 18-19 November 2012 at Wisma SESB in Kota Kinabalu. Officiated by former Inspector-General of Police Tan Sri Ismail Omar, the conference was attended by 300 participants from all over Malaysia.
- SESB's Parade Contingent took part in and was voted champions at two state events, namely the Merdeka Parade on 31 August 2012, and the birthday parade of Head of State Tun Datuk Patinggi Abang Muhammad Salahuddin on 10 October 2012.
- Organised ***Kembara Merdeka*** in conjunction with the 50th Malaysia Day celebration, which attracted the participation of 28 big bikers led by Rozman Datuk Haji Isli and 17 cars led by SESB Managing Director Tuan Haji Abd Razak Salim.

Awareness Building and Support Programmes

Corporate Services, with the cooperation of all SESB technical divisions, also conducted the following activities:

- 27 briefings to stakeholders, government leaders/agencies, key industry players and NGOs on the status of electricity supply, SAIDI improvement, government allocations and new projects
- 64 Media Build-Up programmes to highlight project launches, updates and completion

SABAH ELECTRICITY SDN. BHD.

- 11 Energy Efficient (EE) and CSR-related programmes including EE talks, the donation of EE products (refrigerators, air conditioners, washing machines) to a hospital, orphanages and welfare homes such as Rumah Sri Pritchard Kinarut, SK Randagong Ranau, Yayasan Kebajikan Suria Tuaran and Rumah Anak Kesayangan Sembulan
- Installation of EE solar power and LED lights on eight Kinabalu Mountain Trail resting shelters
- Installation of LED lights in SESB buildings throughout the state, starting with Wisma SESB, Kota Kinabalu, as part of efforts to make SESB the role model for Energy Efficient & Green Technology applications in Sabah

Non-Tariff Revenue Collection

Corporate Services collected RM4,352,664 from the rental of office space, poles rental to Celcom Timur (Sabah) Sdn Bhd, parking management, compensation for Sepanggar Jetty, compensation for land at Pulau Gaya, and sales of used SESB vehicles. Another RM1,623,840 was collected through the sales of Bandar Sierra Properties.

Improved Cost Management

The cost of fleet maintenance and fuel consumption was reduced by 43% and 48.6% respectively due to the procurement of new vehicles and effective monitoring.

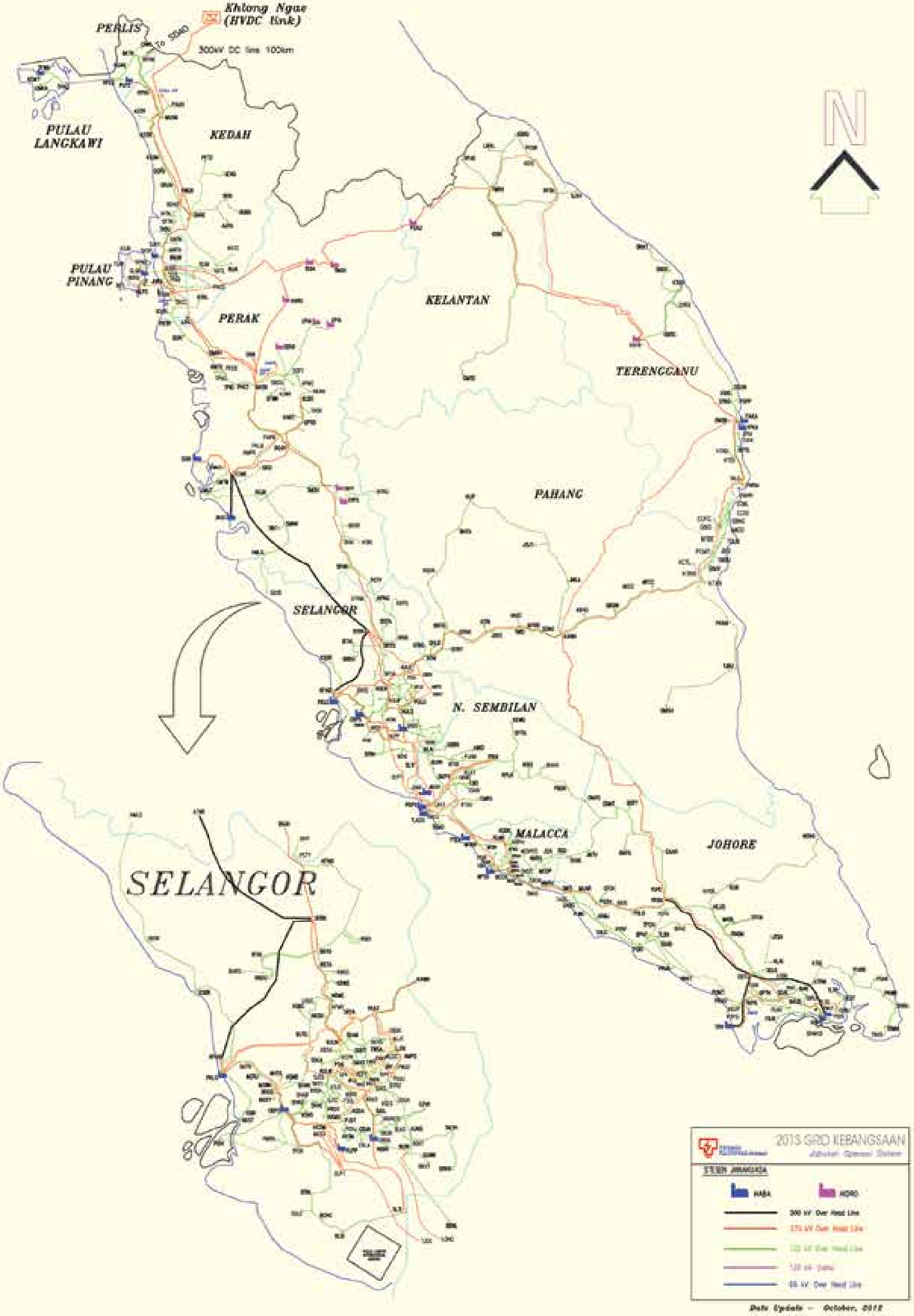
Security & Integrity Management

- Established a Jawatankuasa Keutuhan Integriti Bulletin Etika, Ethics Helpline and Code of Ethics Guidebook
- Conducted Integrity and Investigation courses in collaboration with the Malaysian Anti-Corruption Commission (MACC)
- Formulated a Privacy Policy to protect the company's sensitive documents
- Investigated and resolved nine security/integrity cases involving cable theft, intrusion into substations and corruption in collaboration with the Police and MACC

Building/Complaints Management

- Most of the abandoned and delayed projects were up to 75% completed in 2013 compared to 36% in the previous year.
- The Customer Complaints Index on maintenance works under the Engineering and Building Maintenance Department reduced significantly to 32% from 70% in 2012.
- Since the SESB-Bomba campaign started during the financial year under review, a total of five buildings and power plants have complied with Bomba (Fire Department) regulations and Fire Resistance Systems compared to only two buildings in 2012.

NATIONAL GRID



DREAM ELECTRIC

Determined to tap the potential of curious minds through extended learning, postgraduate research and open-ended experimentation, we founded Universiti Tenaga Nasional (UNITEN) in 1997. Sixteen years on, it has proven a wellspring of creativity, inspired by the tangible, transformative change we seek.

TOWARDS GREATER INNOVATION

Kamaruddin bin Mahmood
Chief Information Officer

"ICT Division is committed to remaining relevant as the preferred ICT provider and enabler to facilitate TNB's Transformation initiatives towards Domestic Dominance and becoming a Regional Champion. Towards this end, ICT Division constantly looks for new opportunities to earn revenue, especially in non-tariff areas."

OPERATIONS REVIEW

ICT Division continues to ensure TNB's ICT infrastructure, systems and applications function optimally thus safeguarding the quality of TNB's service to customers. This division maintains a continuously high level of efficiency by periodically reviewing the Company's IT systems and infrastructure and adopting the best technologies and processes available. In so doing, ICT Division serves as a vital enabler and catalyst supporting TNB's overall strategic direction.

TNB's existing IT systems and infrastructure support both core and support processes. Systems critical to the business run on enterprise-grade, high-availability infrastructure backed by disaster recovery processes to ensure business continuity. At the same time, formal processes are in place to capture changes in TNB or the expansion of business requirements and growth, followed by relevant upgrades to TNB's IT systems and infrastructure to support these.

The division is governed by two masterplans – a 5-Year IT Master Plan and 7-Year Telecommunications Master Plan – both of which are currently being reviewed as a new IT Master Plan (2013-2017) and

Telecommunications Master Plan (2014-2020) are being developed.

At the same time, ICT Division has embarked on several projects to support TNB as an enterprise as well as to enhance TNB's division and department business requirements, as outlined below:

BUSINESS VALUE & EXPANSION

ICT Division is committed to remaining relevant as the preferred ICT provider and enabler to facilitate TNB's Transformation initiatives towards Domestic Dominance and becoming a Regional Champion. Towards this end, ICT Division constantly looks for new opportunities to earn revenue, especially in non-tariff areas.

Since 2008, it has ventured into several commercial agreements with telcos to lease out TNB infrastructure such as the Company's fibre optic cables on LV poles, Broadband over Powerline (BPL), telecommunications towers and Co-location. By sharing its infrastructure with telcos, ICT Division is also supporting the government's broadband initiatives. As TNBs's wide network reaches far beyond urban and suburban areas, telcos that ride on it can expand their own service coverage without having to invest large capital for 'right of way', thus making available broadband connectivity to a larger number of the population.

IMPROVING COMMUNICATIONS

- **TNB Vibrant News**

  ICT Division together with Corporate Affairs & Communication Department developed TNB Vibrant News, a mobile applications for TNB staff to get the latest news via android mobile devices. Released in early August 2013, Vibrant News is a hybrid between Flipboard and Twitter.

- **MyTNB**

  MyTNB is a mobile applications available on android and IOS enabling TNB's customers to check their monthly bills, the status of their electricity supply application and locate the nearest Customer Service Centre to them. The applications also serves as a single point of reference to contact TNB through email, SMS, telephone, Web Chat and Facebook.

- **Video Conferencing (VC) and Video Streaming Services for TNB Offices**

  During the year under review, ICT Division collaborated with Corporate Affairs & Communication Department to implement VC and Video Streaming Services for TNB Offices. These will be used to enhance communication among staff as well as for Management to disseminate information. The initiative is expected to reduce travelling and time costs while increasing work efficiency and productivity by enabling effective communication within the organisation.

IMPROVING PRODUCTIVITY

- **Employee Self-Service (ESS)**

  ICT Division together with Group HR (GHR) has been promoting ESS applications in line with TNB's aspiration to nurture a Vibrant Workforce. ESS improves staff productivity, and allows for more accurate and efficient management of leave, online claims, payslips and timesheets while also enabling staff to update their personal information. ESS is integrated with backend systems ERMS and EHRMS, and a few front-end applications such as Employee Attendance System (EASY). Currently, the following ESS modules are available:

  - **Leave Module**

    This has been rolled out to almost all TNB employees, allowing them to submit their leave applications online while approvals are routed to their respective managers.

  - **Time & Attendance Module**

    The Time & Attendance Module has been used in ICT Division since 2010 and was recently extended to a few Distribution stations. Among the benefits of this module are faster timesheet processing time, which reduces administrative costs, and the accurate capture of employees' labour cost on projects and maintenance jobs.

  - **Online Training Module**

    The Online Training Module was rolled out in May 2013, allowing staff to request for training, to automate the approval process and for GHR to evaluate staff training online.

  - **Employee Profile Maintenance**

    This module allows employees to view and update their personal data.

  - **Claims Application Module**

    The Claims Application Module was introduced in 2010, enabling all staff throughout TNB to submit their claims for online processing.

  - **Online Job Application Module**

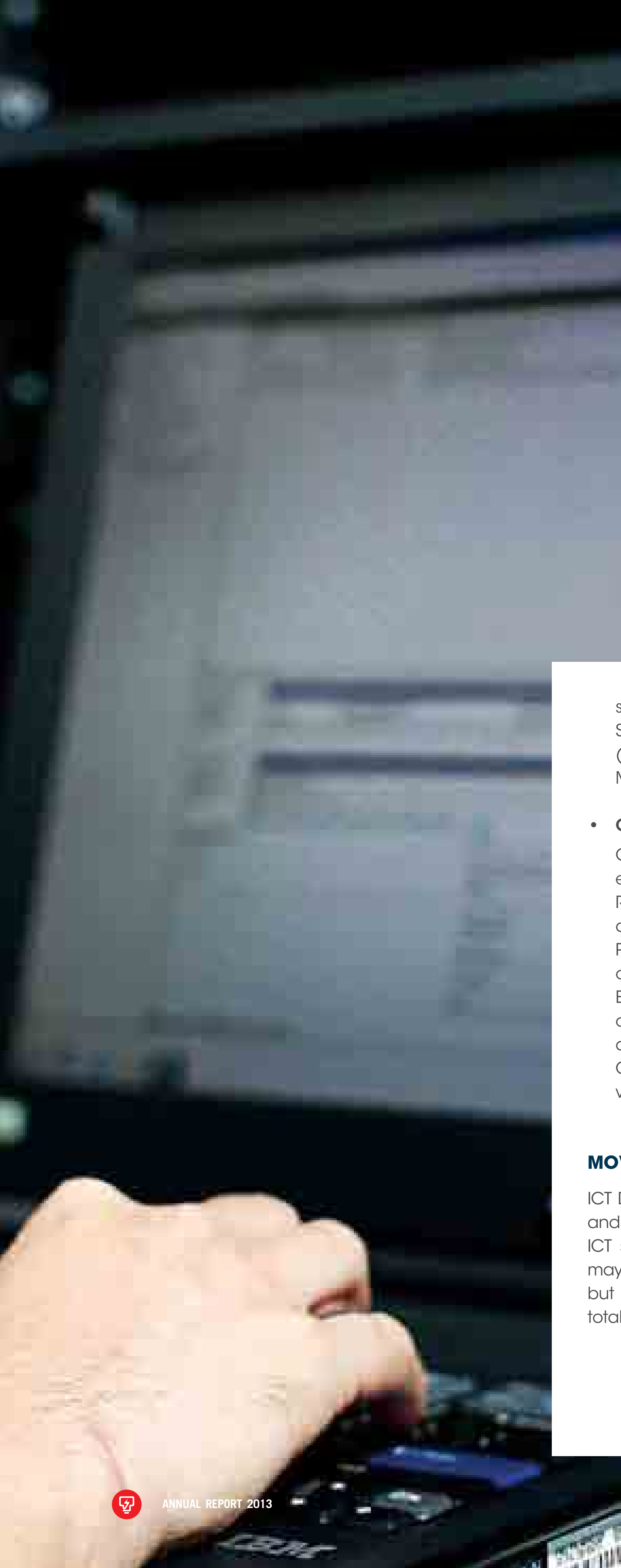
    Employees can apply for job vacancies advertised on TNB's Livewire Portal online, following which their applications will be routed for recommendation and processed by GHR.

ICT Division will continue to search for avenues to better serve TNB and its customers...

SAFEGUARDING TNB'S ASSETS

- **Data Leakage Protection (DLP)**

  DLP is a suite of technologies aimed at reducing or stopping the loss of sensitive information by focusing on the location, classification and monitoring of information. It has been implemented to monitor the movement of sensitive Company data in real-time hence prevent leakage. The initiative is in line with regulatory standards



such as the Payment Card Industry Data Security Standard (PCI DSS), Personal Data Protection Act (PDPA) and ISO 27001 (Information Security Management System).

- **Governance & Risk Compliance (GRC) Phase 2**

  GRC phase 1 has been in use at TNB since 2012 to ensure Segregation of Duties (SOD) for Enterprise Resource Planning (ERP) and to detect and mitigate any conflicting roles that exist. More recently, GRC Phase 2 was implemented to automate the workflow of processes related to granting system access to ERP users. The solution is expected to ensure continuous compliance in access provisioning across the enterprise, to retain benefits gained from GRC Access Control and improve process efficiency via automation and user self-service.

MOVING FORWARD

ICT Division will continue to innovate to better serve TNB and its customers, and to become the benchmark for ICT service providers in the utility industry. The journey may be long and never short of risks and challenges, but ICT strongly believes that with determination and total focus, its goals are well within reach.

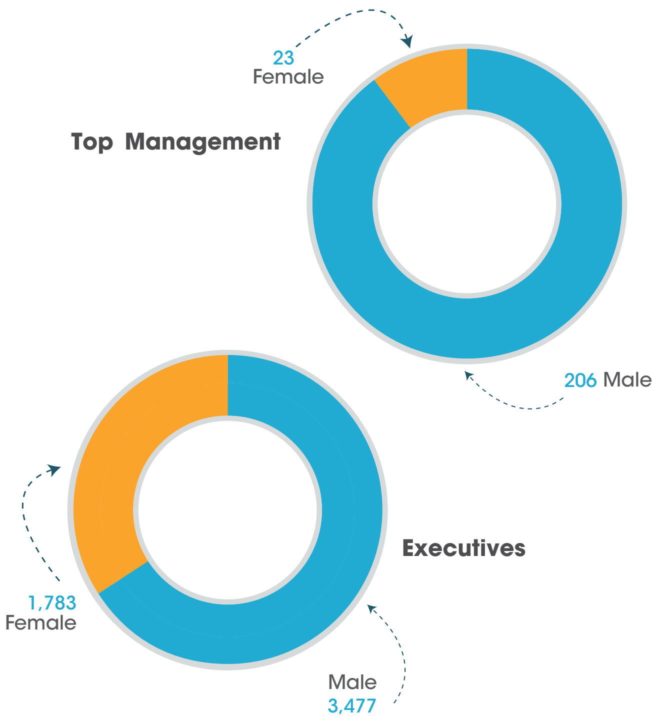
ENABLING PEOPLE
For Business Expansion Development

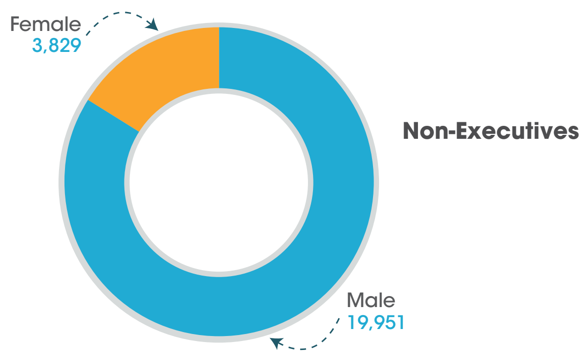
"In our commitment to deliver business results through human capital, Group Human Resource Division has aligned its focus towards orchestrating human capital capabilities and competencies to realise the full potential of the workforce and emphasise on long term human capital strategies to support the company aspirations"

Dato' Muhammad Razif bin Abdul Rahman
Vice President

TNB believes firmly that its workforce is key to achieving the Company's aspirations. Equipping its people with the right capabilities to carry out their current functions as well as planning for required competencies in the future are therefore given top priority at Group Human Resources (GHR). At the same time, GHR believes in engaging employees to embark on the Company's journey together. Employees are driven to excel in an environment enriched by inspiring leaders and a facilitative career progression system.

The total workforce strength as at 31 August 2013 was 29,269, and the chart below shows the gender composition according to three major sub-groups:





RECRUITING & MENTORING THE RIGHT TALENT

The Company has enhanced its recruitment process to ensure it is able to bring on board the right talent for the right job. Candidates are assessed not just on their educational attainment but also on their soft skills and leadership attributes. At the executive level, candidates are required to undergo a few stages of selection before being recruited and placed on tauity in career development.

In addition, every new executive recruited is assigned a mentor. Mentors are also paired off with employees undergoing on-the-job training at stations as part of their internal certification programmes for career progression.

EXPERIENTIAL LEARNING AND CAPACITY BUILDING

TNB provides its employees with the platform to realise their full potential via comprehensive learning and development initiatives. In 2013, the Company placed employees on numerous job attachment programmes overseas or in selected units within Group Internal Audit, Group Finance and GHR itself for exposure to cross-cultural situations and diverse disciplines hence enablling them to see the bigger picture in managing the business. A total of 19 employees from the Corporate Talent Pool were stationed at different departments/divisions throughout the year, while 24 employees are currently attached at various projects and stations overseas.

ENABLING PEOPLE FOR BUSINESS EXPANSION DEVELOPMENT

POWERING TALENT FOR FUTURE LEADERSHIP

TNB recognises that it is crucial to have a pool of leaders who are capable of steering the Company as it expands its business. Towards this end, an assessment tool has been developed to identify potential leaders by measuring their competencies and readiness for greater responsibilities. The Corporate Talent Pool (CTP) is now also supported by Divisional Talent Pool (DTP) initiatives. There are currently 303 and 660 employees in the CTP and DTP respectively. The development programme for the CTP is centralised at GHR while that for the DTP is designed by the respective Divisions, focusing on technical functionalities. These frameworks are crucial in establishing efficient succession plans for key positions in the Company.

In line with its aspiration to become a Domestic Dominance & Regional Champion, TNB has officially also launched its own Leadership Development Centre (LDC) to provide learning solutions and intervention to address all levels of leadership, from individual contributors all the way to enterprise leaders.

Meanwhile, the Specialist Career Path Scheme was enhanced by introducing flexi-grades for all positions enabling incumbents to be promoted right up to Top Management level. Currently, there are three specialists and 33 technical experts in the fields of Generation, Transmission, Distribution and ICT.

FILLING THE GAPS

To support TNB's Transformation Initiative in 2013, five Key Result Areas (KRAs) were outlined, one of which – Organisational Transformation – required critical gaps in capabilities and leadership to be filled. GHR played a key role towards this end by focusing on:

1. Filling key leadership roles with high-quality leaders, thus developing a deep leadership bench strength
2. Filling in critical technical and functional talent gaps
3. Implementing a holistic performance 'Motivation' system
4. Winning the hearts and minds of employees and external stakeholders to embrace change
5. Providing world-class strategic HR to support line-led people management

STRENGTH IN DIVERSITY

GHR strives to cultivate a climate of diversity and inclusiveness supported by various employee engagement programmes such as celebrating festivities like Chinese New Year, Hari Raya, Deepavali as well as Hari Keluarga. Emphasis is also placed on building relationships and trust among employees as well as between the Management and employees. Activities such as Management by Walking About (MBWA), Group HR outreach programme, job rotations and assignments and employee recognition serve to create a conducive work environment in which jobs are carried out smoothly and effectively.

Further reinforcing ties with employees, the Management engages regularly with the three TNB in-house unions, namely Persatuan Eksekutif TNB (PET), Kesatuan Percantuman Pekerja-Pekerja TNB (K3P) and Junior Officer Union (JOU). There is a constant flow of feedback from the unions, and all concerns raised are addressed in the spirit of achieving the Company's goals.

INTERNAL PROCESS ENHANCEMENT

GHR strives continuously to improve its service efficiency and transparency through the enhancement of various systems. For instance, the Employee Self Service (ESS) Online Training Application module was unveiled in May 2013 allowing employees to select training modules of their choice; and in September 2013 GHR began trials on the e-pay slip. In addition, GHR is implementing an On-Line Performance Improvement Programme, an e-Promotion Online Process (e-POP) and Long Service Award Online System.

The recurrence of work-related accidents in TNB over the years has been of paramount concern to the Top Management. Thus, in May 2013, a safety lab was launched involving safety practitioners from various divisions. Subsequently, 17 safety initiatives have been identified, one of which aims to promote a safety culture by incorporating safety as a Company shared value.

Further strengthening the HR function, a GHR Compliance Task Force (GHRCT) was established in early 2012 to ensure all HR practitioners at every level comply fully with the Company's HR policies and procedures. Part of the function of the GHRCT is to detect issues at the business unit level and to resolve these via appropriate recommendations, coaching and facilitation.

READY, SET, FIT!

Studies show that 70% of healthcare costs are preventable. With this in mind, GHR has embarked on an initiative to improve the health and general well-being of all employees by encouraging behavioural change towards healthier lifestyles. GHR believes this would not only reduce healthcare costs but also improve employees' overall performance.

In May 2013, a six-pronged approach was established to provide corporate health and wellness solutions for all employees, encompassing:
- Sports and Recreation
- Regular Health Screening
- Quit Smoking Programme
- Stress Management
- Healthy Eating
- Weight Management Programme

BEYOND THE COMPANY, FOR THE COUNTRY

TNB's human resources policies continued to receive international recognition. In the financial year 2013, the Company once again received the Asia's Best Employer Brand Award from Employer Branding Institute, World HRD Congress & Stars of the Industry Group for excellence in developing future leaders, consistently enhancing its human resources policies, promoting an innovative culture and being a caring employer.

EDUCATION & SPONSORSHIP

The Company believes that investing in education and human capital development today ensures the continuous and sustainable availability of a pool of motivated and knowledge-empowered human resources for TNB, Malaysia and other host nations where it operates.

Adopting an integrated approach in learning to help develop a holistically balanced society, TNB's education and human capital development initiatives cover a broad spectrum of programmes and training facilities ranging from education sponsorship to the establishment of its own university and training centre offering a wide range of programmes.

OCCUPATIONAL SAFETY AND HEALTH

HIGHLIGHTS

1.56

Occupational Accident rate **per 1,000 workers**

90%

Coverage of Risk Assessment (HIRARC) for TNB Operations

80

Safety Practitioners with knowledge and competency to **drive OSH performance**

OVERVIEW

During the year under review, in order to nurture an enhanced safety culture among employees, TNB CEO/President Datuk Seri Ir Azman Mohd elevated safety as one of TNB's shared values. He assured that the Top Management was committed to working closely with employees to promote occupational safety and health (OSH). Management, particularly those responsible for OSH, would focus on creating a new safety and health mindset. At the same time, employees need to understand and implement measures and actions that minimise risks and prevent accidents.

Creating an OSH culture at TNB is critical to enhancing work efficiency, leading to higher productivity and returns. Among the proactive measures taken to strengthen the OSH culture have been OSH Transformation Laboratory Initiatives which comprise three main key initiatives, namely Impactful OSHE Enforcement, Nurturing OSHE Competency and Effective OSH Strategies.

OSH PERFORMANCE

TNB recorded a 46% reduction in the number of fatalities in the financial year 2013 (FY2013) compared to the previous financial year. Three public and one TNB contractor lost their lives in electrical accidents and two other contractors as a result of industrial accidents. In total, there were 44 accidents during the financial year, contributing to an accident rate of 1.56 per 1,000 workers.

INITIATIVES

Inculcate OSH Culture through TNB OSH Transformation Lab Initiatives

Under the helm of the newly-elected Chief Executive Officer, an OSH Transformation Lab was created which identified issues and opportunities in OSH, and led to the development of OSH Transformation Lab Initiatives with the ultimate objective of achieving zero accidents at the workplace. A special taskforce was created to drive these initiatives and is closely monitored by the Management to ensure the Group's safety objectives are met.

OSH Management

OSH performance has a direct impact on the accident rate. Thus, managing OSH requires a high degree of accountability and responsibility. TNB implements Safety Excellence Management System (SEMS) to manage its occupational safety, health and environment issues.

Audits of OSH performance at the divisional level indicate that OSH at TNB is being managed as required. TNB has attained the Occupational Safety and Health Assessment System, OHSAS 18001:2007 and ISO 14001:2004, and maintains the standards as set by these certifications as it strives to attain world-class status.

Risk Management (HIRARC)

OSH risk management is reinforced through the OSH management system certification, OHSAS 18001. Prior to the commencement of any work, especially those involving high-risk activities, a risk assessment is conducted. Throughout the year, 90% of all activities – including those carried out by contractors – were assessed in line with TNB's risk assessment process. Continuous efforts are made to monitor all works and ensure these are carried out safely, and according to the set objectives.

OSH ACTIVITIES

In FY2013, three major OSH activities were carried out at the national level with the theme *OSHE Transformation: An essential investment for global expansion*. These were:

- 7th OSHE National Symposium
- 4th Top Management Seminar
- 6th OSHE Conference

OSH training was provided by the OSH Safety School, Divisional OSH Units, ILSAS, UNITEN and external training providers. Over 50,000 contractors attended the NIOSH-TNB Safety Passport (NTSP) programme conducted by the National Institute for Occupational Safety and Health (NIOSH).

In addition to training, Safety Compliance Audit (SAFCA) and Safety Quality Audit (SQA) were conducted regularly.

EMERGENCY PREPAREDNESS & RESPONSE DRILL EXERCISE

TNB has always been proactive in maintaining the highest level of safety practices, which include emergency management. The occurrence of disasters around the world has triggered a tightening of its monitoring programme which is overseen by TNB divisions and supervised by Group OSHE. In FY2013, the monitoring programme also involved representatives from the National Security Council, Chief Government Security Officer and the Department of Occupational Safety and Health.

The Corporate Emergency Response Plan for non-system emergency protocol entails ERP drills monitoring program. The outcome of the annual drills conducted was used to improved its Emergency Facility and resources, which will include competency and skill enhancement among the emergency management team at the operational level.

REWARDS AND RECOGNITION

The Malaysian Society for Occupational Safety and Health (MSOSH) Award is presented annually to companies in Malaysia in recognition of outstanding Occupational Safety and Health (OSH) performance. In FY2013, TNB won the following MSOSH Awards:

Grand Award

Asset Development Department
– East Region, Transmission Division

Gold Merit Awards

Asset Maintenance Department
– Kelantan, Transmission Division, Chenderoh Power Station, Generation Division

Gold Class I Awards

Asset Development Department
– Main Project, Transmission Division

Asset Development Department
– North Region, Transmission Division

Asset Maintenance Department
– Johor II (Kluang), Transmission Division

Asset Maintenance Department
– Pahang, Transmission Division

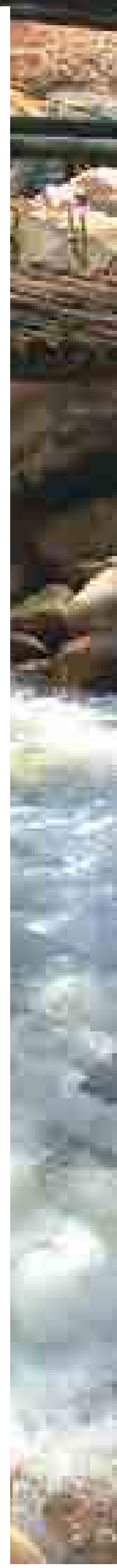
Asset Maintenance Department
– Melaka, Transmission Division
– Sultan Ismail Paka Power Station
– Sultan Mahmud Power Station, Kenyir, Generation Division
– TNB Repair and Maintenance Sdn Bhd, TNB REMACO (CSM) Manjung
– Distribution Division, TNB, Kuala Lumpur

Gold Class II Awards

Asset Maintenance Department
– Kuala Lumpur, Transmission Division
– Gelugor Power Station, Generation Division
– Sultan Iskandar Power Station, Generation Division
– Sultan Yussuf Power Station, Generation Division
– Tuanku Ja'afar Power Station
– Sungai Perak Power Stations, Generation Division
– TNB Janamanjung Sdn Bhd

COMMITMENT TO ENVIRONMENT

TNB ENVIRONMENTAL POLICY



As a responsible corporate citizen, TNB is committed to protecting the environment and to minimising its carbon footprint. Its environmental initiatives are guided by an Environmental Policy which advocates:

- Protect, conserve and improve the environment in all of its operations and decision making
- Comply with all applicable laws and regulations, establish standards that will lead to continuous improvement of its environment performance
- Implement an Environmental Management System (EMS) that will ensure all impacts on the environment from its operations are eliminated or minimised
- Conduct environmental audits and training programs in-line with TNB's Corporate Environmental commitments, as part of competency development for our employees
- Promote environmental awareness amongst contractors, the public and other stakeholders and to make available the environmental policy to them

A. Environmental Management Plan

The Environmental Management Plan was formulated as a licensing requirement under the Environmental Quality Act, 1974 or in compliance with the specific Department of Environment's (DoE) detailed Environment Impact Assessment (EIA) or as a condition for EIA approval for the respective power stations. The programme focused on air monitoring and water quality monitoring as well as boundary noise level monitoring.

B. Environmental Audits and MS ISO Certification

To ensure the execution of effective environment system while ensuring continuous improvement in managing environment, all TNB power plants have implemented Environmental Management System MS ISO 14001:2004, and have succeeded in getting the certification from SIRIM QAS International Sdn. Bhd.

C. Scheduled Waste Disposal

TNB's scheduled Waste Management programmes were implemented to comply with the Environmental Quality (Schedule Waste) Regulation 2005. Scheduled waste includes all waste generated periodically that requires disposal by contractors registered with DoE.

The DoE will be notified of all scheduled waste generated which are temporarily stored at the Scheduled Waste Store prior to disposal. Environmental Management Representative (EMR) is responsible for recording, monitoring and managing wastes generated at their respective units.

D. Recycling Programme

The waste recycling and reduction programmes were included in the EMS initiatives within the respective Divisions. Currently, most power plants are implementing this programme in addition to the Environmental Management programmes to minimise wastage and reduce consumption of resources. Transmission Division has implemented the Condition Monitoring Programmes (CMP) in its operations, in which used transformer oil is filtered by using the latest technology and subsequently reused in operations.

E. Crisis Management

Crisis Management in TNB is coordinated by the Emergency Response Team (ERT). The ERT is the main component of TNB Safety Excellence Management System (SEMS) which has been implemented in all Divisions. SEMS will identify every possible emergency that can take place in the Divisions' business activities. An Emergency Response Plan (ERP) is developed to mitigate these emergencies.

F. Halon Replacement

TNB has achieved halon-free in all operations of the Generation, Transmission and Distribution Divisions.

G. Current Issues

1.0 R&D Project: "Development of Methodology and Assessment of Carbon Footprint for TNB Power Plants"

TNB, through TNB Research has conducted a R&D project to establish a Green House Gases (GHG) baseline, and to identify potential mitigation measures. The project adopted the approach of Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard developed by the World Research Institute and World Business Council for Sustainable Development. It accounted the GHG emissions from stationary combustion (power generation and backup generators), mobile fuel combustion from company-owned vehicles, fugitive emissions from Sulphur Hexaflouride (SF6) and Hydroflourocarbon (HFC) from electrical equipment, direct discharges of Carbon Dioxide (CO2) from fire safety systems, indirect emissions from the use of imported energy, and other indirect emissions from employee commute between home and workplace. The study concluded that stationary combustion from power generation accounted for more than 99.5% of total emissions. For FY2010 and FY2011, the total GHG emissions accounted for 20.48 million metric tonne of CO2equivalent and 18.57 million metric tonne of CO2equivalent, respectively. The power generation emissions intensity in FY 2010 and FY 2011, are 0.5674 tonne CO2equivalent/MWh and 0.5802 tonne CO2equivalent/MWh, respectively.

2.0 Sampling and Analysis of Dust Deposition Surrounding Coal-Fired Power Plant

Dust from coal-fired power plants is one of the main concerns by the surrounding community. Its' deposition is influenced by many parameters such as climatic conditions, mechanical processes, dust properties, and dust suppression techniques. For that reason, it is becoming more important that sources as well as quantity of dust arising at the receptor site are known. This study will assist coal-fired power plant operators to develop and improve mitigation and monitoring techniques, and to implement suitable dust assessment plan that fits their specific needs.

3.0 *Study on the Formation of Cooling Water Outfall Foam at Thermal Power Station and Its Impact to the Marine Environment*

Foaming is a natural phenomenon that is due to air bubbles being trapped or entrained within water molecules. In general, forming usually brings no arm to the environment, although aesthetically it can result in what can be perceived as visual pollution, which can also be thought to be harmful to the environment. In this context, the foaming phenomenon occurring at Tenaga Nasional Berhad (TNB) Power Station such as Tuanku Jaafar Power Station (TJPS) in Port Dickson, Negeri Sembilan has received negative feedback from the coastal community, especially from local coastal fishermen. The appearance of foam formation has also been observed at the outfall of Sultan Azlan Shah Power Station (SASPS) in Manjung, Perak. In view of the above observation, TNB as a responsible community-minded power generator has commissioned TNBR to undertake a Study on the Formation of Cooling Water Outfall Foam at Thermal Power Station and Its Impact to the Marine Environment which cover the physical and numerical modeling, water quality analysis, foam analysis and technical visit to the similar issues and successful mitigation measures to reduce formation of foam at Hong Kong Power Stations. Water sampling and laboratory test results show that water quality discharges from the TJPS and SASPS are within the limit set by authorities, and the coastal modelling results shows that dispersion of foam and thermal heat are generally confined within the EIA boundary. The physical modelling and 3D CFD modelling study from this study revealed that the orifice type structure configuration is the most practical solution to mitigate foam at outfall when compared to other options such as defoamer, netting, rock tailing basin, sprinkler and sloping slab. This study has demonstrates TNB's shares and supports Government initiatives and priorities in environmental conservation, and also the effort of TNB in improving and strengthen the capability to maintain ISO 14000 environmental management.

4.0 *Development of lake brief for Ringlet Lake and Chenderoh Lake*

TNB, through TNB Research, in collaboration with National Hydraulics Research Institute of Malaysia (NAHRIM) under the auspices of Ministry of Natural Resources and Environment (NRE) has embarked on Development of Lake Brief for TNB, of which Ringlet Lake in Pahang and Chenderoh Lake in Perak were chosen. Lake Brief in general contains all relevant information with regards to physical, chemical, and biological quality of the lake, and the interrelationship of the watershed and surrounding social economic with the ecosystem of the lake, covering both flora and fauna. This living document serves as a record card of the health condition of the lake, problems faced by the lake outlining its causes and mitigation measures, as well as management plan to restore the lake back to its serving conditions.

CORPORATE RESPONSIBILITY

As the largest electricity utility in Malaysia, TNB's most fundamental responsibility is to ensure a reliable supply of power to the nation at affordable rates. This ultimate objective has been driving the Company's operations since its very beginnings, and in the process has contributed significantly to national development over the last six decades.

As a responsible corporate citizen, however, TNB goes beyond its statutory obligations to enhance the well-being of society, and nation, and in the process gain greater stakeholder trust and confidence. This commitment is reflected in its corporate responsibility (CR) agenda, which has become progressively more structured over the years. From primarily ad hoc projects and donations, the Company now implements long-term programmes that have more impact on their target groups in the Community, Marketplace and Workplace, while also protecting the Environment.

The following pages provide details of the projects undertaken by the Group during the Financial Year 2013 (FY2013), while highlighting the achievements attained.

EMPOWERING THE COMMUNITY

TNB's community outreach initiatives have evolved to encompass: uplifting the lives of the underprivileged; promoting equal access to quality education; and developing the country's sporting talents.

Via the **Baiti Jannati** programme, launched in 2007, TNB renovates the homes of less fortunate people, equipping them with electricity, water and proper sanitation. The programme has so far benefitted 137 families, and in FY2013 spurred an offshoot which has a wider scope of potential recipients. Under the new **Projek Mesra Rakyat**, TNB takes on the repairs of houses of any underprivileged customer, irrespective of race or religion. To date, 27 families in the peninsula have benefitted from this programme.

Firm in the belief that education is one of the greatest socio-economic enablers, TNB invests considerably in supporting the government's vision of nurturing a skilled and knowledgeable nation. Its training centre, **TNB Integrated Learning Solution Sdn. Bhd. – ILSAS**, fulfills the needs of TNB's workforce while wholly-owned **University Tenaga Nasional (UNITEN)** offers quality programmes to aspiring engineers, IT and business/finance managers at the foundation, undergraduate and postgraduate levels. In FY2013, UNITEN produced 1,936 graduates. In aid of underprivileged students, UNITEN offers scholarships under the **Yayasan Canselor UNITEN** trust fund that was incorporated for a period of five years from 2010 to 2014 under the Trustees (Incorporation) Act 1952 (Act 258).

Meanwhile, outstanding Malaysian students wishing to study at other institutes of higher learning have recourse to scholarships and convertible loans from TNB's foundation, **Yayasan Tenaga Nasional (YTN)**. In FY2013, YTN disbursed a total of RM33.3 million to sponsor the studies of 1,844 bright young minds locally and abroad. This marks the biggest annual contribution by TNB to date in its effort to generate a highly-skilled, professional workforce.

CORPORATE RESPONSIBILITY

At the school level, TNB has been a firm supporter of the Khazanah Nasional-inspired **PINTAR** school adoption programme. PINTAR, which stands for Promoting Intelligence, Nurturing Talent and Advocating Responsibility, fosters all-rounded excellence among students, particularly those in underserved schools.

In FY2013, TNB adopted its second batch of 13 schools nationwide for a period of three years. In addition to motivational camps, tuition classes, examination seminars and clinics, TNB sponsored the Newspaper in Education programme at the schools, provided exercise books and other educational aids, ran English proficiency workshops for the students and teachers, and organised hockey coaching clinics. Its efforts were duly rewarded when all its schools recorded improved performances, and two that were recognised as High Performing Schools were placed in the School Cluster of Excellence by the Ministry of Education. In FY2013, TNB's PINTAR programme had a positive impact on the lives of 4,297 students, 399 teachers and 12,891 members of the local communities.

Within the sports arena, TNB has traditionally supported the advancement of hockey, and since 2006 has been sponsoring the activities of the **Malaysian Hockey Confederation**. It also organises a hockey coaching programme for students aged 13-17 years, conducted by employees who are national hockey players.

SETTING STANDARDS IN THE MARKETPLACE

TNB is a leader in the energy market in Malaysia, and in this role collaborates with the government to ensure universal provision of electricity to all Malaysians while also supporting the development of renewable energy to safeguard the sustainability of supply. Recognising its responsibility towards maintaining a high level of service, it regularly engages with its stakeholders to obtain their feedback, incorporating this into its business strategies.

Together with the Ministry of Rural and Regional Development (KKLW) and Electricity Supplies Industry Trust Account under the Ministry of Energy, Green Technology and Water, TNB undertakes the **Rural Electrification Programme** which covers areas beyond the jurisdiction of local authorities throughout Peninsula Malaysia. These include *orang asli* (indigenous folk) settlements, islands, small estates and remote villages. Where possible, TNB's Grid is extended to these under-served communities; alternatively the villages are supplied with power using generator sets, solar hybrid systems and other forms of renewable energy. In FY2013, TNB completed 68 rural electrification projects involving close to 2,000 homes.

TNB also undertakes the **Village Street Lights** project in collaboration with KKLW. Five phases of the project were completed from 2002-2011, which saw the installation of 137,109 street lights throughout the peninsula. Under Phase 6, which runs from 15 November 2012 to 14 November 2013, another 70,000 street lights are to be put up. TNB acts as the implementing agency of this project, while KKLW bears the costs, and the local authorities determine the location of the street lights.

To promote the safe use of electricity, the Company in FY2013 collaborated with FELDA to organise **Electricity Safety Awareness Campaigns** at 11 FELDA settlements in the peninsula, imparting potentially life-saving knowledge on electricity safety to more than 3,000 FELDA settlers and 900 primary school students in Penang, Kuala Lumpur and Putrajaya/ Cyberjaya.

Further engagement with local communities is undertaken via the **Community Outreach Programme (COP)** at which Management interact with residents in a carnival-like atmosphere, and are able to gauge the level of satisfaction of local communities with TNB's service while identifying areas for improvement.

COP is an extension of the Community Leaders Outreach Programme (CLOP), and in FY2013 brought together more than 10,000 customers throughout the peninsula at 13 sessions.

GREENING THE NATION

TNB has always been respectful of the environment, and has set industry benchmarks in the use of advanced technologies to minimise pollution from its plants. As issues concerning global climate change become more urgent, the Company has intensified its efforts to reduce its carbon footprint while enhancing the country's natural heritage. TNB is guided in its eco-initiatives by its **Green Energy Policy**, introduced in 2011, which states: "*TNB is committed to support the national green agenda and by applying sustainable, efficient operations and delivering green energy through the application of appropriate technologies and investments.*"

Two TNB power plants have won international acclaim for clean technologies, and for supporting wildlife. The ash pond at the Sultan Salahuddin Abdul Aziz Power Station in Kapar, Selangor has been recognised by the East Asean Australasian Shorebird as a **sanctuary for migratory shorebirds**. Apprised of the special role this ash pond plays, the Management is committed to working with local NGOs and the international community to preserve the man-made migratory bird habitat.

Meanwhile, the mangroves surrounding the **Sultan Azlan Shah Power Station** in Perak support abundant aquatic life, as evidenced by an increase in number of licenses issued for cockle-fishing around the station over the years. This power station, officially opened in 2007, boasts one of the most modern clean coal technologies available, meeting World Health Organization standards. A thorough environmental impact assessment had been carried out prior to its construction, resulting in the use of equipment such as flue-gas desulphurisation and electrostatic precipitators to trap pollutants. The power plant also boasts a first of its kind smart weather-based coal dust suppression system for a coal stock yard in the country, and serves as a model of sustainable energy production.

Further supporting the natural environment, TNB contributes to the preservation of the firefly colony in Kampung Kuantan, Kuala Selangor by conducting research on this light-emitting species. As a measure of its commitment to the **Firefly Conservation Project**, TNB will be signing a fresh MoU with the Kuala Selangor District Council in 2013 to extend its research/collaboration for another three years.

In other areas around the country, TNB contributes to the greening of the environment by replacing every tree felled for the development of transmission infrastructure with a new seedling. Under the Tree For A Tree programme, 419 seedlings were sown in FY2013 to protect the environment.

NURTURING A VIBRANT WORKPLACE

TNB believes its employees are its most valuable assets, and nurtures a work environment that is both challenging and rewarding to bring out the full potential of its 34,000-strong workforce. Systematic training programmes and career development opportunities exist side by side with a safe and healthy work environment, attractive compensation and benefits scheme, and work-life balance.

To maintain high levels of morale and motivation, TNB recognises outstanding employees at the **Meritorious Service Awards** held at the corporate and divisional levels. In the financial year under review, 28 executives and non-executives were presented awards at the Majlis Perhimpunan Warga Kerja TNB held on 15 January 2013. For the first time, too, 11 staff were identified by their Heads of Division to receive Unsung Heroes Awards for their dedication, integrity and hard work.

In terms of health and well-being, a Total Wellness Programme was introduced in FY2013, under which employees are allowed to take one hour every week off their work schedule to participate in physical activities at the workplace. TNB also set up an in-house Dispensary – Dispensary 1TNB – to provide medical care to staff at the Dua Sentral Office Complex on Jalan Tun Sambanthan, Kuala Lumpur.

The Company believes that a healthy work-life balance enhances productivity, therefore supports the childcare needs of employees by providing nine TASKA 1TNB and 11 TADIKA 1TNB at its offices nationwide. Meanwhile, staff take part in physical, recreational and social activities organised by the Company's clubs and societies which include Kilat Clubs, PELITAWANIS and Persatuan Kebajikan Pekerja Islam TNB. While looking after its employees, TNB also embraces their families and invites them to take part in events such as Family Days which alternate on a yearly basis with the Sports Carnivals.

Finally, TNB promotes diversity in the workplace and fosters a spirit of 1Malaysia by celebrating festivals such as Hari Raya Aidilfitri, Chinese New Year and Deepavali. On these occasions, stakeholders and guests are invited to the Company's open house at its headquarters and all state offices. The Company also has a nationwide Buka Puasa programme during the month of Ramadan, when the Management in every state hosts about 300-400 guests to a breaking of fast at a local mosque.

TNB recognises that corporations today play a dynamic role in shaping the socio-economic and environmental landscape of a country. Via its extensive and comprehensive CR programmes, the Company hopes to be able to make a lasting and meaningful impact on the nation, benefitting the *rakyat* not only with a secure and reliable supply of power but also by creating greater national unity and engendering a spirit of togetherness via enhanced social equity.

POSITIVELY BEAMING

Our 64-year commitment to national development has rewarded one and all; large-scale industries have emerged and grown, small and medium-sized businesses have been built and Malaysians nationwide have grown accustomed to the comforts only electricity can provide. Now, looking forward, we 're confident of shaping an even better, much brighter future for all.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report with the audited financial statements of the Group and Company for the financial year ended 31 August 2013.

PRINCIPAL ACTIVITIES

The Group and Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 14 to the financial statements.

There have been no significant changes in these activities during the financial year under review.

FINANCIAL RESULTS

	Group RM'million	Company RM'million
Profit for the financial year attributable to:		
– Owners of the Company	4,614.2	4,582.2
– Non-controlling interests	16.5	0
Profit for the financial year	4,630.7	4,582.2

DIVIDENDS

The dividends paid or declared since the previous financial year ended 31 August 2012 were as follows:

	RM'million
In respect of the financial year ended 31 August 2012 as shown in the Directors' Report for that financial year:	
Final single tier dividend of 15.0 sen per ordinary share, paid on 28 December 2012.	830.3
In respect of the financial year ended 31 August 2013:	
Interim single tier dividend of 10.0 sen per ordinary share, paid on 29 May 2013	560.0

For the financial year ended 31 August 2013, the Directors had on 31 October 2013 recommended the payment of a final single tier dividend of 15.0 sen per ordinary share, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. The books closure and payment dates will be announced in due course.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year, 142,057,440 new ordinary shares of RM1.00 each were issued by the Company pursuant to the Employees' Share Option Scheme II ('ESOS II') at exercise prices of RM4.45, RM4.76, RM5.06, RM5.08, RM5.36, RM5.45, RM5.59, RM5.62, RM5.64, RM5.74, RM5.86, RM5.93, RM6.09, RM6.20, RM6.24, RM6.27, RM6.28, RM6.36, RM6.38, RM6.40, RM6.53, RM6.56, RM6.60, RM6.62, RM6.75, RM6.98, RM7.33, RM7.35 and RM8.85 per share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME ('ESOS')

Options under the ESOS were granted to eligible Directors, employees and retirees of the Group to subscribe for ordinary shares of RM1.00 each in TNB. The first ESOS expired on 11 May 2002.

The Company implemented a new Employees' Share Option Scheme II ('ESOS II') on 8 July 2003 for a period of 10 years. The ESOS II is governed by the by-laws, which were approved by the shareholders at the Extraordinary General Meeting ('EGM') held on 29 May 2003 and amended at the EGM held on 15 December 2005. The ESOS expired on 7 July 2013.

The main features and movements during the financial year in the number of options over the shares of the Company are set out in Note 39 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia via a letter dated 1 October 2013 from having to disclose in this Report the name of the persons to whom options have been granted under the ESOS II and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965 except for information on employees who were individually granted options representing 620,000 ordinary shares and above.

The employees of the Company who were granted options representing 620,000 ordinary shares and above under ESOS II are as follows:

Name	Designation	No. of ordinary shares granted under the options	No. of ordinary shares exercised under the options	No. of ordinary shares available under the options
Datuk Seri Ir. Azman bin Mohd	President/Chief Executive Officer	1,016,760	1,016,760	0
Dato' Ir. Mohd Nazri bin Shahruddin	Vice President (New Business and Major Project)	769,370	769,369	1*
Dato' Muhammad Razif bin Abdul Rahman	Vice President (Human Resource)	724,995	674,996	49,999*
Datin Roslina binti Zainal	Vice President (Planning)	701,182	701,182	0
Datuk Rozimi bin Remeli	Vice President (Transmission)	682,620	682,620	0

* *Option to acquire shares of Tenaga Nasional Berhad under the Employees' Shares Option Scheme ('ESOS'). The ESOS II expired on 7 July 2013.*

None of the subsidiaries' employees were granted options representing 620,000 ordinary shares and above under ESOS II.

DIRECTORS

The Directors who have held office during the period since the date of the last Report are:

Tan Sri Leo Moggie
Datuk Seri Ir. Azman bin Mohd
Dato' Mohammad Zainal bin Shaari
Tan Sri Dato' Hari Narayanan a/l Govindasamy
Dato' Zainal Abidin bin Putih
Dato' Fuad bin Jaafar
Tan Sri Dato' Seri Siti Norma binti Yaakob
Dato' Abd Manaf bin Hashim
Datuk Chung Hon Cheong
Suria binti Ab Rahman (Alternate Director to Dato' Mohammad Zainal bin Shaari)
Datuk Nozirah binti Bahari

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, except for the options granted to the President/Chief Executive Officer pursuant to the ESOS II.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Directors' remuneration and benefits in Note 5 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 the Director is a partner, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares of RM1.00 each			
	As at 1.9.2012	Acquired	Disposed	As at 31.8.2013
Datuk Seri Ir. Azman bin Mohd	4,375*	996,760	996,760	**4,375***
Dato' Zainal Abidin bin Putih	1,562	0	0	**1,562**
Dato' Fuad bin Jaafar	78,125	0	0	**78,125**
Tan Sri Dato' Seri Siti Norma binti Yaakob	1,562	0	0	**1,562**

	Options over ordinary shares of RM1.00 each			
	As at 1.9.2012	Options granted	Exercised	As at 31.8.2013
Datuk Seri Ir. Azman bin Mohd	858,427	138,333	996,760	**0**

* *Through nominees of Tasec Nominees (Tempatan) Sdn. Bhd.*

According to the Register of Directors, none of the other Directors held any options over shares in the Company.

Other than as those disclosed above, none of the Directors in office at the end of the financial year held any other interest in shares and debentures of the Company and its related corporations.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the consolidated statements of profit or loss and other comprehensive income and statements of financial position of the Group and Company were prepared, 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, other than debts, which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected to be realised.

At the date of this Report, the Directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and 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 Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and 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 affect the ability of the Group or of 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 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 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements; 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 or Company for the financial year in which this report is prepared.

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 31 October 2013.

TAN SRI LEO MOGGIE
CHAIRMAN

DATUK SERI IR. AZMAN MOHD
PRESIDENT/CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 August 2013

	Note	Group		Company	
		2013 RM'million	2012 (Restated) RM'million	2013 RM'million	2012 (Restated) RM'million
Revenue	4	**37,130.7**	35,848.4	**34,768.5**	33,341.0
Operating expenses	5	**(31,862.3)**	(31,308.2)	**(29,355.6)**	(29,372.8)
Other operating income	7	**620.8**	2,140.6	**603.3**	2,180.4
Operating profit		**5,889.2**	6,680.8	**6,016.2**	6,148.6
Foreign exchange gain/(loss)	8	**602.7**	(252.2)	**653.4**	(225.8)
Share of results of jointly controlled entities	15	**(0.1)**	(0.2)	**0**	0
Share of results of associates	16	**74.9**	27.0	**0**	0
Profit before finance cost		**6,566.7**	6,455.4	**6,669.6**	5,922.8
Finance income	9	**225.2**	188.7	**276.0**	304.8
Finance cost	9	**(936.3)**	(823.0)	**(1,431.5)**	(1,513.9)
Profit before taxation and zakat		**5,855.6**	5,821.1	**5,514.1**	4,713.7
Taxation and zakat	10	**(1,224.9)**	(1,402.0)	**(931.9)**	(1,382.6)
Profit for the financial year		**4,630.7**	4,419.1	**4,582.2**	3,331.1
Profit attributable to:					
– Owners of the Company		**4,614.2**	4,410.5	**4,582.2**	3,331.1
– Non-controlling interests		**16.5**	8.6	**0**	0
Profit for the financial year		**4,630.7**	4,419.1	**4,582.2**	3,331.1

		Sen	Sen (Restated)
Earnings per share:			
– Basic	11(a)	**82.81**	80.71
– Diluted	11(b)	**82.67**	80.51

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 August 2013

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'million	RM'million	RM'million	RM'million
Profit for the financial year	**4,630.7**	4,419.1	**4,582.2**	3,331.1
Other comprehensive income/(expense)				
Items that will not be reclassified subsequently to profit or loss:				
Defined benefit plan actuarial losses	**(3,905.5)**	(2.4)	**(3,761.8)**	0
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	**46.5**	(51.2)	**0**	0
Fair value of available-for-sale financial assets	**0.2**	0	**0**	0
Total other comprehensive expense for the financial year	**(3,858.8)**	(53.6)	**(3,761.8)**	0
Total comprehensive income for the financial year	**771.9**	4,365.5	**820.4**	3,331.1
Attributable to:				
– Owners of the Company	**755.4**	4,356.9	**820.4**	3,331.1
– Non-controlling interests	**16.5**	8.6	**0**	0
Total comprehensive income for the financial year	**771.9**	4,365.5	**820.4**	3,331.1

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 31 August 2013

	Note	Group			Company		
		31.8.2013 RM'million	31.8.2012 (Restated) RM'million	1.9.2011 (Restated) RM'million	31.8.2013 RM'million	31.8.2012 (Restated) RM'million	1.9.2011 (Restated) RM'million
NON-CURRENT ASSETS							
Property, plant and equipment	13	**73,973.6**	64,769.9	61,861.4	**67,734.2**	61,271.8	60,483.0
Subsidiaries	14	**0**	0	0	**3,037.8**	2,964.2	3,916.3
Jointly controlled entities	15	**0.3**	0.4	0.6	**0**	0	0
Associates	16	**483.2**	491.2	407.8	**187.4**	213.0	218.2
Investment in unquoted debt securities	17	**163.9**	163.7	164.0	**163.7**	163.7	164.0
Available-for-sale financial assets	18	**38.0**	38.0	38.0	**38.0**	38.0	38.0
Deferred tax assets	19	**4.9**	0	30.2	**0**	0	0
Derivative financial instruments	20	**61.9**	116.3	89.9	**0**	0	0
Long term receivables	21	**305.1**	419.2	388.6	**1,235.8**	1,184.6	1,088.3
Prepaid operating leases	22	**3,525.3**	3,164.8	2,528.0	**3,270.6**	2,936.2	2,321.6
Finance lease receivables	23	**15.4**	0	0	**0**	0	0
		78,571.6	69,163.5	65,508.5	**75,667.5**	68,771.5	68,229.4
CURRENT ASSETS							
Non-current assets held-for-sale	24	**9.8**	9.8	11.4	**9.8**	9.8	11.4
Inventories	25	**2,877.7**	2,842.2	2,645.9	**1,631.2**	1,529.6	1,356.7
Receivables, deposits and prepayments	26	**7,239.0**	6,988.7	6,022.1	**5,046.9**	4,963.3	3,724.9
Tax recoverable		**21.9**	142.4	264.5	**0**	0	236.5
Amounts due from subsidiaries	27	**0**	0	0	**1,846.1**	1,939.3	2,447.2
Amounts due from jointly controlled entities		**17.1**	0	0	**0**	0	0
Amounts due from associates		**87.5**	62.6	14.6	**85.6**	61.6	14.6
Financial assets at fair value through profit or loss	28	**9.7**	9.1	8.6	**9.7**	9.1	8.6
Derivative financial instruments	20	**0**	0	1.5	**0**	0	1.5
Prepaid operating leases	22	**663.8**	624.5	633.0	**642.1**	602.9	608.7
Finance lease receivables	23	**1.4**	0	0	**0**	0	0
Deposits, bank and cash balances	29	**9,531.1**	8,626.3	3,954.2	**4,304.3**	3,961.2	2,703.9
		20,459.0	19,305.6	13,555.8	**13,575.7**	13,076.8	11,114.0

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
as at 31 August 2013

	Note	Group			Company		
		31.8.2013	31.8.2012 (Restated)	1.9.2011 (Restated)	31.8.2013	31.8.2012 (Restated)	1.9.2011 (Restated)
		RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
CURRENT LIABILITIES							
Payables	30	**6,614.4**	5,771.3	5,607.4	**4,149.9**	3,489.1	3,555.9
Amounts due to subsidiaries	27	**0**	0	0	**768.1**	1,246.0	1,608.6
Amounts due to associates		**615.6**	697.9	707.9	**603.5**	697.9	707.9
Current tax liabilities		**780.6**	331.0	5.7	**725.8**	263.5	0
Deferred income	31	**1,062.1**	894.7	523.9	**997.1**	770.0	487.4
Short term borrowings	32	**1,175.9**	1,604.2	1,727.3	**459.8**	759.3	954.5
Finance lease payables	34	**630.9**	55.1	49.1	**1,301.5**	671.6	384.8
Derivative financial instruments	20	**0.3**	0	0	**0.3**	0	0
		10,879.8	9,354.2	8,621.3	**9,006.0**	7,897.4	7,699.1
NET CURRENT ASSETS		**9,579.2**	9,951.4	4,934.5	**4,569.7**	5,179.4	3,414.9
TOTAL ASSETS LESS CURRENT LIABILITIES		**88,150.8**	79,114.9	70,443.0	**80,237.2**	73,950.9	71,644.3
NON-CURRENT LIABILITIES							
Borrowings	33	**(22,013.7)**	(21,467.6)	(17,326.8)	**(9,373.8)**	(10,735.6)	(11,219.7)
Amounts due to subsidiaries		**0**	0	0	**(2,200.7)**	(2,383.4)	(2,467.8)
Consumer deposits	35	**(3,478.5)**	(3,284.7)	(3,084.9)	**(3,271.2)**	(3,093.8)	(2,901.7)
Derivative financial instruments	20	**(12.8)**	(21.5)	(44.1)	**(12.8)**	(21.5)	(44.1)
Employee benefits	36	**(11,444.2)**	(6,141.2)	(6,153.5)	**(11,080.6)**	(5,927.9)	(5,969.6)
Other liabilities	37	**(903.8)**	(867.5)	(874.0)	**(520.1)**	(493.2)	(490.4)
Deferred tax liabilities	19	**(6,430.8)**	(7,874.1)	(7,370.7)	**(4,718.8)**	(6,178.8)	(5,649.0)
Deferred income	31	**(2,059.9)**	(2,291.2)	(2,849.6)	**(1,721.0)**	(2,016.4)	(2,454.8)
Government development grants	38	**(781.7)**	(671.0)	(627.2)	**0**	0	0
Finance lease payables	34	**(5,634.5)**	(1,338.8)	(1,334.3)	**(15,847.2)**	(11,893.9)	(12,565.5)
		(52,759.9)	(43,957.6)	(39,665.1)	**(48,746.2)**	(42,744.5)	(43,762.6)
TOTAL NET ASSETS		**35,390.9**	35,157.3	30,777.9	**31,491.0**	31,206.4	27,881.7

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as at 31 August 2013

	Note	Group 31.8.2013 RM'million	Group 31.8.2012 (Restated) RM'million	Group 1.9.2011 (Restated) RM'million	Company 31.8.2013 RM'million	Company 31.8.2012 (Restated) RM'million	Company 1.9.2011 (Restated) RM'million
EQUITY							
Share capital	39	**5,643.6**	5,501.6	5,456.6	**5,643.6**	5,501.6	5,456.6
Share premium	40	**5,382.2**	4,529.1	4,332.6	**5,382.2**	4,529.1	4,332.6
Other reserves	41	**(5,509.1)**	(1,468.7)	(1,440.1)	**(5,206.2)**	(1,262.8)	(1,287.9)
Retained profits	42	**29,600.6**	26,335.7	22,198.2	**25,671.4**	22,438.5	19,380.4
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		**35,117.3**	34,897.7	30,547.3	**31,491.0**	31,206.4	27,881.7
NON-CONTROLLING INTERESTS		**273.6**	259.6	230.6	**0**	0	0
TOTAL EQUITY		**35,390.9**	35,157.3	30,777.9	**31,491.0**	31,206.4	27,881.7

	Sen	Sen (Restated)	Sen (Restated)
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	**622.2**	634.3	559.8

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 August 2013

		← Attributable to owners of the Company					→		
	Note	Ordinary shares of RM1.00 each	Share premium	Employees' Share Option Scheme reserve	Employee benefit reserve	Revaluation and other reserves	Retained profits	Non-controlling interests	Total equity
		RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Group									
At 1 September 2012 (as previously reported)		**5,501.6**	**4,529.1**	**181.6**	**0**	**467.1**	**25,457.9**	**261.0**	**36,398.3**
Effects of adoption of MFRS 119	49	0	0	0	(1,452.5)	0	212.9	(1.4)	(1,241.0)
Effects of adoption of MFRS 1	49	0	0	0	0	(664.9)	664.9	0	0
As at 1 September 2012 (restated)		**5,501.6**	**4,529.1**	**181.6**	**(1,452.5)**	**(197.8)**	**26,335.7**	**259.6**	**35,157.3**
Profit for the financial year		0	0	0	0	0	4,614.2	16.5	4,630.7
Foreign currency translation reserve		0	0	0	0	46.5	0	0	46.5
Fair value of available-for-sale financial assets		0	0	0	0	0.2	0	0	0.2
Employee benefit reserve		0	0	0	(3,905.5)	0	0	0	(3,905.5)
Total comprehensive income for the financial year		**0**	**0**	**0**	**(3,905.5)**	**46.7**	**4,614.2**	**16.5**	**771.9**
Dividend paid to non-controlling interest		0	0	0	0	0	0	(2.5)	(2.5)
Dividend paid:									
- Final for FY2012		0	0	0	0	0	(830.3)	0	(830.3)
- Interim for FY2013		0	0	0	0	0	(560.0)	0	(560.0)
Employees' Share Option Scheme:									
- Options granted		0	0	43.3	0	0	0	0	43.3
- Options exercised		0	183.9	(183.9)	0	0	0	0	0
- Options expired		0	0	(41.0)	0	0	41.0	0	0
Issuance of share capital:									
- Share options		142.0	669.2	0	0	0	0	0	811.2
Total transaction with owners		**142.0**	**853.1**	**(181.6)**	**0**	**0**	**(1,349.3)**	**(2.5)**	**(538.3)**
At 31 August 2013		**5,643.6**	**5,382.2**	**0**	**(5,358.0)**	**(151.1)**	**29,600.6**	**273.6**	**35,390.9**

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 August 2013

	Note	← Attributable to owners of the Company						→	
		Ordinary shares of RM1.00 each	Share premium	Employees' Share Option Scheme reserve	Employee benefit reserve	Revaluation and other reserves	Retained profits	Non-controlling interests	Total equity
		RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Group									
At 1 September 2011 (as previously reported)		**5,456.6**	**4,332.6**	**156.6**	**0**	**532.8**	**21,518.8**	**232.0**	**32,229.4**
Effects of adoption of MFRS 119	49	0	0	0	(1,450.1)	0	0	(1.4)	(1,451.5)
Effects of adoption of MFRS 1	49	0	0	0	0	(679.4)	679.4	0	0
As at 1 September 2011 (restated)		**5,456.6**	**4,332.6**	**156.6**	**(1,450.1)**	**(146.6)**	**22,198.2**	**230.6**	**30,777.9**
Profit for the financial year		0	0	0	0	0	4,410.5	8.6	4,419.1
Foreign currency translation reserve		0	0	0	0	(51.2)	0	0	(51.2)
Employee benefit reserve		0	0	0	(2.4)	0	0	0	(2.4)
Total comprehensive income for the financial year		**0**	**0**	**0**	**(2.4)**	**(51.2)**	**4,410.5**	**8.6**	**4,365.5**
Dividend paid to non-controlling interest		0	0	0	0	0	0	(1.5)	(1.5)
Dividend paid:									
– Interim for FY2012	12	0	0	0	0	0	(273.0)	0	(273.0)
Changes in ownership interest in a subsidiary		0	0	0	0	0	0	21.9	21.9
Employees' Share Option Scheme:									
– Options granted		0	0	25.0	0	0	0	0	25.0
Issuance of share capital:									
– Share options	39, 40	45.0	196.5	0	0	0	0	0	241.5
Total transaction with owners		**45.0**	**196.5**	**25.0**	**0**	**0**	**(273.0)**	**20.4**	**13.9**
At 31 August 2012 (restated)		**5,501.6**	**4,529.1**	**181.6**	**(1,452.5)**	**(197.8)**	**26,335.7**	**259.6**	**35,157.3**

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 August 2013

	Note	Non-distributable					Distributable	
		Ordinary shares of RM1.00 each	Share premium	Employees' Share Option Scheme reserve	Employee benefit reserve	Revaluation and other reserves	Retained profits	Total equity
		RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Company								
At 1 September 2012 (as previously reported)		**5,501.6**	**4,529.1**	**181.6**	**0**	**870.3**	**21,355.2**	**32,437.8**
Effects of adoption of MFRS 119	49	0	0	0	(1,444.4)	0	213.0	(1,231.4)
Effects of adoption of MFRS 1	49	0	0	0	0	(870.3)	870.3	0
At 1 September 2012 (restated)		**5,501.6**	**4,529.1**	**181.6**	**(1,444.4)**	**0**	**22,438.5**	**31,206.4**
Profit for the financial year		0	0	0	0	0	4,582.2	4,582.2
Employee benefit reserve		0	0	0	(3,761.8)	0	0	(3,761.8)
Total comprehensive income for the financial year		**0**	**0**	**0**	**(3,761.8)**	**0**	**4,582.2**	**820.4**
Dividend paid:	12							
- Final for FY2012		0	0	0	0	0	(830.3)	(830.3)
- Interim for FY2013		0	0	0	0	0	(560.0)	(560.0)
Employees' Share Option Scheme:								
- Options granted		0	0	43.3	0	0	0	43.3
- Options exercised		0	183.9	(183.9)	0	0	0	0
- Options expired		0	0	(41.0)	0	0	41.0	0
Issuance of share capital:								
- Share options	39, 40	142.0	669.2	0	0	0	0	811.2
Total transaction with owners		**142.0**	**853.1**	**(181.6)**	**0**	**0**	**(1,349.3)**	**(535.8)**
At 31 August 2013		**5,643.6**	**5,382.2**	**0**	**(5,206.2)**	**0**	**25,671.4**	**31,491.0**

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 August 2013

	Note	Non-distributable					Distributable	
		Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Employees' Share Option Scheme reserve RM'million	Employee benefit reserve RM'million	Revaluation and other reserves RM'million	Retained profits RM'million	Total equity RM'million
Company								
At 1 September 2011 (as previously reported)		**5,456.6**	**4,332.6**	**156.5**	**0**	**884.8**	**18,495.6**	**29,326.1**
Effects of adoption of MFRS 119	49	0	0	0	(1,444.4)	0	0	(1,444.4)
Effects of adoption of MFRS 1	49	0	0	0	0	(884.8)	884.8	0
At 1 September 2011 (restated)		**5,456.6**	**4,332.6**	**156.5**	**(1,444.4)**	**0**	**19,380.4**	**27,881.7**
Profit for the financial year		0	0	0	0	0	3,331.1	3,331.1
Total comprehensive income for the financial year		**0**	**0**	**0**	**0**	**0**	**3,331.1**	**3,331.1**
Dividend paid:								
- Interim for FY2012	12	0	0	0	0	0	(273.0)	(273.0)
Employees' Share Option Scheme:								
- Options granted		0	0	25.1	0	0	0	25.1
Issuance of share capital:								
- Share options	39, 40	45.0	196.5	0	0	0	0	241.5
Total transaction with owners		**45.0**	**196.5**	**25.1**	**0**	**0**	**(273.0)**	**(6.4)**
At 31 August 2012 (restated)		**5,501.6**	**4,529.1**	**181.6**	**(1,444.4)**	**0**	**22,438.5**	**31,206.4**

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 31 August 2013

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'million	RM'million	RM'million	RM'million
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial year	**4,630.7**	4,419.1	**4,582.2**	3,331.1
Adjustments for:				
Taxation and zakat	**1,224.9**	1,402.0	**931.9**	1,382.6
Property, plant and equipment ('PPE'):				
– Depreciation	**4,569.5**	4,268.1	**4,281.9**	4,033.6
– Written off	**28.9**	44.4	**28.9**	31.3
– Gain on disposals	**(5.7)**	(5.8)	**(5.5)**	(5.8)
– Impairment of PPE	**100.0**	0	**0**	0
Provision for retirement benefits	**777.1**	593.6	**758.7**	556.3
Provision for share options	**43.3**	25.0	**34.1**	21.2
Translation (gain)/loss	**(493.6)**	230.8	**(551.0)**	213.1
Gain on:				
– Disposal of non-current assets held-for-sale	**(10.6)**	(1.8)	**(10.6)**	(1.8)
– Redemption of redeemable preference shares in a subsidiary	**0**	0	**0**	(56.8)
– Disposal of short term investment	**0**	(0.2)	**0**	(0.1)
Share of results in jointly controlled entities	**0.1**	0.2	**0**	0
Share of results in associates	**(74.9)**	(54.4)	**0**	0
Reversal of negative goodwill on acquisition of an associate	**0**	27.4	**0**	0
Dividend income	**(1.5)**	0	**(96.6)**	(108.2)
Interest income	**(219.1)**	(172.2)	**(295.6)**	(316.5)
Interest on borrowings	**580.9**	664.3	**313.3**	414.1
Release of deferred income	**(958.1)**	(928.2)	**(862.3)**	(811.4)
Release of Government development grants	**(58.3)**	(77.0)	**0**	0
Allowance for impairment:				
– Receivables	**117.5**	122.9	**113.1**	111.6
– Amounts due from subsidiaries	**0**	0	**23.3**	292.8
Reversal of impairment:				
– Receivables	**(39.7)**	(141.1)	**(24.9)**	(125.2)
– Amounts due from subsidiaries	**0**	0	**(64.5)**	0
– Amounts due from jointly controlled entities	**0**	(0.5)	**0**	(0.5)
Allowance for diminution in value of investments in subsidiaries	**0**	0	**0**	774.1
Provision for diminution in value of marketable securities	**0.3**	(0.5)	**0.3**	(0.5)
Allowance for inventory obsolescence	**160.8**	132.9	**160.8**	132.9
Write-back of inventory obsolescence	**(152.8)**	(111.8)	**(152.8)**	(111.8)
Inventories written off	**20.7**	18.6	**20.7**	18.4
Changes in fair value of derivatives and amortisation	**55.3**	(50.1)	**15.2**	(6.5)
	10,295.7	10,405.7	**9,200.6**	9,768.0

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 31 August 2013

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'million	RM'million	RM'million	RM'million
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Inventories	**(64.2)**	(236.0)	**(130.3)**	(212.4)
Receivables	**(657.4)**	(1,594.7)	**(494.8)**	(1,898.4)
Payables	**(51.1)**	21.3	**127.4**	(421.5)
Amounts due from subsidiaries	**0**	0	**(550.8)**	(410.7)
Amounts due from associates	**(101.1)**	(58.0)	**(111.9)**	(57.1)
Amounts due (from)/to jointly controlled entities	**(17.1)**	0.5	**0**	0.6
Cash generated from operations	**9,404.8**	8,538.8	**8,040.2**	6,768.5
Employee benefits paid	**(633.5)**	(608.3)	**(621.7)**	(598.0)
Contributions received	**905.4**	777.4	**794.0**	655.6
Consumer deposits received	**193.8**	199.8	**177.4**	192.1
Taxation and zakat paid	**(822.6)**	(432.1)	**(675.7)**	(352.9)
Net cash flows generated from operating activities	**9,047.9**	8,475.6	**7,714.2**	6,665.3
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional investments in:				
– Subsidiary	**0**	0	**0**	(91.9)
– Associates	**0**	(91.9)	**0**	0
Proceeds from redemption:				
– Redeemable preference shares in a subsidiary	**0**	0	**0**	494.0
– Redeemable preference shares in an associate	**13.5**	0	**13.5**	0
– Unsecured loan notes in an associate	**5.2**	5.2	**5.2**	5.2
Dividend income received	**74.6**	25.4	**90.4**	86.8
Interest income received	**265.2**	166.7	**136.2**	138.7
Property, plant and equipment:				
– Additions	**(7,921.2)**	(7,004.4)	**(5,352.5)**	(4,655.4)
– Proceeds from disposals	**5.9**	6.0	**5.9**	6.0
Proceeds from disposal of non-current assets held-for-sale	**11.4**	18.3	**11.4**	18.3
Proceeds from disposal of short term investments	**0**	0.2	**0**	0.2
Net cash flows used in investing activities	**(7,545.4)**	(6,874.5)	**(5,089.9)**	(3,998.1)

The notes set out on pages 241 to 379 form an integral part of these financial statements.

CONSOLIDATED
STATEMENTS OF CASH FLOWS
for the financial year ended 31 August 2013

	Note	Group 2013 RM'million	Group 2012 (Restated) RM'million	Company 2013 RM'million	Company 2012 (Restated) RM'million
CASH FLOWS FROM FINANCING ACTIVITIES					
Government development grants received		**169.0**	120.8	**0**	0
Proceeds from issuance of shares		**811.2**	241.5	**811.2**	241.5
Long term borrowings:					
– Drawdown		**4,014.6**	4,888.2	**0**	0
– Repayments		**(3,437.4)**	(1,275.1)	**(1,189.1)**	(824.5)
Short term borrowings:					
– Drawdown		**284.8**	353.5	**0**	0
– Repayments		**(304.7)**	(329.6)	**0**	0
Interest paid		**(743.0)**	(675.2)	**(513.0)**	(553.9)
Dividends paid to shareholders		**(1,390.3)**	(273.0)	**(1,390.3)**	(273.0)
Dividends paid to non-controlling interest		**(2.5)**	(1.5)	**0**	0
Issue of shares to non-controlling interest		**0**	21.9	**0**	0
Net cash flows (used in)/generated from financing activities		**(598.3)**	3,071.5	**(2,281.2)**	(1,409.9)
NET INCREASE IN DEPOSIT, BANK AND CASH BALANCES		**904.2**	4,672.6	**343.1**	1,257.3
EFFECT OF CHANGES IN FOREIGN CURRENCY		**0.6**	(0.5)	**0**	0
DEPOSIT, BANK AND CASH BALANCES AT THE BEGINNING OF THE FINANCIAL YEAR		**8,626.3**	3,954.2	**3,961.2**	2,703.9
DEPOSIT, BANK AND CASH BALANCES AT THE END OF THE FINANCIAL YEAR	29	**9,531.1**	8,626.3	**4,304.3**	3,961.2
Cash at bank, held in trust*		**(53.5)**	(97.9)	**0**	0
Debt reserve account**	33(b)(i)	**(213.8)**	(218.6)	**0**	0
Funds from MoF***		**(0.5)**	(2.5)	**0**	0
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		**9,263.3**	8,307.3	**4,304.3**	3,961.2

* *The cash at bank held in trust is in respect of a grant given to a subsidiary by the Government of Malaysia for a designated capital project.*

** *Debt reserve account relates to deposits placed with licensed financial institution as part of security obligations for bond financing.*

*** *Ministry of Finance (MoF) fund given to a subsidiary under stimulus package for training programmes.*

The notes set out on pages 241 to 379 form an integral part of these financial statements.

1 GENERAL INFORMATION

The Group and Company are primarily involved in the business of the generation, transmission, distribution and sale of electricity and those tabulated in Note 14 to these financial statements.

There have been no significant changes in these activities during the financial year.

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

The address of the registered office of the Company is Pejabat Setiausaha Syarikat, Tingkat 2, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and Company for the financial year ended 31 August 2013 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, 'First-time Adoption of Malaysian Financial Reporting Standards'. Subject to certain transition elections disclosed in Note 49, the Group and Company have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 September 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for financial year 2012 in these financial statements have been restated to give effect to these changes.

A summary of the impact of the transition to MFRS on the Group's and Company's financial statements are disclosed in Note 49.

Subsequent to the transition in the financial reporting framework to MFRS on 1 September 2011, the restated comparative information has not been audited under MFRS. However, the comparative statements of financial position as at 31 August 2012, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended have been audited under the previous financial reporting framework, Financial Reporting Standards in Malaysia.

The financial statements have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 31 October 2013.

(i) Standards, amendments to published standards, Interpretation Committee ('IC') Interpretations and improvements that are effective.

The new accounting standards, amendments to published standards, IC Interpretations and improvement to existing standards effective for the Group's and Company's financial year beginning 1 September 2012 are as follows:

No	Malaysian Financial Reporting Standards/IC Interpretations
1	MFRS 1 'First-time adoption of Malaysian Financial Reporting Standards'
2	MFRS 139 'Financial instruments: recognition and measurement'
3	Revised MFRS 124 'Related party disclosures'
4	Amendment to MFRS 1 'First time adoption on fixed dates and hyperinflation'
5	Amendment to MFRS 7 'Financial instruments: Disclosures on transfers of financial assets'
6	Amendment to MFRS 112 'Income taxes'
7	IC Interpretation 19 'Extinguishing financial liabilities with equity instruments'
8	Amendment to IC 14 'Prepayment of a minimum funding requirement'

The impact of the new accounting standards, amendments and improvements to published and existing standards and IC Interpretations on the financial statements of the Company is not material, except in respect of the disclosure under the Revised MFRS 124 in Note 45 to the financial statements.

(ii) Standards, amendments to published standards, Interpretation Committee ('IC') Interpretations and improvements that were early adopted by the Group and Company.

The Group and Company have early adopted Amendment to MFRS 119, 'Employee benefits' during the financial year.

Amendment to MFRS 119, 'Employee benefits' (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

Refer to the Note 49 for the impact of the early adoption of the amendment to the standard during the financial year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) Standards, amendments to published standards, IC Interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective.

The Group and Company will apply the new standards, amendments to standards and interpretations in the following period:

(a) Financial year beginning on/after 1 September 2013:

- MFRS 10, 'Consolidated Financial Statements' (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127, 'Consolidated and Separate Financial Statements' and IC Interpretation 112, 'Consolidation – Special Purpose Entities'.

- MFRS 11, 'Joint arrangements' (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- MFRS 12, 'Disclosures of Interests in Other Entities' (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128, 'Investments in Associates'. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13, 'Fair Value Measurement' (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) Standards, amendments to published standards, IC Interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

(a) Financial year beginning on/after 1 September 2013: (continued)

- The revised MFRS 127, 'Separate Financial Statements' (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- The revised MFRS 128, 'Investments in Associates and Joint Ventures' (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

- Amendment to MFRS 7, 'Financial Instruments: Disclosures' (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

- Amendment to MFRS 116, 'Property, Plant and Equipment' (effective from 1 January 2013) clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(b) Financial year beginning on/after 1 September 2014:

- Amendment to MFRS 132, 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective 1 January 2014) introduce an exception to consolidation of investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

- Amendments to MFRS 136, 'Impairment of Assets' (effective 1 January 2014) clarify that disclosure of recoverable amount is required for an asset when an impairment loss has been recognised or reversed during the period. When the recoverable amount of impaired assets is based on fair value less costs of disposal, additional information about fair value measurement is required.

- IC Interpretation 21, 'Levies' (effective 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) Standards, amendments to published standards, IC Interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

(c) Financial year beginning on/after 1 September 2015:

- MFRS 9, 'Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities' (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ('FVTPL'). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and Company is currently being assessed by management.

(iv) Amendments to published standards and IC interpretation that are not relevant and not yet effective for the Group's and Company's operations is IC Interpretation 20 'Stripping costs' (effective 1 January 2013).

(b) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose 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 of 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.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries and basis of consolidation (continued)

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statement for like transactions and events in similar circumstances.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in the statement of profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in statement of profit or loss. Refer to accounting policy Note 2(f) on goodwill.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attributable to non-controlling interests for prior years is not restated.

(iii) Changes in ownership interest

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the statement of profit or loss. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, where there is no change in controls, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

(d) 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 interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising in the consolidated statements of profit or loss and other comprehensive income and consolidated statement of changes in equity, the Group's share of profits less losses of jointly controlled entities based on the latest audited financial statements or management accounts of the jointly controlled entities, made up to the financial year end of the Group. Where necessary, adjustments are made to the results and net assets of jointly controlled entities to ensure consistency of accounting policies with those of the Group. The Group's investment in jointly controlled entities is recorded at cost inclusive of goodwill and adjusted thereafter for accumulated impairment loss and the post acquisition change in the Group's share of net assets of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balance that provides evidence of reduction in net realisable value or an impairment of the asset transferred are recognised in the consolidated statements of profit or loss.

(e) Associates

Associates are enterprises in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The equity method is applied based on the latest financial statements or management accounts of the associates, made up to the financial year end of the Group. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses (see Note 2(k)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates (continued)

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

Dilution of gains and losses in associates are recognised in the statement of profit or loss.

For incremental interest in an associate, the date of acquisition is the date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. The previously acquired stake is stepped up to fair value and the share of profits and equity movements for the previously acquired stake are not recognised since they are embedded in the step up.

(f) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries, jointly controlled entities and associates at the date of the acquisition. Goodwill is tested for impairment at least annually, or if events or circumstances occur indicating that impairment may exist. Impairment of goodwill is charged to the statement of profit or loss as and when it arises. Impairment losses on goodwill (inclusive of impairment losses recognised in a previous interim period) are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill on acquisition of jointly controlled entities and associates is included in the investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall carrying amount.

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the construction or acquisition of the items and bringing them to the location and condition so as to render them operational in the manner intended by the Group. The Group allocates the cost of an item of property, plant and equipment to its significant system and component parts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment and depreciation (continued)

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.

The cost of major overhaul/inspection is recognised in the asset's carrying amount as a replacement and the remaining carrying amount of the previous major overhaul/inspection is derecognised.

Major spare parts and standby equipment are recognised as assets when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit/(loss) before taxation. On disposal of revalued assets, the amount in revaluation reserve relating to those property, plant and equipment are transferred to retained profits.

Freehold land and capital project-in-progress are not depreciated. Leasehold land classified as finance lease (refer to accounting policy Note 2(m)(i) on finance leases) is amortised over the remaining period of the respective leases ranging from 5 to 99 years on the straight line basis.

Depreciation is provided on all other categories of property, plant and equipment on the straight line basis which reflects the estimated useful lives of the assets, summarised as follows:

Buildings and civil works	10 to 60 years
Plant and machinery	3 to 40 years
Lines and distribution mains	15 to 40 years
Distribution services	20 years
Meters	10 to 15 years
Public lighting	15 to 20 years
Furniture, fittings and office equipment	3 to 15 years
Motor vehicles	5 to 15 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 2(k)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Non-current assets held-for-sale

The Group shall classify a non-current asset as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The assets classified as non-current assets held-for-sale will be measured at the lower of its carrying amount and fair value less costs to sell.

No depreciation or amortisation is provided against the assets while it is classified as non-current assets held-for-sale.

The assets shall be derecognised on disposal and the difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of disposal.

An asset that ceases to be classified as non-current assets held-for-sale shall be measured at the lower of its carrying amount before the asset was classified as non-current assets held-for-sale, adjusted for any depreciation, amortisation or revaluations that would be recognised had the asset not be classified as non-current assets held-for-sale, and its recoverable amount at the date of the subsequent decision not to sell.

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of profit or loss as an expense as incurred.

Expenditure on development activities, whereby the application research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the assets for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in statement of profit or loss as incurred.

Capitalised development costs are recognised as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

(j) Capitalisation of borrowing costs

Borrowing costs incurred to finance the construction of any qualifying assets are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed off to the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of non-financial assets

Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised in the statement of profit or loss for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(l) Customers' contributions

Contributions (assets in the form of PPE or cash to acquire such assets) received from customers consist mainly of upfront capital contributions for the construction of assets, used to connect the customers to a network or to provide them with the service, are credited to the deferred income account upon recognition of the assets.

Contributions received prior to 1 January 2011 are amortised over 15 years, being the average useful life of the asset.

Effective 1 January 2011, in compliance with IC Interpretation 18, all contributions received from customers, when that amount of contributions must be used only to construct or acquire an item of property, plant and equipment, and the item of property, plant and equipment is used to either connect the customer to a network or to provide the customer with ongoing access to supply of goods or services, or to do both, the contributions received are recognised as revenue. Revenue arising from assets received from customers are recognised in the statement of profit or loss when the performance obligations associated with receiving those customer contributions are met.

(m) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(i) Finance leases – where the group is the lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. The interest element of the finance cost is charged to profit or loss within finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated or amortised over the shorter of the useful life of the asset and the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

(ii) Operating leases – where the group is the lessee

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss within other operating expenses on the straight-line basis over the period of the lease.

(iii) Operating leases – where the group is the lessor

Leases where substantially all of the risks and rewards of ownership are not transferred to the lessee (i.e. the group is the lessor) are classified as operating leases. Payments received under operating leases that relate to sales of electricity are recognised in statement of profit or loss within revenue on the straight-line basis over the period of the lease. All other payment received under operating leases are presented in statement of profit or loss within other income.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of work-in-progress and finished goods comprise raw materials, direct labour and a proportion of the production overheads. Cost is determined on the weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

(o) Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

(p) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, which is the fair value of the consideration to be paid in the future for the goods and services received.

(q) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share capital

(i) Classification

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.

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

(ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends to shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are approved.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method, any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the statement of profit or loss.

Borrowings are classified as current liabilities unless the Group and Company have an unconditional right to defer settlement of the liability for at least twelve (12) months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax and zakat

Income tax

Current tax expense is determined according to the tax laws of the countries in which the Company and its subsidiaries operate and generate the taxable profits.

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 as at that time 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, unused tax losses and unutilised tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates 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.

Deferred tax assets and deferred tax liabilities are offset when there is a legally and enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is receivable.

Tax rates enacted or substantively enacted at the end of the reporting date are used to determine deferred tax.

Zakat

The Group recognises its obligation towards the payment of zakat on business income in the statement of profit or loss. Zakat payment is an obligation and is accrued based on 2.5% of profit before tax and determined according to the percentage of Muslim shareholding in the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

(i) Short term employee benefits

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

(ii) Post-employment benefits

The Group has various post-employment benefit schemes which are either defined contribution or defined benefit plans.

Defined contribution plans

The Group's contributions to defined contribution plans are charged to the statement of profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Defined benefit plans

The Group makes contributions to the Company's Retirement Benefit Plan, a defined benefit plan and approved fund independent of the Company's finances. A book provision is also provided by the Company as the contribution rate required to fund the benefits under the said plan is in excess of the Inland Revenue maximum limit. The Group and Company also provide for a Post Retirement Medical Plan for certain employees, which is unfunded.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the statements of financial position date minus the fair value of plan assets, together with adjustments for actuarial gains/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 end of reporting date.

The defined benefit obligation, calculated using the Projected Unit Credit Method, is determined by an independent actuarial firm, considering the estimated future cash outflows using market yields at statement of financial position date of private debt securities which have currency and terms to maturity approximating the terms of the related liability. The last revaluation was done in January 2013.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in reserves through other comprehensive income in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to profit or loss in subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the statement of profit or loss 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, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

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.

(v) Government development grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to construction of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of profit or loss on the straight line basis over the expected lives of the related assets.

(w) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, net of estimated returns, rebates and discounts.

Electricity revenue

Electricity revenue is recognised when electricity is consumed by customers. Electricity revenue includes an estimated value of the electricity consumed by customers from the date of their last meter reading and period end. Accrued unbilled revenues are reversed the following month when actual billings occur.

Sale of goods

Sale of goods is recognised when significant risks and rewards of ownership have passed and the collectability of the related receivable is reasonably assured.

Rendering of services

For services rendered, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in statement of profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the contract costs incurred to the reporting date as a percentage of total estimated costs for each contract.

When an outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (continued)

Other Income

Other operating income earned by the Group and Company comprises interest and leasing income as well as dividend income. Leasing income is accrued, unless collectability is in doubt. Dividend income is recognised when the shareholders' rights to receive payment is established.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(y) 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 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. Monetary assets and liabilities in foreign currencies are translated at exchange rates ruling at the statement of financial position date. All exchange differences are recognised in the statement of profit or loss within the category of foreign exchange gain/loss.

(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 functional currencies different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); 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 statement of profit or loss as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Foreign currencies (continued)

(iii) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

Foreign currency	2013	2012
	RM	RM
1 US Dollar	**3.2882**	3.1251
100 Japanese Yen	**3.3537**	3.9740
1 Sterling Pound	**5.1030**	4.9491
100 Pakistani Rupee	**3.1400**	3.3000
1 EURO	**4.3550**	3.9237

(z) Financial instruments

Financial assets

(i) Classification

The Group and Company classify its financial assets in the following categories: at fair value through profit or loss ('FVTPL'), loans and receivables, available-for-sale ('AFS') and held-to-maturity ('HTM'). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

(a) Financial assets at FVTPL

Financial assets at FVTPL are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve (12) months after the end of the reporting period. These are classified as non-current assets.

(c) AFS financial assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve (12) months from the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Financial instruments (continued)

Financial assets (continued)

(i) Classification (continued)

(d) HTM financial assets

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's and Company's management have the positive intention and ability to hold to maturity. If the Group and Company were to sell other than an insignificant amount of HTM financial assets, the whole category would be tainted and reclassified as AFS. HTM financial assets are included in non-current assets, except for those with maturities less than twelve (12) months from the end of the reporting period, which are classified as current assets.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

(iii) Subsequent measurement – gains and losses

AFS financial assets and financial assets at FVTPL are subsequently carried at fair value. Loans and receivables and HTM financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation are recognised in the statement of profit or loss in the period in which the changes arise.

(iv) Subsequent measurement – Impairment of financial assets

(a) Assets carried at amortised cost

The Group and Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

The criteria that the Group and Company use to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments; or
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of profit or loss. If 'loans and receivables' or a 'HTM investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

When an asset is uncollectible, it is written off against the related accumulated impairment losses account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets (continued)

(b) Assets classified as AFS

The Group and Company assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and Company use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

In the case of equity securities classified as AFS, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the statement of profit or loss. The amount of cumulative loss that is reclassified to the statement of profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments classified as AFS are not reversed through the statement of profit or loss.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company have transferred substantially all risks and rewards of ownership to related party.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Financial instruments (continued)

Financial liabilities

The Group and Company classify its financial liabilities in the following categories: at fair value through profit or loss or other financial liabilities. Management determines the classification of its financial liabilities at initial recognition.

Other financial liabilities are non-derivatives financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the statement of profit or loss.

The Group and Company's other financial liabilities comprise trade and other payables and borrowings in the statement of financial position. Financial liabilities are classified as current liabilities; except for maturities more than 12 months after the reporting date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the liability is either discharged, cancelled, has expired or has been restructured with substantially different terms.

(aa) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(bb) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the statement of profit or loss when the changes arise.

(cc) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical judgement in applying the Group's accounting policies

There are no significant areas of critical judgement in applying accounting policies that have significant effects on the amounts recognised in the financial statements.

(b) Critical accounting estimates and assumptions

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equate to the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact on the Group's and Company's results and financial position are tested for sensitivity to changes in the underlying parameters. 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 outlined below.

(i) Impairment of property, plant and equipment

The Group and Company assess impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e., the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's and Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. The assumptions used, results and conclusion of the impairment assessment are stated in the Note 13 to these financial statements.

(ii) Estimated useful lives of property, plant and equipment

The Group and Company regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(iii) 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 internal and external experts to the Group for matters in the ordinary course of business.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions (continued)

(iv) Impairment of trade receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

(v) Estimation of income taxes

Income taxes are estimated based on the rules governed under the Income Tax Act, 1967.

Differences in determining the capital allowances and deductibility of certain expenses may arise during the estimation of the provision for income taxes between tax calculated at the statements of financial position date, and the final submission to the tax authorities as a result of obtaining further detailed information that may become available subsequent to the statements of financial position date.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions and deferred tax balance in the period in which such determination is made.

(vi) Revenue recognition

Electricity revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the financial year end of the Group and Company (unread and unbilled). An assessment is also made of any factors that are likely to materially affect the ultimate economic benefits which will flow to the Group and Company, including bill cancellation and adjustments. To the extent that the economic benefits are not expected to flow to the Group and Company, the value of that revenue is not recognised.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions (continued)

(vii) Fair value of derivatives and other financial instruments

Certain financial instruments such as investments and derivative financial instruments are carried on the statements of financial position at fair value, with changes in fair value reflected in the statement of profit or loss.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The Group and Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

(viii) Lease accounting

As a result of adopting IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease' ('IC 4'), certain of the Group's and Company's power purchase agreements have been accounted for as finance lease rather than the normal sale and purchase arrangements. This has resulted in finance lease accounting being applied to these power purchase agreements. To apply finance lease accounting, a number of assumptions in the lease models have been made, such as the determination of minimum lease payments, implicit interest rates and residual values of the power plants at the end of contract periods. Any future changes to these assumptions will affect the value of the lease assets and liabilities recognised and the corresponding lease income and expenses.

(ix) Employee Benefits

The Group and Company provides both Retirement Benefit Plan and Post Retirement Medical Plan for certain employees. The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The key assumptions used in determining the net cost/(income) for the employee benefits includes discount rate and medical claim inflation rate. Any changes in these assumptions will impact the carrying amount of employee benefits obligations.

(a) Discount rate

The Group and Company determines the appropriate discount rate at the end of each financial year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group and Company considers the interest rates of private debt securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefits obligation.

(b) Medical claim inflation rate

The medical claim inflation rate for general practitioner, hospitalisation and specialist medical claims, as determined by the Group and Company is based on the annualised increase in average claims over the past 5 years.

Other key assumptions for employee benefits obligations are based in part on current market conditions. Additional information is as disclosed in Note 36 to the financial statements.

4 REVENUE

	Group		Company	
	2013	2012	2013	2012
	RM'million	RM'million	RM'million	RM'million
Sales:				
– Electricity	**35,856.4**	34,475.2	**33,906.2**	32,529.6
– Goods and services	**341.9**	405.7	**0**	0
– Contract revenue	**16.6**	39.3	**0**	0
– Recognition of customers' contributions	**612.2**	571.4	**560.2**	489.6
Release of deferred income	**303.6**	356.8	**302.1**	321.8
	37,130.7	35,848.4	**34,768.5**	33,341.0

5 OPERATING EXPENSES

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'million	RM'million	RM'million	RM'million
Cost of sales:				
– Energy cost*	**22,556.5**	23,175.5	**21,362.6**	21,317.9
– Transmission cost	**1,450.3**	1,365.0	**1,445.1**	1,360.6
– Distribution cost	**4,606.4**	4,346.3	**4,596.3**	4,338.0
	28,613.2	28,886.8	**27,404.0**	27,016.5
Administrative expenses	**1,859.9**	1,187.6	**1,357.4**	828.1
Other operating expenses	**1,389.2**	1,233.8	**594.2**	1,528.2
	31,862.3	31,308.2	**29,355.6**	29,372.8

* *Energy cost excludes gas price differential of RM697.7 million (2012: NIL) shared with Petronas and the Government of Malaysia.*

5 OPERATING EXPENSES (CONTINUED)

Operating expenses include the following items:

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'million	RM'million	RM'million	RM'million
Purchases from Independent Power Producers (IPPs)	**13,543.9**	13,976.7	**17,508.1**	18,135.1
Directors' remuneration:				
– Fees and allowances	**2.8**	1.9	**2.4**	1.5
– Other emoluments	**2.3**	7.8	**2.3**	7.8
Auditors' remuneration:				
– Statutory audit fees				
– PricewaterhouseCoopers, Malaysia				
Current year	**2.0**	1.4	**0.9**	0.7
Under provision in prior year	**0**	0.4	**0**	0.3
– Member firm of PricewaterhouseCoopers International Limited**	**0**	0	**0**	0
– Assurance related fees	**1.3**	0.3	**0.4**	0.3
– Non-audit fees##	**1.1**	0.6	**1.0**	0.6
Staff cost (Note 6)	**3,510.7**	2,734.4	**2,873.0**	2,214.7
Property, plant and equipment:				
– Depreciation	**4,569.5**	4,268.1	**4,281.9**	4,033.6
– Impairment	**100.0**	0	**0**	0
– Written off	**28.9**	44.4	**28.9**	31.3
Allowance for impairment:				
– Receivables	**117.5**	122.9	**113.1**	111.6
– Amounts due from subsidiaries	**0**	0	**23.3**	292.8
Reversal for impairment:				
– Receivables	**(39.7)**	(141.1)	**(24.9)**	(125.2)
– Amounts due from subsidiaries	**0**	0	**(64.5)**	0
– Amounts due from a jointly controlled entities	**0**	(0.5)	**0**	(0.5)
Provision for diminution in value of marketable securities	**0.3**	(0.5)	**0.3**	(0.5)
Allowance for inventory obsolescence	**160.8**	132.9	**160.8**	132.9
Write-back of inventory obsolescence	**(152.8)**	(111.8)	**(152.8)**	(111.8)
Allowance for diminution in value of investments in subsidiaries	**0**	0	**0**	774.1
Inventories written off	**20.7**	18.6	**20.7**	18.4
Rental of land and buildings	**42.1**	162.7	**21.3**	141.5
Rental of plant and machinery	**49.5**	25.3	**39.5**	25.3
Research and development expenses	**43.1**	46.9	**42.1**	46.2
Receipt of Government subsidies**	**(734.8)**	(543.4)	**0**	0
Alternate fuel cost differential compensation***	**(1,121.6)**	(1,475.9)	**(1,121.6)**	(1,475.9)
Reimbursable of cost differential on consumption of green energy from a Government agency	**(42.3)**	(5.9)	**(22.5)**	0
Fuel related expenditure to Government and Government related entities	**4,598.3**	4,469.5	**4,549.9**	4,395.2

5 OPERATING EXPENSES (CONTINUED)

* *This represents the audit fees for Liberty Power Ltd. amounting to RM35,616 (2012: RM35,120) and TNB Remaco Pakistan (Pvt.) Ltd. amounting to RM17,570 (2012: RM9,422).*

** *This represents the subsidies that Sabah Electricity Sdn. Bhd. (SESB) received for diesel and medium fuel oil from the Government of Malaysia. The total amount credited in the current year was RM734.8 million (2012: RM543.4 million) and it has been offset against energy cost.*

*** *This represents alternate fuel cost differential compensation from Petronas and the Government of Malaysia in respect of the fuel-cost pass through sharing mechanism for the current financial year.*

\# *PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.*

\## *The current year amount primarily relates to advisory related services and works commissioned by Energy Commission on the management and engineering audit, jointly undertaken by PwC Malaysia and an international engineering and consulting firm.*

The estimated monetary value of benefit-in-kind received by the Directors was RM415,801 (2012: RM726,789) for the Group and Company.

There was no amount paid and payable to any firm, of which a Director is a partner, for professional services rendered to the Group and Company (2012: NIL).

6 STAFF COST

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'million	RM'million	RM'million	RM'million
Wages, salaries and bonuses	**2,096.9**	1,644.5	**1,643.6**	1,261.4
Defined contribution retirement plan	**291.3**	240.8	**232.8**	186.5
Retirement benefit plan (Note 36)	**312.1**	279.9	**308.5**	272.9
Retirement medical plan (Note 36)	**465.0**	313.7	**450.2**	283.4
Employees' Share Option Scheme II	**43.3**	25.0	**34.1**	21.2
Other employee benefits	**302.1**	230.5	**203.8**	189.3
	3,510.7	2,734.4	**2,873.0**	2,214.7

Details of the retirement benefit and retirement medical plans of the Group and Company are set out in Note 36 to the financial statements.

7 OTHER OPERATING INCOME

	Group		Company	
	2013	2012	2013	2012
	RM'million	RM'million	RM'million	RM'million
Dividend income from subsidiaries	**0**	0	**21.0**	83.7
Dividend income from equity securities:				
– Quoted shares	**1.5**	0	**1.0**	2.7
– Unquoted shares	**0**	0	**74.6**	21.8
Leasing income	**32.8**	42.2	**35.1**	44.5
Rental income	**13.2**	11.1	**37.6**	34.2
Release of Government development grants (Note 38)	**58.3**	77.0	**0**	0
Government grants relating to income	**0**	3.3	**0**	0
Alternate fuel cost differential compensation*	**0**	1,678.6	**0**	1,678.6
Gain on disposals:				
– Property, plant and equipment	**5.7**	5.8	**5.5**	5.8
– Non-current assets held for sale	**10.6**	1.8	**10.6**	1.8
– Short term investment	**0**	0.2	**0**	0.1
Interest on late payments	**112.6**	66.2	**110.5**	64.5
Minimum charges	**33.2**	32.2	**33.2**	32.2
Gain on redemption of redeemable preference shares in a subsidiary	**0**	0	**0**	56.8
Other income	**352.9**	222.2	**274.2**	153.7
	620.8	2,140.6	**603.3**	2,180.4

* *This represents reimbursement from Petronas and the Government of Malaysia in respect of the alternate fuel cost differential compensation for additional fuel costs caused by gas curtailment incurred in prior periods (from January 2010 to August 2011) but was received during the FY2012.*

Other income comprises primarily of income from rechargeable jobs and recovery from insurance claims.

8 FOREIGN EXCHANGE GAIN/(LOSS)

	Group		Company	
	2013	2012	2013	2012
	RM'million	RM'million	RM'million	RM'million
Foreign exchange gain/(loss) comprises:				
Translation gain/(loss) – foreign currency denominated term loans	**541.4**	(275.4)	**548.1**	(256.8)
Translation (loss)/gain – others	**(47.8)**	44.6	**2.9**	43.7
Transaction gain/(loss) – foreign term loans	**108.9**	(2.6)	**108.5**	(2.6)
Transaction gain/(loss) – others	**0.2**	(18.8)	**(6.1)**	(10.1)
	602.7	(252.2)	**653.4**	(225.8)

9 FINANCE INCOME/COST

	Group		Company	
	2013	2012	2013	2012
	RM'million	RM'million	RM'million	RM'million
Finance income:				
Interest from subsidiaries	**0**	0	**150.4**	176.1
Interest from deposits, staff loans and associates	**294.3**	269.0	**145.2**	140.4
Changes in fair value and amortisation	**6.1**	16.5	**(19.6)**	(11.7)
Less: Reduction of borrowing costs capitalised into property, plant and equipment	**(75.2)**	(96.8)	**0**	0
	225.2	188.7	**276.0**	304.8
Finance cost:				
Interest on borrowings	**873.9**	1,045.2	**589.4**	630.9
Less: Amount capitalised into property, plant and equipment	**(293.0)**	(380.9)	**(276.1)**	(216.8)
	580.9	664.3	**313.3**	414.1
Finance charges under finance leases	**215.3**	117.4	**1,048.5**	1,043.4
Interest on consumer deposits	**78.7**	74.9	**74.1**	74.6
Changes in fair value of derivatives and amortisation	**61.4**	(33.6)	**(4.4)**	(18.2)
	936.3	823.0	**1,431.5**	1,513.9

10 TAXATION AND ZAKAT

		Group		Company	
		2013	2012	2013	2012
	Note	RM'million	RM'million	RM'million	RM'million
Current tax:					
– Malaysian corporate income tax		**1,392.0**	845.1	**1,111.5**	830.4
– Foreign corporate income tax		**0.7**	0.9	**0**	0
Deferred tax	19	**(194.3)**	533.6	**(206.1)**	529.8
Tax expense		**1,198.4**	1,379.6	**905.4**	1,360.2
Zakat		**26.5**	22.4	**26.5**	22.4
		1,224.9	1,402.0	**931.9**	1,382.6
The analysis of the tax expense is as follows:					
Current tax:					
– Current year		**1,191.3**	839.7	**1,026.7**	826.8
– Under accrual in prior years		**201.4**	6.3	**84.8**	3.6
		1,392.7	846.0	**1,111.5**	830.4
Deferred tax:					
– Origination and reversal of temporary differences		**(194.3)**	533.6	**(206.1)**	529.8
		1,198.4	1,379.6	**905.4**	1,360.2

On 25 October 2013, the Government of Malaysia announced that the corporate tax rate will be reduced from 25% to 24% in Year of Assessment 2016. For the current financial year, the 25% rate is used as a basis for the calculation of deferred tax as the reduced rate have yet to be enacted or substantively enacted at the end of the financial year. The impact of the change in the tax rate on the deferred tax balance is still being assessed.

10 TAXATION AND ZAKAT (CONTINUED)

The explanation of the relationship between tax expense and profit before taxation and zakat is as follows:

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'million	RM'million	RM'million	RM'million
Profit before taxation and zakat	**5,855.6**	5,821.1	**5,514.1**	4,713.7
Tax calculated at the Malaysian corporate income tax rate of 25.0% (2012: 25.0%)	**1,463.9**	1,455.3	**1,378.5**	1,178.4
Tax effects of:				
– Share of results of associates	**(5.2)**	(10.1)	**0**	0
– Income not subject to tax	**(429.4)**	(202.5)	**(439.2)**	(223.6)
– Expenses not deductible for tax purposes	**215.4**	84.7	**103.8**	375.1
– Expenses qualifying for double deduction	**(10.8)**	(14.2)	**(9.8)**	(12.8)
– Benefits from previously unrecognised tax losses	**0**	(3.0)	**0**	0
– Current year unrecognised temporary differences and unused tax losses	**7.6**	16.4	**0**	0
– Foreign jurisdiction	**(0.3)**	(0.4)	**0**	0
Under accrual of current tax in prior years	**201.4**	6.3	**84.8**	3.6
Recognition and reversal of prior year temporary differences	**(244.2)**	47.1	**(212.7)**	39.5
Zakat	**26.5**	22.4	**26.5**	22.4
Tax and zakat charge	**1,224.9**	1,402.0	**931.9**	1,382.6
Average effective tax rate (%)	**20.9**	24.1	**16.9**	29.3

10 TAXATION AND ZAKAT (CONTINUED)

The tax charge relating to components of other comprehensive income is as follows:

	2013			2012		
	Before Tax	Tax Charged	After Tax	Before Tax	Tax Charged	After Tax
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Group						
Defined benefit plan actuarial losses	**(5,159.4)**	**1,253.9**	**(3,905.5)**	(2.4)	0	(2.4)
Foreign currency translation differences	**46.5**	**0**	**46.5**	(51.2)	0	(51.2)
Fair value of available-for-sale financial assets	**0.2**	**0**	**0.2**	0	0	0
	(5,112.7)	**1,253.9**	**(3,858.8)**	(53.6)	0	(53.6)
Company						
Defined benefit plan actuarial losses	**(5,015.7)**	**1,253.9**	**(3,761.8)**	0	0	0

11 EARNINGS PER SHARE (EPS)

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2013	2012 (Restated)
Profit attributable to owners of the Company (RM'million)	**4,614.2**	4,410.5
Weighted average number of ordinary shares in issue ('000)	**5,571,816**	5,464,516
Basic earnings per share (sen)	**82.81**	80.71

11 EARNINGS PER SHARE (EPS)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit attributable to owners of the Company for the financial year and the weighted average number of ordinary shares in issue during the financial year has been adjusted for the dilutive effects of all potential ordinary shares such as share options granted to employees.

	Group	
	2013	**2012 (Restated)**
Profit used to determine diluted earnings per share (RM'million)	**4,614.2**	4,410.5
Weighted average number of ordinary shares in issue ('000)	**5,571,816**	5,464,516
Adjustment for share options ('000)	**9,688**	13,484
Weighted average number of ordinary shares for diluted earnings per share ('000)	**5,581,504**	5,478,000
Diluted earnings per share (sen)	**82.67**	80.51

As per Note 2(a)(ii), the changes in accounting policy due to the adoption of MFRS 119 resulted in an increase to the basic earnings per share and diluted earnings per share for the financial year ended 31 August 2012 by 3.89 sen and 3.88 sen respectively. The effect of the adoption to the financial statements is disclosed in Note 49.

12 DIVIDENDS

	Company	
	2013	**2012**
	RM'million	**RM'million**
Interim single tier dividend of 10.0 sen per ordinary share (2012: interim dividend of 0.38 sen gross per ordinary share, less income tax of 25.0% and a single tier dividend of 4.71 sen per ordinary share)	**560.0**	273.0
Proposed final single tier dividend of 15.0 sen per ordinary share (2012: final single tier dividend of 15.0 sen per ordinary share)	**846.6**	830.3
	1,406.6	1,103.3

Interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained profits in the financial year.

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 August 2013 of 15.0 sen per ordinary share will be proposed for shareholders' approval. The books closure and payment dates will be announced in due course.

NOTES TO THE FINANCIAL STATEMENTS
– 31 August 2013

13 PROPERTY, PLANT AND EQUIPMENT

Group	As at 1.9.2012 RM'million	Exchange rate adjustment RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi-fication/ Write off RM'million	As at 31.8.2013 RM'million
31.8.2013						
Cost						
Freehold land	770.4	(0.1)	85.6	(0.1)	(17.9)	**837.9**
Long leasehold land	1,008.0	0	3.2	0	14.1	**1,025.3**
Short leasehold land	185.2	0	0	0	(0.2)	**185.0**
Buildings and civil works	13,455.2	(0.1)	200.1	(0.8)	(60.8)	**13,593.6**
	15,418.8	(0.2)	288.9	(0.9)	(64.8)	**15,641.8**
Plant and machinery:						
– Owned	47,632.9	(30.3)	1,618.9	(120.6)	195.3	**49,296.2**
– Leased	1,312.8	0	5,147.8	0	0	**6,460.6**
Lines and distribution mains	32,276.2	0	1,689.5	(0.5)	23.4	**33,988.6**
Distribution services	3,316.4	0	211.9	(0.1)	3.9	**3,532.1**
Meters	2,054.9	0	189.3	0	0.1	**2,244.3**
Public lighting	372.4	0	60.2	0	0.2	**432.8**
Furniture, fittings and office equipment	1,386.4	(0.2)	176.7	(2.8)	4.9	**1,565.0**
Motor vehicles	482.6	(0.1)	51.0	(11.6)	6.2	**528.1**
	104,253.4	(30.8)	9,434.2	(136.5)	169.2	**113,689.5**
Capital project-in-progress	7,592.3	0	13,911.8	0	(9,606.4)	**11,897.7**
	111,845.7	(30.8)	23,346.0	(136.5)	(9,437.2)	**125,587.2**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	As at 1.9.2012 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2013 RM'million
31.8.2013				
Accumulated depreciation				
Freehold land	0	0	0	**0**
Long leasehold land	233.4	15.7	0	**249.1**
Short leasehold land	78.9	6.9	0	**85.8**
Buildings and civil works	4,488.1	351.0	(0.3)	**4,838.8**
	4,800.4	373.6	(0.3)	**5,173.7**
Plant and machinery:				
– Owned	22,553.5	2,177.0	(103.3)	**24,627.2**
– Leased	83.4	248.0	0	**331.4**
Lines and distribution mains	14,580.6	1,331.2	(0.2)	**15,911.6**
Distribution services	1,800.1	146.5	0	**1,946.6**
Meters	1,081.8	120.8	0	**1,202.6**
Public lighting	219.9	20.1	0	**240.0**
Furniture, fittings and office equipment	1,204.7	97.8	(3.0)	**1,299.5**
Motor vehicles	311.2	54.5	(24.9)	**340.8**
	46,635.6	4,569.5	(131.7)	**51,073.4**
Accumulated impairment losses				
Plant and machinery	440.2	100.0	0	**540.2**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Previously reported as at 31.8.2011 RM'million	Effect of adoption of MFRS 1 RM'million	As at 1.9.2011 (Restated) RM'million	Exchange rate adjustment RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi-fication/ Write off RM'million	As at 31.8.2012 RM'million
31.8.2012								
Cost								
At 1984 and earlier valuations:								
Long leasehold land	8.4	(8.4)	0	0	0	0	0	0
At 1994 valuation:								
Freehold land	543.9	(543.9)	0	0	0	0	0	0
Long leasehold land	601.5	(601.5)	0	0	0	0	0	0
Short leasehold land	2.4	(2.4)	0	0	0	0	0	0
Building and civil works	442.8	(442.8)	0	0	0	0	0	0
	1,599.0	(1,599.0)	0	0	0	0	0	0
At cost:								
Freehold land	260.6	543.9	804.5	(0.2)	8.1	0	(42.0)	770.4
Long leasehold land	353.5	609.9	963.4	0.1	9.5	(0.1)	35.1	1,008.0
Short leasehold land	181.9	2.4	184.3	0	10.8	0	(9.9)	185.2
Buildings and civil works	12,558.9	442.8	13,001.7	(0.1)	446.4	(0.3)	7.5	13,455.2
	14,953.9	0	14,953.9	(0.2)	474.8	(0.4)	(9.3)	15,418.8
Plant and machinery:								
- Owned	45,618.8	0	45,618.8	(20.8)	1,715.6	(142.3)	461.6	47,632.9
- Leased	1,312.8	0	1,312.8	0	0	0	0	1,312.8
Lines and distribution mains	30,328.4	0	30,328.4	0	1,857.5	(0.1)	90.4	32,276.2
Distribution services	3,100.6	0	3,100.6	0	198.5	0	17.3	3,316.4
Meters	1,783.7	0	1,783.7	0	271.3	0	(0.1)	2,054.9
Public lighting	350.6	0	350.6	0	26.9	0	(5.1)	372.4
Furniture, fittings and office equipment	1,312.3	0	1,312.3	(0.1)	92.4	(17.2)	(1.0)	1,386.4
Motor vehicles	437.9	0	437.9	0	65.4	(13.3)	(7.4)	482.6
	99,199.0	0	99,199.0	(21.1)	4,702.4	(173.3)	546.4	104,253.4
Capital project-in-progress	5,646.3	0	5,646.3	0	7,067.8	0	(5,121.8)	7,592.3
	104,845.3	0	104,845.3	(21.1)	11,770.2	(173.3)	(4,575.4)	111,845.7

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Previously reported as at 31.8.2011 RM'million	Effect of adoption of MFRS 1 RM'million	As at 1.9.2011 (Restated) RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2012 RM'million
31.8.2012						
Accumulated depreciation						
At 1984 and earlier valuations:						
Long leasehold land	2.5	(2.5)	0	0	0	0
At 1994 valuation:						
Freehold land	0	0	0	0	0	0
Long leasehold land	161.5	(161.5)	0	0	0	0
Short leasehold land	1.7	(1.7)	0	0	0	0
Building and civil works	248.5	(248.5)	0	0	0	0
	414.2	(414.2)	0	0	0	0
At cost:						
Freehold land	0	0	0	0	0	0
Long leasehold land	51.7	164.0	215.7	16.1	1.6	233.4
Short leasehold land	69.8	1.7	71.5	7.4	0	78.9
Buildings and civil works	3,886.3	248.5	4,134.8	355.7	(2.4)	4,488.1
	4,422.0	0	4,422.0	379.2	(0.8)	4,800.4
Plant and machinery:						
– Owned	20,512.2	0	20,512.2	2,175.7	(134.4)	22,553.5
– Leased	20.9	0	20.9	62.5	0	83.4
Lines and distribution mains	13,313.8	0	13,313.8	1,271.5	(4.7)	14,580.6
Distribution services	1,660.0	0	1,660.0	140.1	0	1,800.1
Meters	971.2	0	971.2	110.6	0	1,081.8
Public lighting	208.1	0	208.1	11.8	0	219.9
Furniture, fittings and office equipment	1,153.4	0	1,153.4	68.6	(17.3)	1,204.7
Motor vehicles	282.1	0	282.1	48.1	(19.0)	311.2
	42,543.7	0	42,543.7	4,268.1	(176.2)	46,635.6
Accumulated impairment losses						
Plant and machinery	440.2	0	440.2	0	0	440.2

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	As at 1.9.2012 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi-fication/ Write off RM'million	As at 31.8.2013 RM'million
31.8.2013					
Cost					
Freehold land	707.1	85.6	(0.1)	11.2	**803.8**
Long leasehold land	981.2	3.1	0	14.0	**998.3**
Short leasehold land	4.6	0	0	(0.1)	**4.5**
Buildings and civil works	11,766.2	194.5	(0.1)	(78.1)	**11,882.5**
	13,459.1	283.2	(0.2)	(53.0)	**13,689.1**
Plant and machinery:					
– Owned	36,115.8	1,460.7	(110.6)	33.6	**37,499.5**
– Leased	13,653.1	5,147.8	0	0	**18,800.9**
Lines and distribution mains	30,867.7	1,673.6	(0.4)	7.8	**32,548.7**
Distribution services	3,145.2	209.9	0	(2.1)	**3,353.0**
Meters	1,996.2	181.2	0	0	**2,177.4**
Public lighting	372.4	60.2	0	0.2	**432.8**
Furniture, fittings and office equipment	1,200.1	159.8	(1.6)	(9.4)	**1,348.9**
Motor vehicles	412.0	47.3	(10.8)	0.3	**448.8**
	101,221.6	9,223.7	(123.6)	(22.6)	**110,299.1**
Capital project-in-progress	4,695.3	10,776.4	0	(9,223.7)	**6,248.0**
	105,916.9	20,000.1	(123.6)	(9,246.3)	**116,547.1**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	As at 1.9.2012 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2013 RM'million
31.8.2013				
Accumulated depreciation				
Freehold land	0	0	0	**0**
Long leasehold land	226.7	15.3	(0.1)	**241.9**
Short leasehold land	2.3	0	0	**2.3**
Buildings and civil works	3,909.3	285.6	(0.2)	**4,194.7**
	4,138.3	300.9	(0.3)	**4,438.9**
Plant and machinery:				
– Owned	17,920.2	1,560.5	(98.4)	**19,382.3**
– Leased	4,229.1	743.3	0	**4,972.4**
Lines and distribution mains	14,075.5	1,276.7	(0.2)	**15,352.0**
Distribution services	1,696.3	138.9	0	**1,835.2**
Meters	1,051.2	116.0	0	**1,167.2**
Public lighting	219.9	20.1	0	**240.0**
Furniture, fittings and office equipment	1,052.8	77.5	(4.2)	**1,126.1**
Motor vehicles	261.8	48.0	(11.0)	**298.8**
	44,645.1	4,281.9	(114.1)	**48,812.9**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Previously reported as at 31.8.2011 RM'million	Effect of adoption of MFRS 1 RM'million	As at 1.9.2011 (Restated) RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi-fication/ Write off RM'million	As at 31.8.2012 RM'million
31.8.2012							
Cost							
At 1994 valuation:							
Freehold land	543.9	(543.9)	0	0	0	0	0
Long leasehold land	601.5	(601.5)	0	0	0	0	0
Short leasehold land	2.4	(2.4)	0	0	0	0	0
Building and civil works	437.1	(437.1)	0	0	0	0	0
	1,584.9	(1,584.9)	0	0	0	0	0
At cost:							
Freehold land	197.2	543.9	741.1	8.1	0	(42.1)	707.1
Long leasehold land	338.2	601.5	939.7	9.5	(0.1)	32.1	981.2
Short leasehold land	1.3	2.4	3.7	0	0	0.9	4.6
Buildings and civil works	10,917.3	437.1	11,354.4	422.8	(0.2)	(10.8)	11,766.2
	13,038.9	0	13,038.9	440.4	(0.3)	(19.9)	13,459.1
Plant and machinery:							
- Owned	34,603.9	0	34,603.9	1,629.5	(99.0)	(18.6)	36,115.8
- Leased	13,653.1	0	13,653.1	0	0	0	13,653.1
Lines and distribution mains	29,059.6	0	29,059.6	1,798.0	0	10.1	30,867.7
Distribution services	2,947.8	0	2,947.8	191.5	0	5.9	3,145.2
Meters	1,733.5	0	1,733.5	262.9	0	(0.2)	1,996.2
Public lighting	350.6	0	350.6	26.9	0	(5.1)	372.4
Furniture, fittings and office equipment	1,122.9	0	1,122.9	80.3	(2.5)	(0.6)	1,200.1
Motor vehicles	366.6	0	366.6	57.9	(11.7)	(0.8)	412.0
	96,876.9	0	96,876.9	4,487.4	(113.5)	(29.2)	101,221.6
Capital project-in-progress	4,311.0	0	4,311.0	4,871.7	0	(4,487.4)	4,695.3
	101,187.9	0	101,187.9	9,359.1	(113.5)	(4,516.6)	105,916.9

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Previously reported as at 31.8.2011 RM'million	Effect of adoption of MFRS 1 RM'million	As at 1.9.2011 (Restated) RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2012 RM'million
31.8.2012						
Accumulated depreciation						
At 1994 valuation:						
Long leasehold land	161.5	(161.5)	0	0	0	0
Short leasehold land	1.7	(1.7)	0	0	0	0
Buildings and civil works	244.3	(244.3)	0	0	0	0
	407.5	(407.5)	0	0	0	0
At cost:						
Freehold land	0	0	0	0	0	0
Long leasehold land	49.3	161.5	210.8	15.9	0	226.7
Short leasehold land	0.3	1.7	2.0	0.3	0	2.3
Buildings and civil works	3,375.0	244.3	3,619.3	290.8	(0.8)	3,909.3
	3,832.1	0	3,832.1	307.0	(0.8)	4,138.3
Plant and machinery:						
– Owned	16,394.5	0	16,394.5	1,603.7	(78.0)	17,920.2
– Leased	3,671.3	0	3,671.3	557.8	0	4,229.1
Lines and distribution mains	12,858.4	0	12,858.4	1,217.2	(0.1)	14,075.5
Distribution services	1,563.5	0	1,563.5	132.8	0	1,696.3
Meters	944.7	0	944.7	106.5	0	1,051.2
Public lighting	208.1	0	208.1	11.8	0	219.9
Furniture, fittings and office equipment	1,000.6	0	1,000.6	54.8	(2.6)	1,052.8
Motor vehicles	231.7	0	231.7	42.0	(11.9)	261.8
	40,704.9	0	40,704.9	4,033.6	(93.4)	44,645.1

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group			Company		
	31.8.2013	31.8.2012 (Restated)	1.9.2011 (Restated)	31.8.2013	31.8.2012 (Restated)	1.9.2011 (Restated)
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Net book value						
Freehold land	**837.9**	770.4	804.5	**803.8**	707.1	741.1
Long leasehold land	**776.2**	774.6	747.7	**756.4**	754.5	728.9
Short leasehold land	**99.2**	106.3	112.8	**2.2**	2.3	1.7
Buildings and civil works	**8,754.8**	8,967.1	8,866.9	**7,687.8**	7,856.9	7,735.1
Total land and buildings	**10,468.1**	10,618.4	10,531.9	**9,250.2**	9,320.8	9,206.8
Plant and machinery:						
- Owned	**24,128.8**	24,639.2	24,666.4	**18,117.2**	18,195.6	18,209.4
- Leased	**6,129.2**	1,229.4	1,291.9	**13,828.5**	9,424.0	9,981.8
Lines and distribution mains	**18,077.0**	17,695.6	17,014.6	**17,196.7**	16,792.2	16,201.2
Distribution services	**1,585.5**	1,516.3	1,440.6	**1,517.8**	1,448.9	1,384.3
Meters	**1,041.7**	973.1	812.5	**1,010.2**	945.0	788.8
Public lighting	**192.8**	152.5	142.5	**192.8**	152.5	142.5
Furniture, fittings and office equipment	**265.5**	181.7	158.9	**222.8**	147.3	122.3
Motor vehicles	**187.3**	171.4	155.8	**150.0**	150.2	134.9
	62,075.9	57,177.6	56,215.1	**61,486.2**	56,576.5	56,172.0
Capital project-in-progress	**11,897.7**	7,592.3	5,646.3	**6,248.0**	4,695.3	4,311.0
	73,973.6	64,769.9	61,861.4	**67,734.2**	61,271.8	60,483.0

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The title deeds of certain land are in the process of being registered in the name of the Company and certain subsidiaries.

Net book value of property, plant and equipment pledged as security for borrowings are disclosed in Note 33.

Interest capitalised during the financial year in capital project-in-progress amounted to RM217.8 million (2012: RM284.1 million) for the Group and RM276.1 million (2012: RM216.8 million) for the Company.

The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation is 6.29% (2012: 6.23%) for the Company.

Impairment test for property, plant and equipment

TNB Liberty Power Limited had recognised in prior years, a provision for impairment totalling RM440.2 million. Current year assessment showed that additional impairment loss of RM100.0 million is required for the carrying amount of property, plant and equipment assessed. The carrying value of the property, plant and equipment at the reporting date is RM97.7 million (2012: RM236.0 million). The recoverable amount of the property, plant and equipment is determined based on value-in-use ('VIU').

The VIU is determined by discounting the future cash flows to be generated from continuing use based on the following assumptions:

(i) Cash flows are derived based on the approved budgeted cash flows for 2014 and projections for a period of fourteen (14) years being the remaining concession period, based on external data. The projections reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit.

(ii) The key assumptions used are as follows:

	2013
Pre-tax discount rate	30%
Average useful lives of assets	14 years
Revenue growth based on:	
– Marker Price Index	3.6%
– Increase in US CPI Indices	3.4%
Increase in gas price	11.0%
Pakistani Rupee depreciation against US Dollar	7.0%

14 SUBSIDIARIES

Company	Note	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
At cost:				
Unquoted ordinary shares		**301.0**	296.6	296.6
Redeemable preference shares		**3,637.3**	3,577.3	3,922.6
Options granted to employees of subsidiaries		**28.4**	19.2	15.4
Advance to subsidiaries treated as quasi-investment	(a)	**774.1**	774.1	610.6
		4,740.8	4,667.2	4,845.2
Less: Accumulated impairment losses		**(1,703.0)**	(1,703.0)	(928.9)
		3,037.8	2,964.2	3,916.3

(a) The advances are unsecured and non-interest bearing with no fixed terms of repayment. The Company does not anticipate any repayment of the advances and will only recall the loans when the subsidiaries have surplus cash. These advances are treated as an extension of its investments in subsidiaries.

Name of subsidiary	Group's interest 31.8.2013	Group's interest 31.8.2012	Group's interest 1.9.2011	Principal activities	Country of incorporation
TNB Janamanjung Sdn. Bhd.	**100%**	100%	100%	Generate and deliver electricity and generating capacity to TNB	Malaysia
TNB Power Daharki Ltd.#	**100%**	100%	100%	Investment holding	Mauritius
TNB Fuel Services Sdn. Bhd.	**100%**	100%	100%	Supplying fuel and coal for power generation	Malaysia
TNB Energy Services Sdn. Bhd.	**100%**	100%	100%	Generating, distributing, supplying, dealing, selling of different kinds of energy sources and related technical services	Malaysia
TNB Research Sdn. Bhd.	**100%**	100%	100%	Research and development, consultancy and other services	Malaysia

14 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest			Principal activities	Country of incorporation
	31.8.2013	31.8.2012	1.9.2011		
TNB Ventures Sdn. Bhd.	**100%**	100%	100%	Investment holding	Malaysia
TNB Engineering Corporation Sdn. Bhd.	**100%**	100%	100%	Principally engaged as turnkey contractors, energy project development specialising in district cooling system and co-generation including operation and maintenance works	Malaysia
TNB Repair And Maintenance Sdn. Bhd.	**100%**	100%	100%	Repair and maintenance services to heavy industries and other related services	Malaysia
TNB Engineers Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
TNB Capital (L) Ltd.	**100%**	100%	100%	Investment holding	Malaysia
Universiti Tenaga Nasional Sdn. Bhd.	**100%**	100%	100%	Providing higher education and training	Malaysia
Malaysia Transformer Manufacturing Sdn. Bhd.	**100%**	100%	100%	Principally engaged in the manufacturing, selling and repairing distribution, power and earthing transformer	Malaysia
TNB Coal International Limited*	**100%**	100%	100%	Dormant	Mauritius
Power And Energy International (Mauritius) Ltd.*	**100%**	100%	100%	Investment holding	Mauritius
Orion Mission Sdn. Bhd.	**100%**	100%	100%	Investment holding	Malaysia
Sabah Electricity Sdn. Bhd.	**83%**	83%	83%	Business of generation, transmission, distribution and sale of electricity and services in Sabah	Malaysia

14 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest			Principal activities	Country of incorporation
	31.8.2013	31.8.2012	1.9.2011		
Tenaga Switchgear Sdn. Bhd.	**60%**	60%	60%	Principally engaged in the business of assembling and manufacturing of high voltage switchgears and contracting of turnkey transmission substations	Malaysia
Kapar Energy Ventures Sdn. Bhd.	**60%**	60%	60%	Generate and deliver electricity energy and generating capacity to TNB	Malaysia
TNB Integrated Learning Solution Sdn. Bhd.	**100%**	100%	100%	Providing training and consultancy services	Malaysia
TNB Prai Sdn. Bhd.	**100%**	100%	100%	Primarily involved in the generation, sale and supply electricity, providing operation and maintenance services for power plant	Malaysia
TNB Pasir Gudang Energy Sdn. Bhd.	**100%**	0%	0%	Carry business of any matter relating to electricity especially the business of generation and supply of electricity	Malaysia
TNB Manjung Five Sdn. Bhd.	**100%**	0%	0%	Primarily involved in the generation, sale and supply of electricity, providing operation and maintenance services for power plant	Malaysia
TNB Quantum Solutions Sdn. Bhd.	**100%**	100%	0%	Carry out the business of consultancy, advisory, capability development and corporate coordination programs	Malaysia
TNB Generation Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia

14 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest			Principal activities	Country of incorporation
	31.8.2013	31.8.2012	1.9.2011		
TNB Transmission Network Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
TNB Distribution Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
TNB Risk Management Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
TNB Logistics Sdn. Bhd.**	**100%**	100%	100%	Dormant	Malaysia
TNB – IT Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
TNB Workshop Services Sdn. Bhd.**	**100%**	100%	100%	Dormant	Malaysia
TNB Metering Services Sdn. Bhd.***	**100%**	100%	100%	Dormant	Malaysia
TNB Hidro Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
TNB Properties Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
TNB International Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
Sepang Power Sdn. Bhd.	**70%**	70%	70%	Dormant	Malaysia
Subsidiaries of TNB Engineering Corporation Sdn. Bhd.					
Bangsar Energy Systems Sdn. Bhd.	**100%**	100%	100%	Operating an integrated district cooling system for air conditioning systems of office building	Malaysia
TNEC Construction Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
TNEC Operations And Maintenance Sdn. Bhd.	**100%**	100%	100%	Operations and maintenance of cooling and power plants and as sub-contractor mainly for installation of air conditioning and fire protection equipment	Malaysia

14 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest			Principal activities	Country of incorporation
	31.8.2013	**31.8.2012**	**1.9.2011**		
Subsidiaries of TNB Engineering Corporation Sdn. Bhd. (continued)					
Airport Cooling Energy Supply Sdn. Bhd.	**77%**	77%	100%	To develop, design procure, construct, finance district cooling projects in the airport sector, to undertake the operational maintenance of district cooling projects in the airport sector and to carry on the business of producing, distributing, applying, dealing and selling of chilled water	Malaysia
Subsidiary of Power And Energy International (Mauritius) Ltd.					
Independent Power International Ltd.*	**100%**	100%	100%	Investment holding	Mauritius
Subsidiary of Bangsar Energy Systems Sdn. Bhd.					
Selesa Energy Systems Sdn. Bhd.	**70%**	70%	70%	Dormant	Malaysia
Subsidiary of TNEC Operations And Maintenance Sdn. Bhd.					
Tomest Energy Management Sdn. Bhd.	**51%**	51%	51%	Operating an integrated district cooling system for air conditioning systems of office buildings	Malaysia
Subsidiary of TNB Power Daharki Ltd.					
TNB Liberty Power Limited#	**100%**	100%	100%	Operation of power plant and generation of electricity	Pakistan

14 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest			Principal activities	Country of incorporation
	31.8.2013	31.8.2012	1.9.2011		
Subsidiary of TNB Properties Sdn. Bhd.					
TNP Construction Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
Subsidiary of Universiti Tenaga Nasional Sdn. Bhd.					
UNITEN R & D Sdn. Bhd.	**100%**	100%	100%	Providing research and development in areas related to engineering, information technology, business, accountancy, liberal studies and other services	Malaysia
Subsidiaries of TNB Repair And Maintenance Sdn. Bhd.					
Trichy Power Ltd.*	**100%**	100%	100%	Dormant	India
Trichy Energy Ltd.*	**100%**	100%	100%	Dormant	India
TNB Operations & Maintenance International Ltd.	**100%**	100%	100%	Investment holding	Mauritius
TNB REMACO Pakistan (Private) Limited#	**100%**	100%	100%	Providing repair and maintenance services to heavy industries and other related services	Pakistan
Subsidiary of TNB Operations & Maintenance International Ltd.					
Oasis Parade Sdn. Bhd.	**100%**	100%	100%	Investment company	Malaysia
Subsidiary of TNB Ventures Sdn. Bhd.					
Tenaga Cable Industries Sdn. Bhd.	**76%**	76%	76%	Manufacturing and distribution of power and general cables, aluminium rods and related activities	Malaysia

14 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest 31.8.2013	Group's interest 31.8.2012	Group's interest 1.9.2011	Principal activities	Country of incorporation
Subsidiary of TNB Coal International Limited					
Dynamic Acres Sdn. Bhd.*	**100%**	100%	100%	Dormant	Malaysia
Subsidiaries of Orion Mission Sdn. Bhd.					
Lahad Datu Holdings Sdn. Bhd.	**100%**	100%	100%	Investment holding	Malaysia
Eastern Sabah Power Consortium Sdn. Bhd.	**50%**	100%	0%	To carry on the business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia and other parts of the world	Malaysia
Subsidiary of Lahad Datu Holdings Sdn. Bhd.					
Lahad Datu Energy Sdn. Bhd.	**100%**	100%	100%	Dormant	Malaysia
Subsidiary of TNB Research Sdn. Bhd.					
TNBR QATS Sdn. Bhd.	**100%**	100%	0%	Provide quality assurance, chemical and scientific testing services	Malaysia
Subsidiary of TNB Prai Sdn. Bhd.					
TNB Northern Energy Berhad	**100%**	0%	0%	To carry on the business of any matter relating to electricity especially the business of generation and supply of electricity	Malaysia

14 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest			Principal activities	Country of incorporation
	31.8.2013	31.8.2012	1.9.2011		
Subsidiary of Tenaga Switchgear Sdn. Bhd.					
TSG Ormazabal Sdn. Bhd.	**60%**	0%	0%	Assembling, manufacture, test, reconditioning, distribution and other sources of medium voltage switchgear and controlgear for transmission and distribution of electric power	Malaysia
Subsidiary of TNB Manjung Five Sdn. Bhd.					
TNB Western Energy Berhad	**100%**	0%	0%	Primarily involved in the generation, sale and supply of electricity, providing operation and maintenance services for power plant	Malaysia

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

* *Not audited by PricewaterhouseCoopers.*

** *The company is under liquidation.*

*** *The company is in the process of striking off.*

15 JOINTLY CONTROLLED ENTITIES

Group	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Share of net assets of jointly controlled entities	**0.3**	0.4	0.6
The Group's share of revenue, profit, assets and liabilities of jointly controlled entities are as follows:			
Revenue	**0**	0	0.8
(Loss)/profit after tax	**(0.1)**	(0.2)	0.6
Current assets	**1.3**	2.1	2.7
Current liabilities	**(11.7)**	(12.4)	(12.8)
Less: Accumulated impairment loss	**(7.9)**	(7.9)	(7.9)
Accumulated losses not recognised	**18.6**	18.6	18.6
	0.3	0.4	0.6

Company	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Unquoted ordinary shares, at cost	**7.9**	7.9	7.9
Less: Accumulated impairment losses	**(7.9)**	(7.9)	(7.9)
	0	0	0

Details of the jointly controlled entities are as follows:

Name of jointly controlled entity	Group's interest 31.8.2013	Group's interest 31.8.2012	Group's interest 1.9.2011	Principal activities	Country of incorporation
Seatrac Sdn. Bhd.	**50%**	50%	50%	Dormant	Malaysia
TNB Energy Services Sdn. Bhd. & Eramaz Technology Sdn. Bhd. JV	**51%**	51%	51%	As the turnkey contractor to undertake the design, building and commissioning of the system for the supply of electricity in Kalabakan, Sabah awarded by Kementerian Kemajuan Luar Bandar dan Wilayah ('KKLW')	Malaysia

16 ASSOCIATES

Group	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Share of net assets of associates	**483.2**	491.2	407.8

Company	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Unquoted shares, at cost	**60.1**	67.0	67.0
Quoted shares, at cost	**106.5**	106.5	106.5
Less: Accumulated impairment losses	**(9.6)**	(9.6)	(9.6)
	157.0	163.9	163.9
Redeemable preference shares, at cost	**19.7**	33.2	33.2
Unsecured loan notes, at amortised cost	**10.7**	15.9	21.1
	187.4	213.0	218.2
Quoted shares, at fair value	**124.4**	99.1	77.2

The Group's share of revenue, profit, assets and liabilities of associates are as follows:

Group	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Revenue	**765.7**	780.1	1,120.4
Profit after taxation	**74.9**	27.0	92.8
Non-current assets	**1,633.9**	1,669.7	1,595.4
Current assets	**530.2**	556.8	548.9
Current liabilities	**(315.5)**	(365.3)	(356.8)
Non-current liabilities	**(1,478.1)**	(1,467.5)	(1,423.2)
Accumulated losses not recognised	**112.7**	97.5	43.5
Net assets	**483.2**	491.2	407.8

16 ASSOCIATES (CONTINUED)

Details of the associates are as follows:

Name of associate	Group's interest			Principal activities	Country of incorporation
	31.8.2013	31.8.2012	1.9.2011		
Teknologi Tenaga Perlis Consortium Sdn. Bhd.	**20%**	20%	20%	Design, construction, divesting, operation and maintenance of electricity generating facility	Malaysia
Perusahaan Otomobil Elektrik (Malaysia) Sdn. Bhd.	**20%**	20%	20%	Dormant	Malaysia
GB3 Sdn. Bhd.	**20%**	20%	20%	Design, construction, operation and maintenance of electricity generating facility	Malaysia
Fibrecomm Network (M) Sdn. Bhd.	**49%**	49%	49%	Provision of fibre optic transmission network services	Malaysia
Jimah Energy Ventures Holdings Sdn. Bhd.	**20%**	20%	20%	Generate electric power and investment holdings	Malaysia
FTJ Bio Power Sdn. Bhd.	**40%**	40%	24.5%	Generation and distribution of electricity using palm empty fruit bunch as its main fuel source	Malaysia
Intergrax Berhad	**22.1%**	22.1%	22.1%	Investment holding and coal handling services	Malaysia
Associates of TNB Properties Sdn. Bhd.					
INDERA-TNB Properties Sdn. Bhd.	**40%**	40%	40%	Dormant	Malaysia
KM Metro-TNB Properties Sdn. Bhd.	**40%**	40%	40%	Dormant	Malaysia

16 ASSOCIATES (CONTINUED)

Name of associate	Group's interest			Principal activities	Country of incorporation
	31.8.2013	31.8.2012	1.9.2011		
Associate of TNB Ventures Sdn. Bhd.					
Northern Utility Resources Sdn. Bhd. (Receiver and Manager Appointed)	**20%**	20%	20%	Dormant	Malaysia
Associate of Independent Power International Ltd.					
Malaysian Shoaiba Consortium Sdn. Bhd.	**20%**	20%	20%	Investment holding	Malaysia
Associate of Oasis Parade Sdn. Bhd.					
Saudi-Malaysia Operation And Maintenance Services Company Limited	**30%**	30%	30%	Investment holding	Saudi Arabia
Associate of TNB Energy Services Sdn. Bhd.					
Jana Landfill Sdn. Bhd.	**20%**	20%	20%	Generation and distribution of heat and electricity using landfill gas as its main fuel source	Malaysia
Associate of TNB Engineering Corporation Sdn. Bhd.					
Abraj Cooling LLC	**49%**	49%	49%	Contracting works for the construction of District Cooling Plants	United Arab Emirates
Associate of TNB Research Sdn. Bhd.					
Gunung Tenaga Sdn. Bhd.	**40%**	0%	0%	Environmental services and research	Malaysia

17 INVESTMENT IN UNQUOTED DEBT SECURITIES

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Unsecured loan notes	**163.7**	163.7	164.0	**163.7**	163.7	164.0
Available-for-sale financial asset	**0.2**	0	0	**0**	0	0
	163.9	163.7	164.0	**163.7**	163.7	164.0

Available-for-sale ('AFS') financial assets comprise unlisted securities and are denominated in Saudi Riyal.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Available-for-sale financial assets	**38.0**	38.0	38.0	**38.0**	38.0	38.0

Available-for-sale financial assets comprise unquoted shares and are denominated in Ringgit Malaysia.

19 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 statements of financial position:

	31.8.2013 RM'million	31.8.2012 (Restated) RM'million	1.9.2011 (Restated) RM'million
Group			
Deferred tax assets	**4.9**	0	30.2
Deferred tax liabilities	**(6,430.8)**	(7,874.1)	(7,370.7)
Net total	**(6,425.9)**	(7,874.1)	(7,340.5)
Company			
Deferred tax liabilities	**(4,718.8)**	(6,178.8)	(5,649.0)

19 DEFERRED TAXATION (CONTINUED)

The movements during the financial year relating to deferred tax are as follows:

Group	31.8.2013 RM'million	31.8.2012 (Restated) RM'million
As at the beginning of the financial year	**(7,874.1)**	(7,340.5)
(Charged)/credited to statement of profit or loss:		
– Property, plant and equipment	**70.1**	(928.2)
– Unutilised tax losses	**(24.8)**	(6.3)
– Provision and allowances	**233.9**	68.5
– Accrued revenue	**(11.2)**	(13.2)
– Temporary difference from lease accounting	**(73.7)**	345.6
	194.3	(533.6)
Credited to other comprehensive income:		
– Provision and allowances	**1,253.9**	0
As at the end of the financial year	**(6,425.9)**	(7,874.1)

Group	31.8.2013 RM'million	31.8.2012 (Restated) RM'million	1.9.2011 (Restated) RM'million
Subject to income tax			
Deferred tax assets (before offsetting):			
– Provision and allowances	**3,568.9**	2,081.1	2,012.6
– Unutilised tax losses	**0**	24.8	31.1
– Property, plant and equipment	**5.8**	15.1	122.1
Offsetting	**(3,569.8)**	(2,121.0)	(2,135.6)
Deferred tax assets (after offsetting)	**4.9**	0	30.2
Deferred tax liabilities (before offsetting):			
– Property, plant and equipment	**(9,049.6)**	(9,129.0)	(8,307.8)
– Accrued revenue	**(525.7)**	(514.5)	(501.3)
– Temporary difference from lease accounting	**(425.3)**	(351.6)	(697.2)
Offsetting	**3,569.8**	2,121.0	2,135.6
Deferred tax liabilities (after offsetting)	**(6,430.8)**	(7,874.1)	(7,370.7)

19 DEFERRED TAXATION (CONTINUED)

The amount of deductible temporary differences, unused tax losses and reinvestment allowance (which have no expiry date) for which no deferred tax assets is recognised in the statements of financial position are as follows:

Group	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Deductible temporary differences	**2,852.2**	1,855.1	1,557.6
Tax losses	**1,374.1**	1,376.1	1,312.0
Reinvestment allowance	**28.2**	28.2	28.2

The movements during the financial year relating to deferred tax are as follows:

Company	31.8.2013 RM'million	31.8.2012 (Restated) RM'million
As at the beginning of the financial year	**(6,178.8)**	(5,649.0)
(Charged)/credited to statement of profit or loss:		
– Property, plant and equipment	**174.3**	(444.6)
– Provision and allowances	**90.9**	35.4
– Accrued revenue	**(11.2)**	(13.2)
– Temporary difference from lease accounting	**(47.9)**	(107.4)
	206.1	(529.8)
Credited to other comprehensive income:		
– Provision and allowances	**1,253.9**	0
As at the end of the financial year	**(4,718.8)**	(6,178.8)

Company	31.8.2013 RM'million	31.8.2012 (Restated) RM'million	1.9.2011 (Restated) RM'million
Subject to income tax			
Deferred tax assets (before offsetting):			
– Provision and allowances	**3,053.2**	1,708.4	1,673.0
Offsetting	**(3,053.2)**	(1,708.4)	(1,673.0)
Deferred tax assets (after offsetting)	**0**	0	0
Deferred tax liabilities (before offsetting):			
– Property, plant and equipment	**(7,136.0)**	(7,310.3)	(6,865.7)
– Accrued revenue	**(525.7)**	(514.5)	(501.3)
– Temporary difference from lease accounting	**(110.3)**	(62.4)	45.0
Offsetting	**3,053.2**	1,708.4	1,673.0
Deferred tax liabilities (after offsetting)	**(4,718.8)**	(6,178.8)	(5,649.0)

20 DERIVATIVE FINANCIAL INSTRUMENTS

Group	Note	Notional amount RM'million	Assets RM'million	Liabilities RM'million
31.8.2013				
Current				
Non-hedge accounting qualified derivative financial instruments:				
– Forward foreign currency contracts	(a)	**20.3**	**0**	**0.3**
Non-current				
Non-hedge accounting qualified derivative financial instruments:				
– Currency options contracts	(b)	**872.0**	**61.9**	**0**
– Interest rate swap contracts	(c)	**291.9**	**0**	**12.8**
Total		**1,184.2**	**61.9**	**13.1**
31.8.2012				
Non-current				
Non-hedge accounting qualified derivative financial instruments:				
– Currency options contracts	(b)	1,033.2	116.3	0
– Interest rate swap contracts	(c)	462.3	0	21.5
Total		1,495.5	116.3	21.5
1.9.2011				
Current				
Non-hedge accounting qualified derivative financial instruments:				
– Forward foreign currency contracts		87.8	1.5	0
Non-current				
Non-hedge accounting qualified derivative financial instruments:				
– Currency options contracts	(b)	1,008.8	89.9	0
– Interest rate swap contracts	(c)	616.6	0	44.1
Total		1,713.2	91.4	44.1

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Company	Note	Notional amount RM'million	Assets RM'million	Liabilities RM'million
31.8.2013				
Current				
Non-hedge accounting qualified derivative financial instruments:				
– Forward foreign currency contracts	(a)	**20.3**	**0**	**0.3**
Non-current				
Non-hedge accounting qualified derivative financial instruments:				
– Interest rate swap contracts	(c)	**291.9**	**0**	**12.8**
Total		**312.2**	**0**	**13.1**
31.8.2012				
Non-current				
Non-hedge accounting qualified derivative financial instruments:				
– Interest rate swap contracts	(c)	462.3	0	21.5
Total		462.3	0	21.5
1.9.2011				
Current				
Non-hedge accounting qualified derivative financial instruments:				
– Forward foreign currency contracts		87.8	1.5	0
Non-current				
Non-hedge accounting qualified derivative financial instruments:				
– Interest rate swap contracts	(c)	616.6	0	44.1
Total		704.4	1.5	44.1

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Details of derivative financial instruments are as follows:

(a) Forward Foreign Currency

In August 2013, the Company entered into a forward contract to buy US Dollar at a forward rate of 3.3352 and 3.3362 for 1 US Dollar to be settled in the next financial year.

(b) Forward Start JPY call spread

In April 2004, TNB Capital (L) Limited ('TNBCL') entered into Currency Option Agreements with a notional amount of JPY26.0 billion as a hedge on its 30-year JPY26.0 billion term loan at fixed interest rate of 4.055%. This transaction enables TNBCL to reduce its exposure to losses that may arise from adverse fluctuation on USD/JPY exchange rates in relation to the above term loan.

(c) Interest Rate Swap ('IRS')

The Company entered into IRS agreements on 10 October 2008 with effective period from 15 October 2008 to 28 February 2015 that entitle it to receive interest at floating rates, and oblige it to pay interest at fixed rate of 3.8% on aggregate notional principal of USD384.6 million.

The effect of this transaction is to effectively fix the interest rate payable on the 9-year USD503.0 million term loan (ECA Loan).

21 LONG TERM RECEIVABLES

	Note	31.8.2013	31.8.2012	1.9.2011
		RM'million	RM'million	RM'million
Group				
Other debtors	(a)	**285.8**	317.7	388.6
Advance to contractors	(b)	**19.3**	101.5	0
		305.1	419.2	388.6
Company				
Other debtors	(a)	**282.8**	317.7	388.6
Amounts due from subsidiaries	(c)	**417.5**	331.4	164.2
Redeemable unsecured loan stocks ('RULS')	(d)	**535.5**	535.5	535.5
		1,235.8	1,184.6	1,088.3

(a) Other debtors comprise advances given to Yayasan Tenaga Nasional and staff loans which are not expected to be received within 12 months from the statement of financial position date.

21 LONG TERM RECEIVABLES (CONTINUED)

(b) Advance to contractors primarily relates to construction of plant which will be utilised against milestone payment invoices, which is more than 12 months.

(c) The amounts due from subsidiaries comprise advances and interests receivables from TNB Power Daharki Ltd. ('TPD') and Kapar Energy Ventures Sdn. Bhd. ('KEV') respectively. The amount due from TPD is subject to interest at rates ranging from 1.9% to 3.4% (2012: 2.3% to 3.8%) per annum and is unsecured. The interest receivables due from KEV are based on terms in (d).

Included in the balance are also amount due from SESB and TNB Coal International Ltd. of RM52.7 million and RM375.8 million respectively, which has been fully provided for. Amount due from Sabah Electricity Sdn. Bhd. ('SESB') and TNB Coal International Ltd. are subject to an interest rate of 6.0% (2012: 6.0%) and 7.0% (2012: 7.0%) per annum respectively, are unsecured and have no fixed term of repayment.

(d) Redeemable unsecured loan stocks bear interest at 15.0% (2012: 15.0%) per annum on the outstanding nominal value of the principal and a compounding interest will be charged at 5.0% (2012: 5.0%) per annum on the unpaid interest after the due date. Refer to Note 33(c) for the terms of RULS.

22 PREPAID OPERATING LEASE

(a) Prepaid operating leases

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Non-current						
Prepaid operating leases	**3,525.3**	3,164.8	2,528.0	**3,270.6**	2,936.2	2,321.6
Current						
Prepaid operating leases	**663.8**	624.5	633.0	**642.1**	602.9	608.7

Payments made in advance to Independent Power Producers (IPPs) are primarily to reserve generating capacity for the future goods and services. These amounts will be used as partial settlement towards the future amounts payable to the IPPs. There is no contractual right to receive a refund in cash or another financial instrument from the IPPs.

22 PREPAID OPERATING LEASE (CONTINUED)

(b) Lease payable and prepayment by lessee

	Group			Company		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Non-current						
Lease payable* (Note 37)	**150.6**	144.4	135.6	**150.6**	144.4	135.6
Prepayment by lessee** (Note 37)	**352.2**	336.5	297.9	**0**	0	0
	502.8	480.9	433.5	**150.6**	144.4	135.6
Current						
Lease payable* (Note 30)	**0.8**	3.5	6.1	**0.8**	3.5	6.1
Prepayment by lessee** (Note 30)	**26.6**	21.2	29.9	**0**	0	0
	27.4	24.7	36.0	**0.8**	3.5	6.1

* *The Group and Company as lessee*

** *The Group as lessor*

23 FINANCE LEASE RECEIVABLES

The Group's finance lease receivables arise predominantly from a Cooling Energy Supply Agreement ('CESA'). This CESA is accounted for as a finance lease in accordance with IC 4 and MFRS 117 'Leases'.

	Minimum Lease Payments			Present Value of Minimum Lease Payments		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Within 1 year	**2.0**	0	0	**1.4**	0	0
After 1 year and not later than 5 years	**8.1**	0	0	**2.6**	0	0
Over 5 years	**20.5**	0	0	**12.8**	0	0
	30.6	0	0	**16.8**	0	0
Less: Unearned finance income	**(13.8)**	0	0			
Present value of minimum lease payments receivables	**16.8**	0	0			

The finance lease receivables, accounted for as finance lease in accordance with IC 4 and MFRS 117, relates to the 20-year CESA under which a subsidiary, Bangsar Energy Systems Sdn. Bhd. sells all of its cooling energy output to a third party. The effective interest rate implicit in the finance lease is approximately 10.86% (2012: NIL). The carrying amounts of the finance lease receivables approximate to their fair values.

24 NON-CURRENT ASSETS HELD-FOR-SALE

	Group		Company	
	2013 RM'million	2012 RM'million	2013 RM'million	2012 RM'million
Cost				
As at 1 September	**10.1**	12.3	**10.1**	12.3
Amount transferred from:				
– Property, plant and equipment (Note 13)	**1.0**	15.6	**1.0**	15.6
Disposals	**(1.0)**	(17.8)	**(1.0)**	(17.8)
As at 31 August	**10.1**	10.1	**10.1**	10.1
Accumulated depreciation/amortisation				
As at 1 September	**0.3**	0.9	**0.3**	0.9
Amount transferred from:				
– Property, plant and equipment (Note 13)	**0.2**	0.7	**0.2**	0.7
Disposals	**(0.2)**	(1.3)	**(0.2)**	(1.3)
As at 31 August	**0.3**	0.3	**0.3**	0.3
Net book amount				
Property, plant and equipment	**9.8**	9.8	**9.8**	9.8
As at 31 August	**9.8**	9.8	**9.8**	9.8

During the financial year, the Company entered into several sale and purchase agreements with various parties, for which the disposals are still in progress.

25 INVENTORIES

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Raw materials, fuel and consumables	**2,814.8**	2,766.1	2,462.3	**1,631.2**	1,529.6	1,356.7
Work-in-progress	**26.7**	37.6	169.8	**0**	0	0
Finished goods	**36.2**	38.5	13.8	**0**	0	0
	2,877.7	2,842.2	2,645.9	**1,631.2**	1,529.6	1,356.7

26 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Trade receivables	**6,438.0**	6,417.0	5,426.7	**5,315.6**	5,231.1	4,088.1
Staff advances/loans	**66.2**	70.2	62.0	**61.1**	66.2	56.0
Partial payment to contractors	**236.5**	353.2	527.0	**110.9**	90.7	50.7
Deposits and prepayments	**167.1**	133.2	114.0	**28.4**	26.8	26.1
Other receivables	**962.7**	630.5	554.1	**89.5**	63.3	70.6
Rechargeable debtors	**145.6**	83.9	55.8	**128.3**	83.9	45.7
	8,016.1	7,688.0	6,739.6	**5,733.8**	5,562.0	4,337.2
Allowance for impairment:						
Trade receivables (Note 47 (c)(i))	**(617.8)**	(573.1)	(607.7)	**(548.0)**	(490.2)	(530.3)
Others (Note 47 (c)(i))	**(159.3)**	(126.2)	(109.8)	**(138.9)**	(108.5)	(82.0)
	(777.1)	(699.3)	(717.5)	**(686.9)**	(598.7)	(612.3)
	7,239.0	6,988.7	6,022.1	**5,046.9**	4,963.3	3,724.9

The Group's and Company's credit policy provides trade receivables with a 30 days (2012: 30 days; 2011: 30 days) credit period. The Group has no major significant concentration of credit risk other than business and residential trade receivables due to its diverse customer base. All credit and recovery risks associated with receivables have been provided for in the financial statements.

Credit risks relating to Receivables, Deposits and Prepayments is disclosed in Note 47 (c)(i) to the financial statements.

27 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amount due to TNB Capital (L) Ltd. is subject to interest rates ranging from 0.4% to 5.3% (31.8.2012: 0.7% to 5.3%; 1.9.2011: 0.5% to 5.3%) per annum, is unsecured and has no fixed term of repayment.

Amount due from/(to) all other subsidiaries are unsecured, interest free and repayable on demand.

28 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group			Company		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Financial assets at fair value through profit or loss	**9.7**	9.1	8.6	**9.7**	9.1	8.6

Financial assets represent investments in a unit trust.

29 DEPOSITS, BANK AND CASH BALANCES

	Group			Company		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Cash in hand and at bank	**813.7**	856.1	1,005.0	**398.3**	466.2	500.9
Deposits with licensed banks	**8,717.4**	7,770.2	2,949.2	**3,906.0**	3,495.0	2,203.0
	9,531.1	8,626.3	3,954.2	**4,304.3**	3,961.2	2,703.9

The interest rate per annum of deposits, bank and cash balances that were effective as at the end of the reporting date were as follows:

	Group			Company		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	%	%	%	%	%	%
Deposits with licensed banks	**0.02 - 5.0**	0.1 - 5.0	1.5 - 7.5	**3.2 - 3.4**	3.2 - 3.4	2.9 - 3.6
Bank balances	**0.1**	0.1	0.1	**0.1**	0.1	0.1

Deposits with licensed banks are held in the short term money market. Deposits have maturity periods ranging from 3 to 365 days (2012: 5 to 366 days) for the Group and 14 to 63 days (2012: 9 to 70 days) for the Company.

29 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

Deposits of the Group and Company at the end of the financial year have an average maturity period of 89 days (2012: 113 days; 2011: 16 days).

	Group			Company		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Cash and cash equivalents at the end of the financial year comprise:						
Cash in hand and at bank	**813.7**	856.1	1,005.0	**398.3**	466.2	500.9
Deposits with licensed banks	**8,717.4**	7,770.2	2,949.2	**3,906.0**	3,495.0	2,203.0
Deposits, bank and cash balances	**9,531.1**	8,626.3	3,954.2	**4,304.3**	3,961.2	2,703.9
Cash at bank held in trust*	**(53.5)**	(97.9)	(465.7)	**0**	0	0
Debt reserve account** (Note 33(b)(ii))	**(213.8)**	(218.6)	(225.2)	**0**	0	0
Funds from MoF***	**(0.5)**	(2.5)	(5.2)	**0**	0	0
	9,263.3	8,307.3	3,258.1	**4,304.3**	3,961.2	2,703.9

* *The cash at bank held in trust is in respect of a grant and deposit given to a subsidiary by the Government of Malaysia for designated capital projects*

** *Debt reserve account relates to deposits placed with licensed financial institution as part of security obligations for bond financing*

*** *Ministry of Finance (MoF) fund given to a subsidiary under a stimulus package for training programmes*

30 PAYABLES

	Group			Company		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Trade payables	**4,981.4**	4,629.4	4,116.3	**3,298.0**	2,710.2	2,906.9
Payroll liabilities	**718.1**	491.4	473.1	**621.3**	444.3	437.3
Deposits	**22.4**	24.7	23.7	**16.6**	19.3	17.9
Provisions	**382.7**	278.6	388.6	**58.8**	209.1	58.2
Lease payables (Note 22(b))	**27.4**	24.7	36.0	**0.8**	3.5	6.1
Amount due to Federal Government	**85.7**	85.7	85.7	**0**	0	0
Other payables and accruals	**396.7**	236.8	484.0	**154.4**	102.7	129.5
	6,614.4	5,771.3	5,607.4	**4,149.9**	3,489.1	3,555.9

Included in energy cost (Note 5) and trade payables is a constructive obligation of RM218.2 million (2012: NIL) relating to a Government proposed Stabilisation Fund.

Credit terms of trade payables of the Group and Company vary from 30 to 60 days (2012: 30 to 60 days) depending on the terms of the contracts.

31 DEFERRED INCOME

	31.8.2013	31.8.2012
	RM'million	RM'million
Group		
As at the beginning of the financial year	**3,185.9**	3,373.5
Received during the financial year	**905.4**	777.4
Released to statement of profit or loss	**(958.1)**	(928.2)
Reclassified to other liabilities	**(11.2)**	(36.8)
As at the end of the financial year	**3,122.0**	3,185.9

	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million
Group			
Realised within 12 months	**1,062.1**	894.7	523.9
Realised after 12 months	**2,059.9**	2,291.2	2,849.6
	3,122.0	3,185.9	3,373.5

31 DEFERRED INCOME (CONTINUED)

	31.8.2013 RM'million	31.8.2012 RM'million
Company		
As at the beginning of the financial year	**2,786.4**	2,942.2
Received during the financial year	**794.0**	655.6
Released to statement of profit or loss	**(862.3)**	(811.4)
As at the end of the financial year	**2,718.1**	2,786.4

	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Company			
Realised within 12 months	**997.1**	770.0	487.4
Realised after 12 months	**1,721.0**	2,016.4	2,454.8
	2,718.1	2,786.4	2,942.2

Deferred income primarily relates to contributions paid in advance by electricity customers for the construction of electricity network assets.

32 SHORT TERM BORROWINGS

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Portion of borrowings due within one financial year (Note 33):						
– Secured	**234.1**	324.8	294.5	**0**	0	0
– Unsecured	**669.4**	989.0	1,164.0	**459.8**	759.3	954.5
	903.5	1,313.8	1,458.5	**459.8**	759.3	954.5
Short term loans:						
– Secured (Note 33 (b)(ii))	**226.7**	223.1	225.8	**0**	0	0
– Unsecured	**0.4**	0.6	0.4	**0**	0	0
Bankers' acceptances	**45.3**	66.7	42.6	**0**	0	0
	1,175.9	1,604.2	1,727.3	**459.8**	759.3	954.5

The short term borrowings carry interest at rates ranging from 0.8% to 15.0% (2012: 0.8% to 14.0%) per annum for the Group and from 0.8% to 7.5% (2012: 0.8% to 8.3%) for the Company.

33 BORROWINGS

	Group			Company		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Secured:						
– Term loans (Note (a))	**1,701.4**	1,490.1	1,312.5	**0**	0	0
– Bonds (Note (b))	**7,361.2**	5,562.8	1,940.3	**0**	0	0
	9,062.6	7,052.9	3,252.8	**0**	0	0
Unsecured:						
– Term loans	**8,618.2**	9,525.9	9,903.8	**6,432.6**	8,007.1	8,147.4
– Bonds	**4,569.3**	5,597.7	4,479.6	**3,401.0**	3,487.8	3,425.3
– Income securities	**0**	0	514.4	**0**	0	514.4
– Amount due to Cagamas Berhad	**0**	0	87.1	**0**	0	87.1
– Redeemable unsecured loan stocks (Note (c))	**667.1**	604.9	547.6	**0**	0	0
	13,854.6	15,728.5	15,532.5	**9,833.6**	11,494.9	12,174.2
	22,917.2	22,781.4	18,785.3	**9,833.6**	11,494.9	12,174.2

	Group			Company		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Payable within 1 year included under short term borrowings (Note 32)	**903.5**	1,313.8	1,458.5	**459.8**	759.3	954.5
Repayable after one year:						
After 1 and up to 2 years	**2,243.5**	1,015.0	1,075.9	**357.2**	493.2	637.4
After 2 and up to 5 years	**2,554.1**	3,774.3	3,840.4	**571.7**	1,229.5	1,462.2
After 5 and up to 10 years	**8,627.6**	9,006.3	3,713.9	**4,636.1**	4,816.7	2,213.2
After 10 and up to 20 years	**7,207.1**	6,237.3	7,150.3	**2,866.8**	3,010.3	5,630.6
After 20 and up to 30 years	**1,136.5**	1,201.9	1,324.6	**697.1**	953.1	1,054.6
After 30 years	**244.9**	232.8	221.7	**244.9**	232.8	221.7
	22,013.7	21,467.6	17,326.8	**9,373.8**	10,735.6	11,219.7
	22,917.2	22,781.4	18,785.3	**9,833.6**	11,494.9	12,174.2

33 BORROWINGS (CONTINUED)

	Group		
	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million
Net book values of property, plant and equipment pledged as security for borrowings:			
(i) Machinery and equipment	**4,730.2**	4,769.8	4,730.5
(ii) Building	**619.0**	657.0	695.3
(iii) Leasehold land	**62.8**	63.7	64.6
	5,412.0	5,490.5	5,490.4

(a) Term loans

(i) The Federal Government loans obtained by Sabah Electricity Sdn. Bhd. ('SESB') are secured by the following:

i) A debenture creating:

- a first fixed charge over all present and future freehold and leasehold properties including all buildings and fixtures; and
- a first floating charge over all present and future assets of SESB not effectively charged by way of the fixed charge.

ii) A deed of assignment transferring of SESB's present and future rights and interest in all sales proceeds or revenue derived from the sale of electricity generated from the projects funded.

iii) A deed of assignment transferring of SESB's present and future rights and interests in the bank account in which the loan proceeds are credited.

The tenure of the loans ranges from 20 to 25 years with a profit rate of between 0% to 4.0% per annum.

(ii) 30 YEAR JPY26.0 BILLION TERM LOAN

On 30 March 2004, TNB Capital (L) Ltd ('TNB Capital') entered into a 30-year JPY26.0 billion unsecured loan, paying interests at USD fixed rate of 4.055%. The loan will mature on 13 April 2034. The loan is an amortising loan whose principal is payable in 20 equal annual installments. The first repayment shall be due on 13 April 2015. The interest is paid semi-annually on 13 April and 13 October each year commencing on 13 October 2004.

(iii) USD503.0 MILLION TERM LOAN (NOVATED FROM TNB JANAMANJUNG)

On 30 August 2006, the Term Loan amounting to USD503.0 million has been novated to TNB Capital. The loan is an amortising loan guaranteed by the Company and the principal is payable in 17 semi-annual equal installments. It is a floating interest rate bearing loan. The principal and interest is payable every 28 February and 30 August each year commencing 28 February 2007.

33 BORROWINGS (CONTINUED)

(a) Term loans (continued)

(iv) 136 MONTHS RM310.0 MILLION TERM LOAN

On 26 August 2012, Airport Cooling Energy Supply Sdn. Bhd. ('ACES') entered into a 136 months RM310.0 million secured loan, paying interest at a fixed rate of 5.65%. The loan will mature on 29 December 2022. The principal is payable in 20 semi-annual installments.

The term loan is secured by the following:

i) the Deed of assignment over ACES' present and future rights, title, interest, and benefits under, and all proceeds payable to ACES under, in respect of or arising from the Concession Agreement;

ii) the Debenture over ACES' present and future assets, undertaking and all other properties and rights to secure the repayment of the secured amounts;

iii) the Account Charge over the Escrow Account and Sinking Fund Account to secure the secured amounts;

iv) the Assignment of Contracts over ACES' present and future rights, title, interest, and benefits under, and all proceeds payable to ACES under, in respect of or arising from the cooling energy supply agreement(s) between ACES and its clients (as and when executed) relating to the KLIA-2 project; and

v) the Assignment of Takaful/Insurance Proceeds over ACES' present and future rights, title, interest, and benefits under all takaful plans/policies of insurance taken out by ACES or any person under, in respect of or arising from the KLIA-2 Project under which ACES is the insured or party covered, the beneficiary and/or the loss payee.

The term loan also requires ACES to maintain a certain debt service coverage ratio and gearing ratio at all times throughout the tenure of the term loan.

(v) 15-YEAR RM73.3 MILLION TERM LOAN

On 20 December 2012, the TNB Engineering Corporation Sdn. Bhd. ('TNEC') entered into a 15-year RM73.3 million secured loan, paying interest at a fixed rate of 5.85%. The loan will mature on 24 December 2025. The principal is payable in 12 annual installments.

The term loan is secured by a corporate guarantee from the Company. The term loan also requires TNEC to comply with certain affirmative and restrictive non-financial covenants.

33 BORROWINGS (CONTINUED)

(b) Bonds

(i) ISLAMIC DEBT SECURITIES – BAI BITHAMIN AJIL ('BaIDS')

On 28 June 2004, the Kapar Energy Ventures Sdn. Bhd. ('KEV') obtained RM3.4 billion BaIDS to finance the acquisition of Stesen Janaelektrik Sultan Salahuddin Abdul Aziz. The tenure of the BaIDS Facility ranges from 1 to 15 years with a profit rate of between 3.7% and 8.7% per annum.

The BaIDS are secured by the following:

i) charge over TNB's leased land. The charge of the leased land was not effected as at 31 August 2013.

ii) debenture over KEV's assets and properties and assignment of all rights, title interest and benefits under the project documents, the assigned insurances, and the designated accounts to secure the payment and repayment of the total secured amounts.

iii) the Priority and Security Sharing Agreement.

The terms of BaIDS require deposits to be placed in the debt reserve account with a licensed bank to meet the debt servicing requirements. The terms of BaIDS also require KEV to maintain certain financial covenants.

The BaIDS is inclusive of a revolving credit facility for working capital purposes amounting to RM200.0 million which has been classified as short term.

KEV had fully settled the outstanding amount of BaIDS in the current financial year through a refinancing exercise.

(ii) SUKUK IJARAH

On 5 July 2013, KEV issued a Sukuk Facility based on the Shariah principles of Ijarah ('Sukuk Ijarah') of Ringgit Malaysia Two Billion (RM2.0 billion) in nominal value. The tenure of the Sukuk ranges from 1 to 13 years with profit rates of 3.82% to 4.95%. The Sukuk proceeds were utilised for Shariah-compliant purposes, which include refinancing the outstanding BaIDS, payment of fees and expenses in relation to the Sukuk Ijarah facility and to meet the general working capital purposes of KEV.

The Sukuk Ijarah is secured by the followings:

i) Charge over the operating lease of the land owned by the Company; and

ii) Debenture over the assets and properties and assignment of all rights, title, interest and benefits under the project documents, the assigned insurances and the designated accounts to secure the payment and repayment of the total secured amounts

33 BORROWINGS (CONTINUED)

(b) Bonds (continued)

(iii) ISLAMIC SECURITIES PROGRAMME

On 25 November 2011, TNB Janamanjung Sdn. Bhd. ('TNBJ') obtained RM4.85 billion Islamic Securities Programme to finance the construction of 1,010MW coal fired power plant. The tenure of the Islamic Securities Programme ranges from 5 to 20 years with a profit rate between 3.80% and 4.90% per annum.

The Islamic Securities Programme consists of 2 series and the details of the series are as follows:

i) Series 1 consists of 15 tranches, with tenures ranging from 5 years to 19 years

ii) Series 2 consists of 1 tranche, with tenure of 20 years.

The Islamic Securities Programme Series 1 is secured by the following:

i) a first ranking assignment of TNBJ's rights, interest, titles and benefits under PPA1 (Manjung 1, 2 & 3) and PPA2 (Manjung 4) inclusive of the proceeds therefrom; and

ii) a first ranking assignment of all designated accounts and the related credit balances.

The Islamic Securities Programme Series 2 is unsecured and have the benefit of unconditional and irrevocable guarantee from Tenaga Nasional Berhad, to meet the payment obligations of TNBJ.

The Islamic Securities Programme are issued by Manjung Island Energy Berhad (MIEB) which is a special purpose vehicle company. All of the issued shares of MIEB are held by Equity Trust (Malaysia) Berhad as share trustee for the benefit of certain specified charities, under the terms of a declaration of trust.

(iv) SUKUK – GAS FIRED POWER PLANT

On 22 May 2013, TNB Northern Energy Berhad ('TNEB') obtained a RM1.6 billion sukuk facility agreement to finance the construction of a 1,071MW gas fired power plant. The tenure of the facility agreement is 23 years with a periodic distribution rate between 3.55% and 4.83% per annum.

The sukuk facility agreement consists of 39 tranches with tenures ranging from 4 years to 23 years.

(c) Redeemable Unsecured Loan Stocks ('RULS')

On 29 June 2004, KEV issued RM957,574,000.00 of Redeemable Unsecured Loan Stocks (RULS) to the Company and Malakoff Bhd. to finance the acquisition of Stesen Janaelektrik Sultan Salahuddin Abdul Aziz, Kapar. The portion subscribed by Malakoff Bhd. amounts to RM383,029,600.00.

The main features of the RULS are as follows:

(i) The RULS bear interest at 15.0% (2012: 15.0%) per annum on the outstanding nominal value of the RULS. The interest is repayable semi-annually on the last day of the relevant six month period from the issue date of RULS. A compounding interest will be charged at 5.0% (2012: 5.0%) per annum on the unpaid interest after the due date. The change in the compounding interest rate from 15.0% to 5.0% has been approved by the RULS holders at its meeting on 15 October 2008 and is effective from the first issuance date of the RULS.

(ii) The RULS are repayable from the third year from the issue date of RULS as stipulated in the agreement dated 29 June 2004. The RULS has to be settled in full by the final maturity date of 8 July 2029.

34 FINANCE LEASE PAYABLES

	Note	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Group				
Finance lease liabilities	(a)	**6,237.8**	1,350.8	1,328.6
Hire purchase creditors	(b)	**27.6**	43.1	54.8
		6,265.4	1,393.9	1,383.4
Company				
Finance lease liabilities	(a)	**17,148.7**	12,565.5	12,950.3

(a) The Group's and Company's obligations under finance lease liabilities arise predominantly from the power purchase agreements with several Independent Power Producers (IPPs). These power purchase agreements are accounted for as finance leases in accordance with IC 4 and MFRS 117.

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Minimum lease payments:						
Within 1 year	**910.7**	82.4	95.1	**2,421.7**	1,617.5	1,428.2
1 to 2 years	**901.0**	152.2	82.4	**2,358.2**	1,651.1	1,617.5
3 to 5 years	**2,220.4**	458.7	457.9	**6,597.0**	4,792.8	5,574.5
More than 5 years	**4,437.5**	1,854.7	2,007.8	**14,663.7**	13,199.5	14,068.9
Total minimum lease payments	**8,469.6**	2,548.0	2,643.2	**26,040.5**	21,260.9	22,689.1
Future finance charges	**(2,231.8)**	(1,197.2)	(1,314.6)	**(8,891.8)**	(8,695.4)	(9,738.8)
	6,237.8	1,350.8	1,328.6	**17,148.7**	12,565.5	12,950.3
Amount payable under finance lease:						
Within 1 year	**614.7**	39.6	34.9	**1,301.5**	671.6	384.8
After 1 year and not later than 5 years	**2,287.1**	197.0	180.2	**5,283.2**	3,040.0	2,876.0
Over 5 years	**3,336.0**	1,114.2	1,113.5	**10,564.0**	8,853.9	9,689.5
	6,237.8	1,350.8	1,328.6	**17,148.7**	12,565.5	12,950.3

34 FINANCE LEASE PAYABLES (CONTINUED)

(a) The Group's and Company's obligations under finance lease liabilities arise predominantly from the power purchase agreements with several Independent Power Producers (IPPs). These power purchase agreements are accounted for as finance leases in accordance with IC 4 and MFRS 117. (continued)

	Group			Company		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	%	%	%	%	%	%
Average effective interest rate (%)	**5.5%**	8.8%	9.2%	**8.6%**	8.0%	8.3%

The finance charges associated with the finance leases were charged to the statement of profit or loss in the financial year in which they were actually incurred.

As at 31 August 2013, the net book value of asset under finance lease for the Group and Company is as disclosed in Note 13 to the financial statements.

(b) This represents future instalments under hire purchase of motor vehicles, repayable as follows:

Group	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Minimum lease payments:			
– Not later than 1 year	**17.3**	17.5	16.9
– Later than 1 year and not later than 5 years	**11.7**	29.0	43.7
	29.0	46.5	60.6
Future finance charges on hire purchase	**(1.4)**	(3.4)	(5.8)
Present value of hire purchase	**27.6**	43.1	54.8
Present value of hire purchase:			
– Not later than 1 year	**16.2**	15.5	14.2
– Later than 1 year and not later than 5 years	**11.4**	27.6	40.6
	27.6	43.1	54.8

Hire purchase liabilities are effectively secured as the rights to the assets revert to the lessors in the event of default.

As at 31 August 2013, the weighted average effective interest rate applicable to the lease liabilities as at the financial year end is 5.5% (2012: 5.5%) per annum and interest for the financial year is at 2.9% (2012: 3.0%) per annum for the Group.

The entire balance is denominated in Ringgit Malaysia.

35 CONSUMER DEPOSITS

Consumers (with the exception of employees and government departments/agencies) are required to deposit a sum sufficient to cover charges for two months supply of energy as allowed under the regulation of the Licensee Supply (Amendment) Regulations 2002. In default of payment of the deposit within the time specified, the supply to the consumer's installation may be disconnected, subject to certain conditions laid out in the Regulations.

TNB and SESB paid 2.5% per annum on the amount of cash deposit as rebate in January every year.

36 EMPLOYEE BENEFITS

The movements in the financial statements are as follows:

Group	Retirement benefit plan (Restated) RM'million	Retirement medical plan (Restated) RM'million	Total (Restated) RM'million
At 1 September 2011	1,913.2	4,240.3	6,153.5
Charged to statement of profit or loss (Note 6)	279.9	313.7	593.6
Contribution and benefits paid	(344.2)	(264.1)	(608.3)
Actuarial loss recognised through other comprehensive income	2.4	0	2.4
At 31 August 2012	1,851.3	4,289.9	6,141.2
Charged to statement of profit or loss (Note 6)	312.1	465.0	777.1
Contribution and benefits paid	(344.0)	(289.5)	(633.5)
Actuarial loss recognised through other comprehensive income	711.5	4,447.9	5,159.4
At 31 August 2013	2,530.9	8,913.3	11,444.2

36 EMPLOYEE BENEFITS (CONTINUED)

The amounts recognised in the consolidated statements of financial position are analysed as follows:

Group	Retirement benefit plan (Restated) RM'million	Retirement medical plan (Restated) RM'million	Total (Restated) RM'million
At 1.9.2011			
Present value of obligations	2,852.8	4,240.3	7,093.1
Fair value of plan assets	(924.8)	0	(924.8)
Present value of unfunded obligations	1,928.0	4,240.3	6,168.3
Unrecognised past service cost	(15.1)	0	(15.1)
Others	0.3	0	0.3
Liability in the statement of financial position	1,913.2	4,240.3	6,153.5
At 31.8.2012			
Present value of obligations	2,996.9	4,289.9	7,286.8
Fair value of plan assets	(1,146.0)	0	(1,146.0)
Present value of unfunded obligations	1,850.9	4,289.9	6,140.8
Others	0.4	0	0.4
Liability in the statement of financial position	1,851.3	4,289.9	6,141.2
At 31.8.2013			
Present value of obligations	**3,807.3**	**8,913.3**	**12,720.6**
Fair value of plan assets	**(1,276.6)**	**0**	**(1,276.6)**
Present value of unfunded obligations	**2,530.7**	**8,913.3**	**11,444.0**
Others	**0.2**	**0**	**0.2**
Liability in the statement of financial position	**2,530.9**	**8,913.3**	**11,444.2**

36 EMPLOYEE BENEFITS (CONTINUED)

The expense recognised in the consolidated statements of profit or loss is analysed as follows:

Group	Retirement benefit plan (Restated) RM'million	Retirement medical plan (Restated) RM'million	Total (Restated) RM'million
31.8.2012			
Current service cost	140.1	30.2	170.3
Interest cost	120.6	283.5	404.1
Past service cost	15.1	0	15.1
Others	4.1	0	4.1
Total included in staff costs (Note 6)	279.9	313.7	593.6
31.8.2013			
Current service cost	**187.3**	**0**	**187.3**
Interest cost	**124.8**	**465.0**	**589.8**
Total included in staff costs (Note 6)	**312.1**	**465.0**	**777.1**

The charge to the statement of profit or loss is included in operating expenses.

36 EMPLOYEE BENEFITS (CONTINUED)

The principal actuarial assumptions used in respect of defined benefit plans were as follows:

Group	Retirement benefit plan %	Retirement medical plan %
At 1.9.2011		
Discount rates	6.6	7.0 – 7.1
Expected return on plan assets	6.0	N/A
Expected rate of salary increases	6.0	N/A
Medical cost inflation:		
– inpatient	N/A	5.0 – 6.0
– outpatient	N/A	6.0 – 8.0
Others:		
– specialist	N/A	5.0
At 31.8.2012		
Discount rates	6.6	7.0 – 7.1
Expected return on plan assets	6.0	N/A
Expected rate of salary increases	6.0	N/A
Medical cost inflation:		
– inpatient	N/A	5.0 – 11.0
– outpatient	N/A	8.0 – 11.0
Others:		
– specialist	N/A	5.0
At 31.8.2013		
Discount rates	**5.0**	**5.4 – 5.5**
Expected return on plan assets	**N/A**	**N/A**
Expected rate of salary increases	**8.0**	**N/A**
Medical cost inflation:		
– inpatient	**N/A**	**5.0 – 5.5**
– outpatient	**N/A**	**5.0 – 11.0**
Others:		
– specialist	**N/A**	**4.5**

36 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows:

Company	Retirement benefit plan (Restated) RM'million	Retirement medical plan (Restated) RM'million	Total (Restated) RM'million
At 1 September 2011	1,899.1	4,070.5	5,969.6
Charged to statement of profit or loss (Note 6)	272.9	283.4	556.3
Contributions and benefits paid	(337.0)	(261.0)	(598.0)
At 31 August 2012	1,835.0	4,092.9	5,927.9
Charged to statement of profit or loss (Note 6)	308.5	450.2	758.7
Contributions and benefits paid	(338.1)	(283.6)	(621.7)
Actuarial loss recognised through other comprehensive income	705.3	4,310.4	5,015.7
At 31 August 2013	2,510.7	8,569.9	11,080.6

The amounts recognised in the statement of financial position are analysed as follows:

At 1.9.2011			
Present value of obligations	2,838.3	4,070.5	6,908.8
Fair value of plan assets	(924.1)	0	(924.1)
Present value of unfunded obligations	1,914.2	4,070.5	5,984.7
Unrecognised past service cost	(15.1)	0	(15.1)
Liabilities in the statement of financial position	1,899.1	4,070.5	5,969.6
At 31.8.2012			
Present value of obligations	2,981.0	4,092.9	7,073.9
Fair value of plan assets	(1,146.0)	0	(1,146.0)
Liabilities in the statement of financial position	1,835.0	4,092.9	5,927.9
At 31.8.2013			
Present value of obligations	**3,787.3**	**8,569.9**	**12,357.2**
Fair value of plan assets	**(1,276.6)**	**0**	**(1,276.6)**
Liabilities in the statement of financial position	**2,510.7**	**8,569.9**	**11,080.6**

36 EMPLOYEE BENEFITS (CONTINUED)

The expense recognised in the statements of profit or loss is analysed as follows:

Company	Retirement benefit plan (Restated) RM'million	Retirement medical plan (Restated) RM'million	Total (Restated) RM'million
31.8.2012			
Current service cost	136.9	0	136.9
Interest cost	120.5	283.4	403.9
Past service cost	15.5	0	15.5
Total included in staff costs (Note 6)	272.9	283.4	556.3
31.8.2013			
Current service cost	**183.7**	**0**	**183.7**
Interest cost	**124.8**	**450.2**	**575.0**
Total included in staff costs (Note 6)	**308.5**	**450.2**	**758.7**

The charge to the statement of profit or loss is included in operating expenses.

36 EMPLOYEE BENEFITS (CONTINUED)

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

Company	Retirement benefit plan %	Retirement medical plan %
At 1.9.2011		
Discount rates	6.6	7.1
Expected return on plan assets	6.0	N/A
Expected rate of salary increases	6.0	N/A
Medical cost inflation:		
– inpatient	N/A	5.0
– outpatient	N/A	8.0
Others:		
– specialist	N/A	5.0
At 31.8.2012		
Discount rates	6.6	7.1
Expected return on plan assets	6.0	N/A
Expected rate of salary increases	6.0	N/A
Medical cost inflation:		
– inpatient	N/A	5.0
– outpatient	N/A	8.0
Others:		
– specialist	N/A	5.0
At 31.8.2013		
Discount rates	**5.0**	**5.4**
Expected return on plan assets	**N/A**	**N/A**
Expected rate of salary increases	**8.0**	**N/A**
Medical cost inflation:		
– inpatient	**N/A**	**5.5**
– outpatient	**N/A**	**11.0**
Others:		
– specialist	**N/A**	**4.5**

36 EMPLOYEE BENEFITS (CONTINUED)

The effect of a 1% movement in the key assumptions to the defined benefit obligation balances are as follows:

	Retirement benefit plan		Retirement medical plan	
	Increase	Decrease	Increase	Decrease
	RM'million	RM'million	RM'million	RM'million
Group				
Medical cost trend rate	0	0	1,347.4	(1,106.8)
Discount rate	(221.2)	249.1	(1,057.7)	1,307.0
Company				
Medical cost trend rate	0	0	1,278.0	(1,051.5)
Discount rate	(221.2)	249.1	(1,004.1)	1,238.7

Plan assets comprise:

	Group and Company		
	31.8.2013	31.8.2012	1.9.2011
	%	%	%
Equity instruments	**29.4**	22.9	24.4
Debt instruments	**60.9**	72.7	72.7
Others	**9.7**	4.4	2.9
	100.0	100.0	100.0

Pension plan assets include the Company's ordinary shares with a fair value of RM7.7 million (2012: RM5.5 million).

37 OTHER LIABILITIES

	Note	31.8.2013 RM'million	31.8.2012 (Restated) RM'million	1.9.2011 (Restated) RM'million
Group				
Long term payable to State Government		**38.8**	45.2	45.2
Lease payable under operating lease	22 (b)	**150.6**	144.4	135.6
Prepayment by lessee	22 (b)	**352.2**	336.5	297.9
Others		**362.2**	341.4	395.3
		903.8	867.5	874.0
Company				
Payable to State Government		**38.8**	45.2	45.2
Lease payable under operating lease	22 (b)	**150.6**	144.4	135.6
Others		**330.7**	303.6	309.6
		520.1	493.2	490.4

38 GOVERNMENT DEVELOPMENT GRANTS

	31.8.2013 RM'million	31.8.2012 RM'million
Group		
As at the beginning of the financial year	**671.0**	627.2
Received during the financial year	**169.0**	120.8
Released to statement of profit or loss (Note 7)	**(58.3)**	(77.0)
As at the end of the financial year	**781.7**	671.0

The development grants are provided by the Government for a subsidiary company mainly for the construction of property, plant and equipment.

39 SHARE CAPITAL

	Group and Company		
	31.8.2013	**31.8.2012**	**1.9.2011**
Authorised:			
Ordinary shares of RM1.00 each	**10,000,000,000**	10,000,000,000	10,000,000,000
Special Rights Redeemable Preference Share of RM1.00 each	**1**	1	1
Class A Redeemable Preference Shares of RM1.00 each	**1,000**	1,000	1,000
Class B Redeemable Preference Shares of RM1.00 each	**500**	500	500
Total authorised share capital as at the end of the financial year	**10,000,001,501**	10,000,001,501	10,000,001,501
Issued and fully paid:			
Ordinary shares of RM1.00 each	**5,643,611,171**	5,501,553,731	5,456,657,139
Special Rights Redeemable Preference Share of RM1.00 each	**1**	1	1
Total share capital issued and fully paid as at the end of the financial year	**5,643,611,172**	5,501,553,732	5,456,657,140

	Group and Company	
	31.8.2013	**31.8.2012**
Movements in issued ordinary shares of RM1.00 each:		
As at the beginning of the financial year	**5,501,553,731**	5,456,657,139
Issuance of ordinary shares of RM1.00 each under the ESOS II	**142,057,440**	44,896,592
As at the end of the financial year	**5,643,611,171**	5,501,553,731

39 SHARE CAPITAL (CONTINUED)

Employees' Share Option Scheme ('ESOS')

The Company implemented a new Employees' Share Option Scheme II ('ESOS II') on 8 July 2003 for a period of 10 years. The ESOS II is governed by the by-laws, which were approved by the shareholders at an Extraordinary General Meeting ('EGM') on 29 May 2003 and amended at the EGM held on 15 December 2005.

The main features of ESOS II were as follows:

(a) The total number of ordinary shares to be issued by the Company under the ESOS II shall not exceed 10.0% of total issued and paid-up ordinary shares of the Company, such that not more than 50.0% of the shares available under the ESOS II are allocated, in aggregate, to Directors and senior management.

(b) Not more than 10.0% of the shares available under the ESOS II is allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20.0% or more in the issued and paid-up capital of the Company.

(c) Any employee, including any Executive Director and those categorised as Fixed Term Senior Management, but excluding a Skim A employee (the scheme governing employees who, upon the corporatisation and privatisation of the Lembaga Letrik Negara in 1990, remain employed under the Government's terms and conditions) are eligible to participate in the ESOS II. Employees under the Fixed Term Senior Management are also entitled to the Performance Options based on the meeting prescribed performance targets.

(d) The option price under the ESOS II is the higher of the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five trading days preceding the date of offer with a 10.0% discount on the nominal value of the shares, subject always that the discount shall not be applicable to any shares under the Performance Option.

(e) In the event of any alteration to the capital structure of the Company during the option period which expired on 7 July 2013, such corresponding alterations shall be made in:

   (i) the number of new shares in relation to the ESOS II so far as unexercised;

   (ii) the option price; and/or

   (iii) the method of the exercise of the option.

(f) Options granted under the ESOS II carry no dividends or voting rights. Upon exercise of the options, shares issued rank pari passu in all respects with the then existing ordinary shares of the Company.

(g) The persons to whom the options have been granted under the ESOS II have no right to participate in any share issue of any other company within the Group.

39 SHARE CAPITAL (CONTINUED)

Employees' Share Option Scheme ('ESOS') (continued)

Movements in the number of shares represented by options outstanding and their related weighted average exercise prices are as follows:

	31.8.2013		31.8.2012	
	Average exercise price	Number of shares	Average exercise price	Number of shares
	RM/share	'000	RM/share	'000
As at the beginning of the financial year	**7.49**	**143,024**	7.16	165,391
Granted	**6.24**	**25,947**	5.68	23,255
Exercised	**5.71**	**(142,057)**	5.38	(44,897)
Expired	**7.94**	**(26,914)**	5.80	(725)
As at the end of the financial year	**0**	**0**	7.49	143,024

Details relating to the options exercised during the financial year are as follows:

Exercise date	Fair value of shares at share issue date	Exercise price	Number of shares issued as at 31.8.2013
	RM/share	RM/share	
September 2012	6.84 – 6.55	4.45/5.06/5.08/5.36/5.45/5.59/5.62/5.64/5.74/5.86/5.93	8,278,378
October 2012	7.13 – 6.80	4.45/5.06/5.36/5.45/5.59/5.64/5.74/5.86/5.93/6.24/6.53	13,931,419
November 2012	7.00 – 6.89	4.45/5.06/5.36/5.45/5.59/5.64/5.74/5.86/5.93/6.53	11,566,324
December 2012	7.03 – 6.80	4.45/5.06/5.36/5.45/5.59/5.64/5.74/5.86/5.93/6.24/6.53	6,565,639
January 2013	7.06 – 6.90	4.45/5.06/5.36/5.45/5.59/5.62/5.64/5.74/5.86/5.93/6.24/8.85	9,272,224
February 2013	7.03 – 6.91	4.45/5.06/5.36/5.45/5.59/5.62/5.64/5.74/5.86/5.93/6.09/ 6.20/6.24/6.28	13,244,637
March 2013	7.22 – 6.90	4.45/5.06/5.36/5.45/5.59/5.62/5.64/5.74/5.86/5.93/6.09/ 6.20/6.24/6.40/6.53	10,488,669
April 2013	7.99 – 7.22	4.45/4.76/5.06/5.08/5.36/5.45/5.59/5.62/5.64/5.74/5.86/ 5.93/6.09/6.20/6.24/6.27/6.28/6.40/6.53/6.56/6.60/6.62/ 6.75/7.33/7.35/8.85	21,334,842
May 2013	8.45 – 7.78	4.45/5.06/5.36/5.45/5.59/5.62/5.64/5.74/5.86/5.93/6.09/ 6.20/6.24/6.27/6.28/6.36/6.38/6.40/6.53/6.60/6.98/ 7.33/7.35/8.85	20,856,017
June 2013	8.37 – 8.05	4.45/5.06/5.36/5.45/5.59/5.62/5.64/5.74/5.86/5.93/6.09/ 6.20/6.28/6.36/6.38/6.40/6.56/6.75/6.98/7.33/7.35/8.85	20,361,300
July 2013	9.30 – 8.28	4.45/5.06/5.36/5.45/5.59/5.62/5.64/5.74/5.86/5.93/6.09/ 6.20/6.38/6.56/7.33/7.35/8.85	6,151,742
August 2013	9.06 – 8.50	5.36	6,249
Total			142,057,440

39 SHARE CAPITAL (CONTINUED)

Employees' Share Option Scheme ('ESOS') (continued)

Share options outstanding at the end of the year have the following expiry dates and exercise price.

Expiry date	Exercise price	Number of shares 31.8.2013	31.8.2012	1.9.2011
	RM/share	'000	'000	'000
07.07.2013	5.36	**0**	33,639	43,562
07.07.2013	5.59	**0**	4,213	5,243
07.07.2013	6.20	**0**	219	219
07.07.2013	5.93	**0**	7,165	7,758
07.07.2013	6.24	**0**	326	359
07.07.2013	5.86	**0**	7,325	8,520
07.07.2013	5.86	**0**	3,014	3,425
07.07.2013	7.35	**0**	1,632	1,632
07.07.2013	8.85	**0**	18,177	18,235
07.07.2013	9.24	**0**	16	16
07.07.2013	8.98	**0**	43	43
07.07.2013	7.35	**0**	112	112
07.07.2013	7.35	**0**	1,278	1,278
07.07.2013	5.06	**0**	6,634	11,188
07.07.2013	5.86	**0**	1,309	1,402
07.07.2013	5.62	**0**	27	27
07.07.2013	6.36	**0**	22	22
07.07.2013	7.33	**0**	54	54
07.07.2013	7.33	**0**	307	307
07.07.2013	7.35	**0**	47	47
07.07.2013	7.35	**0**	100	100
07.07.2013	7.35	**0**	864	864
07.07.2013	8.57	**0**	112	112
07.07.2013	9.24	**0**	47	47
07.07.2013	4.45	**0**	5,043	9,965
07.07.2013	7.35	**0**	225	225
07.07.2013	7.35	**0**	52	52
07.07.2013	7.35	**0**	157	157
07.07.2013	7.33	**0**	25	25
07.07.2013	7.33	**0**	63	63
07.07.2013	6.36	**0**	212	212
07.07.2013	6.09	**0**	161	161
07.07.2013	5.62	**0**	63	63
07.07.2013	7.35	**0**	224	224
07.07.2013	9.24	**0**	63	63
07.07.2013	7.35	**0**	262	262
07.07.2013	4.76	**0**	88	88
07.07.2013	8.57	**0**	150	150
07.07.2013	7.33	**0**	174	174
07.07.2013	6.09	**0**	21	52
07.07.2013	5.74	**0**	15,661	22,353
07.07.2013	4.76	**0**	88	88
07.07.2013	5.08	**0**	0	150
07.07.2013	5.62	**0**	77	137

39 SHARE CAPITAL (CONTINUED)

Employees' Share Option Scheme ('ESOS') (continued)

Share options outstanding at the end of the financial year have the following expiry dates and exercise price.

Expiry date	Exercise price	Number of shares 31.8.2013	31.8.2012	1.9.2011
	RM/share	'000	'000	'000
07.07.2013	6.09	**0**	422	485
07.07.2013	6.36	**0**	212	212
07.07.2013	6.38	**0**	37	37
07.07.2013	6.53	**0**	90	90
07.07.2013	6.56	**0**	63	63
07.07.2013	6.60	**0**	150	150
07.07.2013	6.75	**0**	27	27
07.07.2013	7.33	**0**	270	270
07.07.2013	7.35	**0**	63	63
07.07.2013	8.57	**0**	150	150
07.07.2013	9.24	**0**	63	63
07.07.2013	5.45	**0**	15,380	24,545
07.07.2013	5.64	**0**	15,181	0
07.07.2013	6.36	**0**	90	0
07.07.2013	4.76	**0**	53	0
07.07.2013	6.75	**0**	8	0
07.07.2013	5.08	**0**	120	0
07.07.2013	6.09	**0**	324	0
07.07.2013	7.33	**0**	175	0
07.07.2013	5.62	**0**	98	0
07.07.2013	6.53	**0**	92	0
07.07.2013	6.60	**0**	90	0
07.07.2013	6.56	**0**	50	0
07.07.2013	6.38	**0**	50	0
07.07.2013	6.98	**0**	38	0
07.07.2013	6.40	**0**	208	0
07.07.2013	6.28	**0**	30	0
07.07.2013	6.20	**0**	0	0
07.07.2013	4.76	**0**	0	0
07.07.2013	5.08	**0**	0	0
07.07.2013	5.62	**0**	0	0
07.07.2013	6.09	**0**	0	0
07.07.2013	6.27	**0**	0	0
07.07.2013	6.28	**0**	0	0
07.07.2013	6.36	**0**	0	0
07.07.2013	6.38	**0**	0	0
07.07.2013	6.40	**0**	0	0
07.07.2013	6.53	**0**	0	0
07.07.2013	6.56	**0**	0	0
07.07.2013	6.62	**0**	0	0
07.07.2013	6.75	**0**	0	0
07.07.2013	6.98	**0**	0	0
07.07.2013	7.33	**0**	0	0
		0	143,025	165,391

39 SHARE CAPITAL (CONTINUED)

Employees' Share Option Scheme ('ESOS') (continued)

The weighted average fair value of options granted during the respective financial year was determined using the Trinomial valuation model. The significant inputs into the model were as follows:

Grant date	Share price at grant date RM	Exercise price RM	Option life Years	Expected dividend yield %	Risk free interest rate %	5 year average share price movement %
25.02.2005	8.24	7.75	8	1.14	3.64	21.57
30.03.2005	8.00	7.42	8	1.14	3.33/3.72	22.13
17.07.2005	8.56	7.80	7	1.14	3.40	19.41
24.02.2006	8.70	7.33	7	1.14	3.43/3.63/3.77	24.01
16.04.2006	8.65	7.33	7	1.14	3.55/3.96	18.07
25.09.2006	9.91	9.19	6	1.14	3.86/3.95	18.52
28.03.2007	11.50	11.07	6	1.14	3.48/3.50	17.59
26.07.2007	10.95	11.56	6	1.14	3.48	17.45
24.08.2007	10.29	11.24	6	1.14	3.60	19.92
27.10.2007	9.28	9.19	6	1.14	3.56	17.40
27.12.2007	9.54	9.19/10.72	6	1.14	3.64/3.79	17.47
25.04.2008	6.76	6.33	5	1.14	3.37/3.45	20.32
30.07.2008	8.35	7.33	5	1.14	3.73/3.89	22.42
06.11.2008	6.11	9.189	5	1.14	3.73	23.43
14.11.2008	6.20	9.189	5	1.14	3.60	23.47
19.12.2008	5.97	7.03/7.95/9.17/9.189/10.716	5	1.14	2.94/3.02	23.45
26.12.2008	6.01	9.17	5	1.14	2.92	23.40
27.03.2009	6.10	5.57	4	1.14	1.98/2.81	23.93
26.06.2009	7.73	9.189/9.17	4	1.14	2.89	23.82
06.07.2009	7.77	9.189	4	1.14	2.92	23.82
15.07.2009	7.92	9.189	4	1.14	3.72	23.79
30.12.2009	8.29	5.95/6.35/7.03/7.18/7.62/7.95/9.17/9.189/10.716/11.558	4	1.14	3.24	18.72
29.04.2010	8.48	7.18	3	1.14	2.57/2.99	15.80
30.12.2010	8.37	4.76/5.08/5.62/6.09/6.36/6.38/6.53/6.56/6.60/6.75/7.33/7.35/8.57/9.24	3	1.14	3.12	25.14

39 SHARE CAPITAL (CONTINUED)

Employees' Share Option Scheme ('ESOS') (continued)

The weighted average fair value of options granted during the respective financial year was determined using the Trinomial valuation model. The significant inputs into the model were as follows: (continued)

Grant date	Share price at grant date RM	Exercise price RM	Option life Years	Expected dividend yield %	Risk free interest rate %	5 year average share price movement %
29.04.2011	6.01	5.45	2	1.14	2.92/3.29	23.07
10.04.2012	6.37	5.64/ 6.36/4.76/ 6.75/5.08/ 6.09/7.33/ 5.62/6.53/ 6.60/6.56/ 6.38/6.98/ 6.40/6.28	1	1.14	3.03/3.10	24.29
28.12.2012	6.94	6.20	7/12	1.14	3.01/3.04	23.50
28.02.2013	6.94	4.76/5.08/ 5.62/6.09/ 6.27/6.28/ 6.36/6.38/ 6.40/6.53/ 6.56/6.62/ 6.75/6.98/ 7.33	5/12	1.14	3.00/3.03	20.93
23.04.2013	7.83	6.38	3/12	1.14	2.96	20.70

The charges to the statement of profit or loss arising from share-based payments during the financial year for the Group amounting to RM43.3 million (2012: RM25.0 million) and RM34.1 million (2012: RM21.2 million) for the Company as set out in Note 6 to this financial statement.

	31.8.2013 RM'000	31.8.2012 RM'000
Ordinary share capital, at par	**142,057,440**	44,896,592
Share premium	**669,155,612**	196,542,119
Proceeds received on exercise of share options	**811,213,052**	241,438,711
Fair value at exercise date of shares issued	**1,062,063,837**	298,700,859

39 SHARE CAPITAL (CONTINUED)

Special Rights Redeemable Preference Share ('Special Share')

(a) The Special Share would enable the Government of Malaysia through the Minister of Finance Incorporated to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policies. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but not to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

The Special Shareholder has the right to appoint any person, but not more than six at any time, to be the Board of Directors of the Company.

(b) Certain matters, in particular the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, merger and takeover, require the prior consent of the Special Shareholder.

(c) The Special Shareholder does not have any right to participate in the capital or profits of the Company.

(d) The Special Shareholder has the right to require the Company to redeem the Special Share, at par, at any time.

Class A and Class B Redeemable Preference Shares ('RPS')

The main terms of the Company's Class A and Class B RPS are as follows:

(a) The RPS do not carry any right to participate in the assets and surplus profit of the Company.

(b) The RPS holders have no voting rights except on resolution to amend the RPS holders' rights.

(c) These RPS are not convertible into ordinary shares.

40 SHARE PREMIUM

	Group and Company	
	31.8.2013	**31.8.2012**
	RM'000	**RM'000**
As at the beginning of the financial year	**4,529.1**	4,332.6
Arising in respect of ordinary shares issued during the financial year	**669.2**	196.5
Arising in respect of option exercised	**183.9**	0
As at the end of the financial year	**5,382.2**	4,529.1

41 OTHER RESERVES

	Group			Company		
	31.8.2013	31.8.2012 (Restated)	1.9.2011 (Restated)	31.8.2013	31.8.2012 (Restated)	1.9.2011 (Restated)
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Foreign currency translation reserve	**(4.7)**	(51.2)	0	**0**	0	0
Reserve on consolidation	**(146.6)**	(146.6)	(146.6)	**0**	0	0
Employees' Share Option Scheme reserve	**0**	181.6	156.6	**0**	181.6	156.5
Employee benefits reserve	**(5,358.0)**	(1,452.5)	(1,450.1)	**(5,206.2)**	(1,444.4)	(1,444.4)
Available-for-sale reserve	**0.2**	0	0	**0**	0	0
	(5,509.1)	(1,468.7)	(1,440.1)	**(5,206.2)**	(1,262.8)	(1,287.9)

The movements in each category of reserves are as follows:

	Group	
	31.8.2013	31.8.2012 (Restated)
	RM'million	RM'million
Foreign currency translation reserve		
As at the beginning of the financial year	**(51.2)**	0
Arising in the financial year	**46.5**	(51.2)
As at the end of the financial year	**(4.7)**	(51.2)

The foreign currency translation reserve comprises exchange differences resulting from the translation of the results and financial position of foreign operations.

	Group	
	31.8.2013	31.8.2012
	RM'million	RM'million
Reserve on consolidation		
As at the beginning/end of the financial year	**(146.6)**	(146.6)

The reserve on consolidation comprise goodwill which arose from acquisition of subsidiaries prior to financial year ended 2006, and had been taken directly to reserves.

41 OTHER RESERVES (CONTINUED)

	Group		Company	
	31.8.2013 RM'million	31.8.2012 RM'million	31.8.2013 RM'million	31.8.2012 RM'million
Employees' Share Option Scheme reserve				
As at the beginning of the financial year	**181.6**	156.6	**181.6**	156.5
Arising in the financial year	**43.3**	25.0	**43.3**	25.1
Arising in respect of options exercised	**(183.9)**	0	**(183.9)**	0
Arising in respect of options expired	**(41.0)**	0	**(41.0)**	0
As at the end of the financial year	**0**	181.6	**0**	181.6

The share options reserve comprises the fair value of options granted, less any shares issued under the ESOS. When share options are exercised, the proceeds received from the exercise of these options together with the corresponding share options reserve, net of any directly attributable transactions costs are transferred to share capital (nominal value) and share premium. Balance on expired options are subsequently reclassified to retained profits.

	Group		Company	
	31.8.2013 RM'million	31.8.2012 (Restated) RM'million	31.8.2013 RM'million	31.8.2012 (Restated) RM'million
Employee benefits reserve				
As at the beginning of the financial year	**(1,452.5)**	(1,450.1)	**(1,444.4)**	(1,444.4)
Arising in the financial year	**(3,905.5)**	(2.4)	**(3,761.8)**	0
As at the end of the financial year	**(5,358.0)**	(1,452.5)	**(5,206.2)**	(1,444.4)

	Group		Company	
	31.8.2013 RM'million	31.8.2012 RM'million	31.8.2013 RM'million	31.8.2012 RM'million
Available-for-sale reserve				
Arising in the financial year	**0.2**	0	**0**	0
As at the end of the financial year	**0.2**	0	**0**	0

41 OTHER RESERVES (CONTINUED)

	Group		Company	
	31.8.2013	31.8.2012 (Restated)	31.8.2013	31.8.2012 (Restated)
	RM'million	RM'million	RM'million	RM'million
Other reserves				
As at the beginning of the financial year	**(1,468.7)**	(1,440.1)	**(1,262.8)**	(1,287.9)
Arising in the financial year	**(3,815.5)**	(28.6)	**(3,718.5)**	25.1
Arising in respect of options exercised	**(183.9)**	0	**(183.9)**	0
Arising in respect of options expired	**(41.0)**	0	**(41.0)**	0
As at the end of the financial year	**(5,509.1)**	(1,468.7)	**(5,206.2)**	(1,262.8)

42 RETAINED PROFITS

The Finance Act 2007 introduced the single tier system with effect from the year of assessment 2008. Under the single tier system, companies are not required to have a Section 108 balance for dividend payment purposes. Dividends paid under the single tier system are tax exempt in the hands of the shareholders. The Section 108 balance as at 31 December 2007 will be available to companies until such time that the balance is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier, unless the companies opt to disregard the Section 108 balance and pay dividends under the single tier system as provided for under the special transitional provisions of the Finance Act 2007.

As at 31 August 2013, the Company's Section 108 balance has been disregarded. The Company has now moved to the single tier system to replace the imputation system.

Therefore, the retained profits of RM25,671.4 million (2012: RM22,438.5 million) as at 31 August 2013 can be distributed as single tier dividend. The dividend received by the shareholders will be exempted from tax in Malaysia in the hands of the shareholders.

43 COMMITMENTS

(a) Capital and other commitments for 5 years

	Group		Company	
	2013 RM'million	2012 RM'million	2013 RM'million	2012 RM'million
Authorised capital expenditure not provided in the financial statements:				
– Contracted	**4,171.5**	4,224.6	**575.4**	1,039.5
– Not contracted	**18,236.7**	13,513.9	**17,545.7**	12,909.3
	22,408.2	17,738.5	**18,121.1**	13,948.8

(b) Operating lease commitments – as lessee

The Group and Company leases a number of plant and machineries under operating leases. These leases have an average tenure between 21 and 25 years. None of the leases includes contingent rentals.

Future minimum rental payable under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	2013 RM'million	2012 RM'million	2013 RM'million	2012 RM'million
Payable not later than 1 year	**4,320.5**	5,457.1	**4,041.8**	5,152.2
Payable later than 1 year and not later than 5 years	**15,596.1**	20,289.8	**14,556.2**	19,095.5
Payable more than 5 years	**28,890.1**	32,236.8	**26,941.6**	30,440.5
	48,806.7	57,983.7	**45,539.6**	54,688.2

43 COMMITMENTS (CONTINUED)

(c) Operating lease commitments – as lessor

The Group leases out its plant and equipment under non-cancellable operating leases. The lessees are required to pay absolute fixed lease payments during the lease period. Total future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'million	RM'million	RM'million	RM'million
Payable not later than 1 year	**124.8**	139.5	**51.9**	47.7
Payable later than 1 year and not later than 5 years	**224.5**	291.3	**103.7**	95.4
Payable more than 5 years	**383.1**	452.9	**0**	0
	732.4	883.7	**155.6**	143.1

44 CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2013	2012	2013	2012
	RM'million	RM'million	RM'million	RM'million
Claims by third parties	**385.1**	320.8	**323.4**	314.8
Trade guarantees and performance bonds	**12.3**	27.4	**0**	0
Other contingent liabilities	**140.8**	5.0	**0**	0
	538.2	353.2	**323.4**	314.8

Claims by third parties include claims by contractors, consultants, consumers and former employees. These claims are being resolved and the Directors are of the opinion that their outcome will not have a material adverse effect on the financial position of both the Group and the Company.

45 SIGNIFICANT RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence.

The related parties of the Group and Company are:

(a) Subsidiary companies

Details of the subsidiary companies are shown in Note 14.

(b) Associate companies

Associate companies are those entities in which the Group has significant influence but not control, and where it generally holds interest of between 20% to 50% in the entities as disclosed in Note 16.

(c) Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Group or the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Company.

Whenever exist, related party transactions also includes transaction with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

(d) Government-related entities

Government-linked corporations are related to the Group and Company by virtue of the substantial shareholdings of Khazanah Nasional Berhad ('KNB'), with 32.57% (2012: 35.36%) equity interest. KNB is a wholly-owned entity of MoF Incorporated which is in turn owned by the Ministry of Finance. KNB and entities directly controlled by the Government of Malaysia are collectively referred to as government-related entities to the Group and Company.

The Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Group and Company. The Group and Company enters into transactions with many of these bodies, which includes but is not limited to purchasing of goods, including use of public utilities and amenities, and the placing of bank deposits.

All the transactions entered into by the Group and Company with the government-related entities are conducted in the ordinary course of the Group's and Company's business on negotiated terms or terms comparable to those with other entities that are not government-related, except otherwise disclosed elsewhere in the financial statements.

45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

The Group and Company is principally involved in the provision of electricity as part of its ordinary operations. These services are carried out on generally on commercial terms that are consistently applied to all customers. These transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with the unrelated parties.

Apart from the individually significant transactions and balances as disclosed elsewhere in the financial statements, the Group and Company have collectively, but not individually significant transactions with related parties.

In addition to the transactions detailed elsewhere in the financial statements, the Group and Company had the following significant transactions with the following related parties during the financial year:

	Associate companies		Key Management Personnel	
	2013	**2012**	**2013**	**2012**
Group	**RM'million**	**RM'million**	**RM'million**	**RM'million**
Income:				
– Sales of electricity	**0.9**	0.9	**0**	0
– Interest income	**9.0**	43.3	**0**	0
– Dividend income	**74.6**	24.5	**0**	0
– Leasing income	**32.8**	42.2	**0**	0
Expenditure:				
– Purchase of electricity	**3,324.3**	3,618.8	**0**	0
– Key management compensation:				
– Salaries, allowances and bonus	**0**	0	**18.8**	21.7
– Benefit-in-kind	**0**	0	**0.9**	1.0
– Defined contribution retirement plan	**0**	0	**2.1**	2.6
– Other staff benefits	**0**	0	**0.4**	0.4
– ESOS expense	**0**	0	**1.5**	0.3

	Associate companies		
	31.8.2013	**31.8.2012**	**1.9.2011**
Group	**RM'million**	**RM'million**	**RM'million**
Amounts due from	**87.5**	62.6	14.6
Amounts due to	**615.6**	697.9	707.9

45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Company	Subsidiary companies 2013 RM'million	Subsidiary companies 2012 RM'million	Associate companies 2013 RM'million	Associate companies 2012 RM'million	Key Management Personnel 2013 RM'million	Key Management Personnel 2012 RM'million
Income:						
– Sales of electricity	**36.8**	35.2	**0.9**	0.6	**0**	0
– Interest income	**150.4**	176.1	**9.0**	43.3	**0**	0
– Dividend income	**21.0**	83.7	**74.6**	24.5	**0**	0
– Rental income	**26.7**	27.3	**0**	0	**0**	0
– Leasing income	**2.3**	2.3	**32.8**	42.2	**0**	0
Expenditure:						
– Purchase of electricity	**4,756.6**	4,844.5	**3,324.3**	3,618.8	**0**	0
– Training fees	**56.9**	56.3	**0**	0	**0**	0
– Interest expense	**90.0**	90.4	**0**	0	**0**	0
– Finance lease interest	**943.4**	1,043.4	**0**	0	**0**	0
– Key management compensation:-						
– Salaries, allowances and bonus	**0**	0	**0**	0	**11.7**	14.3
– Benefit-in-kind	**0**	0	**0**	0	**0.7**	0.7
– Defined contribution retirement plan	**0**	0	**0**	0	**1.4**	1.9
– Other staff benefits	**0**	0	**0**	0	**0.2**	0.3
– ESOS expense	**0**	0	**0**	0	**1.2**	0.3

Company	Subsidiary companies 31.8.2013 RM'million	Subsidiary companies 31.8.2012 RM'million	Subsidiary companies 1.9.2011 RM'million	Associate companies 31.8.2013 RM'million	Associate companies 31.8.2012 RM'million	Associate companies 1.9.2011 RM'million
Amounts due from	**2,263.6**	2,270.7	2,611.4	**85.6**	61.6	14.6
Amounts due to	**2,968.8**	3,629.4	4,076.4	**603.5**	697.9	707.9

46 SEGMENTAL REPORTING

Segmental reporting is not presented as the Group is principally engaged in the generation, transmission, distribution and sales of electricity and the provision of other related services, which are substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in Malaysia.

47 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables (L&R);

(ii) Fair value through profit or loss (FVTPL);

(iii) Available-for-sale financial assets (AFS); and

(iv) Other financial liabilities measured at amortised cost (OL).

31.8.2013	Carrying amount RM'million	L&R RM'million	FVTPL RM'million	AFS RM'million
Group				
Financial assets				
Unsecured loan stocks in associate	10.7	10.7	0	0
Investment in unquoted debt securities	163.9	163.7	0	0.2
Available-for-sale financial assets	38.0	0	0	38.0
Derivative financial instruments	61.9	0	61.9	0
Long term receivables	285.8	285.8	0	0
Trade and other receivables	6,997.5	6,997.5	0	0
Amount due from jointly controlled entities	17.1	17.1	0	0
Amounts due from associates	87.5	87.5	0	0
Financial assets at fair value through profit or loss	9.7	0	9.7	0
Deposits, bank and cash balances	9,531.1	9,531.1	0	0
	17,203.2	17,093.4	71.6	38.2
Company				
Financial assets				
Unsecured loan stocks in associate	10.7	10.7	0	0
Investment in unquoted debt securities	163.7	163.7	0	0
Available-for-sale financial assets	38.0	0	0	38.0
Long term receivables	818.3	818.3	0	0
Trade and other receivables	4,931.2	4,931.2	0	0
Amounts due from subsidiaries	2,263.6	2,263.6	0	0
Amounts due from associates	85.6	85.6	0	0
Financial assets at fair value through profit or loss	9.7	0	9.7	0
Deposits, bank and cash balances	4,304.3	4,304.3	0	0
	12,625.1	12,577.4	9.7	38.0

47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

31.8.2012	Carrying amount RM'million	L&R RM'million	FVTPL RM'million	AFS RM'million
Group				
Financial assets				
Unsecured loan stocks in associate	15.9	15.9	0	0
Investment in unquoted debt securities	163.7	163.7	0	0
Available-for-sale financial assets	38.0	0	0	38.0
Derivative financial instruments	116.3	0	116.3	0
Long term receivables	317.7	317.7	0	0
Trade and other receivables	6,877.8	6,877.8	0	0
Amounts due from associates	62.6	62.6	0	0
Financial assets at fair value through profit or loss	9.1	0	9.1	0
Deposits, bank and cash balances	8,626.3	8,626.3	0	0
	16,227.4	16,064.0	125.4	38.0
Company				
Financial assets				
Unsecured loan stocks in associate	15.9	15.9	0	0
Investment in unquoted debt securities	163.7	163.7	0	0
Available-for-sale financial assets	38.0	0	0	38.0
Long term receivables	853.2	853.2	0	0
Trade and other receivables	4,872.6	4,872.6	0	0
Amounts due from subsidiaries	2,270.7	2,270.7	0	0
Amounts due from associates	61.6	61.6	0	0
Financial assets at fair value through profit or loss	9.1	0	9.1	0
Deposits, bank and cash balances	3,961.2	3,961.2	0	0
	12,246.0	12,198.9	9.1	38.0

NOTES TO THE FINANCIAL STATEMENTS
– 31 August 2013

47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

1.9.2011	Carrying amount RM'million	L&R RM'million	FVTPL RM'million	AFS RM'million
Group				
Financial assets				
Unsecured loan stocks in associate	21.1	21.1	0	0
Investment in unquoted debt securities	164.0	164.0	0	0
Available-for-sale financial assets	38.0	0	0	38.0
Derivative financial instruments	91.4	0	91.4	0
Long term receivables	388.6	388.6	0	0
Trade and other receivables	5,495.1	5,495.1	0	0
Amounts due from associates	14.6	14.6	0	0
Financial assets at fair value through profit or loss	8.6	0	8.6	0
Deposits, bank and cash balances	3,954.2	3,954.2	0	0
	10,175.6	10,037.6	100.0	38.0
Company				
Financial assets				
Unsecured loan stocks in associate	21.1	21.1	0	0
Investment in unquoted debt securities	164.0	164.0	0	0
Available-for-sale financial assets	38.0	0	0	38.0
Derivative financial instruments	1.5	0	1.5	0
Long term receivables	924.1	924.1	0	0
Trade and other receivables	3,674.2	3,674.2	0	0
Amounts due from subsidiaries	2,611.4	2,611.4	0	0
Amounts due from associates	14.6	14.6	0	0
Financial assets at fair value through profit or loss	8.6	0	8.6	0
Deposits, bank and cash balances	2,703.9	2,703.9	0	0
	10,161.4	10,113.3	10.1	38.0

47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

31.8.2013	Carrying amount RM'million	OL RM'million	FVTPL RM'million
Group			
Financial liabilities			
Payables	6,581.3	6,581.3	0
Amounts due to associates	615.6	615.6	0
Derivative financial instruments	13.1	0	13.1
Borrowings	23,189.6	23,189.6	0
Other liabilities	362.2	362.2	0
	30,761.8	30,748.7	13.1
Company			
Financial liabilities			
Payables	4,143.4	4,143.4	0
Amounts due to subsidiaries	2,968.8	2,968.8	0
Amounts due to associates	603.5	603.5	0
Derivative financial instruments	13.1	0	13.1
Borrowings	9,833.6	9,833.6	0
Other liabilities	330.7	330.7	0
	17,893.1	17,880.0	13.1

47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

31.8.2012	Carrying amount RM'million	OL RM'million	FVTPL RM'million
Group			
Financial liabilities			
Payables	5,716.0	5,716.0	0
Amounts due to associates	697.9	697.9	0
Derivative financial instruments	21.5	0	21.5
Borrowings	23,071.8	23,071.8	0
Other liabilities	341.4	341.4	0
	29,848.6	29,827.1	21.5
Company			
Financial liabilities			
Payables	3,478.9	3,478.9	0
Amounts due to subsidiaries	3,629.4	3,629.4	0
Amounts due to associates	697.9	697.9	0
Derivative financial instruments	21.5	0	21.5
Borrowings	11,494.9	11,494.9	0
Other liabilities	303.6	303.6	0
	19,626.2	19,604.7	21.5

47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

1.9.2011	Carrying amount RM'million	OL RM'million	FVTPL RM'million
Group			
Financial liabilities			
Payables	5,527.0	5,527.0	0
Amounts due to associates	707.9	707.9	0
Derivative financial instruments	44.1	0	44.1
Borrowings	19,054.1	19,054.1	0
Other liabilities	395.3	395.3	0
	25,728.4	25,684.3	44.1
Company			
Financial liabilities			
Payables	3,541.2	3,541.2	0
Amounts due to subsidiaries	4,076.4	4,076.4	0
Amounts due to associates	707.9	707.9	0
Derivative financial instruments	44.1	0	44.1
Borrowings	12,174.2	12,174.2	0
Other liabilities	309.6	309.6	0
	20,853.4	20,809.3	44.1

(b) Net gains and losses arising from financial instruments

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Net gains/(losses) on:						
Financial assets at fair value through profit or loss	**(46.0)**	39.7	64.8	**8.4**	21.0	28.2
Loans and receivables	**(19.0)**	16.5	0	**(24.3)**	(11.7)	(31.4)
Financial liabilities measured at amortised cost						
– Borrowings	**9.7**	(6.1)	13.3	**0.7**	(2.8)	(1.9)
	(55.3)	50.1	78.1	**(15.2)**	6.5	(5.1)

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, deposits, bank and cash balances, derivative instruments and investment securities. In addition, the Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

(i) Receivables

Risk management objectives, policies and processed for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk

The Group's and Company's credit policy provides trade receivables with a 30 days (2012: 30 days) credit period. The Group has no major significant concentration of credit risk due to its diverse customer base. An allowance has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtors and collection portfolio.

The total trade receivables and impairment provided are as follows:

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Trade receivables	**6,438.0**	6,417.0	5,426.7	**5,315.6**	5,231.1	4,088.1
Less: Impairment losses	**(617.8)**	(573.1)	(607.7)	**(548.0)**	(490.2)	(530.3)
	5,820.2	5,843.9	4,819.0	**4,767.6**	4,740.9	3,557.8

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Exposure to credit risk (continued)

Given the varied nature of the Group's customer base, the following analysis of trade receivables by type of customer is considered the most appropriate disclosure of credit concentrations.

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
Industrial	**1,850.4**	2,368.0	1,826.0	**1,743.7**	1,795.0	1,176.1
Commercial	**2,012.5**	2,578.5	2,001.4	**1,896.6**	2,141.9	1,587.6
Domestic	**1,675.7**	1,312.1	1,396.8	**1,579.1**	1,188.5	1,217.7
Specific agriculture	**12.2**	20.1	10.2	**11.5**	20.1	10.2
Mining	**8.5**	4.4	2.0	**8.0**	4.4	2.0
Public lighting	**81.4**	90.1	110.3	**76.7**	81.2	94.5
Others	**797.3**	43.8	80.0	**0**	0	0
	6,438.0	6,417.0	5,426.7	**5,315.6**	5,231.1	4,088.1

The net trade receivables are denominated in the following currencies:

	Group			Company		
	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million	31.8.2013 RM'million	31.8.2012 RM'million	1.9.2011 RM'million
MYR	**5,340.1**	5,519.4	4,551.5	**4,767.6**	4,740.9	3,557.8
USD	**0**	13.2	10.5	**0**	0	0
PKR	**480.1**	310.9	257.0	**0**	0	0
Others	**0**	0.4	0	**0**	0	0

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses

The ageing of trade receivables as at the end of financial year was:

31.8.2013	Gross RM'million	Individual impairment RM'million	Collective impairment RM'million	Net RM'million
Group				
Not past due	4,492.4	0	(0.8)	4,491.6
Past due 0 – 30 days	402.7	0	(0.5)	402.2
Past due 31 – 120 days	535.6	0	(2.5)	533.1
Past due 121 – 240 days	347.1	0	(3.3)	343.8
Past due more than 240 days	660.2	(538.8)	(71.9)	49.5
	6,438.0	(538.8)	(79.0)	5,820.2
Company				
Not past due	3,709.2	0	(0.8)	3,708.4
Past due 0 – 30 days	332.5	0	(0.5)	332.0
Past due 31 – 120 days	442.2	0	(2.5)	439.7
Past due 121 – 240 days	286.6	0	(3.3)	283.3
Past due more than 240 days	545.1	(473.1)	(67.8)	4.2
	5,315.6	(473.1)	(74.9)	4,767.6

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses (continued)

31.8.2012	Gross RM'million	Individual impairment RM'million	Collective impairment RM'million	Net RM'million
Group				
Not past due	4,473.9	(1.0)	(0.2)	4,472.7
Past due 0 – 30 days	426.5	(1.8)	(0.3)	424.4
Past due 31 – 120 days	720.9	(4.4)	(1.3)	715.2
Past due 121 – 240 days	219.3	(15.7)	(2.0)	201.6
Past due more than 240 days	576.4	(476.9)	(69.5)	30.0
	6,417.0	(499.8)	(73.3)	5,843.9
Company				
Not past due	3,862.6	(0.9)	(0.2)	3,861.5
Past due 0 – 30 days	314.2	(1.5)	(0.3)	312.4
Past due 31 – 120 days	406.1	(4.3)	(1.0)	400.8
Past due 121 – 240 days	183.3	(15.1)	(2.0)	166.2
Past due more than 240 days	464.9	(410.3)	(54.6)	0
	5,231.1	(432.1)	(58.1)	4,740.9

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses (continued)

1.9.2011	Gross RM'million	Individual impairment RM'million	Collective impairment RM'million	Net RM'million
Group				
Not past due	3,493.0	(2.4)	(0.5)	3,490.1
Past due 0 – 30 days	575.0	(1.4)	(0.3)	573.3
Past due 31 – 120 days	602.6	(5.5)	(1.1)	596.0
Past due 121 – 240 days	249.0	(87.9)	(2.0)	159.1
Past due more than 240 days	507.1	(429.7)	(76.9)	0.5
	5,426.7	(526.9)	(80.8)	4,819.0
Company				
Not past due	2,781.6	(2.4)	(0.5)	2,778.7
Past due 0 – 30 days	293.9	(1.4)	(0.3)	292.2
Past due 31 – 120 days	384.2	(5.0)	(1.1)	378.1
Past due 121 – 240 days	198.0	(87.2)	(2.0)	108.8
Past due more than 240 days	430.4	(387.8)	(42.6)	0
	4,088.1	(483.8)	(46.5)	3,557.8

Trade receivables that are neither past due nor impaired

With respect to the trade receivables that are neither past due nor impaired, there is no indication as of the reporting date that the debtors will not meet their payment obligations. The quality of these trade receivables is such that management believes no impairment is necessary, except in situations where they are part of individually impaired trade receivables.

Trade receivables that are past due but not impaired

Full allowance for impairment was not made in respect of these past due trade receivable based on the past historical collection trends and available deposits.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group		Company	
	2013 RM'million	2012 RM'million	2013 RM'million	2012 RM'million
At 1 September	**(573.1)**	(607.7)	**(490.2)**	(530.3)
Impairment loss recognised	**(82.9)**	(96.4)	**(82.7)**	(85.1)
Impairment loss reversed	**38.2**	131.0	**24.9**	125.2
At 31 August	**(617.8)**	(573.1)	**(548.0)**	(490.2)

The movements in the allowance for impairment losses of other receivables during the financial year were:

	Group		Company	
	2013 RM'million	2012 RM'million	2013 RM'million	2012 RM'million
At 1 September	**(126.2)**	(109.8)	**(108.5)**	(82.0)
Impairment loss recognised	**(34.6)**	(26.5)	**(30.4)**	(26.5)
Impairment loss reversed	**1.5**	10.1	**0**	0
At 31 August	**(159.3)**	(126.2)	**(138.9)**	(108.5)

Trade receivables are secured by deposits in the form of cash and bank guarantees. The deposits amount are reviewed on an individual basis periodically.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Credit risk (continued)

(ii) Investments, deposits, bank and cash balances and derivative instruments

Risk management objectives, policies and processes for managing the risk

Investments and deposits, bank and cash balances are allowed only in liquid securities and only with reputable financial institutions. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group does not have overdue investments that have not been impaired.

The investments, deposits, cash and bank balances and derivative instruments are unsecured.

(iii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and associates. The Company monitors on an ongoing basis the results and repayments made by the subsidiaries and associates.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM9.1 million (2012: RM8.7 million) and RM2,298.0 million (2012: RM2,766.5 million) for the Group and Company respectively representing the total banking facilities limit of the subsidiaries and associates as at end of the financial year.

As at end of the financial year, there was no indication that any subsidiary or associate would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition is not material as the probability of the subsidiaries and associates defaulting on its banking facilities is remote.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Credit risk (continued)

(iv) Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of financial year, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Loans and advances are only provided to subsidiaries by the Company.

Impairment losses

As at the end of financial year, there was no indication that the loans and advances to the subsidiaries are not recoverable other than those which have already been impaired. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's and Company's financial liabilities as at the end of financial year based on the undiscounted contractual payments:

31.8.2013	Carrying amount RM'million	Contractual interest/ Coupon rate	Contractual cash flows RM'million	Under 1 year RM'million	1-2 years RM'million	2-5 years RM'million	More than 5 years RM'million
Group							
Non-derivative financial liabilities							
Payables	6,581.3	0%	6,581.3	6,581.3	0	0	0
Amounts due to associates	615.6	0%	615.6	615.6	0	0	0
Borrowings	23,189.6	0.4% to 15.0%	29,905.1	1,261.1	2,931.8	3,795.5	21,916.7
Other liabilities	362.2	0%	362.2	88.6	76.1	197.5	0
	30,748.7		37,464.2	8,546.6	3,007.9	3,993.0	21,916.7
Derivative financial liabilities							
Interest rate swap	12.8	3.76%	11.2	5.6	5.6	0	0
Forward exchange contracts (gross settled):							
Outflows	0.3		20.6	20.6	0	0	0
Inflows	0		(20.3)	(20.3)	0	0	0
	30,761.8		37,475.7	8,552.5	3,013.5	3,993.0	21,916.7
Company							
Non-derivative financial liabilities							
Payables	4,143.4	0%	4,143.4	4,143.4	0	0	0
Amounts due to subsidiaries	2,968.8	0.4% - 5.3%	0	860.5	1,320.6	124.4	663.3
Amounts due to associates	603.5	0%	603.5	603.5	0	0	0
Borrowings	9,833.6	0.75% to 7.5%	12,330.5	459.2	459.2	877.7	10,534.4
Other liabilities	330.7	0%	330.7	49.8	78.1	202.8	0
	17,880.0		17,408.1	6,116.4	1,857.9	1,204.9	11,197.7
Derivative financial liabilities							
Interest rate swap	12.8	3.76%	11.2	5.6	5.6	0	0
Forward exchange contracts (gross settled):							
Outflows	0.3		20.6	20.6	0	0	0
Inflows	0		(20.3)	(20.3)	0	0	0
	17,893.1		17,419.6	6,122.3	1,863.5	1,204.9	11,197.7

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's and Company's financial liabilities as at the end of financial year based on the undiscounted contractual payments: (continued)

31.8.2012	Carrying amount RM'million	Contractual interest/ Coupon rate	Contractual cash flows RM'million	Under 1 year RM'million	1-2 years RM'million	2-5 years RM'million	More than 5 years RM'million
Group							
Non-derivative financial liabilities							
Payables	5,716.0	0%	5,716.0	5,716.0	0	0	0
Amounts due to associates	697.9	0%	697.9	697.9	0	0	0
Borrowings	23,071.8	0.8% to 15.0%	31,978.9	2,318.1	1,786.4	6,194.4	21,680.0
Other liabilities	341.4	0%	341.4	83.5	71.7	186.2	0
	29,827.1		38,734.2	8,815.5	1,858.1	6,380.6	21,680.0
Derivative financial liabilities							
Interest rate swap	21.5	3.8%	26.6	15.9	8.9	1.8	0
	29,848.6		38,760.8	8,831.4	1,867.0	6,382.4	21,680.0
Company							
Non-derivative financial liabilities							
Payables	3,478.9	0%	3,478.9	3,478.9	0	0	0
Amounts due to subsidiaries	3,629.4	0.7% to 5.3%	0	758.1	182.0	1,474.9	1,214.4
Amounts due to associates	697.9	0%	697.9	697.9	0	0	0
Borrowings	11,494.9	0.8% to 15.0%	16,274.2	1,135.6	973.3	2,521.0	11,644.3
Other liabilities	303.6	0%	303.6	45.7	71.7	186.2	0
	19,604.7		20,754.6	6,116.2	1,227.0	4,182.1	12,858.7
Derivative financial liabilities							
Interest rate swap	21.5	3.8%	26.6	15.9	8.9	1.8	0
	19,626.2		20,781.2	6,132.1	1,235.9	4,183.9	12,858.7

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's and Company's financial liabilities as at the end of financial year based on the undiscounted contractual payments: (continued)

1.9.2011	Carrying amount RM'million	Contractual interest/ Coupon rate	Contractual cash flows RM'million	Under 1 year RM'million	1-2 years RM'million	2-5 years RM'million	More than 5 years RM'million
Group							
Non-derivative financial liabilities							
Payables	5,527.0	0%	5,527.0	5,527.0	0	0	0
Amounts due to associates	707.9	0%	707.9	707.9	0	0	0
Borrowings	19,054.1	0.8% to 15.5%	18,618.8	1,543.5	1,078.3	3,654.6	12,342.4
Other liabilities	395.3	0%	395.3	55.6	106.2	233.5	0
	25,684.3		25,249.0	7,834.0	1,184.5	3,888.1	12,342.4
Derivative financial liabilities							
Interest rate swap	44.1	3.8%	40.9	19.0	13.1	7.3	1.5
Forward exchange contracts (gross settled):							
Outflows	0		86.3	86.3	0	0	0
Inflows	(1.5)		(87.8)	(87.8)	0	0	0
	25,726.9		25,288.4	7,851.5	1,197.6	3,895.4	12,343.9
Company							
Non-derivative financial liabilities							
Payables	3,541.2	0%	3,541.2	3,541.2	0	0	0
Amount due to subsidiaries	4,076.4	0.5% to 5.3%	0	1,608.6	176.2	1,351.2	940.4
Amount due to associates	707.9	0%	707.9	707.9	0	0	0
Borrowings	12,174.2	0.8% to 8.3%	12,064.5	824.5	637.4	1,462.2	9,140.4
Other liabilities	309.6	0%	309.6	30.3	80.9	198.4	0
	20,809.3		16,623.2	6,712.5	894.5	3,011.8	10,080.8
Derivative financial liabilities							
Interest rate swap	44.1	3.8%	40.9	19.0	13.1	7.3	1.5
Forward exchange contracts (gross settled):							
Outflows	0		86.3	86.3	0	0	0
Inflows	(1.5)		(87.8)	(87.8)	0	0	0
	20,851.9		16,662.6	6,730.0	907.6	3,019.1	10,082.3

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US Dollar (USD), Japanese Yen (JPY), European Dollar (EURO) and Pakistani Rupees (PKR).

Risk management objectives, policies and processes for managing the risk

The Group is required to hedge a minimum of 50.0% of TNB's known foreign currency exposure up to 12 months period. The Group uses forward exchange contracts and other financial derivatives to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than three months.

Exposure to foreign currency risk

The currency exposure of financial assets and financial liabilities of the Group and Company that are not denominated in the functional currency of the respective companies is set out below.

	USD	JPY	EURO	Others
Group	**RM'million**	**RM'million**	**RM'million**	**RM'million**
31.8.2013				
Financial assets				
Receivables, deposits and prepayments	0	0	0	237.7
Deposits, bank and cash balances	408.7	0	247.6	5.7
Derivative financial instruments	61.9	0	0	0
	470.6	0	247.6	243.4
Financial liabilities				
Payables	94.5	0	24.7	5.3
Borrowings	2,837.7	3,730.1	0	23.5
Derivative financial instruments	13.1	0	0	0
	2,945.3	3,730.1	24.7	28.8

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

	USD	JPY	EURO	Others
Group	**RM'million**	**RM'million**	**RM'million**	**RM'million**
31.8.2012				
Financial assets				
Receivables, deposits and prepayments	13.2	0	0	311.3
Deposits, bank and cash balances	2.1	0.0	32.7	16.3
Derivative financial instruments	116.3	0	0	0
	131.6	0.0	32.7	327.6
Financial liabilities				
Payables	108.9	0	43.8	7.9
Borrowings	2,876.8	5,221.2	0	23.1
Derivative financial instruments	21.5	0	0	0
	3,007.2	5,221.2	43.8	31.0
1.9.2011				
Financial assets				
Receivables, deposits and prepayments	10.5	0	0	257.0
Deposits, bank and cash balances	0	0	0	15.6
Derivative financial instruments	90.2	1.2	0	0
	100.7	1.2	0	272.6
Financial liabilities				
Payables	138.6	0	76.8	0
Borrowings	2,909.9	5,457.9	0	25.8
Derivative financial instruments	44.1	0	0	0
	3,092.6	5,457.9	76.8	25.8

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Company	USD RM'million	JPY RM'million	EURO RM'million	Others RM'million
31.8.2013				
Financial asset				
Amounts due from subsidiaries	**0**	**0**	**0**	**38.8**
Financial liabilities				
Amounts due to subsidiaries	**0**	**0**	**0**	**0**
Borrowings	**1,369.9**	**2,852.9**	**0**	**0**
Derivative financial instruments	**13.1**	**0**	**0**	**0**
	1,383.0	**2,852.9**	**0**	**0**
31.8.2012				
Financial asset				
Amounts due from subsidiaries	151.9	0	0	0
Financial liabilities				
Amounts due to subsidiaries	0	0	0	0
Borrowings	1,301.5	4,177.3	0	0
Derivative financial instruments	21.5	0	0	0
	1,323.0	4,177.3	0	0
1.9.2011				
Financial assets				
Amounts due from subsidiaries	475.7	0	0	0.2
Derivative financial instruments	0.3	1.2	0	0
	476.0	1.2	0	0.2
Financial liabilities				
Amounts due to subsidiaries	33.5	0	0	0
Borrowings	1,239.0	4,318.1	0	0
Derivative financial instruments	44.1	0	0	0
	1,316.6	4,318.1	0	0

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Currency risk sensitivity analysis

A 10.0% strengthening of the foreign currencies against MYR at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sale and purchases.

	Profit or loss		
	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million
Group			
USD	**(280.1)**	(418.9)	(130.6)
JPY	**(373.3)**	(645.0)	(792.4)
Company			
USD	**(136.1)**	(190.6)	(79.6)
JPY	**(284.2)**	(513.8)	(431.8)

A 10.0% weakening of the foreign currencies against MYR at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Nevertheless, foreign currency risk arises from Group entities which have a functional currency other than MYR is not material and hence, sensitivity analysis is not presented.

(ii) Interest rate risk

The Group's investment in fixed rate debt securities and its fixed rate borrowing are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Risk management objectives, policies and processes for managing the risk

The Group has entered into interest rate swap with an outstanding notional contract amount of RM291.9 million (2012: RM462.3 million) in order to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (semi-annually), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Exposure to interest rate risk

The interest rate profile of the Group's and Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of financial year were:

	Group			Company		
	31.8.2013	31.8.2012	1.9.2011	31.8.2013	31.8.2012	1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Fixed rate instruments:						
Financial assets	**448.5**	495.2	552.6	**984.2**	1,030.9	1,674.4
Financial liabilities	**22,902.5**	22,617.3	18,437.4	**9,833.6**	11,494.9	11,338.3
Floating rate instruments:						
Financial assets	**0**	0	0	**38.8**	46.1	475.7
Financial liabilities	**287.1**	454.5	616.6	**0**	0	0

A change of 100 basis point (bp) in interest rates of the financial liabilities at the end of the reporting period would have increased the finance cost to RM2.6 million (2012: RM3.7 million). However, this change has no impact to post-tax profit or loss as the floating instrument have been fixed via Interest rate swap. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

The financial assets are not sensitive to interest rate changes.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The exposure of financial assets of the Group to interest rate risk are as follows:

Group	Balances under Non-Islamic principles RM'million	Balances under Islamic principles RM'million	Total RM'million
31.8.2013			
Financial assets			
Unsecured loan stocks in associate	**10.7**	**0**	**10.7**
Investment in unquoted debt securities	**0**	**163.9**	**163.9**
Long term receivables	**305.1**	**0**	**305.1**
Trade and other receivables	**39.7**	**0**	**39.7**
Deposits, bank and cash balances	**3,184.7**	**6,346.4**	**9,531.1**
	3,540.2	**6,510.3**	**10,050.5**
31.8.2012			
Financial assets			
Unsecured loan stocks in associate	15.9	0	15.9
Investment in unquoted debt securities	0	163.7	163.7
Long term receivables	419.2	0	419.2
Trade and other receivables	45.0	0	45.0
Deposits, bank and cash balances	2,233.4	6,392.9	8,626.3
	2,713.5	6,556.6	9,270.1
1.9.2011			
Financial assets			
Unsecured loan stocks in associate	21.1	0	21.1
Investment in unquoted debt securities	0	164.0	164.0
Long term receivables	333.4	0	333.4
Trade and other receivables	50.6	0	50.6
Deposits, bank and cash balances	1,438.7	2,515.5	3,954.2
	1,843.8	2,679.5	4,523.3

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The exposure of financial assets of the Company to interest rate risk are as follows: (continued)

Company	Balances under Non-Islamic principles RM'million	Balances under Islamic principles RM'million	Total RM'million
31.8.2013			
Financial assets			
Unsecured loan stocks in associate	**10.7**	**0**	**10.7**
Investment in unquoted debt securities	**0**	**163.7**	**163.7**
Long term receivables	**818.3**	**0**	**818.3**
Trade and other receivables	**39.7**	**0**	**39.7**
Amounts due from subsidiaries	**417.5**	**0**	**417.5**
Deposits, bank and cash balances	**1,359.3**	**2,945.0**	**4,304.3**
	2,645.5	**3,108.7**	**5,754.2**
31.8.2012			
Financial assets			
Unsecured loan stocks in associate	15.9	0	15.9
Investment in unquoted debt securities	0	163.7	163.7
Long term receivables	806.1	0	806.1
Trade and other receivables	45.0	0	45.0
Amounts due from subsidiaries	46.1	0	46.1
Deposits, bank and cash balances	1,453.0	2,508.2	3,961.2
	2,366.1	2,671.9	5,038.0
1.9.2011			
Financial assets			
Unsecured loan stocks in associate	21.1	0	21.1
Investment in unquoted debt securities	0	164.0	164.0
Long term receivables	868.9	0	868.9
Trade and other receivables	50.6	0	50.6
Amounts due from subsidiaries	476.0	0	476.0
Deposits, bank and cash balances	733.5	1,970.4	2,703.9
	2,150.1	2,134.4	4,284.5

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The exposure of financial liabilities of the Group to interest rate risk are as follows: (continued)

Group	Balances under Non-Islamic principles RM'million	Balances under Islamic principles RM'million	Total RM'million
31.8.2013			
Financial liability			
Borrowings	**12,421.3**	**10,768.3**	**23,189.6**
	12,421.3	**10,768.3**	**23,189.6**
Total interest sensitivity gap	**(8,881.1)**	**(4,258.0)**	**(13,139.1)**
31.8.2012			
Financial liability			
Borrowings	13,938.4	9,133.4	23,071.8
	13,938.4	9,133.4	23,071.8
Total interest sensitivity gap	(11,224.9)	(2,576.8)	(13,801.7)
1.9.2011			
Financial liability			
Borrowings	14,543.5	4,510.5	19,054.0
	14,543.5	4,510.5	19,054.0
Total interest sensitivity gap	(12,699.7)	(1,831.0)	(14,530.7)

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The exposure of financial liabilities of the Company to interest rate risk are as follows: (continued)

Company	Balances under Non-Islamic principles RM'million	Balances under Islamic principles RM'million	Total RM'million
31.8.2013			
Financial liabilities			
Borrowings	**7,802.5**	**2,031.1**	**9,833.6**
Amounts due to subsidiaries	**2,200.7**	**0**	**2,200.7**
	10,003.2	**2,031.1**	**12,034.3**
Total interest sensitivity gap	**(7,357.7)**	**1,077.6**	**(6,280.1)**
31.8.2012			
Financial liabilities			
Borrowings	9,308.6	2,186.3	11,494.9
Amounts due to subsidiaries	2,630.0	0	2,630.0
	11,938.6	2,186.3	14,124.9
Total interest sensitivity gap	(9,572.5)	485.6	(9,086.9)
1.9.2011			
Financial liabilities			
Borrowings	9,987.9	2,186.3	12,174.2
Amounts due to subsidiaries	2,644.0	0	2,644.0
	12,631.9	2,186.3	14,818.2
Total interest sensitivity gap	(10,481.8)	(51.9)	(10,533.7)

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the effective weighted average interest rate by major currencies for each class of financial assets and financial liabilities:

Group	USD %	JPY %	EURO %	RM %	Others %
31.8.2013					
Financial assets					
Unsecured loan stocks in associate	**0**	**0**	**0**	**12.0**	**0**
Long term receivables	**0**	**0**	**0**	**4.0**	**0**
Trade and other receivables	**0**	**0**	**0**	**4.0**	**0**
Deposits, bank and cash balances	**0.6**	**0**	**0.1**	**3.4**	**5.0**
Financial liability					
Borrowings	**6.0**	**1.7**	**0**	**5.4**	**11.1**
31.8.2012					
Financial assets					
Unsecured loan stocks in associate	0	0	0	12.0	0
Long term receivables	0	0	0	4.0	0
Trade and other receivables	0	0	0	4.0	0
Deposits, bank and cash balances	0	0	0.2	3.6	0
Financial liability					
Borrowings	5.5	1.8	0	5.9	14.0
1.9.2011					
Financial assets					
Unsecured loan stocks in associate	0	0	0	12.0	0
Long term receivables	0	0	0	4.0	0
Trade and other receivables	0	0	0	4.0	0
Deposits, bank and cash balances	0	0	0	3.4	7.5
Financial liability					
Borrowings	5.3	2.0	0	6.6	15.5

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the effective weighted average interest rate by major currencies for each class of financial assets and financial liabilities: (continued)

Company	USD %	JPY %	EURO %	RM %	Others %
31.8.2013					
Financial assets					
Unsecured loan stocks in subsidiary and associate	**0**	**0**	**0**	**12.0**	**0**
Long term receivables	**0**	**0**	**0**	**15.0**	**0**
Trade and other receivables	**0**	**0**	**0**	**4.0**	**0**
Amounts due from subsidiaries	**3.0**	**0**	**0**	**5.5**	**0**
Deposits, bank and cash balances	**0**	**0**	**0**	**3.3**	**0**
Financial liabilities					
Amounts due to subsidiaries	**0**	**0**	**0**	**3.7**	**0**
Borrowings	**7.6**	**0.9**	**0**	**6.1**	**0**
31.8.2012					
Financial assets					
Unsecured loan stocks in subsidiary and associate	0	0	0	12.0	0
Long term receivables	0	0	0	11.2	0
Trade and other receivables	0	0	0	4.0	0
Amounts due from subsidiaries	3.0	0	0	5.0	0
Deposits, bank and cash balances	0	0	0	3.3	0
Financial liabilities					
Amounts due to subsidiaries	0	0	0	3.7	0
Borrowings	7.4	1.3	0	6.1	0

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the effective weighted average interest rate by major currencies for each class of financial assets and financial liabilities: (continued)

Company	USD %	JPY %	EURO %	RM %	Others %
1.9.2011					
Financial assets					
Unsecured loan stocks in subsidiary and associate	0	0	0	12.0	0
Long term receivables	0	0	0	11.2	0
Trade and other receivables	0	0	0	4.0	0
Amounts due from subsidiaries	2.5	0	0	5.0	0
Deposits, bank and cash balances	0	0	0	3.4	0
Financial liabilities					
Amounts due to subsidiaries	0	0	0	4.5	0
Borrowings	7.7	1.5	0	6.2	0

(iii) Other price risk

Equity price risk arises from the Group's investment in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on an individual basis by fund managers. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

The results and cash flows of the Group and Company is significantly independent of equity price change.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values and are equivalent to nominal values due to the relatively short term nature of these financial instruments.

The carrying amount of non-current financial assets and liabilities of the Group and Company at the reporting date approximated their fair value except as set out below:

	31.8.2013		31.8.2012		1.9.2011	
	Carrying amount RM'million	Fair value RM'million	Carrying amount RM'million	Fair value RM'million	Carrying amount RM'million	Fair value RM'million
Group						
Unsecured loan stocks in associate	**10.7**	**10.7**	15.9	16.4	21.1	24.4
Investment in unquoted debt securities	**163.9**	**343.3**	163.7	347.6	164.0	388.5
Long term receivables	**305.1**	**249.1**	419.2	209.4	388.6	292.3
Borrowings	**23,189.6**	**23,236.6**	23,071.8	22,318.4	19,054.1	19,784.2
Company						
Unsecured loan stocks in associate	**10.7**	**10.7**	15.9	16.4	21.1	24.4
Investment in unquoted debt securities	**163.7**	**343.3**	163.7	347.6	164.0	388.5
Long term receivables	**1,235.8**	**1,182.1**	1,184.6	1,095.5	1,356.7	1,208.9
Borrowings	**9,833.6**	**10,155.9**	11,494.9	12,252.9	12,174.2	12,815.5
Amounts due to subsidiaries (non-current)	**2,200.7**	**2,425.8**	2,383.4	2,858.2	2,467.8	2,752.2

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

Fair value of financial instruments (continued)

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

(i) Investments in equity and debt securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing price at the end of the reporting period. For investment in unquoted debt securities, fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(ii) Financial instruments

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

The fair value of interest rate swaps and currency options are based on figures provided by calculating agents/counterparties. Those figures except for currency options are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(iii) Loans and borrowings

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, ranges between 0.72% to 21.30% (2012: 0.49% to 21.30%).

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (continued)

The following table presents the Group's and Company's assets and liabilities that are measured at fair value at the financial year end:

	As at 31 August 2013				As at 31 August 2012			
	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million
Group								
Financial assets at fair value through profit and loss	**9.7**	**0**	**0**	**9.7**	9.1	0	0	9.1
Derivative financial instruments	**0**	**61.9**	**0**	**61.9**	0	116.3	0	116.3
Available-for-sale financial assets	**0**	**38.0**	**0**	**38.0**	0	38.0	0	38.0
Total assets	**9.7**	**99.9**	**0**	**109.6**	9.1	154.3	0	163.4
Derivative financial instruments	**0**	**13.1**	**0**	**13.1**	0	21.5	0	21.5
Total liabilities	**0**	**13.1**	**0**	**13.1**	0	21.5	0	21.5
Company								
Financial assets at fair value through profit and loss	**9.7**	**0**	**0**	**9.7**	9.1	0	0	9.1
Available-for-sale financial assets	**0**	**38.0**	**0**	**38.0**	0	38.0	0	38.0
Total assets	**9.7**	**38.0**	**0**	**47.7**	9.1	38.0	0	38.0
Derivative financial instruments	**0**	**13.1**	**0**	**13.1**	0	21.5	0	21.5
Total liabilities	**0**	**13.1**	**0**	**13.1**	0	21.5	0	21.5

The unrealised gains/(losses) have been recognised in other operating expenses in the statement of profit or loss.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values using expected cash flows and risk-adjusted discount rate based on the probability weighted average of the Group's ranges of possible outcomes.

48 CAPITAL RISK MANAGEMENT

The Group's and Company's main objective of capital management is to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group and Company will also strive to maintain an optimal capital structure to reduce the cost of capital.

For the purpose of sustaining or changing the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders.

In order to be consistent with industry norms, the Group and Company monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital employed. Total borrowings include non-current borrowings, current borrowings and hire purchase as shown in the consolidated statements of financial position. Capital employed is the summation of total equity and total borrowings.

The gearing ratios as at 31 August are as follows:

	Group			Company		
	31.8.2013	31.8.2012 (Restated)	1.9.2011 (Restated)	31.8.2013	31.8.2012 (Restated)	1.9.2011 (Restated)
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Total borrowings	**23,217.2**	23,114.9	19,108.9	**9,833.6**	11,494.9	12,174.2
Total equity	**35,390.9**	35,157.3	30,777.9	**31,491.0**	31,206.4	27,881.7
Total capital employed	**58,608.1**	58,272.2	49,886.8	**41,324.6**	42,701.3	40,055.9
Gearing ratios	**0.40**	0.40	0.38	**0.24**	0.27	0.30

49 TRANSITION TO MFRS AND CHANGES IN ACCOUNTING POLICIES

The general principle that should be applied on the first time adoption of MFRS is that accounting standards in force at the first annual reporting date, that is 31 August 2013 for the Group and Company, should be applied retrospectively. However, MFRS 1 contains a number of mandatory exceptions which first time adopters are to apply and a number of exemption options that first time adopters are permitted to apply. The MFRS 1 mandatory exceptions had no significant impact to the Group and Company as the bases adopted are consistent with MFRS.

(a) MFRS 1 exemption options

(i) Exemption for fair value as deemed cost – property, plant & equipment and investment property

In accordance with the exemption in MFRS 1, the Group and Company elected to measure certain land and buildings at the previous revaluation as deemed cost as at the date of revaluation. Accordingly, the carrying amounts of these land and buildings have not been restated. At the date of transition, the revaluation surplus balance was transferred to retained profits.

(ii) Exemption for cumulative translation differences

MFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with MFRS 121 'The effects of changes in foreign exchange rates' from the date a foreign operation was acquired. The Group elected to reset all cumulative translation differences to zero in opening retained earnings at its transition date.

(b) Early adoption of Amendments to MFRS 119 'Employee Benefits'

The Group and Company has early adopted the Amendment to MFRS 119 'Employee Benefits', which is to be effective for accounting periods commencing from 1 January 2013.

Previously, net actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions have been recognised to the income statement, as the case may be, over the expected average remaining service lives of the participating employees.

In accordance with the new standards, actuarial gains and losses are to be recognised in other comprehensive income in the financial period which they occur and no longer deferred using the corridor approach.

The adoption of the new standards resulted in a change in accounting policy. This has been accounted for as a Prior Year Adjustment in accordance with MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

49 TRANSITION TO MFRS AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The change in accounting policy has been applied retrospectively with comparative figures restated accordingly:

	For the financial year ended 31 August 2012		
	Previously reported as at 31.8.2012	Effect of adoption of MFRS 119	Restated as at 31.8.2012
	RM'million	RM'million	RM'million
Reconciliation of consolidated statements of profit or loss			
Group			
Operating expenses	(31,592.1)	283.9	(31,308.2)
Profit before taxation and zakat	5,537.2	283.9	5,821.1
Taxation and zakat	(1,331.0)	(71.0)	(1,402.0)
Profit for the financial year	4,206.2	212.9	4,419.1
Company			
Operating expenses	(29,656.8)	284.0	(29,372.8)
Profit before taxation and zakat	4,429.7	284.0	4,713.7
Taxation and zakat	(1,311.6)	(71.0)	(1,382.6)
Profit for the financial year	3,118.1	213.0	3,331.1
Reconciliation of other comprehensive income			
Group			
Defined benefit plan actuarial losses	0	(2.4)	(2.4)
Foreign currency translation differences	(51.2)	0	(51.2)

49 TRANSITION TO MFRS AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The change in accounting policy has been applied retrospectively with comparative figures restated accordingly: (continued)

	Balance as at 31 August 2012			Balance as at 1 September 2011		
	Previously reported as at 31.8.2012	Effect of adoption of MFRS 119	Restated as at 31.8.2012	Previously reported as at 31.8.2011	Effect of adoption of MFRS 119	Restated as at 1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Reconciliation of consolidated statements of financial position						
Group						
Non-current liabilities						
Deferred tax liabilities	(8,284.6)	410.5	(7,874.1)	(7,852.2)	481.5	(7,370.7)
Employee benefits	(4,489.7)	(1,651.5)	(6,141.2)	(4,220.5)	(1,933.0)	(6,153.5)
Company						
Non-current liabilities						
Deferred tax liabilities	(6,589.3)	410.5	(6,178.8)	(6,130.5)	481.5	(5,649.0)
Employee benefits	(4,286.0)	(1,641.9)	(5,927.9)	(4,043.7)	(1,925.9)	(5,969.6)

	At 31 August 2012				At 1 September 2011			
	Previously reported as at 31.8.2012	Effect of adoption of MFRS 1	Effect of adoption of MFRS 119	Restated as at 31.8.2012	Previously reported as at 31.8.2011	Effect of adoption of MFRS 1	Effect of adoption of MFRS 119	Restated as at 1.9.2011
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Reconciliation of consolidated statements of changes in equity								
Group								
Other reserves	648.7	(664.9)	(1,452.5)	(1,468.7)	689.4	(679.4)	(1,450.1)	(1,440.1)
Retained profits	25,457.9	664.9	212.9	26,335.7	21,518.8	679.4	0	22,198.2
Non-controlling interests	261.0	0	(1.4)	259.6	232.0	0	(1.4)	230.6
Company								
Other reserves	1,051.9	(870.3)	(1,444.4)	(1,262.8)	1,041.3	(884.8)	(1,444.4)	(1,287.9)
Retained profits	21,355.2	870.3	213.0	22,438.5	18,495.6	884.8	0	19,380.4

SUPPLEMENTARY INFORMATION DISCLOSED

pursuant to Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised profits or losses at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Total retained profits of Tenaga Nasional Berhad:

	Group		Company	
	2013	2012 (Restated)	2013	2012 (Restated)
	RM'million	RM'million	RM'million	RM'million
Retained profits				
– Realised	**31,232.9**	29,472.8	**28,375.4**	27,013.0
– Unrealised	**(4,563.0)**	(6,421.7)	**(2,704.0)**	(4,574.5)
Total share of retained profits from jointly controlled entities:				
– Realised	**(10.4)**	(10.2)	**0**	0
Total share of retained profits from associates:				
– Realised	**190.6**	225.0	**0**	0
– Unrealised	**(110.6)**	(115.5)	**0**	0
Consolidation adjustment	**2,861.1**	3,185.3	**0**	0
Total retained profits	**29,600.6**	26,335.7	**25,671.4**	22,438.5

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

STATEMENT BY DIRECTORS

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

We, Tan Sri Leo Moggie and Datuk Seri Ir. Azman Mohd, two of the Directors of Tenaga Nasional Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 229 to 379 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 August 2013 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965.

The supplementary information set out on page 380 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors, in accordance with their resolution dated 31 October 2013.

TAN SRI LEO MOGGIE
CHAIRMAN

DATUK SERI IR. AZMAN MOHD
PRESIDENT/CHIEF EXECUTIVE OFFICER

STATUTORY DECLARATION

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

I, Fazlur Rahman Zainuddin, the person primarily responsible for the financial management of Tenaga Nasional Berhad, do solemnly and sincerely declare that the financial statements set out on pages 229 to 379 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.

FAZLUR RAHMAN ZAINUDDIN

Subscribed and solemnly declared by the above named Fazlur Rahman Zainuddin at Kuala Lumpur, Malaysia on 31 October 2013, before me.

PESURUHJAYA SUMPAH
No. W 338
Jaafar bin Jusoh
MALAYSIA

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the members of Tenaga Nasional Berhad (Incorporated in Malaysia) (Company No. 200866-W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tenaga Nasional Berhad on pages 229 to 379 which comprise the consolidated statements of financial position as at 31 August 2013 of the Group and of the Company, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 49.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 August 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

to the members of Tenaga Nasional Berhad (Incorporated in Malaysia) (Company No. 200866-W)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 380 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

1. As stated in the Basis of Preparation to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 September 2012 with a transition date of 1 September 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 August 2012 and 1 September 2011, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 August 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 August 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 September 2012 do not contain misstatements that materially affect the financial position as of 31 August 2013 and financial performance and cash flows for the financial year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
(No. 2910/02/15 (J))
Chartered Accountant

Kuala Lumpur
31 October 2013

ANALYSIS OF SHAREHOLDINGS

as at 16 October 2013

SHARE CAPITAL

Authorised Share Capital	:	10,000,000,000 ordinary shares of RM1.00 each One (1) Special Rights Redeemable Preference Share of RM1.00 1,000 Class A Redeemable Preference Shares of RM1.00 each 500 Class B Redeemable Preference Shares of RM1.00 each
Issued and Fully Paid-Up Share Capital	:	5,643,611,171 ordinary shares of RM1.00 each One (1) Special Rights Redeemable Preference Share of RM1.00
Voting Right	:	One (1) voting right for one (1) ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	1,695	5.35	62,509	0.00
100 – 1,000	4,809	15.17	3,307,879	0.06
1,001 – 10,000	21,726	68.54	61,608,425	1.09
10,001 – 100,000	2,330	7.35	63,562,310	1.13
100,001 to less than 5% of Issued Shares	1,135	3.58	2,656,685,105	47.07
5% and above of Issued Shares	3	0.01	2,858,384,943	50.65
Total	31,698	100.00	5,643,611,171	100.00

DIRECTORS' INTERESTS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares Direct/Indirect Interest	%
1.	Tan Sri Leo Moggie	–	–
2.	Datuk Seri Ir. Azman bin Mohd – Tasec Nominees (Tempatan) Sdn. Bhd.	4,375	0.00
3.	Datuk Nozirah binti Bahari	–	–
4.	Tan Sri Dato' Hari Narayanan a/l Govindasamy	–	–
5.	Dato' Zainal Abidin bin Putih	1,562	0.00
6.	Dato' Mohammad Zainal bin Shaari	–	–
7.	Dato' Fuad bin Jaafar	78,125	0.00
8.	Tan Sri Dato' Seri Siti Norma binti Yaakob	1,562	0.00
9.	Dato' Abd Manaf bin Hashim	–	–
10.	Datuk Chung Hon Cheong	–	–
11.	Puan Suria binti Ab Rahman (Alternate Director to Dato' Mohammad Zainal bin Shaari)	–	–

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,829,655,861	32.42
2.	Employees Provident Fund Board – 1,875,000 shares held in its own name – 1,900,000 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 7,130,000 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 1,000,000 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 9,565,675 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 1,725,000 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 3,700,000 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 24,661,062 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 2,204,000 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 19,059,100 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 606,148,982 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 523,000 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 3,800,000 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd. – 6,484,800 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd.	689,776,619	12.22
3.	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	422,580,100	7.49

30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS

No.	Name of Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,829,655,861	32.42
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	606,148,982	10.74
3.	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	422,580,100	7.49
4.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt An For State Street Bank & Trust Company (West CLT OD67)	104,388,431	1.85
5.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For The Bank Of New York Mellon (Mellon Acct)	89,655,732	1.59
6.	Amanahraya Trustees Berhad Amanah Saham Malaysia	81,464,000	1.44
7.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	79,579,525	1.41
8.	Cartaban Nominees (Tempatan) Sdn. Bhd. Exempt An For Eastspring Investments Berhad	57,296,168	1.02
9.	Kumpulan Wang Persaraan (Diperbadankan)	53,897,300	0.96
10.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	48,405,525	0.86
11.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)	46,467,059	0.82

ANALYSIS OF SHAREHOLDINGS
as at 16 October 2013

No.	Name of Shareholders	No. of Shares	%
12.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)	44,500,000	0.79
13.	HSBC Nominees (Asing) Sdn. Bhd. HSBC BK PLC For Saudi Arabian Monetary Agency	42,731,000	0.76
14.	Cartaban Nominees (Asing) Sdn. Bhd. GIC Private Limited For Government Of Singapore (C)	40,437,425	0.72
15.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	38,149,575	0.68
16.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (U.A.E.)	37,888,826	0.67
17.	Amanahraya Trustees Berhad Amanah Saham Didik	37,813,937	0.67
18.	Amsec Nominees (Tempatan) Sdn. Bhd. AmTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	36,057,900	0.64
19.	Amanahraya Trustees Berhad AS 1Malaysia	35,112,900	0.62
20.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (Netherlands)	34,439,650	0.61
21.	Amanahraya Trustees Berhad Public Islamic Dividend Fund	33,632,175	0.60
22.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (Saudi Arabia)	32,179,211	0.57
23.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An For AIA Bhd.	31,239,425	0.55
24.	HSBC Nominees (Asing) Sdn. Bhd. BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	29,062,407	0.51
25.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (Resident USA-2)	28,299,500	0.50
26.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Nomura)	24,661,062	0.43
27.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (U.K.)	24,069,388	0.42
28.	CIMB Group Nominees (Tempatan) Sdn. Bhd. Exempt An For Petroliam Nasional Berhad	21,738,625	0.38
29.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (BVI)	20,752,000	0.37
30.	Amanahraya Trustees Berhad Public Islamic Select Enterprises Fund	19,628,700	0.35
	Total	**4,031,932,389**	**71.44**

NET BOOK VALUE OF LAND & BUILDINGS

for the financial year ended 31 August 2013

Property List

Group	Land: Leasehold No. of Lots (1)	Land: Leasehold Area (sq M) (2)	Land: Leasehold NBV (RM'000) (3)	Land: Freehold No. of Lots (4)	Land: Freehold Area (sq M) (5)	Land: Freehold NBV (RM'000) (6)	Land: Total No. of Lots (1+4)	Land: Total Area (sq M) (2+5)	Land: Total NBV (RM'000) (3+6)	Buildings No. (10)	Buildings Built-Up Area (sq M) (11)	Buildings Total NBV (RM'000) (12)	Description (13)
Location													
Perlis	56	185,152	2,178	55	57,304	3,448	111	242,456	5,626	87	11,735	23,404	Power Stations, Rural Power Stations, Mini Hydros, Jetties, Dams Main Intake Substations, Distribution Substations, Residential Houses, Apartments, Holiday Bungalows, Office Buildings, Warehouses, Stores and Workshops
Kedah	294	1,055,960	15,346	445	892,628	32,325	739	1,948,588	47,671	377	111,536	265,386	
Pulau Pinang	193	843,098	67,056	492	718,268	56,114	685	1,561,366	123,170	327	70,478	428,630	
Perak	694	4,652,186	113,583	479	4,310,214	94,255	1,173	8,962,400	207,838	910	248,772	914,847	
Selangor	789	8,560,566	371,965	757	2,492,276	278,059	1,546	11,052,842	650,024	1,436	590,275	2,466,117	
W.Persekutuan	383	301,994	73,639	457	473,243	146,203	840	775,237	219,842	553	230,147	907,170	
Putrajaya/ Cyberjaya	6	588,490	14,089	7	1,554	1,618	13	590,044	15,707	61	8,581	39,367	
N.Sembilan	275	535,347	16,522	283	1,015,138	41,747	558	1,550,485	58,269	253	164,427	541,942	
Melaka	333	634,543	24,269	297	141,930	22,685	630	776,473	46,954	150	126,566	100,266	
Johor	950	3,598,311	102,539	743	844,521	49,428	1,693	4,442,832	151,967	584	156,098	834,084	
Pahang	342	1,302,627	21,873	282	287,630	13,757	624	1,590,257	35,630	617	227,466	541,917	
Terengganu	356	2,115,622	30,485	89	10,977,139	43,067	445	13,092,761	73,552	323	72,884	479,422	
Kelantan	350	1,270,413	9,888	274	466,764	21,138	624	1,737,177	31,026	314	414,169	900,699	
Sabah	83	6,261,621	11,799	63	4,501,754	32,466	146	10,763,375	44,265	556	651,954	310,913	
Pakistan	1	38,141	114	1	790,344	1,599	2	828,485	1,713	1	12,713	672	
TOTAL	**5,105**	**31,944,071**	**875,345**	**4,724**	**27,970,707**	**837,909**	**9,829**	**59,914,778**	**1,713,254**	**6,549**	**3,097,801**	**8,754,836**	

CORPORATE FRAMEWORK
PERFORMANCE REVIEW
LEADERSHIP
ACCOUNTABILITY
OPERATIONS REVIEW
KEY INITIATIVES
FINANCIAL STATEMENTS
OTHER INFORMATION

GROUP DIRECTORY

WILAYAH PERSEKUTUAN KUALA LUMPUR

Pengurus Besar (Kuala Lumpur)
Bahagian Pembahagian
Tenaga Nasional Berhad
Tingkat 11, Wisma TNB
Peti Surat 11050
Jalan Jinjang Permai 1
Jinjang Utara
52000 Jinjang, Kuala Lumpur
Tel : 03-6250 6020/6030
D/L : 03-6250 6301
Fax : 03-6250 6500

PUTRAJAYA & CYBERJAYA

Pengurus Besar (Putrajaya & Cyberjaya)
Bahagian Pembahagian
Tenaga Nasional Berhad
Blok 4802-0-7, Jalan Perdana
CBD Perdana
63000 Cyberjaya
Tel : 03-8886 6888
Fax : 03-8888 3588

NEGERI SEMBILAN

Pengurus Besar Negeri (Negeri Sembilan)
Bahagian Pembahagian
Tenaga Nasional Berhad
Aras 5, Wisma TNB
Jalan Dato' Bandar Tunggal
70990 Seremban
Tel : 06-768 3400
D/L : 06-768 3441
Fax : 06-764 4271

NEGERI MELAKA

Pengurus Besar Negeri (Melaka)
Bahagian Pembahagian
Tenaga Nasional Berhad
Aras M, Jalan Banda Kaba
Karung Berkunci 1005
75990 Melaka
Tel : 06-282 8544
Fax : 06-282 6460

NEGERI JOHOR

Pengurus Besar Negeri (Johor)
Bahagian Pembahagian
Tenaga Nasional Berhad
Tingkat 14, Wisma TNB
Jalan Yahya Awal
80100 Johor Bahru
Tel : 07-219 2000
Fax : 07-223 1425

NEGERI PAHANG

Pengurus Besar Negeri (Pahang)
Bahagian Pembahagian
Tenaga Nasional Berhad
Aras 13, Wisma TNB
Lot 14, Seksyen 19, Jalan Gambut
25000 Kuantan
Tel : 09-515 5555
D/L : 09-515 5556
Fax : 09-515 5656

NEGERI TERENGGANU

Pengurus Besar Negeri (Terengganu)
Bahagian Pembahagian
Tenaga Nasional Berhad
Jalan Cherong Lanjut
20673 Kuala Terengganu
Tel : 09-622 3022
D/L : 09-622 1408
Fax : 09-624 3896

NEGERI KELANTAN

Pengurus Besar Negeri (Kelantan)
Bahagian Pembahagian
Tenaga Nasional Berhad
Aras 5, Wisma TNB, Jalan Tok Hakim
15000 Kota Bharu
Tel : 09-745 1100
D/L : 09-744 5477
Fax : 09-747 3611

NEGERI PERLIS

Pengurus Besar Negeri (Perlis)
Bahagian Pembahagian
Tenaga Nasional Berhad
Wisma TNB, Bulatan Jubli Emas
01000 Kangar
Tel : 04-976 0021
D/L : 04-976 7470
Fax : 04-976 1921

NEGERI KEDAH

Pengurus Besar Negeri (Kedah)
Bahagian Pembahagian
Tenaga Nasional Berhad
Aras 8, Wisma TNB
No. 887, Jalan Sultan Badlishah
05990 Alor Setar
Tel : 04-774 5600
D/L : 04-735 2707
Fax : 04-732 4185

NEGERI PULAU PINANG

Pengurus Besar Negeri (Pulau Pinang)
Bahagian Pembahagian
Tenaga Nasional Berhad
Tingkat 17, Wisma TNB
No. 30, Jalan Anson
10400 Pulau Pinang
Tel : 04-222 4000
Fax : 04-227 3110

NEGERI PERAK

Pengurus Besar Negeri (Perak)
Bahagian Pembahagian
Tenaga Nasional Berhad
Tingkat 2, Wisma TNB
Jalan Lahat
30200 Ipoh
Tel : 05-208 8000
D/L : 05-254 7475
Fax : 05-254 5199

NEGERI SELANGOR

Pengurus Besar Negeri (Selangor)
Bahagian Pembahagian
Tenaga Nasional Berhad
Wisma TNB Subang Jaya
Jalan USJ 10/1A, USJ 10
47620 Subang Jaya
Tel : 03-5522 4000
Fax : 03-5522 4181

PROXY FORM

TENAGA NASIONAL BERHAD (200866-W)

(Before completing the form, please refer to the notes overleaf)

Number of Ordinary Share(s) held	CDS Account No.
	- -

I/We, ____

(FULL NAME OF SHAREHOLDER AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

NRIC No./Passport No./Co. No. ____________________ of ______________________________

(FULL ADDRESS)

____ Telephone No. ____________________

(FULL ADDRESS)

being a Member of Tenaga Nasional Berhad, hereby appoint:

	FULL NAME OF PROXY AS PER NRIC IN CAPITAL LETTERS	NO. OF SHARES	PERCENTAGE (%)	
Proxy 1				or failing him/her
	NRIC No./Passport No.:			
Proxy 2				or failing him/her
	NRIC No./Passport No.:			
		TOTAL	100%	

the **Chairman of the Meeting, as my/our proxy, to attend and vote for me/us and on my/our behalf at the **23RD ANNUAL GENERAL MEETING** of **TENAGA NASIONAL BERHAD** to be held at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur on **THURSDAY, 19 DECEMBER 2013** at **10.00 a.m.** and/or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS		FOR	AGAINST
	NORMAL BUSINESS			
1.	To receive the Audited Financial Statements for the Financial Year ended 31 August 2013 and the Reports of the Directors and Auditors thereon		NA	NA
2.	**ORDINARY RESOLUTION 1**	Declaration of Dividend		
3.	**ORDINARY RESOLUTION 2**	Approval for Increase in Directors' Fees		
4.	**ORDINARY RESOLUTION 3**	Approval for Payment of Directors' Fees		
	Re-election of the following Directors who retire in accordance with Article 135 of the Company's Articles of Association:			
5.	**ORDINARY RESOLUTION 4**	Datuk Nozirah binti Bahari		
6.	**ORDINARY RESOLUTION 5**	Datuk Chung Hon Cheong		
	Re-appointment of the following Directors who retire in accordance with Section 129(6) of the Companies Act, 1965:			
7.	**ORDINARY RESOLUTION 6**	Tan Sri Leo Moggie		
8.	**ORDINARY RESOLUTION 7**	Tan Sri Dato' Seri Siti Norma binti Yaakob		
9.	**ORDINARY RESOLUTION 8**	Re-appointment of Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS			
10.	**ORDINARY RESOLUTION 9**	Continuation in Office of Dato' Zainal Abidin bin Putih as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012		
11.	**ORDINARY RESOLUTION 10**	Proposed Renewal of Share Buy-Back Authority		

Please indicate with an "X" in the box provided for each Resolution as how you wish your votes to be cast. If no voting instruction is given, the proxy/proxies is/are hereby authorised to vote, or abstain from voting at his/her discretion.

In the case of a vote taken by a show of hands, *Proxy 1/*Proxy 2 (one only) shall vote on my/our behalf.

**Strike out whichever not applicable.*

***If you do not wish to appoint the Chairman of the Meeting as your proxy/one of your proxies, please strike out the words "the Chairman of the Meeting" and insert the name(s) of the proxy/proxies you wish to appoint in the blank spaces provided.*

Dated this _______ day of _________ 2013.

____

Signature of Shareholder or Common Seal

NOTES:

1. Only members registered in the Record of Depositors as at 12 December 2013 shall be eligible to attend the AGM or appoint proxy to attend and vote on their behalf.
2. 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.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that, where a member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
5. The instrument appointing a proxy/Proxy Form shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
6. A corporation which is a member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting in accordance with Article 107(6) of the Company's Articles of Association.
7. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the Meeting or **no later than 17 December 2013 at 10.00 a.m.**
8. At any general meeting, every question submitted, a resolution put to the vote of the Meeting, and/or in the case of an equality of votes, shall be decided on a show of hands by members present and being entitled to vote at the General Meeting unless a poll is demanded by either:-
   (a) the Chairman (being a person entitled to vote); or
   (b) at least five (5) members present in person or by proxy and being entitle to vote; or
   (c) any member or members holding or representing by proxy or power of attorney not less than one-tenth of the issued share capital of the Company and entitled to vote.
9. The demand for a poll may be withdrawn. Unless a poll be so demanded, it shall be taken in such manner and at such time and place as the Chairman of the meeting directs and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
10. A poll demanded on the election of a Chairman of a meeting and a poll demanded on a question of adjournment shall be taken at the meeting without adjournment. In the case of any dispute as to the admission or rejection of a vote the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.
11. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the business on which a poll has been demanded.

STAMP

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

TENAGA NASIONAL

Better. Brighter.

www.tnb.com.my

Tenaga Nasional Berhad

No. 129, Jalan Bangsar, 59200 Kuala Lumpur

Tel: 603 2180 4582

Fax: 603 2180 4589

Email: cosec@tnb.com.my