

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS 31 AUGUST 2001

Directors' Report	2-5
Income Statements	6
Balance Sheets	7-8
Statement Of Changes in Equity	9-10
Cash Flow Statements	11-13
Notes to the Financial Statements	14-50
Statement by Directors	51
Statutory Declaration	52
Auditors' Report to the Members of Tenaga Nasional Berhad	53

# DIRECTORS' REPORT

The Directors have pleasure in submitting their Report with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2001.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are the generation, transmission, distribution and sale of electricity.

The principal activities of the subsidiaries and associates are described in Note 13 and 14 respectively to the financial statements. There have been no significant changes in these activities during the financial year.

## FINANCIAL RESULTS

	Group RM'million	Company RM'million
Profit after taxation	2,070.2	2,468.1
Minority interests	34.8	-
Profit attributable to shareholders	<u>2,105.0</u>	<u>2,468.1</u>

## DIVIDENDS

	RM'million
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The dividends paid or declared since 31 August 2000 were as follows:

In respect of the financial year ended 31 August 2000,  
as shown in the Directors' Report for that financial year:

Final dividend of 7 sen gross per ordinary share less income tax at 28%, paid on 18 January 2001	<u>156.6</u>
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In respect of the financial year ended 31 August 2001:

Interim dividend of 4 sen gross per ordinary share less income tax at 28%, paid on 5 July 2001	<u>89.5</u>
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The Directors now recommend the payment of a final dividend of 4.3 sen gross per ordinary share, tax exempt, amounting to RM133.6 million which, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, will be paid on 16 January 2002 to shareholders registered on the Company's Register of Members at the close of business on 26 December 2001.

## RESERVES AND PROVISIONS

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

## SHARE CAPITAL

During the financial year, 559,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employee Share Option Scheme ('ESOS') at the following issue prices:

Number of ordinary shares of RM1.00 each	Issue price (RM)	Proceeds (RM)
226,000	7.92	1,789,920
60,000	7.06	423,600
273,000	5.13	1,400,490
<u>559,000</u>		<u>3,614,010</u>

The new shares rank pari passu in all respects with the existing ordinary shares of the Company.

## DIRECTORS' REPORT (CONTINUED)

### SHARE CAPITAL (CONTINUED)

At the Extraordinary General Meeting held on 31 July 2001, a resolution was passed for the creation of 1,000 Class A and 500 Class B Redeemable Preference Shares ('RPS') of RM1.00 each.

On 16 August 2001, 1,000 Class A RPS of RM1.00 each at an issue price of RM1,000 per RPS were issued, for cash, by the Company for the purpose of financing the Company's capital expenditure.

As described in Note 29 to the financial statements, these RPS were issued pursuant to the offering of the Company's Fixed Income Securities.

### EMPLOYEE SHARE OPTION SCHEME

Options under the ESOS were granted to eligible Directors, employees and retirees of the Group to subscribe for ordinary shares of RM1.00 each. The first ESOS was exercisable on specific days during the period commencing 5 June 1993, but not later than thirty days before 11 May 1997, as determined by the by-laws of the ESOS. At an Extraordinary General Meeting held on 6 June 1996, the shareholders approved the extension of the ESOS for a further five years to expire on 11 May 2002.

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

Option price RM per share	No. of options over ordinary shares of RM1.00 each				Expiry date
	As at 1.9.2000	Granted	Exercised	As at 31.8.2001	
11.61	2,704,000	-	-	<b>2,704,000</b>	11 May 2002
9.03	-	3,322,000	-	<b>3,322,000</b>	11 May 2002
7.92	1,268,000	45,000	(226,000)	<b>1,087,000</b>	11 May 2002
7.06	120,000	-	(60,000)	<b>60,000</b>	11 May 2002
5.13	732,000	30,000	(273,000)	<b>489,000</b>	11 May 2002
	<b>4,824,000</b>	<b>3,397,000</b>	<b>(559,000)</b>	<b>7,662,000</b>	

The exercise price is determined based on the average price for five preceding market days prior to the date of the offer. For the purpose of establishing the average price, the closing buy and sell price quotation of the ordinary shares of the Company as quoted and shown in the daily official list issued by the Kuala Lumpur Stock Exchange is used.

The persons to whom the options have been granted under the ESOS have no right to participate in any share option scheme of any other company by virtue of these options.

The Company has been granted exemption by the Registrar of Companies from having to disclose the list of option holders and their holdings.

# DIRECTORS' REPORT (CONTINUED)

## DIRECTORS

The Directors who have held office during the period since the date of the last Report are:

Dato' Dr Jamaludin bin Dato' Mohd Jarjis	(Chairman)
Pian bin Sukro @ Sukoro	(President/Chief Executive Officer) (Appointed on 16.10.2001)
Datuk Zainun Aishah binti Ahmad	
Dato' Lau Yin Pin @ Lau Yen Beng	
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	
Dato' Hari Narayanan a/l Govindasamy	
Dato' Mohd Yusof bin Ibrahim	
Husniarti binti Tamin	
Kamariah binti Hussain	(Alternate Director to Husniarti binti Tamin)
Dato' Dr Halim bin Shafie	(Appointed on 1.2.2001)
Dato' Syed Hamzah bin Syed Othman	(Appointed on 7.2.2001 as Alternate Director to Dato' Dr Halim bin Shafie) (Resigned on 1.2.2001 as Alternate Director to Tan Sri Nuraizah binti Abdul Hamid)
Dato' Hamzah bin Bakar	(Appointed on 18.4.2001)
Dato' Iskandar Dzakurnain bin Badarudin	(Appointed on 14.5.2001)
Raja Dato' Zaharaton binti Raja Zainal Abidin	(Appointed on 30.7.2001 as Alternate Director to Dato' Iskandar Dzakurnain bin Badarudin)
Shaziman bin Abu Mansor	(Appointed on 16.10.2001)
Dato' Megat Abdul Rahman bin Megat Ahmad	(Resigned on 1.1.2001)
Tan Sri Nuraizah binti Abdul Hamid	(Resigned on 1.2.2001)
Mokatar Rudin bin Wan Yusof	(Resigned on 26.4.2001)
Dato' Fuad bin Jaafar	(Resigned on 15.10.2001)

In accordance with Article 133 of the Company's Articles of Association, Dato' Dr Halim bin Shafie, Dato' Hamzah bin Bakar, Dato' Iskandar Dzakurnain bin Badarudin, Pian bin Sukro @ Sukoro and Shaziman bin Abu Mansor retire at the forthcoming Annual General Meeting and being eligible, offer themselves for election.

In accordance with Article 135 of the Company's Articles of Association, Datuk Zainun Aishah binti Ahmad and Dato' Lau Yin Pin @ Lau Yen Beng retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Government appointed Directors as at the date of this Report are:

Dato' Dr Jamaludin bin Dato' Mohd Jarjis	
Datuk Zainun Aishah binti Ahmad	
Husniarti binti Tamin	
Dato' Dr Halim bin Shafie	(Appointed on 1.2.2001)
Dato' Iskandar Dzakurnain bin Badarudin	(Appointed on 14.5.2001)
Pian bin Sukro @ Sukoro	(Appointed on 16.10.2001)

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, except for options granted to Directors pursuant to the ESOS.

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 4 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 member, or with a company in which the Director has a substantial financial interest.

## DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' shareholdings, the interests of Directors in office as at the end of the financial year in shares in the Company were as follows:

	Number of ordinary shares of RM1.00 each			As at 31.8.2001
	As at 1.9.2000	Acquired	Disposed	
<b>Tenaga Nasional Berhad</b>				
Dato' Lau Yin Pin @ Lau Yen Beng	10,000	-	(10,000)	-
Dato' Fuad bin Jaafar	72,000	-	-	72,000
Dato' Mohd Yusof bin Ibrahim	49,000	-	-	49,000

No other Directors in office at the end of the financial year held any interest in shares of the Company and its related corporations.

# DIRECTORS' REPORT (CONTINUED)

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this Report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group 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 of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

## OTHER STATUTORY INFORMATION

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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:

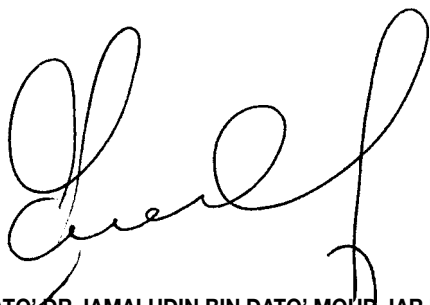
- (a) except as disclosed in Note 6 to the financial statements, the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) except as disclosed in Note 37 to the financial statements, 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 of the Company for the financial year in which this Report is made.

## AUDITORS

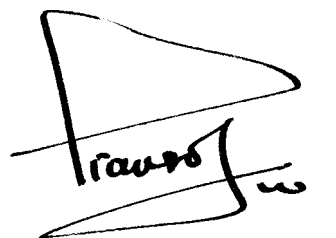
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The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors, in accordance with their resolution dated 7 November 2001.



**DATU' DR JAMALUDIN BIN DATU' MOHD JARJIS**  
CHAIRMAN



**PIAN BIN SUKRO @ SUKORO**  
PRESIDENT/CHIEF EXECUTIVE OFFICER

# INCOME STATEMENTS

## FOR THE FINANCIAL YEAR ENDED

### 31 AUGUST 2001

	Note	Group 2001 RM'million	2000 RM'million	Company 2001 RM'million	2000 RM'million
REVENUE	3	<b>14,362.6</b>	13,719.1	<b>13,685.0</b>	12,997.8
Operating expenses	4	<b>(11,919.8)</b>	(10,965.0)	<b>(12,376.7)</b>	(11,164.1)
Other operating income	5	<b>349.6</b>	481.7	<b>1,541.7</b>	1,379.0
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		<b>2,792.4</b>	3,235.8	<b>2,850.0</b>	3,212.7
Exceptional items	6	<b>(373.7)</b>	(332.4)	<b>(123.7)</b>	-
OPERATING PROFIT AFTER EXCEPTIONAL ITEMS		<b>2,418.7</b>	2,903.4	<b>2,726.3</b>	3,212.7
Foreign exchange gain/(loss)	7	<b>785.5</b>	(371.1)	<b>846.2</b>	(391.7)
Share of results of associates	14	<b>125.2</b>	107.0	-	-
PROFIT BEFORE FINANCE COST		<b>3,329.4</b>	2,639.3	<b>3,572.5</b>	2,821.0
Finance cost	8	<b>(1,136.4)</b>	(1,115.5)	<b>(1,122.7)</b>	(1,101.1)
PROFIT BEFORE TAXATION		<b>2,193.0</b>	1,523.8	<b>2,449.8</b>	1,719.9
Taxation					
- Company and subsidiaries	9	<b>(83.8)</b>	(204.5)	<b>18.3</b>	(146.5)
- Share of taxes in associates	14	<b>(39.0)</b>	(26.0)	-	-
PROFIT AFTER TAXATION		<b>2,070.2</b>	1,293.3	<b>2,468.1</b>	1,573.4
Minority interests		<b>34.8</b>	39.5	-	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<b>2,105.0</b>	1,332.8	<b>2,468.1</b>	1,573.4
		<b>Sen</b>	Sen		
Earnings per share					
- basic	10(a)	<b>67.8</b>	42.9		
- diluted	10(b)	<b>67.7</b>	42.9		

The notes set out on pages 14 to 50 form an integral part of these financial statements.

# BALANCE SHEETS

## AS AT 31 AUGUST 2001

	Note	Group 2001 RM'million	2000 RM'million	Company 2001 RM'million	2000 RM'million
PROPERTY, PLANT AND EQUIPMENT	12	<b>48,270.3</b>	45,709.6	<b>42,827.0</b>	41,881.4
SUBSIDIARIES	13	-	-	<b>594.3</b>	593.4
ASSOCIATES	14	<b>725.8</b>	582.0	<b>335.8</b>	284.0
INVESTMENTS	15	<b>391.0</b>	402.4	<b>389.8</b>	401.2
LONG TERM RECEIVABLES	16	-	444.0	<b>2,889.8</b>	2,315.7
<b>CURRENT ASSETS</b>					
Inventories	17	<b>982.4</b>	1,001.0	<b>237.9</b>	225.3
Receivables	18	<b>3,293.4</b>	2,500.9	<b>2,675.1</b>	2,006.8
Amount owing from subsidiaries	19	-	-	<b>282.1</b>	306.4
Amount owing from associates		<b>3.9</b>	21.4	<b>3.9</b>	13.5
Marketable securities	20	<b>47.7</b>	59.5	<b>47.7</b>	59.5
Cash and bank balances	21	<b>870.3</b>	768.3	<b>449.0</b>	406.1
		<b>5,197.7</b>	4,351.1	<b>3,695.7</b>	3,017.6
<b>CURRENT LIABILITIES</b>					
Payables	22	<b>3,433.5</b>	3,211.5	<b>2,509.9</b>	2,412.0
Amount owing to subsidiaries	19	-	-	<b>467.4</b>	164.0
Amount owing to associates		<b>356.2</b>	353.2	<b>356.1</b>	345.3
Current taxation		<b>390.0</b>	325.4	<b>271.7</b>	246.1
Proposed dividend		<b>133.6</b>	156.6	<b>133.6</b>	156.6
Short term borrowings	23	<b>3,213.8</b>	5,371.6	<b>2,981.4</b>	5,167.9
		<b>7,527.1</b>	9,418.3	<b>6,720.1</b>	8,491.9
NET CURRENT LIABILITIES		<b>(2,329.4)</b>	(5,067.2)	<b>(3,024.4)</b>	(5,474.3)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>47,057.7</b>	42,070.8	<b>44,012.3</b>	40,001.4

The notes set out on pages 14 to 50 form an integral part of these financial statements.

# BALANCE SHEETS

## AS AT 31 AUGUST 2001 (CONTINUED)

	Note	Group		Company	
		2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
<b>LONG TERM LIABILITIES</b>					
Term loans	24	<b>(25,101.8)</b>	(22,289.9)	<b>(22,240.3)</b>	(20,685.0)
Consumer deposits		<b>(1,324.9)</b>	(1,224.5)	<b>(1,249.1)</b>	(1,153.9)
Retirement benefits	25	<b>(452.8)</b>	(383.6)	<b>(448.5)</b>	(380.6)
Other liabilities		<b>(110.4)</b>	(123.7)	<b>(81.2)</b>	(85.5)
		<b>(26,989.9)</b>	(24,021.7)	<b>(24,019.1)</b>	(22,305.0)
DEFERRED TAXATION	26	<b>(975.8)</b>	(970.9)	<b>(1,000.0)</b>	(1,000.0)
DEFERRED INCOME	27	<b>(2,149.5)</b>	(2,097.3)	<b>(1,982.9)</b>	(1,934.7)
GOVERNMENT DEVELOPMENT GRANTS	28	<b>(516.6)</b>	(380.0)	-	-
		<b>16,425.9</b>	14,600.9	<b>17,010.3</b>	14,761.7
Financed by:					
SHARE CAPITAL	29	<b>3,106.8</b>	3,106.2	<b>3,106.8</b>	3,106.2
SHARE PREMIUM	30	<b>3,143.4</b>	3,140.4	<b>3,143.4</b>	3,140.4
REVALUATION AND OTHER RESERVES	31	<b>1,157.2</b>	1,183.0	<b>1,231.2</b>	1,231.2
RETAINED PROFITS	32	<b>8,970.9</b>	7,089.0	<b>9,528.9</b>	7,283.9
SHAREHOLDERS' FUNDS		<b>16,378.3</b>	14,518.6	<b>17,010.3</b>	14,761.7
MINORITY INTERESTS		<b>47.6</b>	82.3	-	-
		<b>16,425.9</b>	14,600.9	<b>17,010.3</b>	14,761.7
		<b>Sen</b>	Sen		
NET ASSETS PER SHARE	10(c)	<b>527</b>	467		

The notes set out on pages 14 to 50 form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2001

	Note	Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Non-distributable Revaluation and other reserves RM'million	Distributable Retained profits RM'million	Total RM'million
At 1 September 1999		3,101.4	3,112.9	1,208.1	5,979.9	13,402.3
Net losses not recognised in income statement - currency translation differences	31	-	-	(25.1)	-	(25.1)
Profit attributable to shareholders for the financial year ended 31 August 2000		-	-	-	1,332.8	1,332.8
Dividends for the financial year ended 31 August 2000	11	-	-	-	(223.7)	(223.7)
Issuance of share capital - share options	29, 30	4.8	27.5	-	-	32.3
At 31 August 2000		3,106.2	3,140.4	1,183.0	7,089.0	14,518.6
Net losses not recognised in income statement - currency translation differences	31	-	-	(25.8)	-	(25.8)
Profit attributable to shareholders for the financial year ended 31 August 2001		-	-	-	2,105.0	2,105.0
Dividends for the financial year ended 31 August 2001	11	-	-	-	(223.1)	(223.1)
Issuance of share capital - share options	29, 30	0.6	3.0	-	-	3.6
<b>At 31 August 2001</b>		<b>3,106.8</b>	<b>3,143.4</b>	<b>1,157.2</b>	<b>8,970.9</b>	<b>16,378.3</b>

The notes set out on pages 14 to 50 form an integral part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2001

	Note	Ordinary shares of RM1.00 each RM'million	Non-distributable Share premium RM'million	Revaluation and other reserves RM'million	Distributable Retained profits RM'million	Total RM'million
At 1 September 1999		3,101.4	3,112.9	1,231.2	5,934.2	13,379.7
Profit after taxation for the financial year ended 31 August 2000		-	-	-	1,573.4	1,573.4
Dividends for the financial year ended 31 August 2000	11	-	-	-	(223.7)	(223.7)
Issuance of share capital - share options	29, 30	4.8	27.5	-	-	32.3
<b>At 31 August 2000</b>		<b>3,106.2</b>	<b>3,140.4</b>	<b>1,231.2</b>	<b>7,283.9</b>	<b>14,761.7</b>
Profit after taxation for the financial year ended 31 August 2001		-	-	-	2,468.1	2,468.1
Dividends for the financial year ended 31 August 2001	11	-	-	-	(223.1)	(223.1)
Issuance of share capital - share options	29, 30	0.6	3.0	-	-	3.6
<b>At 31 August 2001</b>		<b>3,106.8</b>	<b>3,143.4</b>	<b>1,231.2</b>	<b>9,528.9</b>	<b>17,010.3</b>

The notes set out on pages 14 to 50 form an integral part of these financial statements.

# CASH FLOW STATEMENTS

## FOR THE FINANCIAL YEAR ENDED

### 31 AUGUST 2001

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit after taxation	<b>2,070.2</b>	1,293.3	<b>2,468.1</b>	1,573.4
Adjustments for:				
Taxation	<b>122.8</b>	230.5	<b>(18.3)</b>	146.5
Provision for diminution in value of property, plant and equipment	<b>250.0</b>	332.4	-	-
Depreciation	<b>1,976.7</b>	1,692.0	<b>1,852.4</b>	1,597.3
Provision for retirement benefits	<b>75.4</b>	62.5	<b>73.2</b>	61.2
Translation (gain)/loss - foreign term loans	<b>(742.2)</b>	316.4	<b>(741.2)</b>	337.0
Release of deferred income	<b>(249.3)</b>	(266.5)	<b>(229.1)</b>	(247.3)
Gain on disposal of property, plant and equipment	<b>(0.4)</b>	(1.7)	<b>(0.2)</b>	(1.9)
Share of results in associates	<b>(125.2)</b>	(107.0)	-	-
(Gain)/loss on disposal of marketable securities	<b>(2.6)</b>	0.1	<b>(2.6)</b>	0.1
Dividend income	<b>(7.7)</b>	(11.9)	<b>(14.2)</b>	(32.9)
Interest income	<b>(109.4)</b>	(173.5)	<b>(266.8)</b>	(181.0)
Interest on borrowings	<b>1,077.6</b>	1,062.2	<b>1,063.9</b>	1,047.8
Property, plant and equipment written off	<b>0.5</b>	32.4	<b>0.5</b>	30.1
Release of government development grants	<b>(43.4)</b>	(45.3)	-	-
Provision for diminution in value of an associate	<b>9.6</b>	-	<b>9.6</b>	-
Provision for diminution in value of investments	<b>11.4</b>	36.0	<b>11.4</b>	36.0
Provision for/(write back of) diminution in value of marketable securities	<b>11.7</b>	(4.4)	<b>11.7</b>	(4.4)
Inventories written off	<b>6.5</b>	69.9	<b>5.1</b>	65.1
	<b>4,332.2</b>	4,517.4	<b>4,223.5</b>	4,427.0
Inventories	<b>5.1</b>	43.7	<b>(17.7)</b>	65.7
Receivables	<b>(246.3)</b>	(351.5)	<b>(1,074.4)</b>	(1,280.1)
Payables	<b>280.6</b>	(63.2)	<b>148.5</b>	208.0
Amount owing from/to subsidiaries	-	-	<b>327.7</b>	(9.2)
Amount owing from/to associates	<b>20.5</b>	35.1	<b>20.4</b>	35.1
Cash generated from operations	<b>4,392.1</b>	4,181.5	<b>3,628.0</b>	3,446.5
Retirement benefits paid	<b>(6.2)</b>	(5.9)	<b>(5.3)</b>	(5.6)
Consumer contributions received	<b>301.5</b>	300.7	<b>277.3</b>	279.7
Consumer deposits received	<b>100.4</b>	119.8	<b>95.3</b>	112.2
Tax refund received	<b>71.9</b>	-	<b>71.9</b>	-
Taxation paid	<b>(88.1)</b>	(39.5)	<b>(28.1)</b>	-
Net cash inflow from operating activities	<b>4,771.6</b>	4,556.6	<b>4,039.1</b>	3,832.8

The notes set out on pages 14 to 50 form an integral part of these financial statements.

# CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2001 (CONTINUED)

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additional investment in subsidiaries	-	-	<b>(0.9)</b>	(324.5)
Additional investment in associates	<b>(77.7)</b>	(88.3)	<b>(72.0)</b>	(72.9)
Proceeds from redemption of preference shares in an associate	-	50.0	-	50.0
Proceeds from redemption of unsecured loan notes in an associate	<b>10.6</b>	9.5	<b>10.6</b>	9.5
Purchase of marketable securities	<b>(8.4)</b>	(14.4)	<b>(8.4)</b>	(14.4)
Purchase of long term investment	-	(12.8)	-	(12.6)
Net proceeds from sale of marketable securities	<b>12.0</b>	20.6	<b>12.0</b>	20.6
Investment income received	<b>7.2</b>	58.8	<b>18.6</b>	58.8
Interest income received	<b>104.0</b>	95.9	<b>93.5</b>	89.0
Purchase of property, plant and equipment	<b>(4,409.9)</b>	(4,358.8)	<b>(2,447.8)</b>	(2,945.0)
Proceeds from disposal of property, plant and equipment	<b>4.9</b>	6.6	<b>0.7</b>	3.2
Net cash outflow from investing activities	<b>(4,357.3)</b>	(4,232.9)	<b>(2,393.7)</b>	(3,138.3)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Government development grants received	<b>180.0</b>	76.5	-	-
Proceeds from issuance of shares	<b>3.6</b>	32.3	<b>3.6</b>	32.3
Proceeds from long term borrowings	<b>6,960.0</b>	1,572.1	<b>5,706.5</b>	1,040.9
Repayment of long term borrowings	<b>(4,927.3)</b>	(1,348.3)	<b>(4,920.2)</b>	(1,228.2)
Interest paid	<b>(1,702.3)</b>	(1,572.3)	<b>(1,470.0)</b>	(1,491.0)
Dividends paid	<b>(246.1)</b>	(178.7)	<b>(246.1)</b>	(178.7)
Proceeds from short term borrowings	<b>2,272.7</b>	3,305.6	<b>2,144.7</b>	3,276.0
Repayment of short term borrowings	<b>(2,837.9)</b>	(2,440.0)	<b>(2,821.0)</b>	(2,430.0)
Portion of additional investment in a subsidiary taken up by minority interests	-	52.5	-	-
Net cash outflow from financing activities	<b>(297.3)</b>	(500.3)	<b>(1,602.5)</b>	(978.7)

The notes set out on pages 14 to 50 form an integral part of these financial statements.

# CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2001 (CONTINUED)

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	117.0	(176.6)	42.9	(284.2)
EFFECT OF CHANGES IN FOREIGN CURRENCY	(14.5)	(25.1)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	765.7	967.4	406.1	690.3
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>868.2</u>	<u>765.7</u>	<u>449.0</u>	<u>406.1</u>
Cash and cash equivalents at end of the financial year comprise:				
Cash in hand and at bank	194.0	296.7	63.9	18.2
Deposits with licensed banks	657.9	446.8	382.6	383.9
Deposits with finance companies	18.4	24.8	2.5	4.0
Bank overdrafts	(2.1)	(2.6)	-	-
	<u>868.2</u>	<u>765.7</u>	<u>449.0</u>	<u>406.1</u>

Included in cash and cash equivalents are deposits amounting to RM151.5 million (2000: Nil) and cash at bank amounting to RM25.9 million (2000: Nil), which are held in trust by a subsidiary in respect of a grant given by the Malaysian Government for a designated capital project.

The notes set out on pages 14 to 50 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS 31 AUGUST 2001

## 1. GENERAL INFORMATION

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The principal activities of the Company are the generation, transmission, distribution and sale of electricity.

The principal activities of the subsidiaries and associates are described in Note 13 and 14 respectively to the 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 the Kuala Lumpur Stock Exchange.

The address of the registered office of the Company is 129 Jalan Bangsar, 59200 Kuala Lumpur, Malaysia.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The principal accounting policies of the Group and of the Company which are consistent with those adopted in the previous financial year are summarised below:

### (a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

### (b) Basis of consolidation

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

The consolidated income statement includes the results of subsidiaries acquired or disposed during the financial year from the date of their acquisition or up to the date of their disposal respectively using the acquisition method of accounting. All intergroup transactions, balances and unrealised surpluses and deficits on transactions have been eliminated.

### (c) Associates

Associates are enterprises, other than subsidiaries, in which the Group has a long term equity interest of not less than 20% and has representation on the Board and is in a position to exercise significant influence over the financial and operating policies of the enterprise.

The consolidated financial statements include the appropriate share of these associates' results and reserves based on management accounts made up to the date of the Company's financial statements. Premium paid on acquisition is written off against reserves.

### (d) Goodwill

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net assets of the subsidiary at the date of acquisition. Goodwill is written off to reserves in the year of acquisition.

Negative goodwill represents the excess of the fair value of the Group's share of identifiable net assets acquired over the purchase price. Negative goodwill is written off to reserves in the year of acquisition.

### (e) Foreign currency

Foreign currency transactions are converted into Ringgit Malaysia at exchange rates ruling at the transaction dates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Monetary assets and liabilities in foreign currencies are translated at exchange rates ruling at the balance sheet date unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. All exchange differences are dealt with through the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Foreign currency (continued)

Results of foreign subsidiaries and associates are translated into Ringgit Malaysia at average rates of exchange for the financial year. Assets and liabilities are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of the results for the financial year at average rates and assets and liabilities at year end rates, and the restatement at year end rates of the opening net investments in foreign subsidiaries and associates are taken to a foreign currency translation reserve account as a component of shareholders' funds.

The principal closing rates used in translation of foreign currency amounts were as follows:

<u>Foreign currency</u>	<u>2001</u> RM	<u>2000</u> RM
1 USD	3.8000	3.8000
100 JPY	3.1725	3.5820
1 GBP	5.5146	5.4829

#### (f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

The Directors have applied the transitional provisions of International Accounting Standard No. 16 (Revised) Property, Plant and Equipment as adopted by Malaysian Accounting Standards Board which allow the freehold land, leasehold land, buildings and civil works to be stated at their previous years' valuations less depreciation. Accordingly, these valuations have not been updated.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit/(loss) from operations. On disposal of revalued assets, amount in revaluation reserve relating to those property, plant and equipment are transferred to retained profits.

Freehold land and capital project-in-progress are not depreciated. Leasehold land is amortised over the period of the respective lease ranging from 5 to 99 years on a straight line basis.

Depreciation is provided on all other categories of property, plant and equipment on a straight line basis which reflects the estimated useful lives of the assets.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and civil works	10 to 60 years
Plant and machinery	10 to 40 years
Lines and distribution mains	25 to 35 years
Distribution services	20 years
Meters	15 years
Public lighting	15 to 25 years
Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	5 to 10 years

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

#### (g) Capitalisation of interest

Interest incurred on external borrowings related to long term capital project-in-progress is capitalised until the assets are ready for their intended use.

#### (h) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs 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 or first-in first-out basis.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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**(i) Marketable securities**

Marketable securities are stated at the lower of cost and market value on an aggregate basis. Cost is derived at on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business at the balance sheet date. Any write downs to the market value of investments or subsequent write backs to cost are dealt with through the income statement.

**(j) Retirement benefits**

Defined contribution plan

The Group's contributions to a defined contribution plan is charged to the income statement in the financial year to which they relate.

Defined benefit plan

The Group makes contributions to the Company's Retirement Benefit Scheme, a defined benefit scheme and approved fund independent of the Company's finances. The cost of retirement benefits under this Scheme is determined based on actuarial valuation using the Projected Unit Credit Method. Provision is made in the financial statements for the balance of the Scheme that is not externally funded.

Under the Projected Unit Credit Method, the Current Service Cost is calculated as the present value of benefits which will accrue in the next twelve months following the valuation date (by reference to the number of employees providing the service in that year and projected final salaries). This is in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every three years.

The pension obligation is measured at the present value of the estimated future cash outflows using the interest rates of government securities and a risk premium for additional risk on investment in corporate debt.

All actuarial gains and losses are recognised in the income statement in the year subsequent to the full valuation of the plan.

**(k) Deferred taxation**

The tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation is recognised for timing differences except when there is reasonable evidence that such timing differences will not reverse in the foreseeable future. The tax effect of timing differences that result in a debit balance or a debit to the deferred tax balance is not carried forward unless there is a reasonable expectation of its realisation.

The potential tax saving relating to a tax loss carry forward is only recognised if there is assurance beyond reasonable doubt that future taxable income will be sufficient for the benefit of the loss to be realised.

**(l) Investments**

Investments in subsidiaries, associates and other investments held for long term are stated at cost, less provision for any permanent diminution in their value. Provision for permanent diminution is only made where in the opinion of the Directors, there is a permanent diminution in value. Permanent diminution in the value of an investment is recognised as an expense in the period in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

**(m) Deferred income**

Contributions received from certain customers to defray the cost of capital projects are credited to the deferred income account. The amount in this account is released to the income statement on a straight line basis over 15 years, being the average useful life of such projects.

**(n) Operating leases**

Leases of assets under which all the rewards and risks of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(o) Trade receivables**

Trade receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful receivables based on review of all outstanding amounts at the financial year end.

**(p) Cash and cash equivalents**

Cash and cash equivalents comprise bank balances, deposits with maturity period not exceeding 3 months and cash in hand less bank overdrafts.

**(q) Revenue recognition**

Sales are recognised upon invoiced value of services delivered net of billing adjustments.

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

Interest income:

As it accrues, unless collectibility is in doubt.

Dividend income:

When the shareholders' right to receive payment is established.

**(r) Government development grants**

Government development grants relating to the construction of property, plant and equipment are included in long term liabilities and are credited to the income statement on a straight line basis over 15 years.

**(s) Financial instruments**

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group and Company are also parties to financial instruments that manage exposure to fluctuations in foreign currency exchange and interest rate. These financial instruments, which mainly comprise foreign currency forward contracts and interest rate swap agreements, are not recognised in the financial statements on inception. The purpose of these instruments is to reduce risk.

Financial derivatives hedging instruments are used in the Company's risk management of foreign currency and interest rate risk exposure of its financial liabilities. Hedge accounting principles are applied for the accounting of the underlying exposures and their hedge instruments. The underlying foreign currency liabilities are translated at their respective hedged exchange rate, and net differentials in interest receipts and payments arising from interest rate derivative instruments are accrued, so as to match those net differentials with the related interest expense on the hedged liabilities. No amounts are recognised in respect of future periods.

**(t) Rural electrification and 7th Malaysia Plan Projects**

Rural electrification projects are capitalised as property, plant and equipment. The cost of 7th Malaysia Plan Projects in the State of Sabah are only capitalised and accounted for as property, plant and equipment upon receipt of formal handover documentation. The corresponding amounts are recorded as government development grants and such grants are released to the income statement on a straight line basis over the same period as the expected economic life of the projects.

### 3. REVENUE

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Sales - electricity	13,951.8	13,220.0	13,455.9	12,750.5
- goods and services	161.5	232.6	-	-
Release of deferred income (Note 27)	249.3	266.5	229.1	247.3
	<b>14,362.6</b>	<b>13,719.1</b>	<b>13,685.0</b>	<b>12,997.8</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 4. OPERATING EXPENSES

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Energy cost	7,588.7	7,215.2	8,533.5	8,067.6
Transmission cost	567.5	517.0	544.5	494.2
Distribution cost	2,419.5	1,954.7	2,395.6	1,928.9
Administrative expenses	648.6	604.2	341.4	297.1
Other operating expenses	695.5	673.9	561.7	376.3
	<b>11,919.8</b>	<b>10,965.0</b>	<b>12,376.7</b>	<b>11,164.1</b>

Operating expenses include the following items:

Directors' remuneration				
- fees	0.5	0.4	0.5	0.3
- other emoluments	0.4	0.9	0.4	0.9
Auditors' remuneration	0.5	0.5	0.2	0.2
Depreciation	1,976.7	1,692.0	1,852.4	1,597.3
Retirement benefits expenses	100.8	62.5	91.7	61.2
Rental of land and buildings	25.8	33.0	32.8	20.0
Rental of plant and machinery	13.0	6.8	13.0	6.8
Research and development expenses	42.0	16.2	41.0	15.7
Property, plant and equipment written off	0.5	32.4	0.5	30.1
Provision for diminution in value of investments	11.4	36.0	11.4	36.0
Provision for diminution in value of an associate	9.6	-	9.6	-
Provision for/(write back of) diminution in value of marketable securities	11.7	(4.4)	11.7	(4.4)
Staff costs	1,039.2	1,034.6	752.1	741.4

The number of persons employed at the end of the financial year was 25,125 (2000: 24,334) for the Group and 18,003 (2000: 18,063) for the Company.

The estimated money value of benefits-in-kind received by the Directors was RM86,052 (2000: RM114,664) for the Group and RM86,052 (2000: RM114,664) for the Company.

### 5. OTHER OPERATING INCOME

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Dividend income on investments from				
- subsidiaries	-	-	0.4	-
- quoted shares	7.7	11.9	7.7	11.9
- unquoted shares	-	-	6.1	21.0
Leasing income from subsidiaries	-	-	1,099.5	1,034.0
Interest income	109.4	173.5	266.8	181.0
Rental income	6.9	23.2	40.4	23.8
Release of government development grants (Note 28)	43.4	45.3	-	-
Government subsidies	36.3	55.5	-	-
Gain/(loss) on disposal of marketable securities	2.6	(0.1)	2.6	(0.1)
Gain on disposal of property, plant and equipment	0.4	1.7	0.2	1.9
Other income	142.9	170.7	118.0	105.5
	<b>349.6</b>	<b>481.7</b>	<b>1,541.7</b>	<b>1,379.0</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 6. EXCEPTIONAL ITEMS

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Provision for diminution in value of property, plant and equipment in a subsidiary (Note (a))	250.0	332.4	-	-
Redemption premium and fees (Note (b))	123.7	-	123.7	-
	<b>373.7</b>	<b>332.4</b>	<b>123.7</b>	<b>-</b>

- (a) The provision relates to the Group's equity investment in a subsidiary, Liberty Power Limited ('LPL'). LPL is involved in the construction of a power plant in Pakistan and the generation and sale of electricity to the Water & Power Development Authority of Pakistan.

The provision of RM332.4 million for the financial year ended 31 August 2000 was made due to the uncertainties relating to the extension of the Gas Supply Agreement and finalisation of the Power Purchase Agreement. An additional provision of RM250.0 million has been made in the financial year ended 31 August 2001 in respect of the Group's equity investment in LPL. On 10 September 2001, LPL's power plant achieved commercial operation.

- (b) On 4 April 2001, the Company purchased USD302.6 million of its 7.875% Notes due June 2004 and USD176.2 million of its 7.200% Notes due April 2007 at a total consideration (excluding accrued interest) of USD505.0 million. Simultaneously, the Company issued USD600.0 million 7.625% Notes due 2011 which were fully subscribed. The redemption premium and fees associated with the above transaction amounted to RM123.7 million.

### 7. FOREIGN EXCHANGE GAIN/(LOSS)

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Foreign exchange gain/(loss) comprises:				
Translation gain/(loss) - foreign term loans	742.2	(316.4)	741.2	(337.0)
Translation (loss)/gain - others	(19.6)	(9.7)	42.2	(9.7)
Transaction gain/(loss)	62.9	(45.0)	62.8	(45.0)
	<b>785.5</b>	<b>(371.1)</b>	<b>846.2</b>	<b>(391.7)</b>

The translation gain/(loss) is in respect of term loans denominated in foreign currencies which are repayable over the following periods:

Within one year	98.9	(35.7)	105.3	(35.5)
After one and up to two years	109.1	(38.8)	108.7	(38.6)
After two and up to five years	113.0	(92.5)	111.6	(92.0)
After five and up to ten years	379.6	(134.0)	377.3	(156.9)
After ten and up to twenty years	41.6	(15.4)	38.3	(14.0)
	<b>742.2</b>	<b>(316.4)</b>	<b>741.2</b>	<b>(337.0)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 8. FINANCE COST

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Interest on borrowings	<b>1,646.3</b>	1,486.4	<b>1,415.1</b>	1,407.0
Less: Amount capitalised into property, plant and equipment	<b>(568.7)</b>	(424.2)	<b>(351.2)</b>	(359.2)
Interest on consumer deposits	<b>58.8</b>	53.3	<b>58.8</b>	53.3
	<b>1,136.4</b>	1,115.5	<b>1,122.7</b>	1,101.1

### 9. TAXATION

Arising in Malaysia:

Tax charge for the financial year

In respect of current financial year

- Company	<b>38.3</b>	146.5	<b>38.3</b>	146.5
- Subsidiaries	<b>97.2</b>	82.4	-	-

In respect of prior years

- Company	<b>(56.6)</b>	-	<b>(56.6)</b>	-
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In respect of current financial year

Deferred taxation	<b>4.9</b>	(24.4)	-	-
	<b>83.8</b>	204.5	<b>(18.3)</b>	146.5

The amount of unutilised tax losses of subsidiaries available for set off against their future income chargeable to tax of the respective subsidiaries amounted to RM552.9 million (2000: RM377.1 million).

The effective tax rate for the Company and the Group for the financial year ended 31 August 2001 is lower than the statutory rate due to the utilisation of brought forward and current capital allowances amounting to approximately RM3,589.5 million.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 10. EARNINGS PER SHARE

#### (a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	2001	2000
Profit attributable to shareholders (RM'million)	<b>2,105.0</b>	1,332.8
Weighted average number of ordinary shares in issue ('000)	<b>3,106,519</b>	3,103,306
Basic earnings per share (sen)	<b>67.8</b>	42.9

#### (b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: Share options granted to employees.

In the diluted earnings per share calculation, the share options are assumed to have been converted into ordinary shares at the beginning of the financial year and the adjusted profit attributable to shareholders is arrived at after adjusting for interests savings (net of tax) on term loans.

	2001	2000
Profit attributable to shareholders (RM'million)	<b>2,105.0</b>	1,332.8
Adjusted for interest savings (net of tax) on term loans (RM'million)	<b>2.8</b>	1.9
Adjusted profit attributable to shareholders (RM'million)	<b>2,107.8</b>	1,334.7
Weighted average number of ordinary shares in issue ('000)	<b>3,106,519</b>	3,103,306
Adjustment for:		
- share options ('000)	<b>7,662</b>	4,824
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>3,114,181</b>	3,108,130
Diluted earnings per share (sen)	<b>67.7</b>	42.9

#### (c) Net assets per share

The net assets per share is calculated by dividing the net assets of the Group by the number of ordinary shares in issue at the balance sheet date.

### 11. DIVIDENDS

	Company			
	2001		2000	
	Sen per share	Amount of dividend RM'million	Sen per share	Amount of dividend RM'million
Interim dividend	4.0	89.5	3.0	67.1
Proposed final dividend	4.3	133.6	7.0	156.6
	<b>8.3</b>	<b>223.1</b>	<b>10.0</b>	<b>223.7</b>

Interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained profits in the financial year. The liability on the proposed final dividend has been taken into account in the current year's financial statements.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 August 2001 of 4.3 sen gross per ordinary share, tax exempt, amounting to RM133.6 million will be proposed for shareholders' approval.

In respect of the financial year ended 31 August 2000, a final dividend of 7.0 sen gross per ordinary share less Malaysian income tax amounted to RM156.6 million was declared.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT

	As at 1.9.2000 RM'million	Exchange rate adjustment RM'million	Additions RM'million	Disposals RM'million	Transfers/ reclassifications RM'million	As at 31.8.2001 RM'million
<b>Group</b>						
<b>2001</b>						
<b>Cost/Valuation</b>						
At 1984 and earlier valuations:						
Long leasehold land	8.4	-	-	-	-	8.4
Buildings and civil works	6.5	-	-	-	-	6.5
At 1994 valuation:						
Freehold land	845.5	-	-	(0.1)	(155.9)	689.5
Long leasehold land	446.4	-	-	-	156.0	602.4
Short leasehold land	3.5	-	-	-	(0.1)	3.4
Buildings and civil works	441.9	-	-	(1.5)	-	440.4
	<u>1,752.2</u>	<u>-</u>	<u>-</u>	<u>(1.6)</u>	<u>-</u>	<u>1,750.6</u>
At cost:						
Freehold land	195.6	-	14.1	-	20.6	230.3
Long leasehold land	140.2	-	1.9	-	(37.3)	104.8
Short leasehold land	38.2	-	-	-	-	38.2
Buildings and civil works	7,978.5	(0.3)	934.5	-	0.1	8,912.8
	<u>10,104.7</u>	<u>(0.3)</u>	<u>950.5</u>	<u>(1.6)</u>	<u>(16.6)</u>	<u>11,036.7</u>
Plant and machinery	18,563.6	-	3,730.7	(3.7)	2.0	22,292.6
Lines and distribution mains	14,407.4	-	952.6	-	5.2	15,365.2
Distribution services	1,542.4	-	49.7	-	(48.0)	1,544.1
Meters	595.3	-	21.6	-	-	616.9
Public lighting	206.9	-	6.5	-	-	213.4
Furniture, fittings and office equipment	577.4	(0.8)	26.0	(0.6)	(15.9)	586.1
Motor vehicles	264.4	(0.1)	11.9	(2.3)	(0.3)	273.6
	<u>46,262.1</u>	<u>(1.2)</u>	<u>5,749.5</u>	<u>(8.2)</u>	<u>(73.6)</u>	<u>51,928.6</u>
Capital project-in-progress	12,405.9	(184.6)	5,865.0	-	(6,585.0)	11,501.3
	<u>58,668.0</u>	<u>(185.8)</u>	<u>11,614.5</u>	<u>(8.2)</u>	<u>(6,658.6)</u>	<u>63,429.9</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.9.2000 RM'million	Charge for the financial year RM'million	Released on disposals/ transfers RM'million	As at 31.8.2001 RM'million
<b>Group</b>				
<b>2001</b>				
<b>Accumulated depreciation</b>				
At 1984 and earlier valuations:				
Long leasehold land	1.5	-	-	1.5
Buildings and civil works	2.7	0.5	-	3.2
At 1994 valuation:				
Freehold land	-	-	-	-
Long leasehold land	40.4	8.0	-	48.4
Short leasehold land	0.3	-	-	0.3
Buildings and civil works	75.0	17.6	(1.0)	91.6
	119.9	26.1	(1.0)	145.0
At cost:				
Freehold land	-	-	-	-
Long leasehold land	15.9	(7.3)	-	8.6
Short leasehold land	4.3	0.5	-	4.8
Buildings and civil works	1,513.7	202.4	-	1,716.1
	1,653.8	221.7	(1.0)	1,874.5
Plant and machinery	6,075.9	910.8	(0.9)	6,985.8
Lines and distribution mains	3,573.9	608.7	-	4,182.6
Distribution services	558.3	70.7	(5.5)	623.5
Meters	257.5	34.6	-	292.1
Public lighting	65.0	9.3	-	74.3
Furniture, fittings and office equipment	274.1	87.5	(16.0)	345.6
Motor vehicles	167.5	33.4	(2.1)	198.8
	12,626.0	1,976.7	(25.5)	14,577.2
Capital project-in-progress	332.4	250.0	-	582.4*
	12,958.4	2,226.7	(25.5)	15,159.6

\* Relates to a provision in respect of Liberty Power Limited (Note 6(a)).

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.9.1999 RM'million	Exchange rate adjustment RM'million	Additions RM'million	Disposals RM'million	Transfers/ reclassifications RM'million	As at 31.8.2000 RM'million
<u>Group</u>						
<u>2000</u>						
<u>Cost/Valuation</u>						
At 1984 and earlier valuations:						
Long leasehold land	8.4	-	-	-	-	8.4
Buildings and civil works	6.5	-	-	-	-	6.5
At 1994 valuation:						
Freehold land	845.5	-	-	-	-	845.5
Long leasehold land	446.6	-	-	(0.2)	-	446.4
Short leasehold land	3.5	-	-	-	-	3.5
Buildings and civil works	441.9	-	-	-	-	441.9
	<u>1,752.4</u>	<u>-</u>	<u>-</u>	<u>(0.2)</u>	<u>-</u>	<u>1,752.2</u>
At cost:						
Freehold land	289.4	-	0.5	-	(94.3)	195.6
Long leasehold land	74.4	-	101.0	(35.2)	-	140.2
Short leasehold land	38.2	-	-	-	-	38.2
Buildings and civil works	7,286.9	(0.1)	693.9	(2.2)	-	7,978.5
	<u>9,441.3</u>	<u>(0.1)</u>	<u>795.4</u>	<u>(37.6)</u>	<u>(94.3)</u>	<u>10,104.7</u>
Plant and machinery	17,035.1	-	1,545.0	(16.5)	-	18,563.6
Lines and distribution mains	12,685.0	-	1,722.4	-	-	14,407.4
Distribution services	1,313.4	-	229.0	-	-	1,542.4
Meters	415.3	-	180.0	-	-	595.3
Public lighting	183.0	-	23.9	-	-	206.9
Furniture, fittings and office equipment	363.4	(0.8)	226.9	(12.1)	-	577.4
Motor vehicles	243.0	(0.2)	57.5	(35.9)	-	264.4
	<u>41,679.5</u>	<u>(1.1)</u>	<u>4,780.1</u>	<u>(102.1)</u>	<u>(94.3)</u>	<u>46,262.1</u>
Capital project-in-progress	12,321.1	(41.0)	5,002.6	(2.2)	(4,874.6)	12,405.9
	<u>54,000.6</u>	<u>(42.1)</u>	<u>9,782.7</u>	<u>(104.3)</u>	<u>(4,968.9)</u>	<u>58,668.0</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.9.1999 RM'million	Charge for the financial year RM'million	Released on disposals/ transfers RM'million	As at 31.8.2000 RM'million
<u>Group</u>				
<u>2000</u>				
<u>Accumulated depreciation</u>				
At 1984 and earlier valuations:				
Long leasehold land	1.4	0.1	-	1.5
Buildings and civil works	2.7	-	-	2.7
At 1994 valuation:				
Freehold land	-	-	-	-
Long leasehold land	31.0	9.4	-	40.4
Short leasehold land	0.3	-	-	0.3
Buildings and civil works	54.2	20.8	-	75.0
	<u>89.6</u>	<u>30.3</u>	<u>-</u>	<u>119.9</u>
At cost:				
Freehold land	-	-	-	-
Long leasehold land	14.0	1.9	-	15.9
Short leasehold land	3.8	0.5	-	4.3
Buildings and civil works	1,347.5	167.2	(1.0)	1,513.7
	<u>1,454.9</u>	<u>199.9</u>	<u>(1.0)</u>	<u>1,653.8</u>
Plant and machinery	5,325.9	750.5	(0.5)	6,075.9
Lines and distribution mains	3,045.2	553.1	(24.4)	3,573.9
Distribution services	496.1	62.6	(0.4)	558.3
Meters	230.3	27.2	-	257.5
Public lighting	57.8	8.5	(1.3)	65.0
Furniture, fittings and office equipment	222.8	67.8	(16.5)	274.1
Motor vehicles	179.3	22.4	(34.2)	167.5
	<u>11,012.3</u>	<u>1,692.0</u>	<u>(78.3)</u>	<u>12,626.0</u>
Capital project-in-progress	-	332.4	-	332.4*
	<u>11,012.3</u>	<u>2,024.4</u>	<u>(78.3)</u>	<u>12,958.4</u>

\* Relates to a provision in respect of Liberty Power Limited (Note 6(a)).

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at <u>1.9.2000</u> RM'million	<u>Additions</u> RM'million	<u>Disposals</u> RM'million	<u>Transfers/ reclassifications</u> RM'million	As at <u>31.8.2001</u> RM'million
<b>Company</b>					
<b>2001</b>					
<b>Cost/Valuation</b>					
At 1994 valuation:					
Freehold land	845.5	-	(0.1)	(155.9)	<b>689.5</b>
Long leasehold land	446.4	-	-	156.0	<b>602.4</b>
Short leasehold land	3.5	-	-	(0.1)	<b>3.4</b>
Buildings and civil works	441.9	-	(1.5)	-	<b>440.4</b>
	<u>1,737.3</u>	<u>-</u>	<u>(1.6)</u>	<u>-</u>	<u><b>1,735.7</b></u>
At cost:					
Freehold land	179.4	14.5	-	20.6	<b>214.5</b>
Long leasehold land	134.5	-	-	(20.6)	<b>113.9</b>
Short leasehold land	23.2	-	-	-	<b>23.2</b>
Buildings and civil works	7,588.7	938.4	-	-	<b>8,527.1</b>
	<u>9,663.1</u>	<u>952.9</u>	<u>(1.6)</u>	<u>-</u>	<u><b>10,614.4</b></u>
Plant and machinery	18,092.2	3,736.8	-	-	<b>21,829.0</b>
Lines and distribution mains	13,794.3	948.7	-	(0.1)	<b>14,742.9</b>
Distribution services	1,479.9	49.0	-	(48.8)	<b>1,480.1</b>
Meters	603.1	13.6	-	-	<b>616.7</b>
Public lighting	196.4	6.5	-	-	<b>202.9</b>
Furniture, fittings and office equipment	497.3	9.9	-	(16.2)	<b>491.0</b>
Motor vehicles	239.2	4.3	(2.1)	0.1	<b>241.5</b>
	<u>44,565.5</u>	<u>5,721.7</u>	<u>(3.7)</u>	<u>(65.0)</u>	<u><b>50,218.5</b></u>
Capital project-in-progress	9,728.5	2,842.8	-	(5,721.7)	<b>6,849.6</b>
	<u>54,294.0</u>	<u>8,564.5</u>	<u>(3.7)</u>	<u>(5,786.7)</u>	<u><b>57,068.1</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.9.2000 RM'million	Charge for the financial year RM'million	Released on disposals/ transfers RM'million	As at 31.8.2001 RM'million
<b>Company</b>				
<b>2001</b>				
<u>Accumulated depreciation</u>				
At 1994 valuation:				
Freehold land	-	-	-	-
Long leasehold land	40.4	8.0	-	48.4
Short leasehold land	0.3	-	-	0.3
Buildings and civil works	75.0	17.6	(1.0)	91.6
	<u>115.7</u>	<u>25.6</u>	<u>(1.0)</u>	<u>140.3</u>
At cost:				
Freehold land	-	-	-	-
Long leasehold land	15.7	(7.5)	-	8.2
Short leasehold land	3.5	0.3	-	3.8
Buildings and civil works	1,489.5	191.4	-	1,680.9
	<u>1,624.4</u>	<u>209.8</u>	<u>(1.0)</u>	<u>1,833.2</u>
Plant and machinery	5,991.7	856.4	-	6,848.1
Lines and distribution mains	3,534.0	586.2	-	4,120.2
Distribution services	547.8	66.1	(5.5)	608.4
Meters	255.4	34.0	-	289.4
Public lighting	65.3	9.3	-	74.6
Furniture, fittings and office equipment	236.9	63.5	(15.7)	284.7
Motor vehicles	157.1	27.1	(1.7)	182.5
	<u>12,412.6</u>	<u>1,852.4</u>	<u>(23.9)</u>	<u>14,241.1</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.9.1999 RM'million	Additions RM'million	Disposals RM'million	Transfers/ reclassifications RM'million	As at 31.8.2000 RM'million
<u>Company</u>					
<u>2000</u>					
<u>Cost/Valuation</u>					
At 1994 valuation:					
Freehold land	845.5	-	-	-	845.5
Long leasehold land	446.4	-	-	-	446.4
Short leasehold land	3.5	-	-	-	3.5
Buildings and civil works	441.9	-	-	-	441.9
	<u>1,737.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,737.3</u>
At cost:					
Freehold land	273.7	-	-	(94.3)	179.4
Long leasehold land	63.8	100.7	(30.0)	-	134.5
Short leasehold land	23.2	-	-	-	23.2
Buildings and civil works	6,900.3	690.6	(2.2)	-	7,588.7
	<u>8,998.3</u>	<u>791.3</u>	<u>(32.2)</u>	<u>(94.3)</u>	<u>9,663.1</u>
Plant and machinery	16,584.5	1,509.0	-	(1.3)	18,092.2
Lines and distribution mains	12,137.7	1,695.8	-	(39.2)	13,794.3
Distribution services	1,313.4	225.7	-	(59.2)	1,479.9
Meters	410.4	195.7	-	(3.0)	603.1
Public lighting	183.0	23.9	-	(10.5)	196.4
Furniture, fittings and office equipment	301.9	207.3	(11.9)	-	497.3
Motor vehicles	222.8	51.5	(35.1)	-	239.2
	<u>40,152.0</u>	<u>4,700.2</u>	<u>(79.2)</u>	<u>(207.5)</u>	<u>44,565.5</u>
Capital project-in-progress	10,929.1	3,551.5	-	(4,752.1)	9,728.5
	<u>51,081.1</u>	<u>8,251.7</u>	<u>(79.2)</u>	<u>(4,959.6)</u>	<u>54,294.0</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	As at 1.9.1999 RM'million	Charge for the financial year RM'million	Released on disposals/ transfers RM'million	As at 31.8.2000 RM'million
<u>Company</u>				
<u>2000</u>				
<u>Accumulated depreciation</u>				
At 1994 valuation:				
Freehold land	-	-	-	-
Long leasehold land	31.0	9.4	-	40.4
Short leasehold land	0.3	-	-	0.3
Buildings and civil works	54.2	20.8	-	75.0
	<u>85.5</u>	<u>30.2</u>	<u>-</u>	<u>115.7</u>
At cost:				
Freehold land	-	-	-	-
Long leasehold land	13.9	1.8	-	15.7
Short leasehold land	3.2	0.3	-	3.5
Buildings and civil works	1,331.6	158.7	(0.8)	1,489.5
	<u>1,434.2</u>	<u>191.0</u>	<u>(0.8)</u>	<u>1,624.4</u>
Plant and machinery	5,282.1	709.7	(0.1)	5,991.7
Lines and distribution mains	2,999.0	539.2	(4.2)	3,534.0
Distribution services	496.1	58.1	(6.4)	547.8
Meters	228.8	26.7	(0.1)	255.4
Public lighting	58.1	8.5	(1.3)	65.3
Furniture, fittings and office equipment	203.2	45.6	(11.9)	236.9
Motor vehicles	173.7	18.5	(35.1)	157.1
	<u>10,875.2</u>	<u>1,597.3</u>	<u>(59.9)</u>	<u>12,412.6</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
<u>Net book value</u>				
At 1984 and earlier valuations:				
Long leasehold land	6.9	6.9	-	-
Buildings and civil works	3.3	3.8	-	-
At 1994 valuation:				
Freehold land	689.5	845.5	689.5	845.5
Long leasehold land	554.0	406.0	554.0	406.0
Short leasehold land	3.1	3.2	3.1	3.2
Buildings and civil works	348.8	366.9	348.8	366.9
	<b>1,605.6</b>	1,632.3	<b>1,595.4</b>	1,621.6
At cost:				
Freehold land	230.3	195.6	214.5	179.4
Long leasehold land	96.2	124.3	105.7	118.8
Short leasehold land	33.4	33.9	19.4	19.7
Buildings and civil works	7,196.7	6,464.8	6,846.2	6,099.2
	<b>9,162.2</b>	8,450.9	<b>8,781.2</b>	8,038.7
Plant and machinery	15,306.8	12,487.7	14,980.9	12,100.5
Lines and distribution mains	11,182.6	10,833.5	10,622.7	10,260.3
Distribution services	920.6	984.1	871.7	932.1
Meters	324.8	337.8	327.3	347.7
Public lighting	139.1	141.9	128.3	131.1
Furniture, fittings and office equipment	240.5	303.3	206.3	260.4
Motor vehicles	74.8	96.9	59.0	82.1
	<b>37,351.4</b>	33,636.1	<b>35,977.4</b>	32,152.9
Capital project-in-progress	10,918.9	12,073.5	6,849.6	9,728.5
	<b>48,270.3</b>	45,709.6	<b>42,827.0</b>	41,881.4

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Had the revalued property, plant and equipment been included in the financial statements at cost less depreciation, the net book value of the revalued property, plant and equipment would have been as follows:

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Freehold land	51.7	44.3	44.8	44.3
Leasehold land	74.3	75.8	71.7	74.8
Buildings and civil works	156.0	166.1	156.0	164.1
	<b>282.0</b>	286.2	<b>272.5</b>	283.2

The valuation of freehold land, leasehold land, buildings and civil works of the Company was based on an independent valuation by a professional firm of valuers on the open market value basis in 1994. The net surplus on revaluation was incorporated into the financial statements at 31 August 1996 and transferred to revaluation reserve.

The valuations of long leasehold land and buildings of a subsidiary were carried out in 1982 and 1984 respectively based on independent valuations by professional firms of valuers on the open market value basis. The net surplus on revaluation was transferred to revaluation reserve.

The title deeds of certain lands are in the process of being registered in the Company's and a subsidiary's name.

The generation power plants of the Company are leased to certain wholly owned subsidiaries. The lease is an operating lease and terms are subject to review between the parties. The net book value of such assets as at 31 August 2001 included in the Company's property, plant and equipment amounted to RM9,384.7 million (2000: RM9,472.2 million).

Net book value of plant and machinery in respect of closed power stations held for disposal amounted to RM5.2 million (2000: RM7.8 million).

Interest capitalised during the financial year in capital project-in-progress amounted to RM568.7 million (2000: RM424.2 million) for the Group and RM351.2 million (2000: RM359.2 million) for the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 13. SUBSIDIARIES

	Company	
	2001	2000
	RM'million	RM'million
Unquoted ordinary shares, at cost	144.1	143.2
Redeemable preference shares, at cost	450.2	450.2
	<b>594.3</b>	<b>593.4</b>

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2001	2000		
Cofus Ltd	100%	100%	Dormant	Malaysia
Malaysia Transformer Manufacturing Sdn Bhd*	73%	73%	Manufacture and selling and repairing transformers and switchgears	Malaysia
Sabah Electricity Sdn Bhd	80%	80%	Generation, transmission, distribution and sale of electricity and services	Malaysia
Sumber Hidro Management Sdn Bhd	100%	100%	Project management	Malaysia
Tenaga SPL Sdn Bhd*	100%	100%	Generation and supply of various energy sources and provision of related technical services	Malaysia
Tenaga Switchgear Sdn Bhd*	60%	60%	Manufacture and assembly of high voltage switchgears	Malaysia
TNB Distribution Sdn Bhd	100%	100%	Provision of services relating to the distribution of electricity	Malaysia
TNB Engineering and Consultancy Sdn Bhd*	100%	100%	Project management and consultancy, engineering works and energy project development services	Malaysia
TNB Engineers Sdn Bhd*	100%	100%	Provision of contracting, trading and engineering services relating to the energy sector	Malaysia
TNB Fuel Services Sdn Bhd*	100%	100%	Fuel supply and services	Malaysia
TNB Generation Sdn Bhd	100%	100%	Operation of power plants and generation of electricity	Malaysia
TNB Hidro Sdn Bhd	100%	100%	Operation of power plants and generation of electricity	Malaysia
TNB - IT Sdn Bhd*	100%	100%	Supply of information and multimedia services and works	Malaysia
TNB Janamanjung Sdn Bhd*	100%	100%	Operation of power plant and generation of electricity	Malaysia



# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 13. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2001	2000		
TNB Kapar Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Kekal Sdn Bhd*	100%	100%	Provision of property management services	Malaysia
TNB Logistics Sdn Bhd*	100%	100%	Freight forwarding	Malaysia
TNB Metering Services Sdn Bhd*	100%	100%	Supply of electricity meters	Malaysia
TNB Paka Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Power Daharki Ltd*	100%	100%	Investment holding	Mauritius
TNB Prai Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Properties Sdn Bhd*	100%	100%	Property development and management services	Malaysia
TNB Repair and Maintenance Sdn Bhd*	100%	100%	Repair, maintenance and testing of power plants	Malaysia
TNB Research Sdn Bhd*	100%	100%	Research and development	Malaysia
TNB Risk Management Sdn Bhd*	100%	100%	Risk management services, risk surveys and insurance activities	Malaysia
TNB Transmission Network Sdn Bhd	100%	100%	Provision of services related to the electrical transmission network system	Malaysia
TNB Ventures Sdn Bhd*	100%	100%	Investment holding for domestic and international ventures	Malaysia
TNB Workshop Services Sdn Bhd*	100%	100%	Repair and maintenance of motor vehicles	Malaysia
Universiti Tenaga Nasional Sdn Bhd*	100%	100%	Institute of higher learning	Malaysia
<b>Subsidiaries of TNB Engineering and Consultancy Sdn Bhd</b>				
Bangsar Energy Systems Sdn Bhd*	100%	100%	Development and operation of district cooling plants	Malaysia
Independent Power International Ltd*	100%	100%	Dormant	Mauritius
Power and Energy International Mauritius Ltd*	100%	100%	Dormant	Mauritius
TNEC Construction Sdn Bhd*	100%	100%	Construction	Malaysia
TNEC Operations and Maintenance Sdn Bhd*	100%	100%	Operations and maintenance of cooling and power plants	Malaysia

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 13. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2001	2000		
<b><u>Subsidiaries of TNEC Operations and Maintenance Sdn Bhd</u></b>				
Selesa Energy Systems Sdn Bhd*	100%	100%	Dormant	Malaysia
Tomest Energy Management Sdn Bhd*	51%	51%	Dormant	Malaysia
<b><u>Subsidiary of TNB Generation Sdn Bhd</u></b>				
TNBS Power Services Sdn Bhd	100%	100%	Dormant	Malaysia
<b><u>Subsidiary of TNB Power Daharki Ltd</u></b>				
Liberty Power Limited	100%	100%	Operation of power plant and generation of electricity	Pakistan
<b><u>Subsidiary of TNB Properties Sdn Bhd</u></b>				
TNP Construction Sdn Bhd*	100%	100%	Construction	Malaysia
<b><u>Subsidiary of TNB Research Sdn Bhd</u></b>				
Tenaga Microwave Technologies Sdn Bhd*	70%	70%	Retail and manufacture of microwave technology components	Malaysia
<b><u>Subsidiary of Tenaga SPL Sdn Bhd</u></b>				
Jana Landfill Sdn Bhd*	100%	-	Generation and distribution of heat and electricity using landfill gas	Malaysia
<b><u>Subsidiary of TNB Repair and Maintenance Sdn Bhd</u></b>				
Remaco Energy Ventures Limited*	100%	100%	Dormant	Mauritius
<b><u>Subsidiaries of Remaco Energy Ventures Limited</u></b>				
Trichy Power Limited*	100%	100%	Dormant	India
Trichy Energy Limited*	100%	100%	Dormant	India
<b><u>Subsidiary of TNB Ventures Sdn Bhd</u></b>				
Tenaga Cable Industries Sdn Bhd*	55%	55%	Manufacture and sale of electrical cables	Malaysia

\* Not audited by PricewaterhouseCoopers.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 14. ASSOCIATES

	Group	
	2001 RM'million	2000 RM'million
Cost of investments	402.8	335.6
Less: Provision for diminution in value	(9.6)	-
	<b>393.2</b>	<b>335.6</b>
Share of post acquisition profits		
- balance brought forward	295.4	214.4
- current year's share of results	125.2	107.0
- share of current year's tax	(39.0)	(26.0)
	<b>381.6</b>	<b>295.4</b>
Premium on acquisition written off	(49.0)	(49.0)
	<b>725.8</b>	<b>582.0</b>

	Company	
	2001 RM'million	2000 RM'million
Unquoted shares, at cost	140.9	136.3
Less: Provision for diminution in value	(9.6)	-
	<b>131.3</b>	<b>136.3</b>
Redeemable preference shares, at cost	67.4	-
Unsecured loan notes	137.1	147.7
	<b>335.8</b>	<b>284.0</b>

A fixed charge has been created over the Company's investment in an associate to secure the liability of that associate. The carrying value of the Company's investment subject to the charge comprise the following:

	Company	
	2001 RM'million	2000 RM'million
Unquoted ordinary shares, at cost	38.1	38.1
Unsecured loan notes	107.2	117.8
	<b>145.3</b>	<b>155.9</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 14. ASSOCIATES (CONTINUED)

Name of associate	Group's interest		Principal activities	Country of incorporation
	2001	2000		
Fibrecomm Network (M) Sdn Bhd	39%	39%	Development and operation of fibre optic communication network	Malaysia
Genting Sanyen Power Sdn Bhd	20%	20%	Independent Power Producer licensed by the government to supply electricity exclusively to TNB	Malaysia
Port Dickson Power Berhad	20%	20%	Independent Power Producer licensed by the government to supply electricity exclusively to TNB	Malaysia
Segari Energy Ventures Sdn Bhd	20%	20%	Independent Power Producer licensed by the government to supply electricity exclusively to TNB	Malaysia
Teknologi Tenaga Perlis Consortium Sdn Bhd	20%	20%	Independent Power Producer licensed by the government to supply electricity exclusively to TNB (not yet operational)	Malaysia
Janaurus PDP Sdn Bhd	20%	20%	Provision of operational and maintenance services to an Independent Power Producer	Malaysia
Perusahaan Otomobil Elektrik (Malaysia) Sdn Bhd	20%	20%	Manufacture of electric vehicles	Malaysia
<b><u>Associate of Tenaga SPL Sdn Bhd</u></b>				
Pendinginan Megajana Sdn Bhd	49%	49%	District cooling system	Malaysia
<b><u>Associates of TNB Properties Sdn Bhd</u></b>				
HICOM-TNB Properties Sdn Bhd	40%	40%	Property development	Malaysia
INDERA-TNB Properties Sdn Bhd	40%	40%	Property development (Development and construction)	Malaysia
KM Metro-TNB Properties Sdn Bhd	40%	40%	Property development	Malaysia
TNB Properties-JB Citytowers Sdn Bhd	40%	40%	Property development	Malaysia
ZEUS-TNB Properties Sdn Bhd	40%	40%	Property development	Malaysia
<b><u>Associate of TNB Ventures Sdn Bhd</u></b>				
Northern Utility Resources Sdn Bhd	20%	20%	Operation of power plant, generation and supply of electricity	Malaysia

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 15. INVESTMENTS

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Quoted shares, at cost	335.6	335.6	335.6	335.6
Quoted warrants, at cost	12.6	12.6	12.6	12.6
Unquoted shares, at cost	86.4	82.6	85.2	81.4
Unquoted unsecured loan stocks, at cost	3.8	7.6	3.8	7.6
	<b>438.4</b>	438.4	<b>437.2</b>	437.2
Provision for diminution in value:				
- unquoted shares	(43.6)	(36.0)	(43.6)	(36.0)
- unquoted unsecured loan stocks	(3.8)	-	(3.8)	-
	<b>391.0</b>	402.4	<b>389.8</b>	401.2
Market value:				
- quoted shares	263.8	235.2	263.8	235.2
- quoted warrants	12.1	15.4	12.1	15.4
	<b>275.9</b>	250.6	<b>275.9</b>	250.6

### 16. LONG TERM RECEIVABLES

Amounts owing from subsidiaries (Note 16 (a))	-	-	2,889.8	1,871.7
Other receivables (Note 16 (b))	-	444.0	-	444.0
	-	444.0	2,889.8	2,315.7

#### (a) AMOUNTS OWING FROM SUBSIDIARIES

The amounts owing from subsidiaries comprise advances and other receivables from Liberty Power Limited ('LPL'), TNB Power Daharki Ltd ('TPD') and TNB Janamanjung Sdn Bhd ('TNBJ') amounting to RM77.1 million (2000: RM84.2 million), RM1,127.8 million (2000: RM872.2 million) and RM1,684.9 million (2000: RM915.3 million) respectively.

These amounts are unsecured and have no fixed terms of repayment. The amount owing from LPL is interest free while the amount owing from TPD is subject to interest at rates ranging from 5.53% to 8.45% (2000: 6.54% to 8.43%) per annum and fixed at 9.5% (2000: 9.5%) per annum for TNBJ.

#### (b) OTHER RECEIVABLES

This is in respect of the amount outstanding from the sale of the Melaka Power Station in 1999. The payment terms are governed by the Asset Sale Agreement and the Subscription Option Agreement ('SOA') and if the Company does not opt to receive shares under the SOA, then the amount is repayable between the year 2001 and the year 2005.

A new Supplementary Agreement was signed on 16 July 2001 and as a result, the outstanding amount is now payable to the Company on or before 31 December 2001. Accordingly, the amount has been reclassified to current receivables as at 31 August 2001 (Note 18).

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 17. INVENTORIES

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
At cost				
Raw materials, fuel and consumables	877.4	914.2	237.9	225.3
Work-in-progress	94.8	58.2	-	-
Finished goods	10.2	28.6	-	-
	<u>982.4</u>	<u>1,001.0</u>	<u>237.9</u>	<u>225.3</u>

### 18. RECEIVABLES

Trade receivables	2,027.7	1,808.1	1,733.4	1,528.0
Less: Allowance for doubtful debts	(444.2)	(144.9)	(356.7)	(78.1)
	<u>1,583.5</u>	<u>1,663.2</u>	<u>1,376.7</u>	<u>1,449.9</u>
Rechargeable debtors	151.3	117.9	132.6	117.9
Less: Allowance for doubtful debts	(49.6)	(42.3)	(49.6)	(42.3)
	<u>101.7</u>	<u>75.6</u>	<u>83.0</u>	<u>75.6</u>
Staff advance/loans	707.4	455.5	704.9	455.2
Advance to contractors	122.6	7.7	8.4	7.7
Deposits and prepayments	43.5	12.6	2.3	2.7
Other receivables	734.7	286.3	499.8	15.7
	<u>1,608.2</u>	<u>762.1</u>	<u>1,215.4</u>	<u>481.3</u>
	<u>3,293.4</u>	<u>2,500.9</u>	<u>2,675.1</u>	<u>2,006.8</u>

Included in other receivables as at 31 August 2001 is RM444.0 million in respect of the amount outstanding from the sale of Melaka Power Station (Note 16(b)).

Included in staff advance/loans are staff housing and car loans amounting to RM617.6 million (2000: RM395.6 million) which are not realisable within one year.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 24. TERM LOANS

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Unsecured				
- Term loans	14,426.5	15,656.4	11,577.5	13,965.6
- Notes	1,250.0	850.0	1,250.0	850.0
- Bonds	10,214.5	9,181.2	10,214.5	9,181.2
- Fixed income securities	1,000.0	-	1,000.0	-
	<b>26,891.0</b>	25,687.6	<b>24,042.0</b>	23,996.8
Secured				
- Term loans	71.3	54.9	-	-
	<b>26,962.3</b>	25,742.5	<b>24,042.0</b>	23,996.8
Payable within one year included under short term borrowings (Note 23)	1,860.5	3,452.6	1,801.7	3,311.8
Repayable after one year:				
After one and up to two years	1,141.5	3,333.6	1,121.7	3,317.5
After two and up to five years	6,594.5	7,510.7	6,441.2	7,405.8
After five and up to ten years	11,945.6	8,804.1	9,500.8	7,578.1
After ten and up to twenty years	3,520.2	741.5	3,276.6	483.6
After twenty and up to thirty years	1,330.0	1,330.0	1,330.0	1,330.0
After ninety years	570.0	570.0	570.0	570.0
	<b>25,101.8</b>	22,289.9	<b>22,240.3</b>	20,685.0
	<b>26,962.3</b>	25,742.5	<b>24,042.0</b>	23,996.8

Term loans are secured against:

	Group	
	2001 RM'million	2000 RM'million
(i) Machinery and equipment	63.7	46.4
(ii) Building	7.6	8.5
	<b>71.3</b>	54.9

Unsecured term loans include RM22.7 million (2000: RM23.6 million) due to the Government of Malaysia and RM2,726.3 million (2000: RM3,228.5 million) guaranteed by the Government of Malaysia.

Interest rates applicable to the portfolio of term loans outstanding as at 31 August 2001 range from 0.2% to 10.3% (2000: 0.2% to 11.0%) per annum and the effective weighted average interest rate is 5.29% (2000: 5.90%) per annum.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 24. TERM LOANS (CONTINUED)

#### 10-year RM1,500.0 million Fixed Income Securities ('FIS')

On 16 August 2001, the Company issued the first tranche of two tranches of a 10-year RM1,500.0 million FIS amounting to RM1,000.0 million. This first tranche comprises:

- i. 1,000 interest bearing 10-year redeemable unsecured bonds of an aggregate nominal value of RM999 million issued at 100% of nominal value (in denominations of RM999,000 each), with detachable coupons representing interest on the bonds; and
- ii. 1,000 Class A Redeemable Preference Shares ('RPS') of nominal value RM1.00 each issued at a premium of RM999.00 per RPS.

The second tranche of RM500.0 million was issued after the balance sheet date on 19 September 2001 (Note 37).

The FIS consists of both redeemable bonds and RPS. The details of the entire FIS are as follows:

- (a) RM1,498.5 million nominal value of a 10-year interest bearing redeemable unsecured bonds ('Bonds') issued at 100% of nominal value and in multiples of RM999,000. The Bonds are to be redeemed at par in two tranches with redemption amounts of RM999 million and RM499.5 million on 16 August 2011 and 19 September 2011 respectively, and;
- (b) 1,000 Class A RPS of RM1.00 each, issued at a premium of RM999.00 per share and 500 Class B RPS of RM1.00 each, issued at a premium of RM999.00 per share. Both classes of RPS are redeemable at RM1,000 each at the Company's option at any time on or after 16 August 2010 and 19 September 2010, for Class A and B RPS respectively. If the Class A and B RPS are not redeemed by 16 August 2011 and 19 September 2011 respectively, an additional sum of RM1.0 million on the first tranche and RM0.5 million on the second tranche shall become due and payable under the final Bond Coupon payment for each of the tranches.
- (c) If the Company elects to declare and pay dividends on the RPS, payment of such dividends amounting to RM71.9 million per annum (net of income tax) shall be on a 6 monthly basis non-cumulative. In addition, interest under the Bond Coupons amounting to RM0.2 million per annum shall be payable. In the event that dividends on the RPS are not declared or paid, interest payable under the Bond Coupon is RM94.5 million per annum payable semi-annually.
- (d) The FIS are classified as debt instruments and hence are reported as liabilities. Accordingly, the annual net dividend payment of the RPS amounting to RM71.9 million is classified as an interest expense, in the income statement.
- (e) Under the terms of the FIS, if the holder of the RPS is unable to receive the related tax credits associated with the transaction, the Company has to indemnify the holder of the RPS, in respect of the benefits denied and any penalties arising which the RPS holder may incur.

The details of unsecured term loans with hedging arrangements are illustrated below:

#### (a) 10-YEAR JPY37 BILLION TERM LOAN

In 1997, the Company entered into a 10-year JPY37 billion unsecured loan, paying interest at floating rates, to mature on 30 June 2007. The translated RM balance of the loan as at 31 August 2001 as per the Company's accounting policy is RM533.0 million (2000: RM927.8 million). This loan is an amortising loan, whose principal amount is payable in equal semi-annual instalments over the life of the loan. The repayments commenced since 1997. The notional principals of the hedging contracts illustrated below amortise in the same manner as this loan.

##### **Interest rate swap ('IRS')**

On one tranche of the loan, the Company entered into an IRS agreement on 31 December 1997 that entitles it to receive floating interest rates, and obliges it to pay interest at a fixed rate of 1.927%. The initial notional principal of the swap is JPY8.6 billion. The effect of this transaction is to effectively fix the interest rate payable on that tranche of the loan.

##### **Interest rate collar and forward interest rate swap**

On the remaining tranches of the loan, the Company has entered into interest rate option contracts, for the period from 30 June 1998 to 30 June 2002, with initial notional principals of JPY25.8 billion. These contracts form an interest rate 'collar' arrangement which effectively hedges the floating interest rate payable on the loan. The effective interest rate payable will be limited to a maximum rate but is subject to a minimum rate. There is also a 'knock-out' arrangement whereby if interest rates were to set above a certain 'knock-out' level (which is above the maximum rate), then the maximum rate is 'knocked-out' and that actual interest rate becomes due.

On the same tranches, for the period from 1 July 2002 to 30 June 2007, the Company has entered into IRS agreements that entitle it to receive interest at floating rates on initial notional principals of JPY14.0 billion and obliges it to pay interest at rates ranging from 2.74% to 2.94% on the same amount.

The effect of these transactions is to effectively hedge the interest rate payable on those tranches of the loan within a range bounded by the maximum and minimum rates, from 30 June 1998 to 30 June 2002, and to effectively fix the interest rate payable on the same tranches of the loan from 1 July 2002 to 30 June 2007.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 24. TERM LOANS (CONTINUED)

#### (b) 10-YEAR USD500 MILLION NOTES

In April 1997, the Company issued USD500 million 10-year 7.625% redeemable unsecured Notes. The translated RM balance of the Notes as at 31 August 2001 as per the Company's accounting policy is RM1,997.4 million (2000: RM2,255.2 million). The Notes are redeemable in full on 29 April 2007. For the purposes of hedging the Notes, the Company has adopted two strategies for each USD250 million tranche of the Notes.

Tranche 1: USD250 million

#### USD-JPY cross-currency swap ('CCS') and JPY interest rate collar

On the first USD250 million tranche, the Company has entered into cross-currency swap ('CCS') agreements in 1997 and 1998, that entitle it to receive a fixed rate of 7.625% in USD and oblige it to pay floating interest rates in JPY. The principals of the swaps amount to USD250 million and this would be received by the Company in return for the payment of JPY31.6 billion on maturity. The swaps terminate on 27 April 2007. The Company has also entered into interest rate collar arrangements with notional principals of JPY31.6 billion for the period from 28 April 1998 to 27 April 2002 which effectively hedge the JPY floating interest rate payable on the above swaps.

The effect of these transactions is to effectively convert the USD fixed rate Notes into a JPY floating rate liability, with those floating rates limited to a maximum and minimum rate for the period 28 April 1998 to 27 April 2002.

#### Forward interest rate swap

On the same tranche, for the period from 28 April 2002 to 27 April 2007, the Company has entered into IRS agreements that entitle it to receive interest at floating rates and oblige it to pay interest at fixed rates in the range of 3.71% to 4.38% (dependent on the swap counterparty) on notional principals of JPY31.6 billion.

The effect of this transaction is to effectively convert the USD fixed rate bonds into a JPY fixed rate liability, for the period 28 April 2002 to 27 April 2007.

Tranche 2: USD250 million

#### USD-JPY Cross-currency swap and JPY interest rate collar

On the second USD250 million tranche, the Company has entered into CCS agreements in 1998 that entitle it to receive a fixed rate of 7.625% in USD and oblige it to pay floating interest rates in JPY. The principals of the swaps amount to USD250 million and this would be received by the Company in return for the payment of JPY31.4 billion upon maturity. The swaps terminate on 28 April 2007.

The Company has also entered into interest rate collar arrangements with notional principals of JPY18.7 billion for the period from 28 April 1999 to 27 April 2007 which effectively hedges the JPY floating interest rate payable on the above swap.

The effect of these transactions is to effectively convert the USD fixed rate Notes into a JPY floating rate liability, with those floating rates limited to a maximum and minimum rate.

#### (c) 5-YEAR USD90 MILLION TERM LOAN

In 1998, the Company entered into a 5-year USD90 million unsecured loan, paying interest at floating rates. The translated RM balance of the loan as at 31 August 2001 as per the Company's accounting policy is RM223.8 million (2000: RM378.9 million). The loan matures on 12 May 2003. The loan is an amortising loan, whose principal amount is payable in equal semi-annual instalments commencing in May 2000. The principals of the hedging contracts illustrated below amortise in the same manner as this loan.

#### Cross-currency swap

The Company has entered into IRS agreements, for the period 28 May 1998 to 12 May 2003, that entitle it to receive floating interest rates at a higher margin than the floating interest rates that it is obliged to pay. The initial notional principals amount to USD90 million. In May and August 1999, the counterparties of the swaps had the option to convert the USD floating rate payments into JPY floating rate payments and the option was duly exercised. As such, there would be a series of principal exchanges where the Company pays JPY principal amounts and receives USD principal amounts over the course of the amortisation schedule of the USD loan.

The effect of these transactions is to effectively convert the USD floating rate liability into a JPY floating rate liability.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 24. TERM LOANS (CONTINUED)

#### (d) 5-YEAR USD300 MILLION NOTES

In 1998, the Company entered into a 5-year USD300 million unsecured loan, paying interest at floating rates, to mature on 29 June 2003. The translated RM balance of the Notes as at 31 August 2001 as per the Company's accounting policy is RM753.9 million (2000: RM1,276.9 million). The loan is an amortising loan, whose principal amount is payable in equal semi-annual instalments commencing in June 2000. The principals of the hedging contracts illustrated below amortise in the same manner as this loan.

#### Currency swap and interest rate swaption

The Company has entered into several IRS agreements with effective periods ranging from 20 July 1998 to 30 June 2003, with various financial institutions. The contracts entitle it to receive floating interest rates at a higher margin than the floating interest rates that it is obliged to pay. The initial principals amount to USD300 million. There is also a series of principal exchanges where the Company pays JPY principal amounts and receives USD principal amounts.

On the date of every interest payment period, the counterparties of the swaps have the option to choose the currency of the interest payments made by the Company, to remain in USD or convert it to JPY, at floating rates.

The effect of these transactions is to effectively convert the USD loan exposure into a JPY exposure, and reduce the margin payable on the Company's floating rate liability. Nevertheless, the interest payment of the exposure can either be in USD based on USD floating rates or JPY based on JPY floating rates, albeit both will be at lower margins than hitherto.

#### (e) 10-YEAR USD600 MILLION NOTES

In 1994, the Company had issued USD600 million 10-year 7.875% redeemable unsecured Notes. The translated RM balance of the Notes as at 31 August 2001 as per the Company's accounting policy is RM1,180.7 million (2000: RM2,386.1 million). The Notes are redeemable in full on 15 June 2004. For purposes of hedging the Notes, the Company has adopted two strategies, one for the USD500 million tranche and another for the other USD100 million tranche.

Tranche 1: USD500 million (unswapped)

During the financial year, the Company redeemed USD302.6 million of this tranche of the 10-year USD600 million Notes (Note 6 (b)).

Tranche 2: USD100 million

#### Cross-currency zero-coupon swap

On the second USD100 million tranche, the Company entered into CCS arrangements with several financial institutions, for the period 15 June 1998 to 14 June 2004, to convert the USD100 million bond to a 6-year JPY zero coupon bond. The amount repayable on the JPY zero coupon swap is dependent on the USD/JPY exchange rate at the date of maturity but the final amount payable is limited to a minimum amount of JPY13,570.0 million and a maximum amount of JPY18,200.0 million. The Company has recognised interest arising on the foreign exchange difference on the zero coupon bond based on the year end closing rate against the book rate. Interest is recognised only to the extent of the strengthening of the JPY against the USD but not otherwise. However, should the final redemption amount be less than that, there would be a write back of the over-accrued interest.

#### (f) 30-YEAR USD350 MILLION DEBENTURES

In 1995, the Company issued USD350 million 30-year 7.5% redeemable unsecured Debentures. The translated RM balance of the Debentures as at 31 August 2001 as per the Company's accounting policy is RM1,330.0 million (2000: RM1,330.0 million). The Debentures are redeemable in full on 31 October 2025.

#### (g) OTHER TERM LOANS

#### USD/RM and JPY/USD Cross-currency interest rate swap

The Company had also entered into CCS agreements to effectively convert its JPY fixed rate loans to USD fixed rate loans with fixed interest rates payable ranging between 6.4% to 6.5%. The outstanding balance of these USD loan exposures as at 31 August 2001 is USD45.7 million (2000: USD50.8 million). The translated RM balance of this exposure as at this date, as per the Company's accounting policy is RM173.7 million (2000: RM193.1 million).

The principal of the USD/RM CCS swap as at 31 August 2001 amounts to USD8.1 million (2000: USD24.4 million) and the contract matured on 19 October 2001.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 25. RETIREMENT BENEFITS

Group companies incorporated in Malaysia contribute to the Employees Provident Fund, a defined contribution plan.

In addition, contributions for retirement benefits in respect of eligible employees are paid into the Company's Retirement Benefit Scheme, a defined benefit scheme and an approved fund independent of the Company's finances. The provision made in the financial statements for unfunded amounts as determined by actuarial valuation is as follows:

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
As at the end of the financial year	<b>452.8</b>	383.6	<b>448.5</b>	380.6

Contributions are determined by a qualified actuary on the basis of a triennial valuation. The most recent valuation was as at 31 August 2000 using the Projected Unit Credit Method. The Company has used the Attained Age Method for previous valuations. However, the comparative statements have not been restated as there is no impact to the accumulated provision in the financial statements resulting from the change in accounting policy.

The principal assumptions used in the actuarial valuation are:

- (i) salary increase rate of 6% per annum;
- (ii) investment yields of 9% per annum;
- (iii) discount rate of 8%;
- (iv) staff turnover rates based on the Company's recent experience; and
- (v) mortality and ill health retirement rates based on the experience of other schemes.

The amount charged for retirement benefits for the financial year is disclosed in Note 4 to the financial statements.

### 26. DEFERRED TAXATION

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Deferred tax provided for in the financial statements:				
- tax effects of excess of capital allowances over depreciation	<b>975.8</b>	970.9	<b>1,000.0</b>	1,000.0
Deferred tax not provided for in the financial statements:				
- tax effects of excess of capital allowances over depreciation	<b>6,209.2</b>	5,524.4	<b>6,209.2</b>	5,524.4
- tax effects of revaluation of property, plant and equipment which are held for long term use	<b>62.6</b>	62.6	<b>62.0</b>	62.0
	<b>6,271.8</b>	5,587.0	<b>6,271.2</b>	5,586.4

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 27. DEFERRED INCOME

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Movement of deferred income, comprising contributions by customers, is as follows:				
As at the beginning of the financial year	<b>2,097.3</b>	2,063.1	<b>1,934.7</b>	1,902.3
Received during the financial year	<b>301.5</b>	300.7	<b>277.3</b>	279.7
Released to the income statement (Note 3)	<b>(249.3)</b>	(266.5)	<b>(229.1)</b>	(247.3)
As at the end of the financial year	<b>2,149.5</b>	2,097.3	<b>1,982.9</b>	1,934.7

### 28. GOVERNMENT DEVELOPMENT GRANTS

	Group	
	2001 RM'million	2000 RM'million
Movement of government development grants is as follows:		
As at the beginning of the financial year	<b>380.0</b>	348.8
Received during the financial year	<b>180.0</b>	76.5
Released to the income statement (Note 5)	<b>(43.4)</b>	(45.3)
As at the end of the financial year	<b>516.6</b>	380.0

The government development grants are in respect of capital grants received for capital projects in the State of Sabah.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 29. SHARE CAPITAL

	2001 RM	Company 2000 RM
<b>Authorised:</b>		
Ordinary shares of RM1.00 each	<b>3,500,000,000</b>	3,500,000,000
Special Rights Redeemable Preference Share of RM1.00 each	<b>1</b>	1
<b>Class A Redeemable Preference Shares of RM1.00 each</b>		
As at the beginning of the financial year	-	-
Created during the financial year	<b>1,000</b>	-
As at the end of the financial year	<b>1,000</b>	-
<b>Class B Redeemable Preference Shares of RM1.00 each</b>		
As at the beginning of the financial year	-	-
Created during the financial year	<b>500</b>	-
As at the end of the financial year	<b>500</b>	-
<b>Issued and fully paid:</b>		
Ordinary shares of RM1.00 each	<b>3,106,775,300</b>	3,106,216,300
Special Rights Redeemable Preference Share of RM1.00 each	<b>1</b>	1
Total share capital issued and fully paid as at the end of the financial year	<b>3,106,775,301</b>	3,106,216,301
<b>Movements on issued ordinary shares of RM1.00 each</b>		
As at the beginning of the financial year	<b>3,106,216,300</b>	3,101,368,300
Issuance of ordinary shares of RM1.00 each under the Employee Share Option Scheme ('ESOS')	<b>559,000</b>	4,848,000
As at the end of the financial year	<b>3,106,775,300</b>	3,106,216,300

The main features of the Company's ESOS are as follows:

- The options were granted to eligible Directors, Employees and Retirees of the Group to subscribe for ordinary shares of RM1.00 each and must be exercised before the expiry of the Scheme on 11 May 2002.
- The ESOS is exercisable on specific days as determined by the by-laws of the ESOS.
- The persons to whom the options have been granted under the ESOS have no right to participate in any share issue of any other company by virtue of the options.

During the financial year, 559,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the ESOS at the following issue prices:

Number of ordinary shares of RM1.00 each	Issue price RM	Proceeds RM
226,000	7.92	1,789,920
60,000	7.06	423,600
273,000	5.13	1,400,490
<b>559,000</b>		<b>3,614,010</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 29. SHARE CAPITAL (CONTINUED)

The movement during the financial year in the number of options over the shares of the Company is as follows:

	Company	
	2001 '000	2000 '000
As at the beginning of the financial year	4,824	9,596
Granted	3,397	76
Exercised	(559)	(4,848)
As at the end of the financial year	<u>7,662</u>	<u>4,824</u>

As at the end of the financial year, the unissued shares under ESOS are as follows:

Issue price RM	Number of ordinary shares of RM1.00 each
11.61	2,704,000
9.03	3,322,000
7.92	1,087,000
7.06	60,000
5.13	489,000
	<u>7,662,000</u>

#### **Special Rights Redeemable Preference Share**

- (a) The Special Rights Redeemable Preference Share ('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 Government 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 Government Appointed Directors.

- (b) Certain matters, in particular the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, merger and takeover, require the prior consent of the Special Shareholder.
- (c) The Special Shareholder does not have any right to participate in the capital or profits of the Company.
- (d) The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time.

#### **Class A and Class B Redeemable Preference Shares**

The main features of the Company's Class A and Class B Redeemable Preference Shares ('RPS') are as follows:

- (a) The RPS do not carry any right to participate in the assets and surplus profit of the Company.
- (b) The RPS holders have no voting rights except on resolution to amend the RPS holders' rights.
- (c) These RPS are not convertible to ordinary shares.
- (d) The Company has the right to redeem all Class A and Class B RPS on or after 16 August 2010 and 19 September 2010 respectively at RM1,000 each.

During the financial year, 1,000 Class A RPS of RM1.00 each were issued for cash at an issue price of RM1,000 each. As described in Note 24 to the financial statements, these RPS form part of the Company's Fixed Income Securities.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 30. SHARE PREMIUM

	Company	
	2001 RM'million	2000 RM'million
As at the beginning of the financial year	3,140.4	3,112.9
Arising in respect of ordinary shares issued under the ESOS	3.0	27.5
As at the end of the financial year	<b>3,143.4</b>	<b>3,140.4</b>

### 31. REVALUATION AND OTHER RESERVES

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
<b>Non-distributable</b>				
Revaluation reserve	1,237.1	1,237.1	1,231.2	1,231.2
Foreign currency translation reserve	(79.9)	(54.1)	-	-
	<b>1,157.2</b>	<b>1,183.0</b>	<b>1,231.2</b>	<b>1,231.2</b>
The movements in each category of reserves were as follows:				
<b>Revaluation reserve</b>				
As at the beginning and end of the financial year	<b>1,237.1</b>	<b>1,237.1</b>	<b>1,231.2</b>	<b>1,231.2</b>
<b>Foreign currency translation reserve</b>				
As at the beginning of the financial year	(54.1)	(29.0)	-	-
Arising in the financial year	(25.8)	(25.1)	-	-
As at the end of the financial year	<b>(79.9)</b>	<b>(54.1)</b>	<b>-</b>	<b>-</b>
<b>Total revaluation and other reserves</b>				
As at the beginning of the financial year	1,183.0	1,208.1	1,231.2	1,231.2
Arising in the financial year	(25.8)	(25.1)	-	-
As at the end of the financial year	<b>1,157.2</b>	<b>1,183.0</b>	<b>1,231.2</b>	<b>1,231.2</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 32. RETAINED PROFITS

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 available to frank approximately RM1,421.0 million (2000: RM1,386.4 million) of its retained profits as at 31 August 2001, if paid out as dividends.

In addition, the Company has tax exempt income as at 31 August 2001 arising from the Income Tax (Amendment) Act, 1999, relating to tax on income earned in 1999 being waived and exempt dividend income amounting to approximately RM614.0 million (2000: RM648.8 million) available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to agreement by the Inland Revenue Board.

### 33. COMMITMENTS

#### (a) Capital and other commitments

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
<b>Capital commitments</b>				
Authorised capital expenditure not provided for in the financial statements:				
Contracted for:				
Capital expenditure	4,777.9	6,797.7	3,117.2	3,419.3
Investment in other company	19.0	19.0	19.0	19.0
Not contracted for:				
Capital expenditure	7,123.8	6,790.1	6,810.9	6,543.4
Equity participation in a subsidiary	-	-	50.0	50.0
Equity participation in an associate	7.3	7.3	7.3	7.3
Equity participation in other company	203.5	-	203.5	-
	<b>12,131.5</b>	<b>13,614.1</b>	<b>10,207.9</b>	<b>10,039.0</b>

#### (b) Non-cancellable operating lease commitments

	Group and Company	
	2001 Future minimum lease payments RM'million	2000 Future minimum lease payments RM'million
Not later than one year	13.3	13.3
Later than one year and not later than five years	53.1	53.1
Later than five years	50.9	64.1
	<b>117.3</b>	<b>130.5</b>

The above lease payments relate to the non-cancellable operating leases of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 AUGUST 2001 (CONTINUED)

### 34. CONTINGENT LIABILITIES

	Group		Company	
	2001 RM'million	2000 RM'million	2001 RM'million	2000 RM'million
Claims by third parties	618.6	603.6	583.4	500.7
Trade guarantees and performance bonds	24.5	-	-	-
Housing loans sold to Cagamas Berhad	-	233.8	-	233.8
Corporate guarantees given to financial institutions in respect of facilities granted to subsidiaries	-	-	2,118.0	984.7
Stamp duties on transfer of assets to a subsidiary company	108.0	108.0	-	-
Other contingencies	61.9	37.3	-	-
	<b>813.0</b>	<b>982.7</b>	<b>2,701.4</b>	<b>1,719.2</b>

Claims by third parties include claims by contractors, consultants, consumers and former employees. The Directors are of the opinion that the pending litigations that may arise from claims by third parties will not have a material adverse effect on the financial positions of the Group and Company.

In respect of stamp duties on transfer of assets from Lembaga Letrik Sabah, Sabah Electricity Sdn Bhd is in the process of obtaining a vesting order to exempt itself from any potential liability.

### 35. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party balances mentioned elsewhere in the financial statements, set out below are other significant related party transactions which were carried out on terms and conditions negotiated amongst the related parties:

	Group	
	2001 RM'million	2000 RM'million
(a) Sales of electricity to associates	24.4	23.2
(b) Purchases of electricity from associates	2,469.0	2,378.0
Sales and purchases of electricity to and from associates are aggregated because the transactions are similar in nature and no single transaction is significant enough to warrant separate disclosure		
(c) Interest income received from associates:		
- Port Dickson Power Berhad	4.8	3.0
- Segari Energy Ventures Sdn Bhd	11.4	12.3

### 36. SEGMENTAL REPORTING

As the principal business of the Group is the generation and supply of electricity in Malaysia, segmental reporting is deemed not necessary.

### 37. SIGNIFICANT POST BALANCE SHEET EVENT

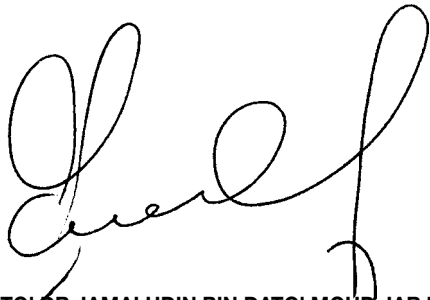
On 19 September 2001, the Company issued the second and final tranche of a 10-year RM1,500.0 million Fixed Income Securities amounting to RM500.0 million (Note 24). This second and final tranche comprises:

- 500 interest bearing 10-year redeemable unsecured bonds of an aggregate nominal value of RM499.5 million issued at 100% of nominal value (in denominations of RM999,000 each), with detachable coupons representing interest on the bonds; and
- 500 Class B Redeemable Preference Shares of nominal value of RM1.00 each issued at a premium of RM999.00 per RPS.

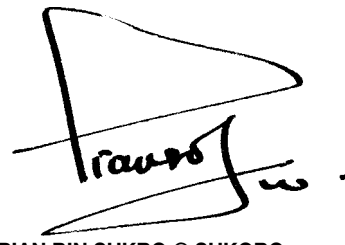
# STATEMENT BY DIRECTORS PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, Dato' Dr Jamaludin bin Dato' Mohd Jarjis and Pian bin Sukro @ Sukoro, 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 6 to 50 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 August 2001 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors, in accordance with their resolution dated 7 November 2001.



**DATO' DR JAMALUDIN BIN DATO' MOHD JARJIS**  
CHAIRMAN



**PIAN BIN SUKRO @ SUKORO**  
PRESIDENT/CHIEF EXECUTIVE OFFICER

# STATUTORY DECLARATION

I, Dato' Syed Fahkri Barakbah bin Tun Syed Sheh Barakbah, 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 6 to 50 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



**DATO' SYED FAHKRI BARAKBAH BIN TUN SYED SHEH BARAKBAH**

Subscribed and solemnly declared by the abovenamed Dato' Syed Fahkri Barakbah bin Tun Syed Sheh Barakbah at Kuala Lumpur, Malaysia on 7 November 2001, before me.



No: 86, Tingkat Bawah  
Jalan Putra  
50350 KUALA LUMPUR

**MOHD RADZI BIN YASIN**  
Commissioner For Oaths

Kuala Lumpur  
7 November 2001

## AUDITORS' REPORT TO THE MEMBERS OF TENAGA NASIONAL BERHAD

(Company No. 200866-W)  
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 6 to 50. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 August 2001 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 13 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of section 174 of the Act.



PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Public Accountants



MOHAMMAD ZAINAL BIN SHAARI  
(No. 1924/10/02 (J))  
Partner of the firm

7 November 2001

# PROXY FORM

Number of Shares held	
-----------------------	--



I/We \_\_\_\_\_ IC No./Passport No./Co. No. \_\_\_\_\_  
(FULL NAME IN CAPITAL)

of \_\_\_\_\_  
(ADDRESS)

being a Member/Members of Tenaga Nasional Berhad, hereby appoint \_\_\_\_\_  
(FULL NAME IN CAPITAL)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her \_\_\_\_\_  
(FULL NAME IN CAPITAL)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our proxy, to vote for me/us, and on my/our behalf at THE ELEVENTH ANNUAL GENERAL MEETING of Tenaga Nasional Berhad to be held on **Saturday, 22 December 2001, 10.00 am** at the **Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur** and/or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

			FOR	AGAINST
1.	<b>RESOLUTION 1</b>	Receive the Directors' Report and Audited Financial Statements for the year ended 31 August 2001		
2.	<b>RESOLUTION 2</b>	Declaration of Dividend		
3.	<b>RESOLUTION 3</b>	Payment of Directors' fees.		
4.	<b>RESOLUTION 4</b>	Re-election of Datuk Zainun Aishah binti Ahmad		
5.	<b>RESOLUTION 5</b>	Re-election of Dato' Lau Yin Pin @ Lau Yen Beng		
6.	<b>RESOLUTION 6</b>	Re-election of Dato' Dr Halim bin Shafie		
7.	<b>RESOLUTION 7</b>	Re-election of Dato' Hamzah bin Bakar		
8.	<b>RESOLUTION 8</b>	Re-election of Dato' Iskandar Dzakurnain bin Badarudin		
9.	<b>RESOLUTION 9</b>	Re-election of Pian bin Sukro @ Sukoro		
10.	<b>RESOLUTION 10</b>	Re-election of Shaziman bin Abu Mansor		
11.	<b>RESOLUTION 11</b>	Re-appointment of Messrs PricewaterhouseCoopers as the Company's Auditors		
12.	<b>RESOLUTION 12</b>	Special Business: Ordinary Resolution Section 132D, Companies Act, 1965 Issue of New Shares		

(Please indicate "X" in the appropriate box against each Resolution as to how you wish your proxy/proxies to vote. If no voting instruction is given, this form will be taken to authorise the proxy/proxies to vote at his/her discretion).

Dated: \_\_\_\_\_ December 2001

\_\_\_\_\_  
Signature of Shareholder(s) or Common Seal

- NOTES -**
- Any member entitled to attend and vote at this Meeting of the Company is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
  - The instrument appointing a proxy 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/proxies 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.
  - Where a member appoints two proxies, the appointment shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
  - 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.
  - The instrument appointing a proxy/proxies must be deposited at the Company's Registered Office, Tenaga Nasional Berhad Headquarters, 129 Jalan Bangsar, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for the Meeting.

*Fold Here*

Stamp

**The Company Secretary**  
**First Floor**  
**Tenaga Nasional Berhad Headquarters**  
129 Jalan Bangsar  
59200 Kuala Lumpur  
Malaysia

*Fold Here*