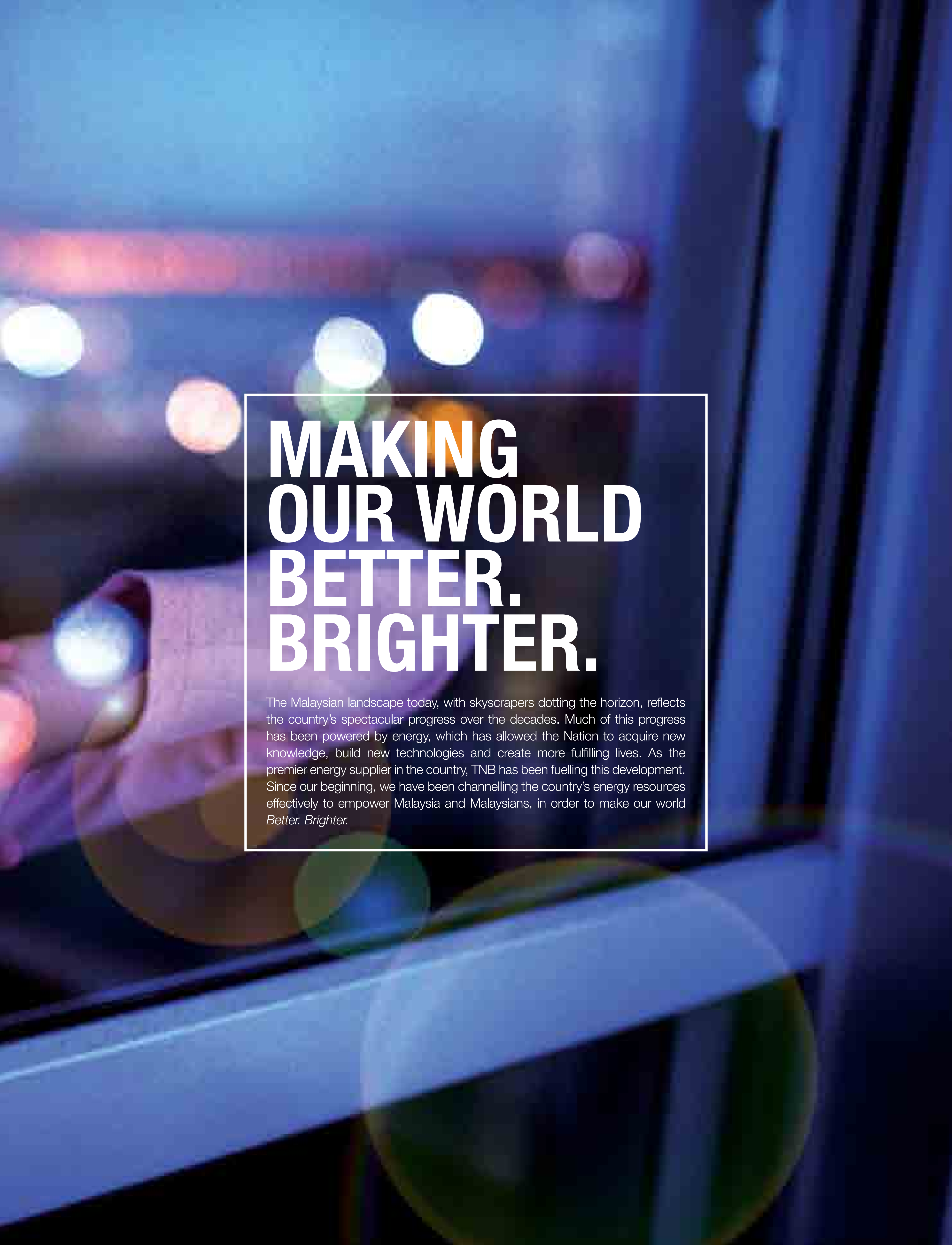
TENAGA NASIONAL

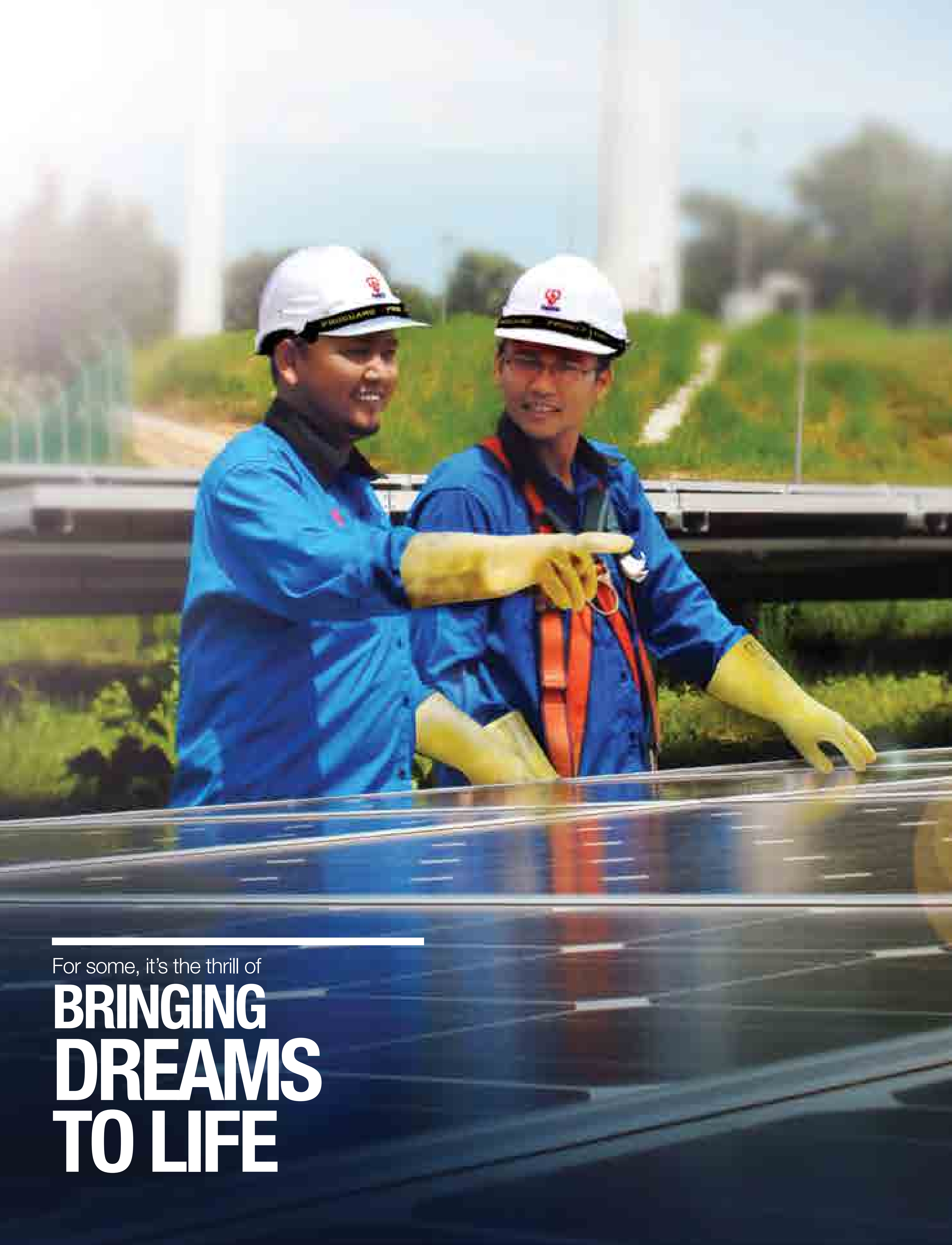
Making our world Better. Brighter.

ANNUAL REPORT 2014



MAKING OUR WORLD BETTER. BRIGHTER.

The Malaysian landscape today, with skyscrapers dotting the horizon, reflects the country's spectacular progress over the decades. Much of this progress has been powered by energy, which has allowed the Nation to acquire new knowledge, build new technologies and create more fulfilling lives. As the premier energy supplier in the country, TNB has been fuelling this development. Since our beginning, we have been channelling the country's energy resources effectively to empower Malaysia and Malaysians, in order to make our world *Better. Brighter.*



For some, it's the thrill of

BRINGING DREAMS TO LIFE

GENERATION

Entrusted to operate and maintain TNB's portfolio of power generating units, this division has thermal generation assets and major hydro-generation schemes in Peninsular Malaysia.

THERMAL GENERATION

4,655MW

+ TNB JANAMANJUNG

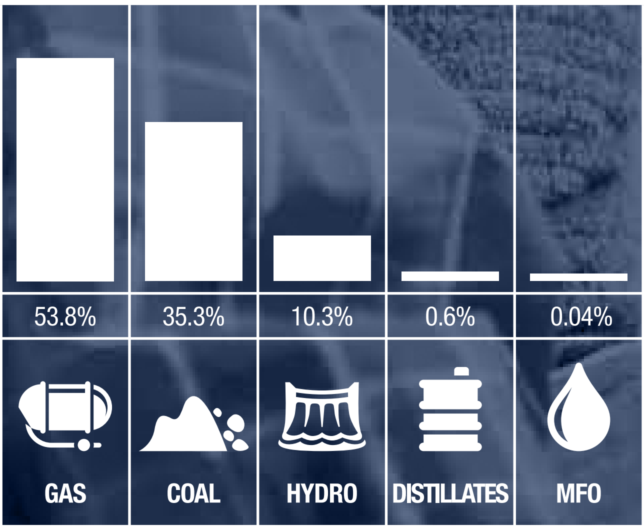
2,070MW

HYDRO GENERATION

1,911MW

(INCLUDES MINI HYDROS)

GENERATION FUEL MIX



PEAK DEMAND FOR ELECTRICITY IN PENINSULAR MALAYSIA

2014	16,901MW
2013	16,562MW

For some, it's the thrill of

BRINGING DREAMS TO LIFE

for some it's
the wonder of
discovering
new things

GENERATION

Entrusted to operate and maintain TNB's portfolio of power generating units, this division has thermal generation assets and major hydro-generation schemes in Peninsular Malaysia.

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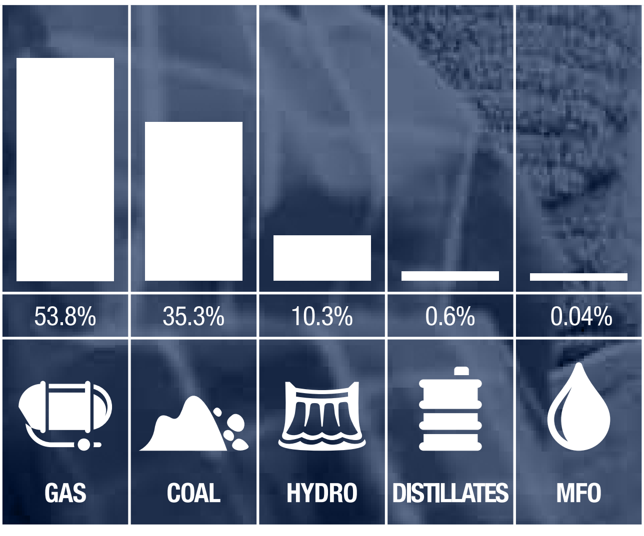
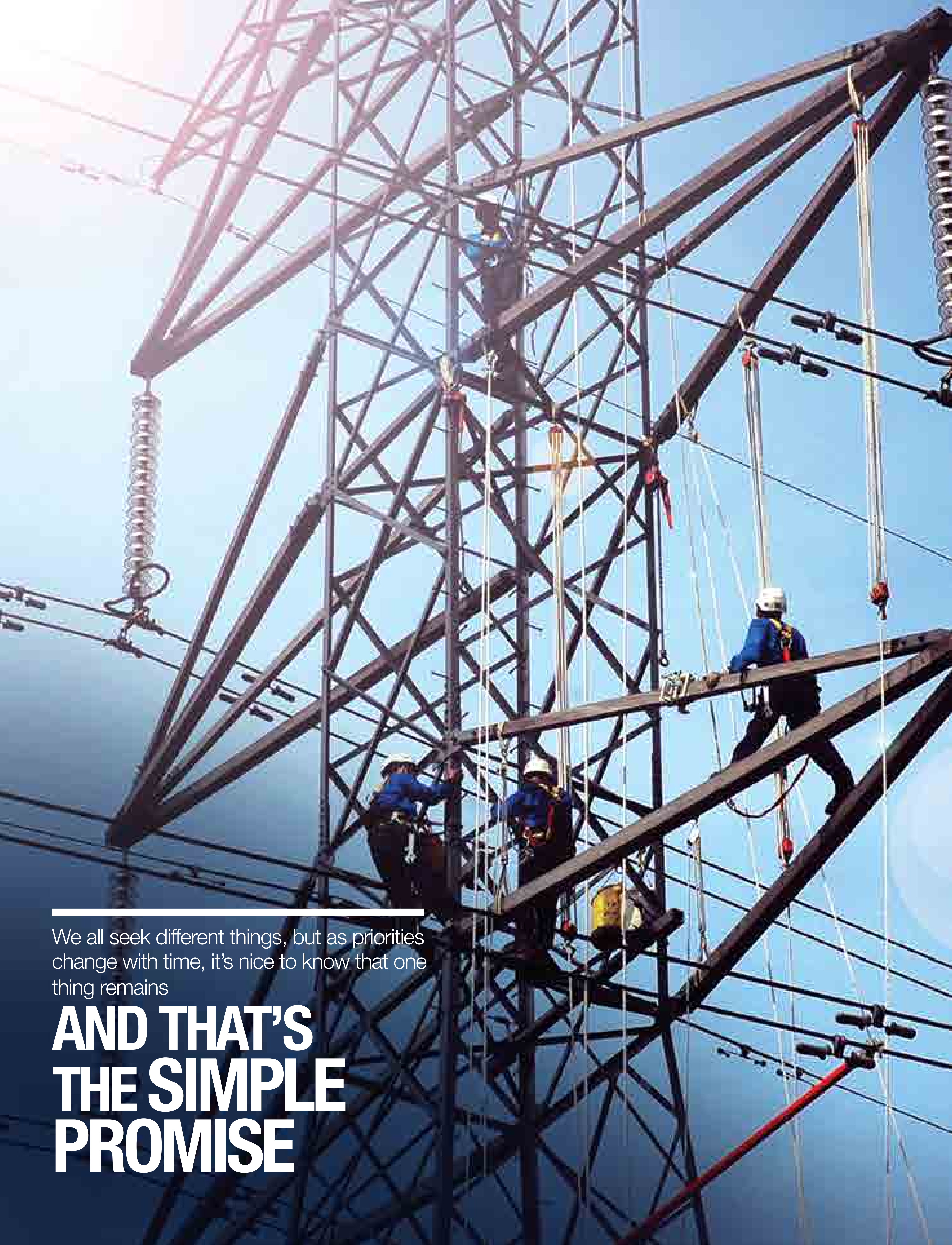


PEAK DEMAND FOR ELECTRICITY IN PENINSULAR MALAYSIA

2014	16,901MW
2013	16,562MW



We all seek different things, but as priorities change with time, it's nice to know that one thing remains

AND THAT'S THE SIMPLE PROMISE

TRANSMISSION

In conformity with the Malaysian Grid Code, TNB's Transmission Division is aimed at providing a safe, reliable and economical operation of the grid system.

132kV

275kV

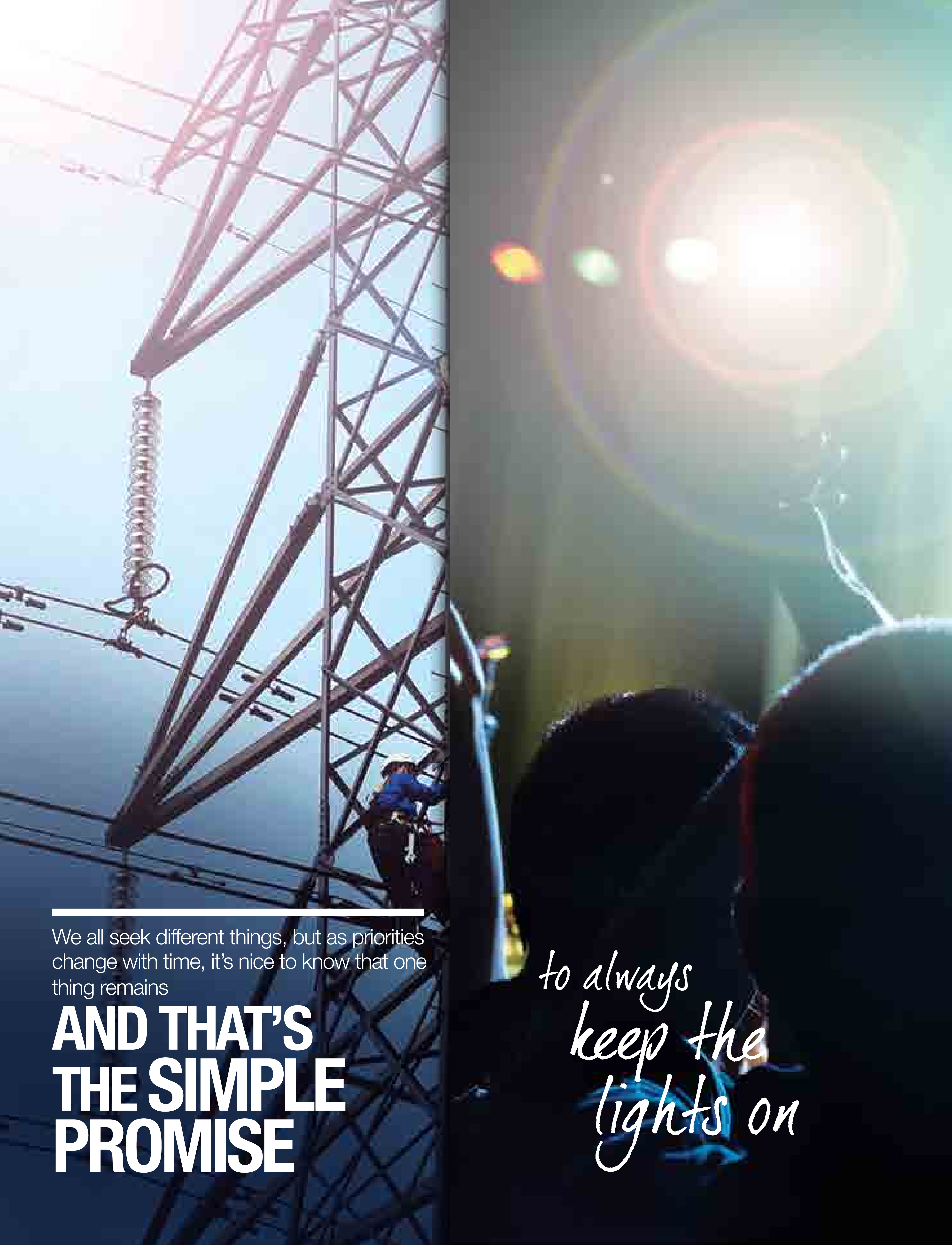
500kV

A NEW RECORD FOR
SYSTEM MINUTES AT
0.1 MINUTE
A WORLD-CLASS STANDARD

0 MAJOR DISTURBANCE

NO >700MW BLACKOUT

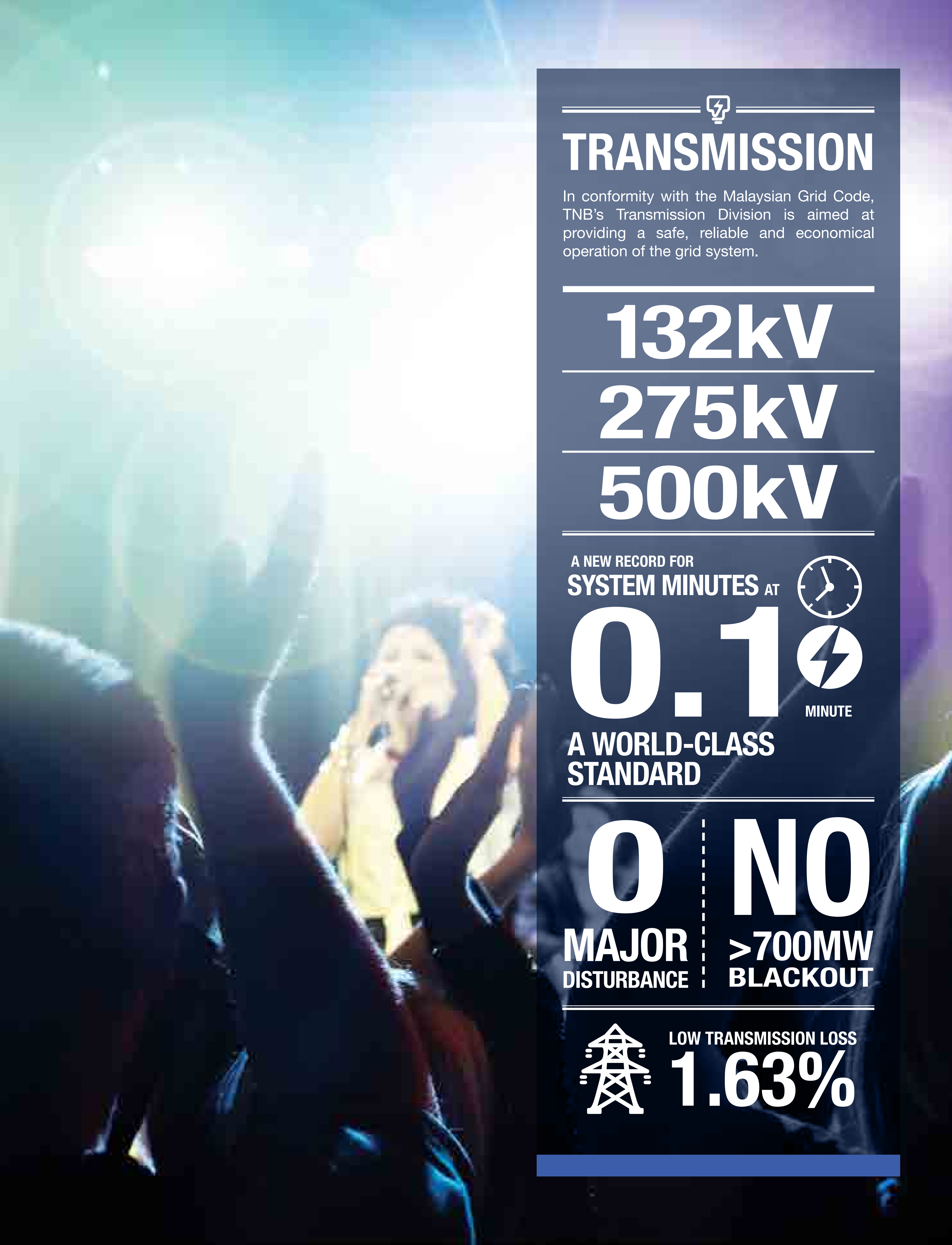
LOW TRANSMISSION LOSS
1.63%



We all seek different things, but as priorities change with time, it's nice to know that one thing remains

AND THAT'S THE SIMPLE PROMISE

to always keep the lights on



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1.63%

To keep the energy flowing,
to make it all happen, and for you

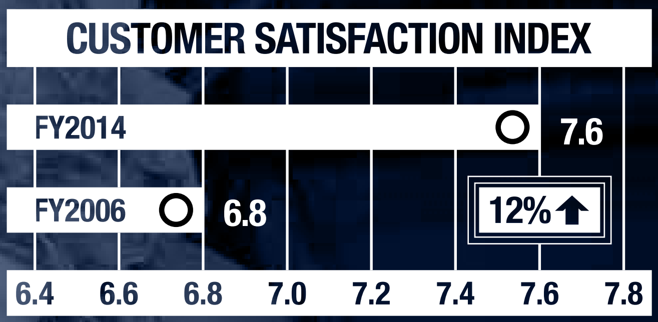
FOR THE PLANET, FOR OUR TOMORROWS

DISTRIBUTION

Entrusted to conduct two value chain business activities on behalf of TNB - Distribution Network Operations & Electricity Retail Operations.

NETWORK OPERATIONS

CUSTOMER SERVICES



SAIDI

2013	2014
▼ 64.2 MINUTES	▼ 55.0 MINUTES

LIGHTING APPROXIMATELY **8.6** MILLION CUSTOMERS

REACHING **99.8** %

To keep the energy flowing,
to make it all happen, and for you

FOR THE PLANET, FOR OUR TOMORROWS

to make everyone's
search for better,
a much
brighter one

DISTRIBUTION

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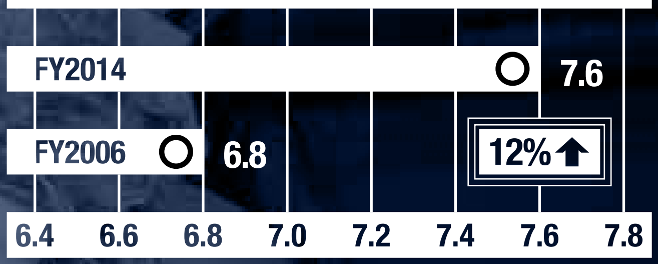
NETWORK OPERATIONS

CUSTOMER SERVICES

CUSTOMER SATISFACTION INDEX



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2013	2014
▼ 64.2 MINUTES	▼ 55.0 MINUTES

LIGHTING APPROXIMATELY **8.6** MILLION CUSTOMERS

REACHING **99.8** %

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

FACTS AT A GLANCE

NO. OF EMPLOYEES

36,146

PEOPLE GROUP-WIDE

ASSETS FIGURE

RM110.7 billion

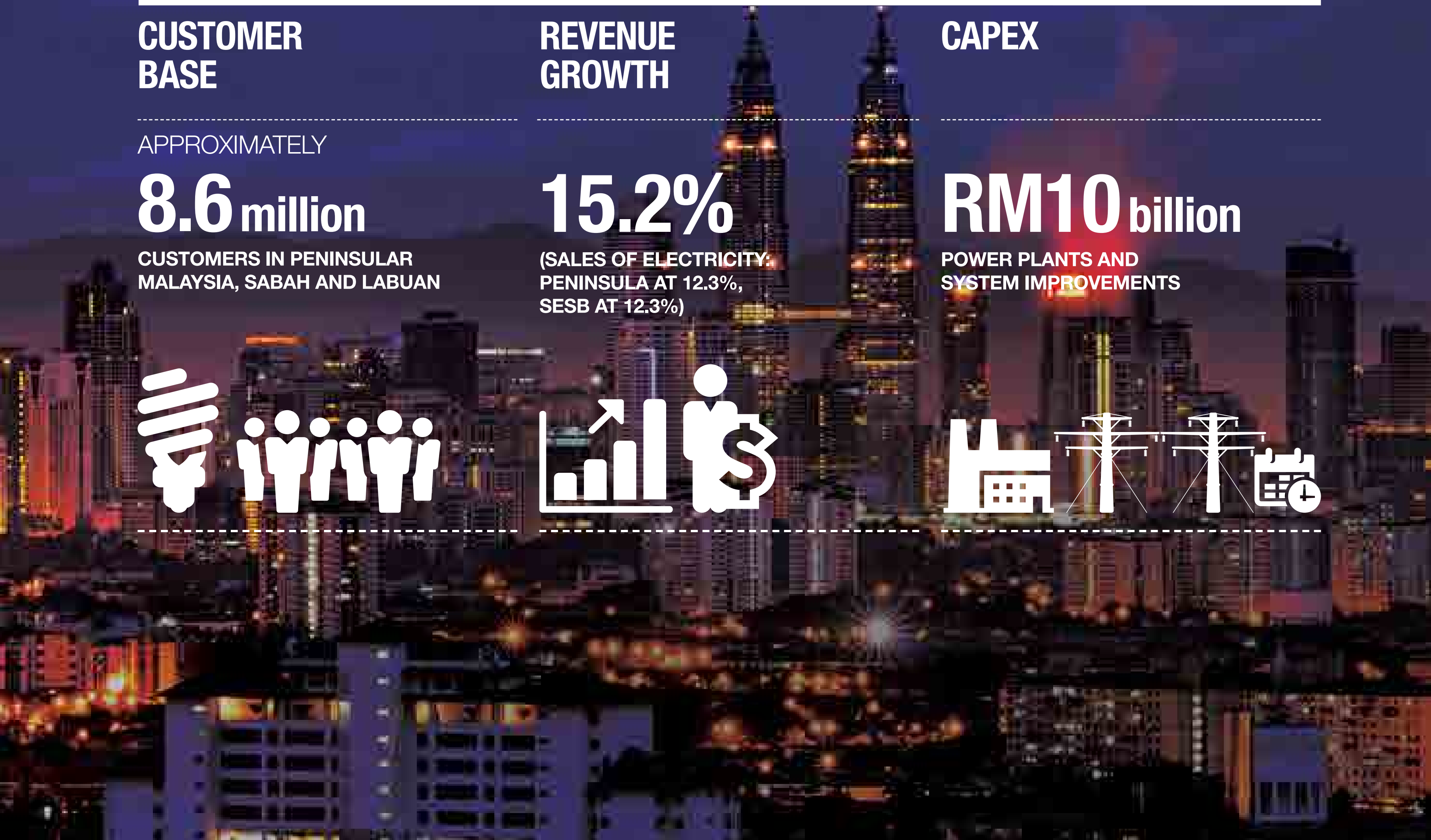
IN ASSETS

INSTALLED CAPACITY

TOTAL INSTALLED CAPACITY

8,636MW

COMPRISING OF
THERMAL = 4,655MW
TNB JANAMANJUNG = 2,070MW
HYDRO = 1,911MW (INCLUDES MINI HYDROS)



CUSTOMER BASE

APPROXIMATELY

8.6 million

CUSTOMERS IN PENINSULAR MALAYSIA, SABAH AND LABUAN

REVENUE GROWTH

15.2%

(SALES OF ELECTRICITY: PENINSULA AT 12.3%, SESB AT 12.3%)

CAPEX

RM10 billion

POWER PLANTS AND SYSTEM IMPROVEMENTS

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ADDITIONAL INFORMATION

What is i-Tenaga?

i-Tenaga is a feature within The TNB Mobile App. It combines image recognition and Augmented Reality (AR) technology to deliver messages that go beyond print.

i-Tenaga this page

to find out how you can get the most out of this amazing technology.

1. Get It
Get The TNB Mobile App from The App Store or Google Play.

2. Load It
Launch the app and tap the i-Tenaga icon.

3. Shoot It
Place device over i-Tenaga article.

4. Hit It
Get access to more contents from i-Tenaga.

SECTION

1

THE YEAR IN REVIEW

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE **TWENTY-FOURTH ANNUAL GENERAL MEETING (24TH AGM)** OF TENAGA NASIONAL BERHAD WILL BE HELD ON **THURSDAY, 18 DECEMBER 2014,** 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 2014 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 19.0 sen per ordinary share for the Financial Year ended 31 August 2014. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees of RM2,231,612.90 for the Financial Year ended 31 August 2014. **Ordinary Resolution 2**

4. To re-elect the following Directors who are appointed to the Board during the year and retire in accordance with Article 133 of the Company's Articles of Association:

   (i) Sakthivel a/l Alagappan; **Ordinary Resolution 3**
   (ii) Datuk Wira Ir. Md Sidek bin Ahmad; **Ordinary Resolution 4**
   (iii) Ahmad Farouk bin Mohamed. **Ordinary Resolution 5**

5. To re-elect the following Directors who retire by rotation in accordance with Article 135 of the Company's Articles of Association:

   (i) Dato' Zainal Abidin bin Putih; **Ordinary Resolution 6**
   (ii) Dato' Abd Manaf bin Hashim. **Ordinary Resolution 7**

6. 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 8**
   (ii) Tan Sri Dato' Seri Siti Norma binti Yaakob. **Ordinary Resolution 9**

7. 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 10**

AS SPECIAL BUSINESS:

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

8. 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 11**

9. 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:

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

(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 12

10. 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 24th 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 11 December 2014. Only a depositor whose name appears on the ROD as at 11 December 2014 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 24th AGM to be held on 18 December 2014, a final single-tier dividend of 19.0 sen per ordinary share for the Financial Year ended 31 August 2014 will be paid on 31 December 2014 to Depositors whose names appear in the ROD on 19 December 2014.

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

(a) shares transferred into the Depositor's securities account before 4.00 p.m. on 19 December 2014 in respect of ordinary transfers; and

(b) 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 2014

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

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

(ii) **Ordinary Resolutions 3, 4, 6 and 7 – Proposed Re-election of Directors**

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.

(iii) **Ordinary Resolution 9 – 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 bring 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 24th AGM of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESSES:

(i) **Ordinary Resolution 11 – 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 of the Company 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:

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

(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 12 – 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 the retained profits and the 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 2014 dispatched together with the 2014 Annual Report.

Additional Information on Ordinary Resolutions 3 to 9 and 11

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 11 December 2014 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 Act 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 16 December 2014 at 10.00 a.m.**
8. Every question submitted to any general meeting shall be decided in the first instance by a show of hands by members present and being entitled to vote at the General Meeting and in the case of an equality of votes the Chairman (unless he is not the Chairman of the Board of Directors) shall, both on a show of hands by members present and being entitled to vote at the General Meeting and at a poll, have a casting vote in addition to the vote or votes to which he may be entitled as a member.
9. At any general meeting unless a poll is demanded by the Chairman or by at least five (5) members present in person or proxy and being entitled to vote at the General Meeting or attorney or by 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 in respect thereof, a declaration by the Chairman that a resolution has been carried or carried unanimously or carried by a particular majority or lost, or not carried by a particular majority or lost and an entry to that effect in the minutes of the proceedings of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes given for or against such resolution.
10. 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.
11. 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.
12. 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 24TH 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 133 of the Company's Articles of Association and seeking re-election:

(i) Sakthivel a/l Alagappan

(ii) Datuk Wira Ir. Md Sidek bin Ahmad

(iii) Ahmad Farouk bin Mohamed

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

(i) Dato' Zainal Abidin bin Putih

(ii) Dato' Abd Manaf bin Hashim

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 77 to 86 of this Annual Report. The details of their shareholdings in the Company or its subsidiaries (if any) are set out in the Directors' Report on page 130 of the Audited Financial Statements of this Annual Report.

FINANCIAL CALENDAR

YEAR 2014

QUARTERLY RESULTS

23 JANUARY 2014
Announcement of the unaudited consolidated results for the first (1st) quarter ended 30 November 2013

24 APRIL 2014
Announcement of the unaudited consolidated results for the second (2nd) quarter ended 28 February 2014

16 JULY 2014
Announcement of the unaudited consolidated results for the third (3rd) quarter ended 31 May 2014

31 OCTOBER 2014
Announcement of the audited consolidated results for the fourth (4th) quarter and Financial Year ended 31 August 2014

DIVIDEND

Notice of Book Closure – 29 April 2014

Entitlement Date – 19 May 2014

Payment Date – 29 May 2014

Interim Single-Tier Dividend of 10.0 sen per ordinary share in respect of the Financial Year ending 31 August 2014

ANNUAL GENERAL MEETING & EXTRAORDINARY GENERAL MEETING

21 NOVEMBER 2014

- Notice of 24th Annual General Meeting and Issuance of Annual Report for the Financial Year ended 31 August 2014
- Notice of Extraordinary General Meeting for the proposed establishment of a Long Term Incentive Plan for the eligible employees of TNB and its subsidiaries and Executive Directors of TNB

18 DECEMBER 2014

- 24th Annual General Meeting
- Extraordinary General Meeting

YEAR 2013

QUARTERLY RESULTS

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

DIVIDEND

Notice of Book Closure – 20 November 2013

Entitlement Date – 20 December 2013

Payment Date – 31 December 2013

Final Single-Tier Dividend of 15.0 sen per ordinary share in respect of the Financial Year ended 31 August 2013

ANNUAL GENERAL MEETING

21 NOVEMBER 2013
Notice of 23rd Annual General Meeting and Issuance of Annual Report for the Financial Year ended 31 August 2013

19 DECEMBER 2013
23rd Annual General Meeting

INVESTOR RELATIONS

THE YEAR 2014 SIGNIFIED A BREAKTHROUGH YEAR FOR TNB, WITH THE IMPLEMENTATION OF THE INCENTIVE BASED REGULATION (IBR) IN JANUARY 2014.

This denotes another key milestone achieved under the Malaysian Electricity Supply Industry (MESI) transformation initiatives which aim to deliver a reliable, transparent, efficient and sustainable electricity supply industry.

As the IBR entered its trial period, the Group acknowledged the immediate need to enhance general understanding of its mechanism and to provide updates on other significant developments related to MESI reforms. Effective two-way communication between the Management and the financial community has been particularly crucial in ensuring information is made available in an accurate, consistent, transparent and timely manner.

This role is undertaken by our Investor Relations (IR) Unit, which is strategically positioned under the purview of the Group Chief Financial Officer / Vice President (Finance) within the Investor Relations and Management Reporting Department of Group Finance Division. The IR team is committed in disseminating essential information pertaining to the Group; be it strategic, financial or operational in order to assist the financial community to make informed decisions. Its role complements the functions of Management Reporting towards providing quality and timely information relevant for decision-making, internally and externally.

ENGAGEMENT ACTIVITIES

In supporting the aspiration 1TNB Transformation Programme for TNB to become a strong leader at home while emerging as a regional champion, our IR team further enhanced its interactions with financial community, both local and foreign based by hosting numerous in-house meetings and conference calls. In addition, during the year under review, we participated in several conferences and corporate events organised by various research houses, in which the invitations received indicate escalation in interests shown by the financial community towards TNB. The IR team also organised site visits for local analysts and fund managers to familiarise them with the Company's operations and its associated challenges.

Engagement Activities in FY2014

Key Event	Number of participants
Quarterly Financial Results Announcements & Analyst Briefings (including teleconferencing)	257
One-on-one and Group Meetings at Conferences	165
In-house Meetings (73) & Conference Calls (15)	207
Dialogue Sessions & Corporate Events	136

Results Announcement	Date
4th Quarter FY2013	31 October 2013
1st Quarter FY2014	23 January 2014
2nd Quarter FY2014	24 April 2014
3rd Quarter FY2014	16 July 2014

Site Visit	Date
KEV, Kapar	2 September 2013
TNB Janamanjung	25 September 2013

IR Roadshow and Conferences

In our continuous effort to reach out to the global financial community, TNB participated in three conferences and three non-deal roadshows during the year, locally and internationally.

No.	Date	Event	Venue
1	23 – 25 September 2013	CLSA 20th Investors' Forum	Hong Kong
2	11 – 12 November 2013	BNY Mellon Non-deal Roadshow	New York, USA
3	17 – 19 February 2014	Morgan Stanley Non-deal Roadshow	Singapore
4	24 – 26 March 2014	Credit Suisse 17th Annual Asian Investment Conference	Hong Kong
5	09 – 10 June 2014	CIMB 4th Annual Asia Pacific Conference & Invest Malaysia Conference 2014	Kuala Lumpur
6	23 – 27 June 2014	Deutsche Bank Non-deal Roadshow	London/ Amsterdam/ Brussels

INVESTOR RELATIONS

RELATIONSHIP BUILDING WITH FINANCIAL COMMUNITY

To ensure comprehensive disclosure and fair distribution of information to the financial community, corporate information and financial data are regularly updated on the TNB Group website at http://www.tnb.com.my/investors-media.html. The IR portal comprises the following key segments:

- News & Highlights
- Financial Info
- Share Info
- Demand Sales & Foreign Shareholding
- Annual Reports
- Circulars/Notices to Shareholders
- Requests for Meeting
- Requests for IR Info

The IR team is also reachable by email at tenaga_ird@tnb.com.my where queries and concerns are addressed in a timely manner.

ANALYST COVERAGE

TNB is covered by analysts from major research houses locally and internationally, signifying generally strong support by these institutions. As at August 2014, there were 24 research houses covering TNB, with increased in the average target price by 30.9% from RM10.52 in August 2013 to RM13.77 in August 2014. The equity research houses are:

- Affin Investment Bank
- Alliance DBS Research
- AM Research
- BIMB Securities
- CIMB
- Citi Research
- CLSA
- Credit Suisse
- Deutsche Bank
- Hong Leong Investment Bank
- HSBC Global Research
- JP Morgan
- KAF – Seagroatt & Campbell Securities
- Macquarie Equities Research
- M & A Securities
- Maybank IB
- MIDF Research
- Morgan Stanley
- Nomura Equity Research
- UOB Kay Hian
- Public Investment Bank
- RHB
- TA Securities
- UBS Investment Research

Credit Rating

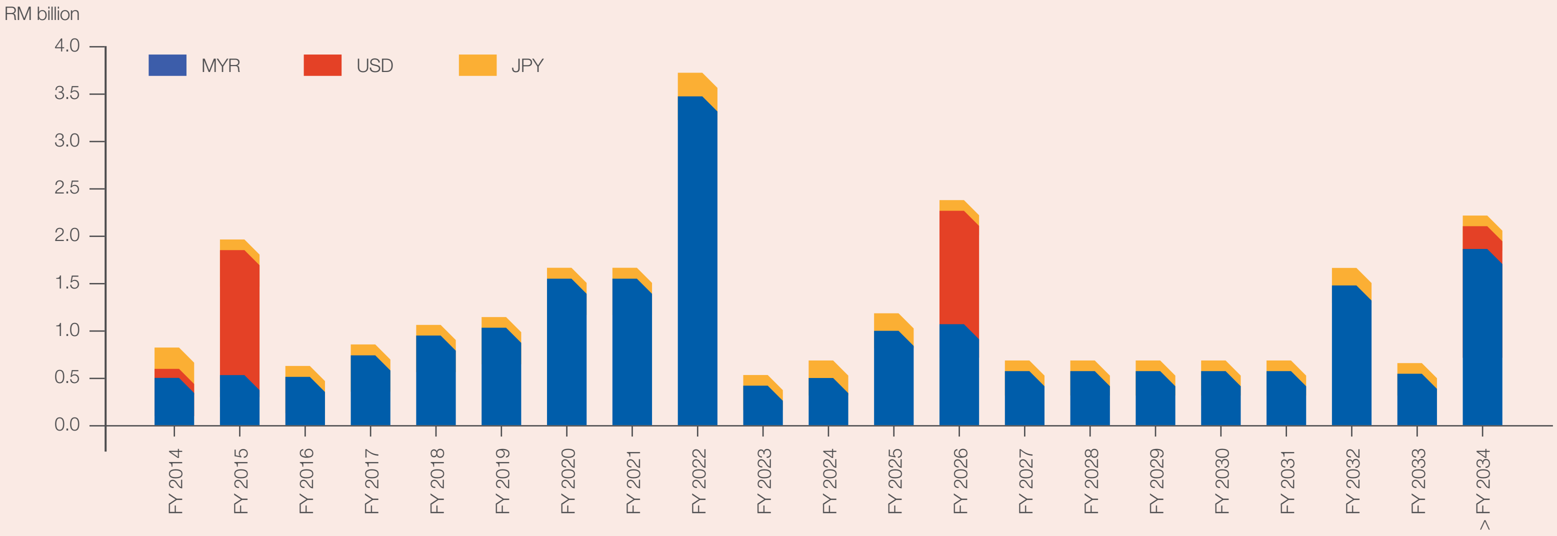
TNB's long-term credit ratings were reviewed as stable during the financial period by all four rating agencies, mainly backed by strong Government support and favourable regulatory developments in relation to the IBR implementation. The Company's credit ratings are summarised as follows:

Agency	Rating	Summary
Local Ratings		
RAM	AAA Stable Outlook	• The rating reflects 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. • This is further reinforced with the introduction of IBR by the Suruhanjaya Tenaga (Energy Commission).
MARC	AAA AAA_{ID} Stable Outlook	• The ratings continue to incorporate an uplift from TNB's standalone credit strength to reflect the high likelihood of Government support. • MARC opines that the IBR implementation will largely address tariff pricing and total cost recovery issues. • TNB's credit strength is further underpinned by its dominant market share, sound operational track record, prudent fiscal management and satisfactory debt coverage.
International Ratings		
S&P	BBB+ Stable Outlook	• The Stable outlook reflects S&P's expectation of improved credit metrics in the next one to two years following the IBR implementation. • S&P believes the outcome from the regulatory developments on TNB will depend on the direction and stability of industry reforms and whether such developments will improve its credit metrics sustainability.
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. • The proposed IBR mechanism will formalise cost recoveries and strongly support reasonable returns subject to TNB's performance.

INVESTOR RELATIONS

Debt Maturity Profile

The Group has always maintained prudent debt management with regards to our debt facilities, as illustrated by the following Group Debt Maturity Profile. Looking ahead, the next bullet payment for US Dollar bonds will be due in the financial year 2015 (FY2015).

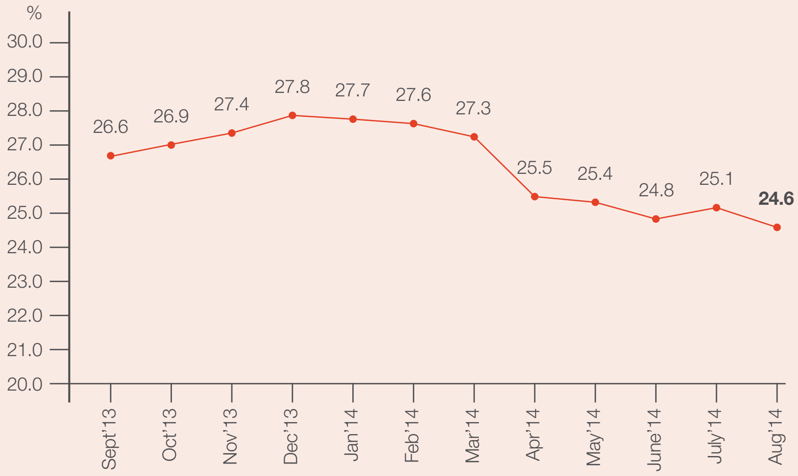


SHAREHOLDER BASE

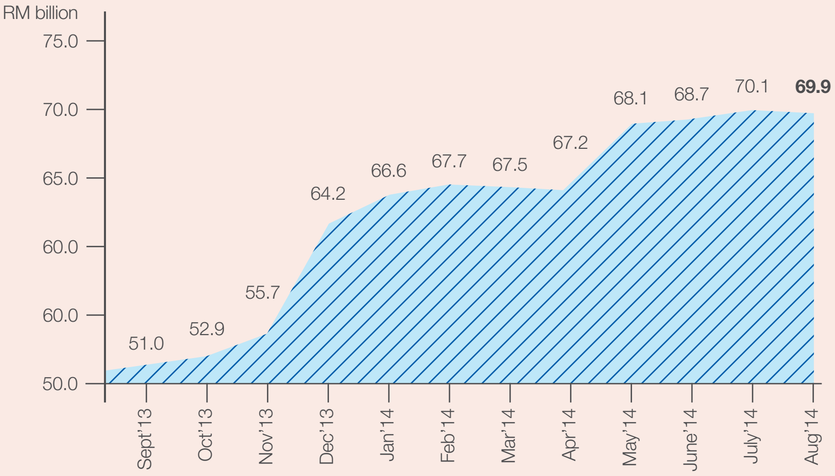
As at 31 August 2014, TNB had 29,455 shareholders comprising Government agencies, corporations and institutional and private shareholders, holding a total of 5,643,611,171 shares. Foreign shareholding has remained on healthy trend since August 2013 reflecting stronger confidence among foreign investors following the Government's announcement on the IBR implementation. The market has reacted positively to the decision, and expects TNB to benefit from the regulatory reforms which provides better earnings visibility and improves financial profile for the Company. These upbeat sentiments were evident until the end of FY2014, with foreign shareholding remaining stable at around 25%.

The positive sentiments on the electricity industry continued to improve TNB's share performance as evidenced by our increased Market Capitalisation. Following this, Tenaga emerged the 3rd highest in Market Capitalisation as at 31 August 2014 as compared to 8th position last year.

Foreign Shareholding



Market Capitalisation



Dividend

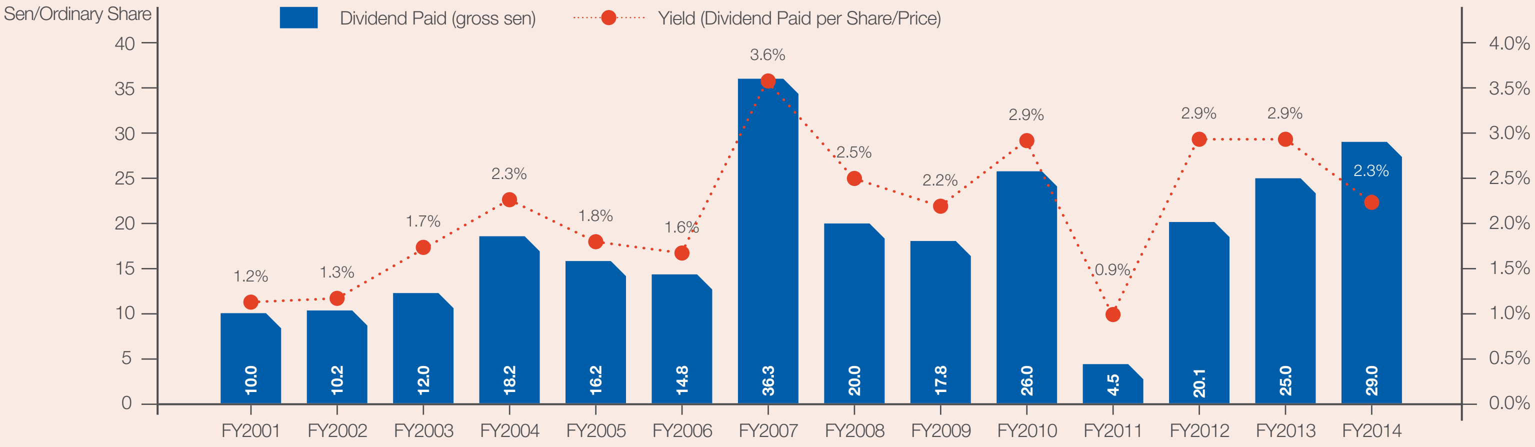
TNB is committed to pay out stable returns to its shareholders. This is reflected in the Group's Dividend Policy, whereby dividend is paid out based on 40% to 60% of the Company's annual net cash flow after interest servicing and normalised capital expenditure; which explicitly excludes capital expenditure for new generation planting up projects. Thus, any new power generation projects will not impact the total amount allocated for shareholders' dividend distribution. In essence, TNB has always committed to maintain 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 2014, TNB's Board of Directors has declared:

- a single-tier interim dividend of 10.0 sen per ordinary share amounting to RM564 million (paid in May 2014); and
- a proposed single-tier final dividend of 19.0 sen per ordinary share.

Thus for the year under review, the total dividend payout of RM1,637 million represents 58.3% of the Company's free cash flow.

INVESTOR RELATIONS

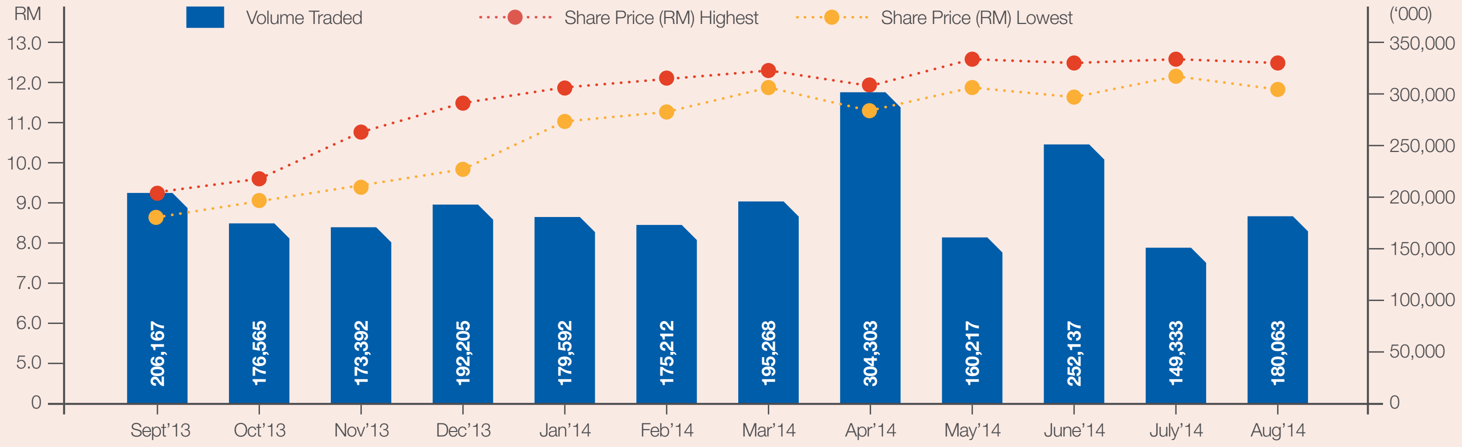


Share Performance

During the financial year, TNB shares recorded a total turnover of RM25.11 billion with 2,344 million shares traded as compared to a total turnover of RM18.93 billion with 2,428 million shares traded in FY2013.

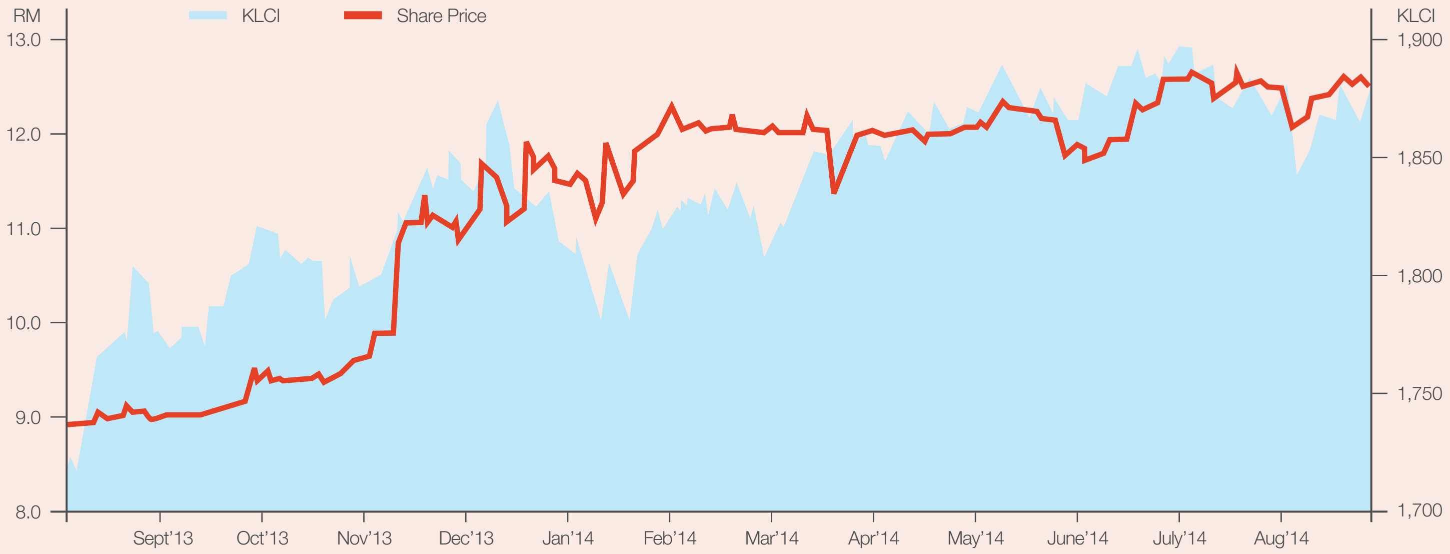
TNB continued to be one of the favourite stocks in the market, particularly post-announcement of IBR implementation. Our share price has remained steady as the market is convinced that developments on the Government's reform agenda will lead to stable and predictable earnings for the Group.

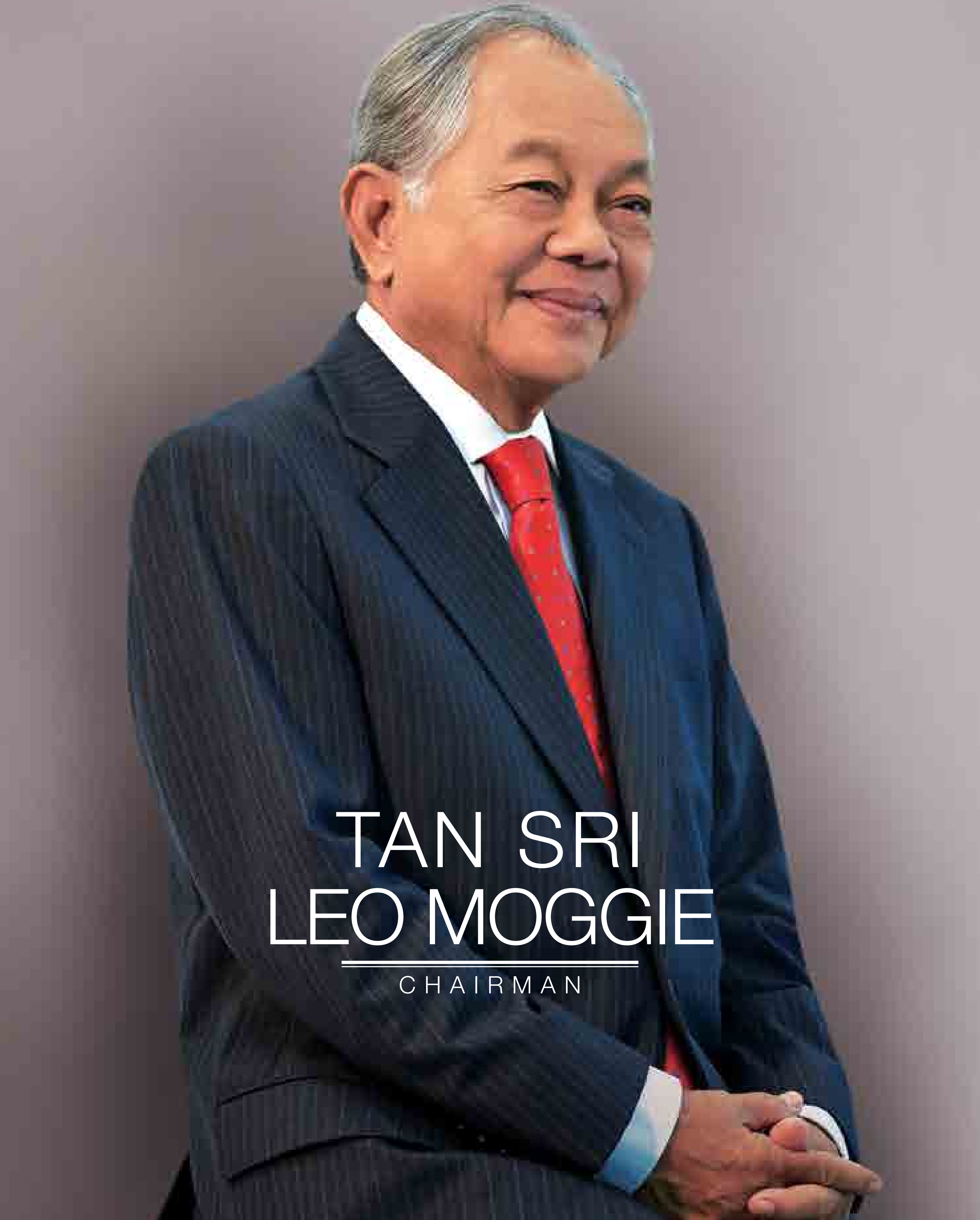
TNB Share Price Movement and Monthly Volume Traded



	Sept'13	Oct'13	Nov'13	Dec'13	Jan'14	Feb'14	Mar'14	Apr'14	May'14	Jun'14	Jul'14	Aug'14
Share Price (RM) Highest	9.10	9.50	10.86	11.60	11.80	12.18	12.12	11.98	12.28	12.22	12.56	12.50
Share Price (RM) Lowest	8.67	9.01	9.39	9.89	11.00	11.28	11.92	11.30	11.90	11.66	12.20	11.98

TNB Share Price Performance vs. FBM KLCI (Sept 2013 – August 2014)





TAN SRI LEO MOGGIE

CHAIRMAN

CHAIRMAN'S LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

The power industry is at a very interesting and important juncture in its evolution in Malaysia, with Tenaga Nasional Berhad (TNB) occupying a central role in much of the ongoing change. While managing these sectoral changes, the Company itself is in the midst of a long-term and ambitious transformation programme, involving new approaches to conducting our business for greater efficiency and productivity. Both the Malaysian Electricity Supply Industry (MESI) and TNB reforms are geared towards enhancing the sustainability of the industry. While the process of change is always challenging, I am proud to say that our Company – guided by a very able leadership and fuelled by a dedicated staff – has managed to navigate its way in this new landscape with effective strategies that have enabled us to keep the lights on and it gives me pride to share some pertinent aspects of our current journey with you.

The Government embarked on the MESI Reform Programme in 2009, with a marked shift towards best practices in regulation. Under this programme, although TNB is to continue to operate as a vertically integrated utility, we will face increased competition and regulatory oversight across our entire value chain.

The MESI reforms have brought about some changes including the competitive award of new generation capacity, which should be the norm going forward, administered by Suruhanjaya Tenaga (ST or the Energy Commission). In addition, a ring-fenced Single Buyer and System Operator has been established to procure electricity and fuel at least cost as well as to operate the grid in a safe, reliable and economical manner.

Significantly, the Government has embarked on a pilot Incentive Based Regulation (IBR) framework and has approved, in principle, an Imbalance Cost Pass-Through (ICPT) mechanism effective 1 January 2014. Under the IBR, the technical, financial and operational performance of our Single Buyer, System Operator, Transmission and Distribution Divisions will be monitored by ST. Similar mechanisms have been adopted in other countries to ensure the sustainability and transparency of the power sector that is able to offer fair returns to players while incentivising maximum efficiency.

As a result of the IBR, TNB is now completely transparent with regard to our costs as well as tariff setting. Due to an unbundling of our accounting, our tariff can be dissected into the different components of the electricity value chain, namely generation-related costs, fuel-related costs, system operations costs, transmission costs and customer service costs. We take a positive view of our enhanced cost visibility as it allows us to benchmark our performance against other best practice utilities worldwide and continuously find ways to keep improving our efficiencies. About 35% of our costs are operations related, and our core divisions of Generation, Transmission and Distribution are making every effort to ensure that we produce and supply electricity at the highest level of efficiency, hence the lowest possible cost.

At the same time, we truly welcome the ICPT given that it will cushion the impact of volatile fuel costs, which make up the rest – approximately 65% of our costs. This is especially pertinent against the backdrop of the Government's subsidy rationalisation, through which there are plans to gradually increase the price of regulated pipeline gas to the power sector. Without the ICPT mechanism, our efforts to optimise costs via operational efficiency would be greatly overshadowed by volatile fuel cost movements beyond our control. In the past, this has necessitated other compensation mechanisms such as cost-sharing which, however, is not a sustainable solution as it merely shifts the burden partially to the Government and other parties that support national development.

Dato' Sri Mohd Najib bin Tun Haji Abdul Razak, Prime Minister of Malaysia, during his visit to TNB Head Office

TNB'S TRANSFORMATION

Over the past decades, TNB has delivered a strong performance in support of MESI. Focusing on keeping the lights on, the security of supply in Peninsular Malaysia has steadily improved as we have continued to ensure a stable system with adequate reserve margins. We have also never wavered in our commitment to our customers and have always placed the utmost priority on quality service, delivering quantum improvements in performance to become a leading utility Company in Southeast Asia with key performance indicators that are on par with, and some that exceed, that of many developed Nations.

What is more, we have achieved world-class standards in various parameters without burdening our customers with unreasonable tariffs. Throughout our 65-year history, we have been able to maintain a secure and efficient supply at a reasonable cost with targeted subsidies for the neediest segments, resulting in Malaysia's tariff being comparable to regional peers. On behalf of the Board, I am also very proud to say that we have consistently rewarded our shareholders with sustainable returns. The Company has a dividend policy of a 40-60% payout of our annual net cash flow after interest servicing and normalised capital expenditure. We have stayed true to this commitment while remaining profitable, even during periods of extreme challenges.

CHAIRMAN'S LETTER TO SHAREHOLDERS

In other words, TNB has powered the Nation efficiently over the years. We have been able to do this by staying relevant to the economic landscape, evolving progressively in tandem with the country and her people. Today, as MESI enters a new, more open and market-driven phase, we are not just adapting to the changes but leading them as we, as an organisation, embark on our own transformation journey. This is the 1TNB Transformation Programme, through which we aim to further entrench our leadership in Malaysia while establishing a firm presence in the region.

We have been bidding for new capacity plant-ups, and have won several projects in the last couple of years, for gas-based and coal-based power plants as well as building hydroelectric projects. All of these are progressing well and will start to contribute to enhanced supply in the country from 2015 onwards.

In line with our Domestic and Regional Champion (DRC) aspiration, we are also exploring strategic opportunities to expand our international footprint hence increase our non-regulated revenue. Through our Energy Ventures Division, TNB is looking into taking our expertise to developing markets in Asia and the Middle East, such as Indonesia, Vietnam, Myanmar, Sri Lanka, Turkey, Kuwait, the UAE and Saudi Arabia where demand for power is expected to escalate.

OUR FINANCIAL PERFORMANCE

In the first half of FY2014, coal plant outages and low hydro availability as a result of the dry season necessitated full reliance on our gas plants, increasing our need for Liquefied Natural Gas (LNG) and, to an extent, oil and distillates. Consequently, up to December 2013, TNB's share of these expensive fuel costs increased from 33% to 50%.

The tariff review in January 2014 provided some much appreciated financial relief, as it reset the price of pipelined natural gas passed on to consumers at RM15.20/mmbtu, LNG at RM41.68/mmbtu and coal at USD87.50/MT. The drop in price of coal, which averaged USD75.4/MT in FY2014 was a particular boon, however savings from coal were offset by an escalating price of LNG which hovered at around RM47/mmbtu.

Although the change in costs of the non-regulated fuels has yet to be fully reflected in the tariff under the ICPT, the Group made a healthy net profit of RM6.4 billion, a RM1.0 billion increase from the RM5.4 billion recorded in FY2013. Group revenue meanwhile, increased from RM37.13 billion in FY2013 to RM42.79 billion, reflecting a steady growth of electricity sales in Peninsular Malaysia for FY2014.

OPERATIONAL HIGHLIGHTS OF FY2014

It gives me pleasure to share that, guided by our Productivity Revolution, TNB has achieved notable improvements in the performance of our core businesses of Generation, Transmission and Distribution as well as our non-regulated businesses. Enhanced efficiencies in Generation allowed us to manage the outages at the coal-powered plants, and to meet the general increase in power demand, which peaked at 16,901MW in June 2014. Transmission hit a new record of 0.1 System Minutes, which catapults TNB into the top percentile of System Minutes among world-class electricity utilities. Our Distribution Division further reduced TNB's System Average Interruption Duration Index (SAIDI) to 55.0 minutes per customer per year, which is lower than that of our counterparts in developed countries such as the UK and Australia.

As part of our DRC aspiration, we have been focusing more intently on taking our expertise to emerging markets in Asia and the Middle East, where demand for electricity is on a sharp incline. Other than conventional coal-fired power plants, I am proud to note that our international ventures include the development of Renewable Energy (RE) via wind and solar, as green energy is truly the direction that all power producers need to be looking at.

Stesen Janakuasa Sultan Azlan Shah in Manjung, Perak

All our achievements are due to our greatest asset, namely our people. TNB has always been employee-driven and, today, with a 36,146 strong workforce, our commitment towards developing our human capital is stronger than ever before. The success of our transformation depends on the commitment of our employees towards achieving our shared goals. We, therefore, focus not only on providing them with opportunities to enhance their professional skills and knowledge, but also to create and maintain a strong sense of belonging to TNB. Various initiatives have been implemented towards this end with promising results. In 2014, we scored 86% in our Employee Engagement Index, which places us among top quartile companies within the Asia-Pacific region.

ADDING VALUE TO OUR STAKEHOLDERS

In today's increasingly competitive marketplace, it is critical not only to generate profits but to ensure these are balanced by social, environmental and other considerations. This is determined by the philosophy of an organisation and its commitment to adding value to its various stakeholders.

At TNB, we have, since the very beginning, been conscious of our responsibility to our customers, vendors, other energy players and the Nation at large. With time, our commitment to our stakeholders has intensified and is now largely captured by our Corporate Responsibility (CR) framework.

Towards enhancing our customer service, we seek continuously to improve our efficiency and accessibility. This has seen the launch of numerous innovations that allow customers to carry out online transactions which are more convenient and time-saving. We also invest in extensive communication campaigns to clarify issues such as the tariff increase at the beginning of this year – for enhanced understanding of the end user. Our efforts have not been in vain. In FY2014, we achieved a Customer Satisfaction Index (CSI) of 7.6 out of 10, our highest score to date.

In addition to supporting the Government's MESI Reform Programme, we are adding value to the industry by championing RE, thus promoting a greener and more sustainable power sector. Our Vendor Development Programme, meanwhile, has served to benefit hundreds of SMEs, stimulating the Nation's economy at its foundation while also supporting the Government's Bumiputera development agenda.

CHAIRMAN'S LETTER TO SHAREHOLDERS

One aspect of our CR initiatives that I feel particularly proud of is our support of building the country's human capital via education. Through Universiti Tenaga Nasional (UNITEN), we are educating generations of Malaysians to become knowledgeable, competent professionals and well-rounded individuals with broad intellectual outlook. We also provide numerous scholarships and loans to deserving students to help them further their studies at the tertiary level, both in Malaysia and overseas through Yayasan Tenaga Nasional (YTN). At the school level, we are one of the most staunch supporters of the PINTAR school adoption programme, through which we have helped to develop both teachers and students with the ultimate objective of improving the students' outcomes. Our involvement in capacity building extends to the sports arena, and particularly to the field of hockey. We have nurtured countless hockey talents and continue to enhance our participation in this sporting activity.

All of the above add value to the TNB brand while also building our reputation and operational efficiency, placing us on a surer footing to keep powering the Nation as we deliver improvements to the country, people, our staff and other stakeholders.

LOOKING AHEAD

While the MESI reforms are progressing well, much remains to be done in terms of rolling out and stabilising critical packages that have yet to be implemented. We look forward in particular to full implementation of the ICPT, which is to involve six-monthly reviews of the cost of fuels and the incorporation of this into the electricity tariff. This would not only help us manage our costs, and therefore the security of supply better, but will also be beneficial to investors as it would allow analysts to project more accurately our financial performance and our share price movements.

Meanwhile, we will continue to focus on our primary concerns of securing sufficient and reliable long-term energy supply, improving our customer service and reducing our environmental footprint. We expect energy security to become even more urgent as the world's hydrocarbon resources continue to dwindle. To ameliorate the consequences of a shortage of fossil fuels, TNB will be investing more in other sources of energy such as RE and, in the longer term, also looking into supplementing Peninsular-bound generation with the import of energy from Sarawak and neighbouring countries.

At the same time, we will continue to educate the public on ways to reduce their consumption via demand-side management and energy efficient usage. Increased efficiency in consumption will help to keep customers' bills down and delay the huge amounts of capital investment that will have to be made to increase capacity.

As environmental issues become more pressing, we will also step up our efforts to lead the way to a greener future.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to take this opportunity to thank the Government of Malaysia and the various regulatory bodies, particularly Kementerian Tenaga, Teknologi Hijau dan Air (Ministry of Energy, Green Technology and Water) and ST, for their unrelenting support to TNB. I would also like to acknowledge the contributions of our vendors, which are indispensable to the smooth running of our businesses; while acknowledging the invaluable trust placed in us by our shareholders.

I would also like to express my sincere gratitude to the Management Team under the stewardship of Datuk Seri Ir. Azman bin Mohd and all TNB staff for their commitment and dedication towards our success. The Board is conscious of efforts made by our Management and staff to increase their own efficiency and productivity. It is very heartening to see our staff take such pride in their roles and responsibilities. TNB is the leading utility Company we are today because of your efforts. Let us continue to work together to make the Company and Nation, *Better. Brighter.*

TAN SRI LEO MOGGIE
Chairman

DATUK SERI IR. AZMAN BIN MOHD

PRESIDENT/
CHIEF EXECUTIVE OFFICER

CEO'S STRATEGIC & OPERATIONAL REVIEW

CEO'S STRATEGIC REVIEW

In the Financial Year 2014, TNB posted its best ever profits of RM6.4 billion on the back of improved regulatory environment, enhanced business operations and increased demand for electricity. We managed to deliver this excellent result due to the unwavering support and guidance from our Board and the tireless efforts of our staff in meeting industry challenges. While rising to these challenges, we have improved customer satisfaction, financial and technical performance. These successes were driven by the 1TNB Transformation Programme, which even today, continues to focus on TNB's six Key Result Areas (KRAs). As such, we can expect to do even better in the near future as the transformation efforts progress. As we grow our business domestically we will continue to strengthen on regional expansion in 2015. We are highly optimistic to take this Company even further.

The global economy was seen to recover with a 3% growth in 2013 and a projected growth of 3.7% in 2014. The US economy is expected to grow by 2.8% and ASEAN will potentially expand by 4.6% next year too. At home, our Nation's economic growth was at 4.7% last year and growing steadily at more than 5% in 2014. All these numbers correlate with a new peak demand of 16,901MW in June 2014, with a 2.5% growth of electricity consumption. Taking a longer term perspective from 2015 to 2025, it is expected that sales will increase by an average of 3.1% per year. Given our experience and strength, TNB is confident of meeting the continued demand.

At home, the financial performance of TNB is closely linked to the prices of our mainstay fuels namely coal and gas. In the financial year under review, tapering demand from China led to a marginal drop in the average coal price from USD83.6/MT in 2013 to USD75.4/MT in FY2014. At the same time, the cost of gas rose due to the use of imported LNG at around RM47/mmbtu. The price of piped gas also rose by RM1.50/mmbtu to RM15.20/mmbtu since January 2014. However, as the Government has employed the Incentive Based Regulation (IBR) framework, we believe that the financial impact to TNB due to fuel price changes can be minimised with greater management focus. While IBR is positive for insulating us against fuel price changes, it also subjects our operations and expenses to greater scrutiny. This is going to be more challenging for us but we take this as a positive step towards enhancing our services.

Abroad, we see steady growth in our ASEAN neighbours and also several countries in the Middle East, which may translate into business potential for TNB in our quest to become a Regional Champion.

A light moment with the Prime Minister

HIGHLIGHTS OF THE FINANCIAL PERFORMANCE

Through all these challenges we have done well. In the financial year that has just ended, our revenue increased from RM37.13 billion in FY2013 to RM42.79 billion in FY2014. Our profits increased from RM5.38 billion last year to RM6.43 billion this year, an increase of 19.4%. In tandem, our Return on Assets has increased from 5.6% in FY2013 to 6.2% in FY2014 too. We firmly believe that the Company is moving in the right direction in terms of its financial performance and we can expect it to do better in the years ahead.

STRENGTHS AND COMPETITIVE ADVANTAGE

Close Rapport with the Government

Based on TNB's strategic value for the Nation and the Government's ownership of a majority of our shares, we have developed a close working relationship with numerous Government entities. This relationship is used effectively to improve the regulatory environment specifically and the electricity supply industry in general. To further enhance this important relationship, our regulatory engagement team has been reinforced. This has enabled us to work hand-in-hand with the Government in addressing policies on fuel supply, electricity pricing and regulatory mechanisms as we seek to strike an optimal balance between the interests of the Country, people, shareholders and other industry players.

65 Years of Operating Experience

Our many years of operating the electricity business have enabled us to acquire and fine-tune our skills and expertise in the generation, transmission and distribution sectors. Our capabilities cut through the entire value chain of energy supply, from running the oldest hydroelectric dams to installing the latest smart

CEO'S STRATEGIC & OPERATIONAL REVIEW

TNB's 23rd Annual General Meeting

meters, which are the basic building blocks of Malaysia's future smart grid. In the last decade, TNB has delivered a high level of performance that has uplifted the Malaysian Electricity Supply Industry (MESI), particularly in the areas of electricity supply security and accessibility, quality of service, fair end user tariffs and sustainable returns.

Financial Excellence

Over and above technical expertise, we have continuously built our financial strength towards world class standing. This is evident from our AAA debt rating which allows us access to cheaper financing and lowers the costs of our projects. This further translates into more competitive electricity prices to the advantage of all consumers, while enabling us to accrue the resources needed to venture into the international market.

KEY SUCCESSES

At home, we have successfully negotiated the implementation of IBR in the industry which comes with a tariff review mechanism. This has brought fairer revenue and returns which we will reinvest in national electricity infrastructure development. On the generation front, we are driving our major projects on new power plant builds in Prai, Manjung 4 & 5, Ulu Jelai and Hulu Terengganu, which will together add 3,718MW of new capacity for Peninsular Malaysia. Each plant is on track with its schedule and we shall see Manjung 4 being fully commissioned for operations on 31 March 2015.

In our pursuit to be a Regional Champion, we have been more aggressive in taking our business overseas and today have presence across nine countries outside of Malaysia. Moving forward, we are strategically pursuing profitable greenfield, brownfield and merger and acquisition (M&A) opportunities through our Energy Ventures Division in Asia and Middle East countries such as Indonesia, Vietnam, Myanmar, Sri Lanka, Turkey, Kuwait, UAE and Saudi Arabia.

During the year under review, we entered into a Joint Development Agreement (JDA) with our counterpart in Indonesia, PT PLN, to develop an HVDC Interconnection, a Coal-Fired Power Plant (CFPP) and a Coal Mine Mouth (CMM) Project. In addition, we have signed an investment agreement with KLS Energy Sdn. Bhd., KLS Energy Lanka Sdn. Bhd. and KLS Energy Lanka Pte. Ltd. for the joint development of a 35MW Hybrid Wind and Solar Project in Jaffna, Sri Lanka.

In addition to our successes abroad, our core performance within the Malaysian electricity network has been maintained at world-class levels with an Equivalent Unplanned Outage Factor remaining low at 7.1%, Transmission System Minutes at less than 1 minute and Distribution System Average Interruption Duration Index at 54.95 minutes.

GROWTH ASPIRATIONS

We intend not only to be competitive in the power utility market, but also to play a leading role in providing quality and reliable additional energy solutions within the country while expanding within Southeast Asia as well as in the Middle East and Africa. Integral to our target of becoming a domestic and regional champion is retaining a large share of the generation sector as well as the entire transmission and distribution businesses at home. Internationally, we aim to strengthen our foothold in targeted key markets in Asia and the Middle East in the medium term; and go on to explore business opportunities in the African continent in the longer term.

Our aspiration has been communicated clearly to our staff, who are now working collaboratively to ensure the wide-sweeping changes we have projected materialise. As part of our goal to transform TNB, we are elevating our capabilities in providing quality and reliable service for a Better and Brighter TNB and Nation.

Towards Becoming a Domestic and Regional Champion

i. **Transformation Programme** – The primary aim of the 1TNB Transformation Programme (1TTP) is to achieve higher returns on our asset base, increase income from non-regulated businesses as well as improve customer services which will ultimately benefit our stakeholders and customers. Six Key Result Areas (KRAs) were formulated under this transformation programme. Thus far, the programme has delivered significant business results with bigger achievements expected in the near future.

ii. **Innovation** – Innovation has been identified as one of the key levers to drive TNB forward as we strive to attain a higher level of operational excellence. The launch of our Innovation Policy and the TNB Intellectual Property and Commercialisation (IPC) Policy – which provide clear direction on innovation – demonstrates our commitment to nurture a culture of innovation among employees.

CEO'S STRATEGIC & OPERATIONAL REVIEW

Manjung Unit 4 Coal-Fired Power Plant Project

iii. **Brand Revitalisation** – This campaign has been running for a year-and-a-half and has been well received among our employees and stakeholders, as reflected in our high Brand Index score of 74%. This measures, among others, their trust in the Company, the extent to which they favour the brand, and their perception of the quality of the brand's products and services. Our Brand Index validates our communication efforts, customer service initiatives and financial performance. It shows that we have been effective in managing perception and upholding our Company's reputation in the eyes of the public and our employees.

iv. **Productivity Revolution** – In striving to further improve productivity, we have implemented effective new processes and technologies. Distribution Division, for example, has identified six projects for implementation, namely Distribution Automation, Billing and Customer Relationship Management (BCRM), World Class Contact Center, Mobility Application, Corporate Geo-Spatial Information System (CGIS) and Smart Billing. All the changes being effected will enable TNB to deliver more at faster speeds and greater levels of accuracy.

THE YEAR IN BRIEF

In the last financial year, we have seen TNB grow from strength to strength locally and internationally. Our financial results have exceeded expectations, with a respectable profit of RM6.4 billion and a share price that has strengthened by 41% from RM8.73 in August 2013 to RM12.38 a year later. With the financial performance that we are seeing now, we believe TNB's Return on Asset (ROA) in the financial year under review, of 6.2% is moving towards the industry benchmark and thus there is a very good potential for profit and share earnings growth.

By the grace of Allah, the performance that we are seeing today is fair based on the prudent investments on our assets. Our success was achieved by employing our skills and experience, which we have accumulated over 65 years, in planning, developing and operating power plants and the electricity network effectively. We want to reiterate that based on the IBR implemented by the Government, we should be neutral on the price movements of fuel. Our technical capabilities on system reliability remain world-class. Much of our performance and resilience can be attributed to a highly dedicated team who today stand guided by the 1TTP and the KRAs that support it in delivering high-impact initiatives.

We want to reassure our stakeholders that there is much value being created within the Company itself. It is this intrinsic value, which we can see growing year-on-year, that promises more returns to our shareholders. There can be no doubt that this is a great Company, with dedicated people and we are seeing major indicators that it will soar to even greater heights.

ACKNOWLEDGEMENTS

I would like to express my deepest gratitude to the Board of Directors for their insight, guidance and support to the Management Team and me. Their wisdom has strengthened the Company at its core and has ensured that TNB can grow as a business while remain as a strategic entity to power the Nation's progress.

In my first year as CEO I mentioned that TNB has a wealth of talent among its staff on technical and operational matters. These are the people who really ensure that our core business is protected and valued by our stakeholders. This year, our staff have shown that they are also flexible to run our transformation initiatives and deliver big and fast results. On behalf of the TNB Management, our hats go off to your dedication and commitment to ensure that this Company runs well.

TNB has always supported the Government and its agencies, particularly the KeTTHA, ST and Economic Planning Unit in their efforts to reform and make the industry sustainable. This is because, their guidance in the name of betterment of the industry is immeasurable, indispensable and we cannot express our gratitude enough.

Finally, we would like to say a big thank you to our shareholders, customers, business partners and other stakeholders. Your continued support and trust in our business makes us who we are today. We aim to forge stronger partnerships with you as we move to a Better. Brighter. future.

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

CEO'S STRATEGIC & OPERATIONAL REVIEW

STRATEGY

TO ENSURE THAT TNB CONTINUES TO INCREASE VALUE TO ITS STAKEHOLDERS, IT HAS DEVELOPED A SET OF COMPREHENSIVE STRATEGIES. WE BELIEVE ON LEVERAGING ON FOUR MAIN THRUSTS TO BECOME A DOMESTIC AND REGIONAL CHAMPION. BASED ON THE FOUR THRUSTS, WE THEN CARVED OUT SIX KRAs TO BE EXECUTED IN THE 1TNB TRANSFORMATION PROGRAMME TO MEET OUR SHORT AND LONG TERM OBJECTIVES.

BECOMING A DOMESTIC AND REGIONAL CHAMPION (DRC)

TNB's strategy has always been anchored in our Company's Mission and Vision. Our Vision is 'To Be Among the Leading Corporations in Energy and Related Businesses Globally' and our Mission is 'We Are Committed to Excellence in Our Products and Services'. We believe that we can become a DRC because we have the right capabilities and drive in the Company. However, to ensure that we have the same aspiration and overall strategic alignment between our internal and external stakeholders, we have developed the 1TNB Transformation Programme (1TTP) to deliver on our growth.

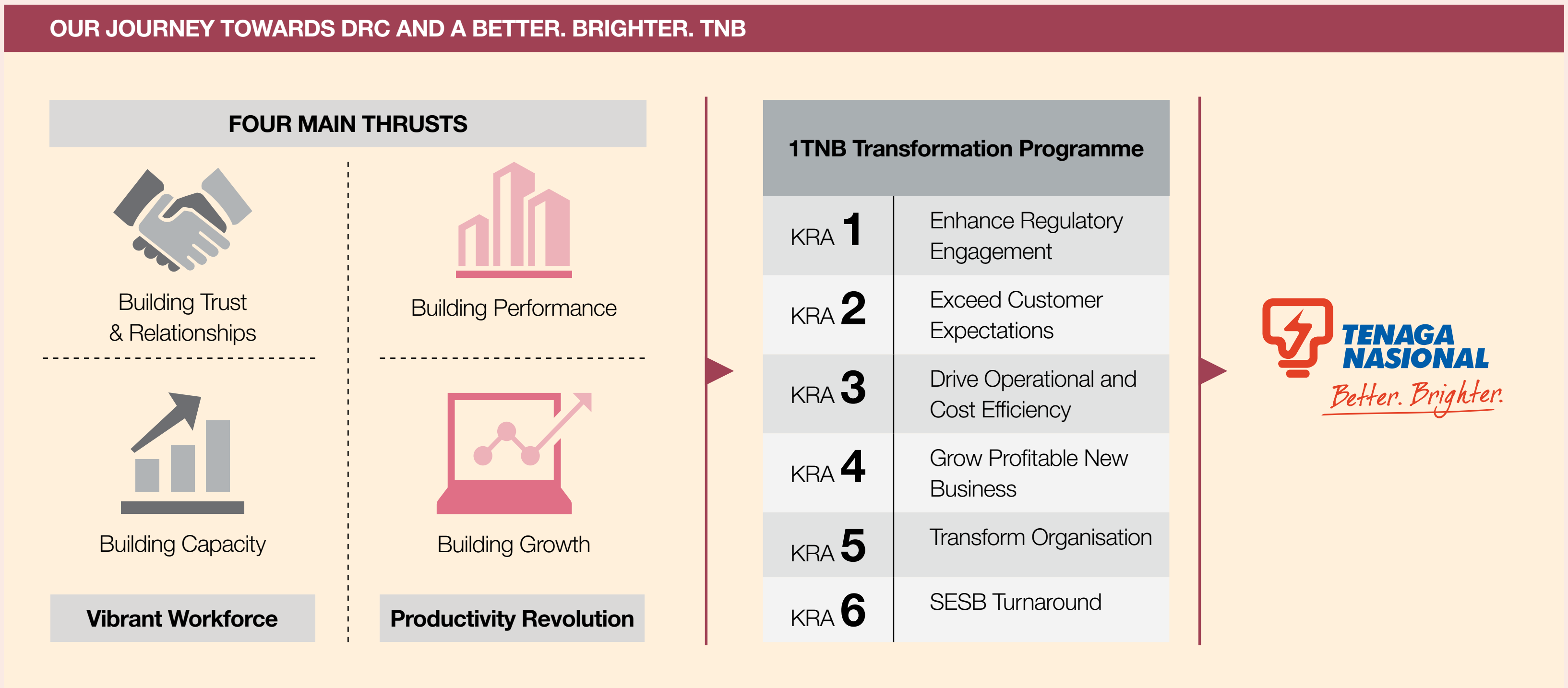
VIBRANT WORKFORCE, PRODUCTIVITY REVOLUTION

Employees are being encouraged to internalise the meaning of 'Vibrant Workforce' and 'Productivity Revolution' in order to successfully deliver the 1TTP, and ultimately achieve TNB's aspirations. Towards achieving a Vibrant Workforce and Productivity Revolution, we have identified four thrusts, each emphasising areas that need to be built upon.

MEETING HIGHER EXPECTATIONS

Major changes have been brought about in the regulatory framework of the MESI during the financial year under review. Significantly, on 1 January 2014, both the Incentive Based Regulation (IBR) and the Imbalanced Cost Pass Through (ICPT) mechanism were institutionalised. The former requires TNB to justify our capital expenditure (CAPEX) and operating expenditure (OPEX) in detail; and the latter, while insulating TNB against the risk of fuel cost volatilities, obliges us to optimise our costs to meet the regulators' expectations.

We are also seeing increased customer expectation of our services. Customers are not just looking for faster response times on their issues but also demand a higher level of professionalism in the way we communicate with them and handle their concerns. This means improving our customer interaction by focusing on the entire end-to-end journey across multiple touchpoints and channels. It will involve continuous innovation to optimise our operational processes and systems to ensure consistent delivery and win the hearts and minds of our approximately 8.6 million customers.



OUR JOURNEY TOWARDS DRC AND A BETTER. BRIGHTER. TNB

FOUR MAIN THRUSTS

Building Trust & Relationships

Building Performance

Building Capacity

Building Growth

Vibrant Workforce

Productivity Revolution

1TNB Transformation Programme	
KRA **1**	Enhance Regulatory Engagement
KRA **2**	Exceed Customer Expectations
KRA **3**	Drive Operational and Cost Efficiency
KRA **4**	Grow Profitable New Business
KRA **5**	Transform Organisation
KRA **6**	SESB Turnaround

CEO'S STRATEGIC & OPERATIONAL REVIEW

In terms of business growth, opportunities exist in Malaysia to replace ageing power plants as well as to generate new capacity to cater for the projected increase in demand. At the same time, we believe there is great opportunity to take our expertise overseas and especially to developing economies which will experience substantial increases in demand for power to fuel economic growth. This includes markets such as Indonesia, which saw GDP growth of 5.78% in 2013, and Vietnam, where growth was 5.42%. These markets are expected to record average GDP growth of in between 5%-6% annually over the next six years. Further, the formation of the ASEAN Economic Community (AEC) will spur growth in this region and open new investment opportunities. While exploring these markets, we will mitigate our risks via prudent control systems.

PROMINENCE ON GREEN TECHNOLOGY

Part of our strategy going forward is to adopt progressively greener technologies, not only to meet external expectations in an ecosystem in which there is growing realisation of the urgency to mitigate climate change. We also believe green power is critical towards creating a sustainable energy industry.

TNB has long been a serious proponent in 'going green' to minimise our environmental footprint while supporting the Government's agenda to reduce CO_2 emissions intensity per GDP by 40%. To reinforce this commitment among our employees, we reviewed our Green Energy Policy introduced in 2011 to realign our business needs with environmental considerations. Our revision looked into areas such as policy enhancement, technology and engineering perspectives, developing strategies to accelerate the implementation of green and RE projects. In that aspect, we are embarking on initiatives such as the Demand Side Management (DSM) and Energy Efficiency (EE) programmes to optimise and conserve the Nation's electricity consumption.

1TNB TRANSFORMATION JOURNEY

The year 2014 has been full of challenges for TNB as we took on the 1TTP, focusing on our six Key Result Areas to deliver high-impact outcomes. We are confident of a positive outcome from the 1TTP as we already see evidence of the whole organisation pulling together in the same direction, resulting in a number of early wins. After slightly more than a year of the transformation journey, several initiatives have been implemented, many of which have produced success stories.

KRA 1 – Enhance Regulatory Engagement – Engagement with our various regulators and stakeholders such as the KeTTHA, ST and others is crucial as we want a fair regulatory outcome for all parties. Our constant engagement on policies, generation capacity and other regulatory matters has resulted in the implementation of IBR and ICPT, which will go a long way towards enhancing our operational efficiency while promoting a healthy balance sheet. We are glad to state that the IBR implementation has been beneficial to us and the industry as a whole.

In support of a more open MESI, as propounded by the ST, we established a Single Buyer Department in 2014 which will enhance the transparency of despatch operations and settlement. This was followed by formation of the Single Buyer Oversight Panel comprising of members from relevant Government agencies.

We are also actively involved with ST and other fuel suppliers to ensure fuel availability; and are playing our part to safeguard security of electricity supply by signing a number of Power Purchase Agreements (PPAs). These include PPAs with 1MDB for a 2,000MW coal-fired power plant as well as for a 50MW solar photovolataics plant. Further, TNB shall continue to be a vertically-integrated utility as promised by the Government in order to serve the people efficiently.

CEO'S STRATEGIC & OPERATIONAL REVIEW

KRA 2 – Exceed Customer Expectations – TNB has always placed priority on satisfying our customers by providing quality, reliable and efficient electricity services at a reasonable cost. Today, motivated to go the extra mile by exceeding our customers' expectations, we have identified 38 initiatives of which 13 high-impact quick wins have been implemented. These include speedier connection to customers, the creation of Speed Teams and Flying Squads to attend to breakdowns, speedier repair of street lights, diagnostic and advisory services to residential customers, on-the-spot refunds, easy-to-read bills and smart metering, among others.

Other than enhancing customer touchpoints, we are also making available more payment channels for customers to add to their convenience. This allows them to settle their bills via ePay at Kedai Mesra PETRONAS and through kiosks at Kedai Tenaga, besides paying online and over the counter. As a result of such initiatives, our Customer Service Index has moved up from 7.2 in 2012 to 7.6 in 2014.

Further to our efforts to enhance our customer delivery, TNB has invested significantly in smart grid initiatives to reinforce the reliability and security of our power supply. Under the TNB Smart Grid Realisation Plan (SGRP), we have outlined various activities to be implemented from 2014 to 2030, focusing on the three main domains that are crucial to our operations, namely Technology, Work and Asset Management, and Grid Operations. This transition to a smart grid is being tested via a pilot project for both residential and commercial customers around the Melaka International Trade Centre (MITC), Melaka. Positive outcomes from this project will lead to nationwide installation of smart meters by 2020.

KRA 3 – Drive Operational Cost Efficiencies – This KRA is particularly important in the IBR environment as it focused on new ways to be more efficient. Guided by initiatives under the KRA, the Generation Division is focussed on increasing plant availability, fuel efficiency and optimising its inventory. The Transmission Division has embarked on optimising the portfolio of its projects and reducing project delays via best practices. In Distribution Division, the focus is prioritising supply and system improvement projects; reduce non-technical losses through data driven approach and the implementation of Condition Based Maintenance regime. Taken as a whole, initiatives under KRA 3 have benefitted TNB by a combined cost-efficiency of more than RM550 million to date. Moving forward, we will continuously seek new opportunities to optimise our costs without compromising our service standards.

KRA 4 – Grow Profitable New Business – We are well positioned to establish a stronger presence in the international arena, leveraging on our technical excellence, image and branding in offering our services to countries such as Saudi Arabia, Kuwait, UAE, Pakistan and our neighbours in Southeast Asia. As part of our expansion strategy, our International Business Department is actively evaluating international business opportunities, focusing on generation business in Southeast Asia and the Middle East. TNB is setting up Representative Offices in Jakarta, Indonesia and Hanoi, Vietnam. These offices will be managed by their own Country Managers, who are also tasked to bring in new business. For FY2014, our non-regulated business contributed RM2.5 billion in revenue. On the local front, several bids have been awarded to TNB, namely Track 1 (Prai) and Track 3A (Manjung 5). The success of this KRA will enable TNB to continue growing and fulfil its vision to be a regional player.

KRA 5 – Transform Organisation – We recognise the importance of our employees' commitment and contribution for organisational growth and sustainability. Thus, this KRA is the foundation in delivering the outcomes of other KRAs. TNB has embarked on redesigning the Performance Motivation System towards Outcome Based KPIs, behavioural competencies framework, and inculcating open and objective performance conversations through the Let's Talk concept. Our Leadership Development Centre has now started to deliver world-class experiential learning development programmes in creating future leaders at all levels that embody TNB's values. Meanwhile, to engage our employees in the 1TTP, we have organised a series of change engagement and town hall sessions throughout the organisation anchoring on an "Aspire, Believe and Commit" framework. These efforts contributed to the increase in our Employee Engagement Score of 86% in 2014, up from 81% in 2012. In this KRA, we will also continue to innovate on improving business processes and redesign business models towards productivity revolution.

KRA 6 – SESB Turnaround – We launched the SESB Turnaround Programme in October 2013 to help Sabah Electricity Sdn. Bhd. (SESB) become financially sustainable while delivering better services to the people of Sabah. To achieve these objectives, we have identified five sub-KRAs, namely: Enhance Regulatory Engagement, Improving Security and Reliability of Supply, Customer Service Excellence, Cash Flow Management and Organisation Transformation. This Turnaround Programme is expected to deliver positive results within two years. It is encouraging to note that since the tariff adjustment was implemented in January 2014 and the Turnaround Programme started, SESB's financial position and technical performance have shown improving trends.

OPERATIONS REVIEW

TNB'S CORE BUSINESS LIES IN THE GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRICITY. IN ADDITION, THE COMPANY HAS BEGUN TO VENTURE INTO NON-REGULATED ENERGY BUSINESSES BOTH LOCALLY AND OVERSEAS. GUIDING AND ACTING AS A BUSINESS PARTNER, THE INVESTMENT MANAGEMENT DIVISION ENSURES THAT OUR SUBSIDIARIES OPERATE EFFECTIVELY AND PROFITABLY IN THE NON-REGULATED SPACE.

GENERATING POWER FOR THE NATION

The Generation Division oversees six thermal power stations – comprising conventional gas and oil-fired plants – and three major hydroelectric power generating schemes. In addition, the division supports the operations and maintenance of two TNB's SPUs – the wholly TNB-owned Stesen Janakuasa Sultan Azlan Shah and the majority-owned Sultan Salahuddin Abdul Aziz Shah Power Station.

A key responsibility of Generation is to ensure sufficient and secure electricity supply to meet the Nation's growing energy needs. Together, the plants in Malaysia have a generating capacity of 8,636MW which in FY2014 contributed to 40.7% of total generation in Peninsular Malaysia, an increase from 35.1% in the previous financial year. With TNB's contribution, the Nation was able to meet peak demand for electricity in Peninsular Malaysia of 16,901MW in June 2014, which marked a 2.0% increase from 16,562MW in May 2013.

In terms of our fuel mix, TNB has over the years relied more heavily on gas, which is comparatively cleaner than alternative hydrocarbon-based sources. In FY2014, gas made up 53.8% of the total energy generated by TNB, followed by coal (35.3%), hydro (10.3%), distillates (0.6%) and medium fuel oil (0.04%).

PLANT EQUIVALENT AVAILABILITY FACTOR (EAF)

Our power plants in general continued to operate at a high level of reliability during the year under review, maintaining a healthy EAF of 85.5%, with 50% of the power plants exceeding an EAF of 85% and 30% of them achieving an EAF of more than 90%. The conventional oil/gas thermal plants achieved an EAF of 98.9%, hydro plants 91.4%, conventional coal thermal plants 83.1%, open-cycle gas turbines 81.5% and combined-cycle plants 85.1%.

PLANT EQUIVALENT UNPLANNED OUTAGE FACTOR (EUOF)

40% of our power plants achieved EUOFs of less than 4%, with the Gelugor Power Station and Sultan Mahmud Power Station in Kenyir recording EUOFs of less than 2.0%. Although we experienced rotor and bearing failures as well as boiler tube leaks at the Tuanku Ja'afar Power Station, Putrajaya Power Station and Stesen Janakuasa Sultan Azlan Shah, our average EUOF stood at respectable 7.1%.

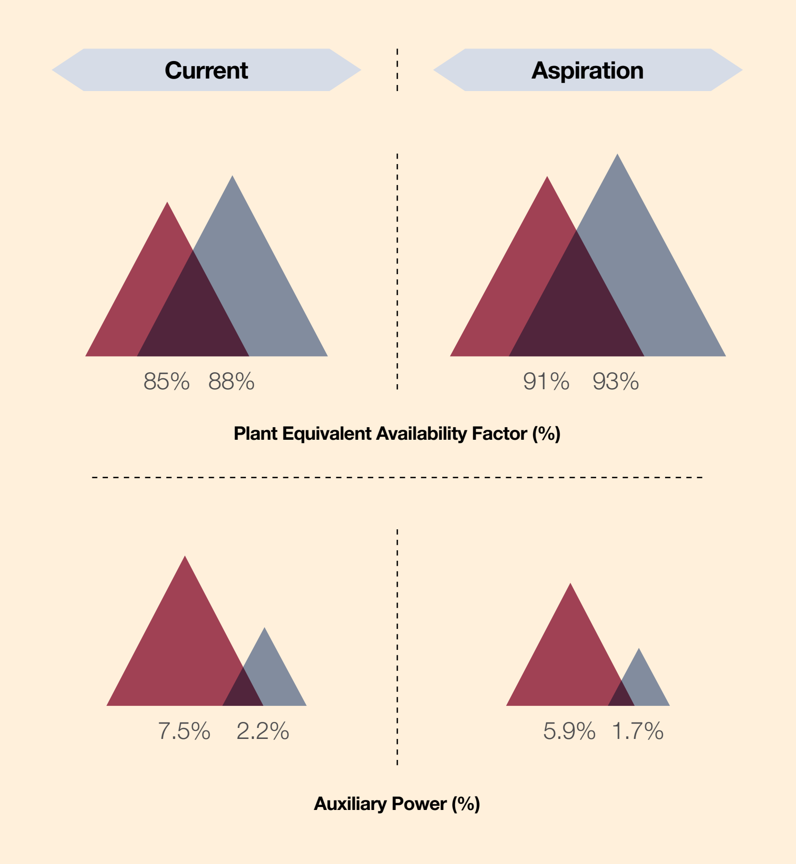
NET UNITS GENERATED (NUG)

During the financial year, our plants generated a net electrical output of 42,348GWh, marking a 5.3% increase from FY2013, to meet load demand. The Stesen Janakuasa Sultan Azlan Shah was the top contributor, with 14,964GWh units generated, followed by the Tuanku Ja'afar Power Station (9,208GWh) and Sultan Ismail Power Station (6,429GWh).

GENERATING GREATER PRODUCTIVITY

Generation Division has embarked on cost-efficiency initiatives in order to further improve the availability and performance of power plants within its fleet. These focus on the four main elements of: power plant availability, power plant fuel cost (through sustainable improvements in efficiency and performance), optimising the auxiliary power consumption within the power plants and optimising the inventory level. The targets for each element are as set below and are aimed eventually at best-in-class performance.

PLANT EQUIVALENT AVAILABILITY FACTOR (EAF)



In addition to this, TNB places great emphasis on the plant efficiency through many efforts to recover operational plant degradation and sustain the improved performance.

CEO'S STRATEGIC & OPERATIONAL REVIEW

GOING FORWARD

Generation has identified key areas to focus on as it strives to improve both its operating and financial performance.

- **Improve Power Plant Availability** via Major Plant Outage Guidelines, adoption of Early Abnormality Detection System, enhanced Preventive Maintenance Policy for power plants and an Asset Performance Management System to integrate all best practices and systems currently available within the fleet.
- **Achieve Fuel Cost Savings** by continuous monitoring and degradation recovery of power plant performance through centralised Performance Monitoring Centre and Station's Performance Section.
- **Improve Auxiliary Power Consumption** through continuous monitoring of consumption during operations as well as realignment of consumption during minimum loading.
- **Optimise the Inventory Level** via Development of Inventory Management System to address the current inventory level and future inventory procurement strategy in order to achieve optimum inventory level.

ENSURING SEAMLESS TRANSMISSION

Transmission Division plans, operates and develops TNB's 132kV, 275kV and 500kV transmission network which transports electricity in bulk from power generators to distributors and also directly to large industrial customers. Its primary business activities include operating the National Grid on a 24/7 basis by ensuring stable power flow across the system, monitoring all network components and further developing the network to meet the ever-growing electricity demand.

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 via two 230kV submarine cables with a firm transmission capacity of 200MW.

At the heart of the National Grid is the National Load Despatch Centre (NLDC) that monitors and controls in real-time the flow of power within the grid in the most secured and optimal manner. NLDC has gone through modernisation 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.

A highly committed team at the division has ensured that the Nation's transmission services are among the best in the world. This was confirmed by Consortium PricewaterhouseCoopers Advisory Services Sdn. Bhd. (PwCAS) – Australian Power & Water Pty Ltd. (APW), whose Management & Engineering Audit conducted during the year acknowledges that Transmission's performance is on par with that of counterparts in the developed world.

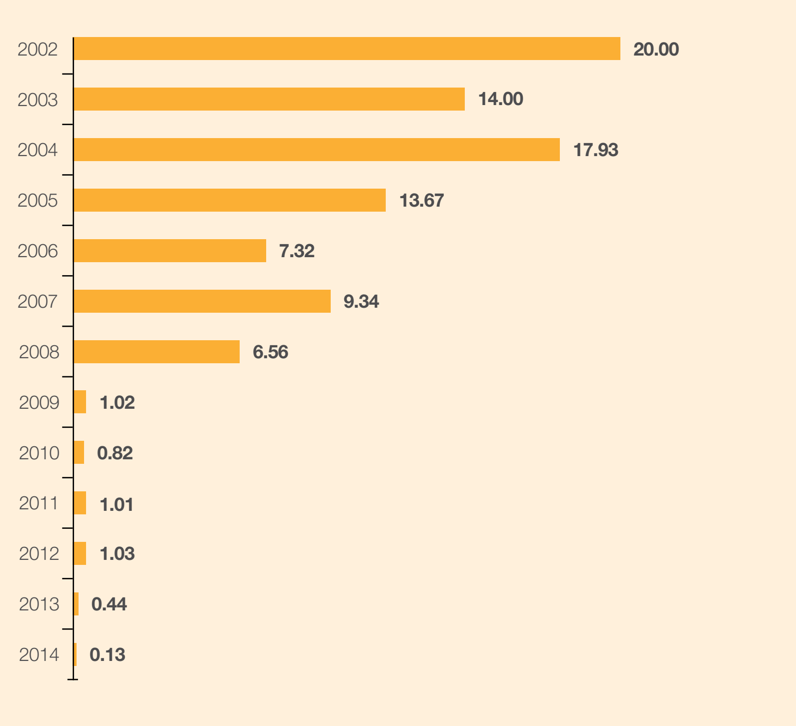
WORLD-CLASS SYSTEM MINUTES

In some aspects, our performance is even better than that in the developed world. For example, the division's new record for system minutes – of 0.1328 minutes – marks a significant 69.6% reduction from the 0.4375 minutes recorded in FY2013, and is well into the top percentile of system minutes among world-class electricity utilities.

System Minutes measures the severity of each system disturbance and calculated in terms of unsupplied energy to customers divided over the highest maximum demand in a particular year.

'One System Minute' indicates an equivalent total system interruption for 1-minute at the time of annual system peak.

TRANSMISSION SYSTEM MINUTES



The following were among some of Transmission's other more notable achievements during the year;

- Sustaining an outstanding Zero Major Disturbance performance for the ninth consecutive years.
- Sustaining Zero Tripping with Load Loss for the 500kV and 275kV system for the sixth consecutive year.
- Increasing System Availability to 99.11% with the implementation of live maintenance works methodology for critical transmission substations and overhead lines.
- Recording a new Maximum Demand of 16,901MW on 11 June 2014.
- Sustaining low Transmission Losses (including Distribution transformers) at 1.63%.

CEO'S STRATEGIC & OPERATIONAL REVIEW

- Besides being the first in Southeast Asia to be PAS55 certified and achieving Zero Non-Conformance Report (NCR) as conducted by Lloyd's Register (LR), Transmission's certification, including all of its Business Units, is also the first in TNB.
- Achieving Zero NCR in SIRIM ISO 9001: 2008 Surveillance Audit for the fourth consecutive years.
- Maintaining the Occupational Health Safety Assessment Series (OHSAS 18001:2007) certification for all 25 of its business units.
- Achieving Zero NCR in SIRIM's ISO 14001:2004 – Environmental Management System Surveillance Audit on four additional business units, namely Asset Maintenance in Pahang, Kuala Lumpur, Johor I – Johor Bahru and Johor II – Kluang.

ENHANCING OPERATIONAL EXCELLENCE

Maintaining our position in the top percentile worldwide for System Minutes requires a high degree of operational excellence which Transmission has achieved via rigorous and continuous network maintenance initiatives. For the current year, the initiatives aim at a reduction in tripping caused by hidden failures and encroachment. It also seeks to keep staff motivated and energised.

Transmission also committed to completing and delivering all its projects on time, as any delay in critical transmission development projects poses a risk to the security and reliability to the National Grid. Transmission has since embarked on continuous programme on overcoming public objections to certain major transmission projects through support and cooperation of all relevant stakeholders.

Major transmission development related to new plant-up of power stations and demand in nine Major Projects are reported to Energy Commission under IBR performance indicators, as listed below;

1	New 500kV Janamanjung Switchyard
2	500kV Janamanjung Extension
3	500kV TL Janamanjung to Point A
4	500kV TL Tg. Bin to Bukit Batu
5	500kV TL Yong Peng to Lenggeng
6	500kV TL Tapah to Bentong South
7	500kV TL Tapah to Ayer Tawar
8	275kV TL Ulu Jelai to Tapah
9	275kV TL Kenyir to Tanah Merah to Hulu Terengganu

GOING FORWARD

Although Transmission has attained high standards in various key parameters of its operations, the team is constantly improving processes and procedures in order to safeguard future security and reliability of the National Grid, in anticipation of an increase in energy supply. Guided by the 1TTP, various new initiatives have been implemented in its quest for excellence, with a particular focus on cost and operational efficiencies. These include:

- Optimising its CAPEX by tightening the screening process for new transmission projects via Project Challenge Meetings (PCM). A new methodology known as UNO Tree developed for project reviews revolving around four key areas: planned capacity, projected demand, load demand and right-of-way constraints.
- Introducing new designs and specifications to optimise assets by increasing the transformer loading to 60% at selected transmission substations (PMU); and enhancing PMU's capacity to 3 x 90MVA.
- Improving the monitoring of transmission projects via the 'on-site control tower' concept.
- Improving project risk assessment from the perspective of Technology, Execution, Market, Politics and Organisation (TEMPO).

ELECTRICITY DISTRIBUTION FOR ALL

Distribution Division is responsible for the planning, design, construction, operations and maintenance of the Nation's electricity supply system. The network provides electricity supply to all customers at the required voltage levels of 33kV, 22kV, 11kV, 6.6kV and 400/230V. (We are phasing out 22kV and 6.6kV systems.) The division is also responsible for marketing and retailing efforts to meet customers' demand. This division has the closest contact with customers, hence customer service and creating optimal customer experience are given top priority.

'Switching the lights on'. Dato' Seri Mahdzir Khalid, Deputy Minister of KeTTHA examining one of the newly renovated houses under TNB's Baiti Jannati Project

During the financial year, the number of customers connected to the National Grid grew by 3.2% to 8.1 million as at August 2014, as compared with 7.85 million customers in August 2013. Accordingly, electricity sales increased by 3.0% to 102,383GWh from 99,920.50GWh, bringing in sales revenue of RM38.02 billion. Despite the increase in number of customers there was no let-up in the level of service extended to them. In fact, concerted efforts to serve our customers better led to an increase in our Customer Satisfaction Index (CSI) to 7.6 (out of 10), the highest score achieved since TNB began to measure customers' perception towards the Company in 2006.

Our improved CSI could be explained in part by better operational performance in terms of network supply reliability. During the year, TNB's System Average Interruption Duration Index (SAIDI) reduced markedly to 54.95 minutes per customer per year, placing us on par with or better than our counterparts in developed countries such as the U.K. and Australia.

Other notable achievements were a drop in frequency of MV and LV interruptions by 2.6% and 8.1% respectively; and a reduction in Distribution Losses to 6.52% from 6.66% in FY2013. The division also achieved 97.36% compliance for Minimum Service Level (MSL) and 99.28% compliance for Guaranteed Service Level (GSL). These performance indicators are monitored by ST.

Financially, the division collected RM59.67 million from back-billing due to meter tampering, compared with RM53.98 million in 2013. This is an increase of RM5.69 million.

CEO'S STRATEGIC & OPERATIONAL REVIEW

OPERATIONAL ENHANCEMENTS

Distribution's enhanced network performance can be attributed to the SAIDI 50 programme which aims to achieve a SAIDI of 50 minutes per customer per year by 2015 by focusing on: detecting potential failures; replacing faulty or ageing assets; and enhancing the use of automation.

A Condition Based Maintenance (CBM) programme was implemented to enable the early detection of any defects leading to system components breakdown. This is part of our asset management best practice. A systematic asset replacement programme has seen old and high-risk installations replaced to deter repetitive failures. Meanwhile, the division has invested in automated Supervisory Control and Data Acquisition/Distribution Automation (SCADA/DA) enablers in substations and MV feeders to improve supply restoration time.

Other new technologies introduced to further enhance SAIDI were:

a) CBM For MV Overhead – Aerial Scanning
b) LV bushing cover for distribution transformer
c) Motorised RMU and MV feeder automation
d) LV Phase Finder

As a result of Distribution's commitment to improving customer delivery, TNB has contributed to Malaysia in improving its ranking in the World Bank's Doing Business 2014 report. One parameter taken into account in the ranking is the number of days it takes to get connected to electricity supply, was the reduction from 51 days in 2012 to 32 days in 2014, placing the country 21st out of 189 countries in the report.

GOING FORWARD

Taking heed of the Group's Productivity Revolution, Distribution has identified six projects to further increase its performance.

Distribution Automation – SCADA/DA facilities have been further enhanced in FY2014 by the installation of more SCADA equipment in the network, especially in all the new PMUs, PPUs and SSUs with RTUs in order to assist the Regional Control Centre in monitoring and controlling plant devices remotely. We are also installing automated SCADA control at the downstream side of network especially in strategically located existing PEs. Auto-Reclosers, Line Fault Indicators and Earth Fault Indicators have also been installed with SCADA facilities. These have been highly successful, especially in enhancing the monitoring and supply restoration of Medium Voltage Overhead Lines in Kelantan, Terengganu, Perak and Kedah, thereby reducing feedback time from between six and seven hours previously to merely five to ten minutes.

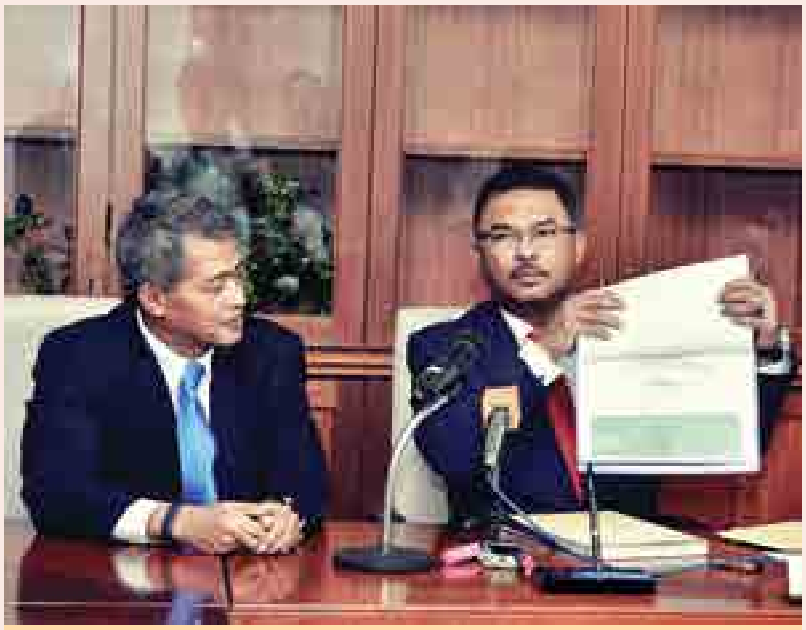
Billing and Customer Relationship Management (BCRM) – Via BCRM, TNB aims to deliver a more personalised service to our more than 8.1 million customers through better analysis and utilisation of customer information. The system includes new billing features, a 360° single-view of customer information, enhanced credit control management, efficient financial operations and business process automation. With BCRM, TNB is able to respond to customers quickly and efficiently via their preferred channel or device. It is the main enabler to realise the full benefits of Smart Metering, RE initiatives and TNB's contact centre. Along with its implementation, a new self-service portal will be developed to enable our customers to better manage their electricity usage and bill payments.

World Class Contact Centre – TNB's CareLine will be more customer focused, driving higher levels of engagement through people, process and technology enhancements. Via expanding its contact centre capabilities, Distribution hopes to reduce customer traffic at the Kedai Tenaga. Optimising our contact centre technology infrastructure also ensures long-term sustainability, while providing superior customer experience at all engagement channels.

Mobility Solution for Substation Maintenance – This mobile application for on-site maintenance work will allow for the effective monitoring of quality assurance documents and will enhance data accuracy for the asset maintenance team in preparation for PAS55 compliance. The system, comprising an asset database, technical database, risk database, geographical database and work order management, is to go live in February 2015.

Geo-spatial Information System (GIS) – This system will facilitate the collection, storage, editing, integration, analysis, display, management and sharing of geographic and geospatial data in an organised manner. GIS will be helpful in making decisions based on geographic analysis and recording of TNB assets. Via the latter working system, we will be able to further improve our service quality, reduce our operating costs and achieve greater operational efficiency. GIS is to be implemented in two phases; first in the Klang Valley and later in the second phase, the system will be fully deployed in all the other states.

CEO'S STRATEGIC & OPERATIONAL REVIEW



Datuk Seri Ir. Hj. Idris Hj. Haron, Chief Minister of Melaka with Datuk Seri Ir. Azman bin Mohd during the latter working visit to the state

Smart Billing – The Smart Meter/Advanced Metering Infrastructure (AMI) will be implemented as a pioneer project in MITC, Melaka with 800 users in December 2014 followed by 200 users in Putrajaya/Cyberjaya in early 2015. It allows for remote meter billing, remote disconnection/reconnection, outage management, smart payment, tariff execution based on time of use, an In-Home Display (IHD) device and usage monitoring by users via the web. This project will also test three types of communications – meshed radio frequency, power line carrier (PLC) and GPRS.

INCREASING NON-REGULATED REVENUE

In September 2012, we established a new division to expand TNB's revenue by growing our non-regulated business. The New Business & Major Projects Division, as it was initially called, focuses on business opportunities from both the upstream and downstream generation business, domestically and within the region. Renamed as Energy Ventures, the division was proactive during the financial year under review and made significant progress in terms of ongoing projects and the acquisition of new projects.

INCREASING DOMESTIC GENERATION MARKET SHARE

During the financial year, Energy Ventures made a bid for two major generation projects that aim to increase the Nation's generation capacity, namely Track 3B and Track 4A. On 31 May 2014, ST announced that a three-party consortium led by SIPP Energy with the participation of YTL Power and TNB had been conditionally awarded Track 4A, which is to build a new 1,000MW-1,400MW combined cycle gas turbine (CCGT) power plant in Johor. Subsequently, YTL withdrew from the project leaving TNB and SIPP Energy to sign a Heads of Agreement (HoA) in July 2014. We expect ST to award the Letter of Award (LOA) for the project by 1 April 2015 while the power plant is scheduled to be operational by June 2018.

ONGOING PROJECTS

Energy Ventures currently undertakes the development of nine ongoing projects, four thermal and five hydroelectric projects, which are at varying stages of completion.

Thermal Projects

Prai 1071MW Combined Cycle Gas Turbine Project – The build, own and operate project was awarded to TNB on 23 November 2012 via competitive bidding under Track 1. On 21 January 2013, we awarded Samsung Engineering & Construction (M) Sdn. Bhd. the EPC contract following an open bid. Samsung started the construction works at site on 2 May 2013. To date, the project is 79.94% complete and we are confident of meeting the Commercial Operation Date (COD) of 1 January 2016. The single shaft, combined cycle gas-fired thermal plant is expected to have an efficiency level of almost 60%.

Manjung 1 x 1010MW Coal-Fired Power Plant Project (Manjung 4) – The Government of Malaysia via ST awarded the project to TNB in August 2010. TNB signed the EPC Contract with a consortium of Alstom Power Systems SA, Alstom (Wuhan) Engineering & Technology Co. Ltd., Alstom Services Sdn. Bhd., China National Machinery Import and Export Corporation and CMC Machipex Sdn. Bhd. to develop this project at the Stesen Janakuasa Sultan Azlan Shah in Manjung, Perak on 31 March 2011. As of 31 August 2014, we had completed 99.53% of the plant. First fire on coal was achieved on 31 July 2014, and we are currently in the Testing & Commissioning stage, well on track to meeting the COD of 31 March 2015.

Fast Track 3A 1x1000MW Coal-Fired Power Plant (Manjung 5) – The project was awarded to TNB by ST on 2 August 2013. The project is also located at the Stesen Janakuasa Sultan Azlan Shah in Manjung, Perak. We subsequently engaged Sumitomo-Daelim Consortium as our EPC contractor and as of 31 August 2014 have completed 18.85% of the project which is to boast a breakthrough supercritical once through Benson boiler technology. The COD of the plant is set for 1 October 2017.

384.7MW Combined Cycle Generating Plant Redevelopment Project – TNB was awarded the project to redevelop the Connaught Bridge Power Station in Klang, Selangor on 2 May 2013 following which we have engaged Sinohydro Corporation Ltd. and Sinohydro Corporation (M) Sdn. Bhd. Consortium as our EPC contractor to build the single shaft combined cycle plant with wet cooling towers using river water. To date, the fast-track project is 63.80% complete and we are confident of meeting the COD of 1 September 2015.

Hydro Projects

Ulu Jelai Hydroelectric Project (2 x 186MW) – This project in Cameron Highlands comprises two units with a combined capacity of 372MW. TNB was awarded the contract on 15 December 2010, following which we have brought in Tindakan Mewah Sdn. Bhd. and Salini Costruttori SpA Consortium as our EPC contractor and SMEC International Pty Ltd., which entered into a joint venture agreement with SMEC (Malaysia) Sdn. Bhd., as our engineering consultant. As of end August 2014, the project was 63.45% completed. The CODs for the two units are 13 December 2015 and 14 March 2016.

Hulu Terengganu Hydroelectric Project (2 x 125MW Puah and 2 x 7.5MW Tembat) – This project, in the Puah Forest Reserve of Hulu Terengganu comprises two units each in Puah and Tembat, with a combined capacity of 265MW. TNB, along with our EPC partner Loh & Loh–Sinohydro JV (LLSH), was awarded the project on 8 September 2010. We have engaged HTJV, a Consortium of SNC Lavalin Inc., SNC Lavalin Power (Malaysia) Sdn. Bhd., KTA Tenaga and G&P Associates, as our engineering consultant and expect to meet the CODs of 16 September 2015 and 17 December 2015 for the Puah units and 16 March 2016 and 16 April 2016 for the Tembat units. The project was 84.33% completed as at end August 2014.

CEO'S STRATEGIC & OPERATIONAL REVIEW


Datuk Seri Dr. Maximus Ongkili, Minister of KeTTHA and Datuk Seri Ir. Azman bin Mohd at Ulu Jelai Hydroelectric Project

Chenderoh Unit 5 Hydroelectric Project – This 12MW project will add a fifth generating unit to the existing four units in the Chenderoh hydroelectric scheme in Kuala Kangsar, Perak to harness energy from water spill-off from the dam, especially during the monsoon. We are currently in the process of engaging a suitable EPC partner, and are working towards project completion in October 2018.

Tekai Hydroelectric Project – Located on the Tekai River in the district of Jerantut, Pahang, the project consists 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 and Lower Tekai, a capacity of 5.8MW. The total average annual energy output of the proposed scheme is 274GWh. TNB was awarded the project in July 2012, and we are currently preparing tenders for the main civil works and electrical and mechanical works. The project is slated for completion in 2020.

Nenggiri Hydroelectric Project – This project located in Sungai Nenggiri, Gua Musang, Kelantan was awarded to TNB in July 2012 for completion and commercial operation by 2024. We are currently carrying out a public acceptance survey and preparing tender documents for the procurement of engineering and EIA consultants.

EXPANDING INTO THE INTERNATIONAL SPACE

Internationally, we are focusing on two growth regions – Southeast Asia and the Middle East – where we are undertaking a range of power generation projects encompassing coal mines, coal-fired power plants, a hybrid wind-solar project and co-generation.

Coal Mine (CM), Coal-Fired Power Plant (CFPP) & HVDC Interconnection Projects in Riau, Sumatera, INDONESIA

TNB entered into a Joint Development Agreement (JDA) with Indonesian state-owned utility Company PT PLN and PT Bukit Asam (PTBA) on 15 October 2012 to develop a Coal-Fired Power Plant (CFPP), Coal Mine Mouth (CM) and HVDC Interconnection Project, collectively known as the PERTALIAN Project. The CM and CFPP Projects have a joint capacity of 1,200MW and will be located in the District of Paranap Kabupaten Indragiri Hulu, Riau; while the Interconnection Project is for a 600MW HVDC link spanning across the Straits of Melaka connecting Teluk Gong in Melaka, Malaysia and Perawang, Riau. The CM project has a COD of September 2018 while the other two projects are slated for completion the following year. Feasibility studies for the projects are ongoing.

Joint Development of 35MW Hybrid Wind & Solar Project, Jaffna, SRI LANKA

On 25 July 2014, TNB acquired a 60% stake in this project, located in Kankesanturai, Jaffna, which had been awarded by Ceylon Electricity Board (CEB) to KLS Energy Lanka (Pvt) Ltd. on 30 December 2009. We are currently carrying out due diligence while KLS Energy is working on the Fulfilment of Condition Precedent and the definitive agreement is being finalised. The project, a crucial infrastructure development in Jaffna, is expected to be completed by 1 August 2016. The EPC contract was awarded to China Machinery Engineering Corporation (CMEC) on 10 January 2014.

SUBSIDIARIES DRIVING GROWTH

TNB Repair and Maintenance Sdn. Bhd. (TNB REMACO)

TNB REMACO began its services as the Centralised Maintenance Team (CMT) in 1979. In 1993, its name was changed to Repair and Maintenance Unit (RMU). In 1995, in line with changes in the power generation industry, RMU was made a subsidiary of TNB, and acquired its current name. The Company specialises in maintenance services, repairs and refurbishments, testing and diagnostic services and project management, offering its services locally and abroad. TNB REMACO has a wide range of clients in the local scene including TNB-owned power stations, Independent Power Producers (IPPs) as well as oil and gas players. Overseas, it has established a presence in Pakistan, Saudi Arabia and Kuwait, and has carried out jobs for customers in Myanmar, Indonesia, Brunei, Vietnam, Singapore and Yemen.

During the financial year, it acquired six new projects:

- A seven-year O&M contract for the Open Cycle Gas Turbine Plant – 1 at the Sabiya Power Generation and Distillation Plant, in partnership with Kharafi National, Kuwait
- A 25-year O&M contract for the 1X1,000MW Manjung 5 Coal-Fired Power Plant and Coal Stockyard in Manjung, Perak
- A three-year Technical Support Services contract for the 1X1,000MW Manjung 4 project at Stesen Janakuasa Sultan Azlan Shah, together with partner Alstom Services Sdn. Bhd.
- An O&M contract for the Manjung 4 coal stockyard for a duration of 3 + 3 + 3 years
- Valve Servicing and Insulation Services at Kimanis Power Plant (KPP), Sabah in partnership with Metro Quest and SS Mega Sdn. Bhd. for a contract period of 1 + 1 year
- Project Management & Consultancy for Sabah Electricity Sdn. Bhd. (Transmission Lines) for a period of 40 months

TNB REMACO's strong performance led to it being named Frost & Sullivan Malaysia's Power Plant Service Provider of the Year 2014, for the third year running.

TNB Energy Services Sdn. Bhd. (TNBES)

TNBES was incorporated on 24 March 1997 to implement Green Energy projects for TNB, while building a reputation for being the solutions provider for sustainable business growth.

During the financial year, it carried out numerous projects for the Group while also winning a number of contracts from third parties. Within the Group, it installed solar panels at TNB's headquarters and at the Dua Sentral building while setting up an Electrical Vehicle (EV) Charging Station at the headquarters. It also set up a Grid Connected Photovoltaic (PV) System Training Facility for TNB Integrated Learning Solution Sdn. Bhd. – ILSAS; and provided operation and maintenance (O&M) services for various TNB mini hydro and solar hybrid stations. In addition, it conducted Power Quality Consultancy Services for 30 TNB Prime Consumers and provided energy efficiency audits and solutions for TNB's main buildings.

Externally, it set up interconnection facilities for three solar farms to the TNB Distribution Network, namely a 3x500kWp Solar Farm in Gopeng, Perak; 500kWp Rooftop Solar PV in Shah Alam, Selangor; and 425kWp Rooftop Solar PV in Bukit Rambai, Melaka. In addition, it designed, supplied, built and commissioned the Bekalan Elektrik Luar Bandar at Pos Simpor and Pos Pulat, Gua Musang, Kelantan. It also provided energy efficiency audit and consultancy for KLCC Urusharta's common facilities.

In FY2014, TNBES was First Runner Up at the Asean Energy Award for the solar PV diesel hybrid system it had set up in a remote school – SK Telanok in Cameron Highlands.

TNB Engineering Corporation Sdn. Bhd. (TNEC)

Established in October 1993 as a wholly-owned subsidiary of TNB, TNEC today is the most experienced District Cooling Systems (DCS) owner and operator in Malaysia. It provides the full range of services for DCS projects, from the initial concept or business viability study to the investment, engineering, procurement and construction (EPC) contract, project financing, ownership as well as comprehensive O&M.

In FY2014, TNEC won a 12-year contract for cooling energy supply to the Sultan Alam Shah Museum in Shah Alam, Selangor. This subsidiary has made us proud by being named the Best District Cooling Operator/Asset Owner at the Asia District Cooling Awards 2014.

TNB Fuel Services Sdn. Bhd. (TNBF)

TNBF was established on 27 May 1998 as a wholly-owned subsidiary of TNB following a Cabinet decision to have a dedicated Company to look into the supply of coal and fuel to TNB and IPPs that have power purchase agreements (PPAs) with us. The Company is entrusted to procure and deliver fuel at optimal cost, taking into account the quality and reliability of supply.

TNBF is a 'One-Stop Centre' for all power station fuels needs. It is a non-profit entity and its savings from the efficient and economic purchase of fuel is passed on to TNB. This is subsequently reflected in the tariff charged to consumers. To safeguard supply, TNBF deals with a diversified network of dependable and reputable suppliers of coal and freight from various countries.

TNBF's fuel procurement represents about 20%-30% of TNB's operating expenses. This figure that is likely to increase with the introduction of more coal-fired generation from 7,200MW in 2013 to 12,200MW by 2019. Already among the top three largest sole buyers in the Asia-Pacific region, TNBF's ranking could well increase as it doubles its coal procurement from 20mtpa in 2014 to 40mtpa in 2020 to satisfy the needs of customers which include: Kapar Energy Ventures, TNB Janamanjung, Tanjung Bin Power, Jimah Energy Ventures and Jimah East Power.

With its knowledge of the coal supply industry, TNBF also provides advisory service to project teams on coal supply agreements and coal specifications for international ventures.

CEO'S STRATEGIC & OPERATIONAL REVIEW

DEVELOPING STRATEGIC BUSINESSES

The Investment Management Division (IMD) manages the portfolio of TNB's local and foreign investments with the aim of bringing positive value to TNB as a whole. Assuming the roles of both the performance driver and holistic governor of each business entity under its purview, it participates in key aspects of the subsidiaries' corporate and business processes while ensuring good governance through effective internal controls.

Sabah Electricity Sdn. Bhd. (SESB)

SESB is an 80% owned subsidiary of TNB and 20% by the State Government of Sabah. Formerly a federal body since 1984, Lembaga Letrik Sabah was privatised and became Sabah Electricity Sdn. Bhd since 1 September 1998. As a vertically integrated utility providing generation, transmission and distribution services in Sabah and Federal Territory Labuan, SESB's installed capacity (excluding IPP) connected to the Sabah Grid is 362MW and the maximum demand is 907.5MW recorded on 8 May 2014. The Sabah Grid is made up of 66kV, 132kV and 275kV which links up all major towns in Sabah and Federal Territory of Labuan with the 3,263 km total length of transmission line, distributed over a wide area of 74,000 sq. km.

Due to SESB's important role in the socio economic development of Sabah, TNB has decided to add another KRA, namely TNB KRA6 – SESB Turnaround and Transformation. This initiative has kicked off since October 2013 with the creation of a new division in SESB, Strategic Management & Organisational Development Division. In the SESB Turnaround Programme, we have developed 5 KRAs for SESB alone. As part of the programme, intense training for key personnel were provided, and also TNB personnel were sent to assist in the SESB KRA labs and help track and monitor the effective delivery of the programme.

Key highlights in the Financial Year are:

The tariff revision approved by the Government effective 1 January 2014 provided a 16.9% increase of its tariff revenue. As of fnancial year end, the average selling price is 32.95 sen/kWh, compared to 29.59 sen/kWh in FY2013. This increase is timely to meet new IPP costs as two new CCGT IPPs, namely Kimanis Power Sdn. Bhd. and SPR Energy Sdn. Bhd. has come online in August 2014. Profit After Tax is recorded at RM96.7 million, showing an improving positive margin. However, given the major investments needed in improving the electricity network in Sabah, SESB is working very closely with the Federal and State Governments to secure additional funding for power system improvements.

SESB's technical performance has seen some improvements over the years, however overall security of supply can still be enhanced. The commissioning of the above mentioned two new IPPs has provided 290MW, overcoming the critical shortage of generation capacity experienced in the first half of the Financial Year. The initiatives identified under SESB KRA2 - Improve Security and Reliability of Supply and additional action are now being executed to ensure dependable levels of system security and reliability.

Malaysia Transformer Manufacturing Sdn. Bhd. (MTM)

Established in 1977, MTM is a leader and 'One-Stop Solutions Provider' in transformers manufacturing and services in Malaysia. MTM became a wholly-owned subsidiary of the Group following TNB's acquisition of 27% equity in the Company from ABB in 2007. Since then, MTM has leveraged on its long history in the country, while strengthening its corporate governance and improving its business orientation.

MTM offers a wide and comprehensive range of products and services with high quality distribution transformers up to 5,000kVA with maximum voltage of 33kV and power transformers up to 100MVA with maximum voltage of 150kV. The Company has the capacity to produce 2,500MVA per annum of distribution transformers and 5,000MVA of power transformers. It also produces generator transformers, earthing transformers and customised design transformers to meet customers' specifications.

MTM also provides preventive maintenance, corrective maintenance, remanufacturing of transformers, installation, testing and commissioning (ITC) of transformers. A special 24-hour service team is available to support all customers in case of emergencies.

To gain a foothold in the global market, its products have been accredited by internationally certified testing bodies such as ASTA, CESI and CPRI. MTM is also certified under the Integrated Quality, Environment, Occupational Health, Safety Assessment Systems and Accredited Laboratory Certificates complying with ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 and MS ISO/IEC 17025.

In supporting TNB to realise our KRA 2 (Exceed Customer Expectations) and KRA 3 (Drive Operational And Cost Efficiencies), MTM has successfully designed and produced the first Mobile PPU Power Transformer 15MVA 33/11kV for Distribution Division. Its collaboration with Distribution will ensure reliable and continuous supply of electricity to TNB's customers.

MTM's other notable achievements include:

- Securing the contract to Supply, Erect and Commission two units of 90MVA Transformer for PMU 132/33kV Kuantan Extension
- Supplying a 30MVA 33/11kV Power Transformer for the KLCC Project
- Supplying a 10MVA 33/11kV Power Transformer for Pitas, Sabah

Tenaga Switchgear Sdn. Bhd. (TSG)

TSG is a 60%-owned TNB subsidiary, aspires to be the leader and symbol of quality in the transmission and distribution networks. TSG's core business includes the manufacture of high and medium voltage switchgears, substation engineering and design, specialised maintenance and repair of high, medium and low voltage equipment, project management and turnkey contracting of Transmission and Distribution substations.

TSG's products are type-tested for conformity to IEC standards and safety, and accredited by international test labs and have been in service since 1996 throughout the electricity network in Malaysia and abroad. The Company's commitment to quality, safety and reliability, as manifested in its ISO 9001:2008, ISO 14000:2004 and OHSAS18001:2007 quality systems, has enabled it to penetrate the global high and medium voltage power equipment market.

Apart from works related to TNB, TSG was awarded and successfully commissioned the contract for the Engineering, Procurement and Construction (EPC) of 132kV GIS at Ibiden Electronics Sdn. Bhd. by Meiden Malaysia.

Moving forward, TSG aims to win more contracts to supply high and medium voltage equipment locally and abroad, particularly in the ASEAN and the Middle East regions. It will also continue to provide services in refurbishment, project management, turnkey contracting, engineering design and solutions to TNB, PLN Indonesia, EGAT Thailand and power companies in the Middle East.

Tenaga Cable Industries Sdn. Bhd. (TCI)

TCI is a subsidiary of TNB, is one of the leading manufacturers and distributors of power cables in Malaysia. Previously operating as Malayan Cables Limited, a pioneer in cable manufacturing in Malaysia, TCI has evolved to position itself strategically to support the growth of the electricity supply industry in Malaysia and internationally.

CEO'S STRATEGIC & OPERATIONAL REVIEW

TCI offers four main products, under the categories of bare 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 successfully 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 its business plan theme for FY2014 – To enhance productivity and capacity – the Company has installed an additional melter at the Aluminium Plant, increasing its capacity from 800 MT per month to 1250 MT per month. The signing of contracts to purchase main machines, 61 Bobbin Stranding machines and a CCV Extrusion Line with Pourtier SAS, France and Troester, Germany demonstrates TCI's commitment to enhancing its productivity and capacity.

TCI's achievements in FY2014 include:

- Passed the type test for ACSR Drake conducted by Veiki-VnL of Hungary
- Sealed a contract to supply 625km of ACSR Drake to Sarawak Energy Berhad (SEB) commencing October 2014
- Improved its financial condition with a payable of RM24.7 million in August 2013 to merely RM7.87 million in May 2014
- Increased the number of confirmed orders for PD Mapping services from TNBD from 146 circuits in 2013 to 1,030 circuits
- Awarded a year-long re-drumming, insulation resistance and sheath test contract from TNB worth RM1.4 million, starting from 13 December 2013
- Improved the Employee Satisfaction Index from 82.5% in FY2013 to 83.5% at mid-FY2014
- Reduced its manpower from 310 to 304 by reviewing the job functions of executives and exercising a leaner organisation

To take on the challenges of a competitive industry, TCI is collaborating with J-Power System and Mitsubishi Corporation from Japan to develop technologically advanced high-capacity, low-loss conductors. This will contribute towards upgrading TNB's power transmission system.

TNB Research Sdn. Bhd. (TNBR)

TNBR has been the research arm for TNB since 1993. The R&D Centre conducts research and also provides scientific and technical services spanning across the Generation, Transmission and Distribution businesses. Various solutions developed under Applied and Advanced Research programmes have been implemented with the main objectives of enhancing TNB's system availability, reliability and efficiency as well as to position TNB as a key player in technology leadership.

Major highlights for FY2014:

- Strategic partnership with Korea Electric Power Research Institute (KEPRI) and Korea Laboratory Engineering System Inc. (KLES) on researcher competency and services
- Commercialised an R&D product as Trash Buster Craft (TBC)
- Attainment by Transformer Oil Lab under TNBR-QATS of a Certificate of Laboratory Excellence from the International Institute of Inter-Laboratory Studies (IIS) for its Transformer Oil Test for the seventh year in a row (2007-2014)
- Appointment of eight staff as industrial advisors
- Securing three projects with a total contract value of RM6.47 million from Akaun Amanah Industri Bekalan Elektrik (AAIBE)

TNBR is committed to enriching its people with talent and passion. This, combined with its objective to become the premier R&D organisation for the ESI globally, will make TNBR a dynamic research Company that continues to thrive in the most challenging economic conditions and to be responsive and innovative.

Universiti Tenaga Nasional Sdn. Bhd. (UNITEN)

UNITEN is one of the first private universities in Malaysia, dating back to 1976 when it was established as Institut Latihan Sultan Ahmad Shah (ILSAS), the corporate training centre for TNB. UNITEN's programmes are focused on engineering, information technology, business management and related areas. UNITEN is moving rapidly towards establishing itself as a regional centre of educational excellence. Today, UNITEN's graduates are highly sought after by the industry and they serve in many parts of the world.

Not content to rest on its laurels, in April 2014 a Breakthrough Operation Laboratory Dynamics (BOLD) initiatives was established to drive UNITEN to be a sustainable and remain as an excellent higher education institution within the next five years. These encompass efforts to strengthen both teaching and learning at the university; focus on research and development to serve TNB and the Nation's needs; improve its branding, marketing and services; create new business opportunities; and improve its financial standing.

Towards academic excellence, it aims to strengthen its position in the Malaysian MQA Rating System for Higher Education Institutions by achieving Tier 6 or 'Outstanding' rating for SETARA and/or D-SETARA in 2015. Subsequently, UNITEN aims to improve its ranking in the QS University Ranking in Asia. Positioning itself as a leading regional research institution focusing on energy, UNITEN aims to attain a 5-Star Malaysia Research Assessment Instrument (MyRA) rating in 2015.

TNB Integrated Learning Solution Sdn. Bhd. (ILSAS)

ILSAS is a premier technical training institute committed to providing excellence in training and services. Working with experts in power utility engineering and related facilities, ILSAS' quality of training delivery and administration is reflected by its ISO 9001:2008 certification and UKAS standards by Standard and Industrial Research Institute of Malaysia (SIRIM).

Over the last three decades, ILSAS has acquired an outstanding track record and has been at the forefront of programmes for international customers from countries like Thailand, Vietnam, Indonesia, Cambodia, Laos, Nepal, Mongolia, Egypt, Pakistan, Yemen, Oman and Afghanistan.

ILSAS conducts skill building programmes for school leavers in the electrical and related industries, collaborating with organisations such as Yayasan Peneraju and the Ministry of Finance. It has also been collaborating with the Ministry of Foreign Affairs on a G2G technical exchange programme dubbed Malaysian Technical Cooperation Programme (MTCP) since 2009.

ST and the Department of Skills Development (JPK) of the Ministry of Human Resources have appointed ILSAS as an Industry Lead Body (ILB) tasked with, among others, the development of National Occupational Skills Standards (NOSS) for chargemen and cable jointers. These NOSS standards outline the specific requirements of a skilled worker in Malaysia for any given discipline and its relevant skills development levels.

ILSAS' latest training facilities include the ILSAS Renewable Energy Centre, a state-of-the-art solar photovoltaic installation workshop (for hands-on training for technicians, engineers and contractors for installation and maintenance of solar PV panels); generator synchronising workshop (for genset operation and maintenance); and SCADA and remote terminal unit laboratory (for SCADA and telecommunications training of technicians and engineers).

CEO'S STRATEGIC & OPERATIONAL REVIEW

SUSTAINABLE STRATEGIC DEVELOPMENT

WE BELIEVE THAT ALL INITIATIVES TO ACHIEVE OUR OBJECTIVE OF BECOMING A DOMESTIC AND REGIONAL POWER CHAMPION HAVE TO BE EFFECTIVE NOT ONLY IN THE SHORT-TERM, BUT ALSO SUSTAINABLE OVER THE COURSE OF OUR 1TNB TRANSFORMATION PROGRAMME, AND BEYOND. HENCE OUR CRITICAL FUNCTIONS SUCH AS GROUP HUMAN RESOURCE, FINANCE, REGULATORY ECONOMICS & PLANNING, CORPORATE AFFAIRS & SERVICES, ICT AND PROCUREMENT ARE DRIVEN TO IMPLEMENT POLICIES, PROCESSES AND PROCEDURES THAT WILL BRING LONG-TERM VALUE TO THE ORGANISATION WHILE FULFILLING THE GROUP'S IMMEDIATE FINANCIAL, SOCIAL AND ENVIRONMENTAL OBLIGATIONS.

DEVELOPING OUR PEOPLE

A major challenge in today's corporate landscape is to attract and retain talent. At TNB, we aspire to achieve a Vibrant Workforce, Productivity Revolution by bringing on board suitably qualified personnel and then building our human resources and capabilities via a series of talent development programmes. By offering a work environment that is both stimulating as well as engaging, we strive to become a preferred employer. This, in essence, is the responsibility of our Group Human Resources (GHR).

To strengthen our talent management at the corporate and divisional levels, we have established and are using a common language for talent identification which is easier to understand and apply to, while adopting a more comprehensive talent assessment procedure. This includes the establishment of an internal headhunting unit to scout for both corporate and divisional talent from a wider pool of our employees.

These talents are then groomed to achieve leadership positions within the organisation. A Leadership Development Centre (LDC) has been set up in Bangi for the purpose, offering development programmes at all leadership levels. Launched on 18 September 2013, the LDC is committed to produce leaders not only for the Company, but also for the country in the long run. The development programmes put emphasis on Company values, transformational mindset and specific leadership skills required to achieve objectives outlined in key result areas.

Continuous refinement is being made to review programme offerings based on evolving business strategy and needs. Integration of LDC with a broader talent management practices will ensure its sustainable journey to be recognised as Malaysia's leading institution for developing leaders.

GHR's function has acquired even greater significance since we embarked on the 1TTP, especially with regard to achieving the KRA5: Transform Organisation. Towards this end, a Project Management Office - Transform Organisation was set up on 1 January 2014 to:

- Roll out a Performance Motivation System v2.0 in stages, which focuses on outcome-based KPIs, behavioural-based competency assessment and performance conversation
- Engage staff in the Group's transformation via face-to-face dialogue, Town Hall sessions, regular communication through social media and other technologies, leveraging on peers as connectors and branding via T-shirts, pen drives and stationery
- Review the overall quality initiatives to drive our transformation

Added emphasis on staff engagement has borne positive results, as reflected in our 2014 Employee Engagement Index score of 86%, which places TNB in the top quartile of companies within the Asia-Pacific region. It helps that we enjoy a healthy relationship with our three unions. During the financial year, a milestone was achieved when we concluded our 8th Collective Agreement (CA8) with all the unions, namely Persatuan Eksekutif TNB (PET), Kesatuan Percantuman Pekerja-Pekerja TNB (KPPPTNB), Kesatuan Pegawai-Pegawai Rendah TNB (KPPRTNB) within the shortest duration. This signifies a strong mutual trust and cooperation to further boost staff engagement and commitment.

Recognising the increasing importance of our GHR function, we have been steadily building on our HR practitioners' capacity through a certification programme by the Malaysia Institute of Human Resource Management (MIHRM). To date, a total of 54 GHR practitioners have undergone the requisite training and received the appropriate certification.

MAINTAINING A SAFE WORK ENVIRONMENT

As part of our commitment to our people, TNB ensures we maintain a safe and healthy work environment at all times. Top priority is given to adherence to safety rules and procedures, and every effort is made to inculcate a safe work culture among all employees.

As a result of various Occupational Safety and Health (OSH) initiatives, our accident rate continued to decrease, from 2.06 for every 1,000 workers in FY2013 to 1.2 per 1,000 workers in FY2014. Critical to our safety record is the stringent enforcement of safety standards at the workplace via:

a. Safety Compliance Audits (SAFCA) at project sites focusing on contractor safety
b. Annual Safety Excellence Management System (SEMS) Audits
c. Frequent safety inspections at workplace

CEO'S STRATEGIC & OPERATIONAL REVIEW

To encourage a high level of safety compliance, we are conscious of strengthening the safety knowledge of our workers, especially those in technical positions who are directly exposed to safety hazards. We have also conducted an Occupational Health, Safety and Environment (OSHE) Transformation Lab to achieve Zero Accidents in TNB. The lab focuses on three levers to instil a Preventive OSHE Culture, namely: Impactful OSHE Enforcement, Nurture Professional OSHE Community and Drive OSHE Transformation.

During the financial year, we further improved our OSH management system by introducing a Fire Safety Policy, Personal Protective Equipment Policy and Safety Enforcement Policy. We also developed a computerised TNB Safety Information System (TSIS) to enhance the efficiency and effectiveness of our online reporting system.

FINANCING SUSTAINABLE GROWTH

Group Finance oversees the Company's entire financial management functions encompassing financial planning, treasury, financial and management reporting, investor relations, budgeting, taxation and corporate & project finance. Its primary responsibility is to ensure all financial decisions are based on sound criteria and contribute to cost efficiencies across the board.

GROUP FINANCE DIVISION FUNCTIONS

A highlight during the financial year was the successful issuance of RM3.655 billion in a serial senior secured Islamic bond (Sukuk) with tenures ranging from 10.5 to 20 years. Structured under Shariah principles of Ijarah and Wakalah, positive sentiment towards the Sukuk reflects a high level of market confidence in TNB and especially in our business outlook. We are also particularly proud of the fact that we were able to push the limits of the Sukuk market once again, this time by extending the tenure of the power project Sukuk to 20 years.

This is the third Sukuk to be issued by TNB via our wholly-owned subsidiary after our debut in the Malaysian RM Sukuk market in October 2011 with a RM4.850 billion Sukuk issued to fund the Manjung 4 project; and then the RM1.625 billion Sukuk to fund the Track 1 Prai project in May 2013. One of the biggest challenges in closing the current Sukuk offering was to achieve tighter pricing in the midst of challenging market conditions. Despite increasing interest rates, however, we managed to attain a fairly acceptable price, demonstrating strong investor appetite for Malaysia's biggest electric utility firm and Southeast Asia's largest power Company.

GST Preparation & Efficient Tax Management

Much groundwork has been made to prepare the organisation, and each of our divisions and subsidiaries, for implementation of the Goods and Services Tax of 6% starting on 1 April 2015. At the same time, Group Tax unit continues to provide advice on tax-efficient structures for our domestic and foreign investments in order to obtain optimal tax savings.

Incentive Based Regulation (IBR)

In ensuring compliance with the Incentive Based Regulation (IBR) requirements, a Regulatory Accounting and Reporting Framework has been implemented to monitor the performance of our regulated business entities during the regulatory period.

PLANNING FOR A BRIGHTER FUTURE

STAKEHOLDER ENGAGEMENT & ECONOMIC REGULATION

TNB recognises the importance of stakeholder engagement in delivering the MESI agenda to create a more sustainable, efficient and transparent electricity supply industry. As such, Planning Division was restructured into the Regulatory Economics & Planning (REAP) Division with the inclusion of a dedicated stakeholder engagement arm.

REAP Division plays the all-encompassing role of ensuring TNB is prepared for future challenges in meeting our own internal targets and those imposed by the regulators. It is the primary Division that engages with ST and therefore also spearheads KRA1 to "Enhance Regulatory Engagement." In addition, REAP Division takes into account customers' growing expectations as well as industry needs, whilst ensuring that we meet our obligations as a responsible corporate citizen in terms of managing our environmental footprint.

Via REAP Division, TNB has been collaborating with governmental agencies, consumer associations and other key stakeholders on various MESI programmes spearheaded by ST and KeTTHA. The Division was responsible for the collaborative effort to formulate, coordinate and consolidate the IBR and tariff review submission proposal encompassing projected financial parameters such as capital expenditure,

CEO'S STRATEGIC & OPERATIONAL REVIEW

Ulu Jelai Hydroelectric Project, Pahang

operational expenditure, weighted average cost of capital as well as performance indicator targets for business entities under the IBR framework namely Customer Service, Transmission, Single Buyer and System Operator. This has ensured that the organisation was well prepared for the implementation of the pilot and first regulatory period of IBR beginning on 1 January 2014.

Apart from incentivising technical, financial and operational efficiency and transparency, IBR framework ensures that players in the electricity supply industry are offered fair returns on their businesses. Together with the Government's subsidy rationalisation programme, the average electricity tariff was revised from 33.54 sen/kWh to 38.53 sen/kWh effective from 1 January 2014. The revision includes the Imbalance Cost Pass-Through (ICPT) mechanism which passes-through the changes in fuel costs as a result of the Government's revised regulated pipeline gas price as well as the market price of LNG and coal. The implementation of ICPT is crucial for the long term sustainability of the electricity supply industry, especially against the background of increasing market fuel prices and subsidy rationalisation programme.

REAP Division also provides technical advisory services through TNB-SESB Planning Working Group (TSPWG). TNB has been working in collaboration with SESB on issues related to Sabah Electricity Supply Industry including long-term capacity planning, fuel planning, transmission planning and other system-related matters in support of Government's development programme in Sabah.

ENSURING LONG-TERM SUPPLY SECURITY AND SUSTAINABILITY

As part of the MESI Reform agenda to enhance the transparency of the electricity supply industry, the Single Buyer Department has been officially established as a ring-fenced entity within TNB on 1 September 2012. Single Buyer Department is monitored by ST under the Single Buyer Rule in which the Department is required to report quarterly to the regulator. Its primary role is to operationalise the Service Level Agreements (SLAs) and Power Purchase Agreements (PPAs) by procuring electricity from TNB Generation and IPP plants in a transparent manner at optimal cost. It also assists ST in meeting long-term supply adequacy in the most economical manner.

REAP Division has been proactive in terms of coal and gas procurement and management. Towards securing fuel supply, it has been mediating and renegotiating with various stakeholders, from ST to fuel suppliers, while managing challenges in coal plant performance and participating in the Boiler Supply Committee.

It is through REAP Division that TNB engages with IPPs on PPAs. During the financial year, the industry saw the successful completion and signing of two PPAs with 1MDB – the first for a 2,000MW competitive bidding coal-fired power plant, and the second for a utility scale 50MW solar PV plant. Future generation capacity plant-up projects in Peninsular Malaysia include a 1,100-1,400MW combined-cycle gas turbine (CCGT) power plant that was awarded to SIPP Energy and TNB slated for commercial operation date in 2018 and another 2,000-2,400MW CCGT power plant slated for commercial operation date in 2021.

TNB is also looking into other long-term alternatives to meet future demand and to diversify the energy mix for Peninsular Malaysia. The Division has supported various initiatives and studies on future interconnection projects including Peninsular Malaysia – Sumatera 600MW HVDC Interconnection as well as Peninsular Malaysia – Sarawak HVDC Interconnection. In support of the Government's Economic Transformation Programme in which nuclear energy was identified as an option for electricity generation post-2020, TNB through the Nuclear Energy Department, has been assisting the Government in feasibility study on nuclear power. To further enhance its knowledge on nuclear power, TNB entered into a two-year MOU with Electricite de France (EDF) from June 2012 until June 2014 for close cooperation in areas of nuclear power and electricity supply industry studies. A workshop for TNB's top management was successfully conducted on 8-10 July 2014 to enhance the understanding and to update TNB's decision makers on nuclear technology.

CEO'S STRATEGIC & OPERATIONAL REVIEW

Datuk Seri Ir. Azman bin Mohd handing TNB's zakat contribution, in the presence of Dato' Seri Mejar Jeneral (B) Jamil Khir bin Baharom, Minister in the Prime Minister's Department and Datuk Wira Roslan bin Ab Rahman, TNB Chief Corporate Officer

TOWARDS LOW CARBON GROWTH

In 2011, TNB had launched the Green Energy Policy in support of Government's environmental agenda as well as to show our internal commitment on reducing environmental footprint. In 2014, the policy was reviewed to ensure greater alignment of our technological and engineering operations with our green aspirations, as well as to accelerate the implementation of green and RE projects and initiatives. In addition, TNB has embarked on various Energy Efficiency and Demand Side Management initiatives to optimise and manage customers' electricity demand. These efforts are supported by continuous training and capacity development programme for the staff at our training and research centres, namely ILSAS, Centre for Renewable Energy (CRE) and Institute of Energy Policy and Research (IEPRE) in UNITEN.

Further contributing to a greener Nation, TNB is exploring on the future implementation of Smart Grid. REAP Division has successfully completed the Smart Grid Realisation Plan (SGRP) in July 2014, focusing on activities and initiatives encompassing the three domains of Technology, Work and Asset Management and Grid Operation for the year 2014-2030. We have also completed a joint-feasibility study funded by Japan's Government on a smart grid and smart community concept for Medini, Wilayah Iskandar Johor. At the same time, we are embarking on a smart meter pilot project financed by Akaun Amanah Industry Bekalan Elektrik (AAIBE) which involves the installation of 1,000 smart meters (with back-end communication system) to commercial and residential customers in Putrajaya and Melaka. The lessons learnt from the project will provide knowledge, experience and technical expertise for future roll-out of smart meters in Malaysia.

SUPPORTING THE GROUP, ENHANCING OUR IMAGE

Corporate Affairs & Services Division (CASD) provides support services in Corporate Affairs & Communications, Logistics, Property, Land and Security management to the Company to ensure the smooth and effective running of our operations.

A major responsibility of CASD is to engage our key stakeholders, handling queries and complaints while also communicating positive messages on the Company's value-added products and services. To further entrench TNB's reputation in the marketplace, and to ensure key corporate messages are conveyed to the public, it has entered into strategic partnerships with the mainstream media as well as engaging the bloggers.

Numerous public relations campaigns are organised to manage public perception of pertinent issues such as the new tariff structure implemented in January 2014. Through different channels, the Corporate Affairs & Communications department explained the changes, focusing on the ICPT mechanism and IBR.

The division also leverages on TNB's Corporate Responsibility (CR) programmes to build better relationships with our local communities. This has led to greater effectiveness of various flagship CR projects such as our Community Outreach Programme (COP), the Electrical Safety and Awareness Campaign, PINTAR school adoption programme, Baiti Jannati and Projek Mesra Rakyat and TNB's annual zakat (tithes) contributions. CASD has also been promoting TNB's support on hockey talent development in the country.

CASD's Brand Revitalisation Campaign, which aims to propel TNB into a global player and at the same time humanise the brand, entered its second year in FY2014. Supplementing all other activities undertaken by CASD, the campaign has contributed to significantly enhance TNB's image, as reflected by the corporate reputation survey, Brand Health survey and goodwill survey.

Internally, the department has rolled out information and publicity regarding the 1TTP to increase staff engagement.

Supporting the Group's logistics needs, CASD acts as a one-stop centre for the transport of TNB's and vendors' mobile generator sets (gensets). An Integrated Genset Management System (IGMS) has been developed to manage all requests and payments for gensets. Using the system, the division managed to reduce the response time for gensets from 120 minutes to less than 100 minutes.

In terms of Land Services, the division has procured more than 15,000 land parcels for TNB projects. Currently, all information pertaining to land for power stations, substations, offices, quarters, stores, etc is being digitised in the Corporate Geospatial Information System (CGIS) for easy reference and effective documentation.

To provide a more conducive work environment for employees, a number of new office buildings have been acquired while existing offices have been renovated. Among the new acquisitions was a 14-storey building in MITC, Ayer Keroh Melaka to house all 400 staff in the state by the first quarter of FY2016. The repair works and interior decoration are in progress.

Among the other projects undertaken during the financial year were the construction of a surau and futsal centre at TNB Jalan Lahat, Ipoh; the creation of new office space for Regulatory Economics and Planning at the NU Tower; for Energy Ventures Division at Menara PJX, Petaling Jaya; the establishment of a Tenaga Hub (Customer Service Centre) in Subang Jaya; renovation of Wisma TNB Subang Jaya; upgrading of Vibrant Café at the headquarters; the installation of energy-efficient light fittings at TNB Jalan Timur, TNB Seremban and TNB Kepong; and the refurbishment of staff quarters in Chenderoh.

At the same time, 60 units of resort apartments will be built on existing TNB land in Pantai Tengah, Langkawi. The new resort apartments will be equipped with seminar and training room facilities.

To protect TNB's assets and staff, a Special Action Force (SAF) has been established while the Integrated Security Management System (ISMS) was rehabilitated to improve all deterrent, detection and response mechanisms,

CEO'S STRATEGIC & OPERATIONAL REVIEW

focusing on Kuala Lumpur and Selangor. At the same time, the Security Services Unit obtained the approval of Polis DiRaja Malaysia (PDRM) for the power of investigation under the Criminal Procedure Code (CPC). In addition, compliance reviews were conducted to ensure the Company maintained our ISO 27001 ISMS certification for our Information Security Management System. Initiatives such as these contributed to a reduction in intrusion by 30%.

Throughout FY2014, CASD's value creation from freight management, fleet management, mobile genset management and land management amounted to RM73 million.

Moving forward, the division aims to depict TNB as the leader in energy efficiency advocacy through a comprehensive Energy Efficiency Campaign targeted at the schools, Government agencies and the business communities.

DRIVING EFFICIENCY VIA ICT

The ICT Division provides the technology backbone that enables TNB to expand our business and achieve our transformation initiatives. It ensures the Company's ICT infrastructure, systems and applications function optimally at all times while continuously updating the existing systems and processes to provide maximum efficiency to the organisation. Today, ICT Division is responsible to support the execution of 1TTP.

Among key initiatives being undertaken to improve TNB's customer service delivery is the Advanced Metering Infrastructure (AMI) to improve demand/supply management and energy efficiency. Various AMI initiatives have been planned and are at different stages of implementation. Among these, the remote meter reading facility is being offered to large power consumers, while smart meter solutions are being implemented in selected areas in Melaka and Putrajaya.

To enhance the customer experience in managing their energy related transactions, various e-services have been launched enabling customers to obtain information on their bills, pay bills online, and track their monthly electricity consumption.

For easier accessibility of service related information, ICT is adopting greater mobile and social media technology, allowing information to be provided anytime, anywhere. The myTNB application has been deployed and enhanced for customers to check monthly bills, supply application status and information about TNB via mobile devices while e-Apps has been implemented for online application of electricity supply. ICT has also put in place a proven Payment Gateway technology to provide a secured and efficient platform for bill payments.

Further facilitating bill payments, customers can avail of the TNB Payment Kiosks that can be found at selected TNB outlets.

To create a more effective communication channel, an SMS Service has been implemented which enables TNB to inform its customers regarding any form of services.

At the same time, ICT has provided Mobile Field Force Automation (MFFA) solutions technology throughout Malaysia to facilitate communication between the Pusat Pengurusan Bekalan (PPB) and the field crew to expedite supply restoration. This supplements the TNB Outage Management System (TOMS) which receives information on breakdowns. For more accurate location and georeferencing of TNB's assets and networks, the Corporate Geospatial Information System (CGIS) has been implemented.

CEO'S STRATEGIC & OPERATIONAL REVIEW

ICT is also being used to enhance the organisation's operational and cost efficiency.

Through our Business Intelligence (BI) technology, for example, TNB is able to identify new opportunities and support informed decision-making through dashboard reporting, data analytics and data mining.

At the same time, various proven telecommunications network technologies and systems are being deployed to provide a secured and robust network for teleprotection and telecontrol of the National Grid. The telecommunication channels are also being used for Distribution Automation to perform remote system controls through the usage of UHF Radio, GPRS, Microwave, RF Mesh & TSAT and Fibre Optics technologies.

As TNB becomes more empowered by ICT, we acknowledge the need to safeguard our systems and processes to ensure business continuity. This is accomplished via enforcement of IT Governance, IT Security Policies & Security Control Systems which minimise the risk of business disruption and security breach. Among the policies within our governance framework are ICT Security Policy – ICT Code of Practices, and the Personal Data Protection Act (PDPA). We also adopt and comply with several standards such as the ISO 27001 and ISO 9001. As for the Security Control System, Network Intrusion Prevention System (NIPS) and Security Information and Event Management (SIEM) are also in placed.

Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry and Tan Sri Leo Moggie, Chairman of TNB at the GLC Explore Ace 2014, hosted by TNB

ICT FOR BUSINESS GROWTH

ICT as an enabler increases the business efficiency by drastically reducing the mean time-to-market for various services. ICT also enables the Management to have complete, timely and accurate business and operational information which, in turn, would enhance decision-making and improve performance. Further, ICT reduces the risk of service disruption and any breach in security thus safeguarding business continuity.

Financially, ICT enables TNB to better manage and reduce our daily cost of operation by optimising our resources through the standardisation and reuse of solutions, thus reducing redundant business capabilities, application functionality and data.

ICT Division keeps abreast of the latest best practices in relevant technologies and solutions to ensure it delivers the fastest, most effective, competitive and secured solutions. From its successes in achieving world-class performance standards in the areas of planning, governance and service provisioning, ICT Division has paved the road ahead for a brighter and more agile future.

SECURING THE BEST FROM VENDORS

The Procurement function within TNB contributes towards cost efficiency initiatives by continuously benchmarking its performance against, and emulating, procurement best practices. Concerted efforts have been made to develop a stable and competitive supplier base for the organisation, and to implement effective supply chain management initiatives, further enhancing TNB's procurement expertise and capabilities. Through various initiatives, the division achieved significant value creation of RM210.8 million in FY2014.

While focusing on costs, Procurement expends greater effort to maintain good relationships with TNB's numerous suppliers, who are viewed as strategic partners. During the year, a number of collaborative initiatives were implemented including a new and convenient Supplier Self-Service function within the Supplier Relationship Management System.

As a major supporter of the Government's agenda to strengthen the Bumiputera economy, a new vendor programme model has been developed which provides a more comprehensive framework for the selection of vendors based on needs, transparency and merit.

In June 2014, TNB hosted the GLC ExplorAce 2014 which congregated Government agencies, government-linked companies (GLCs), financial institutions and vendors under one roof. Themed Bumiputera Agenda Transformation – Better-Brighter, the event provided participants with a platform to acquire the most up-to-date information on entrepreneurship, while highlighting business opportunities through exhibitions and business-matching sessions.

KEY HIGHLIGHTS

UNIT DEMAND GROWTH

2.5%

3.8% in FY2013

OPERATING EXPENSES INCREASE

13.9%

1.7% in FY2013 (Restated)

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RM6,467.0million

RM5,356.2 million in FY2013 (Restated)

EBITDA MARGIN

28.2%

28.1% in FY2013 (Restated)

ROA*

6.2%

5.6% in FY2013 (Restated)

AVERAGE COAL PRICE

USD75.4/mt

USD83.6/mt in FY2013

CAPEX

RM10.0billion

RM8.5 billion in FY2013

REVENUE GROWTH

15.2%

(Sales of Electricity: Peninsula at 12.3% and SESB at 12.3%)

* Based on adjusted net profit

KEY FINANCIAL HIGHLIGHTS

	Group		Company	
	2013 (Restated)	2014	2013 (Restated)	2014
PROFITABILITY (RM Million)				
Revenue	37,130.7	42,792.4	34,768.5	39,800.6
Operating profit	5,906.9	7,181.0	6,016.2	6,893.2
Profit before taxation and zakat	5,925.1	7,114.7	5,514.1	6,571.0
Net profit attributable to owners of the Company	5,356.2	6,467.0	4,582.2	5,968.7
KEY BALANCE SHEET DATA (RM Million)				
Property, plant and equipment	75,460.5	83,045.1	69,149.6	71,002.6
Total assets	99,999.3	110,665.4	90,936.4	94,554.7
Total borrowings	22,888.4	25,456.0	9,833.6	9,164.5
Total liabilities	62,028.6	67,206.2	57,072.5	55,709.6
Share capital	5,643.6	5,643.6	5,643.6	5,643.6
Shareholders' equity	37,693.1	43,222.0	33,863.9	38,845.1
SHARE INFORMATION				
Per share (sen)				
– Basic earnings	96.13	114.59		
– Diluted earnings	95.96	114.59		
Dividend (sen):				
Interim	10.00	10.00		
Final	15.00	19.00		
Net assets per share attributable to owners of the Company	667.9	765.9		
FINANCIAL RATIOS				
Return on assets (%)	5.6	6.2		
EBITDA margin (%)	28.1	28.2		
Debt-equity (net of cash) ratio	0.35	0.40		

FIVE-YEAR GROUP FINANCIAL SUMMARY

	Group				
Year Ended 31 August	2010 (Restated)	2011 (Restated)	2012 (Restated)	2013 (Restated)	2014
OPERATING RESULTS (RM MILLION)*					
Revenue	30,317.4	32,241.2	35,848.4	37,130.7	42,792.4
Operating Profit	4,180.0	1,816.8	6,680.8	5,906.9	7,181.0
Profit before taxation and zakat	4,019.4	1,156.7	5,821.1	5,925.1	7,114.7
Net profit attributable to owners of the Company	3,200.8	965.4	4,410.5	5,356.2	6,467.0
KEY BALANCE SHEET DATA (RM MILLION)**					
Property, plant and equipment	58,895.3	61,861.4	64,769.9	75,460.5	83,045.1
Total assets	78,662.4	79,064.3	88,469.1	99,999.3	110,665.4
Total borrowings	21,095.6	19,054.1	23,071.8	22,888.4	25,456.0
Total liabilities	46,709.5	48,286.4	53,311.8	62,028.6	67,206.2
Share capital	4,352.7	5,456.6	5,501.6	5,643.6	5,643.6
Shareholders' equity	31,761.7	30,547.3	34,897.7	37,693.1	43,222.0
SHARE INFORMATION					
Per share (sen)					
Basic earnings	58.92	17.71	80.71	96.13	114.59
Diluted earnings	58.71	17.67	80.51	95.96	114.59
Gross dividend	26.00	4.50	20.09	25.00	29.00
Net Assets	729.70	559.80	634.3	667.9	765.9
Share price as @ 31 August (RM)	8.86	5.25	6.84	8.73	12.38
FINANCIAL RATIOS***					
Return on assets (%)	4.7	4.1	4.5	5.6	6.2
Return on shareholders' equity (%)	11.4	10.1	11.4	14.7	15.8
Gearing (%)	41.3	38.2	39.6	37.6	36.9
EBITDA margin (%)	26.8	23.3	25.9	28.1	28.2
Effective weighted average cost of funds (%)	5.3	5.1	4.9	4.7	4.9
Interest coverage (%)	7.6	8.5	11.3	11.7	13.8
Currency mix (RM:Foreign)	54:46	56:44	65:35	71:29	77:23
Debt-equity (net of cash) ratio	0.43	0.47	0.41	0.35	0.40

* Amounts for periods prior to FY2012 have not been restated for the Amendments to MFRS 119 which was early adopted in FY2013

* Amounts for periods prior to FY2013 have not been restated for the Amendments to MFRS 10 and MFRS 116 which were adopted during the financial year

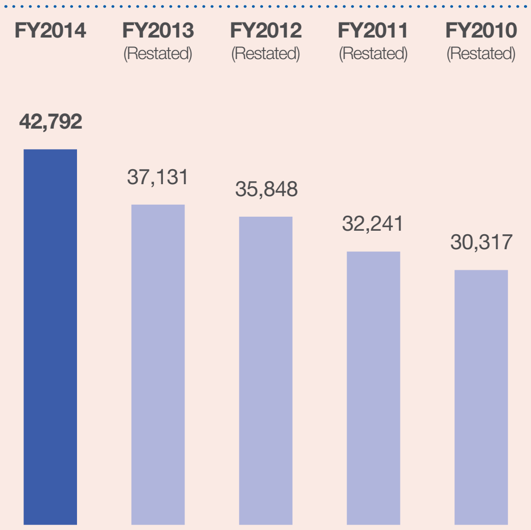
** Balances prior to 1 September 2011 have not been restated for the Amendments to MFRS 119 which was early adopted in FY2013

** Balances prior to 1 September 2012 have not been restated for the Amendments to MFRS 10 and MFRS 116 which were adopted during the financial year

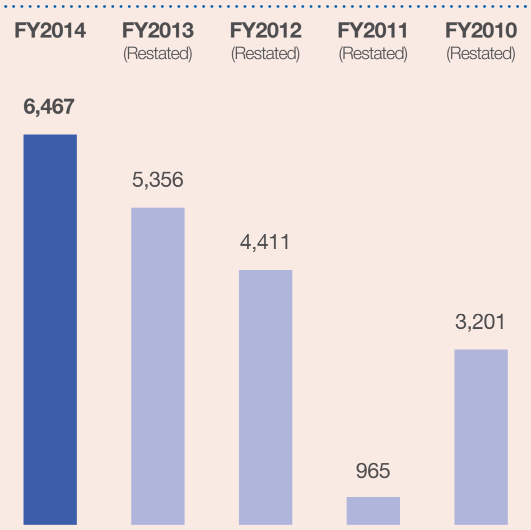
*** Based on the adjusted profit and for FY2011 and FY2012 – after adjusting for Fuel Cost Compensation in respective periods.

FIVE-YEAR GROUP GROWTH SUMMARY

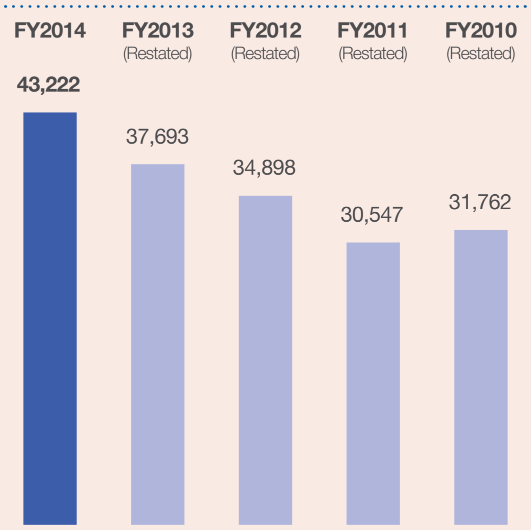
REVENUE (RM MILLION)



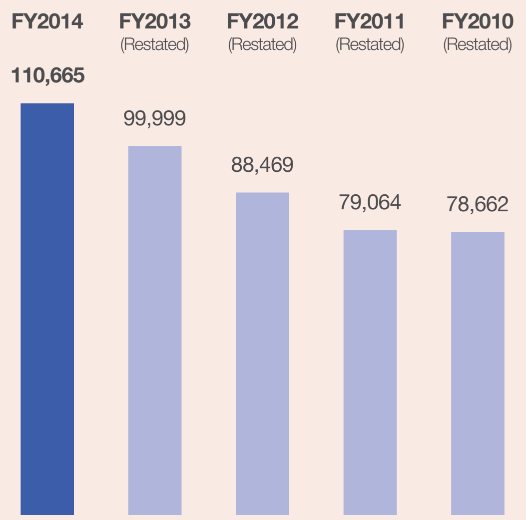
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM MILLION)



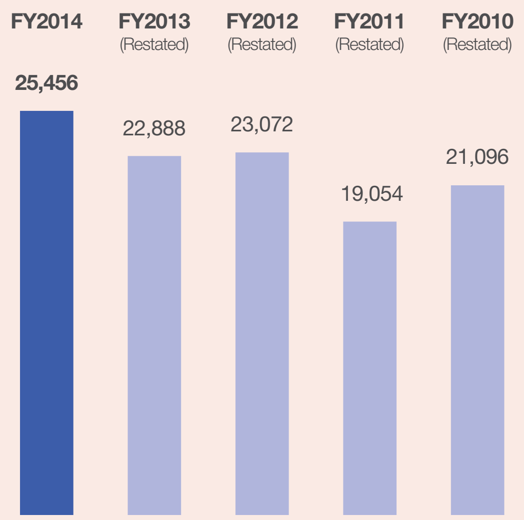
SHAREHOLDER'S EQUITY (RM MILLION)



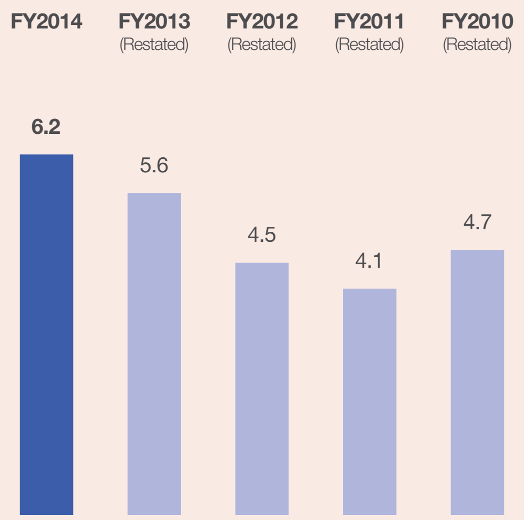
TOTAL ASSETS (RM MILLION)



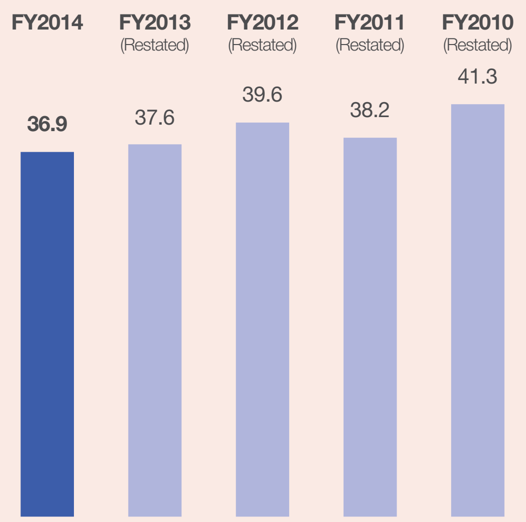
TOTAL BORROWINGS (RM MILLION)



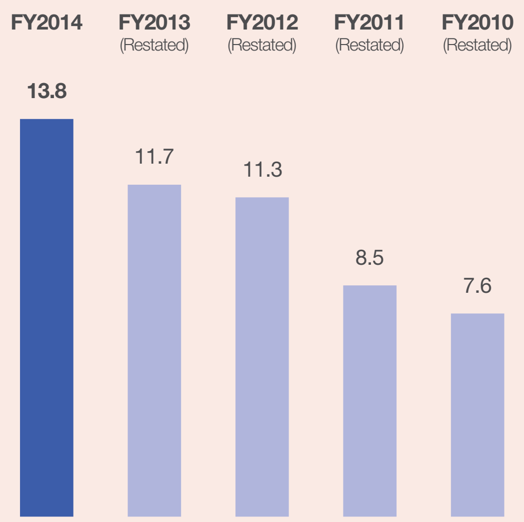
RETURN ON ASSETS* (%)



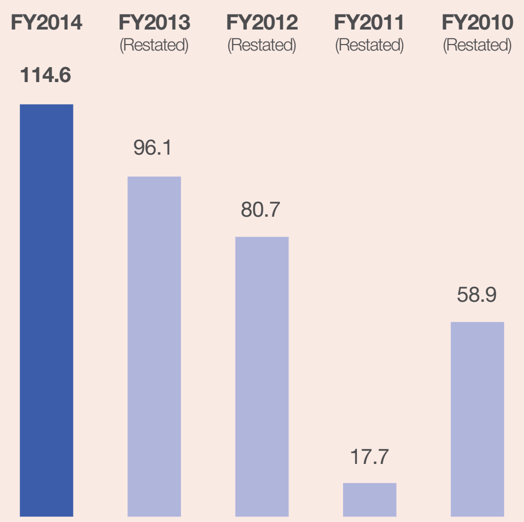
GEARING (%)



INTEREST COVERAGE (%)



BASIC EPS (SEN)



* FY2011 & FY2012 - After adjusting for Fuel Cost Compensation in respective periods

SECTION

2

CORPORATE FRAMEWORK

ABOUT US

Tenaga Nasional Berhad (TNB) is the largest electricity utility in Malaysia and one of the largest in the region, with an asset base totalling RM110.7 billion. With a history spanning 65 years, TNB is also the most experienced energy player in the country, responsible in keeping the lights on for all residents of Peninsular Malaysia, Sabah and Labuan.

Our core businesses span the entire value chain of electricity production and supply encompassing Generation, Transmission and Distribution. Our Generation Division operates six thermal power stations and three major hydroelectric power generating schemes in addition to supporting the operations and maintenance of three Independent Power Producers (IPPs). Our Transmission Division connects power generated by TNB and IPPs throughout Peninsular Malaysia with Distribution's network as well as directly to large industrial customers via the National Grid. Our Distribution Division supplies end users, with a keen focus on delivering a world-class customer experience.

Through our subsidiaries, we are also involved in energy-related operations such as the manufacture of transformers, high-voltage switchgears and cables; the provision of professional consultancy services; architectural, civil, electrical engineering works and services, and repair and maintenance. Supporting both our core and non-core businesses, we have a research and development function that looks into technologies that add value to all our operations.

In recent years, TNB has become a champion of Renewable Energy (RE) as part of our commitment to promote a greener and more sustainable energy sector. We are responsible for signing Renewable Energy Purchase Agreements (REPAs) with RE producers and for the administration of the Feed-in Tariff which funds the supply of RE onto the National Grid.

We aspire to grow our presence within the region, lending our expertise to Nations experiencing a surge in power demand as a result of rapid socio-economic development. Towards this end, a new division, Energy Ventures, has been established with the mandate to explore possible ventures for us to participate in within Southeast Asia and the Middle East.

To safeguard the sustainability of our operations, we believe in adding value to all our stakeholders. We invest in the professional development of our 36,146 employees while supporting them to achieve a healthy work-life balance. We are guided by policies and best practices in our dealings with vendors, business associates and the investment community. We engage intensely with the Government and its agencies to ensure the smooth evolution of the Malaysian Electricity Supply Industry (MESI). We also integrate ourselves fully into the communities where we have a presence via educational and other socially empowering activities.

At the same time, we acknowledge the need to protect and preserve the environment and have embarked on numerous initiatives under our comprehensive Environmental Management System (EMS) to reduce our environmental impact.

TNB has been a key contributor to the Nation's social and economic development over the years. We are committed to maintaining the status quo as we transform into a more efficient and effective organisation that is able to create a ***Better. Brighter.*** future for the Nation and its people.

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

AHMAD FAROUK BIN MOHAMED

- Non-Independent Non-Executive Director
  (Appointed with effect from 26 June 2014)
- Alternate Director to Dato' Mohammad Zainal bin Shaari
  (Appointed with effect from 24 April 2014)
  (Resigned with effect from 26 June 2014)

DATO' ZAINAL ABIDIN BIN PUTIH

- Senior 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

SAKTHIVEL A/L ALAGAPPAN

- Independent Non-Executive Director
  (Appointed with effect from 1 February 2014)

DATUK WIRA IR. MD SIDEK BIN AHMAD

- Independant Non-Executive Director
  (Appointed with effect from 1 March 2014)

DATO' MOHAMMAD ZAINAL BIN SHAARI

- Non-Independent Non-Executive Director
  (Resigned with effect from 26 June 2014)

SURIA BINTI AB RAHMAN

- Non-Independent Non-Executive Director
- Alternate Director to Dato' Mohammad Zainal bin Shaari
  (Resigned with effect from 24 April 2014)

DATO' FUAD BIN JAAFAR

- Independent Non-Executive Director
  (Resigned with effect from 1 February 2014)

TAN SRI DATO' HARI NARAYANAN A/L GOVINDASAMY

- Independent Non-Executive Director
  (Retired with effect from 19 December 2013)

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

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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

DIVIDEND SERVICE PROVIDER

Bursa Malaysia Depository Sdn. Bhd. (165570-W)
2nd Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur
Malaysia
Telephone : 603-2034 7751
Facsimile : 603-2026 3712

PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)
CIMB Bank Berhad (13491-P)
Bank Islam Malaysia Berhad (98127-X)

EXTERNAL AUDITORS

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

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

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

STOCK EXCHANGE LISTING

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

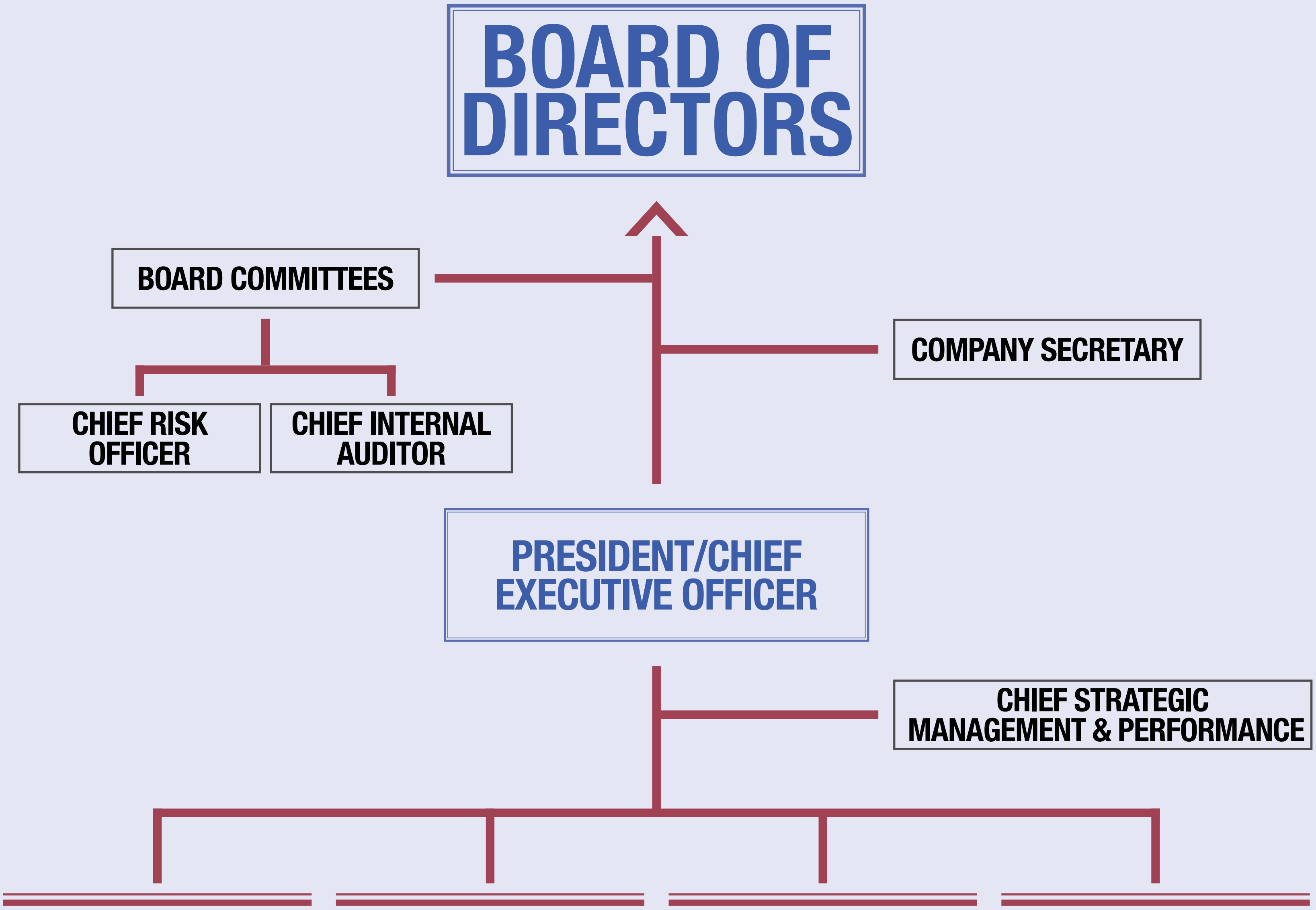
RATINGS

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

ORGANISATIONAL STRUCTURE



ENERGY VENTURES

- **VICE PRESIDENT**
  (Energy Ventures Division)

NON-CORE BUSINESS

- **CHIEF FINANCIAL OFFICER/ VICE PRESIDENT**
  (Group Finance Division)
- **VICE PRESIDENT**
  (Regulatory Economics and Planning Division)
- **VICE PRESIDENT**
  (Human Resource Division)
- **CHIEF INFORMATION OFFICER**
  (Information and Communication Technology Division)
- **CHIEF PROCUREMENT OFFICER**
  (Procurement Division)
- **CHIEF INVESTMENT MANAGEMENT OFFICER**
  (Investment Management Division)

CORE BUSINESS

- **VICE PRESIDENT**
  (Generation Division)
- **VICE PRESIDENT**
  (Transmission Division)
- **VICE PRESIDENT**
  (Distribution Division)

CORPORATE AFFAIRS & SERVICES

- **CHIEF CORPORATE OFFICER**
  (Corporate Affairs and Services Division)

GROUP CORPORATE STRUCTURE

TENAGA NASIONAL BERHAD
(200866-W)

GROUP OF COMPANIES

100%
MALAYSIA TRANSFORMER MANUFACTURING SDN. BHD.

100%
TNB PASIR GUDANG ENERGY SDN. BHD.

100%
TNB INTEGRATED LEARNING SOLUTION SDN. BHD.

100%
TNB JANAMANJUNG SDN. BHD.

100%
TNB QUANTUM SOLUTIONS SDN. BHD.

100%
TNB FUEL SERVICES SDN. BHD.

100%
TNB ENGINEERING CORPORATION SDN. BHD.

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

100%
TNB REPAIR AND MAINTENANCE SDN. BHD.

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

100%
TNB VENTURES SDN. BHD.

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

100%
ORION MISSION SDN. BHD.

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

100%
POWER AND ENERGY INTERNATIONAL (MAURITIUS) LTD.

- 100% Independent Power International Ltd.
  - ↳20% Malaysian Shoaiba Consortium Sdn. Bhd.
    - ↳50% Saudi-Malaysia Water & Electricity Company Limited

100%
TNB RESEARCH SDN. BHD.

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

83%
SABAH ELECTRICITY SDN. BHD.

60%
KAPAR ENERGY VENTURES SDN. BHD.

60%
TENAGA SWITCHGEAR SDN. BHD.

- 60% TSG Ormazabal Sdn. Bhd.

100%
UNIVERSITI TENAGA NASIONAL SDN. BHD.

- 100% UNITEN R&D Sdn. Bhd.

GROUP CORPORATE STRUCTURE

100%
TNB CONNAUGHT BRIDGE SDN. BHD.

100%
TNB ENERGY SERVICES SDN. BHD.
- **20%** Jana Landfill Sdn. Bhd.

100%
TNB POWER DAHARKI LTD.
- **100%** TNB Liberty Power Limited

100%
TNB MANJUNG FIVE SDN. BHD.
- **100%** TNB Western Energy Berhad

100%
TNB PRAI SDN. BHD.
- **100%** TNB Northern Energy Berhad

ASSOCIATE COMPANIES

- **20%** Teknologi Tenaga Perlis Consortium Sdn. Bhd.
- **22.12%** Integrax Berhad
- **20%** GB3 Sdn. Bhd.
- **20%** Jimah Energy Ventures Holdings Sdn. Bhd.
  - ↳ **100%** Jimah Energy Ventures Sdn. Bhd.
- **49%** Fibrecomm Network (M) Sdn. Bhd.

JOINT OPERATIONS

- **51%** TNB Energy Services Sdn. Bhd. & Eramaz Technology Sdn. Bhd. JV
- **50%** TNB Repair And Maintenance Sdn. Bhd. & Kharafi National KSC *(Closed)* JV

JOINT VENTURES

- **50%** Seatrac Sdn. Bhd. *(Dormant)*
- **40%** FTJ Bio Powers Sdn. Bhd.

SIMPLE INVESTMENTS

- **20%** Perusahan Otomobil Electrik (Malaysia) Sdn. Bhd. *(Dormant)*
- **10%** Labuan Reinsurance (L) Ltd.
- **8.91%** Federal Power Sdn. Bhd.

DORMANT COMPANIES

- **100%** TNB Risk Management Sdn. Bhd.
- **100%** TNB Generation Sdn. Bhd.
- **100%** TNB Coal International Limited
  - ↳ **100%** Dynamic Acres Sdn. Bhd.
- **100%** 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.
- **70%** Sepang Power Sdn. Bhd.
- **100%** TNB Engineers Sdn. Bhd.
- **100%** TNB Properties Sdn. Bhd.
  - ↳ **100%** TNP Construction Sdn. Bhd.
  - ↳ **40%** KM Metro-TNB Properties Sdn. Bhd.
  - ↳ **40%** Indera-TNB Properties Sdn. Bhd.

100%
TNB CAPITAL (L) LTD.

MANJUNG ISLAND ENERGY BERHAD
(Subsidiary through effective control as defined by MFRS 10)

TRUST FOUNDATIONS

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

- TNB Logistics Sdn. Bhd. *(Dissolved w.e.f. 29.10.2014)*
- TNB Workshop Services Sdn. Bhd. *(Dissolved w.e.f. 29.10.2014)*
- TNB Metering Services Sdn. Bhd. *(Struck-off w.e.f. 13.9.2013)*

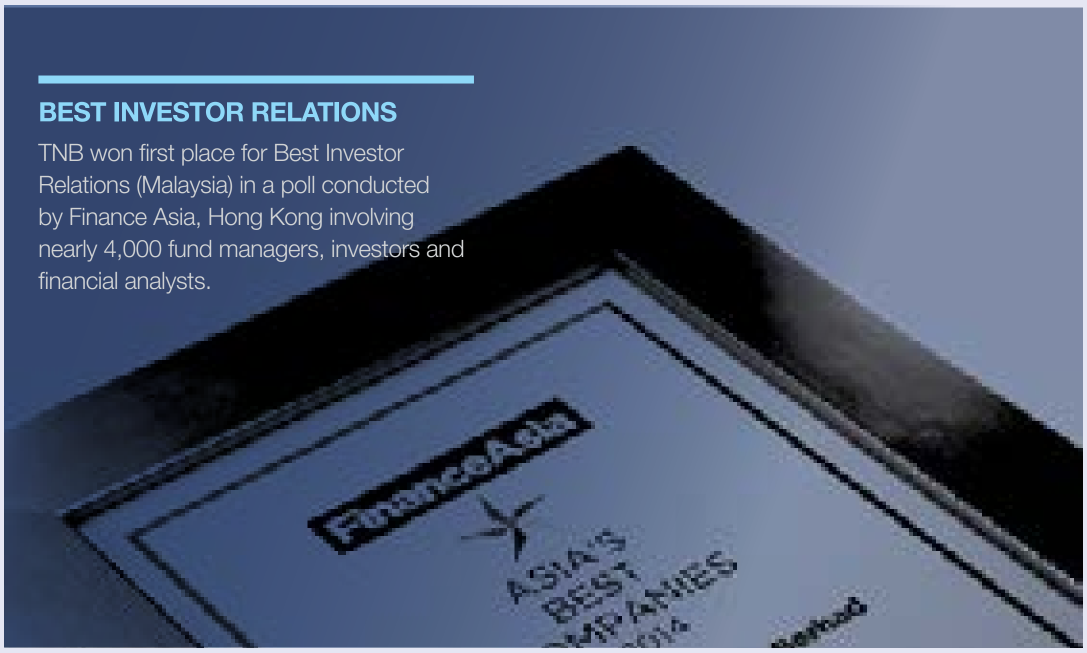
AWARDS & RECOGNITION

NUMBER ONE COMPANY IN ASIA

TNB was named the Number One Company in Asia in the Platts Top 250 Global Energy Companies Rankings 2013 under the Electric Utilities category. The Company also ranked 15th for Overall Performance in Asia and 66th in the global ranking as a whole.

NUMBER ONE CNY PRINT ADVERTISEMENT (MOST MEANINGFUL CATEGORY)

TNB's Chinese New Year print advertisement won first prize for the Most Meaningful category in the 2014 CNY Award organised by China Press and Nanyang Siang Pau.

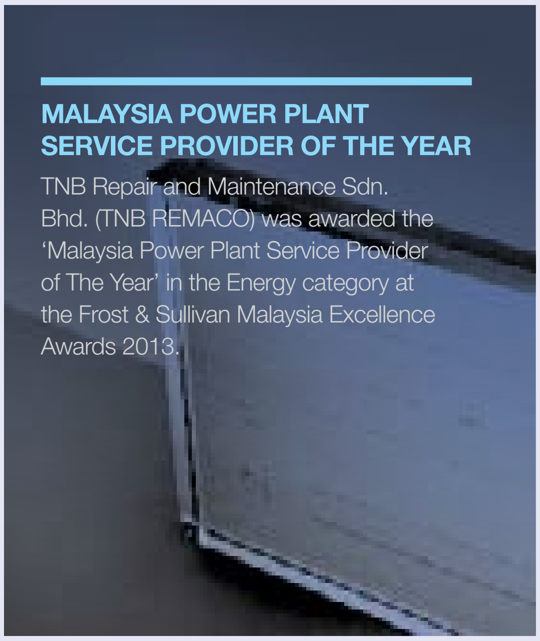


BEST INVESTOR RELATIONS

TNB won first place for Best Investor Relations (Malaysia) in a poll conducted by Finance Asia, Hong Kong involving nearly 4,000 fund managers, investors and financial analysts.

MALAYSIA'S TOP POWER PLANT SERVICE PROVIDER

TNB Repair and Maintenance Sdn. Bhd. (TNB REMACO) was named Malaysia's Top Power Plant Service Provider at the Top Asia Corporate Ball 2013 organised on 15 November 2013 by the Top 10 Malaysia and Top 10 of Asia Initiative.



MALAYSIA POWER PLANT SERVICE PROVIDER OF THE YEAR

TNB Repair and Maintenance Sdn. Bhd. (TNB REMACO) was awarded the 'Malaysia Power Plant Service Provider of The Year' in the Energy category at the Frost & Sullivan Malaysia Excellence Awards 2013.

ENERGY COMPANY OF THE YEAR & ASIAN CEO OF THE YEAR

TNB won the Energy Company of the Year while President/Chief Executive Officer Datuk Seri Ir. Azman bin Mohd was voted as the Asian CEO of the Year at the Power & Electricity World Asia 2014 on 22-25 April 2014.

AWARDS & RECOGNITION

GOLD AND BRONZE FOR CSR

TNB won Gold for Excellence in the Provision of Literacy & Education, while TNB Janamanjung Sdn. Bhd. received Bronze for Product Excellence at the 6th Global CSR Summit and Awards 2014.

MSOSH AWARDS

TNB garnered multiple awards at the Malaysian Society for Occupational Safety and Health (MSOSH) Awards held on 11 September 2013, when 19 business units were recognised for high levels of health and safety. The Group walked away with the Grand Award, two Gold Merit Awards, nine Gold Class 1 Awards, six Gold Class 2 Awards and one Silver Award.

HUMAN RESOURCES MINISTER AWARD 2013

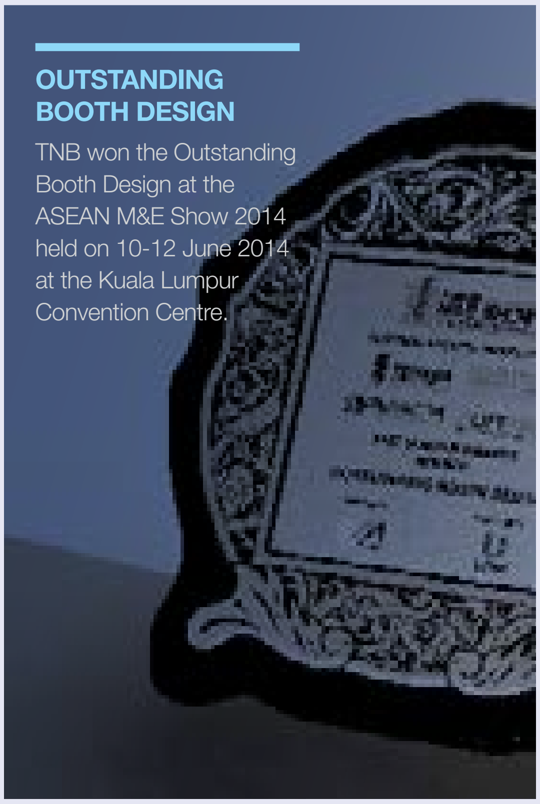
TNB Janamanjung Sdn. Bhd. won the Human Resources Minister Award 2013 in the Large Employers (Services) category in conjunction with the Human Resources Development Awards Dinner 2013.

BEST DISTRICT COOLING OPERATOR/ ASSET OWNER

TNB Engineering Corporation Sdn. Bhd. (TNEC) was named the Best District Cooling Operator/ Asset Owner at the Asia District Cooling Awards 2014 held during the 3rd Annual Conference of the Asia Pacific District Cooling on 26-28 August 2014.

TOP 10 IN MALAYSIA-ASEAN FOR CORPORATE GOVERNANCE

TNB was listed in the top 10 of the Malaysia-ASEAN Corporate Governance Index 2013 produced by the Minority Shareholder Watchdog Group (MSWG), under the category of Industry Excellence (Utilities), and ranked 10th among the 100 Best Companies under the Transparency category.



OUTSTANDING BOOTH DESIGN

TNB won the Outstanding Booth Design at the ASEAN M&E Show 2014 held on 10-12 June 2014 at the Kuala Lumpur Convention Centre.

MEDIA HIGHLIGHTS

[Social Media, TV, Print & Media]

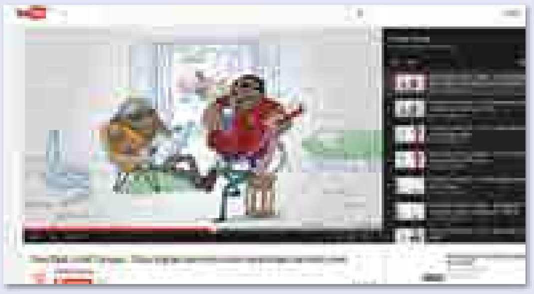
SOCIAL MEDIA

facebook

YouTube

FACEBOOK

YOUTUBE



MEDIA HIGHLIGHTS

[Social Media, TV, Print & Media]

TV

- Better. Brighter.
- Sentiasa Bersamamu – Hari Raya Aidilfitri
- The Gathering – Chinese New Year
- Towards a Better. Brighter. Future – Malaysia Day

TV COMMERCIALS

PRINT

PRINT ADVERTISEMENTS

MEDIA HIGHLIGHTS

[Social Media, TV, Print & Media]

MEDIA

MALAY PRESS

- BH
- Harian Metro
- Utusan Malaysia
- Kosmo!
- Sinar Harian

ENGLISH PRESS

- New Straits Times
- The Star
- The Sun
- Malay Mail
- The Edge
- The Edge Financial Daily
- Malaysian Reserve
- Focus Malaysia

CHINESE PRESS

- Sin Chew Daily
- Nanyang Siang Pau
- China Press
- Oriental Daily News

TAMIL PRESS

- Makkal Osai
- Malaysia Nanban
- Tamil Nesan

SEPTEMBER 2013


Borrowing costs likely to stay

The power of open bidding

CHOOSE THE BEST PRICE: The national utility should be allowed to compete, says chairman

SANTHA OORJITHAM

Electricity experiences in other countries have demonstrated that competition has not led to cheaper costs or better security of supply, says Tenaga Nasional Bhd chairman.

Tan Sri Leo Moggie pointed out that in fact, the costs have risen, as seen in the United States and Europe.

"Equally serious, security of supply was badly affected, as happened in California in 2001. The theoretical expectation is not borne out in practice," he told Business Times last

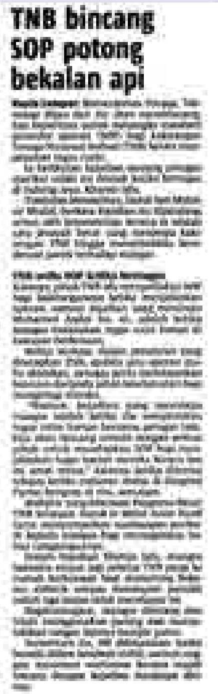
service" which Malaysia is not at a stage to risk.

"Electricity in this country is still regarded as a catalyst for development, in which the needs of the less developed parts of the country have to be provided for and the cost to provide the service is likely to be higher.

"There is still an element of social cost involved in providing electricity in Malaysia," Leo Moggie said in an interview ahead of TNB's 64th anniversary.


Gelanggang Futsal 1TNB@HQ dilancar


Lega kes lewat terima bil elektrik selesai


TNB bincang SOP potong bekalan api


TNB ambil tindakan

OCTOBER 2013


Hari Keluarga 1 TNB lakar sejarah


Lulusan KPTM sambung di UNITEN


TNB to build 2 coal-fired power plants in Manjung

MEETING DEMAND: Consumption of electricity expected to increase by five per cent annually, says utility company


Meter accuracy matters

MEDIA HIGHLIGHTS

[Social Media, TV, Print & Media]

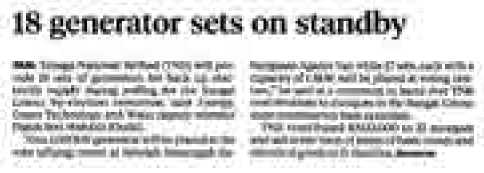
NOVEMBER 2013

Industri perlu cekap guna tenaga elektrik

CEMERLANG

Look at renewable energy seriously

Stable Outlook for TNB

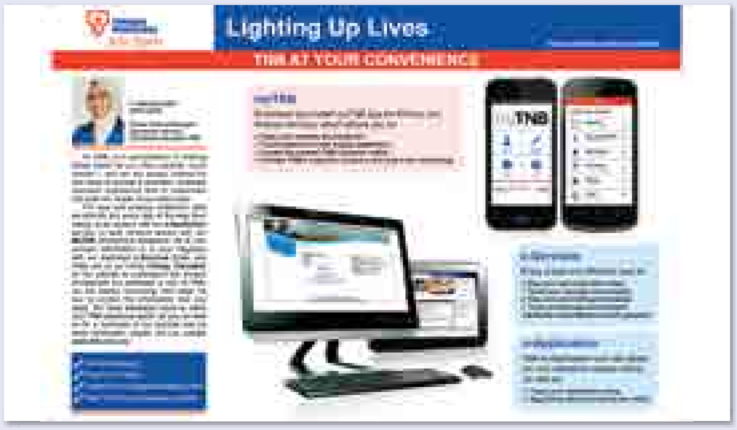


18 generator sets on standby

TNB ranked Asia's No. 1 electric utility

Pelajar Sabah, Sarawak dirai

DECEMBER 2013



Lighting Up Lives

TNB AT YOUR CONVENIENCE

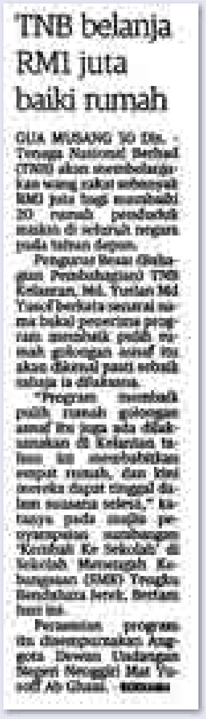
Tenaga Nasional Bhd

TNB jana modal insan terbaik

POWERING THE FUTURE

Tenaga Nasional Berhad (TNB) is poised to meet its challenges and opportunities domestically and regionally

PROGRAM MOTIVASI



TNB belanja RM1 juta baiki rumah

Higher on interest in key stocks

MEDIA HIGHLIGHTS

[Social Media, TV, Print & Media]

JANUARY 2014

Kerajaan jimat kos elektrik RM174 juta setahun

TNB committed to RE projects

Lower tax powers TNB Q1 net profit

TNB is top performer on Bursa

2013 HOT STOCK: Success due to investors' confidence in the rationalisation of subsidies, competitive power bidding

FEBRUARY 2014

Reigniting family bonds

TRACK 3B

PEMENANG BIDAAN DIUMUM ESOK

TNB to relocate pole for free

It's a gesture of goodwill, says official

Komited kekal prestasi

TNB spends RM50m on Orang Asli

CAMERON HIGHLANDS: The Orang Asli in Ulu Jelai near here have benefited from the Ulu Jelai hydroelectric station since its construction four years ago.

Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Johnity Ongkili said more than RM50 million had been spent by Tenaga Nasional Berhad (TNB) for the resettlement scheme and compensation packages for the Orang Asli community in three villages near the project site.

He said 84 Orang Asli household heads from Kampung Susu, Kampung Tiat and Kampung Pinang received compensation worth RM52,000 each from TNB.

"The amount does not include compensation under the development of plantation scheme, to be announced later. The commitment by TNB to safeguard the wellbeing of the Orang Asli community is commendable and should be emulated by others in similar projects," he said yesterday.

MEDIA HIGHLIGHTS

[Social Media, TV, Print & Media]

MARCH 2014

ILSAS: Better Learning, Brighter Solutions

30 years on, ILSAS looks to a brighter future

"A competent and knowledgeable workforce is a vital asset to the progress of an organisation and ultimately, country"

Pursuit of Training Excellence

The ILSAS Promise

ILSAS commitment to providing quality and effective training is the foundation of its theme, Better Learning, Brighter Solutions

TNB perkenal sistem Grid Pintar

– Projek perintis di Putrajaya, Melaka realisasi Malaysia miliki teknologi cekap tenaga termaju

APRIL 2014

Extra RE payments won't affect TNB

Valuation

Ramping up solar energy's capacity

SEDA INSUFFICIENT: 1MDB, TNB [illegible] over creation of Malaysia's largest plant in Kedah, say sources

EXCLUSIVE

TNB BERSAMA KOMUNITI

TNB, US company sign MoU on smart grid

KUALA LUMPUR: Tenaga Nasional Bhd (TNB) has signed a Memorandum of Understanding (MoU) with US-based smart grid platform firm, Trilliant Networks, on smart grid technical exchange collaboration.

The MoU follows the recent US-Asia Pacific Comprehensive Energy Partnership's high-level meeting.

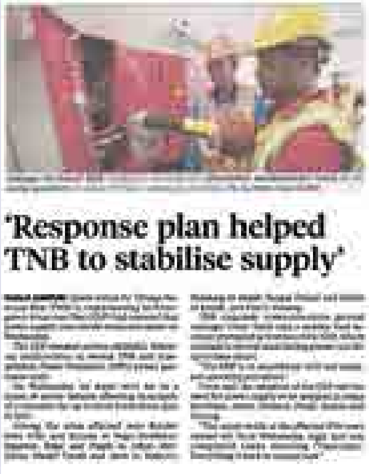
"We look to build a smart energy infrastructure to deliver benefits to our customers and help Malaysia continue on its economic growth path," said TNB president and chief executive officer Datuk Seri Azman Mohd in a statement yesterday. — *Bernama*

MEDIA HIGHLIGHTS

[Social Media, TV, Print & Media]

MAY 2014

Warga kerja aset penting TNB

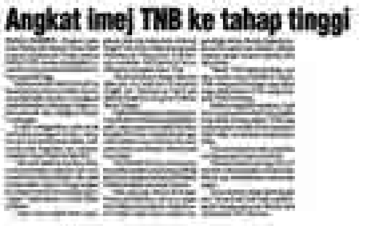


'Response plan helped TNB to stabilise supply'

“精明用電”校園巡遊首站

端本華小2千師生參與

TNB komited jaga kebajikan pekerja



Angkat imej TNB ke tahap tinggi

JUNE 2014

Most transparent big stocks

TNB Janamanjung sasar penjimatan kos dengan Manjung 4 dan 5

Power failure in Selayang Indah resolved

WE refer to the letter "TNB should address its shortcomings" (*The Star*, June 21).

We would like to inform that due to the recent hot spell, TNB has been experiencing a sudden surge in electricity usage.

This has resulted in the overloading of TNB installations in Taman Selayang Indah which saw frequent breakdowns taking place.

To overcome this problem, TNB had taken immediate action on June 21 by reconfiguring the electricity supply system to ensure supply remains stable and reliable.

In addition, TNB's officers have also been in touch with some of the affected residents including the complainant, to update them on the remedial action taken by TNB.

Most residents were satisfied with the swift action taken by TNB to address the problem.

TNB appreciates the reader's concern and feedback on this matter.

DATUK IR. LIM YEW SOON
General Manager
KL Distribution Division
TNB

JULY 2014

国能没代理 民众勿受骗

TNB signs PPA with Jimah East

TNB fokus tingkat kesedaran pelajar

MEDIA HIGHLIGHTS

[Social Media, TV, Print & Media]

AUGUST 2014

Star Publications (M) Bhd acting group chief editor Leanne Goh showing Tenaga Nasional Bhd (TNB) chief corporate officer Datuk Roslan Ab Rahman (second from right) and TNB general manager for corporate affairs and communications Datuk Mohd Aminuddin Amin (left) some of the key activities involved in a newsroom during a special visit by the utility company to the media group yesterday.

TNB tawar insentif Sinaran Merdeka

Malaysia...

Terus menerangi hidup rakyat Malaysia

TENAGA NASIONAL

Lighting Up Lives

UNPLUGGING FOR SAFETY AND BECOMING ENERGY EFFICIENT

Ir. Kamaliah binti Abdul Kadir
Senior General Manager
(Customer Service)
Distribution Division TNB

Turning off and unplugging will not only ensure greater safety but make your household even more energy efficient as many of us leave our homes to enjoy the long Hari Raya Aidilfitri holiday period. This will ensure that you not only have peace of mind when you're away from home but enable you, our esteemed customers, to enjoy savings on your electricity bill.

Electrical short circuit are a known cause of household fires and this is mainly attributed to unsafe electrical installations or the use of faulty appliances. With electricity being an important part of our lives and modern living that has seen the increase of more electrical appliances in the household, the risk of electrical accidents at home today is much higher.

Most accidents at home are caused by faulty appliances. Customers are also advised to ensure that all electrical installation is carried out by competent individuals and electricians who have the knowledge, skills and experience. One common practice that we as consumers cannot take for granted is the use of extension cables and adaptors to cater to the use of multiple appliances. This can present a very real danger and in extreme cases cause overloading and overheating which can then lead to a fire.

One common practice is to leave some of our lights switched on when we are away. To avoid causing your electricity bill to increase it is better to purchase a light switch timer that can turn your lights on and off automatically according to a programmed schedule. Doing so will also make your home less of a target to criminals.

We at Tenaga Nasional Berhad (TNB) would like to wish all Malaysians Selamat Hari Raya Aidilfitri and for those who will be travelling, have a safe journey.

The use of multiple electrical/electronics appliances on a single power source/adaptor can become a fire hazard as it may cause overloading and overheating which can lead to a fire

If you're leaving on an extended trip, consider emptying your fridge completely and unplug or switch it off at the breaker and keep the door opened.

Do not leave charged appliances unnecessarily plugged in. Even when something is completely charged it still uses electricity and can reduce equipment life span by 15% besides being a fire risk.

Do not leave decorative lights switched on when you are away from home as it may cause short circuit.

Replace damaged plugs/plug points/extension cables that can cause short circuit.

Many electrical/electronics appliances still use power even after being turned off. It is safer and you will also save money to unplug when the device is not in use.

We welcome feedback and invite you to share with us your views via our TNB Careline email at tnbcareline@tnb.com.my.

SECTION

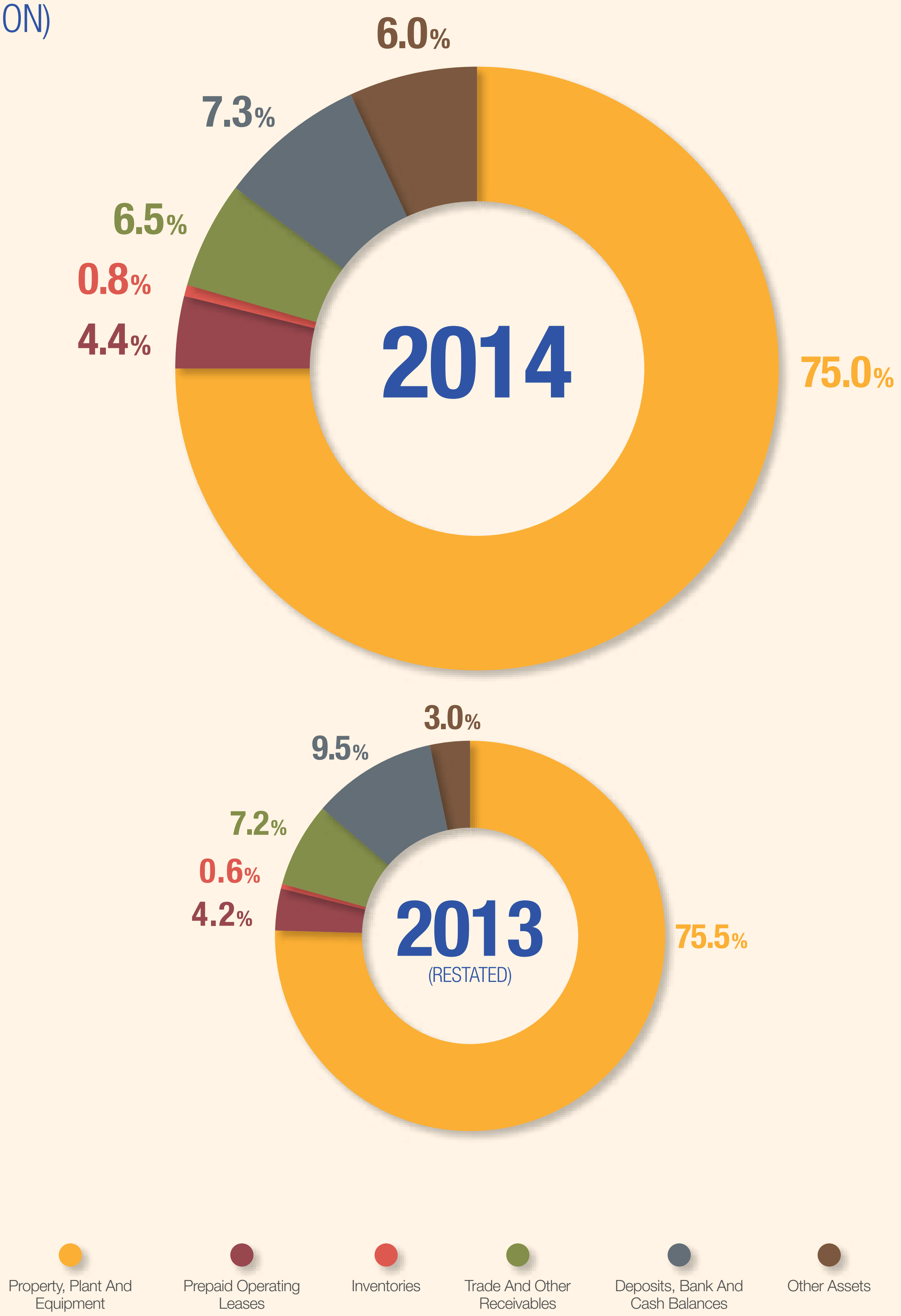
3

PERFORMANCE REVIEW

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS

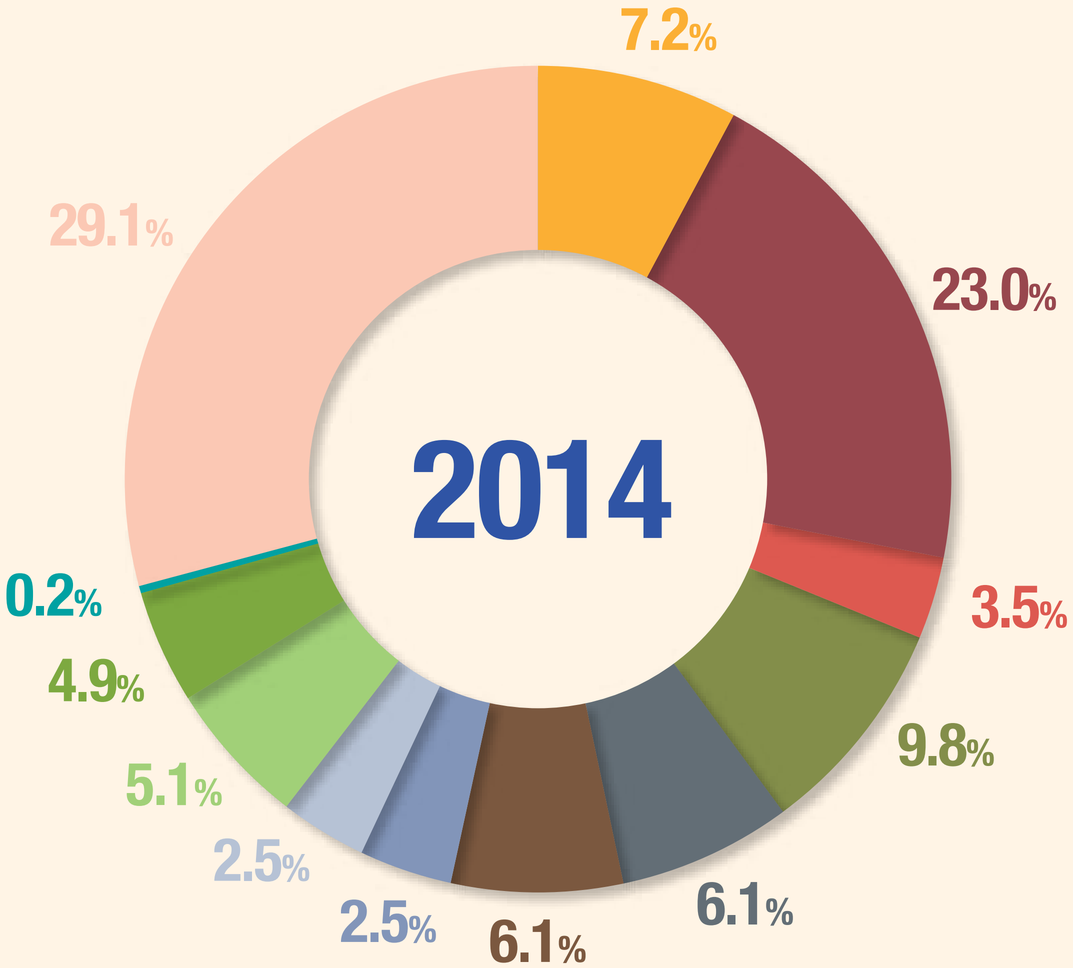
(RM MILLION)

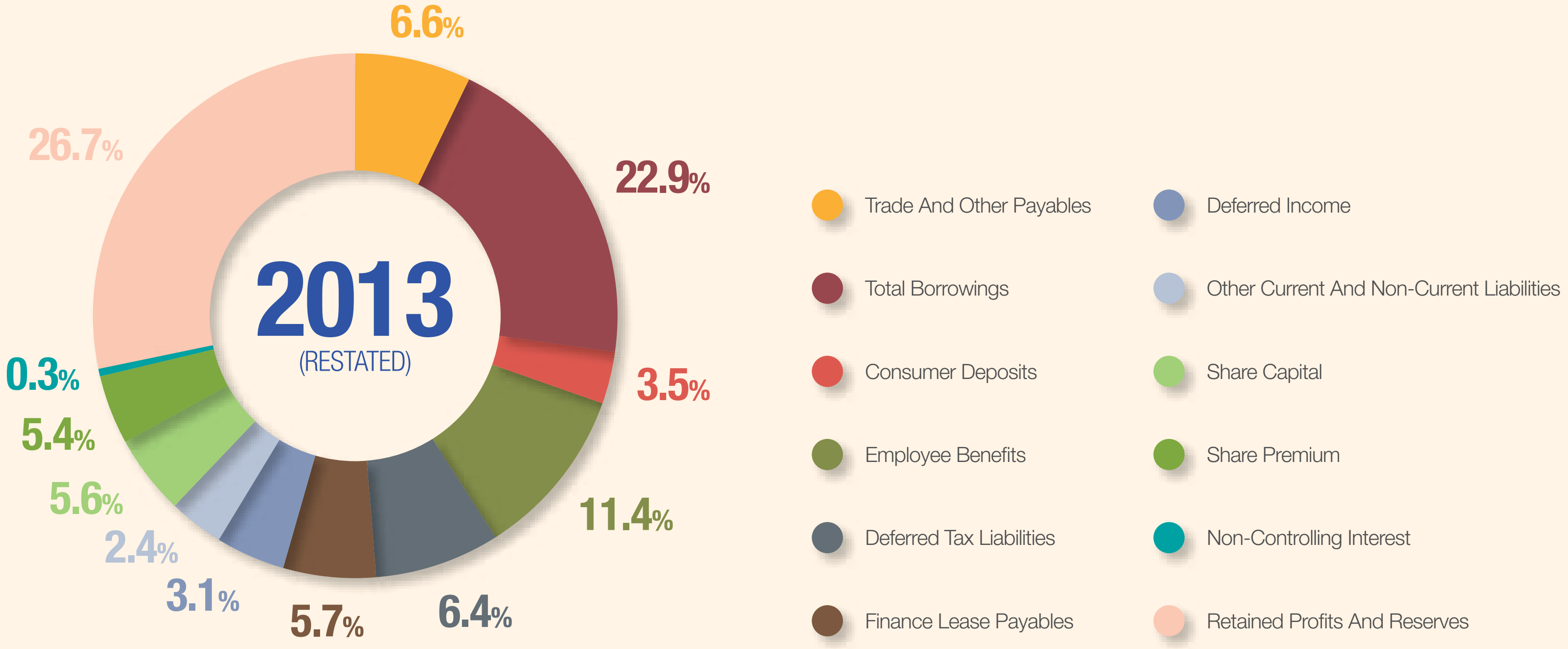


SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL LIABILITIES & EQUITY

(RM MILLION)





GROUP QUARTERLY FINANCIAL PERFORMANCE

FY2014

In RM Million	1QFY'14	2QFY'14	3QFY'14	4QFY'14
Revenue	9,585.4	10,008.6	11,475.0	11,723.4
Operating Profit	1,522.9	1,466.7	1,913.4	2,278.0
Profit before taxation and zakat	1,602.6	1,233.7	1,968.6	2,309.8
Net profit attributable to owners of the Company	1,734.9	1,670.1	1,706.1	1,355.9
Basic Earnings per share (sen)	30.74	29.59	30.23	24.03

FY2013 (RESTATED)

In RM Million	1QFY'13	2QFY'13	3QFY'13	4QFY'13
Revenue	9,130.8	8,850.2	9,646.8	9,502.9
Operating Profit	1,764.2	1,350.9	1,835.1	956.7
Profit before taxation and zakat	2,017.9	1,632.4	2,046.3	228.5
Net profit attributable to owners of the Company	1,428.2	1,294.8	1,705.3	927.9
Basic Earnings per share (sen)	25.94	23.47	30.80	16.65

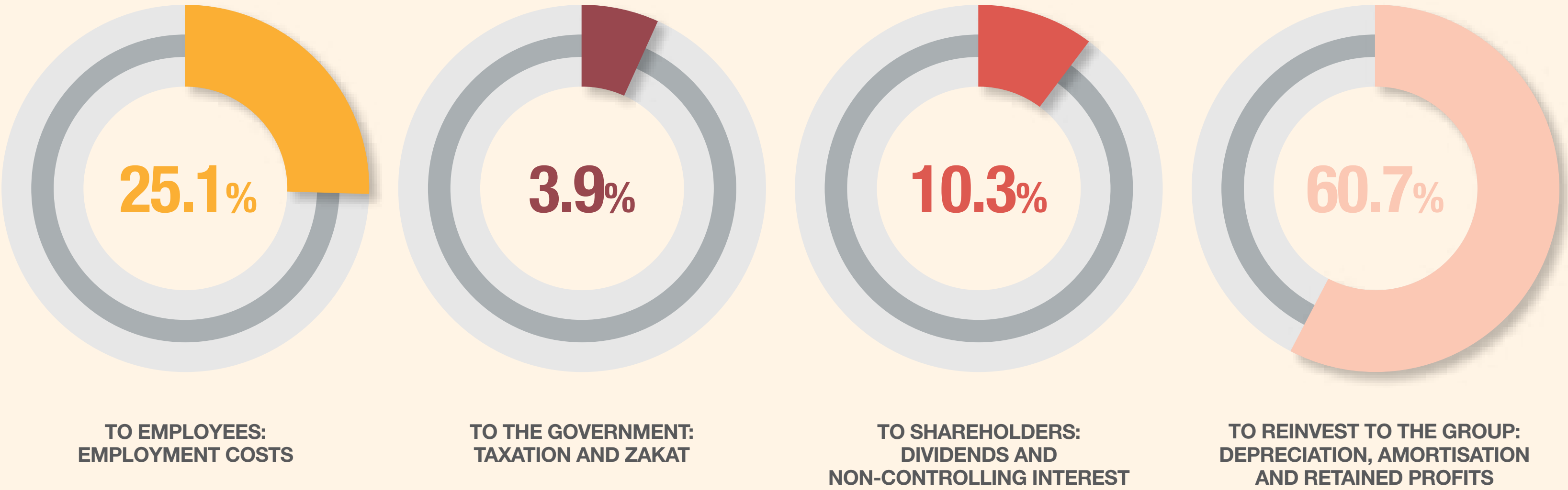
STATEMENT OF VALUE ADDED

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.

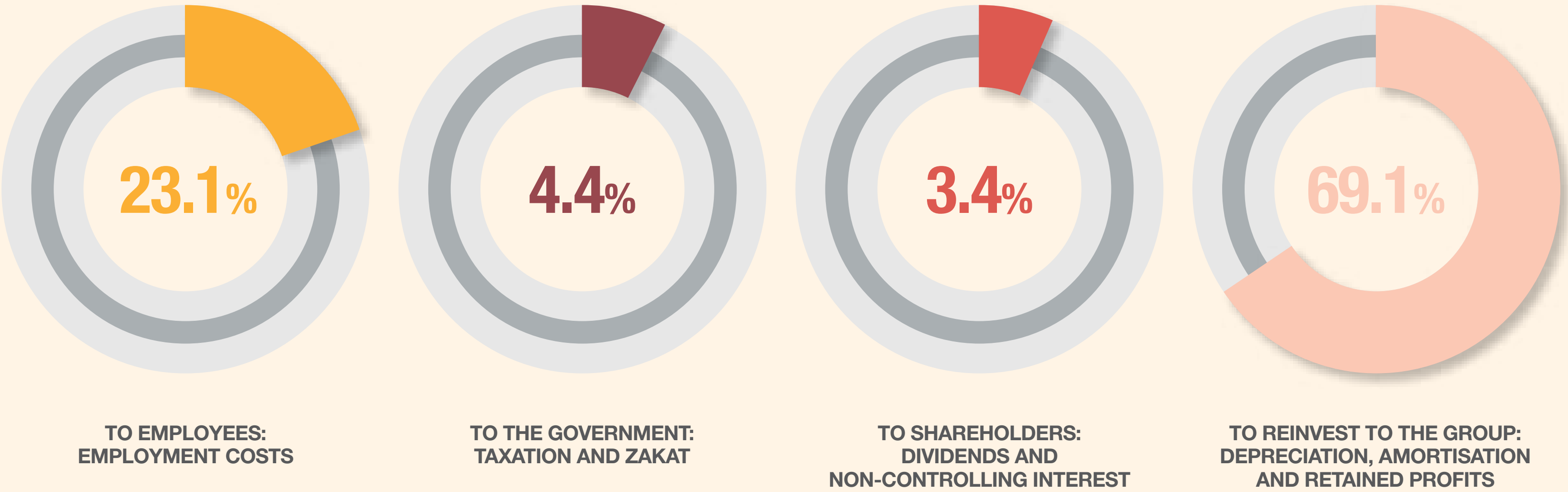
	2013 (Restated) RM million	**2014 RM million**
VALUE ADDED		
Revenue	37,130.70	**42,792.40**
Operating expenses excluding staff costs, depreciation and amortisation	(23,797.00)	**(27,784.80)**
Other operating income	623.40	**653.70**
Finance income	225.20	**256.70**
Finance cost	(894.20)	**(874.60)**
Foreign exchange gain/(loss) on borrowings	602.70	**448.90**
Share of results of associates and joint ventures	84.50	**102.70**
Value added available for distribution	13,975.30	**15,595.00**
DISTRIBUTION		
To employees:		
Employment cost	3,510.70	**3,607.80**
To the Government:		
Taxation and zakat	542.30	**687.90**
To shareholders:		
Dividends	1,406.50	**564.40**
Non-controlling interest	26.60	**(40.20)**
To reinvest to the Group:		
Depreciation and amortisation	4,539.50	**4,872.50**
Retained profits	3,949.70	**5,902.60**
Total distributed	13,975.30	**15,595.00**

DISTRIBUTION OF VALUE ADDED

DISTRIBUTION OF VALUE ADDED
2013



DISTRIBUTION OF VALUE ADDED
2014



** Excluding proposed final dividend*

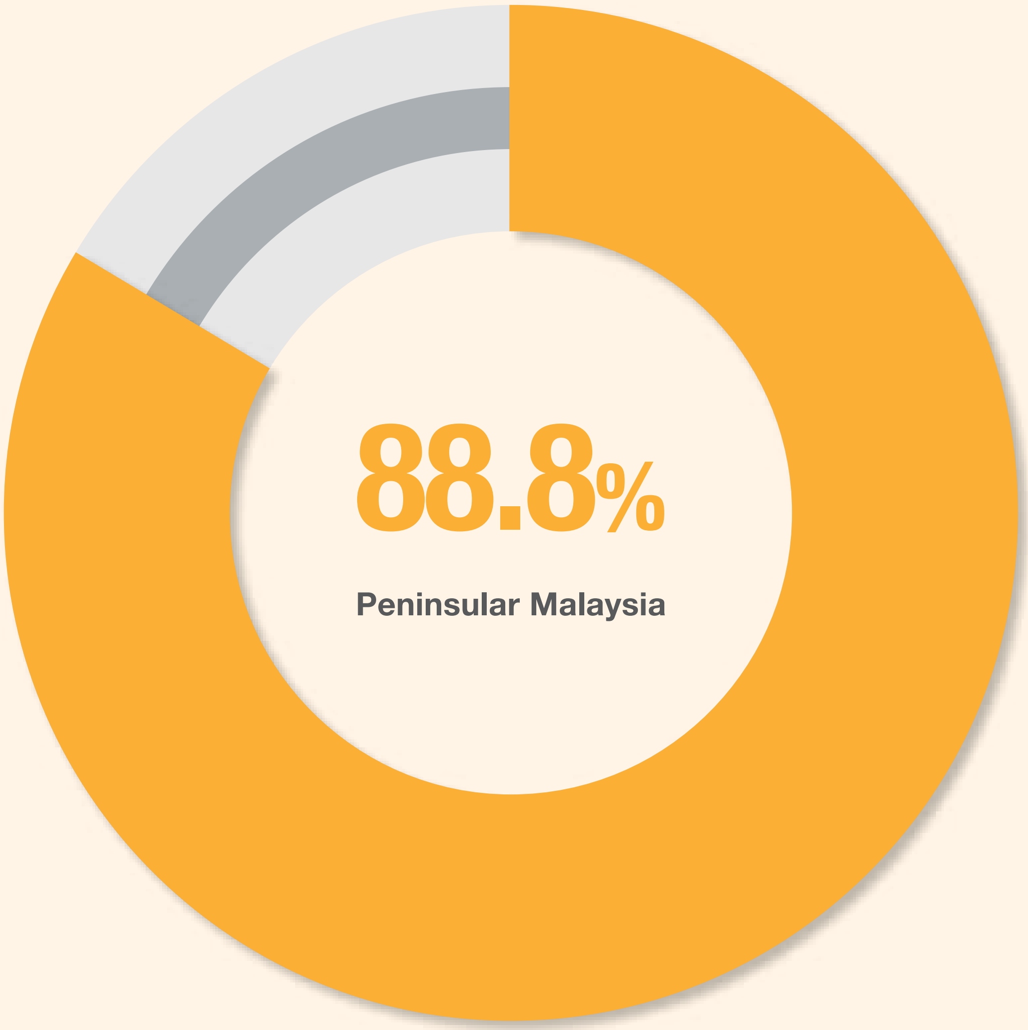
FY2014 CORE REVENUE

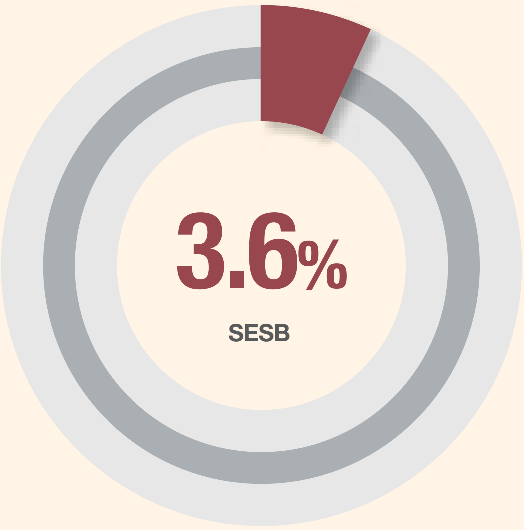
FY2014 TOTAL

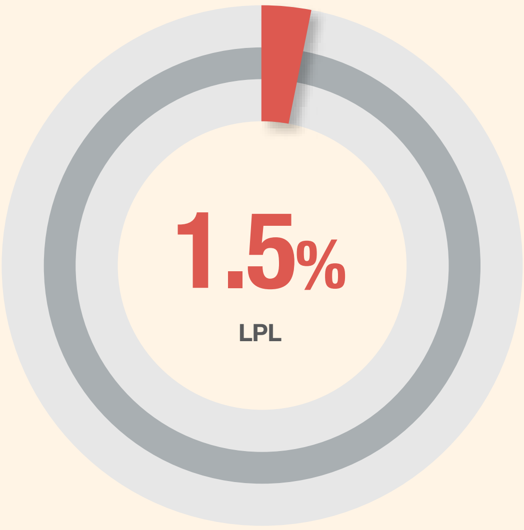
(RM million)

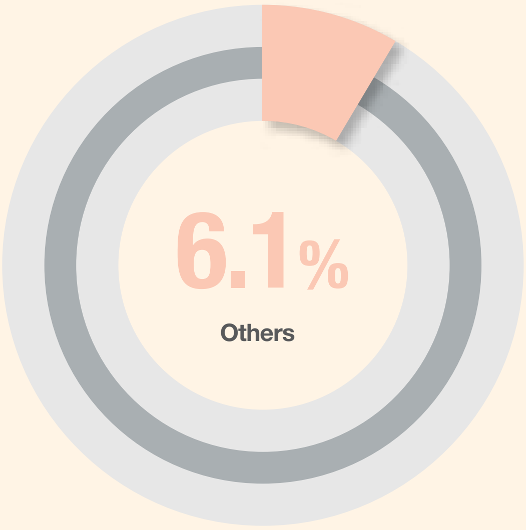
42,792.4

FY2013 (RESTATED) TOTAL 37,130.7





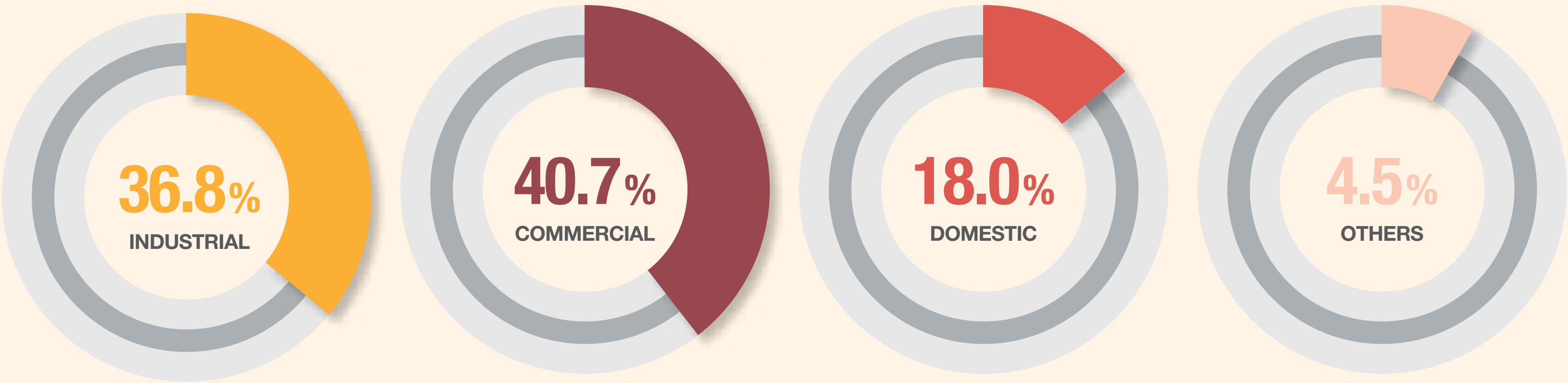




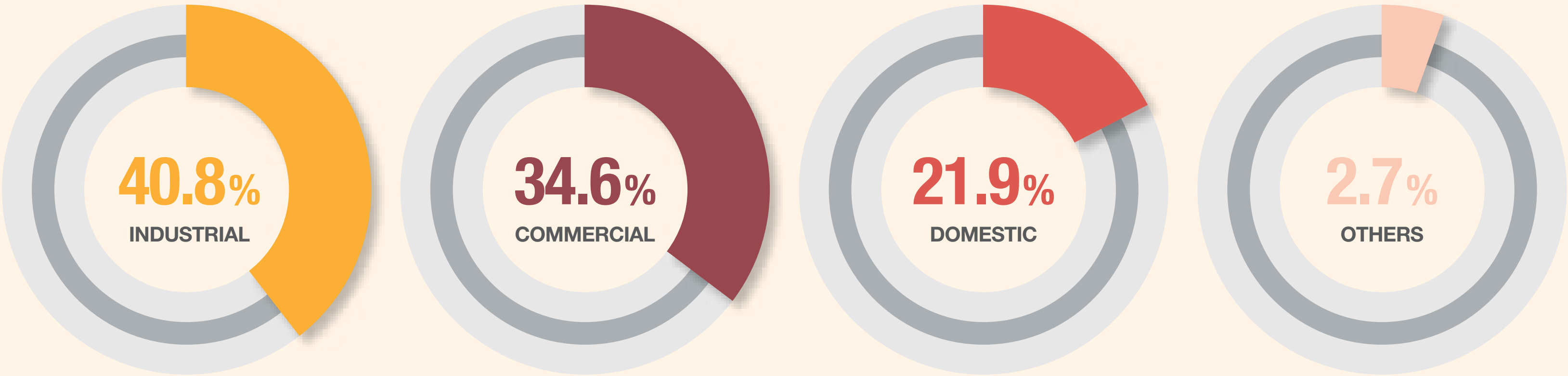
** Others include EGAT, Accrued Revenue, Goods & Services and Deferred Income*

OPERATIONAL STATISTICS

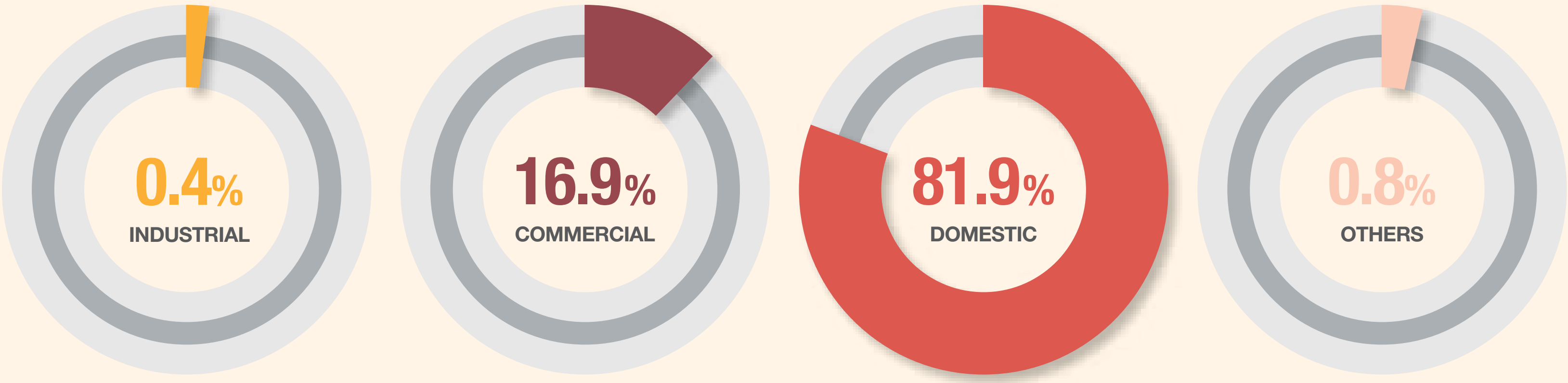
SALES OF ELECTRICITY
(GROUP/RM MILLION)



SALES OF ELECTRICITY
(GROUP/GWh)



NUMBER OF CUSTOMERS BY CLASSIFICATION
(GROUP/NOC)



SECTION

4

LEADERSHIP

PROFILE OF DIRECTORS

TAN SRI LEO MOGGIE

Aged 73, Malaysian
Chairman
Non-Independent Non-Executive Director

Date Appointed to the Board: 12 April 2004

Years of Directorship: 10 years

Number of board meetings attended in the Financial Year: 17/19

Qualifications:

- Master of Arts in History, University of Otago, New Zealand
- Master of Business Administration, Pennsylvania State University, U.S.A.

Skills, Experience and Expertise:

Tan Sri Leo Moggie is a prominent and well respected figure in the utility industry in Malaysia. Prior to his 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), 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 Board Finance and Investment Committee

Current Directorships:

- ACE Jerneh Insurance Berhad
- TNB Group of Companies

PROFILE OF DIRECTORS

DATUK SERI IR. AZMAN BIN MOHD

Aged 57, Malaysian
President/Chief Executive Officer
Non-Independent Executive Director

Date Appointed to the Board: 15 April 2010

Years of Directorship: 4 years

Number of board meetings attended in the Financial Year: 19/19

Qualifications:

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

Skills, Experience and Expertise:

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

Committee Membership:

Attends Board Committee Meetings

Current Directorship:

- TNB Group of Companies

PROFILE OF DIRECTORS

DATUK NOZIRAH BINTI BAHARI

Aged 59, Malaysian
Non-Independent Non-Executive Director

Date Appointed to the Board: 28 June 2011

Years of Directorship: 3 years

Number of board meetings attended in the Financial Year: 16/19

Qualifications:

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

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 (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 Board Tender Committee
- Member of Board Risk Committee

Current Directorships:

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

PROFILE OF DIRECTORS

DATO' ZAINAL ABIDIN BIN PUTIH

Aged 68, Malaysian
Senior Independent Non-Executive Director

Date Appointed to the Board: 1 May 2003

Years of Directorship: 11 years

Number of board meetings attended in the Financial Year: 16/19

Qualification:

- Chartered Accountant of the 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 Board Audit Committee
- Member of Board Finance and Investment Committee
- Member of Board Risk Committee

Current Directorships:

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

PROFILE OF DIRECTORS

AHMAD FAROUK BIN MOHAMED

Aged 42, Malaysian
Non-Independent Non-Executive Director

Date Appointed to the Board: 26 June 2014

Year of Directorship: Not more than one (1) year

Number of board meetings attended in the Financial Year (since appointment date): 4/4

Qualifications:

- Master of Mathematics (Hons.), Trinity College, University of Cambridge, United Kingdom
- Bachelor of Mathematics (Hons.), Trinity College, University of Cambridge, United Kingdom
- Diploma in Actuarial Management, City University, United Kingdom
- Diploma in Actuarial Science, City University, United Kingdom

Skills, Experience and Expertise:

Ahmad Farouk joined Khazanah Nasional Berhad in early 2006, and was appointed as Director in the Managing Director's Office in 2009. He was subsequently promoted to Executive Director on 1 October 2012.

Prior to that, Ahmad Farouk worked in a strategic advisory firm in Kuala Lumpur. He started his career in risk analysis in London and subsequently served his apprenticeship in an actuarial consultancy firm in Kuala Lumpur where he had advised major life and general insurers and takaful operators in Malaysia and the region.

He was the Alternate Director to Dato' Mohammad Zainal bin Shaari with effect from 24 April 2014 and subsequently being appointed as Non-Independent Non-Executive Director in place of Dato' Mohammad Zainal bin Shaari on 26 June 2014.

Committee Memberships:

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

Current Directorships:

- Sun Life Malaysia Assurance Berhad
- Sun Life Malaysia Takaful Berhad
- ACR ReTakaful Berhad

PROFILE OF DIRECTORS

TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB

Aged 74, Malaysian
Independent Non-Executive Director

Date Appointed to the Board: 12 September 2008

Years of Directorship: 6 years

Number of board meetings attended in the Financial Year: 17/19

Qualifications:

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

Skills, Experience and Expertise:

Tan Sri Dato' Seri Siti Norma had served the Legal and Judicial Service of Malaysia in various senior positions 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 a Judge of the High Court of Malaya from 1983 until 1994 before being appointed as a Judge of the Court of Appeal, Malaysia from 1994 until 2000. She was later 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 Malaysia Competition Commission.

Committee Memberships:

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

Current Directorships:

- RAM Holdings Berhad
- RAM Rating Services Berhad

PROFILE OF DIRECTORS

DATO' ABD MANAF BIN HASHIM

Aged 58, Malaysian
Independent Non-Executive Director

Date Appointed to the Board: 1 February 2010

Years of Directorship: 4 years

Number of board meetings attended in the Financial Year: 16/19

Qualification:

- O.N.D. (Engineering), Cambridgeshire College of Arts & 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 (IBAE) (1984-1986), Hakasa Sdn. Bhd. (1983-1984) and Asie Sdn. Bhd. (1982-1983). Dato' Abd Manaf is currently a member of Perak State Assembly.

Committee Memberships:

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

Current Directorship:

- Integrax Berhad

PROFILE OF DIRECTORS

DATUK CHUNG HON CHEONG

Aged 53, Malaysian
Independent Non-Executive Director

Date Appointed to the Board: 1 October 2010

Years of Directorship: 4 years

Number of board meetings attended in the Financial Year: 18/19

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 has over 30 years of professional experience and extensive knowledge in information technology (IT) industry, where he began his career in the early 1980s. In 2001, he was appointed as Managing Director of E-Resource.com Sdn. Bhd., a Company which conducts research and development in RFID applications. Thereafter, he joined Rexit Solution Sdn. Bhd. in 2003 and later became the Managing Director of Rexit Venture Sdn. Bhd.

Committee Memberships:

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

Current Directorship:

- Rexit Berhad

PROFILE OF DIRECTORS

SAKTHIVEL A/L ALAGAPPAN

Aged 44, Malaysian
Independent Non-Executive Director

Date Appointed to the Board: 1 February 2014

Year of Directorship: Not more than one (1) year

Number of board meetings attended in the Financial Year (since appointment date): 11/11

Qualification:

- Bachelor of Engineering (Chemical), University of Technology, Malaysia

Skills, Experience and Expertise:

Sakthivel a/l Alagappan is currently a Director of Abseiling Technologies Sdn. Bhd. He had also served as the Working Partner of Key Founder Limited and Guangzhou Howay Chemical Technology Co. Ltd. He began his career in 1996 as Production Engineer in Matsushita Sdn. Bhd. He was a Director of M-Leather Camp Sdn. Bhd. and Superindex Leather Sdn. Bhd. in 1998 and 2000 respectively.

Committee Memberships:

- Member of Board Audit Committee
- Member of Board Finance and Investment Committee
- Member of Board Disciplinary Committee

PROFILE OF DIRECTORS

DATUK WIRA IR. MD SIDEK BIN AHMAD

Aged 62, Malaysian
Independent Non-Executive Director

Date Appointed to the Board: 1 March 2014

Year of Directorship: Not more than one (1) year

Number of board meetings attended in the Financial Year (since appointment date): 10/10

Qualifications:

- Master of Business Administration, University of Ohio, Athens, U.S.A
- Bachelor of Science (Hons.) (Electrical & Electronic Engineering), University of Manchester, United Kingdom
- Ordinary National Diploma in Electrical Engineering, Brighton Technical College, United Kingdom

Skills, Experience and Expertise:

Datuk Wira Ir. Md Sidek began his career in 1975, where he had served TNB for more than 30 years in various technical and engineering key positions including Deputy Regional Manager (South), Regional Manager (North/Penang), Regional Manager (Wilayah Persekutuan), Chief Engineer (Planning and Development), Lembaga Letrik Sabah, Vice President (Customer Services Department) and Managing Director of TNB Distribution Sdn. Bhd.

He was appointed as Senior Vice President (Operations and Technical) on 1 January 2007, a position he held until his retirement on 1 September 2009. Prior to that, he was the Senior Vice President (Operations) (2004-2007) and Vice President (Corporate Services, Planning and Development) (2002-2004).

He is currently the Chairman of Engineering Accreditation Council and Engineering Technologist Accreditation Council Malaysia, Board Member of Board of Engineers Malaysia and Co-Chairman of National Monitoring Committee for Engineering Services.

Committee Memberships:

- Member of Board Tender Committee
- Member of Board Nomination and Remuneration Committee
- Member of Board Risk Committee

Current Directorship:

- TNB Group of Companies

Additional Information of the Board:

i. **Family Relationship with Director and/or Major Shareholder of TNB:** None of the Directors has any family relationship with any Director and/or Major Shareholder of TNB.
ii. **Conflict of interest with TNB:** None of the Directors has any conflict of interest with TNB.
iii. **Convictions for offences within the past 10 years other than traffic offences:** None of the Directors has been convicted of any offence within the past 10 years other than traffic offences, if any.

PROFILE OF COMPANY SECRETARY

NORAZNI BINTI MOHD ISA

Aged 51, Malaysian
Company Secretary

Qualifications:

- Master of Laws, University of Malaya, Malaysia
- Advance Diploma in Law, MARA Institute of Technology (now Universiti Teknologi MARA), Malaysia
- Diploma in Law, MARA Institute of Technology (now Universiti Teknologi MARA), Malaysia

Skills, Experience and Expertise:

Norazni binti Mohd Isa has served more than 24 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, became the Joint Company Secretary on 1 July 2011. She was then appointed to her current position as Company Secretary of TNB on 31 May 2012.

MANAGEMENT TEAM

DATUK SERI IR. AZMAN BIN MOHD

President/Chief Executive Officer

MANAGEMENT TEAM

FAZLUR RAHMAN BIN ZAINUDDIN

Chief Financial Officer/ Vice President, Group Finance

DATUK IR. BAHARIN BIN DIN

Vice President, Distribution

ZAINUDIN BIN IBRAHIM

Vice President, Generation

DATUK ROZIMI BIN REMELI

Vice President, Transmission

MANAGEMENT TEAM

NOR AZMAN BIN MUFTI

Vice President,
Energy Ventures

DATO' MUHAMMAD RAZIF BIN ABDUL RAHMAN

Vice President,
Human Resource

DATIN ROSLINA BINTI ZAINAL

Vice President,
Regulatory Economics & Planning

IR. SYED ABU HANIFAH BIN SYED ALWI

Chief Procurement Officer

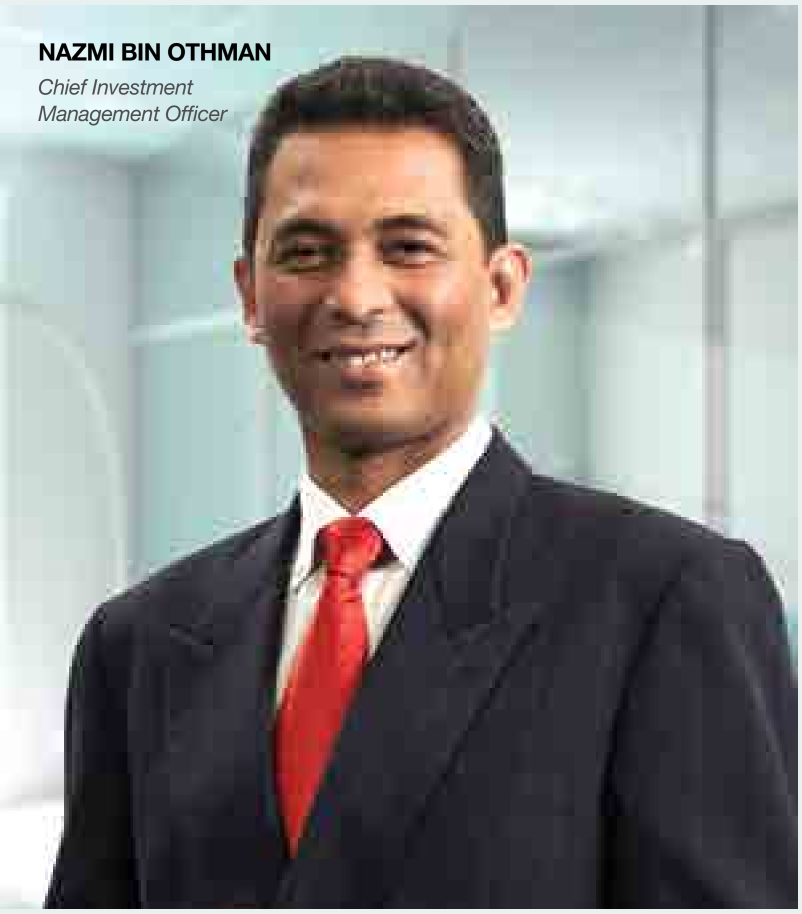
MANAGEMENT TEAM

KAMARUDDIN BIN MAHMOOD

Chief Information Officer

DATUK WIRA ROSLAN BIN AB RAHMAN

Chief Corporate Officer



NAZMI BIN OTHMAN

Chief Investment Management Officer

NORAZNI BINTI MOHD ISA

Company Secretary

SECTION

5

ACCOUNTABILITY

STATEMENT OF CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS OF TNB (BOARD) IS RESPONSIBLE FOR THE GROUP'S IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES AND IS ULTIMATELY ACCOUNTABLE FOR THE GROUP'S ACTIVITIES, STRATEGY AND FINANCIAL PERFORMANCE. THE BOARD IS DEDICATED TO UPHOLDING AND ACHIEVING HIGH STANDARDS OF CORPORATE GOVERNANCE, INTEGRITY AND BUSINESS ETHICS FOR ALL ACTIVITIES.

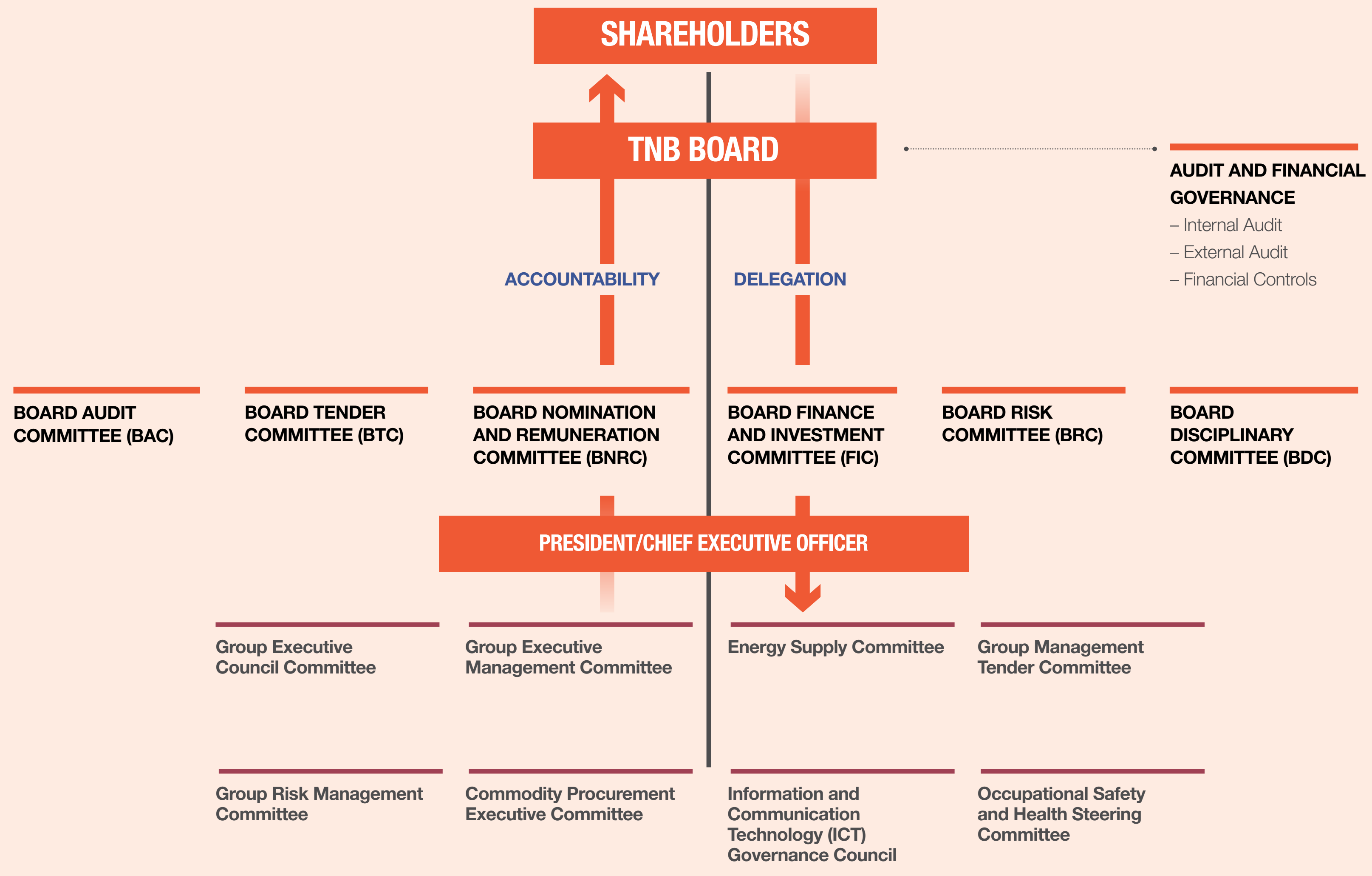
This Statement reports on Tenaga National Berhad (TNB) key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate to reflect the changes in the relevant regulations and developments in corporate governance.

The Board has adopted a corporate governance framework comprising principles and policies that are consistent with the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR).

The framework below describes the governance framework at TNB. It shows the interaction between the shareholders and the Board, demonstrates how the Board Committees' structure facilitates the interaction between the Board and the President/Chief Executive Officer and illustrates the flow of delegation from shareholders. TNB has robust processes in place to ensure that the delegation flows through the Board and its Committees to the President/Chief Executive Officer and its Management Committees and into the organisation. At the same time, accountability flows back upwards from the Company to the shareholders. This process helps to ensure alignment with shareholders.

TNB in general complies with the Principles and its respective corresponding recommendations as set out in the MCCG 2012. The implementation of the Principles will be addressed accordingly in this Statement of Corporate Governance.

CORPORATE GOVERNANCE FRAMEWORK



STATEMENT OF CORPORATE GOVERNANCE

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Principle 1 of the MCCG 2012

Board of Directors

The Company's Constitution provides that the business and affairs are to be managed by or under the direction of the Board. The Board is guided by its 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.

In addition to matters required by law to be approved by the Board, the Board has reserved the following matters for its ultimate decision which include, amongst others, the following:-

- 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 Top Management;
- monitoring and reviewing the Group's Risk Management System and internal compliance and control; and
- overseeing the development and implementation of shareholder communications policy for the Company.

The Board may alter the matters reserved for its decision, subject to the limitations imposed by the constitutional documents and the law.

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 of the Company. The Limits of Authority encompasses both 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 which are distinct and separate from the duties and responsibilities of the President/Chief Executive Officer. This segregation ensures a healthy balance of power for independent decision making and greater capacity for management supervision, by the Board.

Tan Sri Leo Moggie continues to lead and guide the Board to ensure that it maintains the highest governance standards. He also practices a culture of openness and debate to foster a high-performing and collegial team of Directors that operates effectively. He serves as the primary link between the Board and the Company and facilitates an effective working relationship with the President/Chief Executive Officer to ensure effective and appropriate communication with shareholders, with Members of the Board developing and maintaining a good understanding of the shareholders.

His extensive knowledge, experience and reputation in the energy related industry is incomparable. He is also the Chairman of FIC and of several subsidiaries within TNB Group.

The Board considers that none of his other commitments interfere with the discharge of his duties to the Company, and is satisfied that he makes available sufficient time to serve the Company effectively.

The President/Chief Executive Officer, Datuk Seri Ir. Azman bin Mohd, has management responsibility for the day-to-day running of the Company and for the implementation of Group strategies and policies as agreed by the Board. He also has a key role in the setting and reviewing of strategies and in instilling the Company's culture and standards, which include appropriate corporate governance practices throughout the Group.

In executing his responsibilities, the President/Chief Executive Officer is supported by his Management team and, together, they are responsible for ensuring that high quality information is provided to the Board on the Group's financial and strategic performance.

Board Composition

TNB Board currently comprises 10 members, one (1) Executive Director and nine (9) Non-Executive Directors, of whom six (6) are Independent Directors. The Independent Directors make up more than half of the Board, as per the recommendation of MCCG 2012, while their number exceeds the minimum as prescribed by the MMLR. These Directors are considered by the Board to be independent of Management and free of any business or other relationship or circumstance 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 while the Minister of Finance Incorporated (MoF Inc), being the Special Shareholder, has the right to appoint up to six (6) Directors. The Constitution provides that the Company is not to have more than 12 nor less than two (2) Directors.

The Board believes there should be 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 who moreover are independent of Management.

The Board consists of individuals who have diverse skills, knowledge, experience and expertise that combine to provide different perspectives and effective board dynamics. Board Members currently 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 in-depth understanding and knowledge of TNB's business which is invaluable to the Board.

STATEMENT OF CORPORATE GOVERNANCE

The Board with the assistance of BNRC, keeps the Board composition under review to ensure that it includes the necessary mix of relevant skills and experience required to perform its roles.

Details regarding each Director in office at the date of the Annual Report which highlight the range of experience they bring to the Board are set out on pages 77 to 86 of this 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.

Recommendation 3.3 of MCCG 2012 stipulates that 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 seeks shareholders' approval in a general meeting.

The Board acknowledges that the Directors' performance is used as a basis for recommending their re-election and re-appointment to shareholders. This, in turn, is determined by their annual evaluation and independence assessment, which is assessed by the BNRC before a recommendation is submitted to the Board for deliberation and approval.

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

The Board hereby recommends to the shareholders the re-election, re-appointment and the continuation in office of the Directors at the AGM. Information on the Directors standing for re-election, re-appointment and continuation in office at the forthcoming 24th AGM is contained in the Statement Accompanying Notice of AGM.

Board Committees

Under the Company's Constitution and the Board Charter, the Board delegates certain responsibilities to its respective Board Committees to assist in carrying out its function of ensuring independent oversight. This allows the Board to spend additional and focused time on deliberations 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.

The Board currently has six (6) principal Board Committees, each of which is governed by clearly defined Terms of References (TORs), which are reviewed from time to time, as the need arises to ensure they remain relevant and are up-to-date.

The following Board Committees, each chaired by a Non-Executive Director who is independent of management, have been set up with specific delegated authorities to assist the Board in its responsibilities:

(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

The Board receives reports at its monthly meetings from the Chairman of each Board Committee on their deliberations and recommendations after each Committee meeting. All deliberations and recommendations have to be minuted and approved by each Committee and confirmed by the Chairman of the Committee at the following Board Committee meeting.

Each of the standing Committees of the Board is entitled to seek information from any employee of the Company and to obtain professional advice as the Committee deems appropriate in its discretion.

Each standing Committee participates in the annual evaluation of its performance and effectiveness. As a result of the 2013 review, the Board is satisfied that the Committees have performed effectively in respect of their TORs.

The salient TORs of the six (6) standing Board Committees are as follows.

Board Audit Committee (BAC)

The BAC consists exclusively of Independent Non-Executive Directors and meets at least once a month.

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 TOR of BAC is outlined on pages 115 to 117 of this Annual Report.

Board Tender Committee (BTC)

The BTC consists exclusively of Non-Executive Directors and meets at least once a month.

Responsibilities

- To establish the framework of TNB's Procurement Policy and Procedures.
- To advise the Board regarding the details and implementation of TNB's Procurement Policy and Procedures framework.
- To assist the Board in regulating the compliance of Senior 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.

STATEMENT OF CORPORATE GOVERNANCE

Board Nomination and Remuneration Committee (BNRC)

The BNRC consists exclusively of Non-Executive Directors, the majority of whom are Independent Directors.

Responsibilities

- To identify and recommend new nominees to the Board, Board Committees and TNB's 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)

The FIC consists exclusively of Non-Executive Directors, the majority of whom are Independent Directors.

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)

The BRC consists exclusively of Non-Executive Directors, the majority of whom are Independent Directors.

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.

Board Disciplinary Committee (BDC)

The BDC consists exclusively of Non-Executive Directors, the majority of whom are Independent Directors.

Responsibilities

- To manage disciplinary issues and actions with regard to employees' misconduct except for the hearing of appeal of executives of grade M15 and above or equivalent grade with regard to disciplinary cases, for which the power lies with the Board of Directors.
- To establish new disciplinary procedures or amend 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, while additional meetings are held as necessary to discuss specific issues that require deliberation in between the scheduled meetings. The Board held 19 Board meetings during the Financial Year under review.

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 meeting for the Management to provide the Chairman with insights into the papers that will be deliberated.

The agenda of Board meetings is drawn up upon consultation between the Chairman, President/Chief Executive Officer and Company Secretary at the pre-Board meetings, after which copies of the agenda and Board papers are circulated to Board Members electronically and in hard copy at least three (3) working days prior to the meeting. This permits prior review by the Directors and, if necessary, the acquisition of further information for deliberation 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 discussion. This way, each Director makes himself/herself available to fellow Directors and may contribute to all major decisions before the Board.

A comprehensive Board paper is prepared comprising 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 any other important issue. During the Financial Year under review, the Board visited a major ongoing TNB project, the 1x1,000MW Manjung Coal-Fired Power Plant Project as well as the Stesen Janakuasa Sultan Azlan Shah in Manjung, Perak.

Decisions of the Board and Board Committees meetings are made unanimously or by consensus and these decisions and conclusions are recorded in the minutes of the Board. In the case of a tied vote, the Chairman has a second or casting vote. The decisions may also be obtained via circulation.

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 their confirmation. After the Directors' confirmation, the Chairman of the meeting signs the minutes as a correct record of the proceedings. The Directors are also informed of announcements made to Bursa Malaysia Securities Berhad for their notification.

STATEMENT OF CORPORATE GOVERNANCE

Details of Directors' attendance at Board and Board Committees meetings for the Financial Year ended 31 August 2014:

	BOD		BAC		BTC		BNRC		FIC		BRC		BDC	
Name of Director	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%
Tan Sri Leo Moggie	17 (Chairman)	89	-		-		-		6 (Chairman)	100	-		-	
Datuk Seri Ir. Azman bin Mohd	19	100	-		-		-		-		-		-	
Datuk Nozirah binti Bahari	16	84	-		15 (Chairman)	100	-		-		9	100	-	
Ahmad Farouk bin Mohamed[1]	^4	100	-		^2	100	#-		-		-		-	
Dato' Zainal Abidin bin Putih	16	84	15 (Chairman)	100	-		-		4	67	8	89	-	
Tan Sri Dato' Seri Siti Norma binti Yaakob	17	89	-		-		7 (Chairman)	100	6	100	-		2 (Chairman)	100
Dato' Abd Manaf bin Hashim[2]	16	84	13	87	15	100	^3	100	-		^4	100	*1	100
Datuk Chung Hon Cheong	18	95	15	100	-		-		5	83	9 (Chairman)	100	2	100
Sakthivel a/l Alagappan[3]	^11	100	^7	100	-		-		^2	100	-		^1	100
Datuk Wira Ir. Md Sidek bin Ahmad[4]	^10	100	-		^7	100	^3	100	-		^3	75	-	
Dato' Mohammad Zainal bin Shaari[5]	*12	80	*2	50	*9	82	*5	83	*3	60	-		#-	
Suria binti Ab Rahman (Alternate Director to Dato' Mohammad Zainal bin Shaari)[6]	*1	100	-		-		-		-		-		-	
Dato' Fuad bin Jaafar[7]	*7	88	-		*5	83	*2	100	-		-		-	
Tan Sri Dato' Hari Narayanan a/l Govindasamy[8]	*5	83	*2	67	-		*1	100	-		-		-	
Number of Meetings held in FY2014	**19**		**15**		**15**		**7**		**6**		**9**		**2**	

Notes:-

[1] Appointed as Board Member and Member of BTC, BNRC & BDC w.e.f. 26 June 2014 and 23 July 2014 respectively

[2] Appointed as Member of BNRC & BRC and Ceased as Member of BDC w.e.f. 1 April 2014

[3] Appointed as Board Member and Member of BAC, FIC & BDC w.e.f. 1 February 2014 and 1 April 2014 respectively

[4] Appointed as Board Member and Member of BTC, BNRC & BRC w.e.f. 1 March 2014 and 1 April 2014 respectively

[5] Appointed as Member of BAC & BDC and Resigned as Board Member w.e.f. 1 April 2014 and 26 June 2014 respectively

[6] Resigned as Alternate Director to Dato' Mohammad Zainal bin Shaari w.e.f. 24 April 2014

[7] Resigned as Board Member w.e.f. 1 February 2014

[8] Retired as Board Member w.e.f. 19 December 2013

* Reflects the number of meetings during the time the Directors held office/being a Member of Committee

^ Reflects the number of meetings since their respective appointments

\# No meeting was held since their respective appointments

All Board Members have complied with the minimum attendance as stipulated in the MMLR, namely being present at more than 50% of the Board Meetings during the Financial Year.

STATEMENT OF CORPORATE GOVERNANCE

Code of Ethics

The Board of Directors is guided by a high standard of ethical conduct in accordance with the Code of Ethics for Company Directors established by the Companies Commission of Malaysia.

Each Director is supplied with the Directors' Handbook as reference 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.

TNB's Code of Ethics governs the conduct of its employees. Provisions in the Code of Ethics ensure 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.

TNB's Directors and employees as well as all existing and potential suppliers/contractors including their Directors and employees are guided by TNB's Procurement Code of Conduct. 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 corruption. These principles are enforced in a detailed Procurement Code of Conduct which is constantly revised to capture changes in regulations, reputational demands and business.

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

The Board has separate and independent access to information to assist it with its deliberations, including the opportunity to request supplementary or explanatory information from Management. The Management provides information to the Board on an ongoing basis to allow the Board to effectively discharge its responsibilities.

The Board collectively and individually has the right to obtain external independent legal, accounting or other professional advice to fulfill its roles and responsibilities. The cost of procuring such professional service is borne by the Company.

The Board Breakout Session (BBO) is conducted by the Company Secretary's Office as and when the need arises and 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 the BBO, the Management highlights to the Board current issues and challenges encountered by the Group. During the Financial Year under review, a BBO was held on 4 December 2013.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, whose appointment and removal is a matter reserved for the Board. The Company Secretary is responsible for advising, assisting and updating the Board on matters pertaining to statutory, regulatory and corporate developments, corporate governance and compliance as applicable to the Group.

The Company Secretary also plays an important role in supporting the Board by ensuring adherence to its policies and procedures. The Company Secretary and/or her assistants attend Board and Board Committee meetings to ensure these are properly conducted in accordance with applicable rules and regulations.

The Company Secretary's profile is set out on page 87 of the Annual Report.

Board Charter

The Board Charter was established in 2013 and acts as a source of reference for the Board of its duties and responsibilities in setting the overall direction and control of the Company. Available on the Company's website at www.tnb.com.my, it also assists the Board in assessing its own performance. The Board reviews its charter regularly to keep it up-to-date with changes in regulations and best practices thus ensuring 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 the responsibility of assessing and making recommendations to the Board regarding the Board's composition and remuneration as well as to assist with the selection and appointment of high-calibre Directors who are able to meet the Company's present and future needs.

The BNRC continues to be chaired by Tan Sri Dato' Seri Siti Norma binti Yaakob, an Independent Non-Executive Director, and a majority of its members are also Independent Non-Executive Directors.

Among the key activities undertaken by BNRC during the Financial Year under review were:

(i) review and assess the annual performance and effectiveness of the Board and the Board Committees as a whole;
(ii) review and assess the annual independence assessment of the Independent Directors;
(iii) review and assess the performance and composition of the Board Committees;
(iv) make recommendation to the Board regarding the Directors seeking re-election, re-appointment and continuation in office;
(v) assess and recommend to the Board nominees for appointment as Directors and Members of the Board Committees;
(vi) oversee the appointment, succession planning and performance evaluation of the Top Management;
(vii) assess and recommend to the Board nominees for women representation among the Top Management to sit on the Boards of TNB's Group of Companies;
(viii) assess and recommend to the Board nominees for directorships and appointment of Top Management to the Boards of TNB's Group of Companies.

STATEMENT OF CORPORATE GOVERNANCE

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 of Members, and reports its conclusions to the Board.

The Board through its annual assessment 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 existing as well as newly appointed Directors, the Board is able to discharge its duties effectively.

Board Performance Evaluation

The Board, with the assistance of BNRC, conducts an annual evaluation of its performance as a whole and that of each of its principal Committees. These evaluations have produced significant improvements in the Board's processes and overall efficiency.

The process is internally facilitated and conducted by way of questionnaires circulated to the Board covering a variety of aspects associated with board effectiveness, such as Board Structure, Board Operations and Interaction, Board Roles and Responsibilities, Understanding the Committees' Roles, Mix of Skills and Knowledge and Commitment of Members. These questionnaires are designed to recognise the Board's strengths and to identify gaps or areas for improvement for the Board and its Committees.

Completed questionnaires as well as 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. It is deliberated by BNRC and subsequently, by the Board of Directors.

As such, the performance of each Director retiring at the next AGM is taken into account by the Board in determining whether or not the Board should support the re-election of the Director.

For the Financial Year under review, the Board is of the opinion that the Directors and respective Board Committees remained highly effective and have fulfilled their responsibilities as Members of the Board and 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 was guided by their skills, experience, competency and wealth of knowledge, while taking into consideration gender diversity.

Currently two (2) women Directors sit on Board, namely Tan Sri Dato' Seri Siti Norma binti Yaakob and Datuk Nozirah binti Bahari. To further increase women representation at the Board level, during the Financial Year under review, the Board approved the appointment of a number of women candidates among the Top Management to 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.

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 is commensurate with the Director's responsibilities, expertise and complexity of the current Company's activities while being aligned with the Company's business strategy and long-term objectives for the effective management and operations of the Group.

Executive Director

The remuneration package for 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 recuses himself 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.

Non-Executive Directors

The Board as a whole shall determine and recommend the remuneration of the Non-Executive Directors to 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.

The level of remuneration of Non-Executive Directors reflects the current demanding challenges in discharging their fiduciary duties, roles and responsibilities, whether individually or collectively as well as given the complexity of the Company's operation and the industry.

STATEMENT OF CORPORATE GOVERNANCE

Details of each Director's remuneration for the Financial Year ended 31 August 2014:

Name of Directors	(i) Salary (ii) Contribution to EPF (RM)	Director's Fees		Meeting Allowances		Bonus (RM)	Benefits-In-Kind				
		Company (RM)	Subsidiaries (RM)	Company (RM)	Subsidiaries (RM)		(i) Car Allowance (ii) Management Allowance (RM)	Utilities (RM)	Others (RM)	Subsidiary (RM)	Total (RM)
Executive Director											
Datuk Seri Ir. Azman bin Mohd	(i) 1,680,000.00 (ii) 464,322.00	-	-	-	-	651,000.00	(i) 108,000.00 (ii) 4,800.00	-	111,735.76	-	
	2,144,322.00	-	-	-	-	651,000.00	112,800.00	-	111,735.76	-	3,019,857.76
Non-Executive Directors											
Tan Sri Leo Moggie	-	360,000.00	311,000.00	54,500.00	46,800.00	-	-	6,477.55	21,563.20	-	800,340.75
Datuk Nozirah binti Bahari	-	240,000.00	-	75,500.00	-	-	-	-	2,774.19	-	318,274.19
Ahmad Farouk bin Mohamed (Appointed w.e.f. 26 June 2014)	-	*43,333.33	-	*11,000.00	-	-	-	-	-	-	54,333.33
Dato' Zainal Abidin bin Putih	-	240,000.00	-	80,000.00	-	-	-	16,888.20	29,651.09	-	366,539.29
Tan Sri Dato' Seri Siti Norma binti Yaakob	-	240,000.00	-	61,000.00	-	-	-	6,969.15	18,860.00	-	326,829.15
Dato' Abd Manaf bin Hashim	-	240,000.00	-	86,000.00	-	-	-	2,583.20	17,443.62	-	346,026.82
Datuk Chung Hon Cheong	-	240,000.00	-	87,000.00	-	-	-	24,546.10	22,359.62	-	373,905.72
Sakthivel a/l Alagappan (Appointed w.e.f. 1 February 2014)	-	140,000.00	-	37,000.00	-	-	-	4,113.84	7,599.00	-	188,712.84
Datuk Wira Ir. Md Sidek bin Ahmad (Appointed w.e.f. 1 March 2014)	-	120,000.00	39,000.00	39,500.00	16,950.00	-	-	4,411.00	2,348.00	-	222,209.00
Dato' Mohammad Zainal bin Shaari (Resigned w.e.f. 26 June 2014)	-	196,666.67	-	52,500.00	-	-	-	24,832.05	282,709.70	-	556,708.42
Suria binti Ab Rahman (Alternate Director to Dato' Mohammad Zainal bin Shaari) (Resigned w.e.f. 24 April 2014)	-	-	-	*2,000.00	-	-	-	-	7,101.00	-	9,101.00
Dato' Fuad bin Jaafar (Resigned w.e.f. 1 February 2014)	-	100,000.00	68,000.00	24,500.00	5,700.00	-	-	5,532.50	503,257.56	3,000.00	709,990.06
Tan Sri Dato' Hari Narayanan a/l Govindasamy (Retired w.e.f. 19 December 2013)	-	71,612.90	11,000.00	14,500.00	850.00	-	-	17,931.45	763,219.25	-	879,113.60
Total	2,144,322.00	2,231,612.90	429,000.00	625,000.00	70,300.00	651,000.00	112,800.00	114,285.04	1,790,621.99	3,000.00	8,171,941.93

* *Inclusive of RM43,333.33 and RM13,000.00 paid to Khazanah Nasional Berhad, in respect of Director's Fees and Meeting Allowances provided for Ahmad Farouk bin Mohamed and Suria binti Ab Rahman.*

STATEMENT OF CORPORATE GOVERNANCE

REINFORCE INDEPENDENCE

Principle 3 of the MCCG 2012

Currently, TNB's Board consists of six (6) Independent Non-Executive Directors. The Independent Directors fulfill 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 relationship and are willing to express their opinions at the Board, free of concern about their position or the position of any third party. This mitigates risks arising from conflicts of interest or undue influence from interested parties.

Independence Assessment of Independent Directors

It is vital for the Board to assess the independence of its Independent Directors. This is done annually with reference to key criteria developed by BNRC in a framework adopted by TNB. The criteria include independence 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. The Directors are also assessed on their ability to provide strong, valuable contribution to the Board's deliberations, without interference to act in the best interests of TNB.

In its assessment of Directors' independence, the Board considers all relevant facts and circumstances. Relationships that are taken into account, 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 been engaged as an adviser by the Company or is 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; or

(d) has engaged in any transaction with the Company or is 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.

The Board has reviewed the independence of each Independent Non-Executive Director in office and has 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 that each Independent Non-Executive Director remains independent in character and judgment and free from relationships or circumstances which are likely to affect or could appear to affect the Directors' judgment.

In furtherance of the above findings and in accordance with Recommendation 3.3 of MCCG 2012, the Board believes that the length of tenure of the Independent Directors on the Board does not interfere with their objective and independent judgment or their ability to act in the best interest of the Company. The Board also concurs that the continuous contributions of the Directors is beneficial to the Board and the Company as a whole.

As such, based on the independence assessment, the BNRC has recommended to the Board that Dato' Zainal Abidin bin Putih be retained as Independent Director of the Company. He has served the Company for a cumulative period of over nine (9) years with effect from 1 May 2003. His continuity of service and commitment has afforded him in-depth knowledge of the Company which is invaluable to the Board. In addition, Dato' Zainal Abidin bin Putih has demonstrated excellent stewardship as the Chairman of BAC. He also has a good understanding of the Company's business and challenges faced as well as the industry in which the Company operates.

The Board values his contributions towards the Company and commitment in performing his duties and functions as an Independent Director, and unanimously agrees that Dato' Zainal Abidin bin Putih continues to demonstrate the attributes of an Independent Director and that his tenure has no impact on his independence.

At the coming AGM, therefore, the Board recommends and seeks the shareholders' mandate to retain Dato' Zainal Abidin bin Putih as an Independent Director of the Company and to hold office until the conclusion of the next AGM of the Company.

The BNRC shall continue to assess the independence of Independent Non-Executive Directors annually.

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 24th AGM.

Senior Independent Non-Executive Director

Dato' Zainal Abidin bin Putih, continues to play his role as the Senior Independent Non-Executive Director and is available as the designated contact to whom shareholders and stakeholders may convey any concerns or queries on affairs of the Company, as an alternative to the formal channel of communication with shareholders.

As Senior Independent Non-Executive Director, he also provides a sounding board for the Chairman and serves as an intermediary for the other Directors, if necessary. Dato' Zainal Abidin bin Putih may be emailed at: cosec@tnb.com.my.

Conflicts of Interest

To foster ethical and independent decision making, the Company requires Directors with any direct or indirect interest in a proposal or transaction being considered by the Board or its Committees to declare that interest and recuse himself/herself from the deliberations. The affected Director will take no part in the decision making.

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 states 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 is to monitor the number of directorships and the changes, if any, of each Director on the Board.

To date, the Directors of TNB have complied with MMLR of not holding more than five (5) directorships in listed companies. The Board is satisfied that the current number of directorships held by the Board Members does not impair their ability or judgment in discharging their roles and responsibilities.

In addition, all Board Members have complied with the MMLR that Directors attend more than 50% of the Board Meetings held during the Financial Year. This demonstrates that they have devoted sufficient time and commitment in carrying out their responsibilities.

Continuing Development Programme for Directors

The Board is aware that continuous training for the Directors is vital to assist them in discharging their duties effectively. The Board encourages the Directors to attend appropriate external programmes on subject matters that aid the Directors in the discharge of their duties, at the Company's expense subject to the Directors' entitlement.

The Board continuously evaluates and determines the training needs of the Directors to build their knowledge, thus ensure the Board remains up to date with developments in the business and market that the Company operates in that affect their roles and responsibilities.

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 containing the Board Charter, 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 facilitates the induction program by providing access to information to the new Board Members in areas such as operations, finance, treasury and risk management, as required.

During the Financial Year under review, the newly appointed Directors namely, Sakthivel a/l Alagappan, Datuk Wira Ir. Md Sidek bin Ahmad and Ahmad Farouk bin Mohamed have attended the Mandatory Accreditation Programme (MAP) as prescribed by the MMLR within four (4) months from their respective appointment dates. Hence, all Directors on Board have successfully completed the MAP.

The Board also attended conference/training programmes in areas such as regulatory developments, risk management as well as energy industry developments held by local and international training providers. These included Advocacy Sessions on Corporate Disclosure For Directors of Listed Issuers, Renewable Energy World Conference & Expo-Asia "Advancing Asia's Energy Future", Board Risk Intelligence-Risk Governance Into Practice and All-Energy Australia Exhibition & Conference 2014.

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

The Company Secretary's Office facilitates in organising internal and external programs, training sessions, briefings, workshops and seminars that are relevant to the Directors. These include the annual Board Development Programme (BDP) which is organised internally as part of TNB's Continuing Development Programme for the Board. The Directors, with the assistance of the Company Secretary's Office, also make site visits and visits to the Group's operations to have a better understanding of the Group's businesses.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Principle 5 of the MCCG 2012

Financial Reporting

The Board of Directors aims to provide a clear, balanced and comprehensive assessment of the Group's financial performance and prospects via the quarterly financial reports, audited financial statements, annual reports and other reports or statements to shareholders, investors and relevant regulatory authorities 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 a transparent and professional relationship with the External Auditors and through the BAC, oversees the detailed terms of engagement with 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 Financial Year under review, two (2) sessions between the BAC and the External Auditors in the absence of Management were held 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 or objectivity as the amount of the fees paid was not significant as compared to the total fees paid to the External Auditors.

Having been 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

In realising the importance of a sound framework to manage the Company's risks as a whole, the Board has delegated the oversight of risk management policy to the BRC including reviews of the effectiveness of the Company's internal control system and risk management process. The BRC reports regularly to the Board to enable it to review the Group's risk framework.

The Management is responsible for promoting and applying the Risk Management Policy. This responsibility involves 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 organisational unit has a risk management section within its annual business plan and these plans are discussed at regular performance reviews.

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. 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 106 to 111 in this 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. Headed by the Group Internal Auditor, the Group Internal Audit Department reports functionally to the 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. Group Internal Audit Department also conducts regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls processes within the Company.

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 to 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, it demonstrates its commitment to 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 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 about 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.

The corporate website provides relevant information to shareholders and the broader investment community. There is a dedicated section for investors where media releases, investor presentations, quarterly and annual financial statements, announcements, share and financial information, annual reports and circulars/statements to shareholders as well as demand sales & 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 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.

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 on 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, the receipt of the Audited Financial Statements and the advisory vote on the remuneration report.

The outcome of voting on the proposed resolutions are disclosed to the market and posted on 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 auditor in the audit process.

STATEMENT OF CORPORATE GOVERNANCE

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 Form of Proxy.

The Board also encourages poll voting particularly on substantive resolutions. During the AGM, it is the practice of the Chairman to inform the shareholders of their right to demand for a poll vote at the commencement of the AGM or any other general meeting.

The Board and Top Management also encourage constructive engagement 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 has always maintained its commitment to pursuing the highest standards of corporate disclosure through the dissemination of accurate, consistent, transparent and timely information to its stakeholders. TNB's Investor Relations (IR) Policy acts as the guiding principle for IR functions in facilitating effective two-way communication between the management and the financial community, both local and international based.

In supporting the aspiration of 1TNB Transformation Programme for TNB to become a strong leader at home while emerging as a regional champion, IR further enhances its interactions with the financial community to deliver comprehensive and updated information pertaining to the Company. With the recent introduction of the Incentive Based Regulation (IBR) and escalating developments within the Malaysian Electricity Supply Industry (MESI), essential information pertaining to the Group, be it strategic, financial or operational is fairly and evenly propagated through proactive sharing with the financial community. This is done through various platforms to ensure the Group's performance is accurately disseminated to the public without prejudice and with the highest level of integrity.

- **Quarterly and Full Year Financial Results Announcements**

  TNB announces its quarterly and year-end financial results at the end of the trading day upon the release of its disclosure to Bursa Malaysia Securities Berhad. Immediately after this, an Analysts Briefing and/or conference call is conducted to allow greater accessibility by the financial community, both locally and internationally.

- **Analysts Briefing Presentation**

  During the Analysts Briefing, TNB shares its results snapshots, key financial and operational highlights of the Company's performance, as well as details of the financial results including recent updates pertaining to the Group and to the industry in general. To ensure timely and even disclosure of the results, announcement packs comprising the detailed financial statements, IR presentation materials and press release are promptly made available to the public through TNB's main website following the release of the disclosures to Bursa Malaysia Securities Berhad.

- **One-on-one and Group Meetings at IR Conferences**

  To promote continuous engagement with the financial community, TNB plans ahead its annual IR programs to ensure a well-organised and structured approach in engaging with the financial community across the globe. Regular participation in roadshows and conferences allows TNB to interact constantly with current and prospective investors both locally and internationally.

- **Site Visits**

  As part of the annual IR program, site visits to TNB facilities are conducted to provide greater insights and first-hand information on the operations of the Company and the associated challenges. Plant tours and on-site briefing sessions by plant operators enhance understanding and appreciation of TNB's operations. During the Financial Year under review, two (2) trips were organised to coal-fired power plants, namely the Sultan Salahuddin Abdul Aziz Power Station, Selangor and Stesen Janakuasa Sultan Azlan Shah, Manjung, Perak.

- **In-house Meetings and Corporate Events**

  Strong interest by the financial community in TNB was further elevated by the Government's announcement on IBR implementation effective January 2014. This escalated requests for one-on-one or group meetings, together with requests for corporate event from local broker houses during the Financial Year under review. IR treats these requests as top priority, as the sessions serve as an avenue for the financial community to interact directly with the Top Management to garner further insight and understanding of the Company and the industry as a whole.

  In December 2013, to promote understanding among the financial fraternity on IBR, special briefing and dialogue session were conducted at which the regulators, the Energy Commission (EC) and MyPower were invited to join TNB's Top Management in an open discussion on the IBR mechanism with the financial community.

Whistle-blowing Procedure

The Whistle-blowing procedure documents TNB's commitment to maintain an open working environment in which 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 investigates all reported concerns and where applicable, provides feedback regarding the investigation's outcome.

The objectives of the Whistle-blowing procedure are as follows:

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

Complaints can be channeled 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 flow 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

The Company did not raise any funds from corporate proposal during the Financial Year under review.

(2) Share Buy-Back for the Financial Year

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

(3) Options, Warrants or Convertible Securities Exercised

The Company did not issue any options, warrants or convertible securities during the Financial Year under review.

(4) American Depository Receipts (ADR)

In January 1994, TNB had launched Level 1 American Depository Receipts (ADR) in New York, U.S.A. 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 U.S.A. is the depository bank and the ADRs are traded over the counter. As at 31 August 2014, a total of 10,459,904 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 during the Financial Year under review.

(6) Non-Audit Fees

The Group's Non-Audit fees payable to the External Auditors, Messrs PricewaterhouseCoopers, and its affiliates for the Financial Year under review amounted to RM2,391,406.76.

(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

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the Directors or Major Shareholders, either still subsisting at the end of the Financial Year or, if not then subsisting, entered into since the end of the previous Financial Year.

(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 during the Financial Year under review.

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

(Pursuant to paragraph 15.25 of the MMLR)

The Board has reviewed, deliberated and approved this Statement. The Board is pleased to report to its shareholders that to the best of its knowledge the Company 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 of Directors in accordance with their resolution dated 29 October 2014.

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 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.

A framework has been set in place by the Board 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 Board regularly reviews the framework and risk management processes in view of changes in the regulatory and business environments with the aim of ensuring 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 consistently 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.

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

Risk is defined in TNB as anything that has the potential to prevent the organisation from achieving its objectives. Risk management therefore involves the identification and analysis of risks and determining appropriate mitigating action to manage the risks to achieve predetermined objectives.

Mandate and Commitment

The TNB Enterprise Wide Risk Management (EWRM) Policy has been approved by the Board and it governs the risk management approach applied in the Group. The EWRM Policy provides a strategic and consistent approach to manage risk across the Group through the establishment and implementation of the EWRM framework that is aligned to business strategy.

The establishment of the Board Risk Committee (BRC) in 2013 reaffirms the Board's commitment to safeguard stakeholders' interests and the Group's assets. On behalf of the Board, the BRC reviews the effectiveness of enterprise risk management in the Group based on the integration of the EWRM framework and continual improvement of risk management in the dynamic environment the Group functions in. The BRC is assisted by the Group Executive Council, Group Risk Management Working Committee, Chief Risk Officer, EWRM Department and TNB employees.

Framework for Managing Risk

The EWRM Policy, which is aligned to the ISO 31000 "Risk Management – Principles and Guidelines" standard, describes the EWRM framework applied in the Group that includes establishing the context of the business, the process of risk and control identification, risk rating and treatment, communication as well as monitoring and review.

As such, appropriate levels of accountabilities and responsibilities have been assigned within the Group and necessary resources have been allocated to ensure that risk management is embedded in the Group's practices and processes.

Implementing Risk Management

The TNB Group-Wide Risk Assessment process is applied throughout the Group, whereby key risks preventing the achievement of business objectives are identified, mitigated, regularly reviewed and communicated to the Board, Management and employees.

As a result, strategic and operational risk profiles for the Group have been developed and are continually reviewed. The Group's strategic risk profile reflects the key risks preventing the Group from achieving its strategic and long-term objectives.

Risk assessments are also carried out before resources are committed to new projects and initiatives as well as identifying its impact on current operations and business objectives. In the year under review, a group-wide circular was issued providing a template to standardise the reporting of risks associated to a project or initiative in proposal papers submitted to the approving management and board committees.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In the year under review, EWRM Department undertook the following in the effort to internalise enterprise risk management in the Group:

- Conducted 13 risk awareness and review sessions.
- Engaged the International Institute of Enterprise Risk Practitioners (IERP) to train 22 TNB personnel in its Enterprise Risk Manager Professional Certification Program.
- Conducted 8 one-day risk management training sessions as part of the Young Executive Development Program as well as other scheduled risk management and TNB Risk Information System (TRIS) trainings.

Monitoring and Review

The Group strategic and operational risk profiles are monitored through the TNB Risk Information System (TRIS), an online real-time tool and database for risk management in the Group.

In the year under review, the Group's strategic risk profile has been aligned with the Group Key Result Areas (KRAs) to achieve its aspiration to be a vertically integrated domestic leader and a regional champion.

Operational risk profiles are periodically reviewed and deliberated in divisional risk management committees and/or management committees, addressing key operational risks and identifying appropriate mitigating action as well as assessing effectiveness.

Continual Improvement

Continual improvement in the application of enterprise risk management is necessary to reduce uncertainty in achieving objectives, minimise volatility and increase the ability to respond and adapt to change.

In the year under review, a revised EWRM Policy was approved by the BRC to reflect relevant changes within the organisation and with the aim of greater internalisation of enterprise risk management throughout the Group.

In addition, EWRM Department had conducted 17 Risk Management Compliance Reviews across the Group with the purpose of continuous improvement towards greater effectiveness in managing risks to full achieve business objectives.

INTERNAL CONTROL

The Board is committed to enhance and maintain internal control system that responds appropriately to 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 an event with significant adverse impact on business objectives is managed at an acceptable level. This is achieved through a combination of preventive, detective and corrective measures.

Board and Management Committees

The Board has set up board and management committees to promote corporate governance, transparency and accountability. Each committee plays an important role in directing, monitoring and providing ongoing assessment that business operations are carried out in accordance with the Group's approved long-term and short-term business plans and established policies.

Board Committees

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

Management Committees

- Group Executive Council
- Group Executive Management Committee
- Group Management Tender Committee
- Energy Supply Committee
- Investment Executive Committee
- Commodity 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.

In the year under review, the New Business and Major Projects division was restructured into two separate divisions, namely Energy Ventures and Investment Management. This is to ensure greater focus in the expansion of the Group's non-regulated businesses locally and globally, while streamlining the Group's existing portfolio of investments to bring positive value to the Group.

Group Policies and Procedures

Group-wide policies and procedures have been approved by the Board to ensure ethics and internal control principles and mechanisms are embedded in business operations. These policies and procedures are reviewed regularly to ensure relevance and effectiveness. Among others, the Group policies and procedures in place are:

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

TNB Key Result Areas

In view of the TNB 20-Year Strategic Plan, the Strategic Management and Performance Department (SMPD) launched the 1TNB Transformation Programme, which is a comprehensive transformation strategy designed to help the Group overcome challenges and achieve its aspiration of "Domestic Dominance, Regional Champion" by the year 2025.

The 1TNB Transformation Programme focuses on transforming Key Result Areas (KRAs). The KRAs were identified after taking into account inputs from various dialogue sessions with the Board and Management. This is a dynamic plan for transformation, adapting to suit the immediate needs of the Group and its stakeholders. As a result, an additional KRA was identified in the year under review, bringing the total KRAs to six:

1. Shape Regulatory Outcome
2. Exceed Customer Expectations
3. Drive Operational and Cost Efficiency
4. Grow Profitable New Business
5. Transform Organisation
6. SESB Turnaround

Specific Heads of Division had been mandated to drive the implementation of the assigned KRA. Relevant short- and long-term initiatives and control activities have been identified and are being implemented and closely monitored to propel the Group towards achieving its aspirations.

Human Resource Management and Development

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. Manpower requirement planning is carried out, led by the Group Human Resource division, mirroring the budget planning cycle with the aim to optimise staffing levels and increase productivity. Employee training needs are regularly assessed and various programs are in place to address competency gaps in addition to on-job training and coaching.

Whistle Blowing

Various channels are available for TNB employees to report any non-compliance to the TNB Code of Ethics or any unlawful activity. The available channels 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. The Group is committed to manage and investigate all reports, treating each with utmost confidentiality.

Financial and Operational Control Framework

TNB Group Financial Policies and Procedures (GFPP) serves as a compulsory source of reference for the Group in conducting its operations to manage associated risks. The Group has acted in accordance with generally accepted accounting principles and the Malaysian Financial Reporting Standards.

Periodic reviews of actual performance versus budgets, targets, and performance in prior periods for key functions and major initiatives are carried out and appropriate mitigating and follow-up action are taken.

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. Relevant divisions, departments and subsidiary have also been consistently maintaining its certification in ISO 14001, OHSAS 18001 and PAS55.

Super User Privilege Management (SUPM) and Governance, Risk and Compliance (GRC) systems have been implemented to control and govern access to core Enterprise Resource Planning systems and IT servers. This is to ensure that access to critical information systems and confidential information is adequately monitored and controlled. ICT security assessments are also regularly carried out on IT systems at the divisions and power stations.

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 Management to provide information on key financial results, operational performance indicators and variances.

In the year under review, a Management and Engineering (M&E) Audit was conducted by PricewaterhouseCoopers Advisory Services Sdn. Bhd. and Australian Power and Water Pty. Ltd. to assess the management and engineering performance of the Group in fulfilling its role according to the activities specified in the licences granted by the Energy Commission under the Electricity Supply Act 1990.

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.

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)
- TNB Outage Management Systems (TOMS)
- Corporate Geospatial Information System (CGIS)
- eCustomer Information & Billing System (eCIBS)
- Remote Meter Reading (RMR)
- Employee Self Service (ESS)

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Business Continuity Management

At the corporate level, the TNB Corporate Emergency Response Plan (CERP) was developed to mobilise a coordinated and prompt response to a national emergency affecting the Group to ensure the continuity of critical functions and services. A CERP Steering Committee, chaired by the appointed TNB Crisis Commander with membership 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, the Group has successfully obtained the ISO/IEC 27001:2005 Information Security Management System (ISMS) certification in the effort to secure its 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.

Customer Feedback

Customer feedback is regularly collated and analysed with appropriate follow-up action. The TNB One Stop Engagement Centre offers 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 queries or report problems.

Brand Revitalisation

In the year under review, a brand revitalisation initiative was carried out to promote greater understanding of the TNB brand, manage customers' perception in tandem with changing customers' expectations and to restore and retain customers' trust and loyalty. "*BETTER. BRIGHTER.*" is the Group's promise to customers and stakeholders of a better and brighter future of growth, progress and expansion, made possible by the efficient and effective harnessing of energy.

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. 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's) 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 Head of Division 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 Group in improving its performance and achieve objectives. Ad hoc appraisals and investigations were also conducted as and when requested by the Management and 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.

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 2014. Based on their review, nothing has come to their attention that cause them to believe that this Statement on Risk Management and Internal Control 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 system of the Group.

This statement is made in accordance with the resolution of the Board of Directors dated 1 October 2014.

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, THROUGH THE BRC, IS ULTIMATELY RESPONSIBLE FOR THE IDENTIFICATION OF TENAGA NASIONAL BERHAD GROUP (THE GROUP) RISKS AND IMPLEMENTING APPROPRIATE SYSTEMS AND PROCESSES TO MANAGE THESE, IN LINE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 AND MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD.

MEMBERSHIP AND MEETINGS

The BRC is to consist of a minimum of three (3) members including the Chairman, with a majority of Non-Executive Directors, at least one (1) of whom shall preferably have recent and relevant experience in risk management.

BRC members and details of their attendance at BRC meetings held during the financial year are as follows:

No.	Name	Status of Directorship	Independent	No. of Meetings Attended
1.	Datuk Chung Hon Cheong *Chairman*	Non-Executive Director	Yes	9/9
2.	Dato' Zainal Abidin bin Putih	Non-Executive Director	Yes *(Senior Independent)*	8/9
3.	Datuk Nozirah binti Bahari	Non-Executive Director	No	9/9
4.	Dato' Abd Manaf bin Hashim *(Appointed w.e.f. 1/4/2014)*	Non-Executive Director	Yes	4/4
5.	Datuk Wira Ir. Md Sidek bin Ahmad *(Appointed w.e.f. 1/4/2014)*	Non-Executive Director	Yes	3/4
6.	Tan Sri Dato' Hari Narayanan a/l Govindasamy *(Retired w.e.f. 19/12/2013)*	Non-Executive Director	Yes	0/2

In the year under review, nine (9) BRC meetings were held. The Chief Risk Officer and Company Secretary, who is also secretary to the BRC, attended the meetings. Other 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 action required. These were circulated to Management for their further 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 and such framework has been effectively implemented 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 a risk management system, and to reviewing its effectiveness at least annually, including the risk management policies and practices endorsed by Management;

b) Accountable 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;

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 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; and,

f) To deliberate the Group's strategic risks as well as key operating risks and/or risk issues highlighted by Management.

BOARD RISK COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE BOARD RISK COMMITTEE

The BRC principal activities during the financial year are as summarised below:

Risk Management

- Reviewed the Statement of Risk Management and Internal Control, which summarised the risk management practices and internal controls implemented by Management. Assurances from the President/Chief Executive Officer and the Chief Financial Officer/Vice President (Group Finance) were provided to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.
- Approved the revised TNB Enterprise Wide Risk Management (EWRM) Policy, of which the EWRM framework was revised to align to ISO 31000 and the risk reporting structure was updated to reflect organisational changes.
- Deliberated the revised the Group's strategic risks to ensure alignment to strategic direction and outcomes.
- Reviewed key operational risks that are aligned to the Group strategic risks and deliberated the key controls taken to manage the risks as well as recommended further mitigating action to strengthen the management of existing and emerging risks.
- Reviewed reports on risk incidents occurred in the financial year and deliberated the adequacy and effectiveness of preventive and corrective action taken.
- Deliberated the results of directed special investigations and reviewed the effectiveness of relevant mitigating action proposed and/or taken.
- Reviewed the risk profiles and mitigation plans for proposed overseas ventures and recommended further action and/or study to ensure the feasibility and commerciality of the ventures in meeting the Group's strategic objectives.
- Reviewed the TNB Crisis Communication Manual, which is aligned to the TNB Corporate Emergency Response Plan, and recommended improvements to ensure the effectiveness of internal and external communication in the event of a crisis.
- Reviewed the Group's insurance programmes and recommended improvements to ensure that an adequate and effective risk transfer mechanism is in place to protect the interests of the Group.

Others

- Visited the Stesen Janakuasa Sultan Azlan Shah in Manjung, Perak to enhance the understanding of the application of risk management in the operations of the power station and provided feedback to Management on areas requiring improvement.

ENTERPRISE WIDE RISK MANAGEMENT

BRC is assisted by the Chief Risk Officer and the Enterprise Wide Risk Management (EWRM) Department in discharging its duties and responsibilities.

EWRM Department is responsible for the ongoing development and co-ordination of the EWRM framework in the Group. It is responsible to consolidate, assess and report risk information from across the Group as well as to establish the appropriate insurance programmes to provide appropriate and cost-effective protection for the Group. The implementation of EWRM in the Group is also subjected to the independent assurance and assessment of the Group Internal Audit Department.

EWRM Department ensures the implementation of the TNB EWRM Policy and Group-Wide Risk Assessment Process across the Group. The Group-Wide Risk Assessment Process is 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 a platform for operational divisions and subsidiaries to monitor identified risks and mitigation plans.

During the financial year, a total of 13 risk awareness and review sessions were carried out across the Group and 17 risk management compliance reviews were conducted. Moreover, 9 risk management training sessions were held at TNB's training subsidiary, TNB Integrated Learning Solutions Sdn. Bhd., for TNB personnel and as part of the Young Executives Development Programme (YEDP).

CONCLUSION

The BRC remains attuned to changes in the environment, responding as appropriate, to limit potential negative impact while capturing any possible upside opportunities in view of the Group's strategic direction.

This statement was made in accordance with the resolution of the Board of Directors dated 1 October 2014.

BOARD AUDIT COMMITTEE REPORT

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 115 TO 117 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	15/15
2.	Dato' Abd Manaf bin Hashim *Member*	Non-Executive Director	Yes	13/15
3.	Datuk Chung Hon Cheong *Member*	Non-Executive Director	Yes	15/15
4.	Sakthivel a/l Alagappan *Member – Appointed w.e.f. 1 April 2014*	Non-Executive Director	Yes	7/7
5.	Dato' Mohammad Zainal bin Shaari *Member – Appointed w.e.f. 1 April 2014 and Resigned w.e.f. 26 June 2014*	Non-Executive Director	No	2/4
6.	Tan Sri Dato' Hari Narayanan a/l Govindasamy *Member – Retired w.e.f. 19 December 2013*	Non-Executive Director	Yes	2/3

Presently, TNB's BAC consists of four (4) members and all the members are Non-Executive Directors. The BAC Chairman, Dato' Zainal Abidin bin Putih had obtained approval from shareholders to remain as Independent Director in the Annual General meeting held in December 2013 in compliance with Malaysian Code on Corporate Governance 2012.

Whilst the BAC Terms of Reference requires the Committee to meet 6 times a year, they met 15 times during the financial year. The Chief Internal Auditor and Company Secretary, who is also the secretary to BAC were in attendance during 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 the TNB Board meetings. Action sheets are issued by the Company Secretary on decisions made and actions required. These are circulated to Management for their action.

CHANGES IN BOARD AUDIT COMMITTEE MEMBER

The BAC Member, Tan Sri Dato' Hari Narayanan a/l Govindasamy retired as Committee Member with effect from 19 December 2013. Two (2) new BAC Members, Dato' Mohammad Zainal bin Shaari and Sakthivel a/l Alagappan were both appointed with effect from 1 April 2014 whilst Dato' Mohammad Zainal bin Shaari later resigned as Board Member with effect from 26 June 2014.

SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

The summary of principal activities performed by BAC during the Financial Year are set out below:

Risk Management

- Reviewed the system in place to identify, assess, mitigate and monitor Group-Wide Risk Assessment to promote and improve risk management awareness and processes.
- Deliberated on the appointment of the Chief Risk Officer.

Internal Audit

- Reviewed and approved Quality Assurance Improvement Program (QAIP) for Group Internal Audit (GIA) Department with its purpose to provide reasonable assurance to interested parties on activities conducted by GIA.
- Reviewed and approved 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 membership subscription to Corporate Executive Board Audit Leadership Council in view of its derived benefits.
- Reviewed internal audit reports for TNB and its Subsidiaries issued by GIA and external parties on the effectiveness and adequacy of governance, risk management, operational and compliance processes.

BOARD AUDIT COMMITTEE REPORT

- Reviewed the adequacy and effectiveness of corrective actions taken by management on all significant matters raised.
- Deliberated the results of ad-hoc investigations performed and confirmed that appropriate actions were taken to correct the weaknesses.
- Reviewed the Terms of Reference for audit on implementation on Incentive Based Regulation (IBR) in TNB.
- Reviewed and deliberated the results of Management & Engineering Audit 2012 on TNB performed by external consultants, PricewaterhouseCoopers and Australian Power & Water Pty Ltd.
- Reviewed and deliberated the results of Management & Engineering Audit 2012 on Kapar Energy Ventures Sdn. Bhd. and TNB Janamanjung Sdn. Bhd. performed by external consultants, Consortium Ernst & Young and ESB International (ESBI).
- Reviewed Assurance Map on TNB's state of internal control based on areas covered by GIA.
- Assessed the performance of the GIA Department.
- Reviewed the Key Performance Indicators achieved by Division Heads in completing corrective actions.
- Reviewed and deliberated the appointment of Chief Internal Auditor.

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 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, Statement on Corporate Governance, Board Risk Committee Report and Statement on Internal Audit Function.

Others

- Deliberated on progress updates on Brand Revitalisation program undertaken by TNB with Messrs Leo Burnett with the objective to enhance communication plans and branding activities.
- Reviewed and deliberated Regulated/Non-Regulated business structure and subsidiary reporting structure.
- Reviewed and received updates on the implementation of Corporate Reputation Survey Action Plan.
- Reviewed and deliberated enhancement to the procedure on handling disciplinary actions *(Prosedur Pengendalian Tindakan Tatatertib)*.
- Reviewed and received updates on proposed Fully Medical Insurance Scheme with the objective to enhance and manage TNB's medical cost effectively whilst maintaining the same medical benefits provided to TNB staff.
- Reviewed penalties or fines imposed by Regulators or other regulatory Government agencies on TNB's subsidiaries for breach of contract on regulatory non-compliance.
- Reviewed and deliberated on TNB's subsidiaries performance.
- Reviewed the customisation and realignment of policies and procedures for TNB subsidiaries.

GROUP INTERNAL AUDIT

BAC is assisted by GIA Department in the discharge of their duties and responsibilities. GIA is independent of operations and their primary responsibility is to provide assurance to BAC on the effectiveness of governance, risk management and internal control processes within the Company.

GIA uses risk-based approach and a weightage system to determine the priorities of the internal audit activities, consistent with the strategies of the Group. An Audit Management System (Teammate) is used to enhance the effectiveness and efficiency of the audit process. GIA also uses Computerised Audit Tools (i.e. IDEA) to improve data analytics and monitor trending to identify anomalies, exceptions, or unexplained patterns that may indicate fraud. During the year GIA has subscribed to Corporate Executive Leadership Audit Council membership to enhance its function and performance.

During the Financial Year, GIA issued 249 reports arising from the performance of 102 planned jobs, 4 ad-hocs and 143 follow-up audits on corrective actions. 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 they contain improvement opportunities, audit findings, Management response and corrective actions in areas with significant risks and internal control deficiencies. Management provided the corrective and preventive actions as well as deadlines to complete the actions. Reports that require significant improvement opportunities and/or shows critical control deficiencies were tabled to the BAC for deliberation. Additionally, Assurance Map on TNB's state of internal controls for areas reviewed were also tabled to 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 GIA Department.

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 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 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 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 249 reports arising from the performance of 102 planned jobs, 4 ad-hoc jobs and 143 follow-up audits on corrective actions. 2 planned audits were conducted together with Subject Matter Experts who have experiences in technical areas while the rest were performed in-house by GIA.

As at 31 August 2014, GIA had a total of 101 auditors, comprising staff from various backgrounds in engineering, finance, business, accounting, information and communication technology and quantity surveying. During the financial year, 3 staff joined whilst 22 staff left the Department. The BAC is informed of promotions and movements of GIA personnel.

In the Financial Year 2014 (FY2014), GIA spent a total of RM22.6 million, 66% of which was for staff-related costs, 17% for other operating costs and 17% for consultancy fees.

COMMITMENT TO COMPETENCE

A total of RM779,798 was spent on training in FY2014, with GIA staff being sent for courses in the areas of auditing skills, technical skills, business acumen, strategic management and personal development.

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 5 years after they pass the examinations. As at 31 August 2014, there are 8 CIAs in GIA. Meanwhile, 21 staff are pursuing the CIA qualification.

During the year, GIA was awarded with 3 Corporate Awards from the Institute of Internal Auditors Malaysia (IIAM) for strong commitment to Continuous Professional Development (for year 2012 and 2013), and strong commitment to the Certified Internal Auditor Programme (for year 2012). To date, GIA has won 8 Corporate Awards from IIAM since 2008.

IMPROVEMENT INITIATIVES

The initiatives/improvements carried out by GIA during the Financial Year include the following:

i. coordination of fraud and ethics survey to establish the perception of fraud and ethics in TNB as well as the awareness and effectiveness of internal control systems in managing them;
ii. coordination of the Management & Engineering (M&E) Audit 2012 for TNB;
iii. presentation of Assurance Map to BAC on the state of internal controls status in TNB based on planned audits reports issued;
iv. introduction of Audit Management Software to management to enable effective monitoring on corrective actions status;
v. realignment of GIA structure to ensure equitable distribution of assignments between each unit;
vi. implementation of job rotation between GIA's units to broaden GIA staff exposure and skills;
vii. attachment of GIA staff at Core Divisions to gain practical and operational experience;
viii. establishment of a Competency Framework for Internal Auditors to enable identification of required training to improve staff competency levels; and
ix. streamlining of compliance management functions at Generation, Transmission, Distribution and Investment Management Divisions to ensure effective utilisation of resources and consistent practices.

GIA is committed in 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;

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

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 it 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 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 Employees' Share Option Scheme (ESOS) in accordance with the Bursa Securities Listing Requirements as to provide a statement by audit committee 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.

7.3 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.

7.4 Internal Audit

7.4.1 To approve the Corporate Audit Charter of 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 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 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 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.

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

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 the 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 a 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 another 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

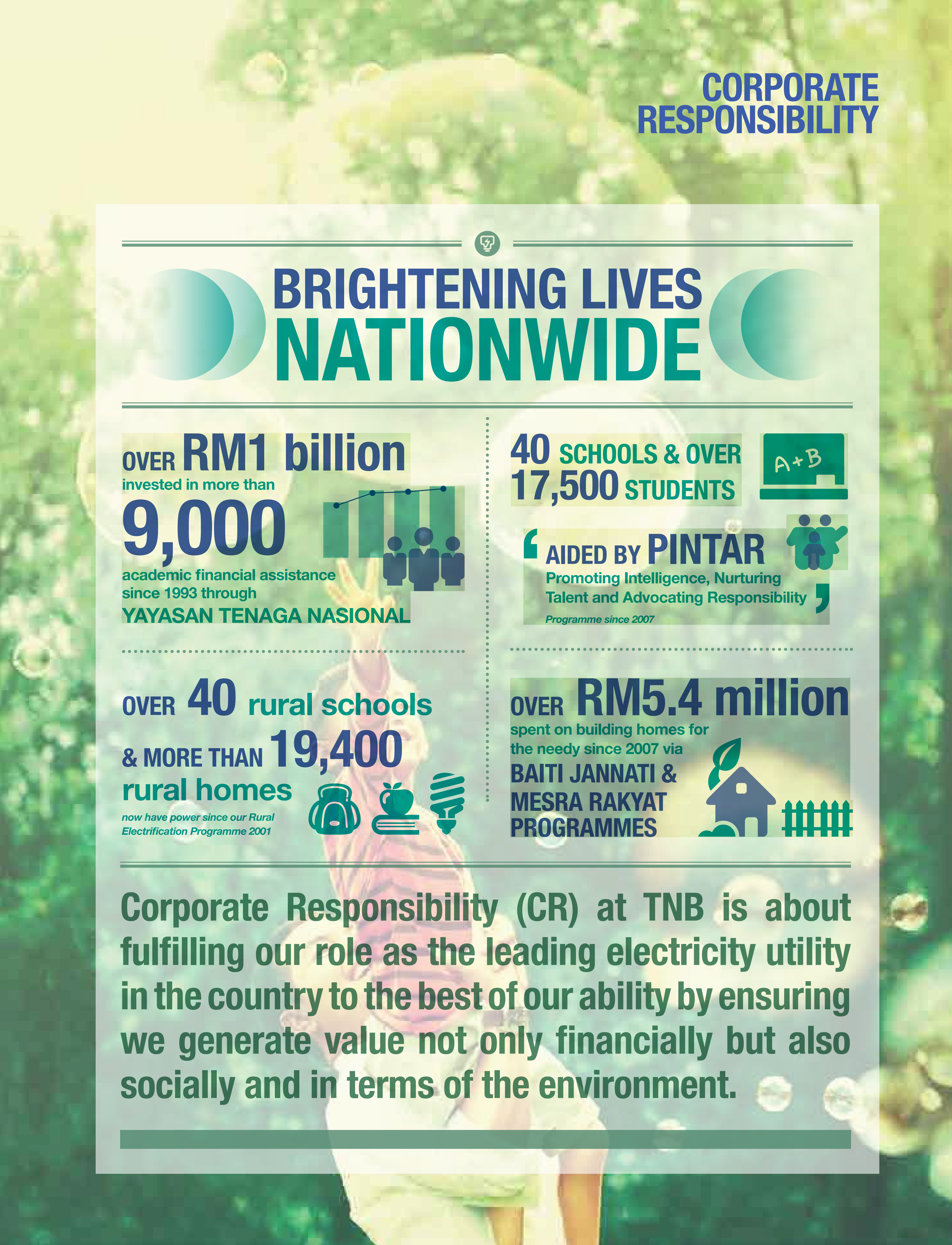
11.1 Any revision or amendment to the Terms of Reference, as proposed by the Committee or any third party, shall be presented to the Board for its approval.

11.2 Upon the Board's approval, the said revision or amendment shall form part of these Terms of Reference and this Terms of Reference, which shall be considered duly revised or amended.

SECTION

6

KEY INITIATIVES



BRIGHTENING LIVES NATIONWIDE

OVER RM1 billion
invested in more than
9,000
academic financial assistance
since 1993 through
YAYASAN TENAGA NASIONAL

40 SCHOOLS & OVER 17,500 STUDENTS

‘ **AIDED BY PINTAR**
Promoting Intelligence, Nurturing
Talent and Advocating Responsibility ’
Programme since 2007

OVER 40 rural schools
& MORE THAN 19,400 rural homes
now have power since our Rural Electrification Programme 2001

OVER RM5.4 million
spent on building homes for
the needy since 2007 via
BAITI JANNATI & MESRA RAKYAT PROGRAMMES

Corporate Responsibility (CR) at TNB is about fulfilling our role as the leading electricity utility in the country to the best of our ability by ensuring we generate value not only financially but also socially and in terms of the environment.

CORPORATE RESPONSIBILITY

MARKETPLACE
ENVIRONMENT
COMMUNITY
WORKPLACE

Lighting up rural areas through Rural Electrification Programme

Together with the Government, we play an important role in ensuring all Malaysians are provided with electricity, which is critical for socio-economic development. As a result of our efforts, Malaysia boasts one of the highest electricity coverages in Southeast Asia, with 99.8% access in Peninsular Malaysia and more than 91.0% in Sabah, where we have a presence through 83.0% equity in Sabah Electricity Sdn. Bhd..

Other than enhancing social well-being through the supply of electricity, we have been giving back to the community in various ways. Our efforts focus on filling in the gaps among the underprivileged, especially in key areas of empowerment such as housing and education. We have also been associated over the years as a staunch supporter of the development of national sporting talent and are proud of our continuing contributions in this regard.

Given the urgency of addressing the climate change, TNB has also over the years placed increasing emphasis on ensuring that all our operations are as environment-friendly as possible. In addition, we encourage green activities in the workplace and support environmental conservation efforts in the community through a number of programmes. We also take the lead in promoting greater generation and usage of RE by managing the Feed-in-Tariff that funds RE generation and connection to the National Grid.

In today's competitive and demanding marketplace, it is only expected for corporations to go beyond adding values to the community. More importantly, the efforts need to be communicated to shareholders and other stakeholders for them to understand the corporations' philosophies and appreciate their non-financial value creation. For this reason, we have taken to reporting our CR activities in our annual reports, and have adopted global best practices by categorising our initiatives under the four broad pillars of the Marketplace, Environment, Community and the Workplace.

Firefly Conservation Project at Kampung Kuantan, Kuala Selangor

Electrical Safety and Awareness Campaign (KKKE)

LEADING IN THE MARKETPLACE

Because of the geography of the country, and the fact that pockets of the population live in remote or hard to access locations, it has been a challenge to ensure 100% access to electricity.

Together with the Ministry of Rural and Regional Development (KKLW) and the Electricity Supplies Industry Trust Account (AAIBE) under KeTTHA, we have embarked on the Rural Electrification Programme (better known as Bekalan Elektrik Luar Bandar or BELB) precisely to serve communities in Peninsular Malaysia that are beyond the jurisdiction of the local authorities (PBT).

These include residents in very remote areas, orang asli (indigenous community) villages, islanders and settlers in small estates. In such instances, electricity is provided either by extending our grid lines or by making use of suitable forms of RE such as solar hybrid, wind turbines or mini hydro, or by installing diesel generator sets.

In the FY2014, we completed 19 rural electrification projects, lighting up almost 550 houses at the cost of RM9.8 million. Of these, 18 projects were funded by AAIBE/KeTTHA while the remaining project was funded by KKLW. At the same time, two mega BELB projects were initiated in December 2013, which are to be completed in June 2015. The projects, in Pulau Tuba, Langkawi and Pos Simpor and Pos Pulat in Gua Musang, Kelantan, costRM46.15 million and RM39 million and will light up 700 and 176 houses respectively.

Together with KKLW, we also run the Village Street Light Project (Projek Lampu Jalan Kampung or LJK). With funds from KKLW, we install 150W street lights and, subsequently, settle the related monthly electricity bills. From 2002 until 2011, a total of 137,109 street lights were erected throughout Peninsular Malaysia. In 2012, TNB was again awarded a 12-month contract to put up streetlights under LJK Phase 6. The programme was completed ahead of time with 64,226 street lights successfully installed.

While ensuring power supply, TNB also plays our part to see that local communities are aware of the dangers of electricity and know how to use electrical appliances safely. Since 2008, we have been running the Electrical Safety and Awareness Campaign (KKKE) which, fully supported by the Ministry of Education and ST, targets school children and teachers. In FY2014, more than 4,500 students and teachers in 13 schools gained potentially life-saving knowledge on electricity safety. Additional briefings and exhibitions were held for the benefit of the general public and for students at higher learning institutions.

Making use of our links with schools, we also educate youth on energy efficiency and produced a new syllabus on the subject during the financial year.

On a wider scale, TNB engages with members of local communities via the Community Outreach Programme (COP), which combines various activities from face-to-face dialogue to electricity safety exhibitions. In FY2014, 13 COP sessions were held throughout the peninsula, bringing together more than 15,000 of our valued customers.

CORPORATE RESPONSIBILITY

GREENING THE ENVIRONMENT

Given the nature of the energy sector, electricity utilities have an added responsibility to ensure our operations are as environmentally friendly as possible and that every effort is made to reduce our carbon footprint. Conscious of this imperative, TNB not only places priority on greening our operations, we also champion the greater adoption of RE in the country.

Our plants are prime examples of our commitment to environmental preservation. The 2,420MW Kapar Power Plant in Kuala Selangor, for example, was built in 1985 with British and Japanese clean-coal technology, has preserved the surrounding mangrove ecosystem so well that today the site is a haven for migratory birds. Every February, thousands of shorebirds descend here on their way further south to escape the harsh winters of Siberia, Mongolia, Alaska and China. Three ash ponds at the power plant serve as ideal spots for the birds to take refuge at high tide. Thus they have become temporary homes to the endangered Nordmann's Greenshank, lesser adjutant, Chinese egret, spoonbilled sandpiper (all vulnerable) as well as the Malaysian plower, Asian dowitcher and Far Eastern curlew. Having registered the Kapar Power Plant under the East Asean Australasian Shorebird network, the Management is committed to working with experts to preserve this man-made habitat.

Another environmentally successful man-made site is Lake Kenyir, which was created in 1985 by damming Kenyir River to build the hydroelectric Sultan Mahmud Power Station, in Terengganu. With algae growing on dead trees around the 38,000 hectare lake, this largest man-made water body in Southeast Asia has become a perfect breeding ground for fish. Among some 300 species of freshwater fish found here are the big Lampam Sungai (barboides), Kelah (Malayan mahseer or Tor tambroides), Toman (snakehead), Kawan (Friendly Barb), Kalui (Giant Gouramy) and Kelisa (green arowana). The lake also supports wildlife in the surrounding jungle, which includes endangered mammals such as the Asian elephant and Malaysian tiger.

Sultan Mahmud Power Station in Kenyir, Terengganu

Greening the environment through Tree For A Tree programme

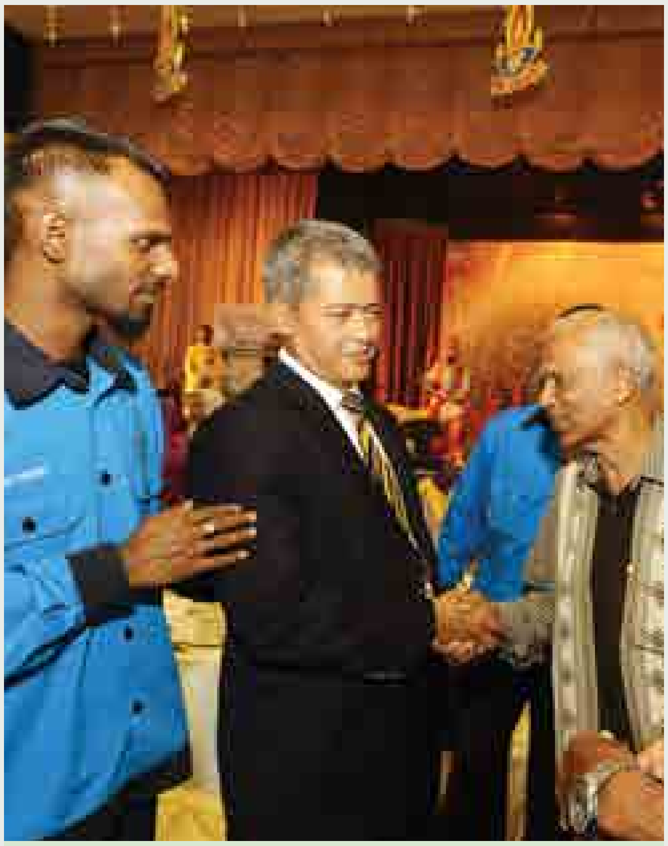
Meanwhile, our Stesen Janakuasa Sultan Azlan Shah in Perak (also known as TNB Janamanjung, or TNBJ), officially opened in 2007, boasts one of the most modern clean coal technologies available which meet World Health Organisation standards. The plant uses flue-gas desuphurisation equipment to trap sulphur dioxide and electrostatic precipitators to trap dust before pollution-free hot gases are discharged through the chimney. In line with its motto of "technology in harmony with nature", the power plant is further equipped with a first-of-its-kind smart weather-based coal dust suppression system for a coal stockyard in the country. Because it is environment-friendly, the mangroves surrounding the power plant continue to present a healthy ground for fishing to the local community. TNBJ has become a benchmark in sustainable energy production, and the Management readily shares its technology with peers to promote a greener energy sector.

Beyond our premises, TNB has been engaged in the Firefly Conservation Project in collaboration with the Selangor State Government through the Kuala Selangor District Council (MDKS) to preserve the firefly colony in Kampung Kuantan, Kuala Selangor. This project not only has bio-conservation value but also benefits the local community via enhanced ecotourism. Nearly 4,000 nature lovers have thronged the riverbank of Kampung Kuantan in yearly basis to observe the fireflies, bringing in some much appreciated tourist revenue. A further three-year extension of our MoU with MDKS beginning 2014 will allow us to further improve the socio-economic landscape of this village.

Other than Kampung Kuantan, we are contributing to the greening of the nation via our Tree For A Tree programme. Launched in 2009, the programme sees TNB replace any tree chopped down for the development of new electrical installation by planting a new seedling. In FY2014, about 200 seedlings were sown bringing the total number of trees grown under the programme to nearly 3,000.

CORPORATE RESPONSIBILITY

TNB's PINTAR Programme



Deepavali Open House

BRIDGING GAPS IN THE COMMUNITY

From our early days, TNB has played a pivotal role in the lives of local communities, especially in rural areas. Our power stations become the nucleus of village activities as these often serve as the only link between the local residents and authorities in the towns and cities.

Over the years, while local communities have become less dependent on TNB to meet their needs, our power stations have retained a strong connection with the people and continue to be integral to the surrounding landscape, with our personnel getting involved in *gotong-royong* programmes, organising the annual Power Station Open Day, helping to refurbish old homes, and providing free medical check-ups, among others.

Since 2007, we have been helping the underprivileged transform their dilapidated houses into comfortable homes equipped with all the basic amenities under a programme known as Baiti Jannati which means "My Home, My Paradise". Priority is given to senior citizens, single parents and the disabled. To date, TNB has invested RM4.6 million in the programme, bringing a fresh lease of life to 177 families. Under another home rehabilitation programme, Projek Mesra Rakyat (PMR), we see to the needs of all non-Malay customers in the peninsula. To date, 47 families have benefited from PMR.

Just as important as having a solid roof over one's head, we believe that a good education is essential in helping the underprivilege elevate their standard of living. Accordingly, we have been a loyal supporter of the Khazanah Nasional-inspired PINTAR programme which encourages Government-linked companies to adopt schools in rural and semi-urban areas. In FY2014, TNB adopted an additional of 13 schools nationwide for a period of three years. In addition to motivational camps, tuition classes, examination seminars and clinics, we 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. During the financial year, our PINTAR programme had a positive impact on the lives of 4,038 students, 391 teachers and 12,114 members of the local communities. Our work with PINTAR schools was acknowledged with a Gold for Excellence in the Provision of Literacy & Education Award at the 6th Annual Global CSR Summit & Awards 2014 held in April 2014 in Bali, Indonesia.

Our contributions in education extend to the tertiary level where, via our own training centre TNB Integrated Learning Solution Sdn. Bhd. (ILSAS) and our wholly-owned Universiti Tenaga Nasional (UNITEN), we support the Government in its aspiration to nurture a skilled and knowledgeable workforce that is able to drive a high-income, innovative economy for the Nation. UNITEN offers quality programmes in engineering, IT and business/finance at the foundation, undergraduate and postgraduate levels. In FY2014, no less than 1,241 young Malaysians graduated from the university.

Our foundation, Yayasan Tenaga Nasional (YTN), supports our educational initiatives by providing scholarships, convertible loans and organising other

CORPORATE RESPONSIBILITY

Human capital development at UNITEN

TNB's Baiti Jannati "My Home, My Paradise" Programme

programmes to help deserving students achieve academic success. In FY2014, YTN spent a total of RM43.9 million in sponsoring 2,053 outstanding students to further their studies either at local or foreign universities. This is the biggest annual contribution yet by TNB in our effort to nurture a knowledgeable and professional future workforce.

In terms of nurturing the country's sports talent, TNB has been collaborating with schools via the various state hockey associations to provide intermediate to advanced coaching to teenagers who have an aptitude for the sport. We also worked closely with Sekolah Sukan Tengku Mahkota Ismail (SSTMI) Bandar Penawar to coach their hockey talent with the intention of absorbing selected players into TNB's own hockey team. With our support, SSTMI has won the Malaysian Junior Hockey League (MJHL) four times in recent years. The Company was also the Hockey Event Sponsor for Sukan Malaysia Edisi ke-17 (SUKMA 17) held in Perlis from May-June 2014, channelling a total of RM3,544,763 in cash and kind to the national sports event.

BRINGING OUT THE BEST IN OUR WORKPLACE

TNB highly values our 36,146 employees and provides them with a conducive work environment that is both challenging and rewarding. While empowering our workforce via systematic training programmes and career development opportunities, we also ensure their health and safety, and offer attractive compensation and benefits as well as the opportunity to strike a good work-life balance.

We engage in an integrated human resources and career development initiative, in which training, education and development programmes are directly linked to the career path and progression of our employees. Although there are distinct career plans for executives and non-executives, there is a link between the two, offering opportunities for career advancement for non-executives who aspire to serve the Company in executive positions. In FY2014, RM152.4 million was spent on professional development, and 83% of the workforce attended at least three days' training that had helped them to perform their duties better.

Our employee healthcare benefits are among the most comprehensive in the country. Currently, we have 1,218 clinics and hospitals across the country on our panel. In addition to medical treatment, we also provide our employees and retirees medical aids such as wheelchairs, hearing aids and prosthetic limbs. Our healthcare benefits cover employees' spouses and children up to the age of 18 years, or up to 24 years if they are still studying, with no age limit for "special children". Employees aged 40 and above are encouraged to undergo full medical examinations at least once every two years, while health talks and screenings are routinely held. At work, we allocate an hour every week for employees to take part in physical or sports activities under the Total Wellness Programme.

CORPORATE RESPONSIBILITY

To create a sense of belonging to the Company, we adopt several initiatives to engage all our employees. Corporate updates are disseminated via various electronic and print channels, and we encourage our employees to voice out their opinions or grouses directly to the top management through emails and dialogue sessions. Our efforts to be "The Employer of Choice" have borne fruit; in an Employee Engagement Survey (EES) conducted in June 2014, we scored 85% which is the highest among all Malaysian GLCs.

Towards promoting a safe work environment, all employees attend at least one day of Occupational Safety and Health (OSH) training per year, choosing from courses such as SEMS Auditors, Safety Representatives and Office Safety. At the same time, all divisions and subsidiaries are adopting a Safety Excellence Management System (SEMS). As a result of these initiatives, more departments have been certified to OHSAS 18000 and MS 1722.

To promote a family-friendly work environment, we provide nine nurseries and 11 kindergartens at our premises nationwide. Tuition is offered for older children, at a minimal rate at RM20. We spend RM581,000 for 11 Kelas Bimbingan Tenaga (KBT) with 355 students. Meanwhile, staff are encouraged to take part in activities organised by our in-house clubs and societies, which are funded by TNB. Among the more salient clubs are the sports-centric Kilat Club; PELITAWANIS, which caters to woman employees and wives of employees; PAKATAN/Persatuan Kebajikan Pekerja Islam TNB (PKPI), which looks into the welfare of Muslim employees and which also organises outreach programmes; and Persatuan Bekas Pekerja LLN/TNB for retirees.

Families are invited to take part in fun-filled Family Days which alternate on a yearly basis with Sports Carnivals. The Family Days are held at the headquarters and at the individual states, while the Sports Carnivals bring together sportsmen from the TNB family from all over Malaysia to the Klang Valley.

In recognition of loyal employees, every year TNB organises the Long Service Award Ceremony to fete those who have served 25, 30, 35 and 40 years at the Company. In FY2014, the event was held on 1-2 March 2014, and was attended by 2,049 employees from all over the country.

In the event of death of an employee, the Company provides RM2,000 to the widows and gives monthly stipends of RM60 each to orphans aged seven to 12 years, and RM90 each to children aged 13-17 years. In FY2014, TNB spent approximately RM703,000 on both programmes, benefiting 44 TNB widows, 473 TNB orphans and 263 TNB special children. The Company also provides RM2,500 to the next of kin for the funeral ceremony. Meanwhile, Kumpulan Wang Khairat Pekerja dan Pesara TNB (KWKPPTNB) helps the families of the bereaved to pay for funeral expenses.

Internally, TNB fosters the spirit of 1Malaysia by hosting Hari Raya Aidilfitri, Chinese New Year and Deepavali open house at our headquarters and all state offices at which the management, staff, stakeholders and other guests come together in the spirit of unity. 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 and orphans, including community leaders, to a breaking of fast at a local mosque.

Nurturing future hockey talents through TNB's Hockey Clinic

Lending a helping hand through TNB's CR programmes

ENVIRONMENTAL POLICY

TNB IS COMMITTED TO PROTECTING THE ENVIRONMENT AND HELPING THE GOVERNMENT TO ACHIEVE ITS TARGET TO REDUCE CARBON EMISSION BY UP TO 40 PERCENT BY 2020. OUR ACTIONS ARE GUIDED BY AN ENVIRONMENTAL POLICY WHICH ENSURES THAT WE ABIDE BY ALL RELEVANT LAWS AND REGULATIONS WITH REGARDS TO THE ENVIRONMENT.

We have implemented an Environmental Management System (EMS) to minimise the impact of our activities on the environment. Under the EMS, we have also undertaken various initiatives to fine-tune our processes and procedures to further improve our carbon footprint.

Protected slope using used tyres

Educational visit by students from SK Lanai, Pahang

UTILISING USED MATERIALS FOR SLOPE PROTECTION WORKS

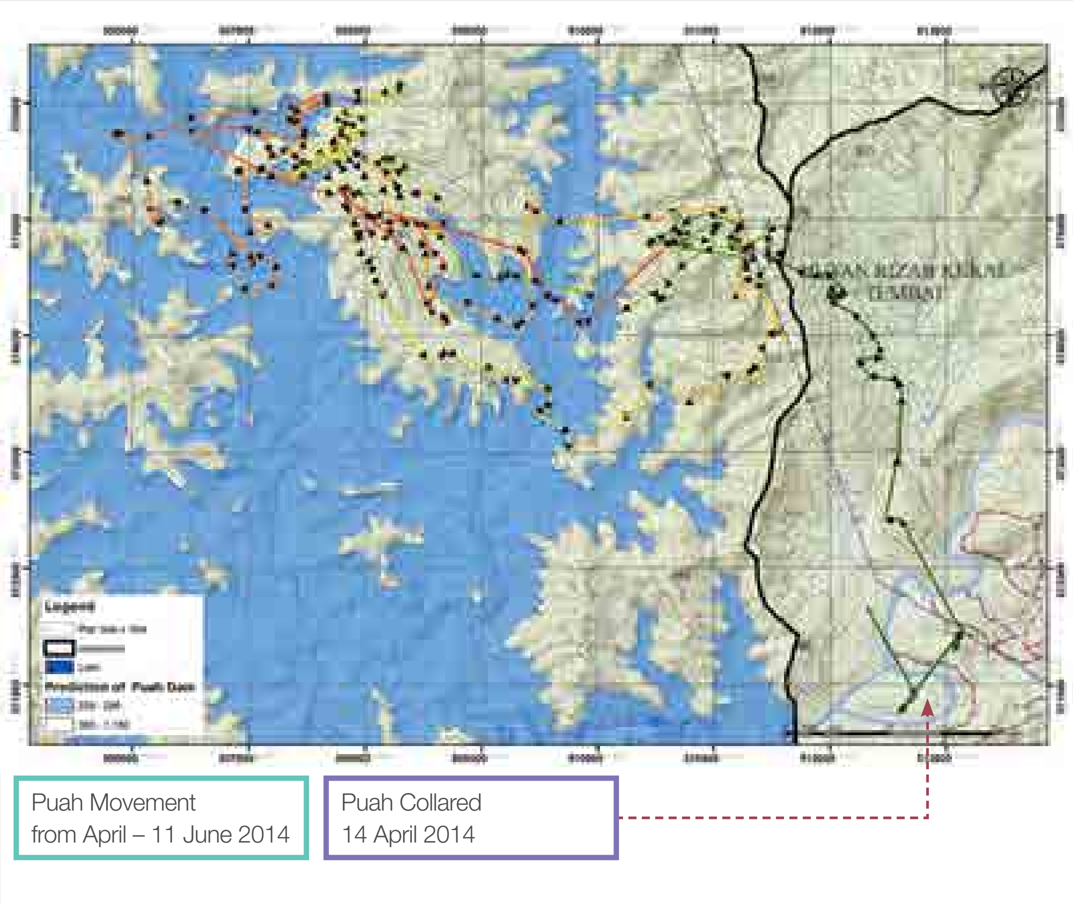
An innovative system has been developed to utilise used materials for our slope protection works. In a pilot study, at a site located at one of TNB's transmission lines, used company's vehicle tyres were designed to be embedded into the slope to prevent erosion and to rectify its stability. This study was undertaken by TNB Research Sdn. Bhd. (TNBR) together with Transmission Division's Civil Engineering Unit. The method has proven to be successful and Transmission Division is currently considering is apply this method to other similar slopes in TNB's Transmission network.

DEVELOPMENT OF A COMPREHENSIVE PUBLIC ACCEPTANCE MODEL FOR NEW HYDROELECTRIC PROJECTS

In the face of growing opposition against the development of hydroelectric plants in Malaysia, TNB is conducting a study to develop a public acceptance model that will address the social and environment impacts of such projects. TNB is very concern on its social obligations and is committed to a fair compensation system for all its stakeholders, especially on issues such as the loss of 'tanah adat' (traditional land) by the local communities. In its effort to ensure sustainability, TNB is adapting international guidelines by organisations such as the World Commission on Dams (WCD) and International Hydropower Association (IHA) in its Public Acceptance Model. The pilot study for the development of the model is the Telom Hydroelectric Project which TNB is now embarking. The model will serve as a guide for decisions to be made regarding the development of the project. The model will also be properly documented and will be used as reference for the development of future hydroelectric projects in Malaysia. The study is a comprehensive study which involves public and land surveys, technical and educational visits, focus group discussions and environmental awareness activities.

ENVIRONMENTAL POLICY

Elephant collared with GPS satellite



Movement record of the collared elephant in the study

Minimising the Impact of a Hydroelectric Project on Elephants' Habitat, Movement and Distribution

TNB is constructing two dams in the Tembat and Petuang Forest Reserves as part of its Hulu Terengganu Hydroelectric Project. The area is known for its large elephant population and, in upholding the environment, TNB is very concerned and wants to ensure that the development will have minimum impact on the elephants' habitat, movement and distribution. To do this, TNB Research Sdn. Bhd. (TNBR) in collaboration with the Department of Wildlife and National Parks (Jabatan PERHILITAN) and Universiti Kebangsaan Malaysia (UKM) are currently carrying out a study to monitor the elephants' movement during the construction as well as the operational stages. In the study, the elephants in the area are fitted with GPS satellite collars, from which signals are obtained, and their movements are tracked and monitored online. Results from the study will assist in the development of a human-elephant conflict management plan which will be used for the project as well as other future hydroelectric projects.

Reducing Our Carbon Footprint

To answer the national call for a reduction in the greenhouse gas (GHG) emissions, TNB through TNB Research Sdn. Bhd. (TNBR) had conducted a study to develop a methodology to measure and monitor GHG emissions from all its operational activities in Generation, Transmission and Distribution divisions. At the same time, a GHG baseline was established and potential mitigation measures to reduce GHG emissions were identified. A Carbon Footprint Monitoring Tool was also developed to monitor direct emissions from power stations and other combustion sources, fugitive emissions of sulphur hexafluoride (SF6) and hydrofluorocarbons (HFC) from electrical equipment and direct discharges of carbon dioxide CO_2 from fire safety systems.

In developing the monitoring tool, and in line with international procedures, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard developed by the World Research Institute and World Business Council for Sustainable Development and the ISO 14064 International Standard for GHG Emissions Inventories and Verification were strictly followed.

Emission and Dispersion of Mercury and other Heavy Metals from TNB's coal-fired power plant

In our commitment to protecting the environment, TNB continuously carries out studies with the 'state-of-the art' techniques in measuring the emission and dispersion of mercury and other heavy metal from its coal-fired power stations. This was done vis-à-vis on the growing awareness on the impact of these heavy metals on human health. In a study, carried out by TNB Research Sdn. Bhd. (TNBR) at Stesen Janakuasa Sultan Azlan Shah, Manjung, the movement of heavy metals, were traced from raw coal, through the combustion process, into its waste products and its emission and dispersion into the environment. The findings of the study reveal heavy metals concentrations of well below the acceptable limits as set forth by local authorities as well as international standards.

SECTION

7

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 2014.

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	6,467.0	5,968.7
- Non-controlling interests	(40.2)	0
Profit for the financial year	6,426.8	5,968.7

DIVIDENDS

The dividends paid or declared since the previous financial year ended 31 August 2013 were as follows:

	RM'million
In respect of the financial year ended 31 August 2013 as shown in the Directors' Report for that financial year:	
Final single tier dividend of 15.0 sen per ordinary share, paid on 31 December 2013	846.5
In respect of the financial year ended 31 August 2014:	
Interim single tier dividend of 10.0 sen per ordinary share, paid on 29 May 2014	564.4

For the financial year ended 31 August 2014, the Directors had on 31 October 2014 recommended the payment of a final single tier dividend of 19.0 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, no new shares were issued by the Company.

DIRECTORS' REPORT

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	
Datuk Nozirah binti Bahari	
Ahmad Farouk bin Mohamed	(Appointed w.e.f. 26 June 2014) (Alternate Director to Dato' Mohammad Zainal bin Shaari Appointed w.e.f. 24 April 2014 Resigned w.e.f. 26 June 2014)
Dato' Zainal Abidin bin Putih	
Tan Sri Dato' Seri Siti Norma binti Yaakob	
Dato' Abd Manaf bin Hashim	
Datuk Chung Hon Cheong	
Sakthivel a/l Alagappan	(Appointed w.e.f. 1 February 2014)
Datuk Wira Ir. Md Sidek bin Ahmad	(Appointed w.e.f. 1 March 2014)
Dato' Mohammad Zainal bin Shaari	(Resigned w.e.f. 26 June 2014)
Suria binti Ab Rahman	(Alternate Director to Dato' Mohammad Zainal bin Shaari Resigned w.e.f. 24 April 2014)
Dato' Fuad bin Jaafar	(Resigned w.e.f. 1 February 2014)
Tan Sri Dato' Hari Narayanan a/l Govindasamy	(Retired w.e.f. 19 December 2013)

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.

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 1.9.2013	Acquired	Disposed	As at 31.8.2014
Datuk Seri Ir. Azman bin Mohd	4,375*	0	4,375*	**0**
Dato' Zainal Abidin bin Putih	1,562	0	0	**1,562**
Tan Sri Dato' Seri Siti Norma binti Yaakob	1,562	0	0	**1,562**

* *Through nominees of Tasec Nominees (Tempatan) Sdn. Bhd.*

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 or debentures of the Company and its related corporations.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the Consolidated Statement 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.

In the opinion of the Directors:

(a) the results of the Group 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 2014.

TAN SRI LEO MOGGIE
Chairman

DATUK SERI IR. AZMAN MOHD
President/Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

		Group		Company	
	Note	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
Revenue	4	**42,792.4**	37,130.7	**39,800.6**	34,768.5
Operating expenses	5	**(36,265.1)**	(31,847.2)	**(33,501.3)**	(29,355.6)
Other operating income	7	**653.7**	623.4	**593.9**	603.3
Operating profit		**7,181.0**	5,906.9	**6,893.2**	6,016.2
Foreign exchange gain	8	**448.9**	602.7	**444.7**	653.4
Share of results of joint ventures	15(a)	**19.6**	9.6	**0**	0
Share of results of associates	16	**83.1**	74.9	**0**	0
Profit before finance cost		**7,732.6**	6,594.1	**7,337.9**	6,669.6
Finance income	9	**256.7**	225.2	**200.8**	276.0
Finance cost	9	**(874.6)**	(894.2)	**(967.7)**	(1,431.5)
Profit before taxation and zakat		**7,114.7**	5,925.1	**6,571.0**	5,514.1
Taxation and zakat	10	**(687.9)**	(542.3)	**(602.3)**	(252.2)
Profit for the financial year		**6,426.8**	5,382.8	**5,968.7**	5,261.9
Profit attributable to:					
- Owners of the Company		**6,467.0**	5,356.2	**5,968.7**	5,261.9
- Non-controlling interests		**(40.2)**	26.6	**0**	0
Profit for the financial year		**6,426.8**	5,382.8	**5,968.7**	5,261.9

		Sen	Sen (Restated)
Earnings per share:			
- Basic	11(a)	114.59	96.13
- Diluted	11(b)	114.59	95.96

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
Profit for the financial year	**6,426.8**	5,382.8	**5,968.7**	5,261.9
Other comprehensive income/(expense)				
Items that will not be reclassified subsequently to profit or loss:				
Defined benefit plan actuarial gains/(losses)	**441.7**	(3,905.5)	**423.4**	(3,761.8)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	**31.0**	46.5	**0**	0
Fair value of available-for-sale financial assets	**0.1**	0.2	**0**	0
Total other comprehensive income/(expense) for the financial year	**472.8**	(3,858.8)	**423.4**	(3,761.8)
Total comprehensive income for the financial year	**6,899.6**	1,524.0	**6,392.1**	1,500.1
Attributable to:				
- Owners of the Company	**6,939.8**	1,497.4	**6,392.1**	1,500.1
- Non-controlling interests	**(40.2)**	26.6	**0**	0
Total comprehensive income for the financial year	**6,899.6**	1,524.0	**6,392.1**	1,500.1

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2014

	Note	Group			Company		
		31.8.2014 RM'million	31.8.2013 (Restated) RM'million	1.9.2012 (Restated) RM'million	31.8.2014 RM'million	31.8.2013 (Restated) RM'million	1.9.2012 (Restated) RM'million
NON-CURRENT ASSETS							
Property, plant and equipment	13	**83,045.1**	75,460.5	66,036.0	**71,002.6**	69,149.6	62,530.6
Subsidiaries	14	**0**	0	0	**4,033.7**	3,037.8	2,964.2
Joint ventures	15(a)	**103.3**	83.7	74.1	**0**	0	0
Associates	16	**508.8**	483.2	491.2	**181.6**	187.4	213.0
Investments in unquoted debt security	17	**163.1**	163.7	163.7	**163.1**	163.7	163.7
Tax recoverable		**1,693.2**	1,693.2	1,693.2	**1,693.2**	1,693.2	1,693.2
Deferred tax assets	18	**15.2**	4.9	0	**0**	0	0
Long term receivables	19	**270.6**	314.8	447.9	**1,144.4**	1,235.8	1,184.6
Finance lease receivable	20	**13.4**	15.4	0	**0**	0	0
Prepaid operating leases	21(a)	**4,763.8**	4,167.4	3,767.7	**4,484.3**	3,912.7	3,539.1
Derivative financial instruments	22	**42.7**	61.9	116.3	**0**	0	0
Available-for-sale financial assets	23	**38.3**	38.2	38.0	**38.0**	38.0	38.0
		90,657.5	82,486.9	72,828.1	**82,740.9**	79,418.2	72,326.4
CURRENT ASSETS							
Non-current assets held-for-sale	24	**0**	9.8	9.8	**0**	9.8	9.8
Inventories	25	**887.3**	616.9	792.3	**194.1**	215.8	270.8
Receivables, deposits and prepayments	26	**7,132.3**	7,179.3	6,874.6	**4,948.3**	5,046.9	4,963.3
Tax recoverable		**35.5**	21.6	142.4	**14.7**	0	0
Finance lease receivable	20	**0.7**	1.4	0	**0**	0	0
Prepaid operating leases	21(a)	**92.2**	21.7	21.6	**70.5**	0	0
Amounts due from subsidiaries	27	**0**	0	0	**1,564.3**	1,846.1	1,939.3
Amounts due from joint ventures		**22.1**	21.9	30.4	**0**	0	0
Amounts due from associates		**79.2**	87.5	62.6	**74.6**	85.6	61.6
Financial assets at fair value through profit or loss	28	**3,646.1**	9.7	9.1	**1,501.7**	9.7	9.1
Deposits, bank and cash balances	29	**8,112.5**	9,542.6	8,636.2	**3,445.6**	4,304.3	3,961.2
		20,007.9	17,512.4	16,579.0	**11,813.8**	11,518.2	11,215.1

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2014

	Note	Group			Company		
		31.8.2014 RM'million	31.8.2013 (Restated) RM'million	1.9.2012 (Restated) RM'million	31.8.2014 RM'million	31.8.2013 (Restated) RM'million	1.9.2012 (Restated) RM'million
CURRENT LIABILITIES							
Payables	30	**7,973.5**	6,613.4	5,768.2	**5,209.2**	4,149.4	3,485.6
Finance lease payables	31	**651.6**	604.4	34.7	**1,305.9**	1,301.5	671.6
Deferred income	32	**1,158.5**	1,062.1	894.7	**1,043.1**	997.1	770.0
Amounts due to subsidiaries	27	**0**	0	0	**1,996.9**	768.1	1,246.0
Amounts due to associates		**575.5**	615.6	697.9	**566.5**	603.5	697.9
Current tax liabilities		**56.1**	100.9	331.0	**27.5**	46.1	263.5
Derivative financial instruments	22	**0**	0.3	0	**0**	0.3	0
Employee benefits	33	**568.3**	668.8	497.5	**556.4**	652.8	488.5
Short term borrowings	34	**2,480.4**	1,148.8	1,593.3	**448.7**	459.8	759.3
		13,463.9	10,814.3	9,817.3	**11,154.2**	8,978.6	8,382.4
NET CURRENT ASSETS		**6,544.0**	6,698.1	6,761.7	**659.6**	2,539.6	2,832.7
TOTAL ASSETS LESS CURRENT LIABILITIES		**97,201.5**	89,185.0	79,589.8	**83,400.5**	81,957.8	75,159.1
NON-CURRENT LIABILITIES							
Borrowings	35	**22,975.6**	21,739.6	21,168.6	**8,715.8**	9,373.8	10,735.6
Consumer deposits	36	**3,824.3**	3,478.5	3,284.7	**3,605.5**	3,271.2	3,093.8
Finance lease payables	31	**6,137.4**	5,030.6	775.8	**14,520.3**	15,847.2	11,893.9
Deferred income	32	**1,642.5**	2,062.8	2,294.4	**1,407.0**	1,721.0	2,016.4
Amounts due to subsidiaries	27	**0**	0	0	**738.0**	2,200.7	2,383.4
Derivative financial instruments	22	**4.9**	12.8	21.5	**4.9**	12.8	21.5
Other liabilities	37	**1,156.7**	905.0	871.0	**567.4**	520.6	496.7
Deferred tax liabilities	18	**6,716.1**	6,427.9	7,874.1	**5,074.0**	4,718.8	6,178.8
Employee benefits	33	**10,263.2**	10,775.4	5,643.7	**9,922.5**	10,427.8	5,439.4
Government development grants	38	**1,021.6**	781.7	671.0	**0**	0	0
		53,742.3	51,214.3	42,604.8	**44,555.4**	48,093.9	42,259.5
TOTAL NET ASSETS		**43,459.2**	37,970.7	36,985.0	**38,845.1**	33,863.9	32,899.6

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2014

	Note	Group			Company		
		31.8.2014 RM'million	31.8.2013 (Restated) RM'million	1.9.2012 (Restated) RM'million	31.8.2014 RM'million	31.8.2013 (Restated) RM'million	1.9.2012 (Restated) RM'million
EQUITY							
Share capital	39	**5,643.6**	5,643.6	5,501.6	**5,643.6**	5,643.6	5,501.6
Share premium	40	**5,382.2**	5,382.2	4,529.1	**5,382.2**	5,382.2	4,529.1
Other reserves	41	**(5,036.3)**	(5,509.1)	(1,468.7)	**(4,782.8)**	(5,206.2)	(1,262.8)
Retained profits	42	**37,232.5**	32,176.4	28,169.5	**32,602.1**	28,044.3	24,131.7
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		**43,222.0**	37,693.1	36,731.5	**38,845.1**	33,863.9	32,899.6
NON-CONTROLLING INTERESTS		**237.2**	277.6	253.5	**0**	0	0
TOTAL EQUITY		**43,459.2**	37,970.7	36,985.0	**38,845.1**	33,863.9	32,899.6

	Sen	Sen (Restated)	Sen (Restated)
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	**765.9**	667.9	667.7

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

		Attributable to owners of the Company							
	Note	Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Employees' Share Option Scheme reserve RM'million	Employee benefit reserve RM'million	Other reserves RM'million	Retained profits RM'million	Non-controlling interests RM'million	Total equity RM'million
Group									
At 1 September 2013 (as previously reported)		**5,643.6**	**5,382.2**	**0**	**(5,358.0)**	**(151.1)**	**29,600.6**	**273.6**	**35,390.9**
Effects of adoption of MFRS 10	49	0	0	0	0	0	65.3	(24.2)	41.1
Prior year adjustments	49	0	0	0	0	0	2,510.5	28.2	2,538.7
At 1 September 2013 (restated)		**5,643.6**	**5,382.2**	**0**	**(5,358.0)**	**(151.1)**	**32,176.4**	**277.6**	**37,970.7**
Profit for the financial year		0	0	0	0	0	6,467.0	(40.2)	6,426.8
Foreign currency translation reserve		0	0	0	0	31.0	0	0	31.0
Fair value of available-for-sale financial assets		0	0	0	0	0.1	0	0	0.1
Employee benefit reserve		0	0	0	441.7	0	0	0	441.7
Total comprehensive income for the financial year		**0**	**0**	**0**	**441.7**	**31.1**	**6,467.0**	**(40.2)**	**6,899.6**
Dividend paid to non-controlling interest		0	0	0	0	0	0	(0.6)	(0.6)
Dividend paid:									
- Final for FY2013		0	0	0	0	0	(846.5)	0	(846.5)
- Interim for FY2014		0	0	0	0	0	(564.4)	0	(564.4)
Issuance of shares in a subsidiary		0	0	0	0	0	0	0.4	0.4
Total transaction with owners		**0**	**0**	**0**	**0**	**0**	**(1,410.9)**	**(0.2)**	**(1,411.1)**
At 31 August 2014		**5,643.6**	**5,382.2**	**0**	**(4,916.3)**	**(120.0)**	**37,232.5**	**237.2**	**43,459.2**

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

		Attributable to owners of the Company							
	Note	Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Employees' Share Option Scheme reserve RM'million	Employee benefit reserve RM'million	Other reserves RM'million	Retained profits RM'million	Non-controlling interests RM'million	Total equity RM'million
Group									
At 1 September 2012 (as previously reported)		5,501.6	4,529.1	181.6	(1,452.5)	(197.8)	26,335.7	259.6	35,157.3
Effects of adoption of MFRS 10	49	0	0	0	0	0	62.7	(22.1)	40.6
Prior year adjustments	49	0	0	0	0	0	1,771.1	16.0	1,787.1
At 1 September 2012 (restated)		5,501.6	4,529.1	181.6	(1,452.5)	(197.8)	28,169.5	253.5	36,985.0
Profit for the financial year		0	0	0	0	0	5,356.2	26.6	5,382.8
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	5,356.2	26.6	1,524.0
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 (restated)		5,643.6	5,382.2	0	(5,358.0)	(151.1)	32,176.4	277.6	37,970.7

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

		Non-distributable				Distributable	
	Note	Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Employees' Share Option Scheme reserve RM'million	Employee benefit reserve RM'million	Retained profits RM'million	Total equity RM'million
Company							
At 1 September 2013 (as previously reported)		**5,643.6**	**5,382.2**	**0**	**(5,206.2)**	**25,671.4**	**31,491.0**
Prior year adjustments	49	0	0	0	0	2,372.9	2,372.9
At 1 September 2013 (restated)		**5,643.6**	**5,382.2**	**0**	**(5,206.2)**	**28,044.3**	**33,863.9**
Profit for the financial year		0	0	0	0	5,968.7	5,968.7
Employee benefit reserve		0	0	0	423.4	0	423.4
Total comprehensive income for the financial year		**0**	**0**	**0**	**423.4**	**5,968.7**	**6,392.1**
Dividend paid:	12						
- Final for FY2013		0	0	0	0	(846.5)	(846.5)
- Interim for FY2014		0	0	0	0	(564.4)	(564.4)
Total transaction with owners		**0**	**0**	**0**	**0**	**(1,410.9)**	**(1,410.9)**
At 31 August 2014		**5,643.6**	**5,382.2**	**0**	**(4,782.8)**	**32,602.1**	**38,845.1**

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

		Non-distributable				Distributable	
	Note	Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Employees' Share Option Scheme reserve RM'million	Employee benefit reserve RM'million	Retained profits RM'million	Total equity RM'million
Company							
At 1 September 2012 (as previously reported)		5,501.6	4,529.1	181.6	(1,444.4)	22,438.5	31,206.4
Prior year adjustments	49	0	0	0	0	1,693.2	1,693.2
At 1 September 2012 (restated)		5,501.6	4,529.1	181.6	(1,444.4)	24,131.7	32,899.6
Profit for the financial year		0	0	0	0	5,261.9	5,261.9
Employee benefit reserve		0	0	0	(3,761.8)	0	(3,761.8)
Total comprehensive income for the financial year		0	0	0	(3,761.8)	5,261.9	1,500.1
Dividend paid:	12						
- Final for FY2012		0	0	0	0	(830.3)	(830.3)
- Interim for FY2013		0	0	0	0	(560.0)	(560.0)
Employees' Share Option Scheme:							
- Options granted		0	0	43.3	0	0	43.3
- Options exercised		0	183.9	(183.9)	0	0	0
- Options expired		0	0	(41.0)	0	41.0	0
Issuance of share capital:							
- Share options	39, 40	142.0	669.2	0	0	0	811.2
Total transaction with owners		142.0	853.1	(181.6)	0	(1,349.3)	(535.8)
At 31 August 2013 (restated)		5,643.6	5,382.2	0	(5,206.2)	28,044.3	33,863.9

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial year	**6,426.8**	5,382.8	**5,968.7**	5,261.9
Adjustments for:				
Taxation and zakat	**687.9**	542.3	**602.3**	252.2
Property, plant and equipment ('PPE'):				
- Depreciation	**4,872.5**	4,539.5	**4,608.8**	4,281.9
- Written off	**98.1**	28.9	**98.1**	28.9
- Gain on disposals	**(3.9)**	(5.7)	**(27.5)**	(5.5)
- (Reversal)/Impairment of PPE	**(154.6)**	100.0	**0**	0
Provision for retirement benefits	**759.2**	777.1	**736.7**	758.7
Provision for share options	**0**	43.3	**0**	34.1
Translation gain	**(445.3)**	(493.6)	**(442.7)**	(551.0)
Gain on:				
- Disposal of non-current assets held-for-sale	**(4.0)**	(10.6)	**(4.0)**	(10.6)
- Redemption of redeemable preference shares in a subsidiary	**0**	0	**(45.8)**	0
Share of results in joint ventures	**(19.6)**	(9.6)	**0**	0
Share of results in associates	**(83.1)**	(74.9)	**0**	0
Dividend income	**(1.7)**	(1.5)	**(108.1)**	(96.6)
Interest income	**(239.5)**	(219.1)	**(313.2)**	(295.6)
Interest on borrowings	**438.9**	573.4	**165.0**	313.3
Release of deferred income	**(1,476.6)**	(958.1)	**(1,113.9)**	(862.3)
Release of Government development grants	**(68.4)**	(58.3)	**0**	0
Allowance for impairment:				
- Receivables	**308.9**	117.5	**260.0**	113.1
- Amounts due from subsidiaries	**0**	0	**215.0**	23.3
Reversal of impairment:				
- Receivables	**(172.4)**	(39.7)	**(124.8)**	(24.9)
- Amounts due from subsidiaries	**0**	0	**(339.9)**	(64.5)
Reversal of allowance for diminution in value of investments in a subsidiary	**0**	0	**(59.1)**	0
Changes in fair value of FVTPL	**0.6**	0.3	**0.6**	0.3
Allowance for inventory obsolescence	**217.6**	160.8	**217.6**	160.8
Write-back of inventory obsolescence	**(211.6)**	(152.8)	**(211.6)**	(152.8)
Inventories written off	**19.9**	20.7	**19.9**	20.7
Changes in fair value of derivatives and accretion of interest	**9.9**	53.6	**108.9**	15.2
	10,959.6	10,316.3	**10,211.0**	9,200.6

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Inventories	**(296.3)**	146.7	**(4.2)**	26.3
Receivables	**(703.5)**	(723.2)	**(671.3)**	(494.8)
Payables	**395.6**	422.5	**(187.4)**	127.4
Subsidiaries balances	**0**	0	**(672.6)**	(550.8)
Associates balances	**(20.6)**	(100.3)	**(26.0)**	(111.9)
Joint ventures balances	**(0.2)**	8.5	**0**	0
Cash generated from operations	**10,334.6**	10,070.5	**8,649.5**	8,196.8
Employee benefits paid	**(708.9)**	(633.5)	**(693.7)**	(621.7)
Contributions received	**1,156.4**	905.1	**845.9**	794.0
Consumer deposits received	**345.8**	193.8	**334.4**	177.4
Taxation and zakat paid	**(690.0)**	(848.8)	**(501.8)**	(675.7)
Net cash flows generated from operating activities	**10,437.9**	9,687.1	**8,634.3**	7,870.8
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional investments in FVTPL	**(3,614.4)**	0	**(1,470.0)**	0
Proceeds from redemption:				
- Redeemable preference shares in a subsidiary	**0**	0	**150.0**	0
- Redeemable preference shares in an associate	**0**	13.5	**0**	13.5
- Unsecured loan notes in an associate	**5.9**	5.2	**5.9**	5.2
Dividend income received	**40.4**	74.6	**91.7**	90.4
Interest income received	**230.9**	265.2	**134.4**	136.2
Property, plant and equipment:				
- Additions	**(10,006.5)**	(8,570.3)	**(6,250.2)**	(5,509.1)
- Proceeds from disposals	**125.7**	5.9	**69.4**	5.9
Proceeds from disposal of non-current assets held-for-sale	**13.8**	11.4	**13.8**	11.4
Net cash flows used in investing activities	**(13,204.2)**	(8,194.5)	**(7,255.0)**	(5,246.5)

The notes set out on pages 144 to 250 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

	Note	Group		Company	
		2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
CASH FLOWS FROM FINANCING ACTIVITIES					
Government development grants received		**308.3**	169.0	**0**	0
Proceeds from issuance of shares		**0**	811.2	**0**	811.2
Long term borrowings:					
- Drawdown		**3,745.2**	4,014.6	**0**	0
- Repayments		**(610.2)**	(3,425.9)	**(357.2)**	(1,189.1)
Short term borrowings:					
- Drawdown		**367.8**	284.8	**0**	0
- Repayments		**(358.6)**	(304.7)	**0**	0
Interest paid		**(704.8)**	(743.0)	**(465.1)**	(513.0)
Dividends paid to shareholders		**(1,410.9)**	(1,390.3)	**(1,410.9)**	(1,390.3)
Dividends paid to non-controlling interest		**(0.6)**	(2.5)	**0**	0
Issuance of shares in a subsidiary		**0.4**	0	**0**	0
Net (increase)/decrease in debt reserve account		**(27.2)**	4.8	**0**	0
Net cash flows generated from/(used in) financing activities		**1,309.4**	(582.0)	**(2,233.2)**	(2,281.2)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,456.9)**	910.6	**(853.9)**	343.1
EFFECT OF CHANGES IN FOREIGN CURRENCY		**(0.4)**	0.6	**(4.8)**	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**9,328.8**	8,417.6	**4,304.3**	3,961.2
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	29	**7,871.5**	9,328.8	**3,445.6**	4,304.3

The notes set out on pages 144 to 250 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

1 GENERAL INFORMATION

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 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 ('IFRS') and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies.

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 judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) Standards, amendments to published standards and improvements that are effective and applicable to the Group and Company.

The new accounting standards, amendments to published standards and improvements to existing standards effective and applicable for the Group and Company's financial year beginning 1 September 2013 are as follows:

No	Malaysian Financial Reporting Standards/IC Interpretations
1	MFRS 10 'Consolidated Financial Statements' ('MFRS 10')
2	MFRS 11 'Joint arrangements' ('MFRS 11')
3	MFRS 12 'Disclosures of Interests in Other Entities' ('MFRS 12')
4	MFRS 13 'Fair Value Measurement' ('MFRS 13')
5	MFRS 127 'Separate Financial Statements' ('MFRS 127')
6	MFRS 128 'Investments in Associates and Joint Ventures' ('MFRS 128')
7	Amendments to MFRS 7 'Financial Instruments: Disclosures' ('MFRS 7')
8	Amendments to MFRS 10, 11 & 12 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance'
9	Annual improvements 2009 – 2011 cycle

The impact of the new accounting standards, amendments to published standards and improvements to the standards on the financial statements of the Company is not material, except in respect of MFRS 10, MFRS 11, MFRS 12 and Amendments to MFRS 116 'Property, Plant and Equipment' ('MFRS 116') as disclosed in Note 49 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards early adopted by the Group and Company.

Amendment to MFRS 136 'Impairment of Assets' ('MFRS 136') removed certain disclosures of the recoverable amount of the cash generating units ('CGUs') which had been included in MFRS 136 by the issuance of MFRS 13. The amendment is not mandatory for the Group and the Company until 1 September 2014. However, the Group has decided to early adopt the amendment as at 1 September 2013.

(iii) Standards, amendments to published standards, 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 published standards, interpretations and improvements to existing standards in the following periods:

i) Financial year beginning on or after 1 September 2014:

- Amendments to MFRS 2 'Share-based Payment' ('MFRS 2') (effective 1 July 2014) clarify the definition of vesting conditions by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

- Amendments to MFRS 3 'Business Combinations' ('MFRS 3') (effective 1 July 2014) clarified that when a contingent consideration in a business combination meets the definition of a financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 'Financial Instruments: Presentation' ('MFRS 132'). Contingent consideration that is classified as asset or liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in statement of profit or loss. Another amendment clarified that MFRS 3 excludes from its scope, the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 'Joint Arrangements') in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangement for their interests in the joint arrangement.

- Amendments to MFRS 8 'Operating Segments' ('MFRS 8') (effective 1 July 2014) required the disclosure of judgements made in applying the aggregation criteria to operating segments which included a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. Reconciliation of the total reportable segments' assets to the entity's assets is also required if that amount is regularly provided to the chief operating decision maker.

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective 1 January 2014) introduced 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 13 (effective 1 July 2014) clarified that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 'Financial Instruments: Recognition and Measurement' ('MFRS 139') or MFRS 9 'Financial Instruments' ('MFRS 9'), regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132.

- IC Interpretation 21, 'Levies' ('IC 21') (effective 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarified 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.

- Amendments to MFRS 116 and MFRS 138 'Intangible Assets' ('MFRS 138') (effective 1 July 2014) clarified the accounting for accumulated depreciation or amortisation when an asset is revalued. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation or amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

- Amendments to MFRS 119 'Employee Benefits' ('MFRS 119') (effective 1 July 2014) clarified the accounting for contribution from employees or third parties to defined benefit plans. If the amount of contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

i) Financial year beginning on or after 1 September 2014: (continued)

- Amendments to MFRS 124 'Related Party Disclosures' ('MFRS 124') (effective 1 July 2014) extended the definition of 'related party' to include an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

- Amendments to MFRS 139 'Financial Instruments: Recognition and Measurement' (effective from 1 January 2014) provide relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to affect clearing with a central counterparty as a result of law or regulation, if specific conditions are met.

- Amendments to MFRS 132 'Financial Instuments: Presentation', (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarified 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 clarified that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

ii) Financial year beginning on or after 1 September 2017:

- MFRS 15, 'Revenue from contracts with customers' (effective 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain he benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

iii) Effective for annual periods to be announced by MASB

- MFRS 9 'Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities' ('MFRS 9') replaces the multiple classification and measurement models for financial assets in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The determination is made at initial recognition. 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 derecognising financial instruments had 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 other comprehensive income ('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.

  With the amendments to MFRS 9, entities are allowed to change the accounting for liabilities elected to be measured at fair value without applying any of the other MFRS 9 requirements. Hence, gains caused by a worsening in the entity's own credit risk on such liabilities are no longer recognised in the statement of profit or loss. The amendments also remove the mandatory effective date of MFRS 9 but earlier application of MFRS 9 is allowed.

  A new hedge accounting model is introduced with corresponding disclosures requirements on risk management activities which enables entities to better reflect their risk management activities and effect of hedge accounting in their financial statements particularly those that hedge non-financial risk.

  The guidance in MFRS 139 on impairment of financial assets 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 are currently being assessed by management.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are those corporations or other entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are considered only when such rights are substantive when assessing control.

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.

(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 statements for like transactions and events in similar circumstances.

The Group applies the acquisition method to account for business combinations. 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, 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 remeasured 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.

(iii) Changes in ownership interest

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint arrangements

A joint arrangement is an arrangement over which there is contractually agreed sharing of control by the Group with one or more parties where decisions about the relevant activities relating to the joint arrangement requires unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. Joint operations are joint arrangements whereby the Company has the rights to the assets and obligations for the liabilities. In respect of its interests in joint operations, the Company shall recognise in its financial statements the assets that it controls and the expense and liabilities that it incurs and its share of the income that it earns from the sale of goods or services.

The Group's interest in joint venture is accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity, the Group's share of profits less losses of the joint venture based on the latest audited financial statements or management accounts of the joint venture, made up to the financial year end of the Group. Where necessary, adjustments are made to the results and net assets of the joint venture to ensure consistency of accounting policies with those of the Group. The Group's investment in joint venture 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 joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in joint ventures. 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 statement 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. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. 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.

Unrealised profits on transactions between the Group and associates are eliminated 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 consolidated 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, joint arrangements 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 joint arrangements and associates is included in the investments in joint arrangements and associates respectively. Such goodwill is tested for impairment as part of the overall carrying amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment ('PPE') 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.

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 or loss before taxation.

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)).

(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 been classified as non-current assets held-for-sale, and its recoverable amount at the date of the subsequent decision not to sell.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

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, 'Transfers of Assets from Customers' ('IC 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 statement of 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 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 statement of 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 payments 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 statement 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share capital (continued)

(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.

Interests, 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 drawndown. In this case, the fee is deferred until the drawdown occurs.

(t) Income tax and zakat

(i) 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.

(ii) 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. 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.

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 statement of profit or loss in subsequent periods.

(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.

(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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (continued)

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) Other Income

Other operating income earned by the Group and Company comprise 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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Foreign currencies (continued)

(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.

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	2014 RM	2013 RM
1 United States Dollar	**3.1545**	3.2882
100 Japanese Yen	**3.0388**	3.3537
1 Sterling Pound	**5.2347**	5.1030
100 Pakistani Rupee	**3.1000**	3.1400
1 EURO	**4.1539**	4.3550

(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 and available-for-sale ('AFS'). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

i) 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.

ii) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Financial instruments (continued)

Financial assets (continued)

(i) Classification (continued)

iii) 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.

(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 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

i) 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.

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;
- 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;
- 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’ have 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement - Impairment of financial assets (continued)

i) Assets carried at amortised cost (continued)

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.

ii) 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 the 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) Derecognition

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.

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 costs 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 remeasured 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 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 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(a) to this financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions (continued)

(ii) Estimated useful lives of property, plant and equipment

The Group and Company regularly review 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.

(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

(a) Income tax

Income taxes are estimated based on the rules governed under the Income Tax Act, 1967.

Differences in determining the capital allowances, deductibility of certain expenses and subsequent utilisation of reinvestment allowance 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.

As disclosed in Note 49(b)(ii), the Group and Company have recognised reinvestment allowances for the current and prior financial years. This utilisation of reinvestment allowances in prior years have been included in resubmissions made to the tax authorities.

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.

(b) Deferred tax assets

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions (continued)

(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. These assessments will have a corresponding adjustment to trade receivables. 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.

(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 use 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 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 changes to these assumptions will affect lease income and expenses.

(ix) Employee Benefits

The Group and Company provide 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.

i) Discount rate

The Group and Company determine 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 consider 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.

ii) Medical claim inflation rate

The medical claim inflation rate for general practitioner, hospitalisation, specialist and dialysis medical claims, as determined by the Group and Company are based on the annualised increase in average claims over the past 7 years.

Other key assumptions for employee benefits obligations are based in part on current market conditions. Additional information is as disclosed in Note 33 to the financial statements.

4 REVENUE

	Group		Company	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Sales:				
- Electricity	**40,859.0**	35,856.4	**38,686.7**	33,906.2
- Goods and services	**495.0**	341.9	**0**	0
- Contract revenue	**11.8**	16.6	**0**	0
- Customers contributions	**877.4**	612.2	**798.5**	560.2
Release of deferred income	**549.2**	303.6	**315.4**	302.1
	42,792.4	37,130.7	**39,800.6**	34,768.5

5 OPERATING EXPENSES

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Cost of sales:				
- Energy cost	**26,450.5**	22,517.6	**24,739.7**	21,362.6
- Transmission cost	**1,570.8**	1,450.3	**1,564.5**	1,445.1
- Distribution cost	**5,295.5**	4,606.4	**5,283.3**	4,596.3
	33,316.8	28,574.3	**31,587.5**	27,404.0
Administrative expenses	**1,762.4**	1,860.6	**1,282.6**	1,357.4
Other operating expenses	**1,185.9**	1,412.3	**631.2**	594.2
	36,265.1	31,847.2	**33,501.3**	29,355.6

NOTES TO THE FINANCIAL STATEMENTS

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5 OPERATING EXPENSES (CONTINUED)

Operating expenses include the following items:

	Group		Company	
	2014	2013 (Restated)	2014	2013
	RM'million	RM'million	RM'million	RM'million
Purchases from Independent Power Producers (IPPs)	**12,763.9**	13,530.0	**15,559.7**	17,508.1
Directors' remuneration:				
- Fees and allowances	**3.3**	2.8	**3.0**	2.5
- Other emoluments	**2.6**	2.3	**1.8**	2.3
Auditors' remuneration:				
- Statutory audit fees				
- PricewaterhouseCoopers, Malaysia	**2.2**	2.0	**1.1**	0.9
- Member firm of PricewaterhouseCoopers International Limited*	**0**	0	**0**	0
- Assurance related fees	**0.7**	1.3	**0.4**	0.4
- Non-audit fees**	**2.4**	1.1	**1.7**	1.0
Staff cost (Note 6)	**3,607.8**	3,510.7	**3,114.9**	2,870.5
Property, plant and equipment:				
- Depreciation	**4,872.5**	4,539.5	**4,608.8**	4,281.9
- (Reversal)/Impairment	**(154.6)**	100.0	**0**	0
- Written off	**98.1**	28.9	**98.1**	28.9
Allowance for impairment:				
- Receivables	**308.9**	117.5	**260.0**	113.1
- Amounts due from subsidiaries	**0**	0	**215.0**	23.3
Reversal for impairment:				
- Receivables	**(172.4)**	(39.7)	**(124.8)**	(24.9)
- Amounts due from subsidiaries	**0**	0	**(339.9)**	(64.5)
Changes in fair value of FVTPL	**0.6**	0.3	**0.6**	0.3
Allowance for inventory obsolescence	**6.0**	8.0	**6.0**	8.0
Reversal of allowance for diminution in value of investments in a subsidiary	**0**	0	**(59.1)**	0
Inventories written off	**19.9**	20.7	**19.9**	20.7
Rental of land and buildings	**53.2**	42.1	**28.0**	21.3
Rental of plant and machinery	**82.2**	49.5	**82.2**	39.5
Research and development expenses	**112.9**	43.1	**106.1**	42.1
Receipt of Government subsidies***	**(683.0)**	(734.8)	**0**	0
Alternate fuel cost differential compensation	**(81.6)**	(1,121.6)	**(81.6)**	(1,121.6)
Reimbursable of cost differential on consumption of green energy from a Government agency	**(64.6)**	(42.3)	**(44.8)**	(22.5)

* *This represents the audit fees for Liberty Power Ltd. amounting to RM39,005 (2013: RM35,616) and TNB Remaco Pakistan (Pvt.) Ltd. amounting to RM19,660 (2013: RM17,570). PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.*

** *The amount primarily relates to advisory related services and works commissioned by Energy Commission on the management and engineering audit, jointly undertaken by PricewaterhouseCoopers Advisory Services Sdn. Bhd. and an international engineering and consulting firm.*

*** *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 has been offset against energy cost.*

The estimated monetary value of benefits-in-kind received by the Directors was RM290,552 (2013: RM254,820) 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 (2013: NIL).

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6 STAFF COST

	Group		Company	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Wages, salaries and bonuses	**2,148.2**	2,096.9	**1,794.1**	1,643.6
Defined contribution retirement plan	**415.9**	291.3	**343.4**	232.8
Retirement benefit plan (Note 33)	**281.0**	312.1	**275.8**	308.5
Retirement medical plan (Note 33)	**478.2**	465.0	**460.9**	450.2
Employees' Share Option Scheme II	**0**	43.3	**0**	34.1
Other employee benefits	**284.5**	302.1	**240.7**	201.3
	3,607.8	3,510.7	**3,114.9**	2,870.5

Details of the retirement benefit and retirement medical plans of the Group and Company are set out in Note 33 to the financial statements.

7 OTHER OPERATING INCOME

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Dividend income from:				
- Subsidiaries	**0**	0	**66.0**	21.0
- Quoted shares	**1.7**	1.5	**1.7**	1.0
- Associates	**0**	0	**40.4**	74.6
Leasing income	**65.3**	32.8	**65.3**	35.1
Rental income	**7.3**	13.2	**33.6**	37.6
Release of Government development grants (Note 38)	**68.4**	58.3	**0**	0
Gain on disposals:				
- Property, plant and equipment	**3.9**	5.7	**27.5**	5.5
- Non-current assets held for sale	**4.0**	10.6	**4.0**	10.6
Interest on late payments	**118.6**	112.6	**116.7**	110.5
Minimum charges	**32.1**	33.2	**32.1**	33.2
Gain on redemption of redeemable preference shares in a subsidiary	**0**	0	**45.8**	0
Other income	**352.4**	355.5	**160.8**	274.2
	653.7	623.4	**593.9**	603.3

Other income comprises primarily of income from rechargeable jobs and recovery from insurance claims.

NOTES TO THE FINANCIAL STATEMENTS

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8 FOREIGN EXCHANGE GAIN/(LOSS)

	Group		Company	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Foreign exchange gain/(loss) comprises:				
Translation gain - foreign currency denominated term loans	**447.6**	541.4	**444.0**	548.1
Translation (loss)/gain - others	**(2.3)**	(47.8)	**(1.3)**	2.9
Transaction gain - foreign term loans	**2.9**	108.9	**2.8**	108.5
Transaction gain/(loss) - others	**0.7**	0.2	**(0.8)**	(6.1)
	448.9	602.7	**444.7**	653.4

9 FINANCE INCOME/COST

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Finance income:				
Interest from subsidiaries	**0**	0	**148.0**	150.4
Interest from deposits, staff loans and associates	**369.0**	294.3	**165.2**	145.2
Changes in fair value and impairment on interest income	**17.2**	6.1	**(112.4)**	(19.6)
Less: Reduction of borrowing costs capitalised into property, plant and equipment	**(129.5)**	(75.2)	**0**	0
	256.7	225.2	**200.8**	276.0
Finance cost:				
Interest on borrowings	**1,218.4**	866.4	**554.3**	589.4
Less: Amount capitalised into property, plant and equipment	**(779.5)**	(293.0)	**(389.3)**	(276.1)
	438.9	573.4	**165.0**	313.3
Finance charges under finance leases	**309.4**	182.4	**716.2**	1,048.5
Interest on consumer deposits	**99.2**	78.7	**90.0**	74.1
Changes in fair value of derivatives and accretion of interest	**27.1**	59.7	**(3.5)**	(4.4)
	874.6	894.2	**967.7**	1,431.5

10 TAXATION AND ZAKAT

	Note	Group		Company	
		2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
Current tax:					
- Malaysian corporate income tax		**603.4**	712.3	**440.5**	431.8
- Foreign corporate income tax		**0**	0.7	**0**	0
Deferred tax	18	**56.6**	(197.2)	**133.9**	(206.1)
Tax expense		**660.0**	515.8	**574.4**	225.7
Zakat		**27.9**	26.5	**27.9**	26.5
		687.9	542.3	**602.3**	252.2

The analysis of the tax expense is as follows:				
Current tax:				
- Current year	**571.9**	511.6	**409.0**	347.0
- Under accrual in prior years	**31.5**	201.4	**31.5**	84.8
	603.4	713.0	**440.5**	431.8
Deferred tax:				
- Origination and reversal of temporary differences	**56.6**	(197.2)	**133.9**	(206.1)
	660.0	515.8	**574.4**	225.7

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10 TAXATION AND ZAKAT (CONTINUED)

The explanation of the relationship between tax expense and profit before taxation and zakat is as follows:

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
Profit before taxation and zakat	**7,114.7**	5,925.1	**6,571.0**	5,514.1
Tax calculated at the Malaysian corporate income tax rate of 25.0% (2013: 25.0%)	**1,778.7**	1,481.3	**1,642.8**	1,378.5
Tax effects of:				
- Share of results of associates and joint ventures	**8.1**	(5.2)	**0**	0
- Income not subject to tax	**(460.3)**	(437.2)	**(430.4)**	(439.1)
- Expenses not deductible for tax purposes	**341.9**	202.7	**329.1**	103.7
- Expenses qualifying for double deduction	**(15.6)**	(10.8)	**(14.6)**	(9.8)
- Current year unrecognised temporary differences and unused tax losses	**7.5**	7.8	**0**	0
- Benefits from previously unrecognised temporary differences	**(17.3)**	0	**0**	0
- Foreign jurisdiction	**0**	(0.3)	**0**	0
(Over)/Under accrual of tax in prior years	**(23.0)**	(42.8)	**1.5**	(127.9)
Zakat	**27.9**	26.5	**27.9**	26.5
Utilisation of reinvestment allowances	**(713.3)**	(679.7)	**(713.3)**	(679.7)
Effect of change of tax rate	**(246.7)**	0	**(240.7)**	0
Tax and zakat charge	**687.9**	542.3	**602.3**	252.2
Average effective tax rate (%)	**9.7**	9.2	**9.2**	4.6

10 TAXATION AND ZAKAT (CONTINUED)

The tax charge relating to components of other comprehensive income is as follows:

	2014			2013		
	Before tax RM'million	Tax charged RM'million	After tax RM'million	Before tax RM'million	Tax charged RM'million	After tax RM'million
Group						
Defined benefit plan actuarial gains/(losses)	**663.0**	**(221.3)**	**441.7**	(5,159.4)	1,253.9	(3,905.5)
Foreign currency translation differences	**31.0**	**0**	**31.0**	46.5	0	46.5
Fair value of available-for-sale financial assets	**0.1**	**0**	**0.1**	0.2	0	0.2
	694.1	**(221.3)**	**472.8**	(5,112.7)	1,253.9	(3,858.8)
Company						
Defined benefit plan actuarial gains/(losses)	**644.7**	**(221.3)**	**423.4**	(5,015.7)	1,253.9	(3,761.8)

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	
	2014	2013 (Restated)
Profit attributable to owners of the Company (RM'million)	**6,467.0**	5,356.2
Weighted average number of ordinary shares in issue ('000)	**5,643,611**	5,571,816
Basic earnings per share (sen)	**114.59**	96.13

11 EARNINGS PER SHARE (EPS) (CONTINUED)

(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	
	2014	2013 (Restated)
Profit used to determine diluted earnings per share (RM'million)	**6,467.0**	5,356.2
Weighted average number of ordinary shares in issue ('000)	**5,643,611**	5,571,816
Adjustment for share options ('000)	**0**	9,688
Weighted average number of ordinary shares for diluted earnings per share ('000)	**5,643,611**	5,581,504
Diluted earnings per share (sen)	**114.59**	95.96

As disclosed in Note 49, the changes in accounting policy and prior year adjustments have resulted in an increase to the basic earnings per share and diluted earnings per share for the financial year ended 31 August 2013 by 13.32 sen and 13.29 sen respectively.

12 DIVIDENDS

	Company	
	2014 RM'million	2013 RM'million
Interim single tier dividend of 10.0 sen per ordinary share (2013: interim single tier dividend of 10.0 sen per ordinary share)	**564.4**	560.0
Proposed final single tier dividend of 19.0 sen per ordinary share (2013: final single tier dividend of 15.0 sen per ordinary share)	**1,072.3**	846.5
	1,636.7	1,406.5

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 2014 of 19.0 sen per ordinary share will be proposed for shareholders' approval. The books closure and payment dates will be announced in due course.

13 PROPERTY, PLANT AND EQUIPMENT

31.8.2014	As at 1.9.2013 RM'million	Exchange rate adjustments RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi-fication/ Write off RM'million	As at 31.8.2014 RM'million
Group						
Cost						
Freehold land	**837.9**	**0**	**39.6**	**0**	**(43.8)**	**833.7**
Long leasehold land	**1,025.3**	**0**	**2.0**	**(0.1)**	**3.4**	**1,030.6**
Short leasehold land	**185.0**	**0**	**0**	**0**	**0**	**185.0**
Buildings and civil works	**13,593.6**	**0**	**179.4**	**(4.4)**	**15.7**	**13,784.3**
	15,641.8	**0**	**221.0**	**(4.5)**	**(24.7)**	**15,833.6**
Plant and machinery:						
- Owned	**49,296.2**	**(7.8)**	**1,939.0**	**(586.1)**	**(44.7)**	**50,596.6**
- Leased	**5,938.0**	**0**	**1,782.2**	**0**	**(37.8)**	**7,682.4**
Lines and distribution mains	**33,988.6**	**0**	**2,166.3**	**(1.1)**	**3.2**	**36,157.0**
Distribution services	**3,532.1**	**0**	**263.2**	**(0.1)**	**0.2**	**3,795.4**
Meters	**2,244.3**	**0**	**122.5**	**0**	**0**	**2,366.8**
Public lighting	**432.8**	**0**	**31.0**	**0**	**0**	**463.8**
Furniture, fittings and office equipment	**1,567.4**	**(0.1)**	**127.2**	**(5.4)**	**(2.6)**	**1,686.5**
Motor vehicles	**528.2**	**0**	**42.2**	**(15.7)**	**3.8**	**558.5**
	113,169.4	**(7.9)**	**6,694.6**	**(612.9)**	**(102.6)**	**119,140.6**
Capital project-in-progress	**13,843.1**	**0**	**15,424.2**	**(5.3)**	**(9,550.6)**	**19,711.4**
	127,012.5	**(7.9)**	**22,118.8**	**(618.2)**	**(9,653.2)**	**138,852.0**

NOTES TO THE FINANCIAL STATEMENTS

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13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31.8.2014	As at 1.9.2013 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2014 RM'million
Group				
Accumulated depreciation				
Long leasehold land	249.1	16.5	0	265.6
Short leasehold land	85.8	7.2	0	93.0
Buildings and civil works	4,838.8	357.6	(3.5)	5,192.9
	5,173.7	381.3	(3.5)	5,551.5
Plant and machinery:				
- Owned	24,621.9	2,196.2	(457.0)	26,361.1
- Leased	273.3	416.9	0	690.2
Lines and distribution mains	15,911.6	1,398.1	0	17,309.7
Distribution services	1,946.6	158.5	0	2,105.1
Meters	1,202.6	133.2	0	1,335.8
Public lighting	240.0	21.7	0	261.7
Furniture, fittings and office equipment	1,301.1	108.7	(5.8)	1,404.0
Motor vehicles	341.0	57.9	3.3	402.2
	51,011.8	4,872.5	(463.0)	55,421.3
Accumulated impairment losses				
Plant and machinery	540.2	0	(154.6)	385.6

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31.8.2013	Previously reported as at 31.8.2012 RM'million	Effect of adoption of MFRS 10 RM'million	Effect of adoption of MFRS 116 RM'million	Prior year adjustments RM'million	As at 1.9.2012 (Restated) RM'million	Exchange rate adjustments RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi-fication/ Write off RM'million	As at 31.8.2013 (Restated) RM'million
Group										
Cost										
Freehold land	770.4	0	0	0	770.4	(0.1)	85.6	(0.1)	(17.9)	837.9
Long leasehold land	1,008.0	0	0	0	1,008.0	0	3.2	0	14.1	1,025.3
Short leasehold land	185.2	0	0	0	185.2	0	0	0	(0.2)	185.0
Buildings and civil works	13,455.2	0	0	0	13,455.2	(0.1)	200.1	(0.8)	(60.8)	13,593.6
	15,418.8	0	0	0	15,418.8	(0.2)	288.9	(0.9)	(64.8)	15,641.8
Plant and machinery:										
- Owned	47,632.9	0	0	0	47,632.9	(30.3)	1,618.9	(120.6)	195.3	49,296.2
- Leased	1,312.8	0	0	(522.6)	790.2	0	5,147.8	0	0	5,938.0
Lines and distribution mains	32,276.2	0	0	0	32,276.2	0	1,689.5	(0.5)	23.4	33,988.6
Distribution services	3,316.4	0	0	0	3,316.4	0	211.9	(0.1)	3.9	3,532.1
Meters	2,054.9	0	0	0	2,054.9	0	189.3	0	0.1	2,244.3
Public lighting	372.4	0	0	0	372.4	0	60.2	0	0.2	432.8
Furniture, fittings and office equipment	1,386.4	1.9	0	0	1,388.3	(0.2)	177.2	(2.8)	4.9	1,567.4
Motor vehicles	482.6	0.1	0	0	482.7	(0.1)	51.0	(11.6)	6.2	528.2
	104,253.4	2.0	0	(522.6)	103,732.8	(30.8)	9,434.7	(136.5)	169.2	113,169.4
Capital project-in-progress	7,592.3	(294.9)	2,049.9	0	9,347.3	0	17,175.6	(0.1)	(12,679.7)	13,843.1
	111,845.7	(292.9)	2,049.9	(522.6)	113,080.1	(30.8)	26,610.3	(136.6)	(12,510.5)	127,012.5

NOTES TO THE FINANCIAL STATEMENTS

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13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31.8.2013	Previously reported as at 31.8.2012 RM'million	Effect of adoption of MFRS 10 RM'million	Prior year adjustments RM'million	As at 1.9.2012 (Restated) RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2013 (Restated) RM'million
Group							
Accumulated depreciation							
Long leasehold land	233.4	0	0	233.4	15.7	0	249.1
Short leasehold land	78.9	0	0	78.9	6.9	0	85.8
Buildings and civil works	4,488.1	0	0	4,488.1	351.0	(0.3)	4,838.8
	4,800.4	0	0	4,800.4	373.6	(0.3)	5,173.7
Plant and machinery:							
- Owned	22,553.5	0	0	22,553.5	2,171.7	(103.3)	24,621.9
- Leased	83.4	0	(33.2)	50.2	223.1	0	273.3
Lines and distribution mains	14,580.6	0	0	14,580.6	1,331.2	(0.2)	15,911.6
Distribution services	1,800.1	0	0	1,800.1	146.5	0	1,946.6
Meters	1,081.8	0	0	1,081.8	120.8	0	1,202.6
Public lighting	219.9	0	0	219.9	20.1	0	240.0
Furniture, fittings and office equipment	1,204.7	1.4	0	1,206.1	98.0	(3.0)	1,301.1
Motor vehicles	311.2	0.1	0	311.3	54.5	(24.8)	341.0
	46,635.6	1.5	(33.2)	46,603.9	4,539.5	(131.6)	51,011.8
Accumulated impairment losses							
Plant and machinery	440.2	0	0	440.2	100.0	0	540.2

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31.8.2014	As at 1.9.2013 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi-fication/ Write off RM'million	As at 31.8.2014 RM'million
Company					
Cost					
Freehold land	803.8	39.6	0	(4.1)	839.3
Long leasehold land	998.3	2.0	(0.1)	3.6	1,003.8
Short leasehold land	4.5	0	0	0	4.5
Buildings and civil works	11,882.5	166.6	(3.7)	(1.9)	12,043.5
	13,689.1	208.2	(3.8)	(2.4)	13,891.1
Plant and machinery:					
- Owned	37,499.5	1,617.3	(444.4)	(2.0)	38,670.4
- Leased	18,800.9	0	0	(37.8)	18,763.1
Lines and distribution mains	32,548.7	1,993.0	0	3.2	34,544.9
Distribution services	3,353.0	221.6	0	0.2	3,574.8
Meters	2,177.4	114.2	0	0	2,291.6
Public lighting	432.8	31.0	0	0	463.8
Furniture, fittings and office equipment	1,348.9	111.4	(1.4)	(3.0)	1,455.9
Motor vehicles	448.8	37.4	(15.4)	3.6	474.4
	110,299.1	4,334.1	(465.0)	(38.2)	114,130.0
Capital project-in-progress	7,663.4	8,719.7	(5.3)	(6,414.3)	9,963.5
	117,962.5	13,053.8	(470.3)	(6,452.5)	124,093.5

NOTES TO THE FINANCIAL STATEMENTS

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13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31.8.2014	As at 1.9.2013 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2014 RM'million
Company				
Accumulated depreciation				
Long leasehold land	241.9	15.8	0	257.7
Short leasehold land	2.3	0	0	2.3
Buildings and civil works	4,194.7	293.0	(2.8)	4,484.9
	4,438.9	308.8	(2.8)	4,744.9
Plant and machinery:				
- Owned	19,382.3	1,599.4	(311.1)	20,670.6
- Leased	4,972.4	924.7	0	5,897.1
Lines and distribution mains	15,352.0	1,337.8	0	16,689.8
Distribution services	1,835.2	148.2	0	1,983.4
Meters	1,167.2	127.9	0	1,295.1
Public lighting	240.0	21.7	0	261.7
Furniture, fittings and office equipment	1,126.1	88.6	(1.5)	1,213.2
Motor vehicles	298.8	51.7	(15.4)	335.1
	48,812.9	4,608.8	(330.8)	53,090.9

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31.8.2013	Previously reported as at 31.8.2012 RM'million	Effect of adoption of MFRS 116 RM'million	As at 1.9.2012 (Restated) RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassi- fication/ Write off RM'million	As at 31.8.2013 (Restated) RM'million
Company							
Cost							
Freehold land	707.1	0	707.1	85.6	(0.1)	11.2	803.8
Long leasehold land	981.2	0	981.2	3.1	0	14.0	998.3
Short leasehold land	4.6	0	4.6	0	0	(0.1)	4.5
Buildings and civil works	11,766.2	0	11,766.2	194.5	(0.1)	(78.1)	11,882.5
	13,459.1	0	13,459.1	283.2	(0.2)	(53.0)	13,689.1
Plant and machinery:							
- Owned	36,115.8	0	36,115.8	1,460.7	(110.6)	33.6	37,499.5
- Leased	13,653.1	0	13,653.1	5,147.8	0	0	18,800.9
Lines and distribution mains	30,867.7	0	30,867.7	1,673.6	(0.4)	7.8	32,548.7
Distribution services	3,145.2	0	3,145.2	209.9	0	(2.1)	3,353.0
Meters	1,996.2	0	1,996.2	181.2	0	0	2,177.4
Public lighting	372.4	0	372.4	60.2	0	0.2	432.8
Furniture, fittings and office equipment	1,200.1	0	1,200.1	159.8	(1.6)	(9.4)	1,348.9
Motor vehicles	412.0	0	412.0	47.3	(10.8)	0.3	448.8
	101,221.6	0	101,221.6	9,223.7	(123.6)	(22.6)	110,299.1
Capital project-in-progress	4,695.3	1,258.8	5,954.1	13,302.8	(0.1)	(11,593.4)	7,663.4
	105,916.9	1,258.8	107,175.7	22,526.5	(123.7)	(11,616.0)	117,962.5

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13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31.8.2013	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
Company				
Accumulated depreciation				
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)

	Group			Company		
	31.8.2014 RM'million	31.8.2013 (Restated) RM'million	1.9.2012 (Restated) RM'million	31.8.2014 RM'million	31.8.2013 (Restated) RM'million	1.9.2012 (Restated) RM'million
Net book value						
Freehold land	**833.7**	837.9	770.4	**839.3**	803.8	707.1
Long leasehold land	**765.0**	776.2	774.6	**746.1**	756.4	754.5
Short leasehold land	**92.0**	99.2	106.3	**2.2**	2.2	2.3
Buildings and civil works	**8,591.4**	8,754.8	8,967.1	**7,558.6**	7,687.8	7,856.9
Total land and buildings	**10,282.1**	10,468.1	10,618.4	**9,146.2**	9,250.2	9,320.8
Plant and machinery:						
- Owned	**23,849.9**	24,134.1	24,639.2	**17,999.8**	18,117.2	18,195.6
- Leased	**6,992.2**	5,664.7	740.0	**12,866.0**	13,828.5	9,424.0
Lines and distribution mains	**18,847.3**	18,077.0	17,695.6	**17,855.1**	17,196.7	16,792.2
Distribution services	**1,690.3**	1,585.5	1,516.3	**1,591.4**	1,517.8	1,448.9
Meters	**1,031.0**	1,041.7	973.1	**996.5**	1,010.2	945.0
Public lighting	**202.1**	192.8	152.5	**202.1**	192.8	152.5
Furniture, fittings and office equipment	**282.5**	266.3	182.2	**242.7**	222.8	147.3
Motor vehicles	**156.3**	187.2	171.4	**139.3**	150.0	150.2
	63,333.7	61,617.4	56,688.7	**61,039.1**	61,486.2	56,576.5
Capital project-in-progress	**19,711.4**	13,843.1	9,347.3	**9,963.5**	7,663.4	5,954.1
	83,045.1	75,460.5	66,036.0	**71,002.6**	69,149.6	62,530.6

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 35.

Interest capitalised during the financial year in capital project-in-progress amounted to RM779.5 million (2013: RM293.0 million) for the Group and RM389.3 million (2013: RM276.1 million) for the Company.

The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation is 6.35% (2013: 6.29%) for the Company.

(a) Impairment loss and subsequent reversal for property, plant and equipment

The Group had recognised, in prior years, provisions for impairment totalling RM540.2 million arising from the economic uncertainties faced by TNB Liberty Power Limited ('Liberty'). During the financial year, following the improved political climate and certain Government incentive to stabilise fuel price uncertainty faced by Liberty, the Group has reassessed the assumptions used in the cash flow projections in deriving the recoverable amount of the property, plant and equipment in Liberty. The recoverable amount of the property, plant and equipment is determined based on value-in-use ('VIU').

Arising from this review, a reversal of impairment amounting to RM154.6 million was made during the financial year.

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 budgeted cash flows for 2014 and projections for a period of 11 years being the remaining concession period. The projections reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit, taking into consideration external data.

(ii) The key assumptions used are as follows:

	2014	2013
Pre-tax discount rate	**27.9%**	30.0%
Increase in gas price	**NIL***	11.0%
Revenue growth based on:		
- Increase in Marker Price Index	**NIL***	3.6%
- Increase in US CPI Indices	**2.0%**	3.4%
- Pakistani Rupee depreciation rate against US Dollar	**NIL**	7.0%
Average increase in other operating costs	**8.0%**	12.0%

* No significant impact due to Government incentive to stabilise the fuel price uncertainty.

The impairment loss and subsequent reversal were recognised in operating expenses in the consolidated statement of profit or loss and other comprehensive income.

(b) Acquisition of Property, Plant and Equipment

During the financial year, the Group acquired RM1,782.2 million (2013: RM5,147.8 million) of PPE by means of finance leases. There was no such acquisition for the Company (2013: RM5,147.8 million).

14 SUBSIDIARIES

	Note	Company	
		2014 RM'million	2013 (Restated) RM'million
At cost:			
Unquoted ordinary shares	(a)(i)(ii)	**351.9**	301.0
Redeemable preference shares		**3,533.2**	3,637.3
Options granted to employees of subsidiaries		**28.4**	28.4
Advance to subsidiaries treated as quasi-investment	(a)(iii)	**1,764.1**	774.1
		5,677.6	4,740.8
Less: Accumulated impairment losses	(b)	**(1,643.9)**	(1,703.0)
		4,033.7	3,037.8

(a) Additional investments in subsidiaries

(i) On 3 March 2014, the Company subscribed for 900,000 ordinary shares of RM1.00 each in TNB Integrated Learning Solution Sdn. Bhd. ('ILSAS'), a wholly owned subsidiary of the Company, by conversion of amounts due from ILSAS of RM0.9 million.

(ii) On 19 November 2013, the Company subscribed for 1,000,000 ordinary shares of RM1.00 each and 490,000 Redeemable Preference Shares ('RPS') issued at RM100.00 each with a par value of RM1.00 and a premium of RM99.00 per share in TNB Manjung Five Sdn. Bhd. ('Manjung5'), a wholly owned subsidiary of the Company, by conversion of amounts due from Manjung5 of RM50.0 million.

(iii) 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.

During the financial year, a total of RM990.0 million of amounts due from subsidiaries was treated as quasi-investment in relation to two wholly owned subsidiaries of the Company.

(b) Reversal of impairment on quasi-investment

Following the developments disclosed in Note 13(a), the Company has made a reversal of impairment losses on its quasi-investment in Liberty amounting to RM59.1 million. The key assumptions used in deriving the cash flow projections are as disclosed in Note 13(a).

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14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

	Group's interest			Country of
Name of subsidiary	2014	2013	Principal activities	incorporation
TNB Janamanjung Sdn. Bhd.	**100%**	100%	Generate and deliver electricity energy and generating capacity to TNB	Malaysia
TNB Power Daharki Ltd.*	**100%**	100%	Investment holding company	Mauritius
TNB Fuel Services Sdn. Bhd.	**100%**	100%	Supplying fuel and coal for power generation	Malaysia
TNB Energy Services Sdn. Bhd.	**100%**	100%	Generating, distributing, supplying, dealing, selling of different kinds of energy sources and related technical services	Malaysia
TNB Research Sdn. Bhd.	**100%**	100%	Research and development, consultancy and other services	Malaysia
TNB Ventures Sdn. Bhd.	**100%**	100%	Investment holding company	Malaysia
TNB Engineering Corporation Sdn. Bhd.	**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%	Providing repair and maintenance services to heavy industries and other related services	Malaysia
TNB Capital (L) Ltd.	**100%**	100%	Investment holding company	Malaysia
Universiti Tenaga Nasional Sdn. Bhd.	**100%**	100%	Providing higher education	Malaysia
Malaysia Transformer Manufacturing Sdn. Bhd.	**100%**	100%	Principally engaged in the manufacturing, selling and repairing distribution, power and earthing transformer	Malaysia
Power And Energy International (Mauritius) Ltd.*	**100%**	100%	Investment holding	Mauritius
Orion Mission Sdn. Bhd.	**100%**	100%	Investment holding company	Malaysia
Sabah Electricity Sdn. Bhd.	**83%**	83%	Business of generation, transmission, distribution and sale of electricity and services in Sabah	Malaysia
Tenaga Switchgear Sdn. Bhd.	**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%	Generate and deliver electricity energy and generating capacity to TNB	Malaysia
TNB Integrated Learning Solution Sdn. Bhd.	**100%**	100%	Providing training courses	Malaysia
TNB Prai Sdn. Bhd.	**100%**	100%	Primarily involved in the generation, sale and supply electricity, providing operation and maintenance services for power plant	Malaysia

14 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2014	2013		
TNB Pasir Gudang Energy Sdn. Bhd.	**100%**	100%	Carry business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia	Malaysia
TNB Manjung Five Sdn. Bhd.	**100%**	100%	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%	Carry out the business of consultancy, advisory, capability development and corporate coordination programs to government businesses, commerce and industry in all sector	Malaysia
TNB Connaught Bridge Sdn. Bhd.	**100%**	-	Carry business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia	Malaysia
Yayasan Tenaga Nasional##	**-**	-	A trust established under the provision of Trustees (Incorporation Act), 1952 for promotion and advancement of education and for charitable purposes	Malaysia
Manjung Island Energy Berhad##	**-**	-	Special purpose company to raise Islamic securities under the Islamic Securities Programme	Malaysia
TNB Transmission Network Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Distribution Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Risk Management Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Logistics Sdn. Bhd.**	**100%**	100%	Dormant	Malaysia
TNB - IT Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Workshop Services Sdn. Bhd.**	**100%**	100%	Dormant	Malaysia
TNB Engineers Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Generation Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Hidro Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Properties Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB International Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Sepang Power Sdn. Bhd.	**70%**	70%	Dormant	Malaysia
TNB Metering Services Sdn. Bhd.***	**0%**	100%	Dormant	Malaysia
TNB Coal International Limited*	**100%**	100%	Dormant	Mauritius

14 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest 2014	Group's interest 2013	Principal activities	Country of incorporation
Subsidiaries of TNB Engineering Corporation Sdn. Bhd.				
Bangsar Energy Systems Sdn. Bhd.	**100%**	100%	Operating an integrated district cooling system for air conditioning systems of office building	Malaysia
TNEC Construction Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNEC Operations And Maintenance Sdn. Bhd.	**100%**	100%	Principally involved in operations and maintenance of cooling plant and power plants and as sub-contractor mainly for installation of air conditioning and fire protection equipment	Malaysia
Subsidiary of Power And Energy International (Mauritius) Ltd.				
Independent Power International Ltd.*	**100%**	100%	Investment holding	Mauritius
Subsidiary of Bangsar Energy Systems Sdn. Bhd.				
Selesa Energy Systems Sdn. Bhd.	**70%**	70%	Dormant	Malaysia
Subsidiary of TNEC Operations And Maintenance Sdn. Bhd.				
Tomest Energy Management Sdn. Bhd.	**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%	Operation of power plant and generation of electricity	Pakistan
Subsidiary of TNB Properties Sdn. Bhd.				
TNP Construction Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Subsidiaries of Universiti Tenaga Nasional Sdn. Bhd.				
UNITEN R&D Sdn. Bhd.	**100%**	100%	Providing research and development in areas related to engineering, information technology, business, accountancy, liberal studies and other services	Malaysia
Yayasan Canselor Universiti Tenaga Nasional##	**-**	-	A trust established under the provision of Trustees (Incorporation Act), 1952 to receive and administer funds for educational and charitable purposes	Malaysia

14 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest 2014	Group's interest 2013	Principal activities	Country of incorporation
Subsidiaries of TNB Repair And Maintenance Sdn. Bhd.				
Trichy Power Limited*	**100%**	100%	Dormant	India
Trichy Energy Limited*	**100%**	100%	Dormant	India
TNB Operations And Maintenance International Ltd.	**100%**	100%	Investment holding	Mauritius
TNB REMACO Pakistan (Private) Limited#	**100%**	100%	Providing repair and maintenance services to heavy industries and other related services	Pakistan
Subsidiary of TNB Operations And Maintenance International Ltd.				
Oasis Parade Sdn. Bhd.	**100%**	100%	Investment company	Malaysia
Subsidiary of TNB Ventures Sdn. Bhd.				
Tenaga Cable Industries Sdn. Bhd.	**76%**	76%	Manufacturing and distribution of power and general cables, aluminium rods and related activities	Malaysia
Subsidiary of TNB Coal International Limited				
Dynamic Acres Sdn. Bhd.*	**100%**	100%	Dormant	Malaysia
Subsidiary of Orion Mission Sdn. Bhd.				
Lahad Datu Holdings Sdn. Bhd.	**100%**	100%	Principally engaged in the operation and maintenance of power plants and generation of electricity	Malaysia
Subsidiary of Lahad Datu Holdings Sdn. Bhd.				
Lahad Datu Energy Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Subsidiary of TNB Research Sdn. Bhd.				
TNBR QATS Sdn. Bhd.	**100%**	100%	Provide quality assurance, chemical and scientific testing services	Malaysia
Subsidiary of TNB Prai Sdn. Bhd.				
TNB Northern Energy Berhad	**100%**	100%	Carry on the business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia	Malaysia
Subsidiary of Tenaga Switchgear Sdn. Bhd.				
TSG Ormazabal Sdn. Bhd.	**60%**	60%	Assembling, manufacture,test, reconditioning, distribution and other sources of medium voltage switchgear and controlgear for transmission and distribution of electric power	Malaysia

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14 SUBSIDIARIES (CONTINUED)

	Group's interest			Country of
Name of subsidiary	2014	2013	Principal activities	incorporation
Subsidiary of TNB Manjung Five Sdn. Bhd.				
TNB Western Energy Berhad	**100%**	100%	Primarily involved in the generation, sale and supply of electricity, providing operation and maintenance services for power plant	Malaysia

* *Not audited by PricewaterhouseCoopers.*

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

\## *Subsidiary consolidated through effective control as defined by MFRS 10.*

** *The company is in the process of being struck-off.*

*** *The company has been struck-off from the register of the Companies Commissions of Malaysia ('CCM').*

Other than Yayasan Tenaga Nasional ('YTN'), Yayasan Canselor Universiti Tenaga Nasional ('YCU') and Manjung Island Energy Berhad ('MIEB') which are 100% consolidated in the Group's financial results, the proportion of the Group's voting rights in the subsidiaries held by the Group do not differ from the proportion of ordinary shares held or the Group's effective equity interest in the subsidiaries.

The Group has de facto control over YTN due to a combination of facts including source of funding and right to appoint and remove the Board of Trustees. TNB has an obligation to make contributions to YTN as and when necessary to maintain the solvency of the trust fund.

YCU is 100% consolidated in the financial results of Universiti Tenaga Nasional ('UNITEN'), a wholly-owned subsidiary of the Group. UNITEN has de facto control over YCU due to the right to appoint and remove the Board of Trustees.

Although the Group does not own any shares in Manjung Island Energy Berhad ('MIEB') which is a special purpose company, the Group has concluded in its assessment that it has current ability to direct the relevant activities of the company and hence has de facto control over the company.

Capital and other commitments for the subsidiaries are disclosed in Note 43.

There are no material contingent liabilities relating to the subsidiaries.

14 SUBSIDIARIES (CONTINUED)

The non-controlling interests ('NCI') is not material to the financial performance, financial position and cash flows of the Group. The NCI information for KEV and SESB which contributes to a substantial portion of total NCI is voluntarily disclosed below:

	KEV		SESB		Other individually immaterial NCI		Total	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million	2014 RM'million	2013 (Restated) RM'million
As at 31 August								
Carrying amount of NCI	**95.6**	178.6	**101.4**	41.2	**40.2**	57.8	**237.2**	277.6
Financial year ended 31 August								
Total comprehensive (expense)/income allocated to NCI	**(84.2)**	0.9	**55.1**	10.7	**(11.1)**	15.0	**(40.2)**	26.6

The summarised financial information of KEV and SESB before inter-company eliminations is as follows:

	KEV		SESB	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
As at 31 August				
Non-current assets	**2,886.2**	3,103.5	**5,978.1**	4,130.0
Current assets	**1,642.2**	1,874.8	**1,381.8**	1,165.8
Non-current liabilities	**(3,167.4)**	(3,423.2)	**(5,498.1)**	(3,706.9)
Current liabilities	**(1,125.2)**	(1,209.7)	**(1,542.4)**	(1,406.3)
Net assets	**235.8**	345.4	**319.4**	182.6
Financial year ended 31 August				
Revenue	**2,049.4**	2,873.8	**1,699.9**	1,499.2
(Loss)/Profit after tax	**(109.5)**	0.9	**96.7**	187.6
Other comprehensive income/(expense)	**0**	0	**40.1**	(143.1)
Total comprehensive (expense)/income	**(109.5)**	0.9	**136.8**	44.5
Net cash flows from operating activities	**180.5**	190.1	**386.9**	365.8
Net cash flows from investing activities	**19.3**	14.9	**(245.9)**	(373.1)
Net cash flows from financing activities	**(347.2)**	33.2	**(175.4)**	296.9
Net (decrease)/increase in cash and cash equivalents	**(147.4)**	238.2	**(34.4)**	289.6

15 JOINT ARRANGEMENTS

(a) Joint ventures

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Unquoted ordinary shares, at cost	**81.2**	81.2	**7.9**	7.9
Share of post-acquisition results and reserves	**30.0**	10.4	**0**	0
Less: Accumulated impairment losses	**(7.9)**	(7.9)	**(7.9)**	(7.9)
	103.3	83.7	**0**	0
Share of net assets of joint ventures	**103.3**	83.7		

None of the joint ventures are material individually to the financial position, financial performance and cash flows of the Group.

The aggregated financial information of the Group's joint ventures is as follows:

	Total	
	2014 RM'million	2013 (Restated) RM'million
Group's share of results		
Financial year ended 31 August		
Profit after tax and total comprehensive income	**19.6**	9.6

The details of the joint ventures are as follows:

Name of joint venture	Group's interest 2014	Group's interest 2013 (Restated)	Principal activities	Country of incorporation
Seatrac Sdn. Bhd.	**50%**	50%	Dormant	Malaysia
Joint venture of TNB Energy Services Sdn. Bhd.				
FTJ Bio Power Sdn. Bhd.	**40%**	40%	Generation and distribution of electricity using palm empty fruit bunches as its main fuel source	Malaysia
Joint venture of TNB Engineering Corporation Sdn. Bhd.				
Airport Cooling Energy Supply Sdn. Bhd.	**77%**	77%	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

15 JOINT ARRANGEMENTS (CONTINUED)

(a) Joint ventures (continued)

The Group has carried out an assessment on adoption of MFRS 11 and has concluded on the change of classification of investments in FTJ Bio Power Sdn. Bhd. ('FTJ') and Airport Cooling Energy Supply Sdn. Bhd. ('ACES').

FTJ which was previously classified as an associate of TNB has been reclassified as joint venture as joint decisions are required with respect to all operational and financial matters.

ACES which was previously classified as a subsidiary of TNEC Engineering Corporation Sdn. Bhd. ('TNEC') has been reclassified as a joint venture even though TNEC holds more than half of the voting rights in the company. The voting rights relate to administrative tasks only and the relevant activities of ACES are directed by means of contractual arrangements. The impact to the reclassification is disclosed in Note 49 of the financial statements.

(b) Joint operations

The details of the joint operations are as follows:

	Group's interest			
Name of joint operation	**2014**	**2013**	**Principal activities**	**Country of incorporation**
Joint operation of TNB Energy Services Sdn. Bhd.				
TNB Energy Services Sdn. Bhd. & Eramaz Technology Sdn. Bhd.	**51%**	51%	As the turnkey contractor to undertake the design, building and commissioning of the system for the supply of electricity in Kalabakan, Sabah	Malaysia
Joint operation of TNB Repair And Maintenance Sdn. Bhd.				
TNB Repair And Maintenance Sdn. Bhd. & Kharafi National KSC (Closed) JV (TNB REMACO & KN JV)	**50%**	50%	Operation & maintenance services in the State of Kuwait	Malaysia

The impact of the joint operations to the Group is immaterial.

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16 ASSOCIATES

	Group		Company	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Unquoted shares, at cost	**60.8**	60.8	**60.2**	60.1
Quoted shares, at cost	**106.5**	106.5	**106.5**	106.5
Share of post-acquisition results and reserves	**233.8**	202.3	**0**	0
Less: Accumulated impairment losses	**(9.6)**	(9.6)	**(9.6)**	(9.6)
	391.5	360.0	**157.1**	157.0
Redeemable preference shares, at cost	**112.5**	112.5	**19.7**	19.7
Unsecured loan notes, at amortised cost	**4.8**	10.7	**4.8**	10.7
	508.8	483.2	**181.6**	187.4
Quoted shares, at fair value	**151.0**	124.4	**151.0**	124.4

The fair value of the quoted shares represents the Group's interest in Integrax Berhad which is within Level 1 of the fair value hierarchy.

None of the associates are material individually to the financial position, financial performance and cash flows of the Group.

The following table summarises the information of the Group's associates and reconciles the information to the carrying amount of the Group's interest in associates:

	Total	
	2014 RM'million	2013 RM'million
Reconciliation of net assets to carrying amount		
As at 31 August		
Group's share of net assets	**515.9**	490.3
Negative goodwill on acquisition	**2.5**	2.5
Less: Accumulated impairment loss	**(9.6)**	(9.6)
Carrying amount in statement of financial position	**508.8**	483.2

	Total	
	2014 RM'million	2013 RM'million
Group's share of results		
Financial year ended 31 August		
Profit after tax and total comprehensive income	**83.1**	74.9
Dividend received	**40.4**	74.6

16 ASSOCIATES (CONTINUED)

The details of the associates are as follows:

Name of associate	Group's interest 2014	Group's interest 2013 (Restated)	Principal activities	Country of incorporation
Teknologi Tenaga Perlis Consortium Sdn. Bhd.	**20%**	20%	Design, construction, divesting, operation and maintenance of electricity generating facility	Malaysia
GB3 Sdn. Bhd.	**20%**	20%	Design, construction, operation and maintenance of electricity generating facility	Malaysia
Fibrecomm Network (M) Sdn. Bhd.	**49%**	49%	Provision of fibre optic transmission network services	Malaysia
Jimah Energy Ventures Holdings Sdn. Bhd.	**20%**	20%	Generate electric power and investment holdings	Malaysia
Integrax Berhad	**22.1%**	22.1%	Investment holding company	Malaysia
Associates of TNB Properties Sdn. Bhd				
INDERA-TNB Properties Sdn. Bhd.	**40%**	40%	Dormant	Malaysia
KM Metro-TNB Properties Sdn. Bhd	**40%**	40%	Dormant	Malaysia
Associate of TNB Ventures Sdn. Bhd.				
Northern Utility Resources Sdn. Bhd. (Receiver and Manager Appointed)	**20%**	20%	Dormant	Malaysia
Associate of Independent Power International Ltd.				
Malaysian Shoaiba Consortium Sdn. Bhd.	**20%**	20%	Acquiring and hold for investment, shares, stocks, debentures in Malaysia or elsewhere	Malaysia
Associate of Oasis Parade Sdn. Bhd.				
Saudi-Malaysia Operation And Maintenance Services Company Limited	**30%**	30%	O&M of electricity generation stations and water desalination plants	Kingdom of Saudi Arabia
Associate of TNB Energy Services Sdn. Bhd.				
Jana Landfill Sdn. Bhd.	**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%	Contracting works for the construction of District Cooling Plants	United Arab Emirates
Associate of TNB Research Sdn. Bhd.				
Gunung Tenaga Sdn. Bhd.	**40%**	40%	Environmental services and research	Malaysia
Associate of Orion Mission Sdn. Bhd.				
Eastern Sabah Power Consortium Sdn. Bhd.	**50%**	50%	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

16 ASSOCIATES (CONTINUED)

Following the assessment of the impact of MFRS 10, Eastern Sabah Power Consortium Sdn. Bhd. ('ESPC') which was previously a subsidiary of Orion Mission Sdn. Bhd. has been reclassified as an associate based on representation on the Board of Directors and significant influence in the policy making process, including participation in decisions about dividends and other distributions.

The impact of the reclassification to the Group is immaterial.

Capital and other commitments for the associates are disclosed in Note 43.

There are no contingent liabilities relating to the associates.

17 INVESTMENTS IN UNQUOTED DEBT SECURITY

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Unsecured loan notes	**163.1**	163.7	**163.1**	163.7

18 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:

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Deferred tax assets:				
- Deferred tax assets to be recovered after more than 12 months	**5.8**	0	**0**	0
- Deferred tax assets to be recovered within 12 months	**9.4**	4.9	**0**	0
	15.2	4.9	**0**	0
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered after more than 12 months	**(5,795.7)**	(5,691.0)	**(4,206.5)**	(4,009.8)
- Deferred tax liabilities to be recovered within 12 months	**(920.4)**	(736.9)	**(867.5)**	(709.0)
	(6,716.1)	(6,427.9)	**(5,074.0)**	(4,718.8)

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Deferred tax assets	**15.2**	4.9	**0**	0
Deferred tax liabilities	**(6,716.1)**	(6,427.9)	**(5,074.0)**	(4,718.8)
Net total	**(6,700.9)**	(6,423.0)	**(5,074.0)**	(4,718.8)

18 DEFERRED TAXATION (CONTINUED)

The movements during the financial year relating to deferred tax are as follows:

	Group		Company	
	2014	2013 (Restated)	2014	2013
	RM'million	RM'million	RM'million	RM'million
As at the beginning of the financial year	**(6,423.0)**	(7,874.1)	**(4,718.8)**	(6,178.8)
(Charged)/Credited to statement of profit or loss:				
- Property, plant and equipment	**(377.5)**	79.5	**227.8**	174.3
- Unutilised tax losses	**0**	(24.8)	**0**	0
- Provisions and allowances	**672.3**	233.9	**6.8**	90.9
- Accrued revenue	**(132.6)**	(11.2)	**(132.6)**	(11.2)
- Finance leases	**(99.3)**	44.7	**(119.6)**	44.7
- Prepaid operating leases	**(119.5)**	(124.9)	**(116.3)**	(92.6)
	(56.6)	197.2	**(133.9)**	206.1
(Charged)/Credited to other comprehensive income:				
- Provisions and allowances	**(221.3)**	1,253.9	**(221.3)**	1,253.9
As at the end of the financial year	**(6,700.9)**	(6,423.0)	**(5,074.0)**	(4,718.8)

	Group		Company	
	2014	2013 (Restated)	2014	2013
	RM'million	RM'million	RM'million	RM'million
Subject to income tax				
Deferred tax assets (before offsetting):				
- Provisions and allowances	**4,019.9**	3,568.9	**2,838.7**	3,053.2
- Finance leases	**415.7**	515.0	**710.5**	830.1
- Property, plant and equipment	**15.5**	5.8	**0**	0
Offsetting	**(4,435.9)**	(4,084.8)	**(3,549.2)**	(3,883.3)
Deferred tax assets (after offsetting)	**15.2**	4.9	**0**	0
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	**(9,364.8)**	(8,977.6)	**(6,908.2)**	(7,136.0)
- Accrued revenue	**(658.3)**	(525.7)	**(658.3)**	(525.7)
- Prepaid operating leases	**(1,128.9)**	(1,009.4)	**(1,056.7)**	(940.4)
Offsetting	**4,435.9**	4,084.8	**3,549.2**	3,883.3
Deferred tax liabilities (after offsetting)	**(6,716.1)**	(6,427.9)	**(5,074.0)**	(4,718.8)

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18 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		Company	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Deductible temporary differences	**1,193.0**	1,248.1	**0**	0
Tax losses	**1,451.5**	1,435.7	**0**	0
Reinvestment allowance	**4,812.0**	6,168.2	**4,783.8**	6,140.0

19 LONG TERM RECEIVABLES

		Group		Company	
	Note	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Other debtors	(a)	**270.6**	295.5	**238.6**	282.8
Advance to contractors	(b)	**0**	19.3	**0**	0
Amounts due from subsidiaries	(c)	**0**	0	**932.9**	1,184.6
Redeemable unsecured loan stocks ('RULS')	(d)	**0**	0	**534.9**	535.5
		270.6	314.8	**1,706.4**	2,002.9
Less: Accumulated impairment loss:					
Amounts due from subsidiaries	(c)	**0**	0	**(562.0)**	(767.1)
		270.6	314.8	**1,144.4**	1,235.8

(a) Other debtors comprise advances given to staff and Yayasan Tenaga Nasional at Company level, which are not expected to be received within 12 months from the statement of financial position date.

(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 interest receivable from Kapar Energy Ventures Sdn. Bhd. ('KEV') and TNB Power Daharki Ltd. ('TPD') respectively. The interest receivable due from KEV are based on terms in (d). The amount due from TPD is subject to interest at rates ranging from 1.8% to 3.3% (2013: 1.9% to 3.4%) per annum and is unsecured.

Amount due from SESB and TNB Coal International Ltd. are subject to an interest rate of 6.0% (2013: 6.0%) and 7.0% (2013: 7.0%) per annum respectively, are unsecured and have no fixed term of repayment.

(d) Redeemable unsecured loan stocks bear interest at 15.0% (2013: 15.0%) per annum on the outstanding nominal value of the principal and a compounding interest will be charged at 5.0% (2013: 5.0%) per annum on the unpaid interest after the due date. Refer to Note 35(c) for the terms of RULS.

20 FINANCE LEASE RECEIVABLE

The Group's finance lease receivable 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' ('MFRS 117').

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Within 1 year	**2.0**	2.0	**0.7**	1.4
After 1 year and not later than 5 years	**8.2**	8.1	**2.9**	2.6
Over 5 years	**16.9**	20.5	**10.5**	12.8
	27.1	30.6	**14.1**	16.8
Less: Unearned finance income	**(13.0)**	(13.8)		
Present value of minimum lease payments receivable	**14.1**	16.8		

The finance lease receivable, 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 customer. The effective interest rate implicit in the finance lease is approximately 9.5% (2013: 9.5%). The carrying amount of the finance lease receivable approximate to its fair values.

21 PREPAID OPERATING LEASE

(a) Prepaid operating leases

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
Non-current				
Prepaid operating leases	**4,763.8**	4,167.4	**4,484.3**	3,912.7
Current				
Prepaid operating leases	**92.2**	21.7	**70.5**	0

Payments made in advance to Independent Power Producers ('IPPs') are primarily to reserve generating capacity for future goods and services. There is no contractual right to receive a refund in cash or another financial instrument from the IPPs.

(b) Lease payable and prepayment by lessee

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
Non-current				
Lease payable* (Note 37)	**150.2**	151.1	**150.2**	151.1
Prepayment by lessee** (Note 37)	**366.9**	352.2	**0**	0
	517.1	503.3	**150.2**	151.1

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
Current				
Lease payable* (Note 30)	**2.0**	0.3	**2.0**	0.3
Prepayment by lessee** (Note 30)	**33.4**	26.6	**0**	0
	35.4	26.9	**2.0**	0.3

* The Group and Company as lessee
** The Group as lessor

22 DERIVATIVE FINANCIAL INSTRUMENTS

2014	Note	Notional amount RM'million	Assets RM'million	Liabilities RM'million
Group				
Current				
Non-hedge accounting qualified derivative financial instruments:				
- Forward foreign currency contracts	(a)	**0**	**0**	**0**
Non-current				
Non-hedge accounting qualified derivative financial instruments:				
- Currency options contracts	(b)	**790.1**	**42.7**	**0**
- Interest rate swap contracts	(c)	**186.7**	**0**	**4.9**
Total		**976.8**	**42.7**	**4.9**
Company				
Current				
Non-hedge accounting qualified derivative financial instruments:				
- Forward foreign currency contracts	(a)	**0**	**0**	**0**
Non-current				
Non-hedge accounting qualified derivative financial instruments:				
- Interest rate swap contracts	(c)	**186.7**	**0**	**4.9**
Total		**186.7**	**0**	**4.9**

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

2013	Note	Notional amount RM'million	Assets RM'million	Liabilities RM'million
Group				
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
Company				
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

Details of derivative financial instruments are as follows:

(a) Forward foreign currency contracts

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. The forward contract has been settled in the current financial year.

(b) Currency options contracts

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 4.06%. This transaction enabled 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 contracts ('IRS')

The Company entered into IRS agreements on 10 October 2008 with effective period from 15 October 2008 to 28 February 2015 that entitled 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').

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Available-for-sale financial assets	**38.3**	38.2	**38.0**	38.0

Available-for-sale financial assets comprise unquoted shares and are denominated in Ringgit Malaysia and Saudi Riyal.

24 NON-CURRENT ASSETS HELD-FOR-SALE

	Group and Company	
	2014 RM'million	2013 RM'million
Cost		
As at 1 September	**10.1**	10.1
Amount transferred from property, plant and equipment	**0.1**	1.0
Disposals	**(10.2)**	(1.0)
As at 31 August	**0**	10.1
Accumulated depreciation/amortisation		
As at 1 September	**0.3**	0.3
Amount transferred from property, plant and equipment	**0.1**	0.2
Disposals	**(0.4)**	(0.2)
As at 31 August	**0**	0.3
Net book amount		
Property, plant and equipment	**0**	9.8
As at 31 August	**0**	9.8

25 INVENTORIES

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
Fuel and consumables	**875.2**	613.3	**194.1**	215.8
Work-in-progress	**8.6**	3.6	**0**	0
Finished goods	**3.5**	0	**0**	0
	887.3	616.9	**194.1**	215.8

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26 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2014	2013 (Restated)	2014	2013
	RM'million	RM'million	RM'million	RM'million
Trade receivables	**6,450.0**	6,413.4	**5,317.4**	5,315.6
Staff advances/loans	**62.1**	66.2	**59.5**	61.1
Partial payment to contractors	**238.9**	236.5	**98.4**	110.9
Deposits and prepayments	**110.0**	156.8	**49.6**	28.4
Other receivables	**999.8**	937.9	**96.2**	89.5
Rechargeable debtors	**185.1**	145.6	**149.3**	128.3
	8,045.9	7,956.4	**5,770.4**	5,733.8
Allowance for impairment:				
Trade receivables (Note 47(b)(i))	**(743.8)**	(617.8)	**(665.5)**	(548.0)
Others (Note 47(b)(i))	**(169.8)**	(159.3)	**(156.6)**	(138.9)
	(913.6)	(777.1)	**(822.1)**	(686.9)
	7,132.3	7,179.3	**4,948.3**	5,046.9

The Group and Company's credit policy provides trade receivables with a 30 days (2013: 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 are disclosed in Note 47(b)(i) to the financial statements.

Included in trade receivables is unbilled revenue amounting to RM2,861.8 million (2013: RM2,195.2 million) for the Group and RM2,742.9 million (2013: RM2,102.7 million) for the Company.

27 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amount due to TNB Capital (L) Ltd. is subject to interest rates ranging from 0.3% to 5.3% (2013: 0.4% 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	
	2014	2013	2014	2013
	RM'million	RM'million	RM'million	RM'million
Financial assets at fair value through profit or loss	**3,646.1**	9.7	**1,501.7**	9.7

Financial assets at fair value through profit or loss represent investments in unit trust.

29 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Cash in hand and at bank	**1,029.3**	825.2	**336.8**	398.3
Deposits with licensed banks	**7,083.2**	8,717.4	**3,108.8**	3,906.0
	8,112.5	9,542.6	**3,445.6**	4,304.3

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	
	2014 %	2013 %	2014 %	2013 %
Deposits with licensed banks	**0.08 - 4.1**	0.02 - 5.0	**0.9 - 4.1**	3.2 - 3.4
Bank balances	**0.01**	0.1	**0.01**	0.1

Deposits with licensed banks have maturity periods ranging from 7 to 182 days (2013: 3 to 365 days) for the Group and 8 to 160 days (2013: 14 to 63 days) for the Company.

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Cash and cash equivalents at the end of the financial year comprises:				
Cash in hand and at bank	**785.5**	771.2	**336.8**	398.3
Deposits with licensed banks	**7,083.2**	8,717.4	**3,108.8**	3,906.0
Cash at bank held in trust*	**243.6**	53.5	**0**	0
Funds from MoF**	**0.2**	0.5	**0**	0
Deposits, bank and cash balances	**8,112.5**	9,542.6	**3,445.6**	4,304.3
Debt reserve account*** (Note 35(b)(ii))	**(241.0)**	(213.8)	**0**	0
Total cash and cash equivalents	**7,871.5**	9,328.8	**3,445.6**	4,304.3

* 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

** Ministry of Finance (MoF) fund given to a subsidiary under a stimulus package for training programmes

*** Debt reserve account relates to deposits placed with licensed financial institution as part of security obligations for bond financing

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30 PAYABLES

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
Trade payables	**5,746.8**	4,981.4	**4,247.3**	3,298.0
Payroll liabilities	**983.8**	718.1	**826.4**	621.3
Deposits	**17.4**	22.4	**10.4**	16.6
Provisions	**551.7**	382.7	**54.4**	58.8
Lease payables (Note 21(b))	**35.4**	26.9	**2.0**	0.3
Amount due to Federal Government	**85.7**	85.7	**0**	0
Other payables and accruals	**552.7**	396.2	**68.7**	154.4
	7,973.5	6,613.4	**5,209.2**	4,149.4

Included in energy cost (Note 5) and trade payables is an obligation of RM652.1 million (2013: RM218.2 million) relating to a Government sponsored tariff Stabilisation Fund.

Credit terms of trade payables of the Group and Company vary from 30 to 60 days (2013: 30 to 60 days) depending on the terms of the contracts.

31 FINANCE LEASE PAYABLES

	Note	Group 2014 RM'million	Group 2013 (Restated) RM'million	Company 2014 RM'million	Company 2013 RM'million
Finance lease liabilities	(a)	**6,776.9**	5,607.4	**15,826.2**	17,148.7
Hire purchase creditors	(b)	**12.1**	27.6	**0**	0
		6,789.0	5,635.0	**15,826.2**	17,148.7

(a) The Group and Company's obligations under finance lease liabilities arise predominantly from the power purchase agreements with several IPPs. These power purchase agreements are accounted for as finance leases in accordance with IC 4 and MFRS 117.

	Group 2014 RM'million	Group 2013 (Restated) RM'million	Company 2014 RM'million	Company 2013 RM'million
Minimum lease payments:				
- Within 1 year	**1,052.7**	854.9	**2,358.2**	2,421.7
- 1 to 2 years	**1,043.8**	845.1	**2,348.9**	2,358.2
- 3 to 5 years	**2,268.6**	2,052.0	**6,169.6**	6,597.0
- More than 5 years	**6,157.6**	3,815.9	**12,793.8**	14,663.6
Total minimum lease payments	**10,522.7**	7,567.9	**23,670.5**	26,040.5
Future finance charges	**(3,745.8)**	(1,960.5)	**(7,844.3)**	(8,891.8)
	6,776.9	5,607.4	**15,826.2**	17,148.7
Amount payable under finance lease:				
- Within 1 year	**641.1**	588.2	**1,305.9**	1,301.5
- After 1 year and not later than 5 years	**1,961.9**	2,092.7	**5,148.2**	5,283.2
- Over 5 years	**4,173.9**	2,926.5	**9,372.1**	10,564.0
	6,776.9	5,607.4	**15,826.2**	17,148.7

	Group 2014 %	Group 2013 (Restated) %	Company 2014 %	Company 2013 %
Average effective interest rate (%)	**6.2**	5.1	**6.9**	6.8

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 2014, the net book value of asset under finance lease for the Group and Company are as disclosed in Note 13 to the financial statements.

31 FINANCE LEASE PAYABLES (CONTINUED)

(b) This represents future instalments under hire purchase of motor vehicles, repayable as follows:

	Group	
	2014 RM'million	2013 RM'million
Minimum lease payments:		
- Not later than 1 year	**10.8**	17.3
- Later than 1 year and not later than 5 years	**1.7**	11.7
	12.5	29.0
Future finance charges on hire purchase	**(0.4)**	(1.4)
Present value of hire purchase	**12.1**	27.6
Present value of hire purchase:		
- Not later than 1 year	**10.5**	16.2
- Later than 1 year and not later than 5 years	**1.6**	11.4
	12.1	27.6

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 2014, the weighted average effective interest rate applicable to the lease liabilities as at the financial year end is 5.4% (2013: 5.5%) per annum and interest for the financial year is at 2.9% (2013: 2.9%) per annum for the Group. The entire balance is denominated in Ringgit Malaysia.

32 DEFERRED INCOME

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
As at the beginning of the financial year	**3,124.9**	3,189.1	**2,718.1**	2,786.4
Received during the financial year	**1,156.4**	905.1	**845.9**	794.0
Released to statement of profit or loss	**(1,476.6)**	(958.1)	**(1,113.9)**	(862.3)
Reclassified to other liabilities	**(3.7)**	(11.2)	**0**	0
As at the end of the financial year	**2,801.0**	3,124.9	**2,450.1**	2,718.1
Realised within 12 months	**1,158.5**	1,062.1	**1,043.1**	997.1
Realised after 12 months	**1,642.5**	2,062.8	**1,407.0**	1,721.0
	2,801.0	3,124.9	**2,450.1**	2,718.1

Deferred income primarily relates to contributions paid in advance by electricity customers for the construction of electricity network assets.

33 EMPLOYEE BENEFITS

The movements in the financial statements are as follows:

	Retirement Benefit Trust Fund				
	Defined benefit obligation RM'million	Fair value of planned asset RM'million	Net defined benefit liability RM'million	Post-Retirement medical benefit scheme RM'million	Total RM'million
Group					
At 1 September 2012	2,997.3	(1,146.0)	1,851.3	4,289.9	6,141.2
Included in profit or loss					
Current service cost	187.3	0	187.3	0	187.3
Interest cost/(income)	187.1	(62.3)	124.8	465.0	589.8
	374.4	(62.3)	312.1	465.0	777.1
Included in other comprehensive income					
Remeasurement (gain)/loss:					
- Actuarial (gain)/loss arising from:					
- Financial assumptions	763.5	0	763.5	160.5	924.0
- Experience adjustments	(32.6)	(11.2)	(43.8)	4,287.4	4,243.6
- Return on plan assets excluding interest income	0	(8.2)	(8.2)	0	(8.2)
Other					
Contributions paid by the employer	0	(344.0)	(344.0)	0	(344.0)
Benefits paid	(295.1)	295.1	0	(289.5)	(289.5)
	435.8	(68.3)	367.5	4,158.4	4,525.9
At 31 August 2013	3,807.5	(1,276.6)	2,530.9	8,913.3	11,444.2
Current			375.2	293.6	668.8
Non-current			2,155.7	8,619.7	10,775.4
			2,530.9	8,913.3	11,444.2

33 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	Retirement Benefit Trust Fund			Post-Retirement medical benefit scheme	Total
	Defined benefit obligation RM'million	Fair value of planned asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
Group					
At 1 September 2013	**3,807.5**	**(1,276.6)**	**2,530.9**	**8,913.3**	**11,444.2**
Included in profit or loss					
Current service cost	182.6	0	182.6	0	182.6
Interest cost/(income)	167.6	(69.2)	98.4	478.2	576.6
	350.2	**(69.2)**	**281.0**	**478.2**	**759.2**
Included in other comprehensive income					
Remeasurement (gain)/loss:					
- Actuarial (gain)/loss arising from:					
- Demographic assumptions	20.3	0	20.3	(215.9)	(195.6)
- Financial assumptions	(239.9)	0	(239.9)	(247.0)	(486.9)
- Experience adjustments	(403.8)	0	(403.8)	408.6	4.8
- Return on plan assets excluding interest income	0	14.7	14.7	0	14.7
Other					
Contributions paid by the employer	0	(368.5)	(368.5)	0	(368.5)
Benefits paid	(319.6)	319.6	0	(340.4)	(340.4)
	(943.0)	**(34.2)**	**(977.2)**	**(394.7)**	**(1,371.9)**
At 31 August 2014	**3,214.7**	**(1,380.0)**	**1,834.7**	**8,996.8**	**10,831.5**
Current			231.9	336.4	568.3
Non-current			1,602.8	8,660.4	10,263.2
			1,834.7	**8,996.8**	**10,831.5**

33 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	Retirement Benefit Trust Fund			Post-Retirement medical benefit scheme	
	Defined benefit obligation RM'million	Fair value of planned asset RM'million	Net defined benefit liability RM'million	RM'million	Total RM'million
Company					
At 1 September 2012	2,981.0	(1,146.0)	1,835.0	4,092.9	5,927.9
Included in profit or loss					
Current service cost	183.7	0	183.7	0	183.7
Interest cost/(income)	187.1	(62.3)	124.8	450.2	575.0
	370.8	(62.3)	308.5	450.2	758.7
Included in other comprehensive income					
Remeasurement (gain)/loss:					
- Actuarial (gain)/loss arising from:					
- Financial assumptions	757.3	0	757.3	23.0	780.3
- Experience adjustments	(32.6)	(11.2)	(43.8)	4,287.4	4,243.6
- Return on plan assets excluding interest income	0	(8.2)	(8.2)	0	(8.2)
Other					
Contributions paid by the employer	0	(338.1)	(338.1)	0	(338.1)
Benefits paid	(289.2)	289.2	0	(283.6)	(283.6)
	435.5	(68.3)	367.2	4,026.8	4,394.0
At 31 August 2013	3,787.3	(1,276.6)	2,510.7	8,569.9	11,080.6
Current			375.2	277.6	652.8
Non-current			2,135.5	8,292.3	10,427.8
			2,510.7	8,569.9	11,080.6

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33 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	Retirement Benefit Trust Fund			Post-Retirement medical benefit scheme	Total
	Defined benefit obligation	Fair value of planned asset	Net defined benefit liability		
	RM'million	RM'million	RM'million	RM'million	RM'million
Company					
At 1 September 2013	**3,787.3**	**(1,276.6)**	**2,510.7**	**8,569.9**	**11,080.6**
Included in profit or loss					
Current service cost	179.1	0	179.1	0	179.1
Interest cost/(income)	194.2	(69.2)	125.0	460.9	585.9
Charged to subsidiaries	(28.3)	0	(28.3)	0	(28.3)
	345.0	**(69.2)**	**275.8**	**460.9**	**736.7**
Included in other comprehensive income					
Remeasurement (gain)/loss:					
- Actuarial (gain)/loss arising from:					
- Demographic assumptions	20.3	0	20.3	(182.7)	(162.4)
- Financial assumptions	(239.9)	0	(239.9)	(205.0)	(444.9)
- Experience adjustments	(404.3)	0	(404.3)	352.2	(52.1)
- Return on plan assets excluding interest income	0	14.7	14.7	0	14.7
Other					
Contributions paid by the employer	0	(369.3)	(369.3)	0	(369.3)
Benefits paid	(320.4)	320.4	0	(324.4)	(324.4)
	(944.3)	**(34.2)**	**(978.5)**	**(359.9)**	**(1,338.4)**
At 31 August 2014	**3,188.0**	**(1,380.0)**	**1,808.0**	**8,670.9**	**10,478.9**
Current			231.9	324.5	556.4
Non-current			1,576.1	8,346.4	9,922.5
			1,808.0	**8,670.9**	**10,478.9**

33 EMPLOYEE BENEFITS (CONTINUED)

The latest actuarial revaluation was carried out in October 2014. The principal actuarial assumptions used in respect of defined benefit plans were as follows:

	Group		Company	
	Retirement benefit plan %	Retirement medical plan %	Retirement benefit plan %	Retirement medical plan %
At 31.8.2013				
Discount rates	5.0	5.4 - 5.5	5.0	5.4
Expected rate of salary increases	8.0	N/A	8.0	N/A
Medical cost inflation:				
- Inpatient	N/A	5.0 - 5.5	N/A	5.5
- Outpatient	N/A	5.0 - 11.0	N/A	11.0
Others:				
- Specialist	N/A	4.5	N/A	4.5
At 31.8.2014				
Discount rates	**5.4**	**5.8**	**5.4**	**5.8**
Expected rate of salary increases	**7.0**	**N/A**	**7.0**	**N/A**
Medical cost inflation:				
- Inpatient	**N/A**	**5.5**	**N/A**	**5.5**
- Outpatient	**N/A**	**9.8**	**N/A**	**9.8**
Others:				
- Specialist	**N/A**	**4.5**	**N/A**	**4.5**
- Dialysis	**N/A**	**5.5**	**N/A**	**5.5**

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33 EMPLOYEE BENEFITS (CONTINUED)

The effect of a 1.0% movement in the key assumptions to the defined benefit obligation balances are as follows:

	Retirement benefit plan		Retirement medical plan	
	Increase RM'million	Decrease RM'million	Increase RM'million	Decrease RM'million
Group				
Medical cost trend rate	0	0	1,346.7	(1,080.3)
Discount rate	(193.1)	217.7	(1,097.1)	1,304.5
Company				
Medical cost trend rate	0	0	1,288.8	(1,034.2)
Discount rate	(193.1)	217.7	(1,048.7)	1,242.3

Plan assets comprise:

	Group and Company	
	2014 %	2013 %
Equity instruments - quoted	**47.6**	29.4
Debt instruments	**50.0**	60.9
Others	**2.4**	9.7
	100.0	100.0

Pension plan assets did not include any ordinary share of the Company (fair value for 2013: RM7.7 million).

The Group's Retirement Benefit Plan is conditional on future employment of the members of the scheme. The Group's Retirement Medical Plan is not conditional on future employment and has been fully vested as at 31 August 2014.

34 SHORT TERM BORROWINGS

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Portion of borrowings due within one financial year (Note 35):				
- Secured	**329.4**	225.0	**0**	0
- Unsecured	**1,840.0**	651.4	**448.7**	459.8
	2,169.4	876.4	**448.7**	459.8
Short term loans:				
- Secured	**223.6**	226.7	**0**	0
- Unsecured	**29.9**	0.4	**0**	0
Bankers' acceptances	**57.5**	45.3	**0**	0
	2,480.4	1,148.8	**448.7**	459.8

The short term borrowings carry interest at rates ranging from 0.8% to 15.0% (2013: 0.8% to 15.0%) per annum for the Group and from 0.8% to 7.5% (2013: 0.8% to 7.5%) per annum for the Company.

35 BORROWINGS

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Secured:				
- Term loans (Note (a))	**1,313.2**	1,400.4	**0**	0
- Bonds (Note (b))	**10,893.2**	7,361.0	**0**	0
	12,206.4	8,761.4	**0**	0
Unsecured:				
- Term loans	**6,815.4**	7,617.3	**5,818.9**	6,432.6
- Bonds	**5,468.8**	5,570.2	**3,345.6**	3,401.0
- Redeemable unsecured loan stocks (Note (c))	**654.4**	667.1	**0**	0
	12,938.6	13,854.6	**9,164.5**	9,833.6
	25,145.0	22,616.0	**9,164.5**	9,833.6
Payable within 1 year included under short term borrowings (Note 34)	**2,169.4**	876.4	**448.7**	459.8
Repayable after one year:				
- After 1 and up to 2 years	**1,035.0**	2,190.1	**347.2**	357.2
- After 2 and up to 5 years	**2,908.9**	2,461.7	**291.4**	571.7
- After 5 and up to 10 years	**7,851.6**	8,496.6	**4,585.7**	4,636.1
- After 10 and up to 20 years	**10,147.8**	7,209.8	**2,722.0**	2,866.8
- After 20 and up to 30 years	**797.3**	1,136.5	**534.5**	697.1
- After 30 years	**235.0**	244.9	**235.0**	244.9
	22,975.6	21,739.6	**8,715.8**	9,373.8
	25,145.0	22,616.0	**9,164.5**	9,833.6

	Group	
	2014 RM'million	2013 (Restated) RM'million
Net book values of property, plant and equipment pledged as security for borrowings:		
(a) Machinery, lines and equipment	**4,714.8**	4,739.8
(b) Building	**895.4**	929.9
(c) Leasehold land	**105.5**	107.1
	5,715.7	5,776.8

35 BORROWINGS (CONTINUED)

(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 all 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 all SESB's present and future rights and interest 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 4.06%. The loan will mature on 13 April 2034. The loan is an amortising loan whose principal is payable in 20 equal annual instalments. 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 SDN BHD. ('TNBJ'))

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 instalments. 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.

(iv) 15-YEAR RM73.3 MILLION TERM LOAN

On 20 December 2012, 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 instalments.

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.

(b) Bonds

(i) ISLAMIC SECURITIES PROGRAMME

On 25 November 2011, TNBJ obtained a RM4.9 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.

35 BORROWINGS (CONTINUED)

(b) Bonds (continued)

(i) ISLAMIC SECURITIES PROGRAMME (continued)

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 was 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.

(ii) SUKUK IJARAH

On 5 July 2013, Kapar Energy Venture Sdn. Bhd. ('KEV') issued a sukuk facility based on the Shariah principles of Ijarah ('Sukuk Ijarah') of 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 Islamic Debt Securities – Bai Bithamin Ajil ('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.

(iii) 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.

(iv) SUKUK - COAL FIRED POWER PLANT

On 22 January 2014, TNB Western Energy Berhad ('TWEB') obtained a RM3.7 billion sukuk facility agreement to finance the construction of a 1,000MW coal fired power plant. The tenure of the facility agreement is 23 years with a periodic distribution rate between 5.06% and 5.80% per annum. The sukuk facility agreement consists of 20 tranches with tenures ranging from 10 years to 20 years.

(c) Redeemable Unsecured Loan Stocks ('RULS')

On 29 June 2004, KEV issued RM957.6 million 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. amounted to RM383.0 million.

The main features of the RULS are as follows:

(i) The RULS bear interest at 15.0% (2013: 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% (2013: 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% had 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.

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36 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 pay 2.5% per annum on the amount of cash deposit as rebate in January every year.

37 OTHER LIABILITIES

	Note	Group		Company	
		2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Payable to State Government		**35.6**	38.8	**35.6**	38.8
Lease payable	21(b)	**150.2**	151.1	**150.2**	151.1
Prepayment by lessee	21(b)	**366.9**	352.2	**0**	0
Retention monies		**409.3**	349.9	**381.6**	330.7
Others		**194.7**	13.0	**0**	0
		1,156.7	905.0	**567.4**	520.6

38 GOVERNMENT DEVELOPMENT GRANTS

	Group	
	2014 RM'million	2013 RM'million
As at the beginning of the financial year	**781.7**	671.0
Received during the financial year	**308.3**	169.0
Released to statement of profit or loss (Note 7)	**(68.4)**	(58.3)
As at the end of the financial year	**1,021.6**	781.7

The development grants are provided by the Government for a subsidiary mainly for the construction of property, plant and equipment.

39 SHARE CAPITAL

	Group and Company	
	2014	**2013**
Authorised:		
Ordinary shares of RM1.00 each	**10,000,000,000**	10,000,000,000
Special Rights Redeemable Preference Share of RM1.00 each	**1**	1
Class A Redeemable Preference Shares of RM1.00 each	**1,000**	1,000
Class B Redeemable Preference Shares of RM1.00 each	**500**	500
Total authorised share capital as at the end of the financial year	**10,000,001,501**	10,000,001,501
Issued and fully paid:		
Ordinary shares of RM1.00 each	**5,643,611,171**	5,643,611,171
Special Rights Redeemable Preference Share of RM1.00 each	**1**	1
Total share capital issued and fully paid as at the end of the financial year	**5,643,611,172**	5,643,611,172

	Group and Company	
	2014	**2013**
Movements in issued ordinary shares of RM1.00 each:		
As at the beginning of the financial year	**5,643,611,171**	5,501,553,731
Issuance of ordinary shares of RM1.00 each under the ESOS II	**0**	142,057,440
As at the end of the financial year	**5,643,611,171**	5,643,611,171

(a) Special Rights Redeemable Preference Share ('Special Share')

(i) 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.

(ii) 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.

(iii) The Special Shareholder does not have any right to participate in the capital or profits of the Company.

(iv) The Special Shareholder has the right to require the Company to redeem the Special Share, at par, at any time.

(b) 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:

(i) The RPS do not carry any right to participate in the assets and surplus profit of the Company.

(ii) The RPS holders have no voting rights except on resolution to amend the RPS holders' rights.

(iii) These RPS are not convertible into ordinary shares.

40 SHARE PREMIUM

	Group and Company	
	2014 RM'million	2013 RM'million
As at the beginning of the financial year	**5,382.2**	4,529.1
Arising in respect of ordinary shares issued during the financial year	**0**	669.2
Arising in respect of options exercised	**0**	183.9
As at the end of the financial year	**5,382.2**	5,382.2

41 OTHER RESERVES

	Group		Company	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Foreign currency translation reserve	**26.3**	(4.7)	**0**	0
Reserve on consolidation	**(146.6)**	(146.6)	**0**	0
Employee benefits reserve	**(4,916.3)**	(5,358.0)	**(4,782.8)**	(5,206.2)
Available-for-sale reserve	**0.3**	0.2	**0**	0
	(5,036.3)	(5,509.1)	**(4,782.8)**	(5,206.2)

The movements in each category of reserves are as follows:

	Group	
	2014 RM'million	2013 RM'million
Foreign currency translation reserve		
As at the beginning of the financial year	**(4.7)**	(51.2)
Arising in the financial year	**31.0**	46.5
As at the end of the financial year	**26.3**	(4.7)

The foreign currency translation reserve comprises exchange differences resulting from the translation of the results and financial position of foreign operations.

	Group	
	2014 RM'million	2013 RM'million
Reserve on consolidation		
As at the beginning/end of the financial year	**(146.6)**	(146.6)

41 OTHER RESERVES (CONTINUED)

The reserve on consolidation comprises goodwill which arose from acquisition of subsidiaries prior to financial year ended 2006, and had been taken directly to reserves.

	Group		Company	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Employees' Share Option Scheme reserve				
As at the beginning of the financial year	**0**	181.6	**0**	181.6
Arising in the financial year	**0**	43.3	**0**	43.3
Arising in respect of options exercised	**0**	(183.9)	**0**	(183.9)
Arising in respect of options expired	**0**	(41.0)	**0**	(41.0)
As at the end of the financial year	**0**	0	**0**	0

The share options reserve comprises the fair value of options granted, less any shares issued under the ESOS. The ESOS had expired on 7 July 2013.

	Group		Company	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Employee benefits reserve				
As at the beginning of the financial year	**(5,358.0)**	(1,452.5)	**(5,206.2)**	(1,444.4)
Arising in the financial year	**441.7**	(3,905.5)	**423.4**	(3,761.8)
As at the end of the financial year	**(4,916.3)**	(5,358.0)	**(4,782.8)**	(5,206.2)

	Group	
	2014 RM'million	2013 RM'million
Available-for-sale reserve		
As at the beginning of the financial year	**0.2**	0
Arising in the financial year	**0.1**	0.2
As at the end of the financial year	**0.3**	0.2

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 2014, 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 RM37,232.5 million (2013: RM32,176.4 million) as at 31 August 2014 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	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Authorised capital expenditure not provided in the financial statements:				
- Contracted	**7,789.1**	4,171.5	**850.7**	575.4
- Not contracted	**17,350.5**	18,236.7	**16,640.7**	17,545.7
	25,139.6	22,408.2	**17,491.4**	18,121.1

(b) Operating lease commitments - as lessee

The Group and Company lease a number of plant and machineries, office buildings and equipments under operating leases. These leases have an average tenure between 3 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	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Payable not later than 1 year	**4,242.6**	4,320.5	**3,963.9**	4,041.8
Payable later than 1 year and not later than 5 years	**15,249.6**	15,596.1	**14,278.4**	14,556.2
Payable more than 5 years	**25,066.6**	28,890.1	**23,328.2**	26,941.6
	44,558.8	48,806.7	**41,570.5**	45,539.6

(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	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Payable not later than 1 year	**93.2**	124.8	**82.1**	51.9
Payable later than 1 year and not later than 5 years	**304.4**	224.5	**260.2**	103.7
Payable more than 5 years	**333.2**	383.1	**6.4**	0
	730.8	732.4	**348.7**	155.6

44 CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Claims by third parties:				
- Contractors	**217.7**	292.3	**146.5**	241.9
- Consumers	**91.8**	77.1	**91.8**	77.1
- Others	**12.2**	15.7	**6.1**	4.4
	321.7	385.1	**244.4**	323.4
Trade guarantees and performance bonds	**24.5**	12.3	**0**	0
Other contingent liabilities	**5.0**	140.8	**0**	0
	351.2	538.2	**244.4**	323.4

All third party 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 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 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 as disclosed in Note 16.

(c) Key Management Personnel ('KMP')

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and Company either directly or indirectly. The KMP of the Group or of 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 include transactions 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 32.4% (2013: 32.6%) 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 enter into transactions with many of these bodies, which include but are 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 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 are principally involved in the provision of electricity as part of their ordinary operations. These services are carried out 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 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	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Group				
Income:				
- Sales of electricity	**1.0**	0.9	**0**	0
- Interest income	**8.2**	9.0	**0**	0
- Dividend income	**40.4**	74.6	**0**	0
- Leasing income	**60.8**	32.8	**0**	0
Expenditure:				
- Purchase of electricity	**3,071.1**	3,324.3	**0**	0
- Key management compensation:				
- Salaries, allowances and bonuses	**0**	0	**15.1**	12.0
- Benefits-in-kind	**0**	0	**0.3**	0.7
- Defined contribution retirement plan	**0**	0	**1.9**	1.4
- Other staff benefits	**0**	0	**2.1**	0.2
- ESOS expense	**0**	0	**0**	1.5

	Associate companies	
	2014 RM'million	2013 (Restated) RM'million
Group		
Amounts due from	**79.2**	87.5
Amounts due to	**575.5**	615.6

45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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: (continued)

	Subsidiary companies		Associate companies		Key Management Personnel	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Company						
Income:						
- Sales of electricity	**42.2**	36.8	**1.0**	0.9	**0**	0
- Interest income	**148.0**	150.4	**8.2**	9.0	**0**	0
- Dividend income	**66.0**	21.0	**40.4**	74.6	**0**	0
- Rental income	**24.5**	26.7	**0**	0	**0**	0
- Leasing income	**4.2**	2.3	**60.8**	32.8	**0**	0
Expenditure:						
- Purchase of electricity	**4,842.0**	4,756.6	**3,071.1**	3,324.3	**0**	0
- Training fees	**81.0**	56.9	**0**	0	**0**	0
- Interest expense	**90.3**	90.0	**0**	0	**0**	0
- Finance lease interest	**506.9**	943.4	**0**	0	**0**	0
- Key management compensation:						
- Salaries, allowances and bonuses	**0**	0	**0**	0	**14.6**	11.7
- Benefits-in-kind	**0**	0	**0**	0	**0.3**	0.7
- Defined contribution retirement plan	**0**	0	**0**	0	**1.9**	1.4
- Other staff benefits	**0**	0	**0**	0	**2.1**	0.2
- ESOS expense	**0**	0	**0**	0	**0**	1.2

	Subsidiary companies		Associate companies	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
Company				
Amounts due from	**1,935.2**	2,263.6	**74.6**	85.6
Amounts due to	**2,734.9**	2,968.8	**566.5**	603.5

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.

NOTES TO THE FINANCIAL STATEMENTS

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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').

31.8.2014	Carrying amount RM'million	L&R RM'million	FVTPL RM'million	AFS RM'million
Group				
Financial assets				
Unsecured loan stocks in associate	**4.8**	**4.8**	**0**	**0**
Investments in unquoted debt security	**163.1**	**163.1**	**0**	**0**
Long term receivables	**270.6**	**270.6**	**0**	**0**
Finance lease receivable	**14.1**	**14.1**	**0**	**0**
Derivative financial instruments	**42.7**	**0**	**42.7**	**0**
Available-for-sale financial assets	**38.3**	**0**	**0**	**38.3**
Trade and other receivables	**6,783.4**	**6,783.4**	**0**	**0**
Amount due from joint ventures	**22.1**	**22.1**	**0**	**0**
Amounts due from associates	**79.2**	**79.2**	**0**	**0**
Financial assets at fair value through profit or loss	**3,646.1**	**0**	**3,646.1**	**0**
Deposits, bank and cash balances	**8,112.5**	**8,112.5**	**0**	**0**
	19,176.9	**15,449.8**	**3,688.8**	**38.3**
Company				
Financial assets				
Unsecured loan stocks in associate	**4.8**	**4.8**	**0**	**0**
Investments in unquoted debt security	**163.1**	**163.1**	**0**	**0**
Long term receivables	**773.5**	**773.5**	**0**	**0**
Available-for-sale financial assets	**38.0**	**0**	**0**	**38.0**
Trade and other receivables	**4,800.3**	**4,800.3**	**0**	**0**
Amounts due from subsidiaries	**1,935.2**	**1,935.2**	**0**	**0**
Amounts due from associates	**74.6**	**74.6**	**0**	**0**
Financial assets at fair value through profit or loss	**1,501.7**	**0**	**1,501.7**	**0**
Deposits, bank and cash balances	**3,445.6**	**3,445.6**	**0**	**0**
	12,736.8	**11,197.1**	**1,501.7**	**38.0**

47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

31.8.2013	Carrying amount (Restated) RM'million	L&R (Restated) RM'million	FVTPL RM'million	AFS (Restated) RM'million
Group				
Financial assets				
Unsecured loan stocks in associate	10.7	10.7	0	0
Investments in unquoted debt security	163.7	163.7	0	0
Long term receivables	295.5	295.5	0	0
Finance lease receivable	16.8	16.8	0	0
Derivative financial instruments	61.9	0	61.9	0
Available-for-sale financial assets	38.2	0	0	38.2
Trade and other receivables	6,786.0	6,786.0	0	0
Amount due from joint ventures	21.9	21.9	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	9,542.6	9,542.6	0	0
	17,034.5	16,924.7	71.6	38.2
Company				
Financial assets				
Unsecured loan stocks in associate	10.7	10.7	0	0
Investments in unquoted debt security	163.7	163.7	0	0
Long term receivables	818.3	818.3	0	0
Available-for-sale financial assets	38.0	0	0	38.0
Trade and other receivables	4,907.6	4,907.6	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
	12,601.5	12,553.8	9.7	38.0

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47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

31.8.2014	Carrying amount RM'million	OL RM'million	FVTPL RM'million
Group			
Financial liabilities			
Payables	7,857.7	7,857.7	0
Finance lease payables	6,789.0	6,789.0	0
Amounts due to associates	575.5	575.5	0
Derivative financial instruments	4.9	0	4.9
Borrowings	25,456.0	25,456.0	0
Other liabilities	604.0	604.0	0
	41,287.1	41,282.2	4.9
Company			
Financial liabilities			
Payables	5,126.8	5,126.8	0
Finance lease payables	15,826.2	15,826.2	0
Amounts due to subsidiaries	2,734.9	2,734.9	0
Amounts due to associates	566.5	566.5	0
Derivative financial instruments	4.9	0	4.9
Borrowings	9,164.5	9,164.5	0
Other liabilities	381.6	381.6	0
	33,805.4	33,800.5	4.9

47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

31.8.2013	Carrying amount (Restated) RM'million	OL (Restated) RM'million	FVTPL RM'million
Group			
Financial liabilities			
Payables	6,580.8	6,580.8	0
Finance lease payables	5,635.0	5,635.0	0
Amounts due to associates	615.6	615.6	0
Derivative financial instruments	13.1	0	13.1
Borrowings	22,888.4	22,888.4	0
Other liabilities	362.9	362.9	0
	36,095.8	36,082.7	13.1
Company			
Financial liabilities			
Payables	4,143.4	4,143.4	0
Finance lease payables	17,148.7	17,148.7	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
	35,041.8	35,028.7	13.1

Net gains and losses arising from financial instruments are disclosed in Note 5, 8 and 9.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) 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, investments, bank and cash balances and derivative instruments. In addition, the Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

(i) Receivables

Risk management objectives, policies and processes 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 and Company's credit policy provides trade receivables with a 30 days (2013: 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	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Trade receivables	**6,450.0**	6,413.4	**5,317.4**	5,315.6
Less: Impairment losses	**(743.8)**	(617.8)	**(665.5)**	(548.0)
	5,706.2	5,795.6	**4,651.9**	4,767.6

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	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Industrial	**1,595.1**	1,842.3	**1,504.7**	1,743.7
Commercial	**2,144.3**	2,003.8	**2,022.8**	1,896.6
Domestic	**1,781.0**	1,668.3	**1,680.0**	1,579.1
Specific agriculture	**15.7**	12.2	**14.8**	11.5
Mining	**10.7**	8.4	**10.1**	8.0
Public lighting	**90.2**	81.0	**85.0**	76.7
Others	**813.0**	797.4	**0**	0
	6,450.0	6,413.4	**5,317.4**	5,315.6

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Exposure to credit risk (continued)

The net trade receivables are denominated in the following currencies:

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
MYR	**5,487.3**	5,315.5	**4,651.9**	4,767.6
PKR	**218.9**	480.1	**0**	0

Impairment losses

The Group and Company maintain an ageing analysis in respect of trade receivables only.

The ageing of trade receivables as at the end of financial year was:

31.8.2014	Gross RM'million	Individual impairment RM'million	Collective impairment RM'million	Net RM'million
Group				
Not past due	**4,491.4**	**0**	**(0.7)**	**4,490.7**
Past due 0-30 days	**394.6**	**0**	**(0.3)**	**394.3**
Past due 31-120 days	**897.6**	**(73.9)**	**(2.5)**	**821.2**
Past due 121-240 days	**139.5**	**(136.7)**	**(2.8)**	**0**
Past due more than 240 days	**526.9**	**(438.0)**	**(88.9)**	**0**
	6,450.0	**(648.6)**	**(95.2)**	**5,706.2**
Company				
Not past due	**3,702.7**	**0**	**(0.7)**	**3,702.0**
Past due 0-30 days	**325.3**	**0**	**(0.3)**	**325.0**
Past due 31-120 days	**740.0**	**(112.6)**	**(2.5)**	**624.9**
Past due 121-240 days	**115.0**	**(112.2)**	**(2.8)**	**0**
Past due more than 240 days	**434.4**	**(360.9)**	**(73.5)**	**0**
	5,317.4	**(585.7)**	**(79.8)**	**4,651.9**

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses (continued)

31.8.2013	Gross (Restated) RM'million	Individual impairment RM'million	Collective impairment RM'million	Net (Restated) RM'million
Group				
Not past due	4,475.2	0	(0.8)	4,474.4
Past due 0-30 days	401.2	0	(0.5)	400.7
Past due 31-120 days	533.5	0	(2.5)	531.0
Past due 121-240 days	345.8	0	(3.3)	342.5
Past due more than 240 days	657.7	(538.8)	(71.9)	47.0
	6,413.4	(538.8)	(79.0)	5,795.6
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

i) 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. Past historical collection trends are used to monitor the credit quality of these trade receivables.

ii) Trade receivables that are past due but not impaired

Allowance for impairment was not made in respect of these past due trade receivables based on the past historical collection trends and available deposits.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) 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	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
At 1 September	**(617.8)**	(573.1)	**(548.0)**	(490.2)
Impairment loss recognised	**(287.3)**	(82.9)	**(230.4)**	(82.7)
Impairment loss reversed	**161.3**	38.2	**112.9**	24.9
At 31 August	**(743.8)**	(617.8)	**(665.5)**	(548.0)

The movements in the allowance for impairment losses of other receivables during the financial year were:

	Group		Company	
	2014 RM'million	2013 RM'million	2014 RM'million	2013 RM'million
At 1 September	**(159.3)**	(126.2)	**(138.9)**	(108.5)
Impairment loss recognised	**(21.6)**	(34.6)	**(29.6)**	(30.4)
Impairment loss reversed	**11.1**	1.5	**11.9**	0
At 31 August	**(169.8)**	(159.3)	**(156.6)**	(138.9)

Trade receivables are secured by deposits in the form of cash and bank guarantees. The deposits amount are reviewed on an individual basis periodically.

(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.

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47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) 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 the 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.

The total amounts due from subsidiaries and impairment provided are as follows:

	Company	
	2014 RM'million	2013 RM'million
Amount due from subsidiaries	**3,707.3**	4,160.6
Less: Impairment losses	**(1,772.1)**	(1,897.0)
	1,935.2	2,263.6

The net amounts due from subsidiaries are denominated in the following currencies:

MYR	**1,770.9**	2,178.1
USD	**164.3**	85.5

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.

The movements in the allowance for impairment losses of amounts due from subsidiaries during the financial year were:

	Company	
	2014 RM'million	2013 RM'million
At 1 September	**(1,897.0)**	(1,938.2)
Impairment loss recognised	**(215.0)**	(23.3)
Impairment loss reversed	**339.9**	64.5
At 31 August	**(1,772.1)**	(1,897.0)

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

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.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and an associate. The maximum exposure to the Company amounts to RM3,150.9 million (2013: RM3,394.0 million) representing banking facilities utilised by the subsidiaries and associate as at the end of the financial year. These banking facilities have been included as part of the Group's liabilities.

The table below summarises the maturity profile of the Group and Company's financial liabilities as at the end of financial year based on the undiscounted contractual payments:

31.8.2014	Carrying amount RM'million	Contractual cash flows RM'million	Under 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
Group						
Non-derivative financial liabilities						
Payables	**7,857.7**	**7,857.7**	**7,857.7**	**0**	**0**	**0**
Finance lease payables	**6,789.0**	**10,535.2**	**1,063.5**	**1,045.5**	**2,268.6**	**6,157.6**
Amounts due to associates	**575.5**	**575.5**	**575.5**	**0**	**0**	**0**
Borrowings	**25,456.0**	**34,776.6**	**2,798.5**	**1,401.4**	**3,669.8**	**26,906.9**
Other liabilities	**604.0**	**604.0**	**235.4**	**269.7**	**98.6**	**0.3**
	41,282.2	**54,349.0**	**12,530.6**	**2,716.6**	**6,037.0**	**33,064.8**
Derivative financial liabilities						
Interest rate swap	**4.9**	**5.4**	**5.4**	**0**	**0**	**0**
Forward exchange contracts (gross settled):						
- Outflows	**0**	**0**	**0**	**0**	**0**	**0**
- Inflows	**0**	**0**	**0**	**0**	**0**	**0**
	41,287.1	**54,354.4**	**12,536.0**	**2,716.6**	**6,037.0**	**33,064.8**

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group and Company's financial liabilities as at the end of financial year based on the undiscounted contractual payments: (continued)

31.8.2014	Carrying amount RM'million	Contractual cash flows RM'million	Under 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
Company						
Non-derivative financial liabilities						
Payables	**5,126.8**	**5,126.8**	**5,126.8**	**0**	**0**	**0**
Finance lease payables	**15,826.2**	**23,670.5**	**2,358.2**	**2,348.9**	**6,169.6**	**12,793.8**
Amounts due to subsidiaries	**2,734.9**	**0**	**1,996.9**	**39.5**	**118.5**	**580.0**
Amounts due to associates	**566.5**	**566.5**	**566.5**	**0**	**0**	**0**
Borrowings	**9,164.5**	**14,026.4**	**674.3**	**662.1**	**1,199.5**	**11,490.5**
Other liabilities	**381.6**	**381.6**	**148.7**	**170.4**	**62.3**	**0.2**
	33,800.5	**43,771.8**	**10,871.4**	**3,220.9**	**7,549.9**	**24,864.5**
Derivative financial liabilities						
Interest rate swap	**4.9**	**5.4**	**5.4**	**0**	**0**	**0**
Forward exchange contracts (gross settled):						
- Outflows	**0**	**0**	**0**	**0**	**0**	**0**
- Inflows	**0**	**0**	**0**	**0**	**0**	**0**
	33,805.4	**43,777.2**	**10,876.8**	**3,220.9**	**7,549.9**	**24,864.5**

31.8.2013	Carrying amount (Restated) RM'million	Contractual cash flows (Restated) RM'million	Under 1 year (Restated) RM'million	1-2 years (Restated) RM'million	3-5 years (Restated) RM'million	More than 5 years (Restated) RM'million
Group						
Non-derivative financial liabilities						
Payables	6,580.8	6,580.8	6,580.8	0	0	0
Finance lease payables	5,635.0	7,596.9	872.2	856.8	2,052.0	3,815.9
Amounts due to associates	615.6	615.6	615.6	0	0	0
Borrowings	22,888.4	32,809.3	1,492.3	3,154.0	4,228.9	23,934.1
Other liabilities	362.9	362.9	88.6	76.1	198.2	0
	36,082.7	47,965.5	9,649.5	4,086.9	6,479.1	27,750.0
Derivative financial liabilities						
Interest rate swap	12.8	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
	36,095.8	47,977.0	9,655.4	4,092.5	6,479.1	27,750.0

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group and Company's financial liabilities as at the end of financial year based on the undiscounted contractual payments: (continued)

31.8.2013	Carrying amount (Restated) RM'million	Contractual cash flows (Restated) RM'million	Under 1 year (Restated) RM'million	1-2 years (Restated) RM'million	3-5 years (Restated) RM'million	More than 5 years (Restated) RM'million
Company						
Non-derivative financial liabilities						
Payables	4,143.4	4,143.4	4,143.4	0	0	0
Finance lease payables	17,148.7	26,040.5	2,421.7	2,358.2	6,597.0	14,663.6
Amounts due to subsidiaries	2,968.8	0	768.1	194.6	1,192.2	813.9
Amounts due to associates	603.5	603.5	603.5	0	0	0
Borrowings	9,833.6	14,998.1	691.3	679.4	1,478.7	12,148.7
Other liabilities	330.7	330.7	49.8	78.1	202.8	0
	35,028.7	46,116.2	8,677.8	3,310.3	9,470.7	27,626.2
Derivative financial liabilities						
Interest rate swap	12.8	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
	35,041.8	46,127.7	8,683.7	3,315.9	9,470.7	27,626.2

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 United States 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 currency options contract to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than three months.

The Group entered into a currency option agreement as a hedge to its Terms Facility Agreement, which enables the Group to reduce its exposure to losses that may arise from adverse fluctuation of Ringgit Malaysia to Japanese Yen. The hedging period is from 13 April 2015 to 13 April 2034.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

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.

31.8.2014	USD RM'million	JPY RM'million	EURO RM'million	Others RM'million
Group				
Financial assets				
Receivables, deposits and prepayments	**0**	**0**	**0**	**287.7**
Deposits, bank and cash balances	**611.2**	**33.2**	**101.3**	**11.3**
Derivative financial instruments	**42.7**	**0**	**0**	**0**
	653.9	**33.2**	**101.3**	**299.0**
Financial liabilities				
Payables	**0.4**	**0**	**10.4**	**278.1**
Borrowings	**2,637.2**	**3,279.3**	**0**	**49.4**
Derivative financial instruments	**4.9**	**0**	**0**	**0**
	2,642.5	**3,279.3**	**10.4**	**327.5**
Company				
Financial assets				
Long term receivables	**132.1**	**0**	**0**	**0**
Amounts due from subsidiaries	**32.2**	**0**	**0**	**0**
Deposits, bank and cash balances	**347.1**	**0**	**0**	**0**
	511.4	**0**	**0**	**0**
Financial liabilities				
Amounts due to subsidiaries	**1,321.0**	**777.5**	**0**	**0**
Borrowings	**1,317.8**	**2,487.4**	**0**	**0**
Derivative financial instruments	**4.9**	**0**	**0**	**0**
	2,643.7	**3,264.9**	**0**	**0**

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

31.8.2013	USD RM'million	JPY RM'million	EURO RM'million	Others RM'million
Group				
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
Company				
Financial assets				
Amounts due from subsidiaries	38.8	0	0	0
Financial liabilities				
Amounts due to subsidiaries	1,472.5	857.5	0	0
Borrowings	1,369.9	2,852.9	0	0
Derivative financial instruments	13.1	0	0	0
	2,855.5	3,710.4	0	0

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) 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 sales and purchases.

	Profit or loss/equity	
	2014 RM'million	2013 RM'million
Group		
USD	**(149.5)**	(419.1)
JPY	**11.9**	317.2
Company		
USD	**(75.2)**	(203.6)
JPY	**9.0**	241.4

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.

Foreign currency risk for 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 market interest rates. Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group has entered into an interest rate swap with an outstanding notional contract amount of RM186.7 million (2013: RM291.9 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.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group and Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of financial year were:

	Group		Company	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Fixed rate instruments:				
Financial assets	**7,331.3**	9,019.1	**4,116.5**	5,097.1
Financial liabilities	**32,059.6**	28,236.3	**26,871.4**	28,988.4
Floating rate instruments:				
Financial assets	**0**	0	**32.2**	38.8
Financial liabilities	**185.4**	287.1	**186.7**	291.9

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 RM1.9 million (2013: RM2.6 million). However, this change has no impact to post-tax profit or loss as the floating instrument had been fixed via an 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)

(b) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Exposure to interest rate risk (continued)

The exposure of financial assets of the Group and Company to interest rate risk are as follows:

31.8.2014	Balances under Non-Islamic principles RM'million	Balances under Islamic principles RM'million	Total RM'million
Group			
Financial assets			
Unsecured loan stocks in associate	**4.8**	**0**	**4.8**
Long term receivables	**192.2**	**0**	**192.2**
Finance lease receivable	**14.1**	**0**	**14.1**
Trade and other receivables	**37.0**	**0**	**37.0**
Deposits, bank and cash balances	**3,744.2**	**3,339.0**	**7,083.2**
	3,992.3	**3,339.0**	**7,331.3**
Company			
Financial assets			
Unsecured loan stocks in associate	**4.8**	**0**	**4.8**
Long term receivables	**727.1**	**0**	**727.1**
Trade and other receivables	**37.0**	**0**	**37.0**
Amounts due from subsidiaries	**271.0**	**0**	**271.0**
Deposits, bank and cash balances	**2,626.8**	**482.0**	**3,108.8**
	3,666.7	**482.0**	**4,148.7**

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Exposure to interest rate risk (continued)

The exposure of financial assets of the Group and Company to interest rate risk are as follows: (continued)

31.8.2013	Balances under Non-Islamic principles RM'million	Balances under Islamic principles RM'million	Total RM'million
Group			
Financial assets			
Unsecured loan stocks in associate	10.7	0	10.7
Long term receivables	234.5	0	234.5
Finance lease receivable	16.8	0	16.8
Trade and other receivables	39.7	0	39.7
Deposits, bank and cash balances	2,371.0	6,346.4	8,717.4
	2,672.7	6,346.4	9,019.1
Company			
Financial assets			
Unsecured loan stocks in associate	10.7	0	10.7
Long term receivables	770.0	0	770.0
Trade and other receivables	39.7	0	39.7
Amounts due from subsidiaries	409.5	0	409.5
Deposits, bank and cash balances	961.0	2,945.0	3,906.0
	2,190.9	2,945.0	5,135.9

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Exposure to interest rate risk (continued)

The exposure of financial liabilities of the Group and Company to interest rate risk are as follows: (continued)

31.8.2014	Balances under Non-Islamic principles RM'million	Balances under Islamic principles RM'million	Total RM'million
Group			
Financial liabilities			
Borrowings	**11,456.4**	**13,999.6**	**25,456.0**
Finance lease payables	**6,789.0**	**0**	**6,789.0**
	18,245.4	**13,999.6**	**32,245.0**
Company			
Financial liabilities			
Borrowings	**7,133.4**	**2,031.1**	**9,164.5**
Finance lease payables	**15,826.2**	**0**	**15,826.2**
Amounts due to subsidiaries	**2,067.4**	**0**	**2,067.4**
	25,027.0	**2,031.1**	**27,058.1**

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Exposure to interest rate risk (continued)

The exposure of financial laibilities of the Group and Company to interest rate risk are as follows: (continued)

31.8.2013	Balances under Non-Islamic principles RM'million	Balances under Islamic principles RM'million	Total RM'million
Group			
Financial liabilities			
Borrowings	12,421.3	10,467.1	22,888.4
Finance lease payables	5,635.0	0	5,635.0
	18,056.3	10,467.1	28,523.4
Company			
Financial liabilities			
Borrowings	7,802.5	2,031.1	9,833.6
Finance lease payables	17,148.7	0	17,148.7
Amounts due to subsidiaries	2,298.0	0	2,298.0
	27,249.2	2,031.1	29,280.3

(iii) Other price risk

Other price risk arises from the Group and Company's investment in equity securities and unit trust funds.

Risk management objectives, policies and processes for managing the risk

The Group and Company are exposed to price risk because the investments held are classified on the statement of financial position as AFS and FVTPL. The Group and Company mainly invest in unit trust funds with short term deposits as underlying instruments with minimal price risk.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) 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 table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

The classification in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value is summarised in the table below:

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
31.8.2014	**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**	**RM'million**	**RM'million**
Group										
Financial assets										
Unsecured loan stocks in associate	0	0	0	0	0	4.9	0	4.9	4.9	4.8
Investments in unquoted debt security	0	0	0	0	0	503.1	0	503.1	503.1	163.1
Long term receivables	0	0	0	0	0	179.6	78.4	258.0	258.0	270.6
Derivative financial instruments	0	42.7	0	42.7	0	0	0	0	42.7	42.7
Available-for-sale financial assets	0	0	38.3	38.3	0	0	0	0	38.3	38.3
Financial assets at fair value through profit and loss	3,646.1	0	0	3,646.1	0	0	0	0	3,646.1	3,646.1
	3,646.1	42.7	38.3	3,727.1	0	687.6	78.4	766.0	4,493.1	4,165.6
Financial liabilities										
Derivative financial instruments	0	4.9	0	4.9	0	0	0	0	4.9	4.9
Borrowings	0	0	0	0	0	25,867.2	75.2	25,942.4	25,942.4	25,145.0
Other liabilities	0	0	0	0	0	381.6	222.4	604.0	604.0	604.0
	0	4.9	0	4.9	0	26,248.8	297.6	26,546.4	26,551.3	25,753.9

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classification in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value is summarised in the table below: (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
31.8.2014	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Company										
Financial assets										
Unsecured loan stocks in associate	**0**	**0**	**0**	**0**	**0**	**4.9**	**0**	**4.9**	**4.9**	**4.8**
Investments in unquoted debt security	**0**	**0**	**0**	**0**	**0**	**503.1**	**0**	**503.1**	**503.1**	**163.1**
Long term receivables	**0**	**0**	**0**	**0**	**0**	**580.3**	**46.4**	**626.7**	**626.7**	**773.5**
Available-for-sale financial assets	**0**	**0**	**38.0**	**38.0**	**0**	**0**	**0**	**0**	**38.0**	**38.0**
Amounts due from subsidiaries	**0**	**0**	**0**	**0**	**0**	**782.7**	**0**	**782.7**	**782.7**	**370.9**
Financial assets at fair value through profit and loss	**1,501.7**	**0**	**0**	**1,501.7**	**0**	**0**	**0**	**0**	**1,501.7**	**1,501.7**
	1,501.7	**0**	**38.0**	**1,539.7**	**0**	**1,871.0**	**46.4**	**1,917.4**	**3,457.1**	**2,852.0**
Financial liabilities										
Amounts due to subsidiaries	**0**	**0**	**0**	**0**	**0**	**1,094.5**	**0**	**1,094.5**	**1,094.5**	**738.0**
Derivative financial instruments	**0**	**4.9**	**0**	**4.9**	**0**	**0**	**0**	**0**	**4.9**	**4.9**
Borrowings	**0**	**0**	**0**	**0**	**0**	**9,991.5**	**0**	**9,991.5**	**9,991.5**	**9,164.5**
Other liabilities	**0**	**0**	**0**	**0**	**0**	**381.6**	**0**	**381.6**	**381.6**	**381.6**
	0	**4.9**	**0**	**4.9**	**0**	**11,467.6**	**0**	**11,467.6**	**11,472.5**	**10,289.0**

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classification in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value is summarised in the table below: (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at FV	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Total		(Restated)
31.8.2013	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Group							
Financial assets							
Unsecured loan stocks in associate	0	0	0	0	10.7	10.7	10.7
Investments in unquoted debt security	0	0	0	0	343.3	343.3	163.7
Long term receivables	0	0	0	0	242.4	242.4	295.5
Derivative financial instruments	0	61.9	0	61.9	0	61.9	61.9
Available-for-sale financial assets	0	0	38.2	38.2	0	38.2	38.2
Financial assets at fair value through profit and loss	9.7	0	0	9.7	0	9.7	9.7
	9.7	61.9	38.2	109.8	596.4	706.2	579.7
Financial liabilities							
Derivative financial instruments	0	13.1	0	13.1	0	13.1	13.1
Borrowings	0	0	0	0	23,023.2	23,023.2	22,616.0
Other liabilities	0	0	0	0	362.9	362.9	362.9
	0	13.1	0	13.1	23,386.1	23,399.2	22,992.0

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classification in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value is summarised in the table below: (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at FV	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Total		(Restated)
31.8.2013	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Company							
Financial assets							
Unsecured loan stocks in associate	0	0	0	0	10.7	10.7	10.7
Investments in unquoted debt security	0	0	0	0	343.3	343.3	163.7
Long term receivables	0	0	0	0	765.2	765.2	818.3
Available-for-sale financial assets	0	0	38.0	38.0	0	38.0	38.0
Amounts due from subsidiaries	0	0	0	0	464.1	464.1	464.1
Financial assets at fair value through profit and loss	9.7	0	0	9.7	0	9.7	9.7
	9.7	0	38.0	47.7	1,583.3	1,631.0	1,504.5
Financial liabilities							
Amounts due to subsidiaries	0	0	0	0	2,437.0	2,437.0	2,200.7
Derivative financial instruments	0	13.1	0	13.1	0	13.1	13.1
Borrowings	0	0	0	0	10,560.9	10,560.9	9,833.6
Other liabilities	0	0	0	0	330.7	330.7	330.7
	0	13.1	0	13.1	13,328.6	13,341.7	12,378.1

* Comparative figures have not been analysed by levels, by virtue of the transitional provision given in Appendix C2 of MFRS 13.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during the financial year.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The 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.

Non-derivatives financial instruments

Fair value, which is determined for disclosure purpose, 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) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

Available-for-sale financial assets comprise of unquoted shares of Labuan Reinsurance (L) Ltd. ('Labuan RE'), a professional reinsurer involves in the underwriting of non-life insurance business. The fair value of investment in Labuan RE is determined by reference to the quoted share price of a company in similar industry.

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

(v) Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, ranges between 0.18% to 21.30% (2013: 0.72% to 21.30%).

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.

(c) Offsetting of financial assets and financial liabilities

(i) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements:

	Gross amounts of recognised financial assets RM'million	Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'million	Net amounts of financial assets presented in the statement of financial position RM'million	Related amounts not set-off in the statement of financial position Financial instruments RM'million	Related amounts not set-off in the statement of financial position Cash collateral received RM'million	Net amount RM'million
31.8.2014						
Group						
Amount due from associates	**86.8**	**(7.6)**	**79.2**	**0**	**0**	**0**
Company						
Amounts due from subsidiaries	**6,955.3**	**(5,391.0)**	**1,564.3**	**0**	**0**	**0**
Amounts due from associates	**82.2**	**(7.6)**	**74.6**	**0**	**0**	**0**
31.8.2013						
Company						
Amounts due from subsidiaries	7,231.7	(5,385.6)	1,846.1	0	0	0

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Offsetting of financial assets and financial liabilities (continued)

(ii) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements:

	Gross amounts of recognised financial liabilities RM'million	Gross amounts of recognised financial assets set-off in the statement of financial position RM'million	Net amounts of financial liabilities presented in the statement of financial position RM'million	Related amounts not set-off in the statement of financial position: Financial instruments RM'million	Related amounts not set-off in the statement of financial position: Cash collateral received RM'million	Net amount RM'million
Company						
31.8.2014						
Amounts due to subsidiaries	**(3,173.1)**	**438.2**	**(2,734.9)**	**0**	**0**	**0**
31.8.2013						
Amounts due to subsidiaries	(3,410.9)	442.1	(2,968.8)	0	0	0

48 CAPITAL RISK MANAGEMENT

The Group and Company's main objective of capital management is to safeguard the Group 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 monitor 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 statement 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	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 RM'million
Total borrowings	**25,468.1**	22,916.0	**9,164.5**	9,833.6
Total equity	**43,459.2**	37,970.7	**38,845.1**	33,863.9
Total capital employed	**68,927.3**	60,886.7	**48,009.6**	43,697.5
Gearing ratios	**0.37**	0.38	**0.19**	0.23

The Group has met all externally imposed capital requirements.

49 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(a) Changes in accounting policies

During the financial year, the Group and Company changed the following accounting policies upon adoption of new accounting standards, amendments and improvements to published standards and interpretation:

(i) Amendments to MFRS 10 and MFRS 11

Upon adoption of MFRS 10 and 11, the Group and Company have reassessed the classification of the investment in entities where they do not hold 100% interest. This had resulted in the change of classification as outlined in Note 14, 15 and 16. The impact of this change had resulted in the retrospective reclassification of these investments, and has been accounted for as a Prior Year Adjustments in accordance to MFRS 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ (‘MFRS 108’).

(ii) Amendments to MFRS 116

Amendments to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Previously, MFRS 116 states that spare parts, stand-by equipment and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed.

Upon adoption of Amendments to MFRS 116, the Group and Company have performed an assessment on its inventory balances. This has resulted in the retrospective reclassification of spare parts, stand-by equipment and servicing equipment previously accounted for under inventories to property, plant and equipment, when these are expected to be used for more than one period.

The adoption of the new standards resulted in a change in accounting policy. This has been accounted for as a Prior Year Adjustments in accordance with MFRS 108.

(b) Prior year adjustments

(i) Leased assets and finance lease

During the financial year, the Group has restated the measurement for a certain lease obligation due to revision to the calculation of the estimated present value of the lease payments for the leased asset and the corresponding lease obligation.

The adjustments to the results are non-cash in nature and have no impact on the Company’s cash position.

(ii) Reinvestment allowance

Based on the criteria for the eligibility for reinvestment allowance claims and the tax authority’s acceptance of prior year’s revised assessment in 2013, the Group and Company have recognised the tax benefit arising in previous years. The final reinvestment allowance amounts are to be agreed with the tax authority.

(iii) Reclassification of financial position items

During the financial year, the Group and Company made certain reclassification to the comparatives to conform to current year presentation, resulting in the financial statements providing more relevant information about the effects of the transaction on the Group and Company’s financial positions.

49 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

The changes in accounting policies and prior year adjustments have been applied retrospectively with comparative figures restated accordingly:

	For the financial year ended 31 August 2013			
	Previously reported as at 31.8.2013 RM'million	Effect of adoption of MFRS 10 RM'million	Prior year adjustments RM'million	Restated as at 31.8.2013 RM'million
Reconciliation of consolidated statement of profit or loss				
Group				
Operating expenses	(31,862.3)	(23.8)	38.9	(31,847.2)
Other operating income	620.8	2.6	0	623.4
Share of results of joint ventures	(0.1)	9.7	0	9.6
Finance cost	(936.3)	9.2	32.9	(894.2)
Profit before taxation and zakat	5,855.6	(2.3)	71.8	5,925.1
Taxation and zakat	(1,224.9)	2.9	679.7	(542.3)
Profit for the financial year	4,630.7	0.6	751.5	5,382.8
Non-controlling interests	16.5	(2.1)	12.2	26.6
Company				
Taxation and zakat	(931.9)	0	679.7	(252.2)
Profit for the financial year	4,582.2	0	679.7	5,261.9

	Balance as at 31 August 2013					Balance as at 1 September 2012				
	Previously reported as at 31.8.2013 RM'million	Effect of adoption of MFRS 10 RM'million	Effect of adoption of MFRS 116 RM'million	Prior year adjustments RM'million	Restated as at 31.8.2013 RM'million	Previously reported as at 31.8.2012 RM'million	Effect of adoption of MFRS 10 RM'million	Effect of adoption of MFRS 116 RM'million	Prior year adjustments RM'million	Restated as at 1.9.2012 RM'million
Reconciliation of consolidated statement of financial position										
Group										
Non-current assets										
Property, plant and equipment	73,973.6	(309.4)	2,260.8	(464.5)	75,460.5	64,769.9	(294.4)	2,049.9	(489.4)	66,036.0
Joint ventures	0.3	83.4	0	0	83.7	0.4	73.7	0	0	74.1
Investments in unquoted debt securities	163.9	0	0	(0.2)	163.7	163.7	0	0	0	163.7
Tax recoverable	0	0	0	1,693.2	1,693.2	0	0	0	1,693.2	1,693.2
Long term receivables	305.1	9.7	0	0	314.8	419.2	28.7	0	0	447.9
Prepaid operating leases	3,525.3	0	0	642.1	4,167.4	3,164.8	0	0	602.9	3,767.7
Available-for-sale financial assets	38.0	0	0	0.2	38.2	38.0	0	0	0	38.0

49 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

The changes in accounting policies and prior year adjustments have been applied retrospectively with comparative figures restated accordingly: (continued)

	Balance as at 31 August 2013					Balance as at 1 September 2012				
	Previously reported as at 31.8.2013 RM'million	Effect of adoption of MFRS 10 RM'million	Effect of adoption of MFRS 116 RM'million	Prior year adjustments RM'million	Restated as at 31.8.2013 RM'million	Previously reported as at 31.8.2012 RM'million	Effect of adoption of MFRS 10 RM'million	Effect of adoption of MFRS 116 RM'million	Prior year adjustments RM'million	Restated as at 1.9.2012 RM'million
Reconciliation of consolidated statement of financial position: (continued)										
Group										
Current assets										
Inventories	2,877.7	0	(2,260.8)	0	616.9	2,842.2	0	(2,049.9)	0	792.3
Receivables, deposits and prepayments	7,239.0	(59.7)	0	0	7,179.3	6,988.7	(114.1)	0	0	6,874.6
Tax recoverable	21.9	(0.3)	0	0	21.6	142.4	0	0	0	142.4
Prepaid operating leases	663.8	0	0	(642.1)	21.7	624.5	0	0	(602.9)	21.6
Amounts due from joint ventures	17.1	4.8	0	0	21.9	0	30.4	0	0	30.4
Deposits, bank and cash balances	9,531.1	11.5	0	0	9,542.6	8,626.3	9.9	0	0	8,636.2
Current liabilities										
Payables	(6,614.4)	0.5	0	0.5	(6,613.4)	(5,771.3)	(0.4)	0	3.5	(5,768.2)
Finance lease payables	(630.9)	0	0	26.5	(604.4)	(55.1)	0	0	20.4	(34.7)
Current tax liabilities	(780.6)	0	0	679.7	(100.9)	(331.0)	0	0	0	(331.0)
Employee benefits	0	0	0	(668.8)	(668.8)	0	0	0	(497.5)	(497.5)
Short term borrowings	(1,175.9)	27.1	0	0	(1,148.8)	(1,604.2)	10.9	0	0	(1,593.3)
Non-current liabilities										
Borrowings	(22,013.7)	274.1	0	0	(21,739.6)	(21,467.6)	299.0	0	0	(21,168.6)
Finance lease payables	(5,634.5)	0	0	603.9	(5,030.6)	(1,338.8)	0	0	563.0	(775.8)
Deferred income	(2,059.9)	(2.9)	0	0	(2,062.8)	(2,291.2)	(3.2)	0	0	(2,294.4)
Other liabilities	(903.8)	(0.7)	0	(0.5)	(905.0)	(867.5)	0	0	(3.5)	(871.0)
Deferred tax liabilities	(6,430.8)	2.9	0	0	(6,427.9)	(7,874.1)	0	0	0	(7,874.1)
Employee benefits	(11,444.2)	0	0	668.8	(10,775.4)	(6,141.2)	0	0	497.5	(5,643.7)

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

49 CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

The changes in accounting policies and prior year adjustments have been applied retrospectively with comparative figures restated accordingly: (continued)

	Balance as at 31 August 2013					Balance as at 1 September 2012				
	Previously reported as at 31.8.2013 RM'million	Effect of adoption of MFRS 10 RM'million	Effect of adoption of MFRS 116 RM'million	Prior year adjustments RM'million	Restated as at 31.8.2013 RM'million	Previously reported as at 31.8.2012 RM'million	Effect of adoption of MFRS 10 RM'million	Effect of adoption of MFRS 116 RM'million	Prior year adjustments RM'million	Restated as at 1.9.2012 RM'million
Reconciliation of consolidated statement of financial position: (continued)										
Company										
Non-current assets										
Property, plant and equipment	67,734.2	0	1,415.4	0	69,149.6	61,271.8	0	1,258.8	0	62,530.6
Tax recoverable	0	0	0	1,693.2	1,693.2	0	0	0	1,693.2	1,693.2
Prepaid operating leases	3,270.6	0	0	642.1	3,912.7	2,936.2	0	0	602.9	3,539.1
Current assets										
Inventories	1,631.2	0	(1,415.4)	0	215.8	1,529.6	0	(1,258.8)	0	270.8
Prepaid operating leases	642.1	0	0	(642.1)	0	602.9	0	0	(602.9)	0
Current liabilities										
Payables	(4,149.9)	0	0	0.5	(4,149.4)	(3,489.1)	0	0	3.5	(3,485.6)
Current tax liabilities	(725.8)	0	0	679.7	(46.1)	(263.5)	0	0	0	(263.5)
Employee benefits	0	0	0	(652.8)	(652.8)	0	0	0	(488.5)	(488.5)
Non-current liabilities										
Other liabilities	(520.1)	0	0	(0.5)	(520.6)	(493.2)	0	0	(3.5)	(496.7)
Employee benefits	(11,080.6)	0	0	652.8	(10,427.8)	(5,927.9)	0	0	488.5	(5,439.4)
Reconciliation of consolidated statement of changes in equity										
Group										
Retained profits	29,600.6	65.3	0	2,510.5	32,176.4	26,335.7	62.7	0	1,771.1	28,169.5
Non-controlling interests	273.6	(24.2)	0	28.2	277.6	259.6	(22.1)	0	16.0	253.5
Company										
Retained profits	25,671.4	0	0	2,372.9	28,044.3	22,438.5	0	0	1,693.2	24,131.7

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	
	2014 RM'million	2013 (Restated) RM'million	2014 RM'million	2013 (Restated) RM'million
Retained profits:				
- Realised	**38,861.3**	33,799.2	**36,744.6**	30,748.3
- Unrealised	**(4,838.0)**	(4,560.1)	**(4,142.5)**	(2,704.0)
Total share of retained profits from joint ventures:				
- Realised	**15.0**	(4.9)	**0**	0
- Unrealised	**6.1**	2.8	**0**	0
Total share of retained profits from associates:				
- Realised	**202.2**	188.9	**0**	0
- Unrealised	**(25.3)**	(110.6)	**0**	0
Consolidation adjustments	**3,011.2**	2,861.1	**0**	0
Total retained profits	**37,232.5**	32,176.4	**32,602.1**	28,044.3

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 132 to 250 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 2014 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 251 has 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 2014.

Leo Moggie

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 132 to 250 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 abovenamed Fazlur Rahman Zainuddin at Kuala Lumpur, Malaysia on 31 October 2014, before me.

W 537
N. THINAHARAKUMAR

22A, JALAN TELAWI LIMA
BANGSAR BARU
59100 KUALA LUMPUR
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 132 to 250 which comprise the consolidated statements of financial position as at 31 August 2014 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 2014 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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD (INCORPORATED IN MALAYSIA (COMPANY NO. 200866-W)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 251 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

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 2014

SECTION

8

ADDITIONAL INFORMATION

STATISTICS OF SHAREHOLDINGS

as at 15 October 2014

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

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
1 - 99	1,767	24	1,791	6.12	64,602	844	65,446	0.00
100 - 1,000	4,901	60	4,961	16.97	3,304,546	40,538	3,345,084	0.06
1,001 - 10,000	19,019	306	19,325	66.08	52,533,430	1,355,550	53,888,980	0.95
10,001 - 100,000	1,622	388	2,010	6.87	40,068,274	17,087,198	57,155,472	1.01
100,001 - less than 5% of issued shares	435	720	1,155	3.95	1,254,381,855	1,416,513,191	2,670,895,046	47.33
5% and above of issued shares	3	0	3	0.01	2,858,261,143	0	2,858,261,143	50.65
Total	**27,747**	**1,498**	**29,245**	**100.00**	**4,208,613,850**	**1,434,997,321**	**5,643,611,171**	**100.00**

ANALYSIS OF EQUITY STRUCTURE

No.	Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
		Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1.	Individuals	23,775	226	74,667,324	1,308,679	1.32	0.02
2.	Body Corporate						
	a. Banks/finance companies	126	2	997,695,358	62,146	17.68	0.00
	b. Investment trusts/foundation/charities	8	0	189,312	0	0.00	0.00
	c. Industrial and commercial companies	337	18	1,779,062,567	9,355,112	31.52	0.17
3.	Government agencies/institutions	17	0	22,475,919	0	0.40	0.00
4.	Nominees	3,484	1,252	1,334,523,370	1,424,271,384	23.65	25.24
5.	Others	0	0	0	0	0.00	0.00
	Total	**27,747**	**1,498**	**4,208,613,850**	**1,434,997,321**	**74.57**	**25.43**

STATISTICS OF SHAREHOLDINGS

as at 15 October 2014

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares	
		Direct Interest	%
1.	Tan Sri Leo Moggie	-	-
2.	Datuk Seri Ir. Azman bin Mohd	-	-
3.	Datuk Nozirah binti Bahari	-	-
4.	Ahmad Farouk bin Mohamed	-	-
5.	Dato' Zainal Abidin bin Putih	1,562	0.00
6.	Tan Sri Dato' Seri Siti Norma binti Yaakob	1,562	0.00
7.	Dato' Abd Manaf bin Hashim	-	-
8.	Datuk Chung Hon Cheong	-	-
9.	Sakthivel a/l Alagappan	-	-
10.	Datuk Wira Ir. Md Sidek bin Ahmad	-	-

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,762,655,861	31.23
2.	Employees Provident Fund Board	*771,796,219	13.68
3.	Skim Amanah Saham Bumiputera	*410,187,700	7.27

** Including TNB shares held under nominees accounts.*

TOP 30 SECURITIES ACCOUNT HOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,762,655,861	31.23
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	685,417,582	12.15
3.	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	410,187,700	7.27
4.	Kumpulan Wang Persaraan (Diperbadankan)	111,591,300	1.98
5.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For The Bank Of New York Mellon (Mellon Acct)	100,633,206	1.78
6.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	87,983,925	1.56
7.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt An For State Street Bank & Trust Company (West CLT OD67)	83,052,330	1.47
8.	Amanahraya Trustees Berhad Amanah Saham Malaysia	69,000,000	1.22
9.	Cartaban Nominees (Tempatan) Sdn. Bhd. Exempt An For Eastspring Investments Berhad	58,509,068	1.04
10.	Permodalan Nasional Berhad	49,773,600	0.88

STATISTICS OF SHAREHOLDINGS

as at 15 October 2014

No.	Name of Shareholders	No. of Shares	%
11.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	49,405,525	0.87
12.	Cartaban Nominees (Asing) Sdn. Bhd. GIC Private Limited For Government Of Singapore (C)	48,370,925	0.86
13.	HSBC Nominees (Asing) Sdn. Bhd. HSBC BK PLC For Saudi Arabian Monetary Agency	44,543,700	0.79
14.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (U.A.E.)	41,612,226	0.74
15.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (Netherlands)	37,695,250	0.67
16.	AMSEC Nominees (Tempatan) Sdn. Bhd. AmTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	35,408,000	0.63
17.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)	35,121,512	0.62
18.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)	33,250,000	0.59
19.	Amanahraya Trustees Berhad Amanah Saham Didik	32,143,637	0.57
20.	Affin Hwang Nominees (Asing) Sdn. Bhd. RSS/SBL For Deutsche Bank Aktiengesellschaft (London Branch)	31,918,000	0.57
21.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An For AIA Bhd.	31,600,625	0.56
22.	Amanahraya Trustees Berhad Public Islamic Dividend Fund	29,264,175	0.52
23.	CIMSEC Nominees (Tempatan) Sdn. Bhd. RSS/SBL Exempt An For CIMB Bank Berhad	27,800,000	0.49
24.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Nomura)	27,138,862	0.48
25.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)	26,817,575	0.48
26.	Amanahraya Trustees Berhad AS 1Malaysia	26,500,000	0.47
27.	HSBC Nominees (Asing) Sdn. Bhd. BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	26,070,807	0.46
28.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	23,063,100	0.41
29.	CIMB Group Nominees (Tempatan) Sdn. Bhd. Exempt An For Petroliam Nasional Berhad	21,738,625	0.38
30.	Amanahraya Trustees Berhad Public Islamic Select Enterprises Fund	20,104,700	0.35
	Total	**4,068,371,816**	**72.09**

NET BOOK VALUE OF LAND AND BUILDINGS

as at 31 August 2014

Property List	LAND									BUILDINGS			DESCRIPTION
	Leasehold			Freehold			Total						
Group	No. of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No. of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)	No. of Lots (1+4)	Area (sq M) (2+5)	NBV (RM'000) (3+6)	No. (10)	Built-Up Area (sq M) (11)	Total NBV (RM'000) (12)	(13)
Locations													
Perlis	56	185,152	2,128	56	57,386	3,460	112	242,538	5,588	84	13,965	38,647	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	14,980	491	893,276	33,293	785	1,949,236	48,273	314	105,627	261,333	
Pulau Pinang	193	843,098	66,125	521	718,080	58,218	714	1,561,178	124,343	297	109,905	433,957	
Perak	706	4,645,470	106,716	511	4,314,335	94,409	1,217	8,959,805	201,125	848	622,747	895,216	
Selangor	796	8,569,733	367,473	928	2,503,279	267,344	1,724	11,073,012	634,817	1,398	670,288	2,439,825	
W.Persekutuan	383	301,823	73,197	462	463,842	148,091	845	765,665	221,288	555	296,566	801,066	
Putrajaya/ Cyberjaya	6	588,490	13,919	7	1,554	1,618	13	590,044	15,537	62	8,581	36,409	
N.Sembilan	275	535,273	16,149	343	1,001,806	42,849	618	1,537,079	58,998	202	426,423	537,208	
Melaka	333	663,561	23,960	323	181,576	22,752	656	845,137	46,712	81	156,476	124,151	
Johor	959	3,214,351	100,289	838	845,538	49,207	1,797	4,059,889	149,496	444	273,486	829,275	
Pahang	347	1,315,249	21,565	307	290,751	13,923	654	1,606,000	35,488	460	241,059	544,778	
Terengganu	358	2,116,156	29,648	96	10,978,427	43,251	454	13,094,583	72,899	247	474,990	467,794	
Kelantan	354	1,284,536	9,633	303	466,956	21,216	657	1,751,492	30,849	337	649,968	880,265	
Sabah	83	6,261,621	11,058	63	4,501,754	32,465	146	10,763,375	43,523	557	656,782	300,873	
Pakistan	1	38,141	111	1	790,344	1,578	2	828,485	1,689	1	12,713	584	
Total	**5,144**	**31,618,614**	**856,951**	**5,250**	**28,008,904**	**833,674**	**10,394**	**59,627,518**	**1,690,625**	**5,887**	**4,719,576**	**8,591,381**	

TENAGA NASIONAL BERHAD
(200866-W)

PROXY FORM

24th Annual General Meeting

(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)

____
(FULL ADDRESS)

Telephone No. ______________________________

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 falling him/her
	NRIC No. /Passport No.:			
Proxy 2				or falling 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 **24TH ANNUAL GENERAL MEETING** of **TENAGA NASIONAL BERHAD** to be held at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur on **THURSDAY, 18 DECEMBER 2014** 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 2014 and the Reports of the Directors and Auditors thereon		NA	NA
2.	**ORDINARY RESOLUTION 1**	Declaration of Dividend		
3.	**ORDINARY RESOLUTION 2**	Approval for Payment of Directors' Fees		
	Re-election of the following Directors who retire in accordance with Article 133 of the Company's Articles of Association:			
4.	**ORDINARY RESOLUTION 3**	Sakthivel a/l Alagappan		
5.	**ORDINARY RESOLUTION 4**	Datuk Wira Ir. Md Sidek bin Ahmad		
6.	**ORDINARY RESOLUTION 5**	Ahmad Farouk bin Mohamed		
	Re-election of the following Directors who retire in accordance with Article 135 of the Company's Articles of Association:			
7.	**ORDINARY RESOLUTION 6**	Dato' Zainal Abidin bin Putih		
8.	**ORDINARY RESOLUTION 7**	Dato' Abd Manaf bin Hashim		
	Re-appointment of the following Directors who retire in accordance with Section 129(6) of the Companies Act, 1965:			
9.	**ORDINARY RESOLUTION 8**	Tan Sri Leo Moggie		
10.	**ORDINARY RESOLUTION 9**	Tan Sri Dato' Seri Siti Norma binti Yaakob		
SPECIAL BUSINESS				
11.	**ORDINARY RESOLUTION 10**	Re-appointment of Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration		
12.	**ORDINARY RESOLUTION 11**	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		
13.	**ORDINARY RESOLUTION 12**	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.

***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.*

In the case of a vote taken by a show of hands, *Proxy 1/*Proxy 2 (one only) vote on my/our behalf.
**Strike out whichever not applicable.*

Dated this __________ day of ______________________, 2014

____
Signature of Shareholder or Common Seal

NOTES:

1. Only members registered in the Record of Depositors as at 11 December 2014 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 Industries (Central Depositories) Act, 1991, it may appoint up to 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 16 December 2014 at 10.00 a.m.**
8. Every question submitted to any general meeting shall be decided in the first instance by a show of hands by members present and being entitled to vote at the General Meeting and in the case of an equality of votes the Chairman (unless he is not the Chairman of the Board of Directors) shall, both on a show of hands by members present and being entitled to vote at the General Meeting and at a poll, have a casting vote in addition to the vote or votes to which he may be entitled as a member.
9. At any general meeting unless a poll is demanded by the Chairman or by at least five (5) members present in person or proxy and being entitled to vote at the General Meeting or attorney or by 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 in respect thereof, a declaration by the Chairman that a resolution has been carried or carried unanimously or carried by a particular majority or lost, or not carried by a particular majority or lost and an entry to that effect in the minutes of the proceedings of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes given for or against such resolution.
10. 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.
11. 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.
12. 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.

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STAMP

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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