TENAGA NASIONAL

Better. Brighter.

SHAPING THE ENERGY LANDSCAPE

INTEGRATED ANNUAL REPORT

4-MONTH PERIOD ENDED 31 DECEMBER 2017

FOR A BETTER AND BRIGHTER TOMORROW

ABOUT US

our vision

To Be Among The Leading Corporations In Energy And Related Businesses Globally

our mission

We Are Committed To Excellence In Our Products And Services

WHO WE SERVE

We have served our industrial, commercial and residential customers in Malaysia for over 68 years.

INDUSTRIAL

Our industrial customers engage in the manufacture of goods and services. Although they make up the smallest segment of our customers, they also account for the majority of our electricity sales.

COMMERCIAL

Our commercial customers are our second-largest source of electricity sales, carrying out the business and commercial activities which drive our economy.

RESIDENTIAL

Our residential customers represent the majority of Malaysia's 32 million population. As our largest market, they drive us to deliver excellence in our products and services.

As the largest utility in Malaysia, Tenaga Nasional Berhad (TNB) not only provides electricity to the country's homes, businesses and industries, but is also a key contributor to Nation-building.

We are present throughout the entire electricity production and supply value chain. We have also embraced the sustainability agenda by entering into the Renewable Energy space and at the same time undertaking other green and social initiatives to ensure we deliver value to all our stakeholders. These efforts are underpinned by our goal of ensuring the longevity of our business and the long-term well-being of our community.

In all of our endeavours, we are driven by our firm belief that we have a responsibility to improve the lives of the people of Malaysia. We therefore look forward to continuing to ensure a better and brighter tomorrow for us all.

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OUR DOMESTIC BUSINESSES

GENERATION

As the key component of our electricity production, Generation Division is entrusted to operate and maintain TNB's portfolio of power generating assets, comprising of thermal generation facilities and major hydro-generation schemes in Peninsular Malaysia. In addition, the Division also supports the operations and maintenance of six Independent Power Producers (IPPs).

4,712.8MW

Domestic Gas Power Stations

4,971.6MW

Domestic Coal Power Stations

2,548.0MW

Domestic Hydro Power Stations

CAPACITY

12,232.4MW

Total Domestic Generating Capacity

AVAILABILITY

85.0%

Equivalent Availability Factor (EAF)

RELIABILITY

4.5%

Equivalent Unplanned Outage Factor (EUOF)

GRID

The Grid Division links the power produced by our Company and IPPs throughout Peninsular Malaysia with the Distribution Division's network. Electricity is also transmitted directly to large industrial customers via the National Grid.

17,790MW

Maximum Demand on 23/10/2017

22,840KM

Length of Domestic Transmission Network

439

Domestic Transmission Substations

SYSTEM MINUTES

0.05MINUTES

which has been consistently registered below the 2-minute mark since FY2009

SYSTEM RESILIENCE

ZERO LOAD LOSS

for the 500kV and 275kV system since FY2008

SYSTEM AVAILABILITY

99.82%

up from the previous year's 99.79%

DISTRIBUTION

The Distribution Division is responsible for distributing electricity to the end users, ensuring an uninterruptible supply of power to business and homes, with a focus on customer experience.

37,399GWH

Unit Sold in September - December 2017

632,929KM

Length of Domestic Distribution Network

78,981

Domestic Distribution Substations

SAIDI (SEPTEMBER - DECEMBER 2017)

18.05MIN/CUST/YR

2017: 50.24 MIN/CUST/YR

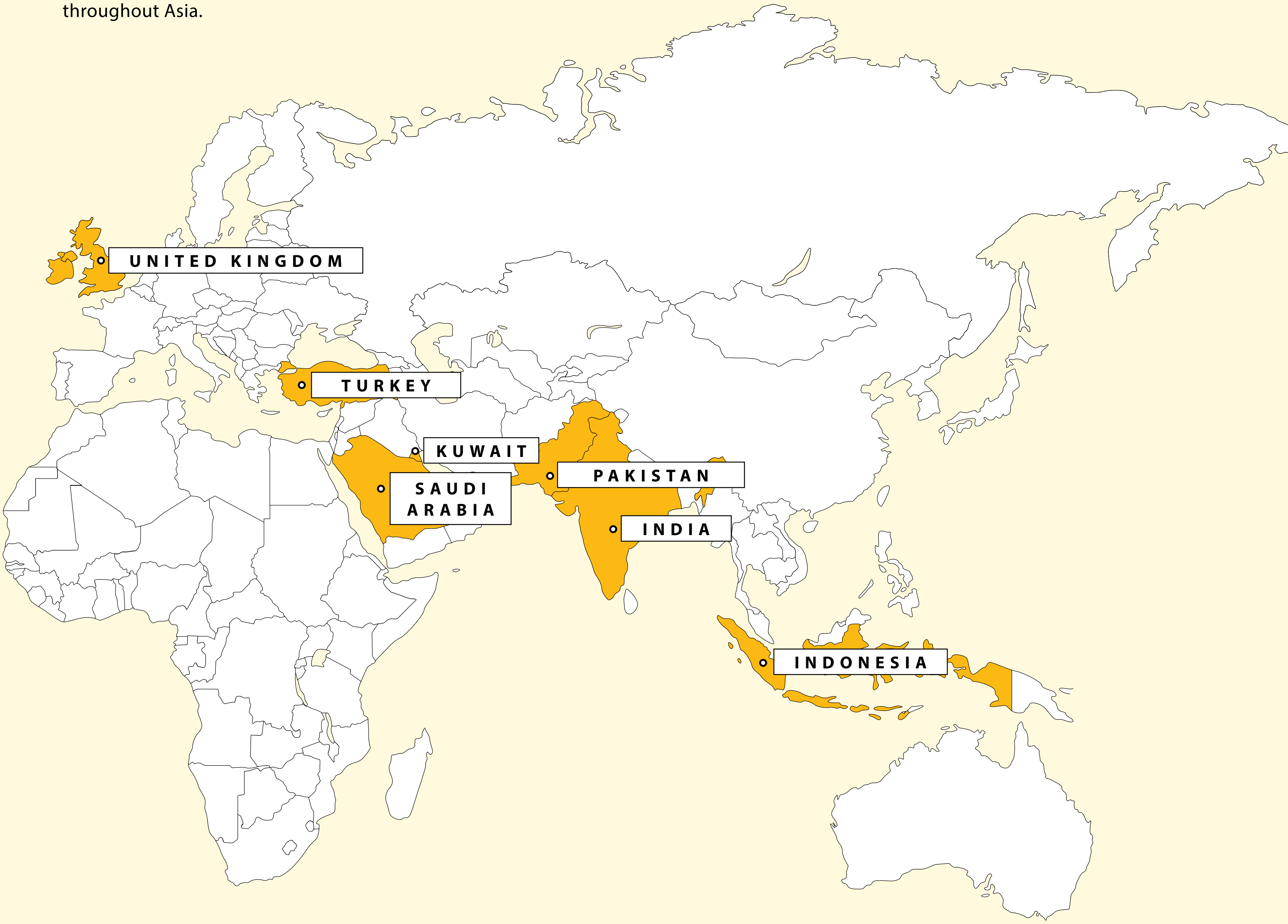
CUSTOMER BASE

9.39 MILLION

Customers in Peninsular Malaysia, Sabah and Labuan

OUR INTERNATIONAL FOOTPRINT

Present throughout Peninsular Malaysia, Sabah and Labuan, TNB has established itself as Malaysia's largest electricity company. We are also expanding our footprint overseas, where we are building our portfolio of energy assets from Europe to the Middle East and throughout Asia.



UNITED KINGDOM

- 50% equity ownership in a UK Solar Portfolio via Vortex Solar Investments S.à.r.l

TURKEY

- 30% equity ownership in GAMA Enerji A.Ş.

SAUDI ARABIA

- REMACO O&M Services for Shuaibah IWPP
- IWPP: TNB has 6% equity ownership in Shuaibah (USD2.7bn) 900MW Power
  - 880,000 m^3/day water
  - 150,000 m^3/day water

KUWAIT

- REMACO O&M for 225MW Sabiya Power Generation & Water Distillation Plant
- REMACO O&M for Shuaiba North Co-Gen (USD320m) 780MW Power; 204,000 m^3/day water
- REMACO O&M for 210MW Doha West Power Generation & Water Distillation Plant
- Maintenance Service Agreement (MSA) for Instrumentation and Control for Doha West and Shuwaikh Plant
- Maintenance Service Agreement (MSA) for Mechanical Works for Doha West Plant and Shuaiba Plant

PAKISTAN

- REMACO O&M Services - Bong Hydro Plant
- REMACO O&M Services - Balloki Power Plant
- IPP: Liberty Power Ltd (USD272m) 235MW

INDIA

- 30% equity ownership in GMR Energy Ltd
- REMACO Incorporated JV Company with GMR Energy Ltd for power plant O&M, performance improvement, testing and diagnostic services

INDONESIA

- Development of the Sumatra - Peninsular Malaysia HVDC Interconnection, coal-fired power plant & coal mine mouth projects

NOTICE OF THE 28TH ANNUAL GENERAL MEETING

28TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the **Twenty-Eighth Annual General Meeting ("28th AGM")** of Tenaga Nasional Berhad ("TNB" or "the Company") will be held on **Tuesday, 15 May 2018** at **10.00 a.m.** at Tun Hussein Onn Hall, Level 2, Putra World Trade Centre, 41 Jalan Tun Ismail, 50480 Kuala Lumpur, Malaysia to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the Financial Period ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.
   (Please refer to Note (i) of the Explanatory Notes on Ordinary Businesses)

2. To re-elect the following Directors who retire by rotation in accordance with Clause 64(1) of the Company's Constitution and being eligible offer themselves for re-election:

   (i) Dato' Abd Manaf bin Hashim **Ordinary Resolution 1**
   (ii) Datuk Sakthivel Alagappan **Ordinary Resolution 2**
   (iii) Gee Siew Yoong **Ordinary Resolution 3**
   (iv) Noraini binti Che Dan **Ordinary Resolution 4**

3. To approve the payment of Non-Executive Directors' fees of RM911,612.90 for the Financial Period ended 31 December 2017.
   Ordinary Resolution 5

4. To approve the payment of benefits to the Non-Executive Directors (excluding Non-Executive Directors' fees) amounting to RM2,272,600.00 from the 28th AGM until the next Annual General Meeting ("AGM") of the Company.
   Ordinary Resolution 6

5. To re-appoint Messrs PricewaterhouseCoopers PLT, having consented to act, as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.
   Ordinary Resolution 7

AS SPECIAL BUSINESS:

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

6. Proposed renewal of authority for the Company to purchase its own shares:

   "THAT subject to compliance with the Companies Act 2016 ("Act"), the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and all other applicable laws, guidelines, rules and regulations for the time being in force or as may be amended from time to time, and the approvals from all relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company's issued share capital through Bursa Malaysia Securities Berhad ("BMSB") upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company provided that:

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

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

   (iii) the shares purchased by the Company pursuant to the Proposed Share Buy-Back may be dealt with by the Directors in the following manner:

   (a) the shares so purchased may be cancelled; and/or

   (b) the shares so purchased may be retained as treasury shares; and/or

   (c) part of the shares so purchased may be retained as treasury shares with the remainder being cancelled;

   (d) where such shares are held as treasury shares, the Board may distribute the shares as dividends, resell on the market of BMSB, transfer the shares under the employees' share scheme or as purchase consideration or otherwise use the shares for such other purposes as the Minister may by order prescribe.

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

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

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

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

   whichever is earlier."

NOTICE OF THE 28TH ANNUAL GENERAL MEETING

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

Ordinary Resolution 8

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

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 28th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository") in accordance with Clause 45(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 ("SICDA") to issue a General Meeting Record of Depositors ("ROD") as at 8 May 2018. Only a depositor whose name appears on the ROD as at 8 May 2018 shall be entitled to attend the said Meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

BY ORDER OF THE BOARD

NORAZNI BINTI MOHD ISA
(LS 0009635)
Company Secretary

Kuala Lumpur
17 April 2018

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

(i) **Agenda No. 1** is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require shareholders' approval for the Audited Financial Statements. As such, it is not put forward for voting.

(ii) **Ordinary Resolutions 1-4 – Proposed Re-election of Directors in accordance with Clause 64(1) of the Company's Constitution**

Clause 64(1) of the Company's Constitution provides among others, that one-third (1/3) of the Directors at the time being of whom have been longest in office shall retire by rotation at the AGM of the Company and shall be eligible for re-election.

Dato' Abd Manaf bin Hashim, Datuk Sakthivel Alagappan, Gee Siew Yoong and Noraini binti Che Dan being eligible, have offered themselves for re-election at the 28th AGM.

The Board and Board Nomination and Remuneration Committee ("BNRC") have conducted an assessment on the independence of all Independent Directors including Dato' Abd Manaf bin Hashim, Datuk Sakthivel Alagappan, Gee Siew Yoong and Noraini binti Che Dan and are satisfied that they have complied with the independence criteria as required by the MMLR and continue to bring independent and objective judgment to the Board deliberations.

The Board and BNRC have also considered the Board evaluation including the Self and Peer Assessment results of Dato' Abd Manaf bin Hashim, Datuk Sakthivel Alagappan, Gee Siew Yoong and Noraini binti Che Dan and agreed that they have met the Board's expectation in terms of experience, expertise, integrity, competency, commitment and individual contribution by continuously performing their duties diligently as Directors of the Company.

The Board/BNRC recommend the re-election of each Director who is retiring at the 28th AGM.

(iii) **Non-Executive Directors' Remuneration**

Section 230(1) of the Act stipulates among others that the fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. As agreed by the Board, the shareholders' approval shall be sought at the 28th AGM on the Non-Executive Directors' remuneration through two (2) separate resolutions as follows:

Ordinary Resolution 5 on payment of Non-Executive Directors' fees in respect of the Financial Period ended 31 December 2017; and

Ordinary Resolution 6 on the payment of benefits (excluding Non-Executive Directors' fees) to the Non-Executive Directors amounting to RM2,272,600.00 from the 28th AGM until the next AGM of the Company.

The existing remuneration policy of Non-Executive Directors, last reviewed in 2013 is as follows:

Description	TNB Board		TNB Subsidiaries	
	Chairman	Non-Executive Directors	Chairman	Non-Executive Directors
Monthly fixed fees	RM30,000 per month	RM20,000 per month	Category I – RM7,000 Category II – RM5,000	Category I – RM5,000 Category II – RM3,000
*Meeting Allowances (per meeting):				
(i) Board	RM2,500	RM2,000	RM1,500	RM1,000
(ii) Board Committees	RM2,000	RM1,500	RM1,000	RM800
Benefits	Medical, Business Peripherals, Electricity Bills, Travelling & Telecommunication and other claimable benefits			

** subject to not more than three (3) payments in a month.*

In determining the estimated total amount of benefits payable, the Board has considered various factors including the number of scheduled and special meetings for the Board and Board Committees.

Payment of Non-Executive Directors' benefits will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred, provided that the proposed Ordinary Resolution 6 be passed at the 28th AGM. The Board is of the view that it is fair and justifiable for the payment of benefits to the Non-Executive Directors be made as and when incurred, after the Non-Executive Directors have discharged their responsibilities and rendered their services to the Company.

(iv) **Ordinary Resolution 7 – Re-appointment of Auditors**

Based on the External Auditors Assessment Result for the Financial Period under review, the Board and Board Audit Committee are satisfied with the quality of service, adequacy of resources provided, communication, independence, objectivity and professionalism demonstrated by the External Auditors in carrying out their functions. Being satisfied with the External Auditors' performance, the Board recommends their re-appointment for shareholders' approval at the forthcoming AGM.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

Ordinary Resolution 8 – Proposed Renewal of Share Buy-Back Authority

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

The details of the Proposed Renewal of Share Buy-Back Authority is set out in the Statement to Shareholders dated 17 April 2018 dispatched together with this Integrated Annual Report.

Additional Information on Ordinary Resolutions 1 to 4

Additional Information on the particulars of the retiring Directors, as required under Appendix 8A of the MMLR is in the Statement Accompanying Notice of 28th AGM of this Integrated Annual Report.

NOTES:

1. A member of a Company shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, in accordance with Section 334(1) of the Act.
2. Where a member is an authorised nominee as defined in accordance with the provisions of the SICDA, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
3. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where a member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
4. The instrument appointing a proxy/Proxy Form shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy/Proxy Form 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.
5. 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 Clause 51 of the Company's Constitution.
6. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time appointed for the taking of the poll or **no later than 14 May 2018 at 12.00 p.m.**
7. Pursuant to Paragraph 8.29A of the MMLR, voting at the 28th AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.

Registration of Members/Proxies

Registration of members/proxies attending the Meeting will start from 7.00 a.m. on the day of the Meeting and shall remain open until such time as may be determined by the Chairman of the Meeting. At the closure thereof, no person will be allowed to register for the Meeting nor enter the Meeting venue. Members/proxies are required to produce identification documents for registration.

STATEMENT ACCOMPANYING NOTICE OF THE 28TH ANNUAL GENERAL MEETING

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

The Directors who are retiring by rotation in accordance with Clause 64(1) of the Company's Constitution and seeking re-election:

(i) Dato' Abd Manaf bin Hashim

(ii) Datuk Sakthivel Alagappan

(iii) Gee Siew Yoong

(iv) Noraini binti Che Dan

The profiles of the above Directors are set out in Our Board on pages 61 to 69 of this Integrated Annual Report.

None of the above Directors has any interest in the securities of the Company or its Subsidiaries.

SECTION ONE

OUR BUSINESS

FROM OUR LEADERS

SULTAN AZLAN SHAH POWER STATION

The largest coal-fired power plant in Peninsular Malaysia with a total capacity of 4,100MW.

OUR REPORTING JOURNEY

OUR REPORTING JOURNEY THIS YEAR CONTINUES IN THE FORMAT OF THE INTEGRATED ANNUAL REPORT (IAR). THIS IS IN LINE WITH GLOBAL STANDARDS, AS WE SEEK TO BECOME A WORLD-CLASS UTILITY.

This IAR for the four-month period ended 31 December 2017 reports on our Economic, Environmental and Social activities as we strive to provide material information on our business. This includes the performance of our domestic and international operations as well as our long-term strategy to achieve our goal of becoming a world-class utility.

We will also be producing our standalone Sustainability Report which supplements the Sustainability Statement within this IAR to provide greater insights into the non-financial value we create by embracing the sustainability agenda.

The development of this IAR was guided by Bursa Malaysia's Sustainability Reporting Guide, the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and the International Integrated Reporting <IR> Framework.

The impact and contributions of TNB's business to the six capitals of value creation as described in the <IR> Framework are presented in this IAR in an integrated manner. This includes all elements of sustainability which we previously reported in a separate section.

This IAR uses the following navigation icons to identify our reporting on each of the six capitals:

Financial Capital
- Building a World-Class Supply Chain

Manufactured Capital
- Enhancing Existing Capacity and Services
- Developing New Capacity and Services

Natural Capital
- Mitigating Greenhouse Gas (GHG) Emissions
- Managing Waste and Natural Resources
- Protecting and Maintaining Biodiversity

Social and Relationship Capital
- Improving Customer Satisfaction
- Value Adding our Services
- Corporate Social Responsibility

Intellectual Capital
- Opportunities for New Business Development

Human Capital
- Safety in the Workplace
- Value Unlocking Programme (VUP)
- Engaging our Employees
- Talent Sourcing and Development
- Leadership Development Programme
- Employee Well-being

KEY HIGHLIGHTS

EBITDA MARGIN

32.8%

31 December 2017

RETURN ON ASSETS

5.6%

31 December 2017

AVERAGE COAL PRICE

USD87.05/MT

31 December 2017

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RM2,755.7 MILLION

31 December 2017

CAPEX

RM3,921.2 MILLION

31 December 2017

KEY FINANCIAL HIGHLIGHTS

	Group		Company	
YEAR/PERIOD ENDED	**31.12.2017**	**31.8.2017**	**31.12.2017**	**31.8.2017**
PROFITABILITY (RM Million)				
Revenue	**15,827.1**	47,416.9	**14,820.6**	44,204.3
Operating profit	**3,148.6**	9,364.0	**2,769.4**	8,737.9
Profit before taxation and *zakat*	**2,979.3**	8,281.8	**2,727.8**	7,541.7
Net profit attributable to owners of the Company	**2,755.7**	6,904.0	**2,554.7**	6,295.7
KEY BALANCE SHEET DATA (RM Million)				
Property, plant and equipment	**104,807.6**	103,083.7	**81,792.6**	75,841.9
Total assets	**144,277.2**	142,012.4	**118,048.8**	113,261.9
Total borrowings	**41,443.7**	38,846.5	**15,348.1**	15,977.0
Total liabilities	**86,147.4**	84,427.6	**66,203.6**	61,442.3
Share capital	**11,199.6**	11,124.9	**11,199.6**	11,124.9
Shareholders' equity	**58,129.8**	57,584.8	**51,845.2**	51,819.6
SHARE INFORMATION				
Per share (sen)				
Basic earnings	**48.68**	122.00		
Diluted earnings	**48.56**	121.52		
Dividend (sen):				
– Interim	**0.00**	17.00		
– Final	**21.41**	44.00		
Net assets per share attributable to owners of the Company	**1,009.6**	1,009.2		
FINANCIAL RATIOS				
Return on assets (%)	**5.6**	5.4		
EBITDA margin (%)	**32.8**	32.6		
Debt-equity (net of cash) ratio	**0.44**	0.37		

SIX-YEAR/PERIOD GROUP FINANCIAL SUMMARY

	Group					
YEAR/PERIOD ENDED	31.8.2013 (Restated)	31.8.2014	31.8.2015	31.8.2016	31.8.2017	31.12.2017
OPERATING RESULTS (RM MILLION)						
Revenue	37,130.7	42,792.4	43,286.8	44,531.5	47,416.9	**15,827.1**
Operating profit	5,906.9	7,181.0	8,627.6	9,072.0	9,364.0	**3,148.6**
Profit before taxation and *zakat*	5,925.1	7,114.7	7,133.7	8,066.8	8,281.8	**2,979.3**
Net profit attributable to owners of the Company	5,356.2	6,467.0	6,118.4	7,367.6	6,904.0	**2,755.7**
KEY BALANCE SHEET DATA (RM MILLION)						
Property, plant and equipment	75,460.5	83,045.1	90,300.3	96,512.7	103,083.7	**104,807.6**
Total assets	99,999.3	110,665.4	117,135.0	132,902.2	142,012.4	**144,277.2**
Total borrowings	22,888.4	25,456.0	24,698.9	34,306.7	38,846.5	**41,443.7**
Total liabilities	62,028.6	67,206.2	69,668.1	80,302.5	84,427.6	**86,147.4**
Share capital	5,643.6	5,643.6	5,643.6	11,025.8	11,124.9	**11,199.6**
Shareholders' equity	37,693.1	43,222.0	47,208.0	52,599.7	57,584.8	**58,129.8**
SHARE INFORMATION						
Per share (sen)						
Basic earnings	96.13	114.59	108.41	130.55	122.00	**48.68**
Diluted earnings	95.96	114.59	108.41	130.16	121.52	**48.56**
Gross dividend/final dividend	25.00	29.00	29.00	32.00	61.00	**21.41**
Net assets	667.9	765.9	836.5	928.3	1,009.2	**1,009.6**
Share price (RM)	8.73	12.38	11.18	14.74	14.28	**15.26**
FINANCIAL RATIOS						
Return on assets (%)	5.6	6.2	6.6	6.4	5.4	**5.6**
Return on shareholders' equity (%)	14.7	15.8	16.3	16.1	13.3	**13.9**
Gearing (%)	37.6	36.9	34.2	39.5	40.3	**41.6**
EBITDA margin (%)	28.1	28.2	32.2	33.2	32.6	**32.8**
Effective weighted average cost of funds (%)	4.7	4.9	4.8	5.1	4.7	**4.98**
Interest coverage (%)	11.7	13.8	14.7	14.2	10.6	**9.03**
Currency mix (RM:Foreign)	71:29	77:23	78:22	83:17	77:23	**79:21**
Debt-equity (net of cash) ratio	0.35	0.32	0.33	0.33	0.37	**0.44**

SIX-YEAR/PERIOD GROUP GROWTH SUMMARY

REVENUE (RM Million)

(Restated) 2013	37,131
2014	42,792
2015	43,287
2016	44,532
31.8.2017	47,417
31.12.2017	**15,827**

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

(Restated) 2013	5,356
2014	6,467
2015	6,118
2016	7,368
31.8.2017	6,904
31.12.2017	**2,756**

SHAREHOLDERS' EQUITY (RM Million)

(Restated) 2013	37,693
2014	43,222
2015	47,208
2016	52,600
31.8.2017	57,585
31.12.2017	**58,130**

TOTAL ASSETS (RM Million)

(Restated) 2013	99,999
2014	110,665
2015	117,135
2016	132,902
31.8.2017	142,012
31.12.2017	**144,277**

TOTAL BORROWINGS (RM Million)

(Restated) 2013	22,888
2014	25,456
2015	24,699
2016	34,307
31.8.2017	38,847
31.12.2017	**41,444**

RETURN ON ASSETS (%)

(Restated) 2013	5.6
2014	6.2
2015	6.6
2016	6.4
31.8.2017	5.4
31.12.2017	**5.6**

GEARING (%)

(Restated) 2013	37.6
2014	36.9
2015	34.2
2016	39.5
31.8.2017	40.3
31.12.2017	**41.6**

INTEREST COVERAGE (%)

(Restated) 2013	11.7
2014	13.8
2015	14.7
2016	14.2
31.8.2017	10.6
31.12.2017	**9.03**

BASIC EPS (Sen)

(Restated) 2013	96.1
2014	114.6
2015	108.4
2016	130.6
31.8.2017	122.0
31.12.2017	**48.7**

CHAIRMAN'S LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,
ON BEHALF OF THE BOARD OF DIRECTORS, I AM PLEASED TO PRESENT TENAGA NASIONAL BERHAD'S (TNB, OR THE COMPANY) INTEGRATED ANNUAL REPORT (IAR) FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017 (FY2017). WE HAVE PRODUCED THIS IAR DUE TO THE CHANGE IN OUR FINANCIAL YEAR END FROM 31 AUGUST TO 31 DECEMBER, WHICH WE UNDERTOOK IN 2017. HENCE, THE REPORTING FOR THIS IAR COVERS THE PERIOD OF 1 SEPTEMBER TO 31 DECEMBER 2017, FOLLOWING WHICH WE WILL REVERT TO THE 12-MONTH REPORTING PERIOD IN 2018.

DELIVERING SUSTAINABLE VALUE

TNB maintained its stable and sustainable earnings trajectory during the financial period, and remained committed all the while to the Company's growth agenda. We recorded operating profit of RM3.15 billion, with profit after tax rising to RM2.74 billion against RM1.79 billion in the same period last year. The Company's earnings also benefited from the stronger ringgit, which provided us with a foreign translation gain of RM0.33 billion.

Our financial results demonstrate TNB's prudent financial management which is supportive of our goals for sustainable growth. It also enables us to continue providing value to our shareholders. Following the revision to the Company's dividend policy to a dividend payout ratio of 30%-60% of profit after tax and minority interests (PATAMI) announced in the previous financial year, the Board has approved a dividend payout of 21.41 sen per share, equivalent to RM1.21 billion. It is important to note that the dividend is approved for the 4-month financial period ended 31 December 2017.

ENERGY INDUSTRY POWERS ON

We are pleased to note the second Regulatory Period for the Incentive Based Regulation (IBR) commencing from 2018 to 2020. This will follow the successful conclusion of the first Regulatory Period on 31 December 2017.

IBR is a step forward in the Government of Malaysia's efforts to liberalise the power industry. Its implementation is in line with aims of incentivising utilities to improve their efficiency. Since its introduction in 2014, the IBR and accompanying Imbalance Cost Pass-Through (ICPT) mechanism have contributed to greater stability in the Malaysian electricity supply industry, and increased transparency. It has enabled TNB to operate more efficiently and offer competitively priced electricity tariffs to our customers. Our customers, on the other hand, benefited from any cost savings via rebates passed on via their monthly electricity bill. During the first Regulatory Period, we were able to pass-through RM5.4 billion in rebates to our customers under the ICPT.

We also witnessed more stability in tariff rates, with the base tariff revised to 38.53 sen/kWh during the first Regulatory Period. This allowed TNB to earn a regulated return of RM9.4 billion, equivalent to 7.5% of our regulated asset base. We were also able to increase our asset base further with RM18.8 billion in investments in our transmission and distribution network. Additionally, the introduction of bidding for Large Scale Solar (LSS) power plants saw our Company succeeding in bids for the Sepang 50MW LSS plant and the Bukit Selambau 30MW LSS plant.

We are confident that TNB and the energy industry will continue to power on strongly with the commencement of the second Regulatory Period in January 2018.

SOWING THE SEEDS OF SUSTAINABILITY

We at TNB are conscious of our role as a champion for sustainability, not only within our Company, but also among our community and for the environment. I am pleased to share that the successful implementation of the first Regulatory Period of the IBR has allowed our Company to give back more to the country through support for our community and investments in education.

These include the provision of TNB scholarships and financial assistance to 3,662 recipients awarded during the first Regulatory Period. Additionally, we have also developed 2,622 trainees under the SL1M – IBE (Skim Latihan 1Malaysia – Industri Bekalan Elektrik, Energy Supply Industry) internship programme through four phases between 2011 and 2017. Of these, 83.2% of the graduates have successfully gained employment with various other companies as a result of the development attained under our internship programme.

In addition, 3,672 rural homes were provided with access to electricity through the installation of distributed generation facilities such as solar hybrid and mini hydro stations under our Rural Electrification Programme.

Together with the help of more than 4,000 volunteers from amongst our employees and management, we have successfully planted 11,700 trees during the first Regulatory Period as part of our "Tree for a Tree" programme, in which we planted new trees to replace those felled in the course of our business operations.

FUTURE REMAINS BRIGHT

The energy industry remains as exciting as ever due to the rapid developments in the regulatory landscape as well as consumer and energy trends. Against this backdrop, we remain confident that our 10-year Strategic Plan launched last year has introduced the measures needed to ensure continued growth and sustainability for TNB. We are also optimistic that the upcoming Regulatory Period will remain supportive of TNB's fundamentals, ensuring the continued delivery of value for the Company, our shareholders and all our other stakeholders.

ACKNOWLEDGEMENTS

I would like to extend our gratitude to the Malaysian Government and regulatory bodies for their guidance. On behalf of the Board, I would also like to thank the Management and employees of TNB for their dedication to attaining our Company's long-term goals. Additionally, a word of appreciation goes to our suppliers, contractors and vendors for their part in ensuring seamless operations for TNB.

Allow me to record my sincere appreciation to my respected colleagues on the Board of Directors, to whom I am indebted for their advice, guidance and time. Finally, I would like to represent the entire Company in offering our gratitude to our valued shareholders and customers for continuing to put their trust and support with TNB.

> We have produced this IAR due to the change in our financial year end from 31 August to 31 December, which we undertook in 2017

TAN SRI LEO MOGGIE
Chairman

CEO'S STRATEGIC & OPERATIONAL REVIEW

TO THE VALUED SHAREHOLDERS OF TENAGA NASIONAL BERHAD (TNB, OR THE COMPANY), YOUR COMPANY MAINTAINED ITS POSITIVE TRAJECTORY IN THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017 (FY2017), DEMONSTRATING ITS CONTINUED STABILITY AND SUSTAINABLE GROWTH PROSPECTS. DURING THE PERIOD UNDER REVIEW, TNB ALSO SAW IMPACTFUL OUTCOMES IN OUR PUSH TO BECOME A DOMESTIC AND REGIONAL CHAMPION THROUGH THE CONTINUED EXPANSION OF BOTH OUR REGULATED AND NON-REGULATED BUSINESSES.

STABLE INDUSTRY LANDSCAPE

The performance we have achieved in recent years has been underpinned by the stable industry landscape enabled by the Incentive Based Regulation (IBR) framework introduced in 2014 and the accompanying Imbalance Cost Pass-Through (ICPT) mechanism. Since its first implementation in March 2015, the ICPT has consistently cushioned your company from the effect of fluctuations in generation costs and fuel prices.

The first Regulatory Period ended in December 2017, during which the Government approved seven cycles of ICPT implementation. We are pleased to share that for the next Regulatory Period of 2018-2020, the Government of Malaysia has decided to maintain the existing rates in the tariff schedule from the first Regulatory Period, with the ICPT rebate maintained at 1.52 sen/kWh for the ICPT implementation period of 1 January to 30 June 2018. Included in these rates are new capital allowances for TNB to invest in further improving and modernising our grid.

DELIVERING SHAREHOLDER VALUE

We continue to make the creation of shareholder value a priority of our business. We are proud that during the four months under review, our performance has sustained value creation for you, our shareholders, delivering a total shareholder return of 6.7% in the 4-month financial period ended 31 December 2017.

Furthermore, we are pleased to have achieved this in conjunction with ensuring the delivery of an electric system for Malaysia which is on par with the best performing systems. This has been demonstrated with our annualised SAIDI for the period, of 54.15 minutes/customer/year and system minutes, of 0.05 minutes. The performance of our electricity industry is further validated by Malaysia's 8^{th} ranking for Getting Electricity in the World Bank's Doing Business 2018 report. These achievements clearly demonstrate the value we have delivered both to you, our shareholders, as well as in enhancing the energy landscape.

REIMAGINING TNB

In recent years, we have shared our clear aspiration to become a Global Top 10 Utility by 2025. We believe there is no better time than the present for us to embark on this aspiration. This is as the world and energy industry continues to transform at a rapid pace and we at TNB remain determined to harness and capitalise on the change that is upon us, in line with our commitment to reshaping our future.

WORLD BANK'S DOING BUSINESS 2018 REPORT

8^{TH} RANKING

The performance of our electricity industry is further validated by Malaysia's 8^{th} ranking for Getting Electricity

TOTAL SHAREHOLDER RETURN

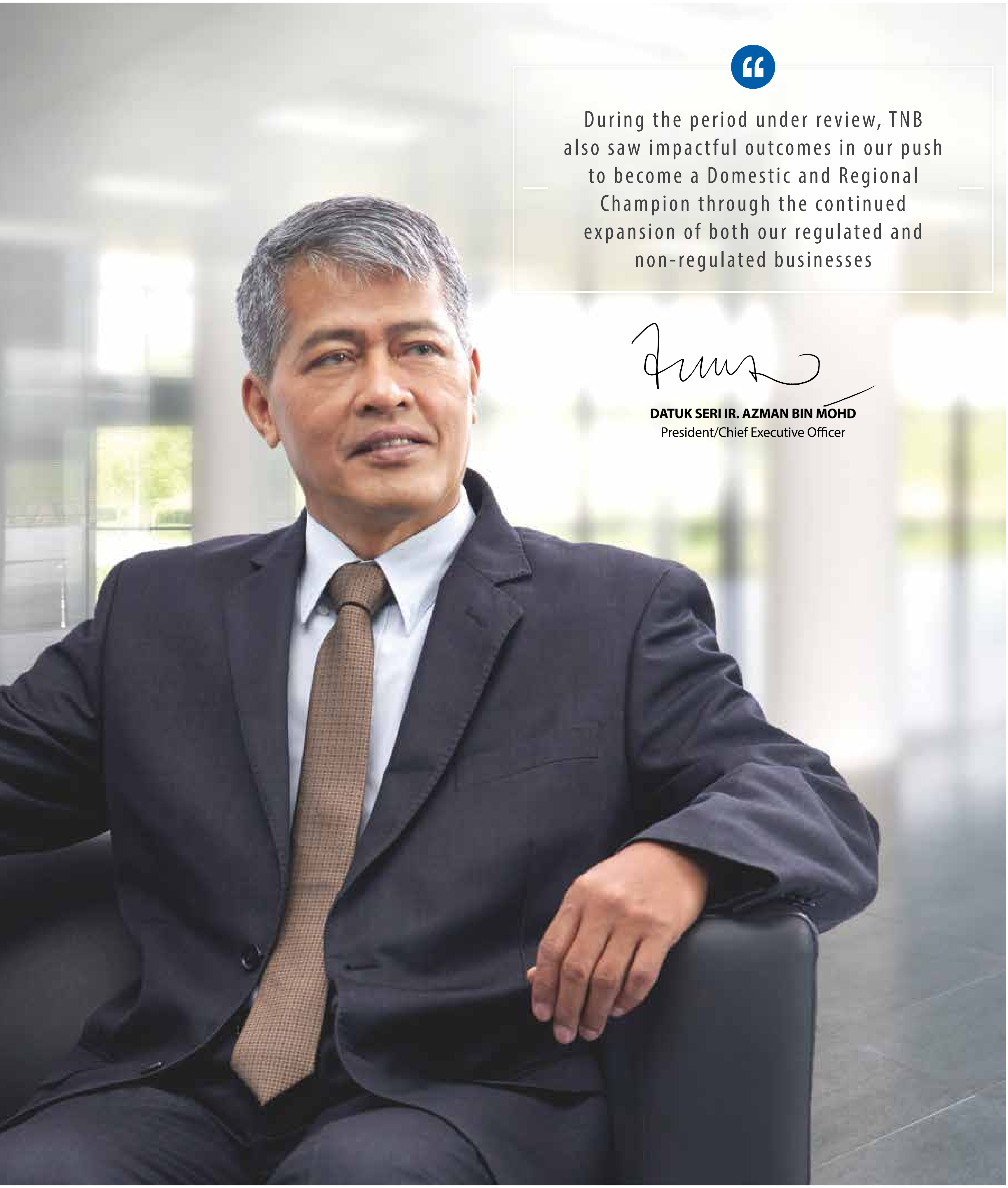
6.7 %

in the 4-month financial period ended 31 December 2017

SAIDI (ANNUALISED)

54.15

minutes/customer/year



> During the period under review, TNB also saw impactful outcomes in our push to become a Domestic and Regional Champion through the continued expansion of both our regulated and non-regulated businesses

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

CEO'S STRATEGIC & OPERATIONAL REVIEW

To do so, we have identified four key pillars of value which will propel us towards attaining our growth aspirations. These comprise:

- Future Generation Sources
- Grid of the Future
- Winning the Customer
- Future-Proof Regulations

FUTURE GENERATION SOURCES

This first pillar sees your Company entering international markets, improving our generation mix through conventional and renewable asset acquisitions. In the period under review, our push for renewables has seen us awarded the 30MW Bukit Selambau Large Scale Solar (LSS) plant and develop the new 4MW Sungai Tersat mini hydro plant.

The four-month period ended 31 December 2017 also saw us enter into a Memorandum of Understanding (MoU) with Indonesia's state-owned power utility, PT PLN (Persero), for the development of a 2 x 200MW coal-fired power plant in Kalimantan.

We are also pleased to report the expansion of our clean coal capacity through the early commercial operation date of our Manjung 5 plant in September, while we continue to record timely progress of our Jimah East Power (JEP) plant.

GRID OF THE FUTURE

Under the Grid of the Future pillar, we continue to invest in digitisation and automation of the grid, improving its performance and reliability. In line with this, we are pleased to have secured a RM18.8 billion capital allocation under the second Regulatory Period for investment in our transmission and distribution grid. Of this amount, RM2.7 billion will be invested into "Grid of the Future" technologies that help improve the grid's reliability and efficiency, such as our scheduled deployment of 340,000 smart meters in Melaka and subsequent deployment of an additional 1.2 million smart meters in Klang Valley.

RM2.7 billion

will be invested into "Grid of the Future" technologies that help improve the grid's reliability and efficiency

1.5 million

smart meters in Melaka and Klang Valley

TNB has signed a Memorandum of Understanding with Indonesian state-owned PT PLN (Persero) to develop a 2 x 200MW coal-fired power plant in Kalimantan, Indonesia.

WINNING THE CUSTOMER

We understand that as the industry landscape shifts, we must adapt a value-centric approach to meeting the needs of our customers, including those beyond electricity consumption such as energy-saving solutions. To this end, we have focused on expanding our non-regulated business and during the period under review have entered into an agreement to acquire Setia Haruman Technology Sdn. Bhd., which provides information technology-related services, for RM28 million. We expect to conclude this acquisition by the first quarter of 2018.

We have also entered into a partnership with Petronas Dagangan and Green Technology Corporation to develop 100 electric vehicle charging stations, which are planned for installation at Petronas petrol stations. Furthermore, early successes in our bid to expand our energy service business such as our smart chiller and waste heat recovery solutions have secured us RM36 million in sales, which is expected to contribute RM100 million to our Earnings Before Interest and Tax (EBIT) in 2025.

FUTURE PROOF REGULATIONS

We expect the regulatory environment to shift in tandem with the changing industry landscape. In a bid to ensure we remain abreast of the rapidly changing landscape, we endeavour to continue to work closely with our regulators to ensure continued growth of the energy industry in tandem with ensuring the sustainability of our business. Moving forward, we have secured a regulated rate of return of 7.3% for the upcoming second Regulatory Period. We have also enhanced our business sustainability through safeguarding regulated earnings from our distribution grid from exposure to demand risk under the same period. Additionally, in the first multilateral energy exchange undertaken in ASEAN, we have signed an Energy Purchase and Wheeling Agreement (EPWA) with Lao PDR's state-owned power company Electricite Du Laos via the Electricity Generating Authority of Thailand's existing transmission grid. The agreement will allow for the purchase of hydro energy by TNB from Lao PDR.

CEO'S STRATEGIC & OPERATIONAL REVIEW

INVESTING IN OUR PEOPLE

At TNB, we recognise that our employees form the bedrock of our success. We also appreciate that our people will play a key role in ensuring we achieve our aspiration of becoming a global utility. Hence, we have embarked on improvements to our core process to help unlock the productivity of our workforce.

This is being undertaken through initiatives such as the revamp of our strategic planning and capital allocation framework, which will enhance our ability to focus on optimising our costs, risks and returns. To further mark the start of a culture change within TNB to support the achievement of our aspiration under Reimagining TNB, we recognise that there is a need to increase our intra organisation collaboration, while at the same time spurring our employees at all levels to embrace innovation and experiment without fear of reprisal or marginalisation. It is with this goal that we will be introducing an adaptive culture to push the awareness that as much as we will tolerate and learn from failure, we must develop the ability to re-frame each imperfect experiment to a learning opportunity. With an adaptive culture in place, we believe that change, growth and innovation are a "given" part of the business environment.

We recognise that our employees form the bedrock of our success. We also appreciate that our people will play a key role in ensuring we achieve our aspiration of becoming a global utility.

The Lampu Jalan Kampung Phase 8 programme launched by Prime Minister of Malaysia, Dato' Sri Mohd Najib Tun Abdul Razak, will benefit approximately 2.5 million villagers.

EMBRACING SUSTAINABILITY

With over 68 years' experience operating in Malaysia, we are proud to embody sustainability, not only within our business, but also of the environment and the communities we serve. To this end, during the period under review, we planted 235 trees under the Tree for Medal programme undertaken in conjunction with Malaysia's performance during the 29th SEA Games 2017.

Further demonstrating our support and commitment to the development of Malaysian sports, we continue to help develop local hockey talents under our multitudes of training programmes conducted at all levels of talent development from primary school students all the way to club level. This has led to a number of feathers in our cap on the hockey field, with the latest being the Malaysian team's silver medal finish in the 2017 Men's Hockey Asia Cup.

For the communities who lie at the heart of our operations, we have successfully installed 80,405 village street lights under the Lampu Jalan Kampung (LJK) programme in all Peninsular states as well as in Sabah, while our Back to School programme has provided assistance in the form of school uniforms, stationeries and other much needed supplies to 13,000 underprivileged rural children.

We planted **235 TREES** under the Tree for Medal programme

We have successfully installed **80,405** village street lights under the LJK programme in all Peninsular states as well as in Sabah

ACKNOWLEDGEMENTS

Allow me to take this opportunity to record our gratitude to the Board of Directors for their advice and guidance. I would also like to extend my most sincere appreciation to the employees of TNB for their dedication towards achieving our long-term aspirations and ensuring the smooth delivery of the Company's day-to-day operations. Our appreciation also goes to the Government, especially the Ministry of Energy, Green Technology and Water, the Energy Commission and the Economic Planning Unit for supporting the continued growth and sustainability of Malaysia's electricity supply industry.

On behalf of TNB, I would also like to express our thanks to you, our valued shareholders, for your continued trust and support. We are also grateful to our customers, business partners and other stakeholders for their role in making TNB a world-class utility Company.

OUR STRATEGY

TNB'S STRATEGIC PLAN FOR 2017 - 2025, 'REIMAGINING TNB', IS ANCHORED ON MAINTAINING OUR GROWTH TRAJECTORY TO EMERGE AS ONE OF THE WORLD'S TOP 10 UTILITIES BY 2025. THE WORLD IS CURRENTLY CHANGING AT UNPRECEDENTED SPEED FUELED BY GLOBAL DISRUPTIONS SUCH AS SHIFTS IN ECONOMIC POWER, RAPID TECHNOLOGY ADVANCEMENT, INCREASING STAKEHOLDER DEMAND AND EVOLVING REGULATORY LANDSCAPE. CAPITALISING ON THE IMPACT OF THESE DISRUPTIONS WILL ENABLE TNB TO UNLOCK NEW GROWTH AREAS. REIMAGINING TNB IS OUR STRATEGY TO DO SO, DRIVEN BY FOUR VALUE CREATION PILLARS THAT WILL PROPEL US TOWARDS OUR ASPIRATIONS: FUTURE GENERATION SOURCES, GRID OF THE FUTURE, WINNING THE CUSTOMER AND FUTURE PROOF REGULATIONS.

DOMESTIC & REGIONAL CHAMPION

	TOP PRIORITIES	TARGET METRICS	STRATEGIC RISK
FUTURE GENERATION SOURCES *For more information, kindly refer to page 24*	• Growing TNB's renewable capacity • Expansion of conventional capacity into international attractive regions with strong growth prospects • Improving performance of existing generation fleet	• Return on Invested Capital • Renewable energy capacity • Equity generation capacity • Performance of generation assets • Non-regulated revenue	• Competency mismatch to drive strategy • Inability to mitigate regulatory constraints • Unable to keep pace with changing customers' expectations
GRID OF THE FUTURE *For more information, kindly refer to page 25*	• Upgrading existing network infrastructure into a smart, automated and digitally-enabled network • Optimising network's productivity, efficiency and reliability • Leveraging on innovation in the network to transform customer's experience	• Return on Regulated Asset • Network productivity and efficiency • Performance of network assets	• Inability to mitigate regulatory constraints • Incapacity to leverage on technology • Inability to adapt to changing market environment
WINNING THE CUSTOMER *For more information, kindly refer to page 26*	• Enhancing customers' experience • Improving retail's team productivity and efficiency • Growth through innovations of new products and services offering	• Product and services quality scores • Customer loyalty and retention • Retail productivity and efficiency • Non-regulated revenue	• Competency mismatch to drive strategy • Unable to keep pace with changing customers' expectations • Inability to adapt to changing market environment
FUTURE PROOF REGULATIONS *For more information, kindly refer to page 27*	• Working together with key stakeholders towards a stable and sustainable regulatory landscape	• Generation market share • Return on Regulated Assets	• Inability to mitigate regulatory constraints • Ineffective engagement with stakeholders • Inability to adapt to changing market environment

OUR BUSINESS MODEL AND VALUE CREATION JOURNEY

INPUT FROM SIX CAPITALS

Input from the six capitals ensure we maintain a sustainable business. We recognise that an organisation depends on all forms of capitals, not just financial capital to contribute to the success of our business models. Our ability to enhance the stocks or values of these capitals are essential to the growth of our business.

6 Capitals

Manufactured Capital

13,976.09MW EQUITY MW OF GENERATING CAPACITY

OIL	198.30MW	1.42%
RENEWABLES	237.36MW	1.70%
HYDRO	2,651.75MW	18.97%
COAL	5,422.47MW	38.80%
GAS	5,466.21MW	39.11%

1. 685,768[1] Circuit kilometers of transmission and distribution line
2. 87,067[1] Primary and secondary substations
3. 93,411[1] Primary and secondary transformers

Natural Capital

FUEL USE[2]

COAL	GAS	OIL	DISTILLATE
102,348.02TJ	52,413.12TJ	729.98TJ	271.19TJ

Social and Relationship Capital

Create Value

Build Trust

Human Capital

Employees

35,030 TNB Group

27,995 TNB Company

Company
Workforce Breakdown by Gender

Male	Female
80%	20%

Financial Capital

Effective Weighted Average Cost of Funds (%)

2014	4.9
2015	4.8
2016	5.1
31.8.2017	4.9
31.12.2017	5.0

1. Shareholders' Funds
RM 58,129.8 million

2. Total Borrowings
RM 41,443.7 million

Intellectual Capital

- Research and Development
- Process Improvement
- Operation Optimisation

OUR BUSINESS MODEL AND VALUE CREATION JOURNEY

4 Values

THE VALUE CREATED AND ITS IMPACT

Economic

SUPPLIERS AND CONTRACTORS
Fuel and Other Operating Costs

FUEL COST
RM3,378.2 MILLION

OTHER OPERATING COST
RM8,524.4 MILLION

EMPLOYEES

STAFF EXPENSES
RM1,288.5 MILLION

CAPITAL PROVIDERS

SHAREHOLDERS
TOTAL DIVIDENDS
RM2,493.0 MILLION

LENDERS
FINANCIAL COST
RM1,606.0 MILLION

GOVERNMENT AND REGULATORS

TAXES
RM250.6 MILLION

Community

1. 26 — Adopted Trust Schools
2. 2,340 — Number of Graduates Students Assisted
3. 13,040 — Number of Rural Primary Students Assisted
4. 735 — Number of Trees Planted[7]

Environment

1. **Emission[6]**
0.55 tCO_2e/MWh — Greenhouse Gas Emissions Intensity

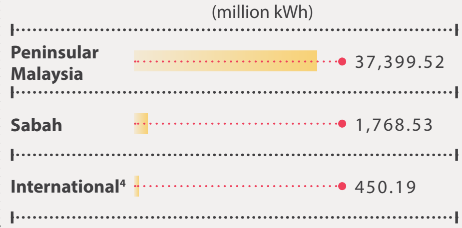
2. **Renewable Energy**
237.36 MW — 1.70% of TNB's equity generating capacity

3. **Non-Carbon Energy**
2,889.10 MW — 20.67% of TNB's equity generating capacity

Customers

TOTAL ENERGY SOLD[3]:
39,618.24
million kWh

Total Energy Sold by Region
(million kWh)



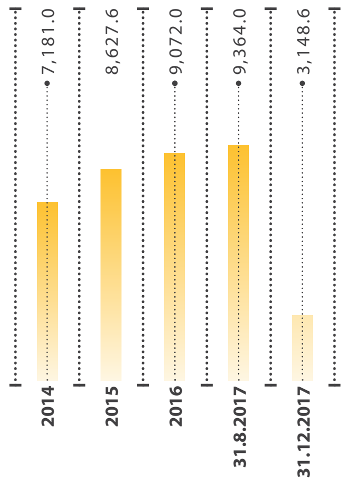
CUSTOMER ACCOUNTS[5]: 9.39 MILLION

	Peninsular Malaysia	Sabah
SAIDI	18.05	92.37
SYSTEM MINUTES	0.05	2.49

TENAGA NASIONAL

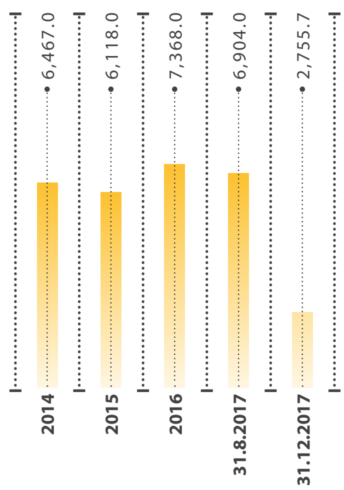
Operating Profit

RM3,148.6 million



Net Profit Attributable to Owners of the Company

RM2,755.7 million



Notes:

1. *For TNB operations in Peninsular Malaysia and Sabah only.*
2. *From power plants which TNB has controlling stake for period FY2017.*
3. *From power plants which TNB has invested and have power purchasing agreement with.*
4. *Unit sold by wholly-owned TNB international power plants only.*
5. *Including 8.80 million customers in Peninsular Malaysia and 590,000 customers in Sabah.*
6. *For TNB operations in Peninsular Malaysia only.*
7. *Trees planted under our "Tree for a Tree and Tree for Medal" programmes.*

OUR STRATEGY

FUTURE GENERATION SOURCES

STRATEGY

This strategic pillar focuses on TNB's efforts to venture into international markets, balancing our conventional and renewable asset acquisitions. This is aimed at delivering value towards our Reimagining TNB aspirations through:

- Growing TNB into an ASEAN renewables leader
- Ensuring that our generation fleet continue to perform at the highest level whilst protecting our domestic generation market share
- Building up our international capacity in selected strategic markets

Developments for the period under review

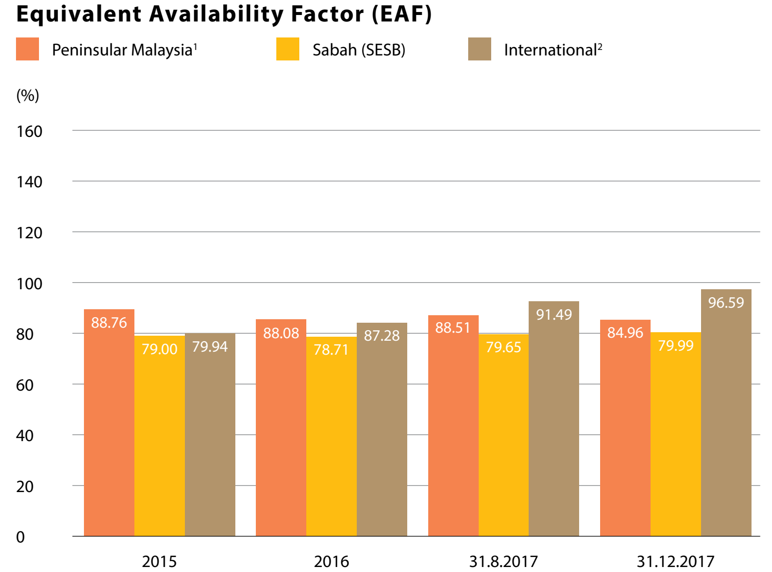
We achieved continued success in the second domestic Large Scale Solar (LSS) bidding conducted by the Energy Commission, winning a bid to build a 30MW LSS plant in Bukit Selambau, Kedah.

Our pioneer LSS plant in Sepang, Selangor has continued to progress in a timely manner and is expected to achieve its commercial operation date by November 2018. Additionally, the construction of our Jimah East coal plant (2,000MW) remains on track and is expected to achieve commercial operation date by 2019, while we have successfully commissioned our latest ultra-supercritical coal plant, Manjung 5 (1,000MW) ahead of schedule in September 2017.

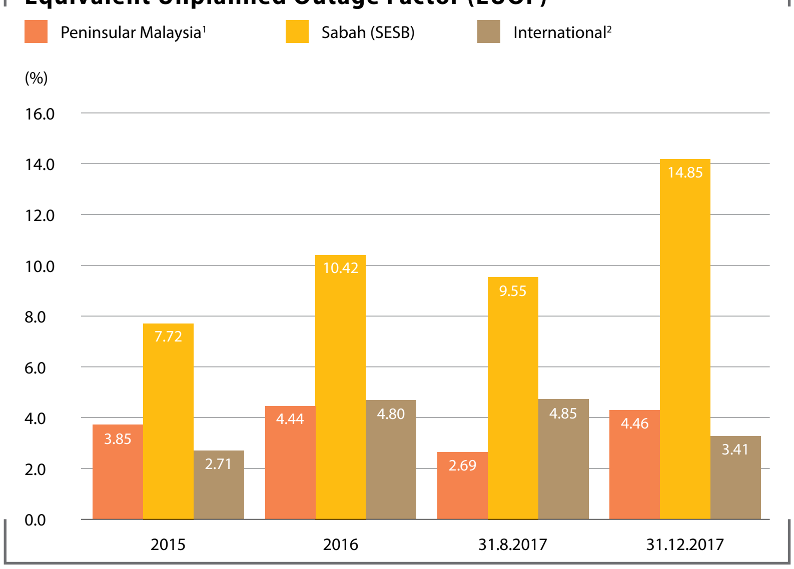
We also entered into a Memorandum of Understanding with PT PLN (Persero) to explore and develop a 2 x 200MW plant in Kalimantan in a bid to improve the security of supply in Borneo.

In tandem with the expansion of our generation operations, our domestic wholly-owned generation fleet continued to demonstrate efficiency and reliability with an Equivalent Availability Factor (EAF) of 85.0% and Equivalent Unplanned Outage Factor (EUOF) of 4.5%.

Equivalent Availability Factor (EAF)



Equivalent Unplanned Outage Factor (EUOF)



[1] *Performance of TNB's wholly-owned power plants in Peninsular Malaysia*
[2] *Performance of TNB's wholly-owned power plants internationally*

Planned Activities Moving Forward

We will continue to explore high-potential international renewables acquisitions in both solar and wind generation and expect to announce the results of our efforts in early 2018. Furthermore, we have been looking beyond international renewables acquisitions, and have been actively participating in international renewables 'greenfield' bids since 2016. We hope to be able to announce positive results of our endeavours in 2018.

The construction of our latest LSS plant in Bukit Selambau is expected to commence in 2019, with the aim of achieving a commercial operation date in 2020.

We will also focus on initiatives to achieve business excellence such as Generation Division Business Turnaround Programme, which is aimed at unlocking our asset potential and enhancing the performance of our generation power plants.

We have also set up our Generation Academy to develop subject matter experts (SMEs) equipped with transformation knowledge and skills to problem-solve generation plant-based issues and ensure the continuous improvement of each plant. To date, more than 200 SMEs have undergone full modules of training.

OUR STRATEGY

GRID OF THE FUTURE

STRATEGY

We see grid operations evolving in tandem with technological progress, thus creating more digitisation and automation of the grid which will improve its performance and reliability. Under this pillar, we are focused on delivering value towards our Reimagining TNB aspirations by:

- Growing our grid to be one of the smartest, automated and digitally-enabled grids
- Ensuring that our grid is amongst the most efficient and reliable grids
- Transforming customer experience and offerings through embedding innovations into our grid

Developments for the period under review

In the period under review, we successfully secured RM18.8 billion in regulated capital allocations for the upcoming second Regulatory Period (RP2) 2018-2020. Full utilisation of this capital allocation will allow us to increase our regulated asset base to RM54.8 billion. The capital allocation also includes a RM2.7 billion allocation for investment in "Grid of the Future" technologies such as Advanced Metering Infrastructure (AMI) and grid automation that will contribute to further improvements in our network's reliability and efficiency.

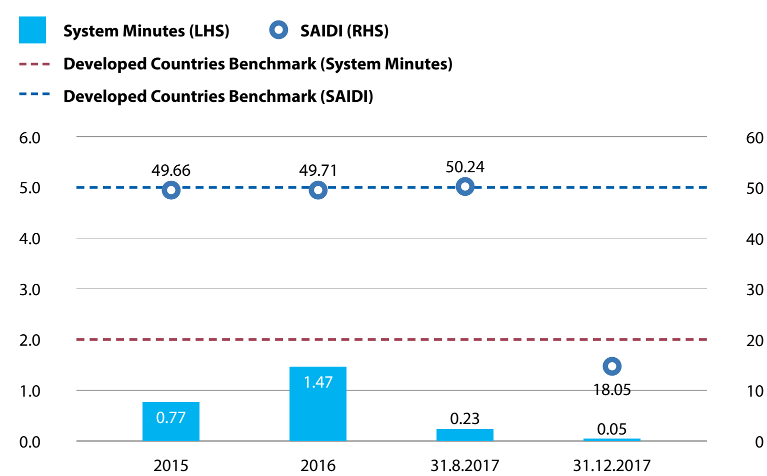
In addition to the increased capital allocation under RP2, we have also successfully protected the regulated return of our domestic distribution network from demand risk for the upcoming Regulatory Period.

Operationally we have put in place solutions for distribution mobility starting with the Peninsular wide roll out of our mobility solutions for meter management functions. This is the first of many distribution operational functions which we will be migrating onto mobility solutions.

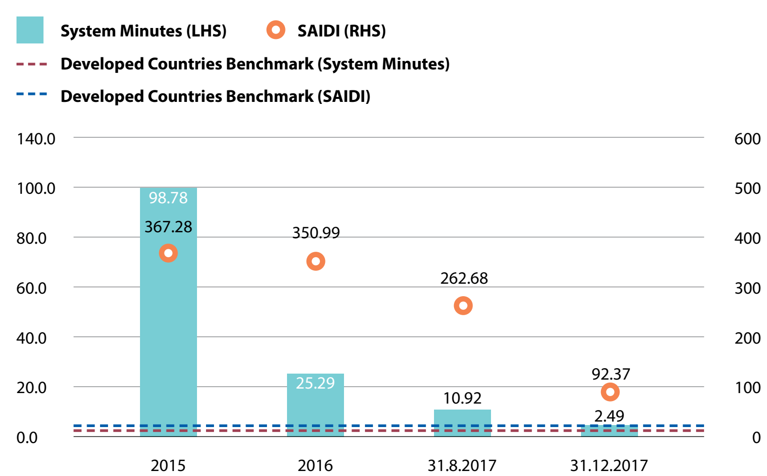
The performance of our grid operations during the period under review is reflected by a reduction in our Transmission System Minutes to 0.05 minutes from 0.23 in the financial year ended 31 August 2017. We also maintained low transmission losses of 1.30% against 1.29% in the previous financial year and high system availability of 99.82% against 99.79% in the previous financial year. SAIDI for the period under review was recorded at 18.05 minutes/customer/year (annualised: 54.15 minutes/customer/year), versus 50.24 for the year ended 31 August 2017.

System Minutes & System Average Interruption Duration Index (SAIDI)

PENINSULAR MALAYSIA



SABAH (SESB)



Planned Activities Moving Forward

We are targeting to complete the first stage of our roll out of AMI under RP2, with 340,000 units in the state of Melaka in 2018. Additionally, we will improve our asset management practices as we begin adopting new technologies and approaches that we have successfully beta-tested in 2016 and 2017. These include:

- TNB grid geospatial information system
- Unmanned aerial vehicle and light detection and ranging
- Centralised and online monitoring of grid equipment condition
- Risk-based maintenance approach for our grid equipment

We look to expand the use of mobility solution with plans to begin the peninsular wide deployment of mobility solutions for our linear asset management by third quarter of 2018 after successful completion of the trial period. We are also looking to commence with additional trials for the use mobility solutions for our construction management, substation management, low voltage operations and repairs within the second quarter of 2018.

As we continue to inculcate a culture of innovation within our Grid Division, we are targeting to commercialise seven (7) innovation patents locally and abroad by 2019.

OUR STRATEGY

WINNING THE CUSTOMER

STRATEGY

Our efforts under this pillar are focused on adopting a value-centric understanding of our customers' needs, which will go beyond electricity usage, allowing us to offer more than just electricity to our customers. This pillar is thus focused on delivering value towards our Reimagining TNB aspirations through:

- Enhancing our existing regulated customers journey through a better understanding of our customers value and needs
- Improving the productivity of our customer service team
- Expansion of our retail business beyond the 'kWh' space to provide related energy services and products to our customers

Developments for the period under review

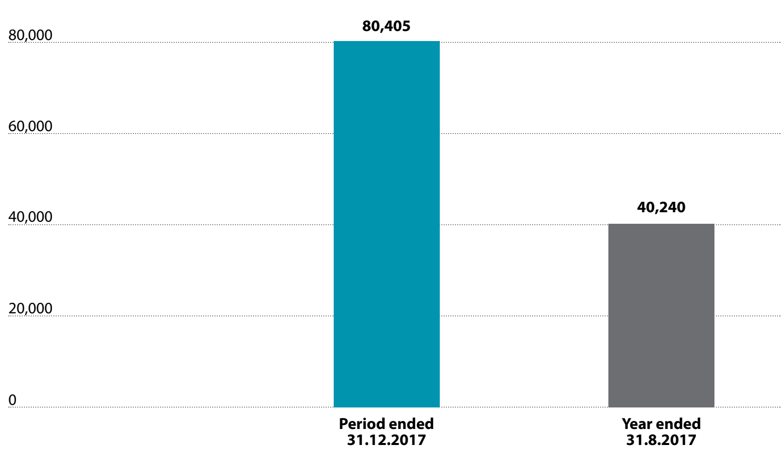
We have successfully launched our energy solutions to retailers and industrial customers, which is expected to contribute RM100 million towards our EBIT in 2025, where we have already secured RM36 million worth of energy solutions contracts from industry customers.

We also completed the acquisition of Setia Haruman Technology Sdn. Bhd., a solution provider of smart city technologies. This acquisition will make up a much needed component in the start of TNB's journey to provide the smart city and utilities management services.

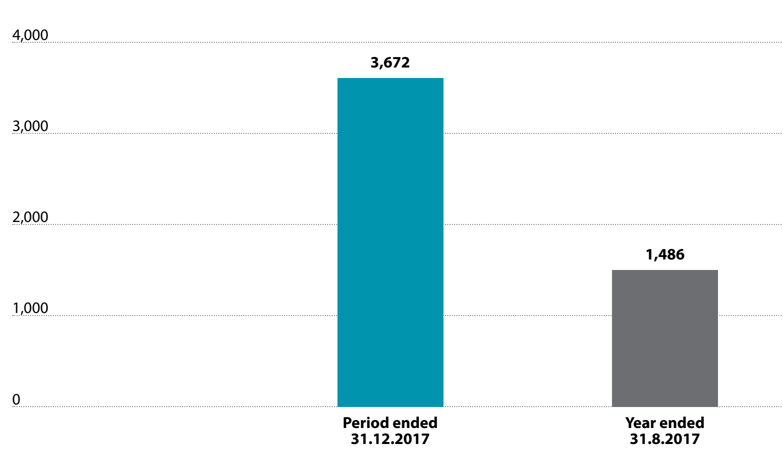
Following the introduction of our Home Energy Report (HER) programme as a pilot in 2016, this year we launched its second phase in collaboration with the Ministry of Energy, Green Technology and Water. We are targeting to reach a wider customer base of 6.9 million domestic customers under this second phase of HER. To further cater to customer needs, we have included widgets and tools to help customers better understand and manage their energy consumption, which can be accessed through our customer service portal. During the year, we also launched our new myTNB mobile app and enhanced the myTNB portal.

We continue to contribute to Nation-building initiatives with our participation in the Rural Electrification Programme (REP) and Lampu Jalan Kampung (LJK) programme. During the year, we installed 80,405 village street lights under the LJK, against 40,240 as at the end of August 2017, while 3,672 rural houses were connected to electricity under the REP, from 1,486 in the previous financial year.

Lampu Jalan Kampung (LJK) Programme



Rural Electrification Programme (REP)



Planned Activities Moving Forward

Our activities moving forward will be anchored on further enhancing the customer experience through technological means, including improving our digital presence.

We are also looking to further upgrading of our contact centre as part of our attempt to better serve our customers remotely.

We will also continue to explore the provision of relevant energy-related services by working closely among the TNB group as well as with external partners. These services are expected to improve our domestic profitability, while the efficiency of our customer service will be further improved once we complete the separation of our customer service entity in 2018.

OUR STRATEGY

FUTURE PROOF REGULATION

STRATEGY

As the energy industry continues to rapidly evolve, so too will the regulatory landscape as authorities ensure consumers gain access to affordable, reliable supply of electricity, with a growing shift towards renewable energy. Under this pillar, our activities will focus on delivering value towards our Reimagining TNB aspirations by:

- Working together with all industry stakeholders towards maintaining a conducive operating environment
- Ensuring that TNB continues to have the regulatory support needed to fulfill both our and the regulator's aspirations for the industry
- Ensuring that TNB remains responsive to regulatory developments, both domestic and international

Developments for the period under review

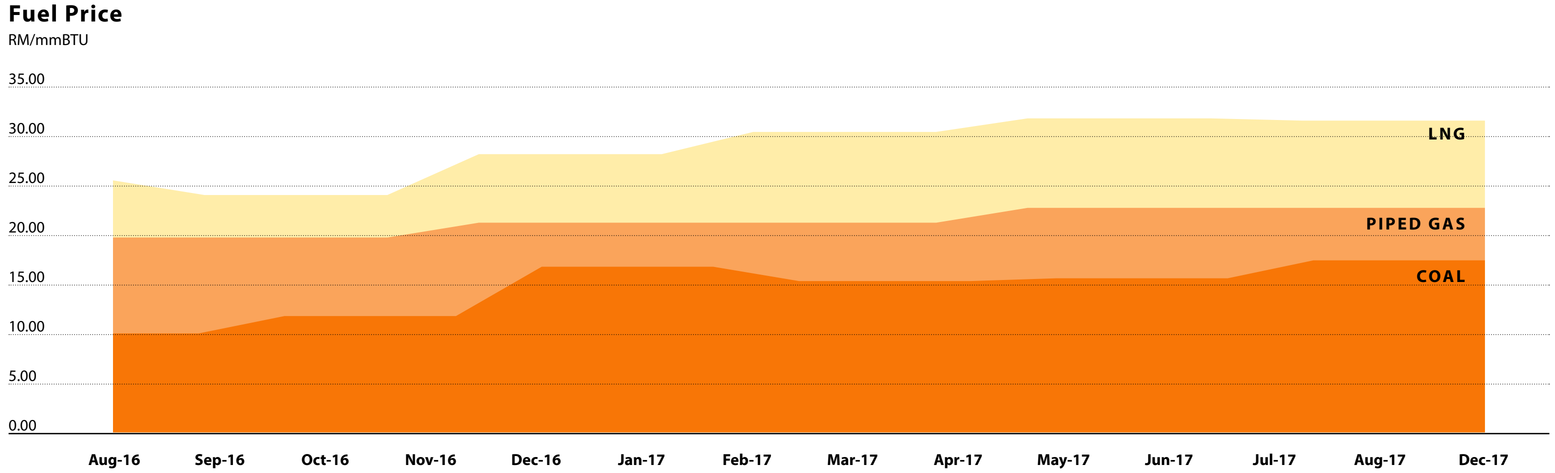
With the upcoming commencement of Regulatory Period 2, we have successfully secured a regulated rate of return of 7.3% for the upcoming second Regulatory Period, while also securing a regulated return for our distribution network from exposure to demand risk.

During the period under review, we signed an Energy Purchase and Wheeling Agreement (EPWA) to purchase up to 100MW of hydro electricity from Electricite du Laos (EDL), via the Electricity Generating Authority of Thailand (EGAT) existing transmission grid.

During the financial period ended 31 December 2017, we witnessed a surge in coal prices due to a shortage of supply from Australia and Indonesia. Nonetheless, any variations in fuel and generation cost against the base generation cost is a pass-through under the Imbalance Cost Pass-Through mechanism.

In conjunction with the requirement under the Electricity Supply (Amendment) Act 2015, the Regulatory Compliance Audit 2016 commenced during the financial period. The purpose of this audit is to ascertain TNB's fulfillment of obligations under our licenses and assure that we are operating in compliance to all regulatory requirements and executing our technical performance in accordance to relevant standards. The findings of the audit is expected to be available in the second quarter of 2018.

Fuel Price



Planned Activities Moving Forward

Moving forward, we will focus on operationalising the terms and conditions granted to TNB for RP2. This will ensure that we will be able to optimise the returns and capital allocations granted for this period.

Furthermore, we will continue to cooperate and assist the Malaysian Government in making the necessary enhancements to the Electricity Supply (Amendment) Act 2015, Electrical Infrastructure Safety Code and the Regulatory Implementation Guidelines governing the implementation of the IBR. We will also continue to engage actively with all our other key stakeholders, domestically and abroad, towards fostering better relationships, understanding and trust.

In September 2018, we are proud to host utility leaders and energy industry experts to the Conference of the Electric Power Supply Industry (CEPSI) in Kuala Lumpur. CEPSI 2018 theme is "Reimagining Utility of the Future". This theme underpins the current reality of how the electric supply industry is transforming in response to the numerous changes affecting it.

OPERATIONS SCORECARD

	2014	2015	2016	31.8.2017	31.12.2017
ENABLING REGULATORY ENVIRONMENT					
Return on asset	6.2%	6.6%	6.4%	5.4%	**5.6%**
Generation market share[1]	47.0%	48.0%	52.3%	52.3%	**50.6%**
EXCEEDING CUSTOMER EXPECTATIONS					
Customer satisfaction index[1]	7.6	8.0	8.1	8.1	**N/A[6]**
Corporate reputation index[3]	74%	76%	82%	81%	**N/A[6]**
DRIVING OPERATION EXCELLENCE AND COST EFFICIENCIES					
Cost per unit[1]	36.30 sen/kWh	35.10 sen/kWh	34.20 sen/kWh	36.60 sen/kWh	**37.30 sen/kWh**
Equivalent availability factor[2]	85.51%	88.76%	88.08%	88.51%	**84.96%**
Equivalent unplanned outage factor[2]	7.09%	3.85%	4.44%	2.69%	**4.46%**
Transmission system minutes[1]	0.13 minute	0.77 minute	1.47 minute	0.23 minute	**0.05 minute**
System average interruption duration index[1] (SAIDI) minutes/customer/year	55.00	49.66	49.71	50.24	**18.05**
Transmission losses[1]	1.63%	1.47%	1.28%	1.29%	**1.30%**
Distribution losses[1]	6.52%	6.21%	6.11%	6.21%	**6.13%**
GROWING PROFITABLE BUSINESS					
Non-regulated revenue[4]	RM2.5bn	RM2.6bn	RM2.7bn	RM3.3bn	**RM0.90bn**
TRANSFORMING PEOPLE AND LEADERSHIP					
Employee engagement score[5]	85%	85%	89%	89%	**N/A[6]**

[1] *For Peninsular Malaysia only.*

[2] *Including TNB's wholly-owned generating capacity in Peninsular Malaysia.*

[3] *TNB did not conduct any Corporate Reputation Index prior to FY2014.*

[4] *Gross revenue of all subsidiary excluding SESB, KEV, TNBJ and TNB Capital.*

[5] *TNB conducts its employee engagement survey biennially. The scores for both FY2016 and FY2017 are based on survey conducted in FY2016.*

[6] *The respective surveys was not conducted during this 4 month Annual Report period.*

FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS

26 January 2018	Unaudited consolidated results for the first (1st) quarter ended 30 November 2017
28 February 2018	Audited consolidated results for the Financial Period ended 31 December 2017

DIVIDEND POLICY

26 October 2017	Adoption of new dividend policy based on 30% to 60% dividend payout ratio for the Company

DIVIDENDS

Final Single-Tier Dividend of 44.0 sen per ordinary share for the Financial Year ended 31 August 2017	
21 December 2017	Entitlement Date
29 December 2017	Payment Date
Final Single-Tier Dividend of 21.41 sen per ordinary share for Financial Period ended 31 December 2017	
6 April 2018	Entitlement Date
19 April 2018	Payment Date

ANNUAL GENERAL MEETINGS

21 November 2017	Notice of 27th Annual General Meeting and Issuance of Integrated Annual Report for the Financial Year ended 31 August 2017
18 December 2017	27th Annual General Meeting
17 April 2018	Notice of 28th Annual General Meeting and Issuance of Integrated Annual Report 4-Month Period ended 31 December 2017
15 May 2018	28th Annual General Meeting

NET BOOK VALUE OF LAND AND BUILDINGS

AS AT 31 DECEMBER 2017

Property List	LAND									BUILDINGS		
	Leasehold			Freehold			Total					
Group	No.of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No.of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)	No.of Lots (1 +4)	Area (sq M) (2+5)	NBV (RM'000) (3+6)	No. (10)	Built-Up Area (sq M) (11)	Total NBV (RM'000) (12)
LOCATION												
Perlis	49	156,976	1,808	122	58,322	10,720	171	215,298	12,528	74	11,369	22,311
Kedah	297	1,056,663	14,063	593	936,879	52,065	890	1,993,542	66,128	370	135,764	222,094
Pulau Pinang	194	719,709	63,995	650	731,701	76,407	844	1,451,410	140,402	340	130,162	890,967
Perak	783	6,111,494	342,118	630	4,330,265	274,763	1,413	10,441,759	616,881	941	680,342	1,957,440
Selangor	850	11,560,275	464,639	1,488	2,522,285	471,925	2,338	14,082,560	936,564	1,665	738,155	2,341,368
W.Persekutuan	384	297,326	69,324	489	465,176	158,182	873	762,502	227,506	577	273,890	735,762
Putrajaya/Cyberjaya	7	588,490	13,479	8	1,554	1,693	15	590,044	15,172	62	8,581	40,991
N.Sembilan	282	2,065,430	56,640	494	1,007,281	50,994	776	3,072,711	107,634	260	459,156	504,124
Melaka	356	638,910	23,672	403	192,052	40,136	759	830,962	63,808	89	160,972	128,676
Johor	961	3,437,393	415,286	1,139	870,942	134,911	2,100	4,308,335	550,197	540	252,662	817,591
Pahang	371	1,316,113	51,130	492	903,928	54,917	863	2,220,041	106,047	500	276,256	3,401,961
Terengganu	361	2,119,260	26,710	177	10,982,897	88,354	538	13,102,157	115,064	281	490,191	2,035,741
Kelantan	360	1,288,093	8,785	340	2,294,566	25,809	700	3,582,659	34,594	357	663,528	831,573
Sabah	272	6,261,621	74,675	61	4,501,754	35,487	333	10,763,375	110,162	2,559	651,954	416,917
Pakistan	1	38,141	126	1	790,344	1,863	2	828,485	1,989	1	12,713	378
Total	**5,528**	**37,655,894**	**1,626,450**	**7,087**	**30,589,946**	**1,478,226**	**12,615**	**68,245,840**	**3,104,676**	**8,616**	**4,945,695**	**14,347,894**

The land and buildings comprise power stations, mini hydros, jetties, dams, substations, residential houses, apartments, holiday bungalows, office buildings, warehouses, stores and workshops.

SECTION TWO

BUSINESS CONTEXT

KEEPING THE LIGHTS ON FOR A BETTER AND BRIGHTER TOMORROW

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI LEO MOGGIE
Chairman
Non-Independent Non-Executive Director

DATUK SERI IR. AZMAN BIN MOHD
President/Chief Executive Officer
Non-Independent Executive Director

DATUK SERI HASHMUDDIN BIN MOHAMMAD
Non-Independent Non-Executive Director

AMRAN HAFIZ BIN AFFIFUDIN
Non-Independent Non-Executive Director

DATO' ABD MANAF BIN HASHIM
Senior Independent Non-Executive Director

DATUK SAKTHIVEL ALAGAPPAN
Independent Non-Executive Director

TAN SRI DATO' SERI CHOR CHEE HEUNG
Independent Non-Executive Director

GEE SIEW YOONG
Independent Non-Executive Director

NORAINI BINTI CHE DAN
Independent Non-Executive Director

JUNIWATI RAHMAT HUSSIN
Independent Non-Executive Director

BADRUL ILAHAN BIN ABD JABBAR
Independent Non-Executive Director

TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB
Independent Non-Executive Director
(Cessation of Office as Director w.e.f. 18 December 2017)

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Abd Manaf bin Hashim
Email : cosec@tnb.com.my

COMPANY SECRETARY

Norazni binti Mohd Isa (LS 0009635)

SHARE REGISTRAR

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

Telephone : 603-7849 0777 (Helpdesk)
Facsimile : 603-7841 8151/8152

DIVIDEND SERVICE PROVIDER

Bursa Malaysia Depository Sdn. Bhd. (165570-W)
10^{th} Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur
Malaysia

Telephone : 603-2034 7751
Facsimile : 603-2026 3712

PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)
CIMB Bank Berhad (13491-P)

EXTERNAL AUDITORS

Messrs PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia

Telephone : 603-2173 1188
Facsimile : 603-2173 1288

REGISTERED OFFICE

Tenaga Nasional Berhad (200866-W)
Pejabat Setiausaha Syarikat, Tingkat 2
Ibu Pejabat Tenaga Nasional Berhad
No. 129, Jalan Bangsar
59200 Kuala Lumpur
Malaysia

Telephone : 603-2296 5566
Facsimile : 603-2283 3686
Website : www.tnb.com.my

TNB Careline : 15454 (for power outage or TNB street light malfunction)

: 1-300-88-5454 (for billing or account enquiries)

Whistle Blowing Information System : wbis.tnb.com.my

Toll Free : 1-800-888-862

AGM HELPDESK

Telephone : 603-2180 4586/4587/4590
(Share Administration Section,
Company Secretary's Office,
Tenaga Nasional Berhad)

INVESTOR RELATIONS

Investor Relations Department
Tingkat 4, Ibu Pejabat Tenaga Nasional Berhad
No. 129, Jalan Bangsar
59200 Kuala Lumpur
Malaysia
Telephone : 603-2296 6748
Facsimile : 603-2284 0095
Email : tenaga_ird@tnb.com.my

STOCK EXCHANGE LISTING

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

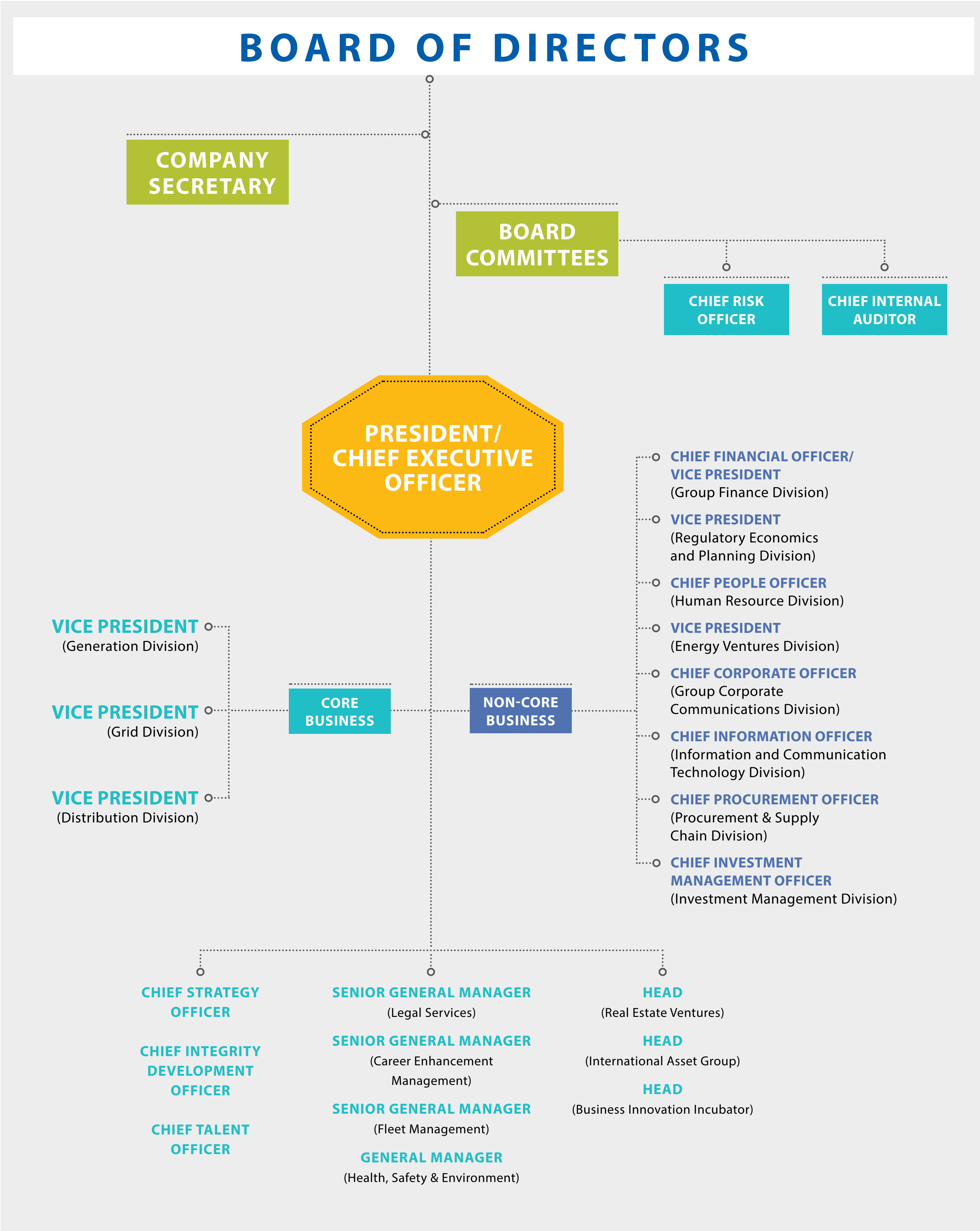
CREDIT RATINGS

Local Rating Agency	Issuer Rating	International Rating Agency	Issuer Rating
RAM Rating Services Berhad (RAM)	AAA Stable	Standard & Poor's Ratings Services (S&P)	BBB+ Stable
Malaysian Rating Corporation Berhad (MARC)	AAA*IS*/ AAA Stable	Moody's Investors Service (Moody's)	A3 Stable

AMERICAN DEPOSITORY RECEIPTS PROGRAMME (ADR)

ADR Level 1

ORGANISATIONAL STRUCTURE



GROUP CORPORATE STRUCTURE

- 100% MALAYSIA TRANSFORMER MANUFACTURING SDN. BHD.
- 100% TNB INTEGRATED LEARNING SOLUTION SDN. BHD.
- 100% TNB PASIR GUDANG ENERGY SDN. BHD.
- 100% TNB JANAMANJUNG SDN. BHD.
- 100% TNB FUEL SERVICES SDN. BHD.
- 100% TNB CONNAUGHT BRIDGE SDN. BHD.
- 100% TNB-IT SDN. BHD.
- 100% TNB GLOBAL VENTURES CAPITAL BERHAD
- 100% TNB SEPANG SOLAR SDN. BHD.
- 100% TNBX SDN. BHD.
- 100% TNB POWER DAHARKI LTD.
  - 100% TNB LIBERTY POWER LIMITED
- 100% TNB MANJUNG FIVE SDN. BHD.
  - 100% TNB WESTERN ENERGY BERHAD
- 100% TNB PRAI SDN. BHD.
  - 100% TNB NORTHERN ENERGY BERHAD
- 100% TNB ENGINEERING CORPORATION SDN. BHD.
  - 100% TNEC CONSTRUCTION SDN. BHD. *(Dormant)*
  - 100% BANGSAR ENERGY SYSTEMS SDN. BHD.
    - 70% SELESA ENERGY SYSTEMS SDN. BHD. *(Dormant)*
  - 100% TNEC OPERATIONS AND MAINTENANCE SDN. BHD.
    - 51% TOMEST ENERGY MANAGEMENT SDN. BHD. *(In Members' Voluntary Winding Up)*
  - 77% AIRPORT COOLING ENERGY SUPPLY SDN. BHD.
  - 49% ABRAJ COOLING LLC
- 100% TNB RESEARCH SDN. BHD.
  - 100% TNBR QATS SDN. BHD.
  - 40% GUNUNG TENAGA SDN. BHD.
- 100% TNB ENERGY SERVICES SDN. BHD.
  - 40% FTJ BIO POWER SDN. BHD.
  - 49% SIME DARBY TNBES RENEWABLE ENERGY SDN. BHD.
  - 20% JANA LANDFILL SDN. BHD.
- 100% TNB INTERNATIONAL SDN. BHD.
  - 50% VORTEX SOLAR INVESTMENTS SARL
    - 100% VORTEX SOLAR UK LIMITED
  - 100% TENAGA INVESTMENTS UK LTD
    - 100% TENAGA WIND VENTURES UK LTD
      - 80% GVO WIND LTD
      - 80% BLUEMERANG CAPITAL LTD
- 100% INTEGRAX BERHAD
  - 100% SEGMEN KEMBARA SDN. BHD. *(Dormant)*
  - 100% TREK KEMBARA SDN. BHD. *(Dormant)*
  - 100% LBT TWO SDN. BHD. *(Dormant)*
  - 100% PELABUHAN LUMUT SDN. BHD.
    - 80% LEKIR BULK TERMINAL SDN. BHD.
    - 50% LESS 1 SHARE LUMUT MARITIME TERMINAL SDN. BHD.
      - 50% LESS 1 SHARE LMT CAPITAL SDN. BHD. *(Dormant)*
- 100% UNIVERSITI TENAGA NASIONAL SDN. BHD.
  - 100% UNITEN R&D SDN. BHD.
  - YAYASAN CANSELOR UNIVERSITI TENAGA NASIONAL
- 100% ORION MISSION SDN. BHD.
  - 100% LAHAD DATU HOLDINGS SDN. BHD.
    - 100% LAHAD DATU ENERGY SDN. BHD. *(Dormant)*
  - 50% EASTERN SABAH POWER CONSORTIUM SDN. BHD. *(Dormant)*
- 100% TNB RENEWABLES SDN. BHD.
  - 100% TNB BUKIT SELAMBAU SOLAR SDN. BHD.
  - 100% GSPARX SDN. BHD.

GROUP CORPORATE STRUCTURE

- 100% **TNB VENTURES SDN. BHD.**
  - 76% TENAGA CABLE INDUSTRIES SDN. BHD.
  - 20% NORTHERN UTILITY RESOURCES SDN. BHD. *(In Liquidation & Under Receivership)*
- 100% **POWER AND ENERGY INTERNATIONAL (MAURITIUS) LTD.**
  - 100% INDEPENDENT POWER INTERNATIONAL LTD.
    - 20% MALAYSIAN SHOAIBA CONSORTIUM SDN. BHD.
      - 50% SAUDI-MALAYSIA WATER & ELECTRICITY CO. LTD.
  - 30% GMR ENERGY LIMITED
- 100% **ARUNA SERVICIOS INTEGRALES S.L.U.**
  - 100% GLOBAL POWER ENERJÎ SANAYÎ VE TÎCARET ANONÎM ŞÎRKETÎ
    - 30% GAMA ENERJI ANONÎM ŞÎRKETÎ
- 100% **TNB REPAIR AND MAINTENANCE SDN. BHD.**
  - 100% TENAGA WHR 1 SDN. BHD. *(In the process of share transfer)*
  - 100% TNB REMACO PAKISTAN (PRIVATE) LIMITED
  - 100% TRICHY ENERGY LIMITED *(Dormant)*
  - 100% TRICHY POWER LIMITED *(Dormant)*
  - 100% TNB OPERATIONS & MAINTENANCE INTERNATIONAL LTD.
    - 100% OASIS PARADE SDN. BHD.
      - 30% SAUDI MALAYSIA OPERATION AND MAINTENANCE SERVICES CO. LTD.
      - 10% ALIMTIAZ OPERATION & MAINTENANCE COMPANY LIMITED
- 83% **SABAH ELECTRICITY SDN. BHD.**
  - 100% ELOPURA POWER SDN. BHD. *(In the process of share transfer)*
- 70% **JIMAH EAST POWER SDN. BHD.**
- 60% **KAPAR ENERGY VENTURES SDN. BHD.**
- 60% **TENAGA SWITCHGEAR SDN. BHD.**
  - 60% TSG ORMAZABAL SDN. BHD.
  - 95% PT. TENAGA NUSA BAKTI *(Dormant)*
  - 34% TENAGA MIDDLE EAST ELECTRIC CONTRACTING L.L.C
- 51% **SOUTHERN POWER GENERATION SDN. BHD.**

ASSOCIATES

- 49% FIBRECOMM NETWORK (M) SDN. BHD.
- 20% TEKNOLOGI TENAGA PERLIS CONSORTIUM SDN. BHD.
- 20% GB3 SDN. BHD.
- 20% JIMAH ENERGY VENTURES HOLDINGS SDN. BHD.
  - 100% JIMAH ENERGY VENTURES SDN. BHD.

JOINT VENTURE

- 50% SEATRAC SDN. BHD. *(Dormant)*

SIMPLE INVESTMENTS

- 20% PERUSAHAAN OTOMOBIL ELEKTRIK (MALAYSIA) SDN. BHD. *(In Winding Up)*
- 10% LABUAN REINSURANCE (L) LTD.
- 8.91% FEDERAL POWER SDN. BHD.

TRUST FOUNDATIONS

- YAYASAN TENAGA NASIONAL
- RETIREMENT BENEFIT TRUST FUND

DORMANT COMPANIES

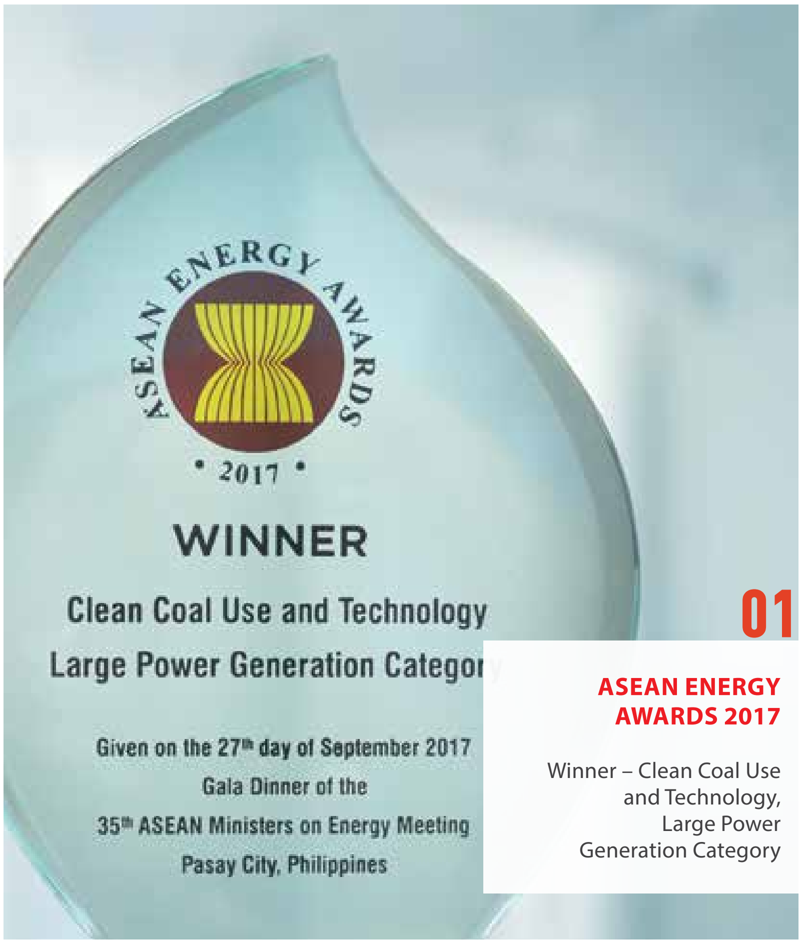
- 100% TNB CAPITAL (L) LTD.
- 100% TNB RISK MANAGEMENT SDN. BHD.
- 100% TNB HIDRO SDN. BHD.
- 100% TNB TRANSMISSION NETWORK SDN. BHD.
- 100% TNB QUANTUM SOLUTIONS SDN. BHD. *(In Creditors' Voluntary Winding Up)*
- 100% TNB GENERATION SDN. BHD.
- 100% TNB DISTRIBUTION SDN. BHD.
- 100% TNB ENGINEERS SDN. BHD.
- 100% TNB COAL INTERNATIONAL LIMITED
  - 100% DYNAMIC ACRES SDN. BHD. *(In Members' Voluntary Winding Up)*
- 100% TNB PROPERTIES SDN. BHD.
  - 100% TNP CONSTRUCTION SDN. BHD.
  - 40% KM METRO-TNB PROPERTIES SDN. BHD.
- 70% SEPANG POWER SDN. BHD.

MANJUNG ISLAND ENERGY BERHAD *(Subsidiary as defined by MFRS 10, 11 and 12)*

Subsidiaries | Associates | Joint Ventures | Simple Investments | Trust Foundations

The information is as at 14 March 2018.

AWARDS & RECOGNITION



01

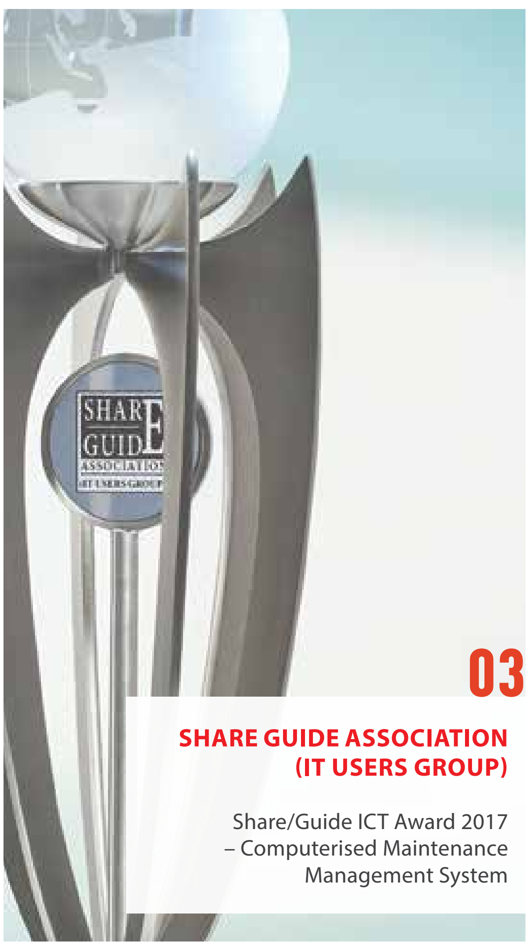
ASEAN ENERGY AWARDS 2017

Winner – Clean Coal Use and Technology, Large Power Generation Category

02

THE ASIAMONEY AWARDS

2017 Best Corporate Brand in Malaysia



03

SHARE GUIDE ASSOCIATION (IT USERS GROUP)

Share/Guide ICT Award 2017 – Computerised Maintenance Management System

04

SIRIM QUALITY AWARD 2017

For Income Above RM100 Million Category – TNB Janamanjung Sdn. Bhd.

05

OUTSOURCING MALAYSIA EXCELLENCE AWARDS 2017

Best in Operational Excellence Contact Centre

AWARDS & RECOGNITION

06

TALENTCORP

Life At Work
2017/2018
Honouree

07

ADAM SMITH AWARDS ASIA 2017

Highly Commended in Harnessing the Power of Technology Category

09

MINORITY SHAREHOLDER WATCHDOG GROUP (MSWG) – ASEAN CORPORATE GOVERNANCE RECOGNITION 2017

- Industry Excellence Award in Consumer Services
- Excellence Award for CG Disclosure – 10th place

08

ESRI MALAYSIA USER CONFERENCE 2017

Esri Malaysia Geo Innovation Award 2017

10

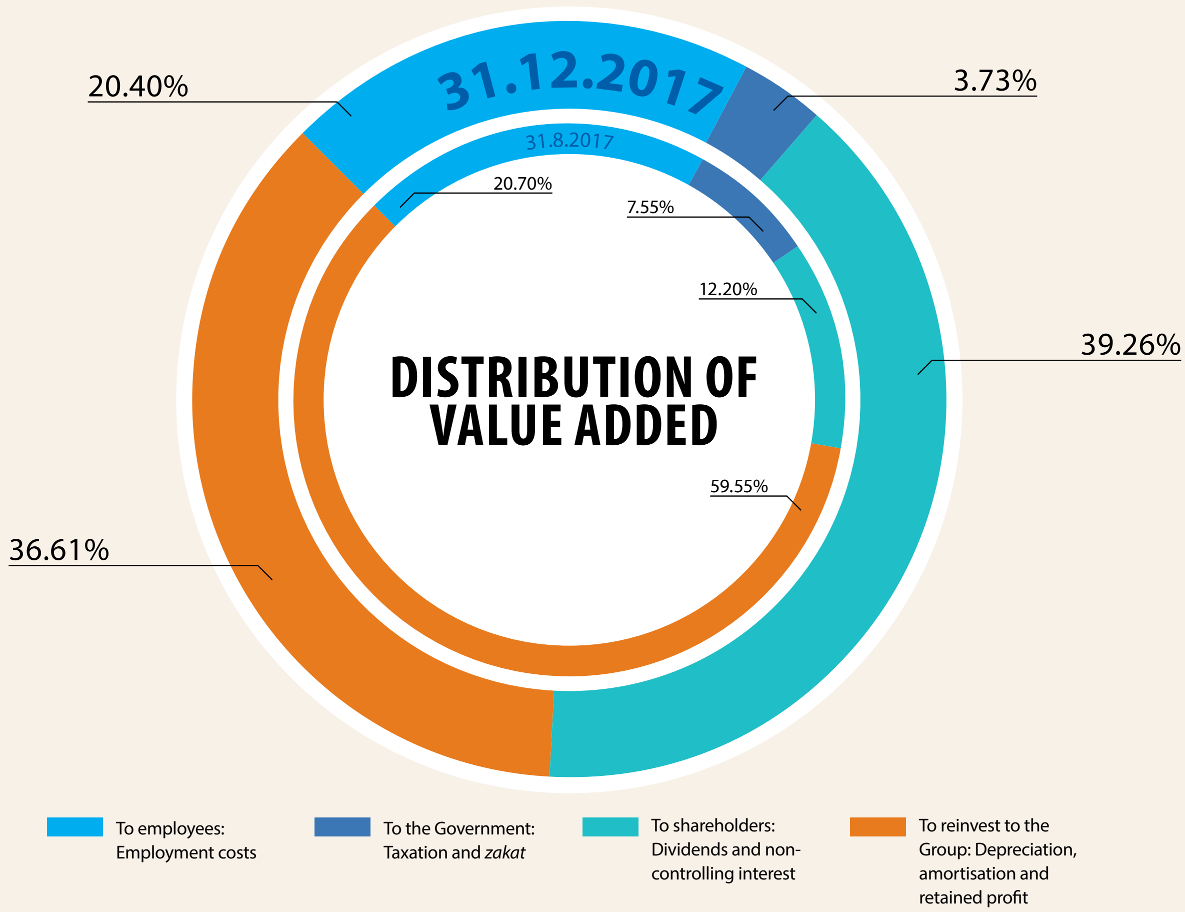
NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2017

- Integrated Reporting Award – Silver
- Award – Certificate of Merit

DIRECT VALUE ADDED TO MALAYSIA

STATEMENT OF VALUE ADDED

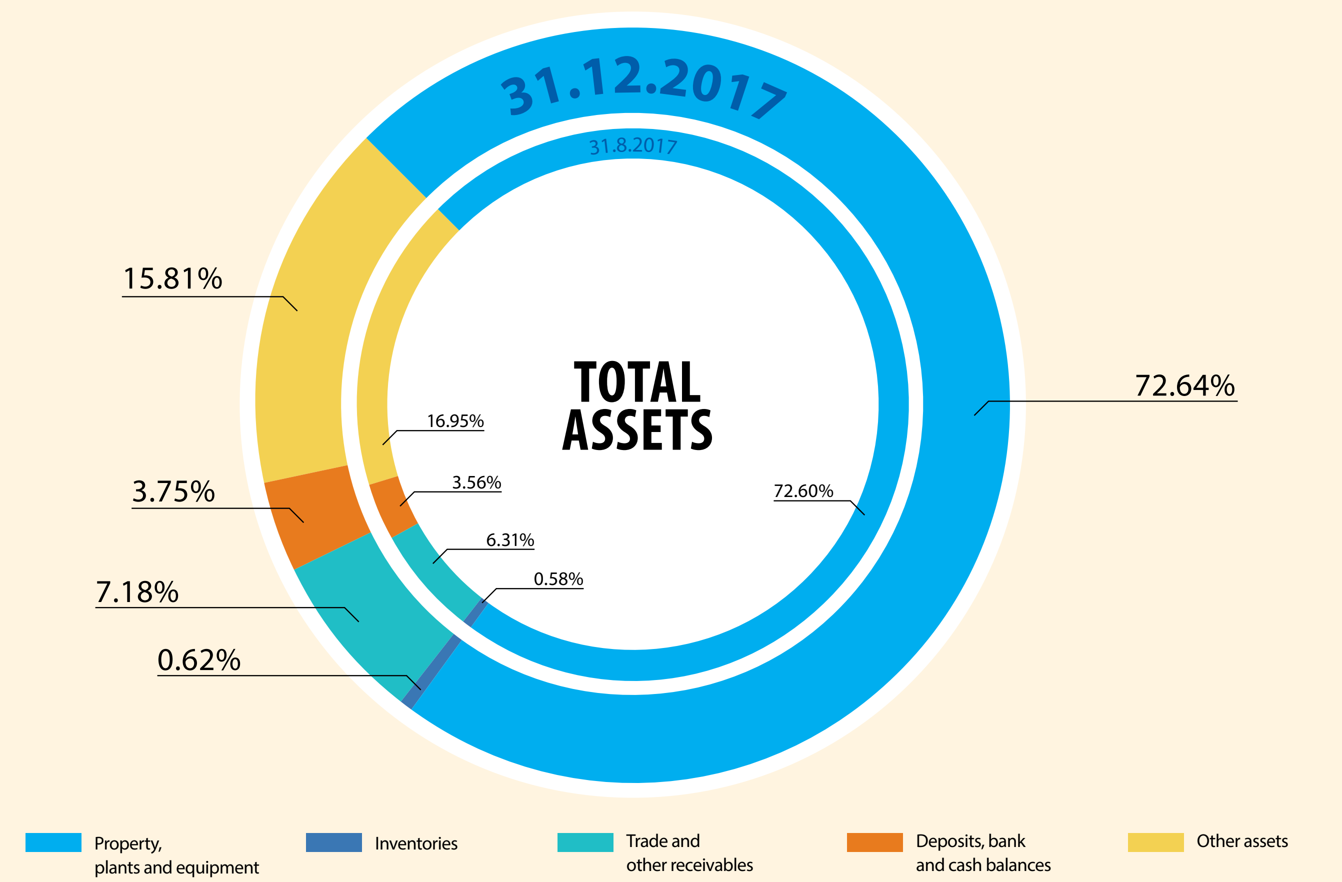
	2016 RM Million	31.8.2017 RM Million	31.12.2017 RM million
VALUE ADDED			
Revenue	44,531.50	47,416.90	15,827.10
Operating expenses excluding staff costs, depreciation and amortisation	(26,304.50)	(29,212.80)	(9,852.70)
Other operating income	711.50	1,021.30	512.60
Finance income	299.00	237.60	133.50
Finance cost	(1,039.30)	(1,456.00)	(576.00)
Foreign exchange gain/(loss) on borrowings	(358.20)	7.90	310.20
Share of results of associates and joint ventures	93.30	128.30	(37.00)
Value added available for distribution	17,933.30	18,143.20	6,317.70
DISTRIBUTION			
To employees:			
Employment cost	4,144.30	3,756.40	1,288.50
To the Government:			
Taxation and *zakat*	746.00	1,369.70	235.40
To shareholders:			
Dividends	1,636.70	2,205.00	2,493.00
Non-controlling interest	(46.80)	8.10	(11.80)
To reinvest to the Group:			
Depreciation and amortisation	5,722.20	6,105.00	2,049.90
Retained profit	5,730.90	4,698.50	262.70
Total distributed	17,933.30	18,143.20	6,317.70

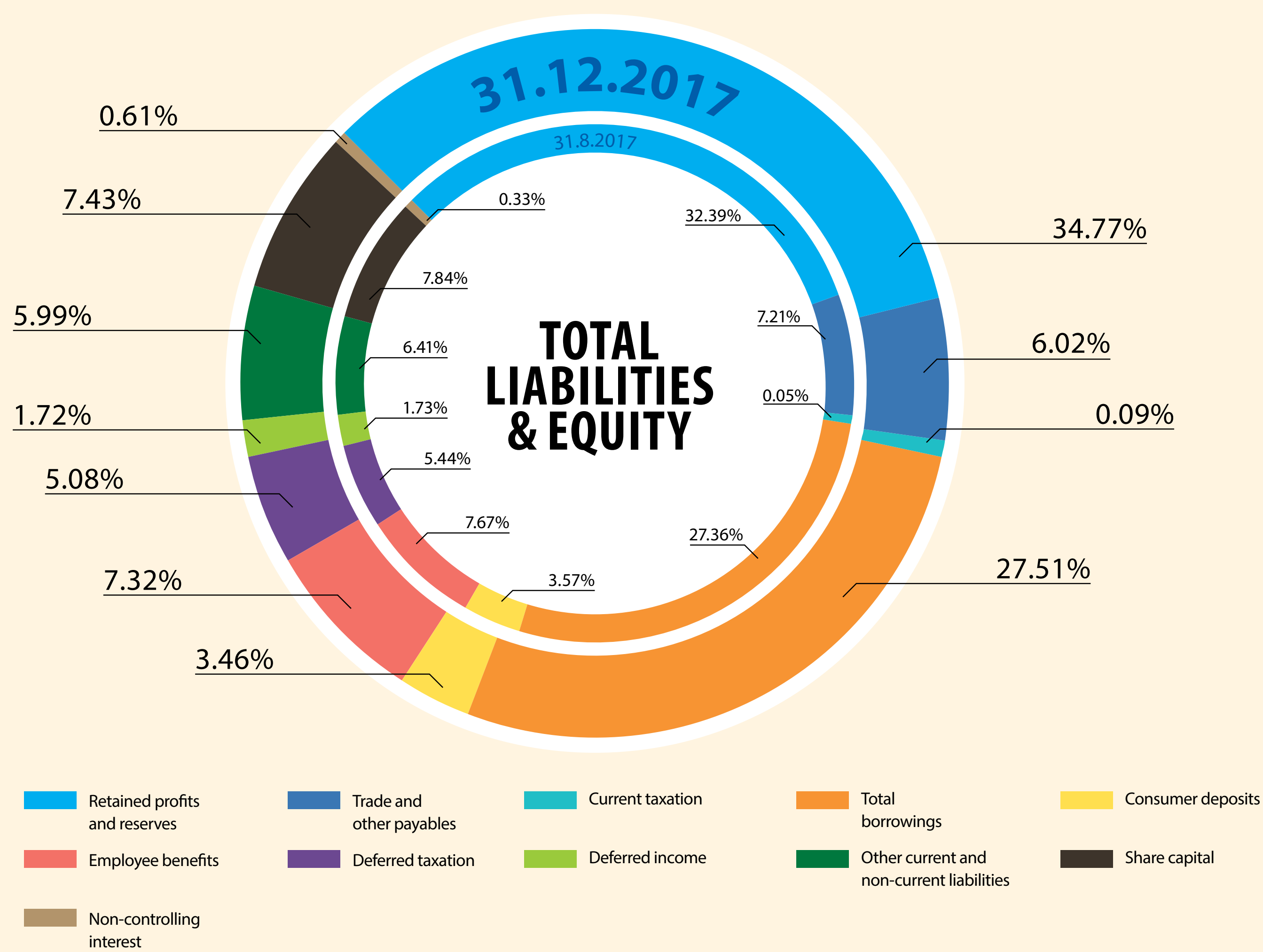


SECTION THREE

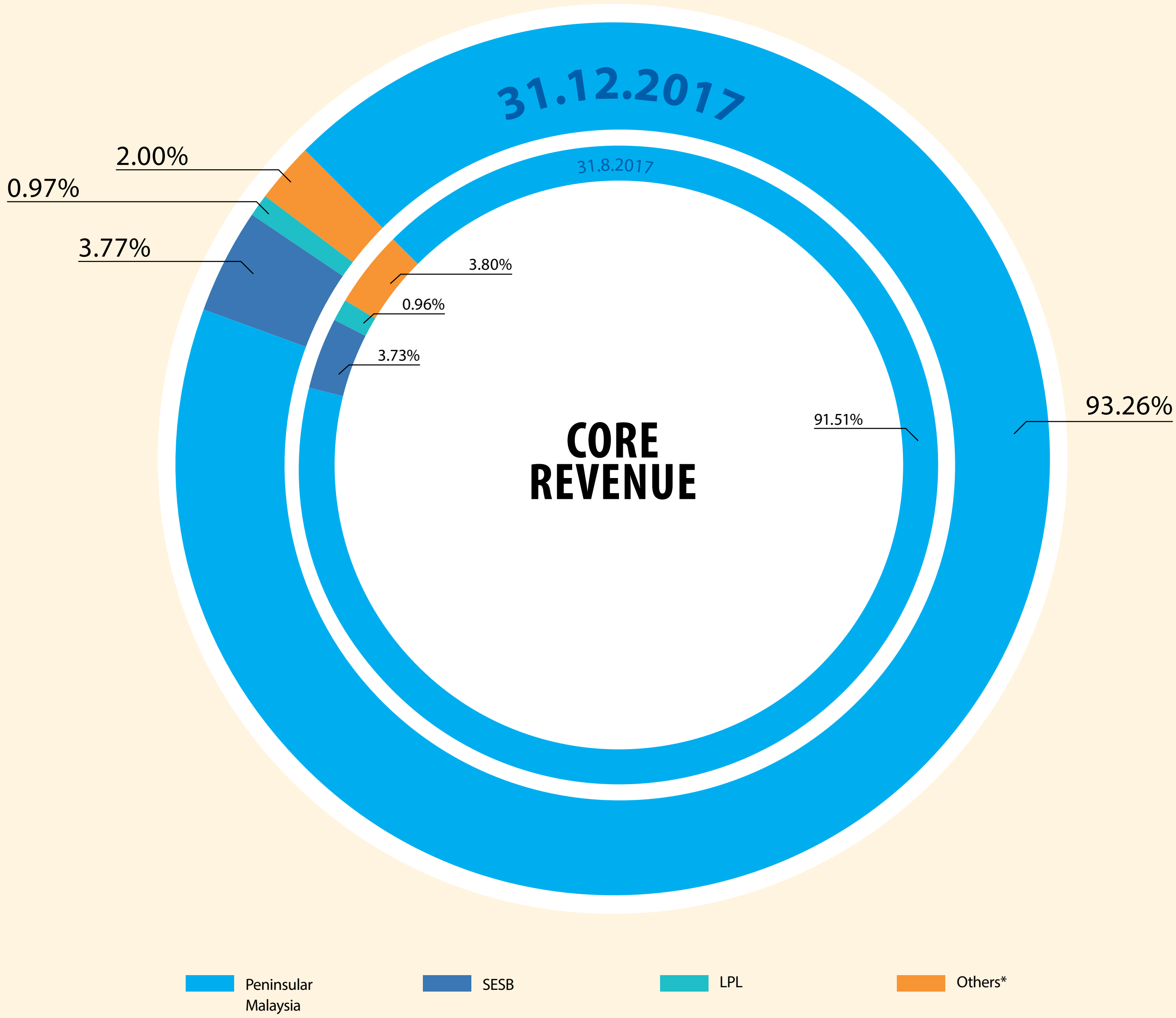
PERFORMANCE REVIEW

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION





CORE REVENUE FINANCIAL PERIOD ENDED 31 DECEMBER 2017



** Others include EGAT, LPS Operating Lease, Accrued Revenue, Goods & Services, Deferred Income & Imbalance Cost Pass-Through*

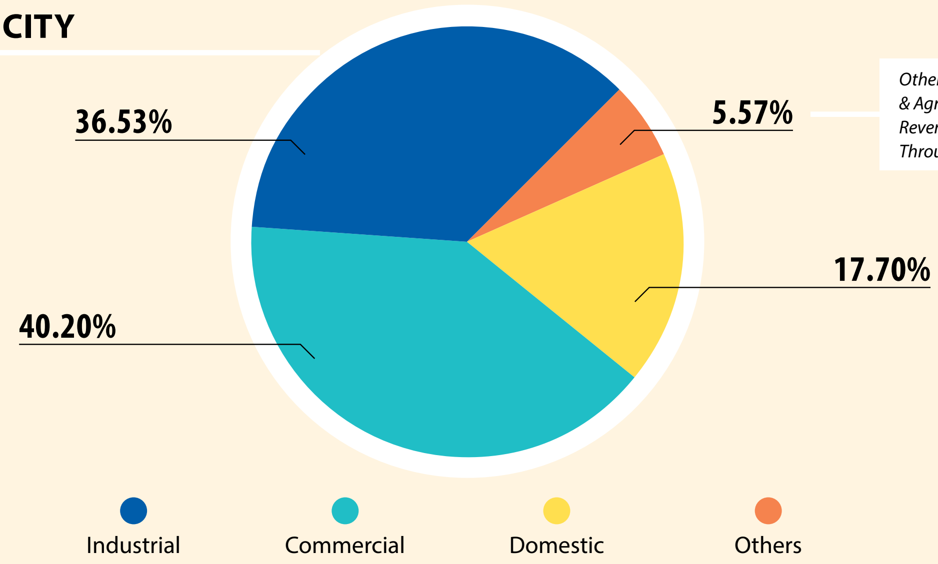
	31.8.2017 RM Million	31.12.2017 RM Million
CORE REVENUE		
Peninsular Malaysia	43,392.00	14,760.60
SESB	1,769.80	596.00
LPL	452.80	153.50
Others*	1,802.30	317.00
Total revenue	47,416.90	15,827.10

* Others include EGAT, LPS Operating Lease, Accrued Revenue, Goods & Services, Deferred Income & Imbalance Cost Pass-Through

OPERATIONAL STATISTICS

SALES OF ELECTRICITY

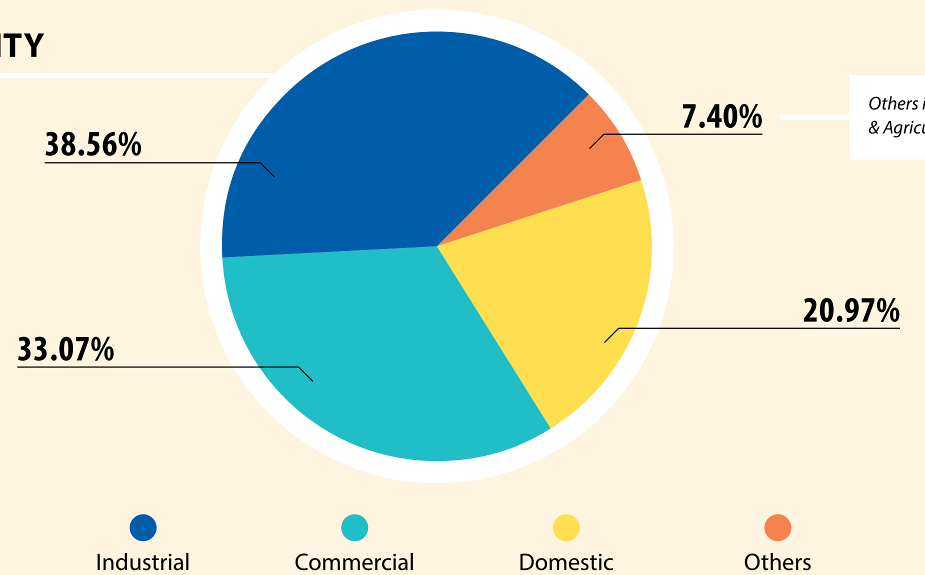
(GROUP/RM MILLION)



Others include Mining, Public Lighting & Agriculture, SESB, EGAT, LPL, Accrued Revenue & Imbalance Cost Pass-Through

SALES OF ELECTRICITY

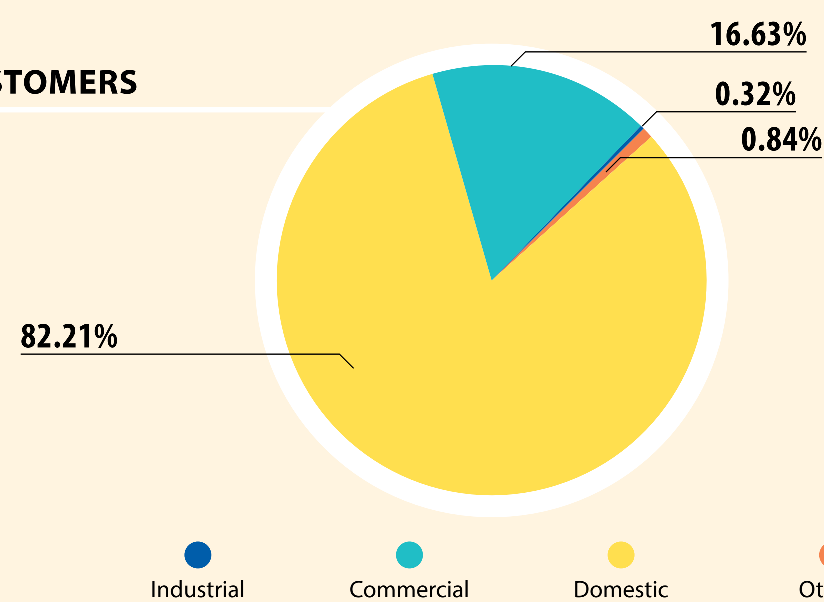
(GROUP/GWH)



Others include Mining, Public Lighting & Agriculture, SESB, EGAT & LPL

NUMBER OF CUSTOMERS

(BY CLASSIFICATION)



Others include Mining, Public Lighting & Agriculture

SECTION FOUR

SUSTAINABILITY STATEMENT

POWERING A GREEN NATION

We always conduct our operations with great care to ensure that the next generation will continue to enjoy a clean environment and a sustainable future.

SUSTAINABILITY STATEMENT

We contribute towards unlocking the value of young Malaysians to accelerate the country's aspiration of achieving high-income Nation status.

AT THE HEART OF WHAT WE DO, WE LOOK TOWARDS ESTABLISHING LONG-LASTING AND MEANINGFUL RELATIONSHIPS WITH OUR STAKEHOLDERS. THROUGHOUT OUR JOURNEY, SUSTAINABILITY HAS BEEN A CONSTANT THREAD IN HOW WE RUN OUR BUSINESS AND OPERATIONS.

As we move forward in our aspirations – to become a world-class energy provider, we will ensure that we do not lose sight of what matters most to us – working towards a better and brighter future for all. Understanding matters that are of concern to our stakeholders and our business, allows us to manage ourselves in a way that creates long-term shared value while operating responsibly towards the environment and society.

SUSTAINABILITY HIGHLIGHTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

9,036
FEED-IN-TARIFF (FiT) PROJECTS
with installed capacity of 417.4MW

80,405
LIGHTS INSTALLED
for Lampu Jalan Kampung Phase 8

PARTNERSHIP WITH MALAYSIAN DEPARTMENT OF ENVIRONMENT
to promote Guided Self Regulation (Environment)

Launched energy efficient products and services for Malaysian customers
TNB'S HOME ENERGY REPORT AND MAKING ELECTRICITY VISIBLE (MaEVI)

642
PARTICIPANTS
for TNB's Integrity Engagement Programme

TNB Employees Breakdown by Age[1]
49% MILLENNIALS
33% GENERATION X
18% BABY BOOMERS

[1] Baby boomers (>50 years old), Generation X (35-50 years old), Millenials (<35 years old)

RM2,280,192
TOTAL SPONSORED
for two Transit Homes under Better Brighter Shelter Programme

ABOUT THIS STATEMENT

This report primarily covers the sustainability initiatives of TNB's operations in Peninsular Malaysia which accounts for the major parts of our business and includes selected highlights from subsidiaries and international operations. This Sustainability Statement is prepared in accordance to Bursa Malaysia Securities Berhad's Main Market Listing Requirements for Sustainability Statement.

TNB has changed the financial year end from 31 August to 31 December. The following statement is a report for the financial period of four months from 1 September 2017 to 31 December 2017.

SUSTAINABILITY GOVERNANCE

At TNB, sustainability is part of how we run our business. It is ingrained in our company policies and is inextricably linked with our business strategy and decisions. Our approach to sustainability forms part of our commitment to be a responsible corporation for the customers and communities we serve.

Sustainability matters amongst others, come under the purview of the TNB's management, comprising management executives and chaired by the President/CEO. Their key roles are to review, challenge, evaluate and advise on initiatives related to 'Sustainability and Green Energy' projects to be implemented by TNB, prior to further review from other prerogative committees including the Board of Directors. Decisions to escalate issues to higher approving authorities are dependent on our Procurement & Policy as well as Limit of Authority (LOA) guidelines.

ENGAGING OUR STAKEHOLDERS

Engaging with our diverse stakeholder groups allows us to have meaningful conversations and build strong relationships with them over the years. Understanding our stakeholders helps us to better respond to their needs and interests. Various communication platforms are in place where they are able to raise concerns and provide important feedback.

	Who are our stakeholders?	How do we engage our stakeholders?
CUSTOMERS	Our customers comprise domestic, commercial and industrial consumers including Small & Medium-Sized Enterprises (SMEs) and large corporations	• Customer service and hotline centres • Online portals • Customer surveys • Social network • Roadshows • Campaigns
GOVERNMENT	The Malaysian Federal and State Governments, parliamentarians, municipal councils and regulators	• Meetings and briefings • Site visits • Round table sessions • Direct contact • Outreach programmes
INVESTORS	Institutional and retail investors, analysts and potential investors with interest	• Financial Results announcements • Investor Relations conference and roadshows • One-to-one engagement • Site visits
EMPLOYEES	Our 35,030 employees throughout TNB Group and 27,995 employees in TNB Company *Note: Full time employees and does not include contractors*	• Direct contact • Townhalls, *Turun Padang* & other outreach programmes • Online portal (intranet), newsletters, emails • Employee surveys • CSR event
TRADE UNIONS	Three registered unions and two workers associations that cover all categories of staff	• Joint meetings and engagement sessions • Negotiation • Collective Agreement • Direct contact
VENDORS	Our contractors and suppliers	• Direct contact • Training and workshops • TNB Vendors Day • Outreach programmes
COMMUNITY	Local communities in or near areas where we operate including those affected by our operations	• Outreach programmes • CSR programmes • Town halls • Dialogue sessions • Sporting events
NON-GOVERNMENTAL ORGANISATIONS (NGOs)	Consumer/human rights groups, environmental groups and chambers of commerce	• Direct contact • Outreach programmes • Seminars and knowledge sharing sessions

WHAT MATTERS TO US

To identify matters that are most significant to our stakeholders and business, we conducted a comprehensive materiality assessment earlier in financial year ended 31 August 2017. The material matters remains as there were no significant changes in the operations since the recent financial year ended 31 August 2017 statement.

STEP 1 ►

IDENTIFICATION

A list of materiality matters was identified in accordance with GRI-G4 and Bursa Malaysia's Guide. The following factors were also taken into consideration:

- Changing global and local trends
- The direction of the energy market
- Regulatory changes
- Media analysis
- Comparative study outcome
- Our strategies and internal policies

STEP 2 ►

PRIORITISATION

Material matters were prioritised by taking into account internal and external stakeholder opinions and their importance to TNB.

A full-day materiality assessment workshop with representatives from Mid-to-Senior Management from the different operational and corporate functional areas was conducted.

STEP 3 ►

VALIDATION

The list of prioritised material matters, was verified through interviews and discussions with the following:

- Top Management
- Relevant subject matter experts

The final materiality matrix was presented and endorsed by our Top Management.

We have included throughout this statement, material matters deemed as high and medium from the perspective of stakeholder concerns and business impact.

SPIRIT OF RESPONSIBILITY

Marks our commitment, driven by our Board to reinforce ethical and safe business governance and forward looking culture

Material Matters

- Responsible and ethical business practices
- Stakeholder relationship
- Disaster management
- Cybersecurity management

ENVIRONMENTAL STEWARDSHIP

Defines our commitment to minimise our environmental impact wherever we operate

Material Matters

- Greenhouse Gas (GHG) emissions and environment management
- Biodiversity
- Natural resource consumption

DELIVERING WITH PURPOSE

Defines our continued aspiration to provide reliable and efficient energy in the local and international Electricity Supply Industry (ESI) for a better brighter future

Material Matters

- Business and financial performance
- Fuel mix policy
- Reliable energy and fair tariffs
- Renewable energy
- Efficient technology and innovation

EMBRACING RELATIONSHIPS

Revolves on how we look to develop long-term meaningful relationships with our customers, employees and communities in order to gain their trust

Material Matters

- Customer experience
- Energy efficiency
- Workplace culture
- Capability development
- Employee engagement
- Health and safety
- Education
- Community development

SUSTAINABILITY STATEMENT

SPIRIT OF RESPONSIBILITY

RESPONSIBLE AND ETHICAL BUSINESS PRACTICES

Good governance to us is the foundation for a sustainable and successful business. It forms part of our commitment to operate in an ethical, transparent and responsible manner for the customers and communities we serve.

We continuously review our governance structures and update our controls and policies to ensure compliance with regulations, making sure they are relevant and lead the way for good practices within the company.

We comply with all relevant regulations that ensure corporate integrity and good governance, in compliance with the Companies Act 2016, Bursa Malaysia Securities Berhad (Bursa Securities)'s Main Market Listing Requirements (MMLR) and the Securities Commission (SC)'s Malaysian Code on Corporate Governance 2017 (MCCG).

TNB's Code of Ethics governs the conduct of our people from our Board to our employees, to ensure we act with the highest level of integrity. The Code sets out provisions to ensure compliance with laws and regulations, sound employment practices, confidentiality, privacy and outlines conflicts of interests.

Our Integrity Department runs numerous programmes and courses throughout TNB to raise awareness on integrity issues, share responsible and ethical practices.

Highlight on initiatives

- The two-year project to develop TNB's Corporate Integrity Management System (TCIMS) based on ISO 37001 (Anti-Bribery Management System) is now at the fourth stage (Operations) with target completion date to be late 2018.
- TNB's Integrity Department conducted a series of Integrity Engagement Programmes providing exposure and information to inculcate a culture of good governance and integrity within TNB:
  - Conducted throughout November – December 2017
  - Targeted audience was Retail Unit and Customer Service Department under Distribution Division
  - Total of 642 participants across four (4) zones.
- A total of six (6) integrity courses were conducted by TNB's Integrity Department at TNB Integrated Learning Solutions (ILSAS) for TNB staff.
- Two (2) integrity briefing sessions on Integrity Pact were conducted by TNB's Integrity Department during TNB and Ministry of International Trade and Industry (MITI) briefing sessions for TNB vendors.

For further information on our Corporate Governance framework and policies, please refer to page 75 of this report.

DISASTER MANAGEMENT

Potential threats or emergencies may arise at any given time or place, impacting our ability to supply safe and reliable energy.

In Malaysia, TNB assets are classified as Critical National Information Infrastructure (CNII). Our assets are vital to the Nation where their incapacity or destruction would have a devastating impact on national development, national defense and security, public health and safety as well as impeding the Government's capability to deliver public services.

TNB has in place policies and processes to anticipate a range of potential threats or emergencies and be ready to respond if such a crisis occurs as part of our business continuity management and good governance. The range of potential threats or emergencies range from floods, tsunamis, pandemics, civil unrest, major accidents or cyber attacks.

The TNB Business Continuity Management (BCM) Framework, implemented group-wide, provides a holistic and structured approach in managing business continuity in such situations. It aims to enable prompt, coordinated and effective response and recovery from a crisis situation to protect our employees and assets while minimising interruptions to business operations.

As a part of our TNB BCM Framework, we have power plant-specific Emergency Response Plans designed to cater to individual risk exposures.

Drills are regularly carried out to prepare, evaluate and improve the effectiveness of our emergency response in order to better prepare our employees and the surrounding communities to respond to such situations.

Highlight on recent drills

Date	Type and Location	Parties Involved
11 Oct 2017	Evacuation Drill Exercise at TNB Sultan Abu Bakar Dam	• TNB, National Security Council (Pahang), Department of Orang Asli Strategic Development (JAKOA), local Fire and Rescue Department, District Education Department and Sultanah Hajjah Kalsom Hospital • More than 1,000 local residents including indigenous people *(orang asli)* and around 400 students and teachers
20 Oct 2017	Desktop Drill Workshop for Sungai Perak Dam, Kampung Gajah, Malaysia	• Disaster management agencies in Perak • Workshop involved TNB Research (TNBR) and UNITEN with the cooperation of Perak Civil Defence Force
28 – 29 Oct 2017	Evacuation Drill Exercise at Kampung Gajah, Malaysia	• District Disaster Management Committee, SSJ Sungai Perak, Malaysia Civil Defence Force (APM), Royal Malaysia Police, local Fire and Rescue Department, Perak Tengah District Office, and Social Welfare and Health Department • More than 1,000 residents from 13 villages in Kampung Gajah participated

SUSTAINABILITY STATEMENT

COLLABORATIVELY RESPONDING TO NATURAL DISASTERS

In September 2017, TNB took part in a natural disaster emergency response exercise held in conjunction with the International Search and Rescue Advisory Group (INSARAG) Asia Pacific 2017 hosted by Malaysia. The purpose of the exercise was to ensure effective coordination should the Emergency Response Plan be activated.

For the exercise, TNB along with other Governmental agencies, international rescue teams and other supporting agencies were required to coordinate and respond to a fictional scenario – in this case, an earthquake of magnitude 8.0 impacting Kuala Lumpur.

Our role as one of the supporting agencies was to ensure that electricity was continuously supplied during the crisis. We should be able to recover as soon as possible to supply electricity while providing support to critical buildings such as hospitals and relief shelters in the event of building generator failure.

The exercise involving approximately 193 participants was successfully conducted at National Disaster Command Center (NDCC) together with the Special Malaysia Disaster Assistance and Rescue Team (SMART).

CYBERSECURITY MANAGEMENT

Cybersecurity is an important matter to us as the risk of having any of our operations sabotaged or information breached steadily increases in today's digital era.

It is our duty to maintain robust controls to protect our systems and assets, which are classified as CNII.

We comply with regulatory requirements such as the Electricity Supply Act 2015 (Amendment), Personal Data Protection Act (PDPA) 2010 and the Malaysian National Security Council Regulation No. 24 in order to ensure reliable, sustainable and secure electricity supply for Malaysians.

TNB is certified with ISO 27001:2013 Information Security Management System (ISMS). Various audits are conducted by the Scientific and Industrial Research Institute of Malaysia (SIRIM) throughout TNB including generation plants and control centres to ensure compliance.

Security and vulnerability assessments are conducted periodically on all our IT systems to protect critical TNB information. Critical systems are assessed annually by independent third-party service providers, who also share industry leading practices.

DELIVERING WITH PURPOSE

BUSINESS AND FINANCIAL PERFORMANCE

As Malaysia's leading electricity provider we consistently deliver value through stability of our energy supply.

Our Performance

For generation business, the performance of our generation plants are measured using two internationally-recognised parameters, namely the Equivalent Availability Factor (EAF) and Equivalent Unplanned Outage Factor (EUOF). Several initiatives such as outage optimisation, efficiency improvement and auxiliary power management were implemented to improve plants' performance.

Our grid (transmission) business has consistently met its targets on system minutes and system availability as a result of various initiatives which includes:

- Replacement of ageing and defective asset components
- Physical assessment on operational assets
- Preventive maintenance of assets
- Adoption of new technologies

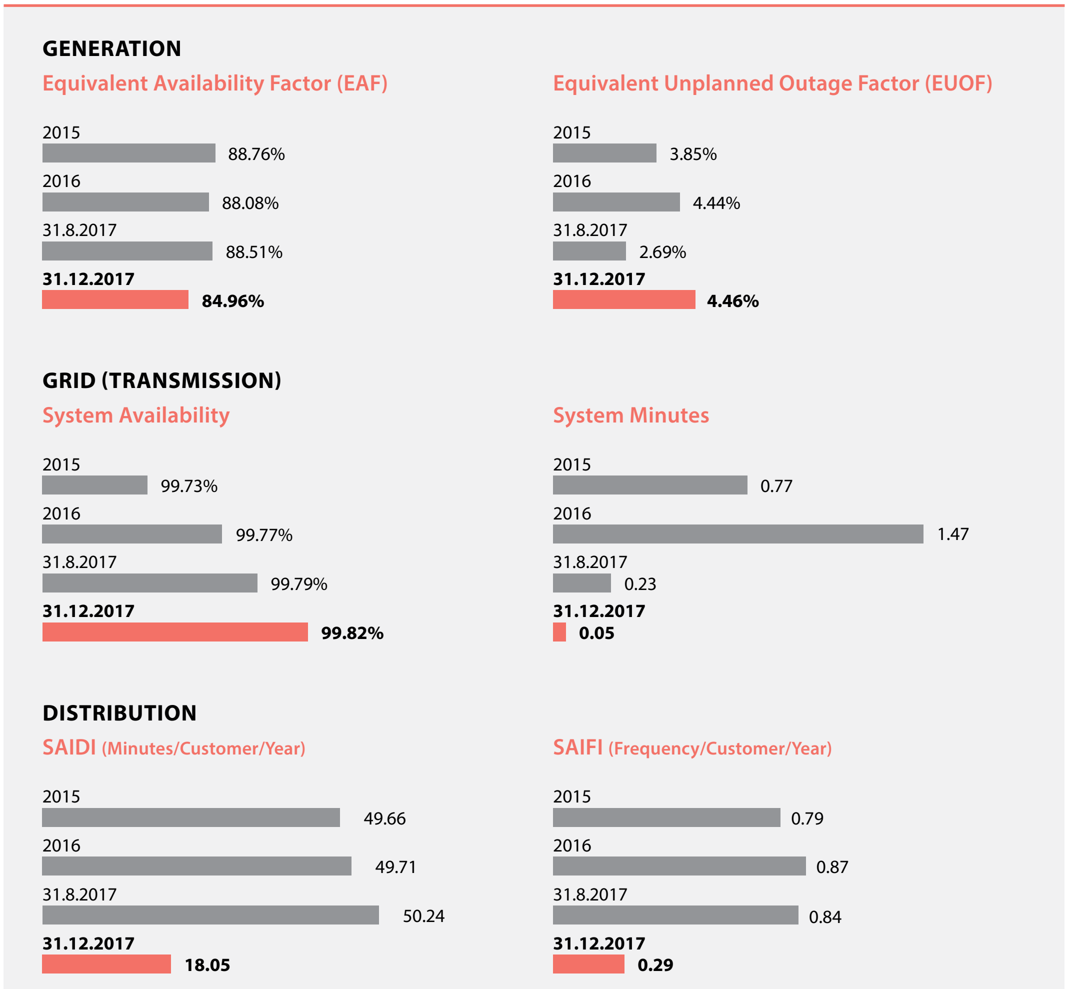
Two key performance indicators monitored for the distribution business are System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) to measure the reliability of our network.

To read more on the analysis of our operational performance, please refer to pages 24 until 28 of this IAR. For our financial performance – refer to pages 40 until 42.

Our approach when venturing into the international market balances both conventional and renewable asset acquisitions.

We have acquired a significant foreign portfolio of generation capacity amounting to 4,888MW with renewable energy assets comprising of 13%. Our accumulated portfolio of international renewable energy generation capacity amounts to approximately 600MW.

Our Performance (Peninsular Malaysia)

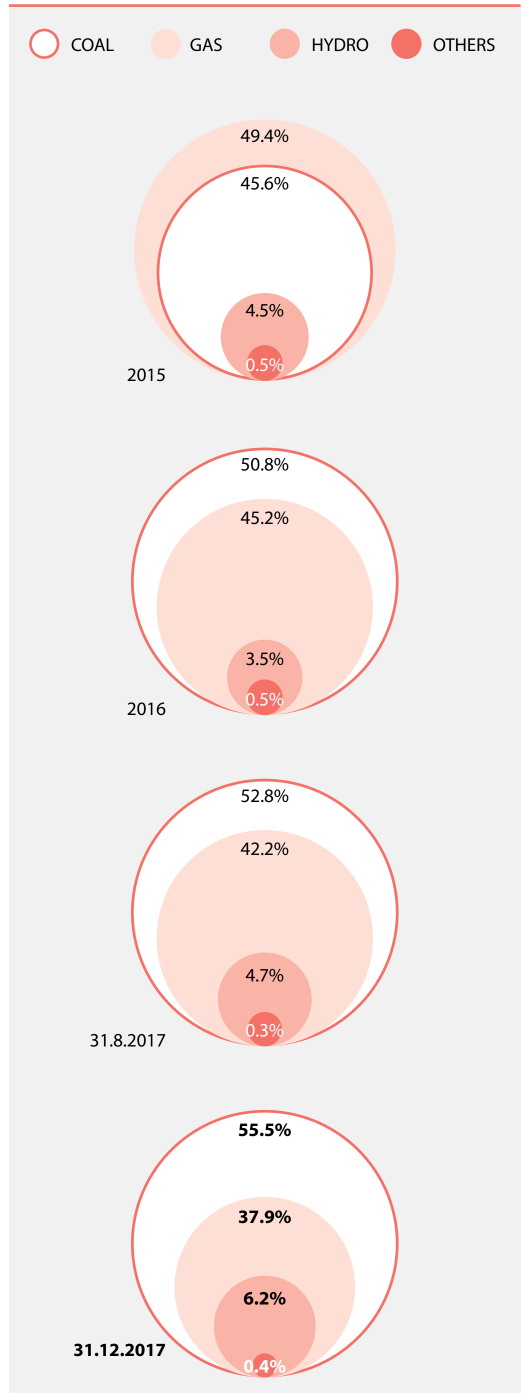


RELIABLE ENERGY, FAIR TARIFF AND FUEL MIX

Our business over the years has been defined by our primary responsibility to deliver reliable supply of energy to Malaysians at all times. In order to deliver energy at a fair tariff, we utilise a diversified electricity generation fuel mix.

Based on Malaysia's optimal generation development plan established by the Ministry of Energy, Green Technology and Water's (KeTTHA) Planning and Implementation Committee for Electricity Supply and Tariff, a combination of gas and coal makes up the bulk of our fuel mix. Moving forward, our fuel mix will further diversify with more renewable energy capacity in the national fuel mix.

Fuel Mix (Peninsular Malaysia)



EMBRACING RENEWABLE ENERGY

Our renewable energy initiatives cover solar energy, biogas power plants and mini hydro. TNB is committed towards the development of Malaysia's renewable energy by investing in infrastructure that allows for more renewable energy to be connected to the grid.

Renewable Energy Target

11th Malaysia Plan

2,080MW

of renewable energy installed capacity by the year 2020

TNB

1,700MW

of renewable energy capacity by the year 2025

Our initiative further supports Malaysian Government's renewable energy target, as stated in the 11th Malaysia Plan, to achieve 2,080MW of renewable energy installed capacity by the year 2020. Under Reimagining TNB, we have also set our own target to achieve renewable energy capacity of 1,700MW by 2025.

Highlights on TNB renewable energy projects

First Large Scale Solar (LSS) farm in Mukim Tanjung 12, Kuala Langat, Selangor

Capacity: 50MW

- 44% of completion
- Expected to be operational by end of 2018
- Expected to cut emissions by approximately 64,000 tonnes/year and boost development in the surrounding area

Second LSS project in Bukit Selambau, Kedah

Capacity: 30MW

- Expected to commence late 2020
- Expected to cut emissions by approximately 38,000 tonnes/year

New mini hydropower station in Sungai Tersat, Kuala Berang, Terengganu

Capacity: 4MW

- Scheduled for completion by end of 2019
- Expected to generate 25GWh of electricity per annum
- Raising TNB's small hydropower installed capacity from 17.96MW to 21.96MW

In Malaysia, we administer and manage the implementation of the Feed-in-Tariff (FiT) programme together with the Sustainable Energy Development Authority (SEDA). The programme pays Feed-in Approval Holders a fixed price for their electricity supplied from solar photovoltaic (PV) generation.

To date, 9,036 new FiT projects have been commissioned with an installed capacity of 417.49MW as of December 2017.

The Net Energy Metering (NEM) programme was introduced by the Malaysian Government, enabling customers to install rooftop solar PV systems and generate their own energy supply. Any excess electricity generated may be sold to TNB.

The NEM target is set at 500MW of installed capacity from 2016 to 2020. To date, there are 175 new projects with 1.89MW installed capacity.

Total Renewable Energy Capacity as of December 2017

Total renewable energy installed capacity	FiT	417.49MW
	NEM	1.89MW
	LSS	10.00MW

We further embrace our renewable energy portfolio and venture out into the international market through our acquisition investments. Our investments will assist us to enhance our capabilities in renewable energy and allow us to bring home our experience.

Summary of International Ventures as of December 2017

Company Name	Country	Renewable Energy	Generating Capacity	TNB Shareholding
GMR Energy Ltd	India	Solar	26MW	30%
GAMA Enerji A.Ş.	Turkey	Wind	117.5MW	30%
		Hydro	131.3MW	
Vortex Solar Investments S.à.r.l	United Kingdom	Solar	365MW	50%

With a total capacity of 50MW, LSS farm located in Kuala Langat, Selangor is the first and the largest in Malaysia.

TNB not only developed Bumiputra suppliers, but also helped them grow into national and regional champions.

BUSINESS GROWTH AND INNOVATION

Rapidly changing regulatory and energy landscapes urge us to be forward thinking in operating our business. Digital and technological innovation offer us a range of potential solutions.

Throughout TNB, we have decommissioned inefficient and ageing plants and replaced them with more efficient and economical plants. Newer plants such as our coal-fired power plants in Manjung utilise ultra-supercritical technology which is a gold standard in the industry.

Our 70% owned Jimah East Power Plant is on track to begin operations in 2019. The plant is TNB's third coal-fired power plant that uses the ultra-supercritical technology, which targets improved efficiency of 40% compared with 36% efficiency from conventional pulverised coal firing system.

Once completed, the project will generate 2,000MW of electricity, increasing TNB's share of Malaysia's generation capacity from the present 51.8% to 53.2% and contributing towards the stability of the National Grid system.

We see potential in energy-related services beyond the meter involving advanced technologies and continuously offer new products and services to meet our customer needs.

On 8 December 2017, TNB entered into a conditional sale and purchase agreement with Setia Haruman Sdn. Bhd. (SHSB) for the proposed acquisition of 100% equity interest in Setia Haruman Technology Sdn. Bhd. (SHTech), a wholly-owned Information Technology (IT) subsidiary of SHSB. SHTech focuses on fulfilling the increasing demand within the IT market segment for the provision of in-demand technology and efficient services. The proposed acquisition provides strategic capability for TNB to further enhance its services to customers such as smart meters, smart homes, smart building, smart industries and smart cities.

LOCAL VENDOR SUPPORT

Vendors play a key role in supporting our business. Our procurement practices are guided by our TNB Procurement Code of Conduct drives good corporate governance principles of trust, honesty, fairness and transparent behaviour.

With the scale and vast presence of our operations in Malaysia, we have the opportunity to support local vendors and support local communities and economies.

Financial Period ended 31 December 2017

Number of Suppliers
3,206

Percentage of Local Suppliers
98%

Number of Local Suppliers
3,132

Total Spent on Local Suppliers
RM2.28 billion

Note: Data provided is for Tenaga Group Spend Report excluding fuel and energy procurements

Moving forward, we look towards transforming our vendors in line with our aspirations for a more sustainable supply chain.

ENVIRONMENTAL STEWARDSHIP

ENVIRONMENT MANAGEMENT

At TNB, we remain committed to minimising our environmental impact wherever we operate and act responsibly, guided by our environmental approach and policies.

To minimise our environmental impact and protect the well-being of the community and biodiversity surrounding our power plants and dams, we manage air emissions, effluent and waste from all our facilities.

We have in place Environmental Policy and TNB Green Policy. These policies are supported by our Environmental Management System which outlines our approach to continuously improve our environmental performance.

We incorporate good environmental management principles by adopting sustainable practices, efficient operations and adoption of Green Technologies.

In managing environmental challenges, we look to jointly collaborate with the Government and local communities to protect the environment.

Recently in October 2017, we signed a Memorandum of Understanding (MoU) with Department of Environment (DOE) making us their strategic partner to promote Guided Self Regulation (GSR) for environmental management within Malaysia.

GSR is a newly launched initiative by DOE to transform regulation enforcement under the Environmental Quality Act 1974 and build a culture of better environmental awareness and management.

Under GSR, we proactively ensure compliance to regulations before DOE regulators conduct compliance inspection. The MoU will be in effect for five years. From this partnership, TNB will play a more prominent role in promoting environmental awareness and provide advice on embedding a culture for Guided Self Regulation.

GHG EMISSIONS

Our role as an energy provider has evolved in recent years where we have a bigger part to play in addressing climate change locally and globally. Here at TNB, we are committed to better manage and monitor our Greenhouse Gas (GHG) emissions, with the ultimate aim of reducing our emissions intensity.

We are developing a GHG management framework in order to systematically manage our GHG emissions.

We completed the first assessment of our carbon footprint and intend to progress with continuous improvements on our GHG emissions monitoring.

In financial year ended 31 August 2016, GHG emissions were approximately 29 million tCO_2e. Results for year 2017 is still in progress and will be in our upcoming report.

TNB's GHG emissions within Malaysia is highly dependent to the optimal generation development plan established by the Ministry of Energy, Green Technology and Water's (KeTTHA) Planning and Implementation Committee for Electricity Supply and Tariff. The plan considers national economic, environmental and energy security factors.

Financial Year ended 31 August 2016

GHG Emissions Amount *

29,061,190 tCO_2e

GHG Emissions Intensity *

0.55 tCO_2e/MWh

**Represents Scope 1 and Scope 2 emissions for TNB Company*

BIODIVERSITY MANAGEMENT

We are aware of the value of ecosystems and Malaysia's rich natural heritage as one of the most mega diverse nations in the world. Protecting biodiversity is important to us for biological, ecological, cultural or social value.

Some of our operations are located in close proximity or within protected areas. In such circumstances, we make conscious efforts to meet all regulatory requirements, minimise our environmental impact and take initiatives to safeguard biodiversity.

Our research arm, TNB Research Sdn. Bhd. (TNBR) actively supports our efforts by conducting research related to biodiversity management and conservation.

Surrounding our Temengor Hydroelectric Dam is the Royal Belum State Park (RBSP), encompassing 33.5% of the catchment area. We are cautious of impacts to the surrounding protected areas from our operations and have initiatives in place to conserve existing biodiversity along Sungai Perak.

We work closely with various governmental agencies such as Wildlife Protection and National Park Department, Forestry Department, Fishery Department, local stakeholders, local universities, as well as local communities for many of our initiatives.

Some recent highlights include:

On-going efforts to preserve animal habitat including establishing a **Kelah Sanctuary** at Sungai Tiang, **Wildlife Salt Lick** at Sungai Papan and ***Lampam Sungai* fish breeding** in Temengor Lake.

To enhance existing fish population in Kenering and Chenderoh Lake, **50 *Temoleh* fish and 45,000 *Lampam Jawa* fish were released** at the two sites.

Conducted **TNB Youth Environmental Education & Awareness Programme** in collaboration with the Terengganu Forestry Department, Terengganu Department of Wildlife and National Parks (PERHILITAN) and Universiti Kebangsaan Malaysia (UKM). A total of 40 students from Hulu Terengganu participated in this programme at the National Elephant Conservation Center at Sungai Deka, Hulu Terengganu.

EMBRACING RELATIONSHIPS

The MaEVI energy management system enables customers to monitor their energy consumption and get energy information in real time. By downloading the system App on key devices, customers can transform their home into a smart home and even control energy usage by remote.

PARTNERING WITH OUR CUSTOMERS

EMPOWERING OUR PEOPLE

BUILDING OUR COMMUNITIES

WE LOOK TO MAKE PEOPLE'S LIVES BETTER AND BRIGHTER. WE ARE FORTUNATE TO BE ABLE TO DO SO IN MANY WAYS AND LOOK FORWARD TO CONTINUOUSLY ENRICH LIVES.

CUSTOMER EXPERIENCE

Our customers' lifestyles are changing due to modern life and their expectations have evolved. Customers want us to supply electricity in a safe, timely, efficient manner, better customer experience and empower them to make informed decisions. We have introduced a number of convenient services in order to better serve our customers.

For instance, our customer contact centres, TNB CareLine are undergoing transformation to become a World Class Contact Centre (WCCC). These initiatives serve to increase the level of professionalism at the call centres, including handling complaints and feedbacks by up-skilling our personnel and also creating greater self-service options for call-in customers. This transformation project has a strong focus on digitalisation of our services.

Recently, TNB CareLine was a recipient of the Outsourcing Malaysia Excellence Awards for the Best in Operational Excellence Contact Centre category. The award, accorded jointly by Outsourcing Malaysia (OM) and the National ICT Association of Malaysia (PIKOM), is a tribute to the overall operational excellence of TNB CareLine, covering various aspects including service delivery, human and technological capability as well as value on customer.

We continue to monitor our Customer Satisfaction Index (CSI) annually to better understand our performance in service delivery and customer satisfaction towards our products and services. We understand that moving forward, maintaining the score will require us to maintain and improve our performance and services to our customers. Efforts have been implemented by engaging residential and business customers to ensure Excellent Service Quality rendered through TNB's Value Added Services and managing service recovery.

Financial Year ended 31 August 2017

8.1
Customer Satisfaction Index (CSI)

ENERGY EFFICIENCY

Energy efficiency is an important matter to us and we are looking for ways to promote energy efficiency awareness amongst our customers, people and the community. Our customers are looking to us to help them understand their energy usage, share insights and advise them on how to save energy in order to spend less and reduce their environmental footprint.

EMPOWERING OUR CUSTOMERS TO MAKE INFORMED AND SMARTER CHOICES ON ELECTRICITY CONSUMPTION

Making smart decisions is all about having the right information, and with our new launched energy efficient product and services, Malaysia's electricity consumers are on the track to a smarter, more efficient, and more informed energy future.

Home Energy Report (HER)

HER utilises the latest in data analytics to deliver consumers personalised energy reports on their electricity usage. TNB's HER promises a host of benefits to customers across the country.

Through the HER and complementary online portal, TNB customers will receive user-friendly, data-rich insight into energy usage, alongside personalised recommendations and tips on how best to save energy in their home.

Available Channels for Customers

Selected 450,000 Customers

Full communication package including printed report, email report and myTNB web portal

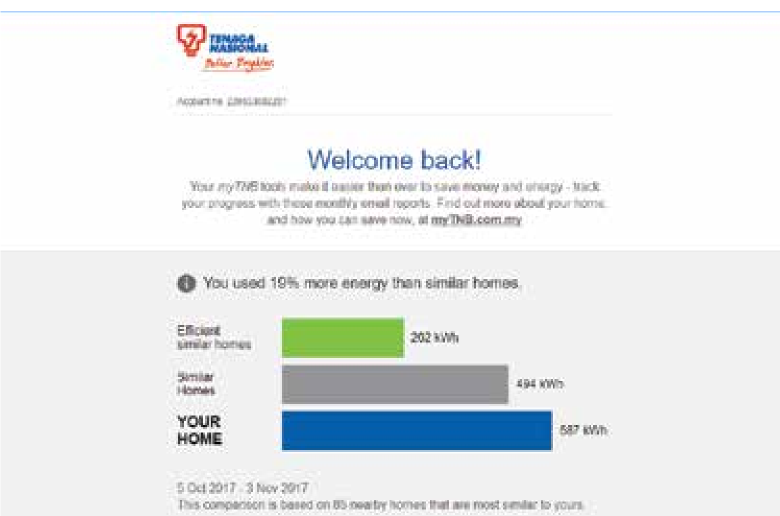
All Domestic Customers

myTNB web portal communication only

HER Features

- **Home Energy Analysis**
- **Energy Usage Details**
- **Saving Tips**
- **Bill Comparison**
- **Neigbourhood Comparison**

Sample of HER Report



Making Electricity Visible (MaEVI) – Home Energy Management System

Maevi is a Home Energy Management System (HEMS) allows users to access and manage their energy consumption.

For instance, users are able to check their household electricity usage or electricity bills on their smartphones at any time or even control their air-conditioners remotely.

It can be accessed through downloadable apps.

Features and Characteristics

User-friendly

Easy to access and user friendly.

Security

All customer information is secured and protected.

Expandability

Available on Android and iOS smartphone.

Great Savings

Customers can enjoy great savings through efficient energy management.

Availability

Real-time online energy monitoring system.

Durability

Interval system maintenance is conducted.

Future Proof

Further improvement will be updated freely for existing user.

SUSTAINABILITY STATEMENT

We organise a range of wellness activities and programmes to encourage our employees to stay healthy and fit.

WORKPLACE CULTURE

We aspire to create a dynamic and inclusive workplace that is able to attract, retain and develop talents. As we embark on Reimagining TNB, the diversity of our people from all backgrounds will be our asset.

As a testament to our workplace culture, we recently were recognised as a Life at Work 2017 Honoree by Talent Corp Malaysia. The award paid homage to companies that promoted a workplace culture that was positive, provided work-life balance and had initiatives to attract the best talent.

EMPLOYEE ENGAGEMENT

Listening to what our people have to say is important to us. Various structured employee engagement platforms are available to connect and unite our employees. We also have three TNB unions and two workers association to represent our employees' rights.

We also promote employee wellness as we believe a healthy workforce is a productive workforce. A number of key initiatives carried out during the reporting period include:

- Trim & Fit Programme – 32 participants embarked on a 6-month weight loss journey with all participants successfully recording weight loss reduction and 11 surpassing the programme's 10% weight loss target. TNB plans to continue the programme in its efforts to promote a healthier lifestyle amongst our people.

- Healthy Cafeterias in TNB – there are now six (6) certified healthy cafeterias by the Ministry of Health around TNB premises.

CAPABILITY DEVELOPMENT

For us, we believe in nurturing and developing our people. As TNB grows, we want our people to grow with us too so that they are able to quickly adapt to changing environments and seize challenges.

All our employees receive regular performance and career development reviews. Our TNB Leadership Development Center and Group Human Resource continue to focus on developing our people to become leaders.

HEALTH AND SAFETY

Health and safety will always be on top of our agenda and this shall be based on respecting each other and guided by rules. Our Group-wide TNB Safety & Health Policy and Life-Saving Rules (LSR) guide us towards inculcating a Generative Safety culture.

In this period, two fatalities were reported involving TNB contractors and investigations have been conducted. We deeply regret the loss and will continue to increase our efforts to better manage safety and eliminate potential risks while at work. We recorded a Lost Time Injury Frequency (LTIF) of 1.54 for the financial period ended 31 December 2017.

The management continues to take health and safety seriously. In November 2017, we held a Health, Safety and Environment (HSE) Symposium to raise awareness on safety through the LSR for both our employees and contractors to support our aspiration to achieve zero workplace HSE incident.

OUR PEOPLE HIGHLIGHTS

for the financial period ended 31 December 2017

27,995
Number of employees working in TNB Company

452
New Hires

24,258
Number of employees covered by Collective Agreement

168,000
Total Training Hours

RM13.5 million
Total Spend on Training

Breakdown by Gender

80% Men

20% Women

Breakdown by Age[1]

49% Millennials

33% Generation X

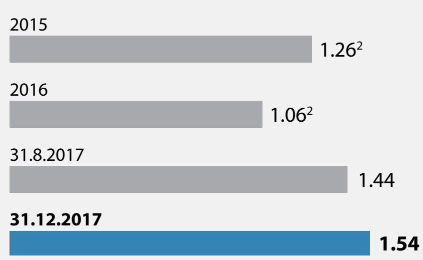
18% Baby Boomers

Breakdown of Senior Management by Gender

84% Men

16% Women

Lost Time Injury Frequency (LTIF)



[1] *Baby boomers (> 50 years old), Generation X (35 – 50 years old) and Millennials (<35 years old)*

[2] *Restatement of data in 2015 and 2016 due to improvement of our tracking process*

COMMUNITY DEVELOPMENT

Communities are the centre of what we do. Our customers, our people, our stakeholders all form part of our surrounding communities. As we run our business, we are always mindful of our impact to surrounding communities and look for ways where we can leave a positive mark to enrich lives.

We are able to achieve this through our partnerships, collaborations, initiatives and investments under our Corporate Social Responsibility (CSR) programmes. Our initiatives also support Nation-building within Malaysia.

COMMUNITY HIGHLIGHTS

Better Brighter Shelter Programme

Our Better Brighter Shelter (BBS) Programme is our newly introduced community programme to upgrade transit homes or dormitories at Government-owned hospitals in Malaysia.

This new look and feel of the transit homes is to provide optimum comfort and security without burning a hole in the pockets of family members, while their loved ones are undergoing surgery or other procedures at the hospitals.

The provision of the affordable accommodation is a great help for the families of the inpatients in a highly stressful situation.

RM2,280,192
Total sponsored for two BBS

Better Brighter Dormitory for the National Heart Institute Foundation

- Total sponsored is RM1,386,192.
- The dormitory which now can accommodate 56 people at a time, offers three (3) categories of rooms – family rooms which can be occupied by three (3) people, individual, male & female beds and bunk beds with prices ranging from RM10 to RM50 per night.
- The dormitory is also equipped with basic amenities like air-conditioners, washing machines, dryer, iron, personal lockers and pantry.
- Launched and began operations from 14 November 2017 onwards.

Better Brighter Anjung Kasih at Hospital Serdang YKN

- Total sponsored is RM894,000.
- 100 beds will be available for free under the following categories – bunk beds for men and women and the family room.
- Currently in progress – 95% completion as of December 2017.
- Targeted to be completed by January 2018.

Back to School Programme

The Back to School Programme is an annual TNB CSR programme that provides school supplies for students especially primary school students from rural areas at the start of a new school year. This programme was established since 2013 to alleviate the financial burden of the poor families before the new school term.

The programme reflects the Government's concern and care towards the people's well-being by carrying out corporate responsibility activities with Government-Linked Companies (GLCs) to benefit all levels of society in the affected areas.

Since the programme began in 2013, a total of 23,649 students all over Malaysia benefited from the programme and a total of RM4.85 million was contributed.

23,649
student recipients to-date since 2013

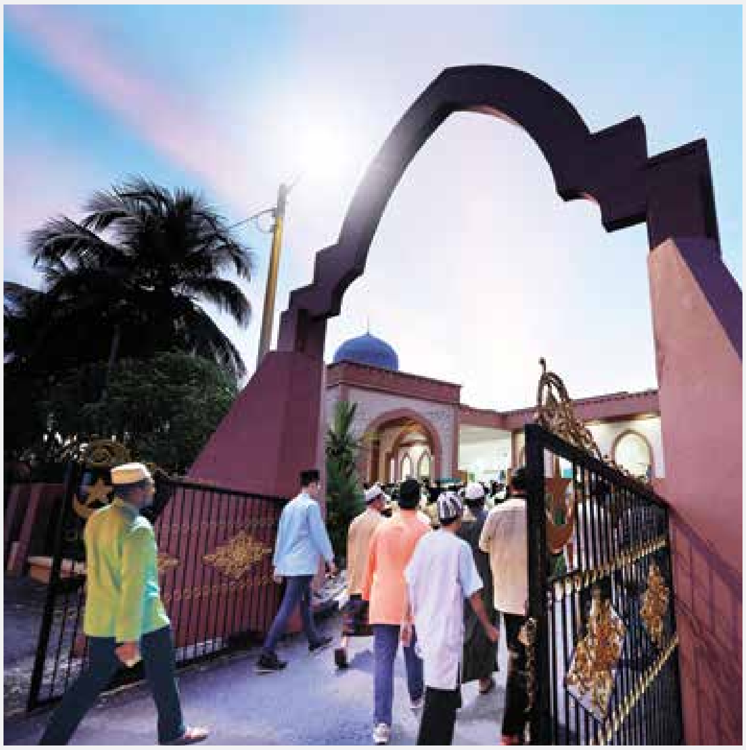
RM4.85 million
total contributed since 2013

Back to School Programme for School Session 2018:

- Uniforms, scarves for Muslims girls, shoes, socks, bags and stationeries.
- Targeted approximately 10,000 students across Malaysia at RM200 per student.
- RM2 million in total donation.

Village Street Lighting Programme (Program Lampu Jalan Kampung)

Brightening public village areas to enable socio-economic activities can be carried out at night comfortably and safely.



80,405
Number of Lights Installed

85.2%
Completion Progress

Rural Electrification Programme (Program Bekalan Elektrik Luar Bandar)

Known as BELB, this electrification programme has enabled the people living in remote areas, Orang Asli settlements and villages located on islands to enjoy electricity and its infrastructures at its best. This has provided better living conditions for them.

Completed Projects

- BELB Talian Grid Kementerian Kemajuan Luar Bandar & Wilayah (KKLW)Semenanjung Tahun 2014-2015; and
- BELB Talian Grid JAKOA Sungai Siput Fasa 2.

93%

On-going Projects
Progress for BELB Talian Grid JAKOA Sungai Siput Fasa 1

EDUCATION

Education is a powerful enabler of social and economic development, and serves as one of the main focus areas to give back to our people and local communities. We contribute towards unlocking the value of Malaysians to accelerate the Nation's transformation through our Education Hub (EduHub) – Universiti Tenaga Nasional (UNITEN) and TNB Integrated Learning Solution (ILSAS).

UNITEN highlights

UNITEN was debuted within the band of #801-1000 in the world in 'Times Higher Education World University Rankings 2018'. Amongst Malaysian universities, UNITEN was ranked at number eight (8). This World University Rankings are a global performance tables that judge research-intensive universities across all their core missions: teaching, research, knowledge transfer and international outlook.

In addition to that, UNITEN has also been awarded Tier 5: Excellent status overall by the Rating for Higher Education Institutions in Malaysia (SETARA) 2017, including indiividual scoring of Tier 6: Outstanding for research and services and Tier 5: Excellent for teaching and learning. SETARA is an exercise to audit, evaluate and provide rating for Higher Learning Institutions in Malaysia.

ILSAS highlights

ILSAS has been acknowledged with many awards, both locally and internationally.

ILSAS has been certified as a 'City & Guilds Approved Centre in 2017' by City & Guilds, a United Kingdom organisation. This international accreditation and recognition is important and will enable ILSAS graduates to now break into and compete on the global stage.

ILSAS has also been awarded the Top 20 Training Provider under the Human Resources Development Fund (HRDF) in 2016.

On top of that, ILSAS's daily operation is certified with ISO9001:2015 by SIRIM QAS International Sdn. Bhd.

SECTION FIVE

GOVERNANCE

CHAIRMAN'S INTRODUCTION

TAN SRI LEO MOGGIE *Chairman*

MY ROLE, TOGETHER WITH THE BOARD, IS TO MAKE SURE THAT TNB OPERATES TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE.

IN THIS GOVERNANCE SECTION

MALAYSIAN CODE ON CORPORATE GOVERNANCE COMPLIANCE STATEMENT

This section, together with the reports from the Audit, Nomination and Remuneration, and Risk Committees, provide a description of how the Group has applied the main principles and complied with the relevant provisions of Malaysian Code on Corporate Governance 2017 (MCCG 2017). We remain committed to full compliance with the MCCG 2017 and in achieving high standards of corporate governance both in boardroom and throughout the Group. We have used the core principles of the Code as the framework within which we explain our governance practices in this report. As this is a report for the 4-month financial period ended 31 December 2017, our governance arrangements generally complied with the MCCG 2017.

I am pleased to present the Company's Corporate Governance Overview Statement for the 4-Month Period ended 31 December 2017. This report explains how the Board operates and how our governance structure contributes to the achievement of the Group's long-term strategic objectives. This statement is prepared and to be read together with the Corporate Governance Report 2017 of the Company.

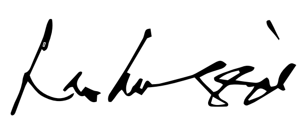
The Board remains committed to present a clear assessment of the Company's position and prospects through the information provided in this report, other narratives, financial reports and statements as required.

The Board consists of a strong team of Non-Executive Directors drawn from successful backgrounds with experience in corporate strategy, finance, law, accounting and engineering. Our Non-Executive Directors, who bring a strong independent viewpoint, complement the Management perspectives.

As a best practice, we continually assess and refresh the Board to ensure that we maintain an appropriate balance and diversity of skills and experience. The Board works well together and all Directors continue to make significant contributions.

As a Board, we are accountable for the Company's successes and challenges. We aim to communicate to you in a transparent manner the steps we have taken to ensure that we have clear oversight of the business and the work we have undertaken in respect of the Company's strategy throughout the Financial Period. Our Audit and Risk Committees, play a key role in monitoring and evaluating our risk management processes, providing independent oversight of our external audit and internal control programmes, accounting policies, business change projects and assisting the Board in reporting a fair, balanced and understandable manner to our shareholders.

I hope this report clearly sets out how our Company is run, and how we align governance and our Board agenda with the strategic direction of the Company. We always welcome questions or comments from shareholders, either via our website (www.tnb.com.my) or in person at our Annual General Meeting.



TAN SRI LEO MOGGIE
Chairman

BOARD BALANCE AND COMPOSITION

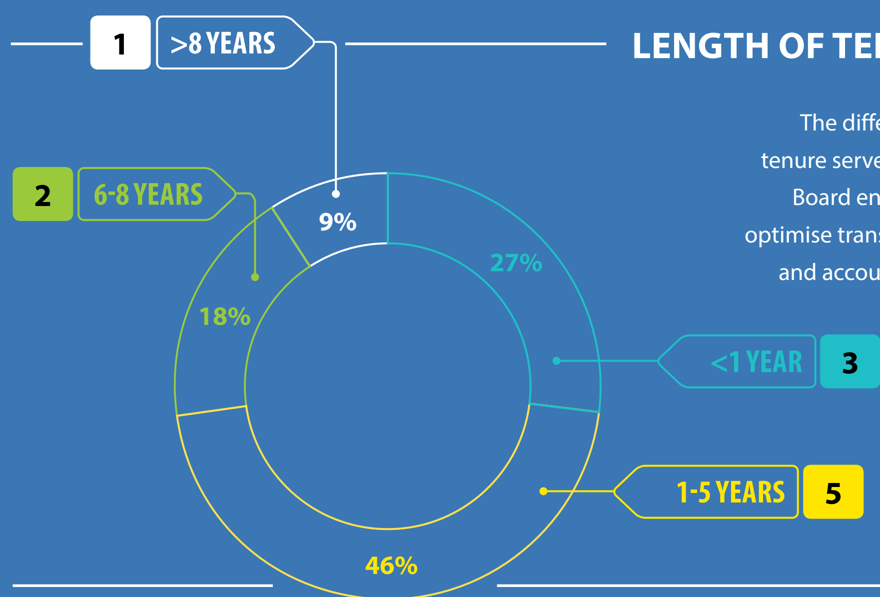
7 INDEPENDENT NON-EXECUTIVE DIRECTORS

1 NON-INDEPENDENT EXECUTIVE DIRECTOR

2 NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

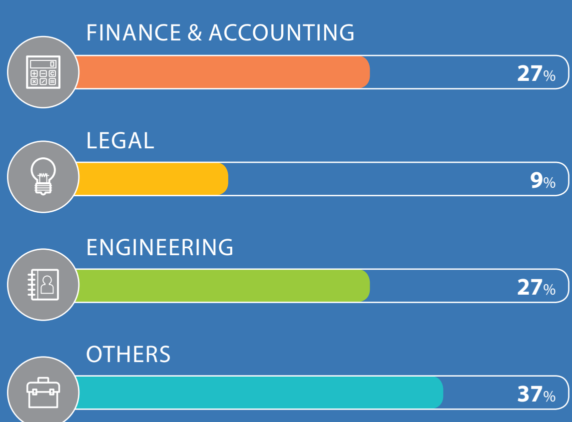
1 NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

LENGTH OF TENURE



The difference of tenure served by our Board ensures we optimise transparency and accountability.

DIRECTOR'S CORE AREA OF EXPERTISE



The diversity of expertise among our Board ensures we achieve a balanced perspective in decision-making.

OUR BOARD

OUR BOARD DRIVES STRATEGY AND LEADS TNB TO ACHIEVE LONG-TERM SUCCESS.

Our Board is represented by a diverse group of individuals who are experts in their respective fields. Their wealth of knowledge and experience ensures our Management receive unparalleled advice and guidance on TNB's strategy and business.

In addition to their professional areas of expertise, we also ensure that the Board is kept abreast with the relevant laws and regulations to achieve the highest level of Board performance.

BOARD COMMITTEE MEMBERSHIP KEY

- A — Board Audit Committee
- F — Board Finance And Investment Committee
- T — Board Tender Committee
- NR — Board Nomination And Remuneration Committee
- R — Board Risk Committee
- I — Board Integrity Committee
- L — Board Long Term Incentive Plan Committee
- ■ — Chairman of Respective Committee

BOARD OF

FROM LEFT TO RIGHT

TAN SRI LEO MOGGIE // DATUK SERI IR. AZMAN BIN MOHD // DATUK SAKTHIVEL ALAGAPPAN // NORAINI BINTI CHE DAN // DATUK SERI HASHMUDDIN BIN MOHAMMAD // JUNIWATI RAHMAT HUSSIN

DIRECTORS

FROM LEFT TO RIGHT

BADRUL ILAHAN BIN ABD JABBAR // NORAZNI BINTI MOHD ISA (Company Secretary) // DATO' ABD MANAF BIN HASHIM // AMRAN HAFIZ BIN AFFIFUDIN // GEE SIEW YOONG // TAN SRI DATO' SERI CHOR CHEE HEUNG

OUR BOARD

TAN SRI LEO MOGGIE

Aged 76, Malaysian, Male
Chairman, Non-Independent Non-Executive Director*

**Appointed Director by the Minister of Finance (Incorporated) (MoF Inc.), the Special Shareholder of TNB*

Date Appointed to the Board: 12 April 2004

YEAR(S) OF DIRECTORSHIP:
Fourteen (14) years

EXTENSION OF SERVICE:
12 March 2017 until 11 March 2019

DATE OF LAST RE-APPOINTMENT:
18 December 2017

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:
4/6

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

MEMBERSHIP OF BOARD COMMITTEE(S):
F

PRESENT DIRECTORSHIP(S):
Listed Entities:
- Nil

Other Public Companies:
- Chubb Insurance Malaysia Berhad

SKILLS, EXPERIENCE AND EXPERTISE:
Tan Sri Leo Moggie is a prominent and well respected figure in local utility industry and had more than 28 years of remarkable career with the Government of Malaysia. He has held several senior ministerial positions since 1976 at both Federal and State level. His past positions include as Minister of Energy, Communications and Multimedia (1998-2004), Minister of Works (1989-1995), Minister of Energy, Telecommunications and Posts (1978-1989 and 1995-1998) in the Federal Cabinet. Prior to that he was Minister of Local Government (1977-1978) and Minister of Welfare Services (1976-1977) in the State Government of Sarawak, Member of Council Negri Sarawak (Sarawak Legislative Assembly) (1974-1978) and Member of Parliament (1974-2004).

He is also the Chairman of several companies within TNB Group.

DATUK SERI IR. AZMAN BIN MOHD

Aged 60, Malaysian, Male
President/Chief Executive Officer, Non-Independent Executive Director*

**Appointed Director by MoF Inc., the Special Shareholder of TNB*

Date Appointed to the Board: 15 April 2010

YEAR(S) OF DIRECTORSHIP:
Eight (8) years

EXTENSION OF SERVICE:
1 July 2018 until 30 June 2020

DATE OF LAST RE-ELECTION:
18 December 2017

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:
6/6

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

MEMBERSHIP OF BOARD COMMITTEE(S):
Attends Board Committees' Meetings (By Invitation)

PRESENT DIRECTORSHIP(S):
Listed Entities:
- Nil

Other Public Companies:
- Integrax Berhad
- TNB Global Ventures Capital Berhad
- Malaysian Industry-Government Group For High Technology

SKILLS, EXPERIENCE AND EXPERTISE:
Datuk Seri Ir. Azman bin Mohd has served as the President/Chief Executive Officer of TNB since his appointment on 1 July 2012. He began his career in TNB as Assistant District Engineer for TNB Temerloh/Mentakab in 1979.

Since then, he gradually positioned himself to higher posts over the years, holding various technical and engineering positions, particularly within the Distribution Division, before assuming office as Vice President. His other previous positions include District Manager, Area Manager and General Manager for the Company's operations throughout Malaysia.

Prior to his current appointment, Datuk Seri Ir. Azman had served as Executive Director/Chief Operating Officer from 15 April 2010 to 30 June 2012.

He currently holds a number of directorships within the TNB Group.

OUR BOARD

DATUK SERI HASHMUDDIN BIN MOHAMMAD

Aged 60, Malaysian, Male
Non-Independent Non-Executive Director*

**Appointed Director by MoF Inc., the Special Shareholder of TNB*

Date Appointed to the Board: 1 April 2016

YEAR(S) OF DIRECTORSHIP:

Two (2) years

DATE OF LAST RE-ELECTION:

15 December 2016

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:

4/6

QUALIFICATION(S):

- Master of Arts in Procurement and Acquisition Management, Webster University, St. Louis, Missouri, U.S.A.
- Bachelor of Arts (Hons.) in Anthropology and Sociology, University of Malaya, Malaysia
- Diploma in Public Administration, National Institute of Public Administration (INTAN), Malaysia
- Certificate in Purchasing & Supply Management, Northern Territory University, Australia

MEMBERSHIP OF BOARD COMMITTEE(S):

T R

PRESENT DIRECTORSHIP(S):

Listed Entities:

- Nil

Other Public Companies:

- UDA Holdings Berhad
- Bank Pembangunan Malaysia Berhad

SKILLS, EXPERIENCE AND EXPERTISE:

Datuk Seri Hashmuddin bin Mohammad has more than 30 years of experience specialising in procurement sector and has been serving the Government of Malaysia since 1984. He began his career as an Assistant Secretary, Planning Division under the Ministry of Information and on 28 December 2015, he was appointed to his current position as the Deputy Secretary General (Management), Ministry of Finance.

Prior to assuming this position, he has held various positions in the Government Procurement Division, Ministry of Finance including as Under Secretary (2012-2015), Deputy Under Secretary (Policy and Consultation) (2005-2009 and 2010-2012), Deputy Under Secretary (Operations) (2009-2010), Acting Deputy Under Secretary (Works) (2003-2005) and Principal Assistant Secretary (1994-2003).

Datuk Seri Hashmuddin is currently a member of Perbadanan Putrajaya and holds directorships in several private limited companies.

AMRAN HAFIZ BIN AFFIFUDIN

Aged 43, Malaysian, Male
Non-Independent Non-Executive Director*

**Appointed Director by Khazanah Nasional Berhad (Khazanah), the Major Shareholder of TNB*

Date Appointed to the Board: 22 June 2017

YEAR(S) OF DIRECTORSHIP:

Less than one (1) year

DATE OF LAST RE-ELECTION:

18 December 2017

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:

6/6

QUALIFICATION(S):

- Bachelor of Science in Commerce (Majoring in Accounting and Finance), the McIntire School of Commerce, University of Virginia, Charlottesville, U.S.A.
- Attended executive/professional courses at Harvard Business School

MEMBERSHIP OF BOARD COMMITTEE(S):

F T NR L

PRESENT DIRECTORSHIP(S):

Listed Entities:

- Nil

Other Public Companies:

- Biotropics Malaysia Berhad
- Blue Archipelago Berhad
- Malaysian Agrifood Corporation Berhad

SKILLS, EXPERIENCE AND EXPERTISE:

Amran Hafiz bin Affifudin is currently the Director, Investments in Khazanah. Prior to his current position, he was Senior Vice President, Investments (Property/Healthcare) and was attached to Iskandar region, Agrifood and Indonesia sectors as well as coverage teams.

Before Khazanah, he was the Investment Manager of Ethos Capital Sdn. Bhd. (2009-2011), Principal Consultant/Advisor of Nusa Capital Sdn. Bhd. (2006-2009) and Director/Advisor of Palm Resort Sdn. Bhd. (2005-2013). He also served as Director of Juwana Group of Companies for a brief stint (2005-2006).

Amran Hafiz joined Namirah Ventures Pte Ltd, an ASEAN focused private equity firm based in Singapore from 2000 until 2005, as Senior Vice President, whereby his primary responsibilities involved deal origination and transaction execution.

He started his career in 1997 as Corporate Finance Executive, Group Finance Division of Petroleum Nasional Berhad (PETRONAS). While in PETRONAS, he gained exposures in corporate finance, foreign exchange and equities investment.

He also at present sits on the board of a number of private limited companies.

OUR BOARD

DATO' ABD MANAF BIN HASHIM

Aged 61, Malaysian, Male
Senior Independent Non-Executive Director

Date Appointed to the Board: 1 February 2010

YEAR(S) OF DIRECTORSHIP:
Eight (8) years

DATE OF LAST RE-ELECTION:
15 December 2016

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:
6/6

QUALIFICATION(S):
- Higher National Diploma (Engineering), Thames Valley University (Slough Campus), United Kingdom
- Ordinary National Diploma, Cambridgeshire College of Arts & Technology, United Kingdom

MEMBERSHIP OF BOARD COMMITTEE(S):
R A T NR L

PRESENT DIRECTORSHIP(S):
Listed Entities:
- Nil

Other Public Companies:
- Integrax Berhad

SKILLS, EXPERIENCE AND EXPERTISE:
Dato' Abd Manaf bin Hashim was a member of the Suruhanjaya Perkhidmatan Awam Negeri Perak since 2009 to 2012 and had served as Chairman in several private companies that involve in the construction, telecommunication and solar hybrid sectors since 1993. Prior to that, he has held various positions in Shapadu Decloedt Dredging Sdn. Bhd. (1990-1992), Industrial Boilers and Allied Equipment (1984-1986), Hakasa Sdn. Bhd. (1983-1984) and Asie Sdn. Bhd. (1982-1983). Dato' Abd Manaf is a member of Perak State Assembly and at present sits on the board of Majuperak Energy Resources Sdn. Bhd.

DATUK SAKTHIVEL ALAGAPPAN

Aged 48, Malaysian, Male
Independent Non-Executive Director

Date Appointed to the Board: 1 February 2014

YEAR(S) OF DIRECTORSHIP:
Four (4) years

DATE OF LAST RE-ELECTION:
15 December 2016

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:
5/6

QUALIFICATION(S):
- Bachelor of Engineering (Chemical), University of Technology, Malaysia

MEMBERSHIP OF BOARD COMMITTEE(S):
A F I

PRESENT DIRECTORSHIP(S):
Listed Entities:
- Nil

Other Public Companies:
- Nil

SKILLS, EXPERIENCE AND EXPERTISE:
Datuk Sakthivel Alagappan is currently a Director of Abseiling Technologies Sdn. Bhd. and Cerdik Sakti Resources Sdn. Bhd. Prior to that he was a working partner of Key Founder Limited. He began his career in 1996 as Production Engineer in Matsushita Sdn. Bhd. He was also former Director of Superindex Leather Sdn. Bhd. and M-Leather Camp Sdn. Bhd.

OUR BOARD

TAN SRI DATO' SERI CHOR CHEE HEUNG

Aged 63, Malaysian, Male
Independent Non-Executive Director

Date Appointed to the Board: 4 February 2015

YEAR(S) OF DIRECTORSHIP:
Three (3) years

DATE OF LAST RE-ELECTION:
18 December 2017

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:
6/6

QUALIFICATION(S):
- Honourable Society of Lincoln's Inn – Barrister at Law
- M.A. (Business Law), London Metropolitan University
- Member of Chartered Institute of Arbitrators, London, United Kingdom

MEMBERSHIP OF BOARD COMMITTEE(S):
NR I L A F

PRESENT DIRECTORSHIP(S):
Listed Entities:
- Nil

Other Public Companies:
- Nil

SKILLS, EXPERIENCE AND EXPERTISE:
Tan Sri Dato' Seri Chor Chee Heung has had a distinguished career with the Government of Malaysia where he held several senior ministerial positions since 2000. He was made Minister of Housing and Local Government (2010-2013) and a Member of Parliament (1990-2013). Prior to that, he served as Deputy Minister of Home Affairs and Deputy Finance Minister (2000-2009) as well as Parliamentary Secretary for Ministry of Transport (1995-2000).

Before entering the political arena, Tan Sri Dato' Seri Chor Chee Heung was a practising lawyer since 1981 until 1995. His great achievements, among others, were appointed as Chairman of Commonwealth Parliamentary Association, Malaysian Parliament (2000-2002) and a Permanent Member of ASEAN Inter Parliamentary Organisation Conference Representing Malaysian Parliament (1990-2000).

Tan Sri Dato' Seri Chor Chee Heung is currently a Commissioner of Malaysian Aviation Commission and a Council Member of Universiti Tunku Abdul Rahman.

GEE SIEW YOONG

Aged 68, Malaysian, Female
Independent Non-Executive Director

Date Appointed to the Board: 2 January 2016

YEAR(S) OF DIRECTORSHIP:
Two (2) years

DATE OF LAST RE-ELECTION:
15 December 2016

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:
6/6

QUALIFICATION(S):
- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants
- International Banking Summer School, Cambridge, Massachusetts, U.S.A.

MEMBERSHIP OF BOARD COMMITTEE(S):
A R

PRESENT DIRECTORSHIP(S):
Listed Entities:
- Telekom Malaysia Berhad
- Sapura Energy Berhad

Other Public Companies:
- Nil

SKILLS, EXPERIENCE AND EXPERTISE:
Gee Siew Yoong has more than 40 years of experience in financial and auditing line within multiple industries. Her professional strengths are in Restructuring, Reorganisation, Change Management and Corporate Governance. She began her career in 1969 with PriceWaterhouse in Kuala Lumpur, Malaysia and London, United Kingdom and left as Senior Audit Manager and Continuing Education Manager in 1981.

Gee Siew Yoong was the Group Financial Controller of Selangor Pewter Group and was seconded from 1983 to 1984 to the United States of America as Director and Chief Executive Officer of Senaca Crystal Inc., a company in the Selangor Pewter Group, which was undergoing reorganisation under Chapter XI of the U.S. Bankruptcy Code. Subsequent to that she became a Personal Assistant to the Executive Chairman of Lipkland Group (1985-1987).

She was then appointed by Bank Negara Malaysia as Executive Director and Chief Executive of Supreme Finance (M) Berhad, a financial institution undergoing rescue and reorganisation under the supervision of Bank Negara Malaysia where she held the position until its successful completion of reorganisation (1987-1991).

She later joined Land & General Berhad as Group Divisional Chief, Management Development Services (1993-1997) before moving to Multi-Purpose Capital Holdings Berhad (1997-1999) as Executive Assistant to the Chief Executive. During this period, she also served as Director of Multi-Purpose Bank Berhad, Multi-Purpose Insurans Berhad and Executive Director of Multi-Purpose Trustee Berhad.

Gee Siew Yoong has served as Independent Non-Executive Director on the board of a number of public listed companies since 2001.

OUR BOARD

NORAINI BINTI CHE DAN

Aged 62, Malaysian, Female
Independent Non-Executive Director

Date Appointed to the Board: 2 January 2016

YEAR(S) OF DIRECTORSHIP:
Two (2) years

DATE OF LAST RE-ELECTION:
15 December 2016

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:
6/6

QUALIFICATION(S):
- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants
- Bachelor of Arts (Economics) (Hons.), University of Manchester, United Kingdom

MEMBERSHIP OF BOARD COMMITTEE(S):
A F R

PRESENT DIRECTORSHIP(S):
Listed Entities:
- S P Setia Berhad
- BIMB Holdings Berhad

Other Public Companies:
- Bank Islam Malaysia Berhad

SKILLS, EXPERIENCE AND EXPERTISE:
Noraini binti Che Dan has over 30 years of experience in audit and finance. Prior being appointed to this Board, she was the Head of Finance and Vice President of Finance at MISC Berhad for a total of 10 years, and had served Pernas International Holdings Berhad for 15 years in various capacities including as Group General Manager Finance and Chief Financial Officer. She was also a Senior Auditor in the Firm of Hanafiah Raslan & Mohamad.

JUNIWATI RAHMAT HUSSIN

Aged 59, Malaysian, Female
Independent Non-Executive Director

Date Appointed to the Board: 1 June 2017

YEAR(S) OF DIRECTORSHIP:
Less than one (1) year

DATE OF LAST RE-ELECTION:
18 December 2017

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:
6/6

QUALIFICATION(S):
- Bachelor of Science (Hons.) in Chemistry, University of Kent, Canterbury, United Kingdom
- Certificate in International Management, GE
- Attended the INSEAD Senior Management Development Programme and Advanced Management Programme
- Attended the HENLEY Business School Advanced Management Programme, United Kingdom

MEMBERSHIP OF BOARD COMMITTEE(S):
T R

PRESENT DIRECTORSHIP(S):
Listed Entities:
- UEM Edgenta Berhad

Other Public Companies:
- Nil

SKILLS, EXPERIENCE AND EXPERTISE:
Juniwati Rahmat Hussin began her career in 1981 as a Chemist and had served PETRONAS for 35 years in various significant positions within PETRONAS Group including Chief Executive Officer of PETRONAS Refinery and Petrochemical Corporation Sdn. Bhd., Vice President and Venture Director of Pengerang Integrated Complex, Vice President of Human Resource Management Division and Education Division.

Throughout her career, she has gained a wide range of hands-on experience in Refinery Operations, Project Management, Corporate Planning, Human Resource and Marketing & Trading.

During her length of service in PETRONAS, Juniwati also sat on boards of several subsidiaries including one of its listed company, PETRONAS Dagangan Berhad.

She is currently a member of Advisory Council for Yayasan Peneraju Pendidikan Bumiputera (Yayasan Peneraju).

OUR BOARD

BADRUL ILAHAN BIN ABD JABBAR

Aged 47, Malaysian, Male
Independent Non-Executive Director

Date Appointed to the Board: 1 July 2017

YEAR(S) OF DIRECTORSHIP:

Less than one (1) year

DATE OF LAST RE-ELECTION:

18 December 2017

BOARD MEETING ATTENDANCE IN THE FINANCIAL PERIOD:

6/6

QUALIFICATION(S):

- Master Degree in Public Administration, John F. Kennedy School of Government, Harvard University, Cambridge, Massachusetts, U.S.A.
- Bachelor of Arts and Sciences (Majoring in Economics and Political Science), University of Massachusetts, Boston, Massachusetts, U.S.A.

MEMBERSHIP OF BOARD COMMITTEE(S):

A R I

PRESENT DIRECTORSHIP(S):

Listed Entities:
- Nil

Other Public Companies:
- Nil

SKILLS, EXPERIENCE AND EXPERTISE:

Badrul Ilahan bin Abd Jabbar has vast experience in management. Prior to his appointment to this Board, he has served in the areas of Public Policy, Information Technology & Communications and Innovation. Prior to that, he had served in various capacities in Khazanah, Ministry of Defence, Ministry of Finance including the Ministry of Foreign Affairs.

Declaration by the Board:

(i) Family Relationship with Director and/or Major Shareholder of TNB:
None of the Directors has any family relationship with any Director and/or Major Shareholder of TNB.

(ii) Conflict of interest with TNB:
Save as disclosed above, none of the Directors has any conflict of interest with TNB.

(iii) Other than traffic offences, any conviction for offences within the past five (5) years and public sanction or penalty imposed by relevant regulatory bodies during the Financial Period under review:
Other than traffic offences, none of the Directors has been convicted for any offences within the past five (5) years nor has been imposed of any public sanction or penalty by the relevant regulatory bodies during the Financial Period under review.

OUR COMPANY SECRETARY

NORAZNI BINTI MOHD ISA

Aged 54, Malaysian, Female
Company Secretary

Date of Appointment: 31 May 2012

QUALIFICATION(S):

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

PRESENT DIRECTORSHIP(S):

Listed Entities:
- Nil

Public Companies:
- TNB Western Energy Berhad

SKILLS, EXPERIENCE AND EXPERTISE:

Norazni binti Mohd Isa is the Company Secretary of TNB and also for several subsidiaries under TNB Group. She heads TNB's Company Secretary's Office and oversees company secretarial matters of TNB and its Group which include acting as advisor to the Board pertaining to the Company's Constitution, Board policies and procedures and its compliance with regulatory requirements, legislation, guidelines and corporate governance practices.

Norazni had more than 27 years of vast experience within TNB where she had served in various positions specifically in legal services, tender, contract management and regulatory management. She was Deputy Company Secretary and Joint Company Secretary (2011-2012), prior to her current appointment. Other previous positions she held were Head of Tender Management Unit, Procurement Division (2006-2011), Manager of Licensing and Compliance Unit, Corporate Communications Department (2003-2006), Manager of Contract Management, Procurement Division (2002-2003) and Legal Executive in Legal Services Department, Company Secretary's Office (1990-2001).

Currently, Norazni also sits on the board of TNB Group.

Additional Information:

(i) Family Relationship with Director and/or Major Shareholder of TNB: Nil
(ii) Conflict of interest with TNB: Nil
(iii) Other than traffic offences, any conviction for offences within the past five (5) years and any public sanction or penalty by the relevant regulatory bodies during the Financial Period under review: Nil

OUR MANAGEMENT TEAM

MEMBERSHIP KEY

GECC
Group Executive Council Committee

SDC
Sustainability Development Committee

GEMC
Group Executive Management Committee

GMTC
Group Management Tender Committee

ComPEC
Commodity Procurement Executive Committee

ESC
Energy Supply Committee

ICTGC
Information and Communication Technology (ICT) Governance Council

HSE
Health, Safety and Environment Steering Committee

01

DATUK SERI IR. AZMAN BIN MOHD

President/Chief Executive Officer
Male, Malaysian, Aged 60

Date Appointed to the Management Team:
14 November 2008

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

Directorships in Public Companies:
- Integrax Berhad
- TNB Global Ventures Capital Berhad
- Malaysian Industry-Government Group For High Technology

Management Committees:
GECC GEMC ESC GMTC ComPEC ICTGC HSE

Working Experience:
- Began his career at TNB as Assistant District Engineer for TNB Temerloh/Mentakab (1979-1981).
- Served as District Manager for TNB Rawang from 1982 to 1990 followed by TNB Kajang from 1991 to 1995.
- Appointed as Area Manager for TNB Perlis in 1996, where he served for two (2) years.
- From 1999 to 2002, he served as General Manager, Customer Services, before being appointed as General Manager, Strategic Management and Organisational Development in 2003. He continued in this role until 2005, after which he became Senior General Manager (Operation-Region 2) from 2006 until 2007.
- Prior to his appointment as President/Chief Executive Officer of TNB on 1 July 2012, he served as Executive Director/Chief Operating Officer of TNB from 15 April 2010 until 30 June 2012, after serving as Vice President, Distribution from 2008 to 2010.

02

DATUK FAZLUR RAHMAN BIN ZAINUDDIN

Chief Financial Officer/Vice President, Group Finance
Male, Malaysian, Aged 48

Date Appointed to the Management Team:
1 July 2012

Qualifications:
- Fellow of Association of Chartered Certified Accountants, United Kingdom
- Member of Malaysian Institute of Accountants

Directorships in Public Companies:
- Integrax Berhad
- TNB Global Ventures Capital Berhad

Management Committees:
GECC GEMC ESC SDC GMTC ComPEC ICTGC

Working Experience:
- Served for four (4) years in public accounting practices including three (3) years in PriceWaterhouse, Kuala Lumpur as a Tax Consultant.
- He served for 10 years, from 1995, with Shell Malaysia in various financial management and corporate roles.
- Served as Chief Financial Officer of Naza Group. Prior to joining the Naza Group in 2010, he was with Telekom Malaysia Berhad in several capacities since 2005, with his last position as Vice President - Business Development.
- Appointed as Chief Financial Officer/Vice President, Group Finance on 1 July 2012.

OUR MANAGEMENT TEAM

03

DATUK ZAINUDIN BIN IBRAHIM

Vice President, Generation
Male, Malaysian, Aged 61

Date Appointed to the Management Team:
3 September 2012

Qualifications:
- Master of Engineering Management, Universiti Tenaga Nasional, Malaysia
- Bachelor of Engineering in Mechanical Engineering, University of Sheffield, United Kingdom

Directorships in Public Companies:
- Integrax Berhad

Management Committees:

GECC	GEMC	ESC	SDC
GMTC	ComPEC	ICTGC	HSE

Working Experience:
- Began his 36-year career in TNB as a Mechanical Engineer at Tuanku Ja'afar Power Station in 1980.
- Following a two-year stint as a Shift Charge Engineer at Sultan Ismail Power Station, Paka, he returned to Tuanku Ja'afar Power Station and served for the next 20 years in various positions.
- Between 2007 and April 2012, he assumed the post of General Manager, Putrajaya Power Station and later at the Tuanku Ja'afar Power Station.
- He then spent six (6) months as the Senior General Manager (Operations), Generation Division.
- Appointed as the Vice President, Generation on 3 September 2012.

04

DATO' IR. HO PENG CHOONG

Vice President, Grid
Male, Malaysian, Aged 61

Date Appointed to the Management Team:
1 February 2016

Qualifications:
- Master in Business Administration, University of Malaya, Malaysia
- Bachelor in Science (Electrical Engineering), Southern Illinois University, U.S.A.
- Diploma in Electrical Engineering (Power), University of Technology, Malaysia

Directorships in Public Companies:
- Nil

Management Committees:

GECC	GEMC	ESC	SDC
GMTC	ICTGC	HSE	

Working Experience:
- Started his career in TNB, Distribution Division Kota Bharu as Technical Assistant in 1977.
- Served in Distribution, Transmission and Planning Divisions in various technical and engineering capacities that included Assistant Engineer (Design/ Construction), District Engineer, Senior Project Engineer, Senior Manager (Network Planning) and Chief Engineer (System Planning).
- Served as General Manager (Zone 2 - Projects) from June 2007 to June 2010.
- Appointed as Senior General Manager (Asset Maintenance), Transmission Division from June 2010 to February 2015. In February 2015 he was appointed as Senior General Manager (VUP - Distribution) to lead the transformation programme in Distribution.
- Appointed as Vice President, Transmission on 1 February 2016.

05

DATUK IR. BAHARIN BIN DIN

Vice President, Distribution
Male, Malaysian, Aged 54

Date Appointed to the Management Team:
1 January 2012

Qualifications:
- Master of Business Administration, Universiti Tenaga Nasional, Malaysia and Bond University, Australia (joint UNITEN/Bond MBA programme)
- Bachelor of Science in Electrical Engineering, Syracuse University, New York, U.S.A.

Directorships in Public Companies:
- Nil

Management Committees:

GECC	GEMC	ESC	SDC
GMTC	ICTGC	HSE	

Working Experience:
- His career at various engineering and managerial positions in TNB include Business Development, Network Maintenance, Network Planning, Construction Services, Metering Service and Engineering Services.
- Seconded for 2½ years to Ministry of Energy, Green Technology and Water (KeTTHA) as the Deputy Director and Director of the Electrical Inspectorate Department of Sabah and Pahang, sequentially.
- Served as Managing Director of Sabah Electricity Sdn. Bhd. (SESB) for 4½ years from March 2007.
- Appointed as Senior General Manager (Customer Service & Metering) on 1 December 2011.
- Appointed as Vice President, Distribution on 1 January 2012.

OUR MANAGEMENT TEAM

06

DATO' NOR AZMAN BIN MUFTI

Vice President, Energy Ventures
Male, Malaysian, Aged 57

Date Appointed to the Management Team:
1 November 2014

Qualifications:
- Master of Engineering Management, Universiti Tenaga Nasional, Malaysia
- Bachelor of Engineering (Mechanical), University of Strathclyde, Glasgow, Scotland, United Kingdom
- Diploma in Mechanical Engineering, University of Technology, Malaysia

Directorships in Public Companies:
- TNB Global Ventures Capital Berhad

Management Committees:
GECC GEMC ESC SDC GMTC HSE

Working Experience:
- Started as a Mechanical Technician in 1980 before pursuing his Diploma and Degree studies from 1983 to 1987.
- Served in various technical and engineering capacities within the Generation Division since 1987.
- Chief Operating Officer, TNB Repair And Maintenance Sdn. Bhd. (TNB REMACO) from 2 November 2009 until 19 January 2010.
- Managing Director, TNB REMACO from 20 January 2010 until 31 October 2014.
- Appointed as Vice President, Energy Ventures Division on 1 November 2014.

07

DATO' ROSLINA BINTI ZAINAL

Vice President, Regulatory Economics and Planning
Female, Malaysian, Aged 55

Date Appointed to the Management Team:
1 April 2009

Qualifications:
- Master of Business Administration, University of New England, Australia
- Degree in Electrical Engineering, University of Lakehead, Canada

Directorships in Public Companies:
- Malaysian Industry-Government Group For High Technology

Management Committees:
GEMC ESC SDC ComPEC HSE

Working Experience:
- Served LLN/TNB for over 31 years, beginning as an Electrical Engineer in Johor Bahru on 1 July 1985.
- Worked in various divisions in TNB such as Distribution, Planning, Business Strategy, Regulations, Transmission and Corporate Planning.
- Seconded to the Economic Planning Unit of the Prime Minister's Office to advise on energy matters.
- Appointed as Vice President, Regulatory Economics and Planning Division on 1 April 2009.

08

DATO' MUHAMMAD RAZIF BIN ABDUL RAHMAN

Chief People Officer, Human Resource
Male, Malaysian, Aged 55

Date Appointed to the Management Team:
24 December 2008

Qualifications:
- Bachelor of Engineering (Hons.) (Electrical Engineering), University of Liverpool, United Kingdom

Directorships in Public Companies:
- Nil

Management Committees:
GEMC HSE

Working Experience:
- Served LLN/TNB for 33 years in various capacities as Transmission Protection Engineer, Power Plant Engineer, Business Development Manager at TNB Workshop Services Sdn. Bhd., Operations Manager at Perusahaan Otomobil Elektrik Malaysia, Head of Training at TNB Transmission Network Sdn. Bhd., Head of Training & Development, Group Human Resource Division in 2002 and later, Head of Human Resource Planning and Staffing.
- Promoted to Vice President, Human Resource on 24 December 2008.

OUR MANAGEMENT TEAM

09

DATUK WIRA ROSLAN BIN AB RAHMAN

Chief Corporate Officer
Male, Malaysian, Aged 60

Date Appointed to the Management Team:
3 September 2012

Qualifications:
- Bachelor of Science (Hons.) (Electrical Engineering), University of Southampton, United Kingdom

Directorships in Public Companies:
- Nil

Management Committees:
GECC GEMC SDC GMTC HSE

Working Experience:
- Joined LLN/TNB in 1980 and was assigned to various positions in areas such as consumer, planning, construction, operations and maintenance at districts in West Malaysia.
- Held several senior positions at Headquarters in areas of Quality, Commercial, Customer Service, Marketing and Operations.
- Appointed as Chief Corporate Officer on 3 September 2012.
- He currently oversees all matters related to the Group's Corporate Communications activities.
- Presently, he is the Country Coordinator for HAPUA (Heads of ASEAN Power Utilities/Authorities).

10

NAZMI BIN OTHMAN

Chief Investment Management Officer
Male, Malaysian, Aged 53

Date Appointed to the Management Team:
14 February 2014

Qualifications:
- Certified Public Accountant of Malaysian Institute of Certified Public Accountants
- Certified Public Accountant of Australian Society of Certified Practising Accountants
- Member of Malaysian Institute of Accountants

Directorships in Public Companies:
- Integrax Berhad
- TNB Northern Energy Berhad

Management Committees:
GEMC SDC HSE

Working Experience:
- Appointed as Head (Financial Reporting and Budget) in September 2004 and then General Manager (Operation) in June 2006.
- In February 2008, appointed as Senior General Manager (Group Finance/Group Accountant).
- Appointed as Chief Investment Management Officer on 14 February 2014.

11

IR. SYED ABU HANIFAH BIN SYED ALWI

Chief Procurement Officer
Male, Malaysian, Aged 60

Date Appointed to the Management Team:
1 January 2013

Qualifications:
- Advanced Diploma in Electrical Engineering (Power), MARA Institute of Technology (now MARA University of Technology), Malaysia

Directorships in Public Companies:
- Nil

Management Committees:
GEMC GMTC ComPEC HSE

Working Experience:
- Began his career as an Assistant Engineer in Kuala Lumpur (South) district in the area of operations and maintenance of electrical systems, and later became the District Manager in Kulim, Kedah.
- In 1998, he was assigned as a Material Planning Manager, Material Resource Management Department, Distribution Division.
- He became the Senior General Manager of Material Management Department, Distribution Division.
- Appointed as Chief Procurement Officer on 1 January 2013.

OUR MANAGEMENT TEAM

12

FAZIL BIN IBRAHIM

Chief Information Officer
Male, Malaysian, Aged 54

Date Appointed to the Management Team:
1 September 2015

Qualifications:
- Master of Business Administration, Ohio University, Athens, U.S.A.
- Bachelor of Science in Operations Management and Computer Science, Australian National University, Australia

Directorships in Public Companies:
- Nil

Management Committees:
GEMC GMTC ICTGC

Working Experience:
- Started work at LLN/TNB since 1985 and has worked in various departments and divisions such as Procurement, Corporate Services, Distribution and Human Resource.
- Held managerial positions in Materials Management Services in Procurement Department.
- Involved in Tariff & Power Trading, Business Performance Statistics, HR System Support, Field Force Automation, Corporate System & Application Support and TNB Corporate GIS Project Implementation.
- He was the Senior General Manager of IT & Business Solutions Department in ICT from June 2012.
- Appointed as Chief Information Officer on 1 September 2015.

13

NORAZNI BINTI MOHD ISA

Her Profile is set out in Our Company Secretary on page 069.

Management Committees:
GEMC

Additional Information on Our Management Team:

(i) None of the Management Team has any family relationship with any Director and/or Major Shareholder of TNB.
(ii) None of the Management Team has any conflict of interest with TNB.
(iii) Other than traffic offences, none of the Management Team has been convicted for any offences within the past five (5) years nor has been imposed of any public sanction or penalty by the relevant regulatory bodies during the Financial Period under review.

OUR GOVERNANCE:
LEADERSHIP AND EFFECTIVENESS

WE BELIEVE HIGH STANDARDS OF GOVERNANCE AND TRANSPARENCY ARE ESSENTIAL FOR THE SUSTAINABILITY OF OUR BUSINESS

CORPORATE GOVERNANCE AT TNB

Tenaga Nasional Berhad (TNB or the Company) is committed to high level of corporate governance and fostering a culture that values ethical behaviour, integrity and respect. We believe that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

Our corporate governance model enables us to understand and manage our business and to achieve our objectives. It defines the boundaries within which our employees and external parties are expected to work. It establishes a common approach to how we operate, wherever the location.

For the Financial Period under review, our governance arrangements generally complied with the Malaysian Code on Corporate Governance 2017 (MCCG 2017). In addition, our governance framework complies with the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) and is guided by Bursa Malaysia CG Guide - 3rd Edition and The Green Book: Enhancing Board Effectiveness by the Putrajaya Committee on Government-Linked Companies High Performance.

Our Corporate Governance Overview Statement reports on TNB's key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance. The Corporate Governance Overview Statement discusses arrangements in relation to our Board of Directors, Committees of the Board, shareholders, risk management and internal control, the external auditor relationship and diversity.

This Statement is to be read together with the Corporate Governance Report 2017 of the Company (CG Report) which is available on our website: www.tnb.com.my.

The CG Report elaborates on the Company's application of each Principle of the MCCG 2017 for the Financial Period under review.

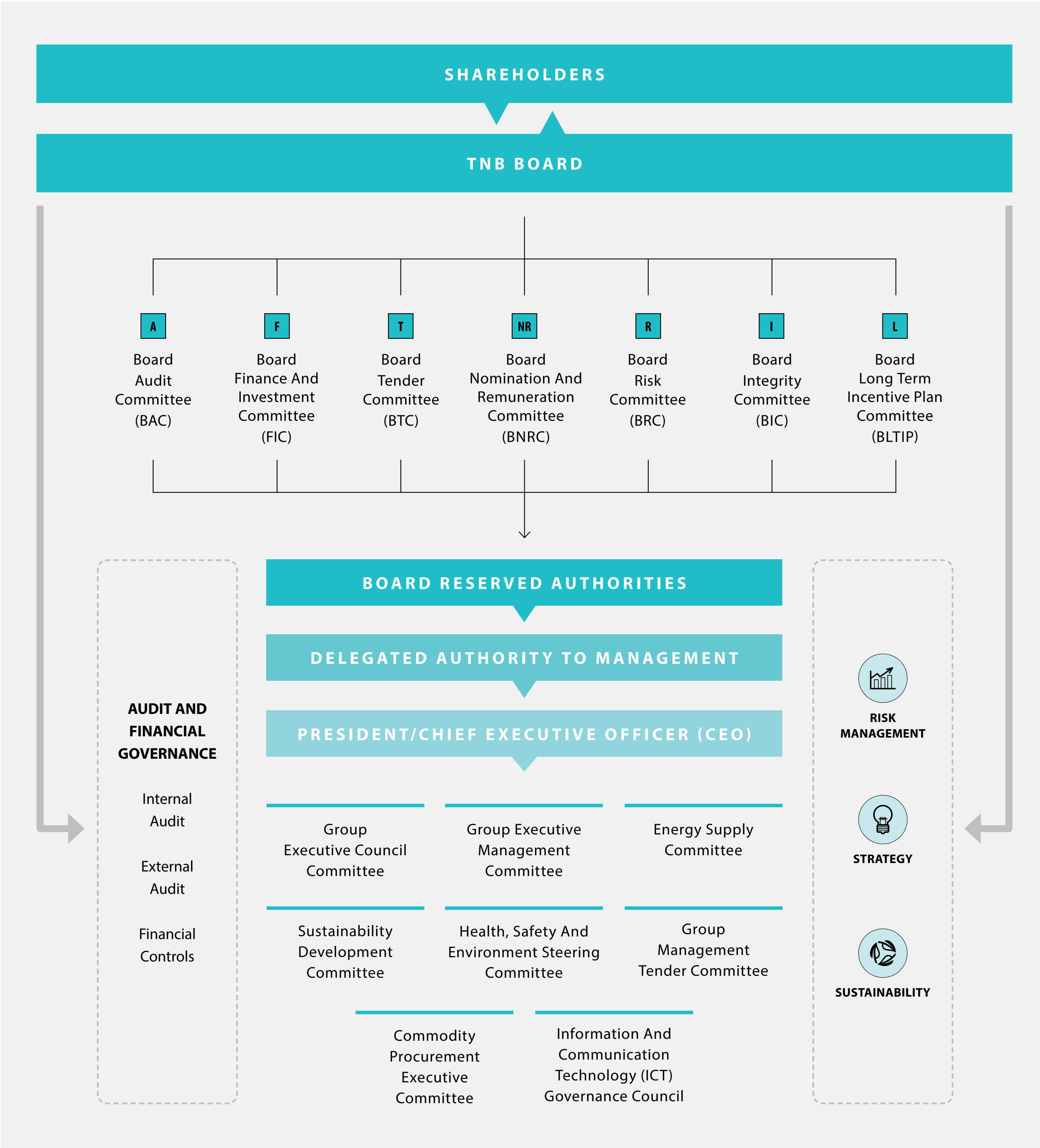
Our website contains copies of the Board Charter and Terms of Reference (TOR) of certain Committees and copies of policies mentioned in the Corporate Governance Overview Statement. The website is updated periodically to ensure that it reflects TNB's current corporate governance information.

TNB'S ACHIEVEMENTS

During the Financial Period under review, TNB's efforts in corporate governance practices were recognised by the Minority Shareholder Watchdog Group's 2017 ASEAN Corporate Governance Report, which presented the Company with the Industry Excellence Award for Consumer Services and Excellence Award for Corporate Governance Disclosure (ranked 10th place). In addition to that, TNB also bagged Silver Award for Integrated Reporting Award and received Certificate of Merit at the National Annual Corporate Report Awards (NACRA) 2017.

OUR GOVERNANCE:
LEADERSHIP AND EFFECTIVENESS

Our corporate governance model is best illustrated as follows:



OUR GOVERNANCE: LEADERSHIP AND EFFECTIVENESS

ROLES AND RESPONSIBILITIES OF THE BOARD

The roles of Chairman and the President/CEO are separated and clearly defined in the Board Charter.

The roles and responsibilities of the Chairman, Senior Independent Non-Executive Director, Non-Executive Directors, President/CEO, Chief Financial Officer/Vice President (Group Finance) and Company Secretary are including but not limited to:

CHAIRMAN
Tan Sri Leo Moggie
Non-Independent Non-Executive Director

The role of the Chairman involves:

- Leadership, operation and governance of the Board;
- Setting the agenda for Board meetings ensuring that they operate effectively and provide appropriate opportunity for challenge and debate to support sound decision-making;
- Ensuring constructive relations exist between the Executive and Non-Executive Directors;
- Overseeing the performance evaluation of the Board, its Committees, Self and Peer;
- Meeting with shareholders, analysts and other representatives of institutional investors;
- Meeting with managers and employees at various locations throughout the Group;
- Leading Board meetings and discussions;
- Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- Leading the Board in establishing and monitoring good corporate governance practices.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
Dato' Abd Manaf bin Hashim

The role of the Senior Independent Non-Executive Director involves:

- Providing a sounding board for the Chairman;
- An intermediary for other Directors when necessary and specifically serves as the principal conduit between the Independent Non-Executive Directors and Chairman on sensitive issues;
- Promote high standards of corporate governance and ensure that the Company's obligations to shareholders are understood and complied with;
- Ensure the composition of the Board with regards to the number of Independent Directors is in adherence to relevant requirements and regulations;
- Being available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole;
- Being available to shareholders if they have any concerns which are unable to be resolved through the normal channels of Chairman, President/CEO or Chief Financial Officer/Vice President (Group Finance), or if contact through these channels are deemed inappropriate; and
- If necessary, the Senior Independent Non-Executive Director can be emailed at cosec@tnb.com.my.

NON-EXECUTIVE DIRECTORS
Datuk Seri Hashmuddin bin Mohammad
Amran Hafiz bin Affifudin
Dato' Abd Manaf bin Hashim
Datuk Sakthivel Alagappan
Tan Sri Dato' Seri Chor Chee Heung
Gee Siew Yoong
Noraini binti Che Dan
Juniwati Rahmat Hussin
Badrul Ilahan bin Abd Jabbar

The role of the Non-Executive Directors involves:

- Scrutinising, measuring and reviewing the performance of Management;
- Constructively challenging and assisting in the development of strategy;
- Reviewing the Group financial information, ensuring systems of internal control and risk management are appropriate and effective;
- Reviewing the succession plans for the Board/Top Management; and
- Serving on various Committees of the Board.

PRESIDENT/CEO
Datuk Seri Ir. Azman bin Mohd
Non-Independent Executive Director

The President/CEO is responsible for:

- Delivering strategy as agreed by the Board;
- Leading the Management Committees which oversee the operational and financial performance of, and issues facing the Group;
- Leading and supporting each of TNB's businesses and the functions of Human Resource, Strategy and Development and Corporate Affairs;
- Representing TNB externally to stakeholders, shareholders, customers, suppliers, regulatory and Government authorities and the community;
- Creating & implementing the Company's vision and mission;
- Ensuring that the Company has appropriate systems to enable it to conduct its activities both lawfully and ethically; and
- Ensuring the Directors are properly informed and that sufficient information is provided to the Board to enable the Directors to form appropriate judgments.

CHIEF FINANCIAL OFFICER/ VICE PRESIDENT (GROUP FINANCE)
Datuk Fazlur Rahman bin Zainuddin

The Chief Financial Officer/Vice President (Group Finance) is responsible for:

- Providing strategic financial leadership of the Company and day-to-day management of the finance function;
- Leading the finance management teams; and
- Representing TNB externally to stakeholders, shareholders, customers, suppliers, regulatory and Government authorities and the community.

COMPANY SECRETARY
Norazni binti Mohd Isa

The Company Secretary is responsible to the Board for:

- Managing all Board and Board Committee meeting logistics, attending and recording minutes of all Board and Committee meetings and facilitating Board communications;
- Advising the Board on its roles and responsibilities;
- Facilitating the orientation of new Directors and assisting in Directors' training and development;
- Advising the Board on corporate disclosures and compliance with Companies Act 2016 and securities regulations and MMLR;
- Managing processes pertaining to the general meetings;
- Monitoring corporate governance developments and assisting the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;
- Serving as a focal point for stakeholders' communication and engagement on corporate governance issues; and
- The Board Members have unlimited access to the professional advice and services of the Company Secretary.

**OUR GOVERNANCE:
LEADERSHIP AND EFFECTIVENESS**

BOARD CHARTER

DURING THE FINANCIAL PERIOD UNDER REVIEW, THE BOARD HAD REVIEWED AND REALIGNED A NUMBER OF EXISTING GOVERNANCE POLICIES AND DOCUMENTS WITHIN THE TNB BOARD CHARTER. THE TNB BOARD CHARTER SUPPORTS GOOD STANDARDS OF CORPORATE GOVERNANCE, THROUGH THE COLLATION AND REGULAR REVIEW OF A NUMBER OF KEY MATTERS, INCLUDING:

- **The division of responsibilities between the Chairman and President/CEO;**
- **The respective roles, responsibilities and authorities of the Board, its Committees and Management;**
- **Reserved Matters of the Board; and**
- **Board level policies and practices.**

The TNB Board Charter is provided to each Director and the Board reviews its Charter periodically subject to changes in regulations and best practices. The Board had reviewed and revised its Board Charter on 28 September 2017.

THE BOARD IS RESPONSIBLE FOR PROMOTING THE OVERALL SUCCESS OF THE COMPANY. IN DOING SO, IT DELEGATES CERTAIN RESPONSIBILITIES TO BOARD COMMITTEES AND MANAGEMENT TEAMS.

Details of the Board Committees and their activities during the Financial Period under review are set out on pages 82 to 96. The Board delegates authority to the President/CEO for the execution of strategy and the day-to-day management of the Group. The Board oversees, guides and challenges Management in the execution of these activities. Together with Top Management, the Board promotes a good governance culture, which reinforces ethical, prudent and professional behaviour. The Board is guided by its Board Charter which sets out the Board's roles, powers, duties and functions. The Board Charter can be found online at www.tnb.com.my.

There are certain key responsibilities that the Board does not delegate and which are reserved for its ultimate decision:

KEY FEATURES OF MATTERS RESERVED

- Formulating, reviewing and approving the Company's strategic business plan
- Identifying and managing principle risks affecting the Company
- Reviewing the adequacy and integrity of the Company's internal control system
- Overseeing and evaluating the conduct and performance of the Company's businesses
- Succession Planning

OUR GOVERNANCE: LEADERSHIP AND EFFECTIVENESS

BOARD ACTIVITIES OF THE FINANCIAL PERIOD UNDER REVIEW

TNB is built on strong foundations and operates with a clear strategic framework comprising a balance range of businesses in core markets and a commitment to efficient operations and disciplined investment. Some of the matters considered by the Board in relation to these strategic priorities are set out below:

AREA OF FOCUS	MATTERS CONSIDERED BY THE BOARD
Reviewing and adopting a strategic plan for the Company	The Board plays a pivotal role in reviewing the Company's strategic direction and approving corporate strategic initiatives developed by the Management. The Board deliberates annually on the Company's strategic and business plan as proposed by the Management, including the annual capital and revenue budget for the ensuing year as well as the Key Performance Indicators (KPIs). This will ensure that the KPIs correspond with the Company's annual strategic and business plan. The Board reviews and deliberates on the Management's views/assumptions in ensuring the best decisions are reached after considering all relevant aspects. A separate and informal session between the Board and Top Management, known as the Board Breakout Session (BBO), is held to discuss in-depth and exchange views on the Company's strategic issues/challenges. The BBO is coordinated by the Company Secretary's Office as and when the need arises and is a platform for the Board and Management to deliberate and exchange views as well as opinions in formulating strategic plans and to chart the direction of the Group, including the reporting of its progress. During the Financial Period under review, a BBO was held on 25 October 2017, specifically to discuss on Strategic Performance of International Investments. During the BBO, the Management shared with the Board of TNB International Growth Strategy, Overview on TNB International Portfolio, Overseas Investments Performances and its Future Growth, the Lessons Learnt out of the Investments and the formation of International Asset Group. In return, the Management gained constructive inputs/guidance from the Board on way forward of these investments and new opportunities. More information on the Strategic Direction is available in the CEO's Strategic and Operational Review on page 16 of this Integrated Annual Report. Half-year reviews of the business plan and the budget were conducted whereby comparison of approved targets against the Company's actual performance was made. Based on the evaluation for Financial Period under review, the Board collectively concurs that it has reviewed the Company's strategic and financial plan as well as monitored its implementation, including the setting of suitable KPIs in achieving the Company's objectives.
Overseeing the conduct of the Company's business	The President/CEO is responsible for managing the day-to-day operations of the Company and implementing the Group strategies and policies as agreed by the Board. In doing so he is well supported by the respective Management Committees. The performance of the Management is measured through the Company's and Group's quarterly financial reports. The Board, on a continuous basis, is well informed of the progress of the Company's strategic initiatives and critical operational issues as well as of the Group's performance based on approved KPIs.
Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures	The BRC assists the Board in overseeing the establishment, implementation and effectiveness of the risk management system. The BRC on behalf of the Board, also approves risk management policies/practices, reviews periodic reports on risk management and makes relevant recommendations to the Board for its approval. Details of the BRC and the risk management framework are set out in the BRC Report and Statement of Risk Management and Internal Control of this Integrated Annual Report. Based on the evaluation for the Financial Period under review, the Board collectively agrees that it has discharged its roles in identifying principal risks and in ensuring that the Group has put in place an adequate risk management framework to effectively monitor and manage the risks of its operational businesses.

OUR GOVERNANCE:
LEADERSHIP AND EFFECTIVENESS

AREA OF FOCUS	MATTERS CONSIDERED BY THE BOARD
Succession planning	The Board, through the BNRC is obliged to review potential candidates for Top Management positions and establish their remuneration. The Group's nomination, selection and succession policies are formulated by the BNRC. Their mix of skills, experience, expertise and qualification are analysed prior to their respective appointments. The selection of candidates and appointment of Independent Non-Executive Directors by the Board/BNRC are made with the assistance of independent consultant. The Board is satisfied that the BNRC has efficiently discharged its duties pertaining to the nomination, remuneration and succession management functions as set out in its TOR. The BNRC annually evaluates the performance of the President/CEO and the Top Management, whose remunerations are directly linked to their respective KPIs. The President/CEO's remuneration package is reviewed by the BNRC to reflect the contributions made towards the Group's achievements for the year. The BNRC's views and recommendations on this are submitted to the Board for its decision/approval. Based on the evaluation for the Financial Period under review, the Board collectively concurs that succession planning for the President/CEO and Top Management as well as for the Company's future leaders has been appropriately developed.
Overseeing the development and implementation of shareholder communication policy for the Company	TNB continuously maintains its commitment to pursue the highest standards of corporate disclosure by disseminating accurate, consistent, transparent and timely information to its stakeholders. TNB's Investor Relations (IR) Policy acts as the guiding principle for IR functions, assisting effective communication between the Management and the financial community, locally and abroad. Based on the evaluation for the Financial Period under review, the Board collectively agrees that the Management has successfully conducted the IR programmes. Concise details on TNB's IR functions and its activities for this Financial Period are provided in this Corporate Governance Overview Statement under Investors/Stakeholders Engagement.
Reviewing the adequacy and integrity of the Company's management information and internal control system	The Board is responsible for ensuring that a sound reporting framework of internal controls and regulatory compliance is in place throughout the Company. Based on the evaluation for the Financial Period under review, the Board collectively concurs that it has discharged its roles through the BRC/BAC whereby regular meetings were held in reviewing the effectiveness of the Company's internal control system. Details of the Company's internal control system and its effectiveness are provided in the Statement of Risk Management and Internal Control in this Integrated Annual Report.

SUPPLY OF INFORMATION AND ACCESS TO ADVICE

The Board receives accurate, timely and clear information five (5) working days prior to meetings to enable it to effectively discharge its duties and responsibilities. Thus, it has separate and independent access to information to assist it with its deliberations, including the opportunity to request supplementary or explanatory information from Management. The Management provides information to the Board on an on-going basis to allow the Board to effectively discharge its responsibilities.

The Board recognises the importance of independent judgement and constructive debate on all issues under consideration. Where necessary, the Board collectively and individually has the right to obtain external independent legal, accounting or other professional advice at the Company's expense to assist with its decision-making process.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

BOARD MEETINGS

The Board schedules meetings on a monthly basis. Additional meetings are held as necessary to discuss specific issues that require deliberation in between the scheduled meetings. The Board held six (6) Board meetings during the Financial Period under review.

The calendar for Board and Board Committee meetings is scheduled well in advance, which include the BBO, pre-Board meetings and Annual General Meeting (AGM), with dates for the year circulated to the Board in the month of October of the preceding year to give the Directors ample time to plan their attendance.

OUR GOVERNANCE: LEADERSHIP AND EFFECTIVENESS

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

The agenda of Board meetings is drawn up after consultation between the Chairman, President/CEO and Company Secretary at the pre-Board meeting. Copies of the agenda and Board papers are circulated to Board Members electronically and in hard copies at least five (5) working days prior to the meetings. This permits prior review by the Directors and if necessary, the provision of further information for deliberation at the meeting to ensure informed decision-making. Any Director may request matters to be included in the agenda.

Top Management and external advisors may be invited to attend Board meetings to advise the Board when matters under their purview are being considered, or as otherwise requested by the Board to enable informed decision-making. Should a Director be unable to attend a meeting, his/her views are sought in advance and put to the meeting to facilitate a comprehensive discussion. Thereupon, each Director makes himself/herself available to fellow Directors and may contribute to all major decisions before the Board.

A comprehensive Board paper comprising the objectives, background, issues, implications, risks, appropriate analysis/statistics, recommendations and other relevant information is prepared to enable the Board to make informed and effective decisions.

The Board and Board Committee meetings are also held at various business operating units or sites of major/new projects to allow the Board to better assess progress made and note any other important issue raised. As at to date, the Board/respective Board Committees visited the following business operations/on-going projects:

TECHNICAL VISITS OF BOARD/BOARD COMMITTEES

BOARD

Date	Venue
6 March 2018	• Lekir Bulk Terminal Sdn. Bhd. • Manjung Coal Despatch Centre, TNB Janamanjung Sdn. Bhd.

BRC

Date	Venue
13 November 2017	Pencawang Masuk Utama 500kV Ayer Tawar, Perak

BTC

Date	Venue
12 October 2017	Tenaga Switchgear Sdn. Bhd.

BAC

Date	Venue
8 September 2017	Batu Sapi Power Station, Sandakan, Sabah

Decisions of the Board and Board Committees are made unanimously or by consensus. These decisions and conclusions are recorded in the Board minutes. In the case of a tied vote, the Chairman has a second or casting vote. The Board's decisions may also be obtained via circulation depending on the urgency and availability of the Directors as well as the nature of the proposal/subject matter.

Minutes of the meetings are circulated earlier to all Directors for their perusal prior to the meetings. The Directors may request for clarification or raise comments on the minutes prior to their confirmation. After the Directors' confirmation, the Chairman of the meeting signs the minutes as a correct record of the proceedings. The Directors are also informed of announcements made to Bursa Malaysia Securities Berhad for their notification.

A COMMITTED BOARD

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

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

In addition, each Director has complied with the MMLR of attending not less than 50% of the Board meetings held during the Financial Period. This demonstrates that each Director has devoted sufficient time and commitment to carrying out his/her responsibilities.

OUR GOVERNANCE: LEADERSHIP AND EFFECTIVENESS

BOARD COMMITTEES

The Board has established its principal Committees to exercise oversight in specific areas. Our Board Committees structure is set out below. It includes the Committees' Roles and Responsibilities, Membership, Attendance and Composition.

Prior to each Board meeting, the Board shall receive reports from the Chairman of each Board Committee on their deliberations and recommendations after each meeting. This ensures that each Director is informed of the decisions made including views/comments raised. The Chairman of each Board Committee shall then table to the Board its report and present its recommendations for the Board's approval accordingly at each Board Meeting. This permits the Board to raise any comments/views on all deliberations.

BOARD OF DIRECTORS

Director	Total Attendance
Tan Sri Leo Moggie	4/6 (67%)
Datuk Seri Ir. Azman bin Mohd	6/6 (100%)
Datuk Seri Hashmuddin bin Mohammad	4/6 (67%)
Amran Hafiz bin Affifudin	6/6 (100%)
Dato' Abd Manaf bin Hashim	6/6 (100%)
Datuk Sakthivel Alagappan	5/6 (83%)

A — BOARD AUDIT COMMITTEE (BAC)

Chairman:

Noraini binti Che Dan
Attendance **5/5** (100%)

Members:

Dato' Abd Manaf bin Hashim
Attendance **5/5** (100%)

Datuk Sakthivel Alagappan
Attendance **4/5** (80%)

Tan Sri Dato' Seri Chor Chee Heung
Attendance **5/5** (100%)

Gee Siew Yoong
Attendance **5/5** (100%)

Badrul Ilahan bin Abd Jabbar
Attendance **5/5** (100%)

Key Roles and Responsibilities:

To oversee the integrity of the financial statements in compliance with legal and regulatory requirements and applicable accounting standards.

To assess the effectiveness of the Group's internal control framework as well as internal and external audit functions.

The BAC's TOR is available on the Company's website at www.tnb.com.my.

BAC Meeting Hours **12.08**

For BAC Report, please refer to pages 91-93 of this Report.

F — BOARD FINANCE AND INVESTMENT COMMITTEE (FIC)

Chairman:

Tan Sri Leo Moggie
Attendance **2/4** (50%)

Members:

Amran Hafiz bin Affifudin
Attendance **4/4** (100%)

Datuk Sakthivel Alagappan
Attendance **4/4** (100%)

Tan Sri Dato' Seri Chor Chee Heung
Attendance **4/4** (100%)

Noraini binti Che Dan
Attendance **4/4** (100%)

Key Roles and Responsibilities:

To assist the Board in relation to the management of the Group's financial and investment activities as well as in evaluating corporate proposals.

FIC Meeting Hours **8.42**

T — BOARD TENDER COMMITTEE (BTC)

Chairman:

Datuk Seri Hashmuddin bin Mohammad
Attendance **2/3** (67%)

Members:

Amran Hafiz bin Affifudin
Attendance **2/3** (67%)

Dato' Abd Manaf bin Hashim
Attendance **3/3** (100%)

Juniwati Rahmat Hussin
Attendance **2/3** (67%)

Key Roles and Responsibilities:

To establish the framework of TNB's Procurement & Supply Chain Policy and Procedures.

To advise the Board regarding the details and implementation of TNB's Procurement & Supply Chain Policy and Procedures framework.

To assist the Board in regulating the compliance of Top Management and Executive Director with TNB's Procurement & Supply Chain Policy and Procedures.

To ensure TNB complies with the applicable laws, regulations, rules and guidelines to achieve best business practices in its procurement of equipments, materials, works and services.

BTC Meeting Hours **8.66**

NR — BOARD NOMINATION AND REMUNERATION COMMITTEE (BNRC)

Chairman:

Tan Sri Dato' Seri Chor Chee Heung[1]
Attendance **3/3** (100%)

Tan Sri Dato' Seri Siti Norma binti Yaakob[2]
Attendance **3/3** (100%)*

Members:

Amran Hafiz bin Affifudin
Attendance **3/3** (100%)

Dato' Abd Manaf bin Hashim
Attendance **3/3** (100%)

Key Roles and Responsibilities:

To identify and recommend new nominees to the Board, Board Committees and Board of TNB Group.

To consider the Executive Director and Top Management's succession planning.

To assist the Board in reviewing the Board's required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

To implement the process formulated by the Board to assess the effectiveness of the Board, Board Committees, Self and Peer.

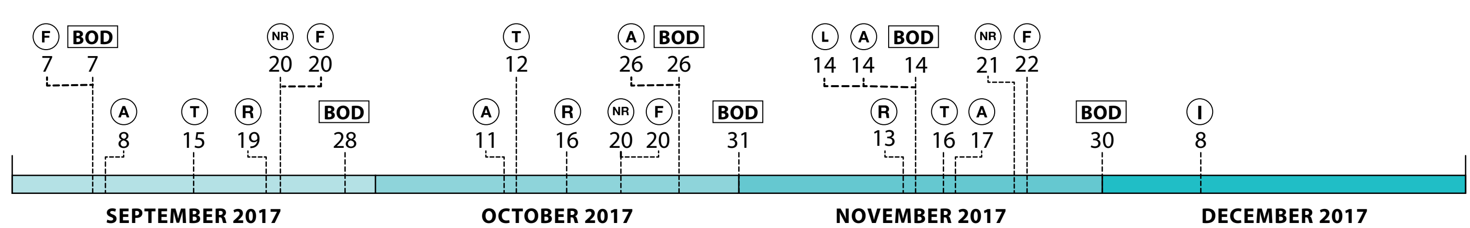
To determine and recommend to the Board the remuneration packages of Non-Executive Directors/ Executive Directors/Top Management.

The BNRC's TOR is available on the Company's website at www.tnb.com.my.

BNRC Meeting Hours **1.33**

For BNRC Report, please refer to pages 84-90 of this Report.

BOARD AND BOARD COMMITTEES MEETING CALENDAR



OUR GOVERNANCE:
LEADERSHIP AND EFFECTIVENESS

All deliberations and recommendations must be minuted and approved by each Board Committee and confirmed by the Chairman of each Board Committee at their respective Board Committee Meetings.

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

For this Financial Period under review based on the Board annual evaluation on its Committees, the Board unanimously resolves that each Board Committee and its members has discharged its roles and responsibilities effectively as guided by its respective TOR.

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

Total Board Meeting Hours **15.31**

Tan Sri Dato' Seri Chor Chee Heung[1]	Gee Siew Yoong	Noraini binti Che Dan	Juniwati Rahmat Hussin	Badrul Ilahan bin Abd Jabbar	Tan Sri Dato' Seri Siti Norma binti Yaakob[2]
Total Attendance	*Total Attendance*	*Total Attendance*	*Total Attendance*	*Total Attendance*	*Total Attendance*
6/6 (100%)	**6/6** (100%)	**6/6** (100%)	**6/6** (100%)	**6/6** (100%)	**5/6** (83%)*

R

BOARD RISK COMMITTEE (BRC)

Chairman:

Dato' Abd Manaf bin Hashim
Attendance **3/3** (100%)

Members:

Datuk Seri Hashmuddin bin Mohammad
Attendance **1/3** (33%)

Gee Siew Yoong
Attendance **2/3** (67%)

Noraini binti Che Dan
Attendance **3/3** (100%)

Juniwati Rahmat Hussin
Attendance **2/3** (67%)

Badrul Ilahan bin Abd Jabbar
Attendance **2/3** (67%)

Key Roles and Responsibilities:

To oversee the establishment and implementation of the risk management framework that is embedded into the culture, processes and structures of the Company and is responsive to changes in the business environment.

To approve the risk management policies on behalf of the Board.

To ensure the principles and requirements of managing risk are consistently communicated and adopted throughout the Company.

BRC Meeting Hours **11.17**

For BRC Report, please refer to pages 95-96 of this Report.

I

BOARD INTEGRITY COMMITTEE (BIC)

Chairman:

Tan Sri Dato' Seri Chor Chee Heung[1]
Attendance **1/1** (100%)

Tan Sri Dato' Seri Siti Norma binti Yaakob[2]
Attendance **1/1** (100%)*

Members:

Datuk Sakthivel Alagappan
Attendance **1/1** (100%)

Badrul Ilahan bin Abd Jabbar
Attendance **1/1** (100%)

Key Roles and Responsibilities:

To manage disciplinary issues and actions with regard to employees' misconduct, except for the hearing of appeal of executives of grade M15 and above or equivalent grade with regard to disciplinary cases, for which the power lies with the Board.

To review the disciplinary procedures, whenever applicable, subject to the Board's approval.

BIC Meeting Hours **2.17**

L

BOARD LONG TERM INCENTIVE PLAN COMMITTEE (BLTIP)

Chairman:

Tan Sri Dato' Seri Chor Chee Heung[1]
Attendance **1/1** (100%)

Tan Sri Dato' Seri Siti Norma binti Yaakob[2]
Attendance **1/1** (100%)*

Members:

Amran Hafiz bin Affifudin
Attendance **1/1** (100%)

Dato' Abd Manaf bin Hashim
Attendance **1/1** (100%)

Key Roles and Responsibilities:

To oversee the administration of TNB LTIP and the shares granted (LTIP Shares) subject to the By-Laws.

To approve and determine the manner in which the LTIP Shares are granted and subsequently vested to the selected employees in accordance with the By-Laws, including inter alia, the determination of eligibility, grant level, terms of acceptance of offers, terms of vesting of shares, performance conditions and any other terms and conditions imposed at the discretion of the BLTIP.

BLTIP Meeting Hours **1.25**

OVERALL PERCENTAGE OF THE BOARD MEETINGS ATTENDED BY DIRECTORS

92%

TOTAL BOARD & BOARD COMMITTEES' MEETINGS HOURS

60.39

All Directors have complied with the minimum attendance as stipulated in the MMLR, of which being present not less than 50% of the Board meetings held during the Financial Period.

NOTES

[1] Appointed as Chairman of BNRC, BIC & BLTIP w.e.f. 29 January 2018.

[2] Cessation of office as Director, Chairman of BNRC, BIC & BLTIP w.e.f. 18 December 2017.

* Reflects the number of meetings during the time the Director held office/was Chairman of Committee(s).

**OUR GOVERNANCE:
LEADERSHIP AND EFFECTIVENESS**

NR NOMINATION AND REMUNERATION COMMITTEE REPORT

BOARD NOMINATION AND REMUNERATION COMMITTEE

CHAIRMAN

Tan Sri Dato' Seri Chor Chee Heung
Independent Non-Executive Director
(Appointed as Chairman w.e.f. 29 January 2018)

Tan Sri Dato' Seri Siti Norma binti Yaakob
Independent Non-Executive Director
(Cessation of Office as Director w.e.f. 18 December 2017)

MEMBERS

Amran Hafiz bin Affifudin
Non-Independent Non-Executive Director

Dato' Abd Manaf bin Hashim
Senior Independent Non-Executive Director

KEY RESPONSIBILITIES

- To identify and recommend new nominees to the Board, Board Committees and Boards of TNB Group.
- To consider the Executive Director and Top Management's succession planning.
- To assist the Board in reviewing the Board's required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.
- To implement the process formulated by the Board to assess the effectiveness of the Board, the Board Committees, Self and Peer.
- To determine and recommend to the Board the remuneration packages of Non-Executive Directors/Executive Directors/Top Management.
- The BNRC's duties and responsibilities are set out in its TOR which is also available on the Company's website at www.tnb.com.my.

ROLE OF COMMITTEE

The Committee has a dual role. Firstly, the Committee ensures there is a formal and appropriate procedure for the appointment of new Directors to the Board. The Committee is responsible for leading this process and making recommendations to the Board. Secondly, the Committee determines and makes recommendations to the Board on the Company's framework and policy for the remuneration of the Non-Executive Directors, the Executive Director and Top Management.

SUMMARY OF ACTIVITIES FOR THE FINANCIAL PERIOD UNDER REVIEW

Tan Sri Dato' Seri Chor Chee Heung, an Independent Non-Executive Director has been appointed as the Chairman of BNRC with effect from 29 January 2018. He is well supported by two (2) Members, majority of BNRC of whom are Independent Non-Executive Directors.

During the Financial Period under review, the BNRC held three (3) meetings on matters including the following:

- Re-election and re-appointment of Independent Non-Executive Directors;
- Review of the status of independence of the Independent Non-Executive Directors;
- Engagement of an Independent Expert to facilitate the Board Effectiveness Assessment 2017;
- Findings of Annual Assessment of the Board, its Committees, Self and Peer;
- Review of composition of the Board Committees;
- Review of composition of the Boards of TNB Group of Companies;
- Review and assess the performance and make recommendation to the Board with regards to Directors who seek re-election and re-appointment at the AGM;
- Assess and recommend to the Board the renewal of service contracts of Top Management;
- Appointment of Senior Independent Non-Executive Director;
- Oversee the appointment, succession planning and performance evaluation of President/CEO and Top Management;
- Review of Board Charter; and
- Adoption of policy of limiting the tenure of Independent Non-Executive Directors to nine (9) years.

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

Through its annual assessment and recommendations made by the BNRC, the Board believes that the current size and composition of the Board is conducive to appropriate decision-making and incorporates a diversity of perspectives and skills in order to represent the best interests of the Company as a whole.

In view of the need to ensure proper processes are in place to manage succession issues at the Board level, an appropriate process for the selection, nomination and appointment of suitable candidates to the Board has been put in place.

The BNRC is entrusted with the responsibility of assessing and considering the capabilities, commitment and qualities of candidates to be appointed as Board Members as well as Committees' Members, taking into account the required mix of skills, background, experience/expertise/knowledge relevant to Company's business, existing commitment and potential conflict of interest prior to recommending to the Board.

Following each appointment, a letter of appointment will be issued and the Company Secretary shall undertake the necessary as authorised by the Board, so as to ensure the appointment is in accordance with the statutory requirements and as prescribed by the MMLR. All necessary information will be obtained from the newly appointed Director for the Company's records and for meeting the statutory requirements and other applicable rules and regulations.

OUR GOVERNANCE:
LEADERSHIP AND EFFECTIVENESS

NR NOMINATION AND REMUNERATION COMMITTEE REPORT

BOARD DIVERSITY

The Board in this regard is to make appointments based on merit with the over-riding objective of ensuring that the Board maintains the correct balance of skills, experience, length of service and knowledge of the Group to successfully deliver the Group's strategy. In addition, the Board believes that the appointments of the existing Directors were guided by their skills, experience, competency and wealth of knowledge while taking into consideration gender diversity.

The Board strongly supports the Government's target of having 30% women's participation on boards of public companies in Malaysia. However for the Financial Period under review, there is a slight decrease in term of women representation on the Board following the cessation of office of Tan Sri Dato' Seri Siti Norma binti Yaakob with effect from 18 December 2017. Currently, three (3) women Directors sit on the Board, namely Gee Siew Yoong, Noraini binti Che Dan and Juniwati Rahmat Hussin, representing 27% of the Board.

The gender mix of the Board and throughout the Company is illustrated by the diagram below:

DIVERSITY OF THE BOARD

DIVERSITY IN THE COMPANY

SUCCESSION PLANNING

The Board assisted by the BNRC is responsible for developing plans to identify the necessary and desirable competencies and skills of Directors and succession plans to ensure there is an appropriate dynamic of skills, experience, expertise and diversity on the Board. The Board/BNRC also oversee the appointment as well as the succession planning of the Top Management.

COMPOSITION OF THE BOARD

TNB Board currently consists of 11 members; one (1) Executive Director and 10 Non-Executive Directors, of whom seven (7) are Independent Directors. The Independent Directors make up more than half of the Board, as recommended by the MCCG 2017, while their number exceeds the minimum as prescribed by the MMLR. These Directors are considered by the Board to be independent of Management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement.

The Board may appoint a new Director either to fill a casual vacancy or to add to the existing Directors. The Minister of Finance Incorporated (MoF Inc.), being the Special Shareholder of TNB also possesses the right to appoint up to six (6) Directors. The Company's Constitution provides that the Company must have at least two (2) Directors but not more than 12 Directors.

The Directors believe that the Board presently has an appropriate balance of skills, experience, knowledge and independence to deliver the Group's strategy, to enable the Non-Executive Directors to effectively challenge the views of the Management and to satisfy the requirements of good governance.

RE-ELECTION OF DIRECTORS

Dato' Abd Manaf bin Hashim, Datuk Sakthivel Alagappan, Gee Siew Yoong and Noraini binti Che Dan, being Directors who are retiring by rotation in accordance with Clause 64(1) of the Company's Constitution and being eligible, have offered themselves for re-election.

The Board recognises Directors' performance are used as basis in recommending to the shareholders for their re-election. This, in turn, is determined through their annual evaluation and independence assessment, which are assessed by the BNRC before any recommendation is made to the Board for the deliberation and its approval.

Based on the annual independence assessment of all Independent Directors inclusive of Dato' Abd Manaf bin Hashim, Datuk Sakthivel Alagappan, Gee Siew Yoong and Noraini binti Che Dan, the Board/BNRC are satisfied that these Independent Directors have complied with the independence criteria as set out by the MMLR and continue to bring independent and objective judgement to the Board. Through the Board annual evaluation including Self and Peer Assessment, having considered their professionalism, vast experience, material relationship, competency, commitment and individual contribution in performing their respective duties, the Board/BNRC are satisfied that all Directors who are seeking for re-election at AGM 2018 have met the Board's expectation by continuously discharging their duties diligently as Directors of the Company.

With that the Board/BNRC collectively resolved to recommend the re-election of each Director who is standing for re-election at AGM 2018.

OUR GOVERNANCE:
LEADERSHIP AND EFFECTIVENESS

NR NOMINATION AND REMUNERATION COMMITTEE REPORT

INDEPENDENCE ASSESSMENT OF INDEPENDENT DIRECTORS

It is vital for the Board to assess the independence of its Independent Directors. This is done annually with reference to the key criteria developed by the BNRC in a framework adopted by TNB. The criteria include independence from the Management and the absence of any business relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the Independent Director's judgement. The Directors are also assessed on their ability to provide strong, valuable contributions to the Board's deliberations, without interference to and acting in the best interest of TNB.

The Board has considered the independence of each Independent Non-Executive Director in office as at the date of this 4-month financial period ended 31 December 2017 and has concluded that each Independent Non-Executive Director has met the independence criteria as set out in the MMLR. The Board is generally satisfied that each Independent Non-Executive Director remains independent in character and judgement and is free from relationships or circumstances which are likely to affect or could appear to affect the Director's judgement.

In reaching this conclusion, the Board has considered all relevant facts and circumstances of these relationships, which include whether the Independent Director:

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

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

(c) has been engaged as an adviser by the Company or is presently a partner, director (except an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company; or

(d) has engaged in any transaction with the Company or is presently a partner, director or major shareholder, as the case may be, of a firm or corporation which has engaged in any transaction with the Company.

The Board also concurs that the continuous contributions of the Directors are beneficial to the Board and the Company as a whole.

The BNRC shall assess the independence of Independent Non-Executive Directors annually. The independence status of Independent Non-Executive Directors standing for re-election is disclosed in the Notice of the 28th AGM.

During the Financial Period under review, the Board has adopted a policy which limits the tenure of its Independent Non-Executive Directors to nine (9) years, pursuant to Step Up 4.3 of MCCG 2017.

Currently, none of the Company's Independent Non-Executive Directors has served the Board for more than nine (9) years.

BOARD DEVELOPMENT

The Board is conscious of the need to keep themselves properly briefed and informed about current issues. The Board on a continuous basis attends internal and external training programmes, in ensuring they remain updated with the development of the Company's business and industry that may affect their roles and responsibilities. Topics covered at sessions attended by the Directors during the Financial Period were economics, regulatory developments, risk management, finance, investment, governance and sustainability.

The Company Secretary assists the Board Continuing Development by facilitating the orientation of new Directors and co-ordinating internal training programmes, as well as arranging for external training programmes.

INDUCTION

Newly-appointed Directors receive appropriate induction and training on the Company's business, corporate governance and reporting procedures, on which they are continuously updated. In addition, the Directors are advised on policies and procedures of the Board and Board Committees' meetings and their rights and responsibilities.

In addition, the Directors receive a comprehensive information pack containing the Board Charter, the Non-Executive Directors' Handbook, the Company's Constitution, relevant Acts affecting the Company, the latest Annual Report, TNB's Procurement & Supply Chain Policy and Procedures, Procurement Code of Conduct and Code of Ethics in order to facilitate the discharge of their duties.

New Board Members are provided with the opportunity to experience the Company's operations first-hand and to meet and discuss all aspects of this with the Top Management. The Company Secretary facilitates the induction programme by providing the new Board Members with access to information on areas such as operations, finance, treasury and risk management, as required.

There were several induction sessions arranged between the Directors with the respective Top Management during the Financial Period under review, namely Group Internal Auditor, Vice President (Distribution), Chief Strategy Officer and Smart Meter Team to better assist them in understanding the Company's core businesses and its whole operation, of which the details are as follows:

Date	Induction Program	Directors In Attendance
9 November 2017	Group Internal Audit Department Briefing	1. Amran Hafiz bin Affifudin 2. Juniwati Rahmat Hussin 3. Badrul Ilahan bin Abd Jabbar
22 November 2017	Visit to Distribution Division	1. Tan Sri Dato' Seri Chor Chee Heung 2. Noraini binti Che Dan
5 December 2017	Strategic Management Planning Department Briefing	1. Amran Hafiz bin Affifudin 2. Juniwati Rahmat Hussin 3. Badrul Ilahan bin Abd Jabbar
	Syndication on Smart Meter	1. Amran Hafiz bin Affifudin 2. Noraini binti Che Dan 3. Juniwati Rahmat Hussin 4. Badrul Ilahan bin Abd Jabbar

OUR GOVERNANCE:
LEADERSHIP AND EFFECTIVENESS

NR NOMINATION AND REMUNERATION COMMITTEE REPORT

PROFESSIONAL TRAINING

Directors are encouraged to develop and refresh their knowledge and skills on an on-going basis with developmental needs reviewed as part of the annual Board evaluation process and the necessary resources made available should any Director request additional training. For the Financial Period under review, the Board participated in various technical updates and briefings, including sessions between Directors and members of Top Management.

During the Financial Period under review, all Board Members have completed their Mandatory Accreditation Programme for Directors of PLC (MAP) accordingly within the stipulated period of four (4) months from their appointment dates as prescribed under Paragraph 15.08 by the MMLR.

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

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

Details of Directors' training, including the Company Secretary's training for the Financial Period under review are listed below:

NAME OF DIRECTOR	DATE	CONFERENCE/TRAINING PROGRAMME ATTENDED
Tan Sri Leo Moggie	28 November 2017	The 31st Sultan Azlan Shah Law Lecture: The Rule Of Law, The Executive And The Judiciary By The Right Honourable The Lord Thomas Of Cwmgiedd
Datuk Seri Ir. Azman bin Mohd	19 - 21 September 2017	Program Pemukiman/Retreat CEO GLC
	2 - 3 October 2017	Khazanah Megatrends Forum 2017
	22 - 24 October 2017	AESIEAP CEO Conference 2017
	29 November 2017	2017 Global Innovation Summit
Datuk Seri Hashmuddin bin Mohammad	19 - 20 September 2017	Global Symposium On Development Financial Institutions
	2 - 3 October 2017	Khazanah Megatrends Forum 2017
	28 October - 2 November 2017	Building High Performance Directors 2.0: Organisational Sustainability
	6 - 8 November 2017	Sesi Pemukiman Pemantapan Kepimpinan Bilangan 7 Tahun 2017
Amran Hafiz bin Affifudin	2 - 3 October 2017	Khazanah Megatrends Forum 2017
Dato' Abd Manaf bin Hashim	5 - 6 September 2017	Asian World Summit Training, Strategic Planning For Board
Datuk Sakthivel Alagappan	2 - 3 October 2017	Khazanah Megatrends Forum 2017
Gee Siew Yoong	2 - 3 October 2017	Khazanah Megatrends Forum 2017
	7 November 2017	Corporate Governance Breakfast Series For Directors: Unleashing The Mindset For Innovation While Up Keeping Effective Governance
Noraini binti Che Dan	6 September 2017	Fund Transfer Pricing
	6 September 2017	Masterclass Shariah
	20 November 2017	Independent Directors' Programme: The Essence Of Independence
Juniwati Rahmat Hussin	5 - 6 September 2017	Asian World Summit Training, Strategic Planning For Board
	2 - 3 October 2017	Khazanah Megatrends Forum 2017
	20 November 2017	Independent Directors' Programme: The Essence Of Independence
Badrul Ilahan bin Abd Jabbar	2 - 3 October 2017	Khazanah Megatrends Forum 2017

NAME OF COMPANY SECRETARY	DATE	COURSE ATTENDED
Norazni binti Mohd Isa	11 September 2017	SSM Companies Act 2016 Made Simple: A Practical Guide For Company Directors
	12 - 13 September 2017	MAICSA Annual Conference 2017: Companies Act 2016 - A Paradigm Shift
	3 October 2017	SSM National Insolvency Conference 2017: Corporate Restructuring & Insolvency Under Companies Act 2016: A Paradigm Change

OUR GOVERNANCE: LEADERSHIP AND EFFECTIVENESS

NR NOMINATION AND REMUNERATION COMMITTEE REPORT

BOARD EVALUATION

The Board recognises an objective and well-managed board evaluation process can lead to substantial improvement in board effectiveness, bringing significant benefits to the Company. This is achieved through annual performance evaluations, induction programmes for new Board members and on-going Board development activities.

In 2017, the Board agreed to engage an independent expert, Willis Towers Watson (M) Sdn. Bhd. (WTW) to facilitate objective and candid board evaluations. The Board, with the assistance of BNRC, had undertaken a formal and extensive Board Evaluation Assessment (BEA) of its own performance, its Committees and Individual Directors, for the period from 1 January 2017 to 31 December 2017.

These evaluations were conducted through the BEA questionnaires via online in January 2018 and the results were subsequently collected and analysed by WTW.

The BEA questionnaires towards an Effective Board cover the following parameters:

Responsibility and Conduct:

- Business Strategy governance and implementation
- Risk management & integrity
- Implementation of strategies and policies

Process and Administration:

- Board and Committee Charters
- Agenda and frequency of meetings
- Sufficient information availability and on a timely basis

Composition:

- Diversity
- Competencies of the Members
- Board and Committee compositions

This year's process

Each Director completed the BEA for the Board and its respective Committees including Self and Peer Assessment

Upon the collation and analysis of the results, the Chairman was briefed of the findings, areas of improvements and development opportunities by WTW

The BEA analysis was presented to the BNRC for deliberation

A summarised report of BEA was tabled to the Board by the Chairman of BNRC with a view to discuss on areas of improvement

2017 BEA RESULTS

Based on the 2017 BEA results, the effectiveness of both the Chairman and President/CEO are reflective of the Board's confidence in both Chairman and President/CEO, where there is strong leadership helming the Company.

Overall the Board operates effectively as a team as evident in the synergies of its Members whereby it has remained highly effective and have consistently met high performance standards and all expectations. This indicates that the Directors have continuously fulfilled their responsibilities as Members of the Board. The Board also has identified some areas of improvements for the effectiveness of its operation of which among others, to formulate long term and mid-term strategic plans and monitor its implementation, Board diversity and Board's & Top Management's succession planning.

The respective Board Committees in average have been regarded as very effective in assisting the Board to carry out its duties. This indicates that each Committee member has continuously fulfilled his/her responsibilities as Member of the Board Committee.

The BEA 2017 also inclusive of Directors' Self and Peer Assessment whereby the results in general reflected the Board's consensus that each of the Director's level of performance was good and that they had also met the prescribed performance criterias.

In conclusion, the Board and Board Committees are satisfied with their existing composition and are of the view that, with the current mix of skills, knowledge, experience and strength of the existing Directors, the Board and respective Board Committees are able to discharge their duties effectively.

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

OUR GOVERNANCE:
LEADERSHIP AND EFFECTIVENESS

NR NOMINATION AND REMUNERATION COMMITTEE REPORT

OUR REMUNERATION APPROACH

The overall objectives of the BNRC are to determine an appropriate remuneration policy that aligns remuneration with strategy to drive the long-term success of the Company and ensures that the Company can continue to attract, retain and motivate quality leaders.

The Directors' Remuneration Policy is shaped by the following underlying principles:

Alignment with strategy and business objectives

Alignment with shareholders' interest

Long-term success of the Company

Consistency and transparency

Reward performance with competitive remuneration

Alignment with market/industry practice

Support Company values

REMUNERATION POLICY

Fixed Remuneration

Benefits-In-Kind

EXECUTIVE DIRECTOR'S REMUNERATION

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

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

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

During the Financial Period under review, no changes were made to the existing remuneration by the Board, which was last reviewed on 31 January 2013.

OUR GOVERNANCE: LEADERSHIP AND EFFECTIVENESS

NR NOMINATION AND REMUNERATION COMMITTEE REPORT

DETAILS OF EACH DIRECTOR'S REMUNERATION FOR THE FINANCIAL PERIOD FROM 1 SEPTEMBER 2017 TO 31 DECEMBER 2017:

		Director's Fees		Meeting Allowances				
Name of Directors	Salary (RM)	Company (RM)	Subsidiaries (RM)	Company (RM)	Subsidiaries (RM)	Emoluments** (RM)	Benefits-in-Kind*** (RM)	Total (RM)
Executive Director								
Datuk Seri Ir. Azman bin Mohd	880,000.00	-	-	-	-	823,170.00	3,332.59	1,706,502.59
	880,000.00	**-**	**-**	**-**	**-**	**823,170.00**	**3,332.59**	**1,706,502.59**
Non-Executive Directors								
Tan Sri Leo Moggie	-	120,000.00	100,000.00	16,500.00	12,800.00	-	25,704.07	275,004.07
Datuk Seri Hashmuddin bin Mohammad	-	80,000.00	-	16,000.00	-	-	12,272.49	108,272.49
Amran Hafiz bin Affifudin	-	80,000.00*	-	30,500.00*	-	-	12,592.20	123,092.20
Dato' Abd Manaf bin Hashim	-	80,000.00	26,666.70	38,500.00	5,000.00	-	19,935.05	170,101.75
Datuk Sakthivel Alagappan	-	80,000.00	-	27,000.00	-	-	6,862.98	113,862.98
Tan Sri Dato' Seri Chor Chee Heung	-	80,000.00	-	35,000.00	-	-	22,801.94	137,801.94
Gee Siew Yoong	-	80,000.00	-	24,500.00	-	-	4,582.06	109,082.06
Noraini binti Che Dan	-	80,000.00	-	34,500.00	-	-	13,848.96	128,348.96
Juniwati Rahmat Hussin	-	80,000.00	-	20,000.00	-	-	1,888.10	101,888.10
Badrul Ilahan bin Abd Jabbar	-	80,000.00	-	26,000.00	-	-	55,078.20	161,078.20
Tan Sri Dato' Seri Siti Norma binti Yaakob *(Cessation of Office as Director w.e.f. 18 December 2017)*	-	71,612.90	-	22,000.00	-	-	26,524.44	120,137.34
Total	**880,000.00**	**911,612.90**	**126,666.70**	**290,500.00**	**17,800.00**	**823,170.00**	**205,423.08**	**3,255,172.68**

* Paid to Khazanah Nasional Berhad, in respect of Director's Fees and Meeting Allowances provided for Amran Hafiz bin Affifudin.

** Contribution to EPF, Bonus, Car Allowance and LTIP.

*** Medicals, Business Peripherals, Electricity Bills, Travelling & Telecommunication and other claimable benefits.

OUR GOVERNANCE:
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A AUDIT COMMITTEE REPORT

BOARD AUDIT COMMITTEE

CHAIRMAN

Noraini binti Che Dan
Independent Non-Executive Director

MEMBERS

Dato' Abd Manaf bin Hashim
Senior Independent Non-Executive Director

Datuk Sakthivel Alagappan
Independent Non-Executive Director

Tan Sri Dato' Seri Chor Chee Heung
Independent Non-Executive Director

Gee Siew Yoong
Independent Non-Executive Director

Badrul Ilahan bin Abd Jabbar
Independent Non-Executive Director

Whilst the BAC TOR requires the Committee to meet six (6) times for the whole year, they met five (5) times during the Financial Period under review of four (4) months. The Company Secretary who is the secretary to the BAC and the Chief Internal Auditor were in attendance during the meetings. The President/CEO and other officers were invited to the meetings to deliberate on matters within their purview.

After each meeting, the BAC Chairman submits a report on matters deliberated to the Board of Directors for their information and attention. Matters reserved for the Board's approval are tabled at the Board meetings. Action sheets are issued by the Company Secretary on the decisions made and actions required. These are circulated to Management for their action.

SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

Principal activities performed by the BAC during the Financial Period under review are summarised below:

Internal Audit
- Reviewed and approved the Group Internal Audit (GIA)'s Annual Audit Plan FY 2018 to ensure adequacy of resources, competencies and coverage of auditable entities with significant and high risks.
- Reviewed TNB's Statement of Internal Control FY 2017 based on risks and areas covered by GIA.
- Reviewed internal audit reports for TNB and its subsidiaries issued by GIA on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed the adequacy and effectiveness of corrective actions taken by management on all significant matters raised including status completion achieved by Division Heads.
- Reviewed GIA's achievement for FY 2017.

External Audit
- Reviewed audit fees of quarterly review of the Unaudited Consolidated Results and Annual Statutory Audit of TNB and its subsidiaries for Board's approval.
- Reviewed the status of non-audit services awarded to TNB's External Auditor.
- Reviewed the status of compliance with TNB External Auditors Policy and External Auditor Assessment Results for FY 2017.
- Reviewed the TNB Implementation Guidelines on External Auditors Independence.

Financial Results
- Reviewed and recommended the Audited Financial Statements of the Company and Group (including announcements) for Board's approval.

Related Party Transactions
- Reviewed the Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs) entered into by TNB Group.

Annual Reporting
- Reviewed the BAC Report, Corporate Governance Overview Statement, Sustainability Statement and Statement on Internal Audit Function for publication in TNB's Annual Report FY 2017.

Others
- Reviewed the proposal for vesting second (2nd) tranche of restricted shares of first (1st) grant Long Term Incentive Plan (LTIP).

OUR GOVERNANCE: ACCOUNTABILITY

A AUDIT COMMITTEE REPORT

GROUP INTERNAL AUDIT

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

GIA uses a risk-based approach to determine the priorities of the internal audit activities, consistent with the strategies of the Group. An Audit Management System is used to enhance the effectiveness and efficiency of the audit process. GIA also uses Computerised Audit Tools to improve data analytics and monitor trending to identify anomalies, exceptions, or unexplained patterns that may indicate irregularities. Further, an external consultant was appointed to jointly conduct the assessment of Supervisory Control and Data Acquisition (SCADA) at Generation, Grid and Distribution Divisions.

During the Financial Period under review, GIA issued 51 reports arising from the performance of 20 planned jobs, two (2) ad-hocs and 29 follow-up audits on corrective actions. The areas reviewed included generation, grid, distribution, procurement, engineering, projects, finance, corporate governance, human resources, fuel management, information and communication technology, subsidiaries and risk management.

Internal audit reports were issued to Management and they contained improvement opportunities, audit findings, management response and corrective actions in areas with significant risks and internal control deficiencies. Management provided the corrective and preventive actions as well as deadlines to complete the actions. Reports that require significant improvement opportunities and/or shows critical control deficiencies were tabled to the BAC for deliberation. Additionally, TNB's state of internal controls for areas reviewed were also tabled to the BAC for their deliberation. Management were present at the BAC meetings to respond and provide feedback on the progress of business process improvement opportunities identified by GIA.

INTERNAL AUDIT FUNCTION

TNB's internal audit function comes under the purview of the GIA. GIA supports the Board, through the BAC, in discharging its responsibilities to maintain sound and effective internal control system and governance practices to safeguard the interest of TNB's stakeholders. GIA's purpose, authority and responsibilities are governed by an Internal Audit Charter, which is approved by the BAC and aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors.

GIA is headed by Rosli bin Mohd Rose who is the Chief Internal Auditor (CIA). He reports functionally to the BAC and administratively to the President/CEO. He joined GIA as the Deputy CIA (Core Business) in 2006 and was appointed as the CIA in 2014. He holds a Degree of Electrical and Electronic Engineering from Brighton Polytechnic (currently University of Brighton), United Kingdom and a Master of Engineering from Universiti Tenaga Nasional, Malaysia. Prior to working as CIA, he has extensive experience in various aspects of operations, such as operation & maintenance, project management, asset management, human resource and business development. He is an Associate Member of the Institute of Internal Auditors Malaysia.

Mission and Practices

GIA endeavours to provide independent, risk based and objective assurance on the areas of operations reviewed, and give insight and advice on best practices that will enhance, protect and add value to TNB Group.

This is accomplished through the following:

i. Formulating a comprehensive and detailed Annual Audit Plan using appropriate and structured risk-based methodology that is aligned to TNB's strategic objectives.

ii. Adopting a systematic and disciplined approach in evaluating risk exposures and the adequacy and effectiveness of controls to manage the risks within TNB's governance, operations and information systems.

iii. Embracing international standards and best practices such as Committee of Sponsoring Organisations (COSO) to further enhance the relevancy and effectiveness of the internal audit activities.

iv. Reviewing existing internal control systems and reporting on whether these provide reasonable assurance against material misstatement, loss and fraud.

v. Reporting any significant issues that affect the processes of controlling the activities of, and managing the risks faced by the divisions/companies audited.

vi. Seeking Management's agreed courses of action to rectify weaknesses identified and perform follow-up audits to confirm if the actions have been correctly implemented, and adhered to consistently.

Scope and Coverage

GIA conducts a risk based approach during the development of the annual audit plan. The coverage of auditable areas takes into consideration the strategic and operational risks, audit history and request by Top Management/BAC that are aligned to the organisation's strategic objectives. The annual audit plan are reviewed periodically to cater for changes in the risk exposure and operating environment.

GIA audit universe includes functions of governance, risk management and review of controls in the areas of, not limited to generation, grid, distribution, procurement, projects, engineering, accounting and finance, human resources, information and communication technology, regulatory economics and planning, corporate affairs and services, energy ventures, and subsidiaries.

Among the key areas covered during the Financial Period under review are:

- Supply Application Projects
- Dam Inspection
- Fuel Management
- Credit Management
- Customer Management
- Materials Movement
- Operation and Maintenance
- Engineering Services

OUR GOVERNANCE: ACCOUNTABILITY

A AUDIT COMMITTEE REPORT

- Project Management
- Safety and Security
- Procurement and Contract Management
- Asset Management
- Corporate Governance
- Implementation of Personal Data Protection Act (PDPA)
- Financial Management
- Human Resource Management
- IT and System Security

GIA tables audit reports that comprises of business process improvement opportunities, audit observation, root cause, impact, management response (preventive and corrective actions) especially for areas with significant risks and internal control deficiencies for BAC's deliberation. Additionally, on a quarterly basis GIA presents TNB's Statement of Internal Controls based on areas covered.

During the Financial Period under review, GIA issued a total of 51 reports arising from the performance of 20 planned jobs, 2 ad-hocs and 29 follow-up audits on corrective actions.

Resources

The BAC reviewed and approved GIA's annual budget and human resource requirements to ensure that the function is adequately resourced.

The total cost incurred in managing the internal audit activities in the Financial Period under review is RM5.2 million. Summary of the internal audit cost based on key categories is as follows:

Category	RM (Million)	% of total cost
Staff costs	2.2	42
Operating costs	1.0	20
Consultancy fees	2.0	38
Total	**5.2**	**100**

Note: ERMS Budget Report as at 2 January 2018.

As at 31 December 2017, GIA had a total of 57 auditors, comprising staff from diverse backgrounds, as follows:

Discipline	No. of Internal Auditors	Percentage (%)
Finance and Business	30	53
Engineering	17	30
Quantity Surveying	4	7
System Analyst/Computer Science/Information Technology	6	10
Total	**57**	**100**

Professional Development and Competency

GIA is continuously committed to ensure that the staff are competent to meet the needs of the changing business environment. About RM150,000 was spent on training in the areas of auditing skills, technical skills, business acumen, strategic management and personal development.

GIA staff are also encouraged to pursue professional audit certifications such as Certified Internal Auditor (CIA), Certified Information System Auditor (CISA) and Certification in Risk Management Assurance (CRMA) and Chartered Accountant. They are provided with incentives such as study allowances, reimbursement of examination and registration fees and fixed allowance for five (5) years after they pass the examinations. As at 31 December 2017, the level of expertise and professionalism within GIA is as follows:

Qualification	No. of Internal Auditors
CIA	8
CRMA	2
CISA	1
CPA/ACCA/CIMA/MICPA/CA	5
Total	**16**

Currently, 32% of staff (18 staff) are still pursuing their professional certifications at various levels.

Improvement Initiatives

GIA has in place a Quality Assurance and Improvement Program (QAIP) that covers all aspects of internal audit activities towards providing high quality services. Some of the initiatives conducted by GIA during the Financial Period are:

i. Implementation of GIA's new organisational structure to align with TNB's transformation program and to deliver value-add services.
ii. Establishment of working group with Group Internal Audit of two (2) Government-Linked Companies (GLCs) on Audit Management System (i.e. TeamMate) and Data Analytics.
iii. Conducted TNB's Top Management knowledge sharing sessions to aspire GIA's staff to become future leaders as well as to enhance knowledge in business and operations.

Our practices are generally in conformance with the International Professional Practice Framework on Internal Auditing. In addition, internal audit personnel are required to declare any conflict of interest or relationship which could impair their objectivity and independence prior to performing the audit. We also constantly strive to provide high quality and value-added services to our customer with the highest ethical and professional standards.

ROSLI BIN MOHD ROSE
Chief Internal Auditor

NORAINI BINTI CHE DAN
Chairman, Board Audit Committee
Independent Non-Executive Director

OUR GOVERNANCE: ACCOUNTABILITY

LIMITS OF AUTHORITY

The Limits of Authority outline principles to govern decision-making within the Group, including appropriate escalation and reporting to the Board. The Board has also delegated to the President/CEO, and through the President/CEO to other Executives, responsibility to manage the Company's day-to-day activities. The Limits of Authority encompass both monetary and non-monetary limits of authority for recommending and approving operational and management decision-making activities prior to its execution. This allows for balanced effective oversight with appropriate empowerment and accountability of the Management.

CODE OF ETHICS

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

Each Non-Executive Director is supplied with the Non-Executive Directors' Handbook as reference of their professional responsibilities as well as the terms and conditions of their service. The Non-Executive Directors' Handbook is updated as and when the need arises to reflect any changes of the applicable rules and regulations as well as in the policies/procedures that govern the conduct of the Directors.

TNB has a Code of Ethics to govern the conduct of its employees. The provisions set out in the Code of Ethics ensure compliance with laws and regulations, sound employment practices, confidentiality and privacy. It also includes provisions on conflicts of interest, giving and accepting business courtesies and the protection and proper use of TNB's assets and resources.

TNB's Code of Ethics also defines how TNB relates to its shareholders, employees, customers, suppliers and the communities in which it operates. It includes TNB's general principles on business integrity. All employees are expected to conduct business in accordance with the applicable laws, rules and regulations and in a manner so as to enhance the reputation of TNB.

TNB's Procurement Code of Conduct guides TNB's Directors and employees as well as all existing and potential suppliers/contractors including their directors and employees. TNB believes that all supplier/contractor relationships should be based on principles of good governance such as integrity, accountability, fairness and a zero-tolerance rule towards bribery and corruption. These principles are enforced in the Procurement Code of Conduct, which is constantly revised to reflect changes in regulations, reputational demands and business.

TNB's Code of Ethics and Procurement Code of Conduct are available at their respective sections of the Company's website at www.tnb.com.my.

CONFLICTS OF INTEREST

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

WHISTLE BLOWING PROCEDURE

The Whistle Blowing Procedure embodies TNB's commitment to maintaining an open working environment in which employees, contractors and members of the public are able to report instances of unethical, unlawful or undesirable conduct on a confidential basis without any fear of intimidation or reprisal. An independent investigation team investigates all reported concerns and where applicable, provides feedback regarding the investigation's outcome.

The objectives of the Whistle Blowing Procedure are as follows:

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

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

R RISK COMMITTEE REPORT

BOARD RISK COMMITTEE

CHAIRMAN

Dato' Abd Manaf bin Hashim
Senior Independent Non-Executive Director

MEMBERS

Datuk Seri Hashmuddin bin Mohammad
Non-Independent Non-Executive Director

Gee Siew Yoong
Independent Non-Executive Director

Noraini binti Che Dan
Independent Non-Executive Director

Juniwati Rahmat Hussin
Independent Non-Executive Director

Badrul Ilahan bin Abd Jabbar
Independent Non-Executive Director

KEY RESPONSIBILITIES

- Oversees the establishment and implementation of the risk management framework that is embedded into the culture, processes and structures of the Group and is responsive to changes in the business environment.
- Approves the risk management policies on behalf of the Board.
- Ensures that the principles and requirements of managing risk are consistently communicated and adopted throughout the Group.
- Deliberates the Group's strategic risks as well as key operating risks and risk issues through timely and regular reports and ensures the implementation of appropriate systems to manage these risks. It has the authority to direct special investigations, on behalf of the Board, into significant risk management activities, as and when necessary.
- Approves on behalf of the Board, the risk appetite for the strategic risks and key operating risks and ensures that actions are taken in a timely manner when risks are outside tolerable ranges.
- Reviews the adequacy of and to provide independent assurance to the Board of the effectiveness of the risk management framework implemented in the Group on an annual basis.

ROLE OF COMMITTEE

The BRC was established on 5 June 2013 by the Board to assist the Board to carry out its responsibilities. The Board, through the BRC, is responsible for the oversight of the implementation of the Group's risk management framework, in view of safeguarding shareholders' investments and the Group's assets. This is in line with the requirements stated in the MCCG 2017 and MMLR.

The purpose of the BRC is to assist the Board of Directors in ensuring that the Group has in place a sound and robust enterprise risk management framework and such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives.

SUMMARY OF ACTIVITIES FOR THE PERIOD UNDER REVIEW

The BRC principal activities in the period under review are summarised below:

- Reviewed the Statement of Risk Management and Internal Control, which summarised the risk management practices and internal controls implemented by Management. Assurances from the President/CEO and the Chief Financial Officer/Vice President (Group Finance) were given to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.
- Deliberated the Group's key operational risks and key controls taken to manage the risks. Further mitigations to strengthen the management of existing and emerging risks were recommended for management action.
- Deliberated the risk parameters/stress tests tabled by operating divisions and subsidiary as well as the quarterly updates collated and presented by the Risk Management Department.
- Reviewed reports on risk incidents and deliberated the adequacy and effectiveness of preventive and corrective action taken.
- Reviewed the risk profiles and mitigation plans for projects and proposed investments with recommendations for further action and/or study to ensure the feasibility and commerciality of the projects and investments in meeting the Group's strategic objectives.
- Reviewed the Group's insurance programmes and recommended improvements to ensure that an adequate and effective risk transfer mechanism is in place to protect the interests of the Group.

OUR GOVERNANCE: ACCOUNTABILITY

R RISK COMMITTEE REPORT

HOW THE COMMITTEE OPERATES

The BRC meetings are pre-determined for the following financial year and is tabled to the Board and later communicated to the members.

In the period under review, three (3) BRC meetings were held. BRC members were provided before meetings with papers approved for tabling and updates of outstanding matters from previous meetings for the members' perusal.

The Chief Risk Officer and Company Secretary, who is also secretary to the BRC, attended the meetings. Other attendees, internal or external, were invited to deliberate on matters within their purview.

Action sheets were issued by the Company Secretary on the decisions made and action required. These were circulated to Management for their further action. The BRC Chairman reports were tabled at Board of Directors meetings with action sheets circulated to relevant parties.

RISK MANAGEMENT

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

RMD is responsible for the ongoing development and co-ordination of the TNB Risk Management Framework in the Group. The TNB Risk Management Framework had been developed in alignment with the ISO 31000 international standard. RMD is responsible to consolidate, assess and report risk information from across the Group as well as to establish the appropriate insurance programmes as an effective risk transfer mechanism. The implementation of the TNB Risk Management Framework in the Group is also subjected to the independent assurance and assessment of the Group Internal Audit Department.

RMD ensures the implementation of the TNB Risk Management Process across the Group. The TNB Risk Management Process is a step-by-step process of risk assessment (risk identification, risk analysis and risk evaluation) and risk treatment in the context of the internal and external environments. The online and real-time TNB Risk Information System (TRIS) captures the risk registers of the Group and provides a platform for operational divisions and subsidiaries to monitor identified risks and mitigation plans.

As secretariat of the Group Risk Management Working Committee (GRMWC), which meets on a quarterly basis, RMD collates and reports to the GRMWC the Group's operational risk profiles. Emerging issues and risks are also deliberated in these meetings and further action is taken by the relevant division, department or subsidiary.

In the period under review, RMD facilitated a workshop with relevant risk owners from various divisions to review TNB's strategic risks and mitigations. In addition, RMD assessed the risk maturity of one (1) division and two (2) departments as well as facilitated six (6) risk reviews with the respective division, department and subsidiary.

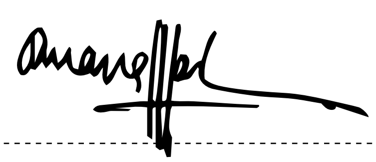
The TNB Investment Risk Assessment (TIRA) was developed by RMD in FY2015 with the objectives of providing a standardised risk assessment methodology and process for investment proposals that reflected the risk appetite of the BRC. In the period under review, the TIRA guideline was applied for one (1) investment proposal.

Moreover, in the effort to inculcate a risk-thinking mentality amongst our non-executives, three (3) risk forums were conducted for approximately 300 technical and non-technical employees in total in the period under review. It was an opportunity to share lessons learnt from TNB case studies and brainstorm on risks and controls relevant to their areas of responsibility.

CONCLUSION

The BRC continues to diligently exercise its risk oversight responsibilities by ensuring that risk management is an integral part of strategic planning and decision making for the achievement of the Group's strategic outcomes and long-term objectives.

This statement was made in accordance with the resolution of the Board of Directors dated 27 February 2018.



DATO' ABD MANAF BIN HASHIM
Chairman, Board Risk Committee
Senior Independent Non-Executive Director

OUR GOVERNANCE:
RELATIONS WITH SHAREHOLDERS

LISTENING TO OUR SHAREHOLDERS

We are committed to communicating our strategy and activities to all our shareholders and listening to their questions and feedback.

How we communicate with our shareholders

We are cognisant of the role of active communication plays in ensuring continual dialogue with our shareholders. To this end, our communications processes include:

- the disclosure of full and timely information about TNB's activities in accordance with the MMLR
- the prompt release of information on TNB's website
- announcements to Bursa Malaysia Securities Berhad are immediately made available on TNB's website
- all disclosures, including notices of meetings and other shareholders' communications are drafted clearly, in simple language and with conciseness

WE LEVERAGE ON INFORMATION TECHNOLOGY TO REACH OUT TO A WIDER AUDIENCE AND TO CREATE EASE OF ACCESS AND CONVENIENCE IN ALL OUR COMMUNICATIONS.

Our corporate website contains access to media releases, investor presentations, quarterly and annual financial statements, announcements, information on shares and dividends, integrated annual reports and circulars/statements to shareholders as well as demand sales and foreign shareholdings.

CORPORATE DISCLOSURE POLICY

The Corporate Disclosure Policy, as well as associated guidelines, reinforce TNB's commitment to continuous disclosure and outline Management's accountabilities and the processes to be followed in ensuring compliance.

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

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

ANNUAL GENERAL MEETING

Our annual general meeting is attended by our Board and Top Management and all our eligible shareholders are welcomed to attend.

A presentation of the Company's financial and technical/operational highlights is given before the Chairman deals with the formal business of the meeting. Shareholders are encouraged to attend the AGMs and to use the opportunity to ask questions on the Company's performance under review and to vote on the proposed resolutions including but not limited to the receipt of the audited financial statements and the reports of Directors and Auditors, re-election of Directors of those retiring and the fixing of the fees of Directors. TNB conducts its AGM by poll/e-voting in accordance with Paragraph 8.29A of the MMLR (voting by poll). The outcomes of voting on the proposed resolutions are disclosed to the market and posted on the Company's website after the AGM. The External Auditors attend the AGM to answer shareholders' questions on the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditors in the audit process. TNB further encourages shareholders to access the Integrated Annual Report online to complement the Group's commitment to the environment, as well as to achieve greater cost efficiencies. Nevertheless, shareholders are still provided with the Integrated Annual Report in CD-ROM format together with a summarised version of the Financial Statements, Notice of AGM and Proxy Form.

INVESTOR RELATIONS

TNB strives to continuously aim and building strong and long-term relationships with our various stakeholders, especially the financial community. TNB are committed in maintaining high standard in the dissemination of relevant and material information on the Company's development through effective engagement and communication, while ensuring these information are comprehensive, timely and transparent. The information communicated to the financial community consists mainly of TNB business strategies and directions, regulatory updates, financial and technical performance.

IR uses numerous platforms to maintain our engagements with shareholders and stakeholders through Quarterly and Full Year Financial Announcements, Analysts Briefing Presentations, Conference Calls, One-on-One and Group Meetings at Investor Conferences, Non-Deal Roadshows (NDR) and In-House Meetings.

ENGAGEMENT ACTIVITIES

In the 4-month financial period ended 31 December 2017, IR has organised an analyst briefing for the 4th Quarter Financial Year 2017, held on 26 October 2017.

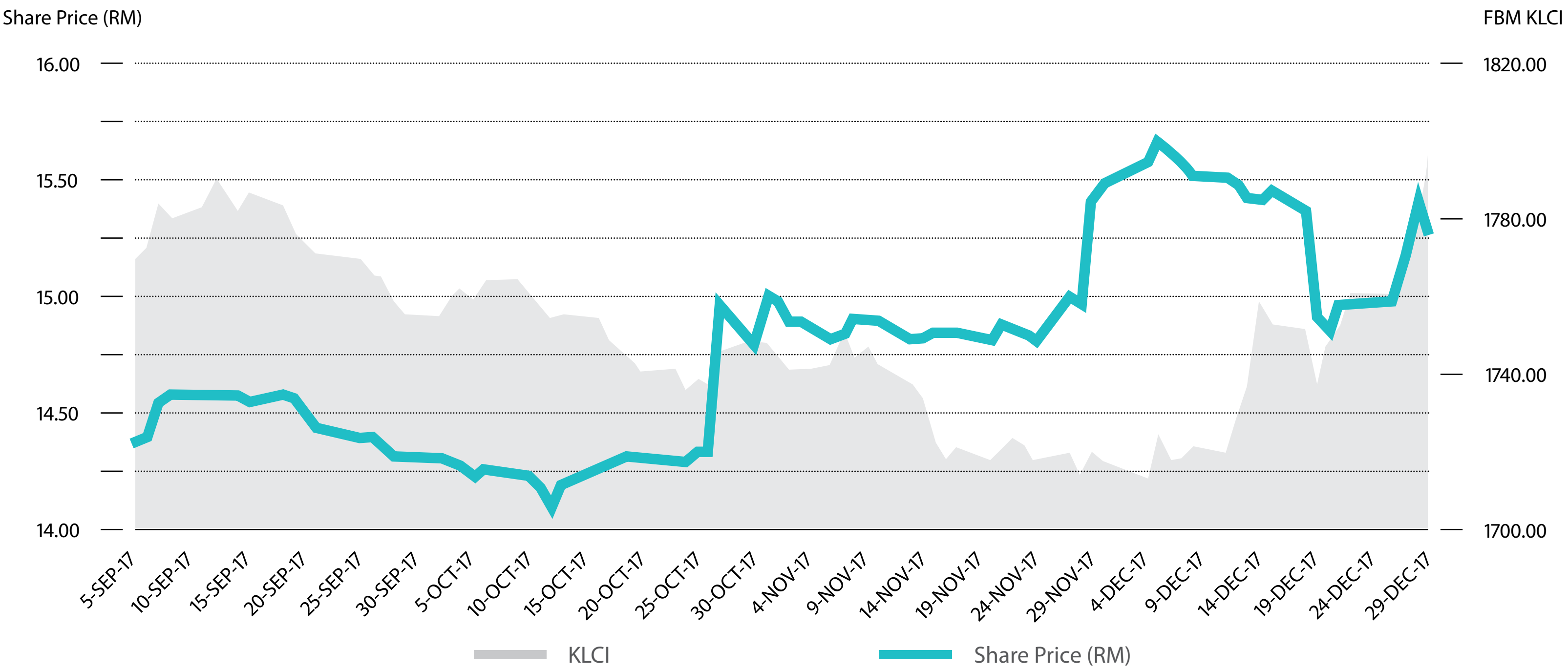
In addition, IR has conducted 26 meetings with representatives of the financial community through in-house meetings. IR has also participated in Invest Malaysia United Kingdom (London & Edinburgh) organised by Maybank Kim Eng on 6 – 8 November 2017.

During this period, majority of the 25 core analysts from the sell-side equity research houses, both domestic and abroad, reflected a strong interest in the Company's stable performance. TNB recorded a stable foreign shareholding at around 24% as of December 2017.

The key areas of discussion during investor engagement sessions revolved around Regulatory Environment, International Investments and Dividend Policy.

**OUR GOVERNANCE:
RELATIONS WITH SHAREHOLDERS**

SHARE PRICE PERFORMANCE AND SIGNIFICANT EVENTS



THE SIGNIFICANT EVENTS OCCURRED IN THIS FINANCIAL PERIOD ARE AS FOLLOWS:

27 SEPTEMBER 2017

Energy Purchase and Wheeling Agreement signed for the purchase of energy up to 100MW from Electricite Du Laos (EDL), Lao PDR via existing transmission grid of Electricity Generating Authority of Thailand (EGAT), Thailand.

2 OCTOBER 2017

TNB signed a Memorandum of Understanding (MoU) with Elia System Operator SA for a strategic collaboration in sharing of best practices in capacity building.

26 OCTOBER 2017

Effective Financial Year ended 31 August 2017, TNB will adopt a new dividend policy for the Company where it will distribute dividends based on 30% to 60% dividend payout ratio based on the reported consolidated net profit attributable to shareholders after minority interest, excluding extraordinary, non-recurring items.

31 OCTOBER 2017

Successful issuance of RM3.665 billion of Sukuk by Southern Power Generation Sdn. Bhd.

15 NOVEMBER 2017

Tenaga signed a MoU with PT PLN (Persero), for a proposed development of a 2x200MW coal-fired power plant in Kalimantan, Indonesia.

30 NOVEMBER 2017

TNB received Letter of Acceptance of Offer from the EC to develop a 30MWa.c. (45MWd.c.) Large Scale Solar Photovoltaic Plant at Bukit Selambau, Kedah.

8 DECEMBER 2017

TNB entered into a Conditional Sale and Purchase Agreement with Setia Haruman Sdn. Bhd. for the proposed acquisition of 100% equity interest in Setia Haruman Technology Sdn. Bhd. for a cash consideration of RM28.0 million.

26 DECEMBER 2017

The Government announced the (RP2) tariff schedule for Peninsular Malaysia to be maintained for the period of 1 January 2018 until 31 December 2020.

OUR GOVERNANCE: RELATIONS WITH SHAREHOLDERS

FINANCIAL REPORTING

The Board aims to provide a clear, balanced and comprehensive assessment of the Group's financial performance and prospects to shareholders, investors and relevant regulatory authorities via the quarterly financial reports, audited financial statements, annual reports and other reports or statements as well as through material disclosures made in accordance with the MMLR.

The BAC assists the Board in overseeing the integrity of the Group's financial reporting, including the operation of the financial reporting processes. The processes are aimed at providing assurance that the financial statements and related notes are completed in accordance with applicable legal requirements and accounting standards and give a true and fair view of the Group's financial position.

RELATIONSHIP WITH EXTERNAL AUDITORS

The Board maintains a transparent and professional relationship with the External Auditors, with the BAC responsible for recommending the appointment or removal of the External Auditors, the approval of their remuneration and the terms of their engagement to the Board.

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

For the Financial Period under review, one (1) session between the BAC and the External Auditors in the absence of Management was held for greater exchange of views and opinions between both parties in relation to financial reporting.

The Board/BAC are responsible for reviewing, assessing and monitoring the performances, suitability and independence of External Auditors. The Board has set a policy on External Auditors which stipulates the guidelines and procedures for the Board/BAC to assess and monitor the performances and independence of External Auditors.

The policy covers Selection and Appointment, Independence, Conflict of Interest, Non-Audit Services, Rotation of Audit Partner (applies to lead audit engagement partner), Annual Reporting, Annual Assessment and Audit Fees.

The appointed Audit Partner by the External Auditors is subject to rotation at least every five (5) financial years.

The External Auditors can also be engaged to perform non-audit services provided such services do not impair either in fact or appearance, the auditors' objectivity, judgment or independence.

The External Auditors are required to provide their written assurance of meeting the independence requirements for each non-audit service undertaken by them for TNB Group.

The prohibition of non-audit services is based on three (3) basic principles that the External Auditors cannot function in the role of Management; cannot audit their own work; and cannot serve in an advocacy role of TNB Group.

The External Auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services and if necessary, apply safeguards as stipulated in the By-Laws.

The BAC assists the Board in assessing whether the independence of the External Auditors has been maintained, having regard to any non-audit related services. The BAC has considered the provision of non-audit fees by the External Auditors for the non-audit services provided to the Group and the Company during the Financial Period and has concluded that the provision of these fees does not compromise and impair the External Auditors' independence or objectivity.

The Auditors' Remuneration including Non-Audit Fees for the Company and the Group for the Financial Period ended 31 December 2017 is as follows:

	Group RM'million	Company RM'million
Auditors' remuneration:		
• *Statutory audit*	2.5	1.1
• *Regulatory compliance and reporting*	0.5	0.5
• *Non-audit fees*		
- Assurance related services	0.5	0
- Tax and tax related services	0.1	0.1
- Advisory services	3.1	3.1

All services were procured competitively in accordance with TNB's Procurement & Supply Chain Policy and Procedures and External Auditors Policy. Non-audit services can be offered by the External Auditors of the Group if there are clear efficiencies and value added benefits to the Group.

Based on the External Auditors Assessment Results for the Financial Period under review, the Board/BAC are satisfied with the quality of service, adequacy of resources provided, communication, interaction skills and independence, objectivity and professionalism demonstrated by the External Auditors in carrying out their functions.

Being satisfied with the External Auditors' performance, the Board recommends their re-appointment for shareholders' approval at the AGM.

INSIDER TRADING

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

OUR GOVERNANCE:
RELATIONS WITH SHAREHOLDERS

PROMOTING SUSTAINABILITY

The Board recognises that the Company's stakeholders are increasingly interested in understanding its approach and performance in embedding sustainability in the organisation.

For this Financial Period, TNB has published a Sustainability Statement which discloses TNB's efforts and initiatives in managing its material economic, environmental and social risks and opportunities. The reporting is guided by the Global Reporting Initiative (GRI) standard. The Sustainability Statement is on pages 44 to 58 of this Integrated Annual Report.

RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL PERIOD UNDER REVIEW

The Board is fully accountable for ensuring the Audited Financial Statements are prepared in accordance with the Companies Act 2016 and the applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the Group's state of affairs and of the profit or loss and cash flow as at the end of the accounting period.

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

ADDITIONAL COMPLIANCE STATEMENT

(1) Utilisation of Proceeds Raised from Any Corporate Proposal

Utilisation of Proceeds Raised from Corporate Proposals by the Company during the Financial Period under review:

A Multicurrency Sukuk Issuance Programme of USD2.5 billion (Or its Equivalent In Other Currencies) by TNB Global Ventures Capital Berhad with TNB as the Obligor	
Total proceeds at drawdown date 10 October 2016	USD750 million
Total utilisation as at 18 January 2018	USD151.1 million
Balance of proceeds as at 18 January 2018	USD598.9 million

Term Loan Facility of RM280 million with Affin Islamic Bank by TNB Sepang Solar Sdn. Bhd. to develop 50MW Large Scale Solar Photovoltaic Plant in Mukim Tanjung Dua Belas, Daerah Kuala Langat, Selangor	
Total available facility as at 19 July 2017 (Financial Close)	RM280 million (80% of the Project Cost)
Total utilisation as at 31 December 2017	RM29.7 million
Available facility as at 31 December 2017	RM250.3 million

Establishment of Sukuk Wakalah Programme of up to RM5.0 billion by TNB	
Total proceeds at the issuance on 3 August 2017	RM2.0 billion
Total utilisation as at 18 January 2018	RM2.0 billion
Available facility as at 18 January 2018	Nil

RM4.0 billion Sukuk issuance by Southern Power Generation Sdn. Bhd. to fund up to 80% of the 1,440MW Combined Cycle Gas Turbine Power Plant in Pasir Gudang, Johor	
Total available facility as at 23 October 2017 (Financial Close)	RM3.665 billion (80% of the Project Cost)
Total utilisation as at 31 December 2017	RM1.656 billion
Balance of proceeds as at 31 December 2017	RM2.009 billion

(2) Material Contracts

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

(3) Related Party Transactions

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

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

STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017

(Pursuant to paragraph 15.25 of the MMLR)

The Board has reviewed, deliberated and approved this Statement. The Board is pleased to report to its shareholders that to the best of its knowledge, the Company has complied with and shall remain committed to attaining the highest possible standards of corporate governance through the continuous adoption of the principles and best practices of the MCCG 2017 and all other applicable laws.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 February 2018.

DATO' ABD MANAF BIN HASHIM
Senior Independent Non-Executive Director

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

INTRODUCTION

This Statement is prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Practice 9.0 of the Malaysian Code on Corporate Governance 2017, with further guidance from the 'Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers'.

The scope of this disclosure excludes associated companies and joint ventures, which are not under the control of the Group.

The Board is committed to maintain a sound and robust risk management framework and internal control system. The Board acknowledges that the risk management and internal control system is designed to manage rather than eliminate risk that may impede the attainment of the Group's objectives.

For the period under review, the Board had reviewed the adequacy and effectiveness of the Group's risk management and internal control systems through reports and updates from the Chief Risk Officer and Chief Internal Auditor, detailing relevant risks and internal controls to manage risk.

*For further details on BRC and BAC, please refer to **pages 95 to 96 and pages 91 to 93***

Various board committees have been set up to promote governance, transparency and accountability as each committee plays its oversight role as stipulated in its respective terms of reference.

These committees include, the:

- Board Audit Committee
- Board Finance And Investment Committee
- Board Tender Committee
- Board Nomination And Remuneration Committee
- Board Risk Committee
- Board Integrity Committee'
- Board Long Term Incentive Plan Committee

The responsibility for implementing and executing the risk management and internal control system across the Group reside with the management. Management reviews, monitors and takes relevant and timely action as and when required.

Various management committees have been established to direct, monitor and ensure that business operations are carried out in accordance with the Group's approved long-term and short-term business plans and established policies.

Management Committees within the organisation include, the:

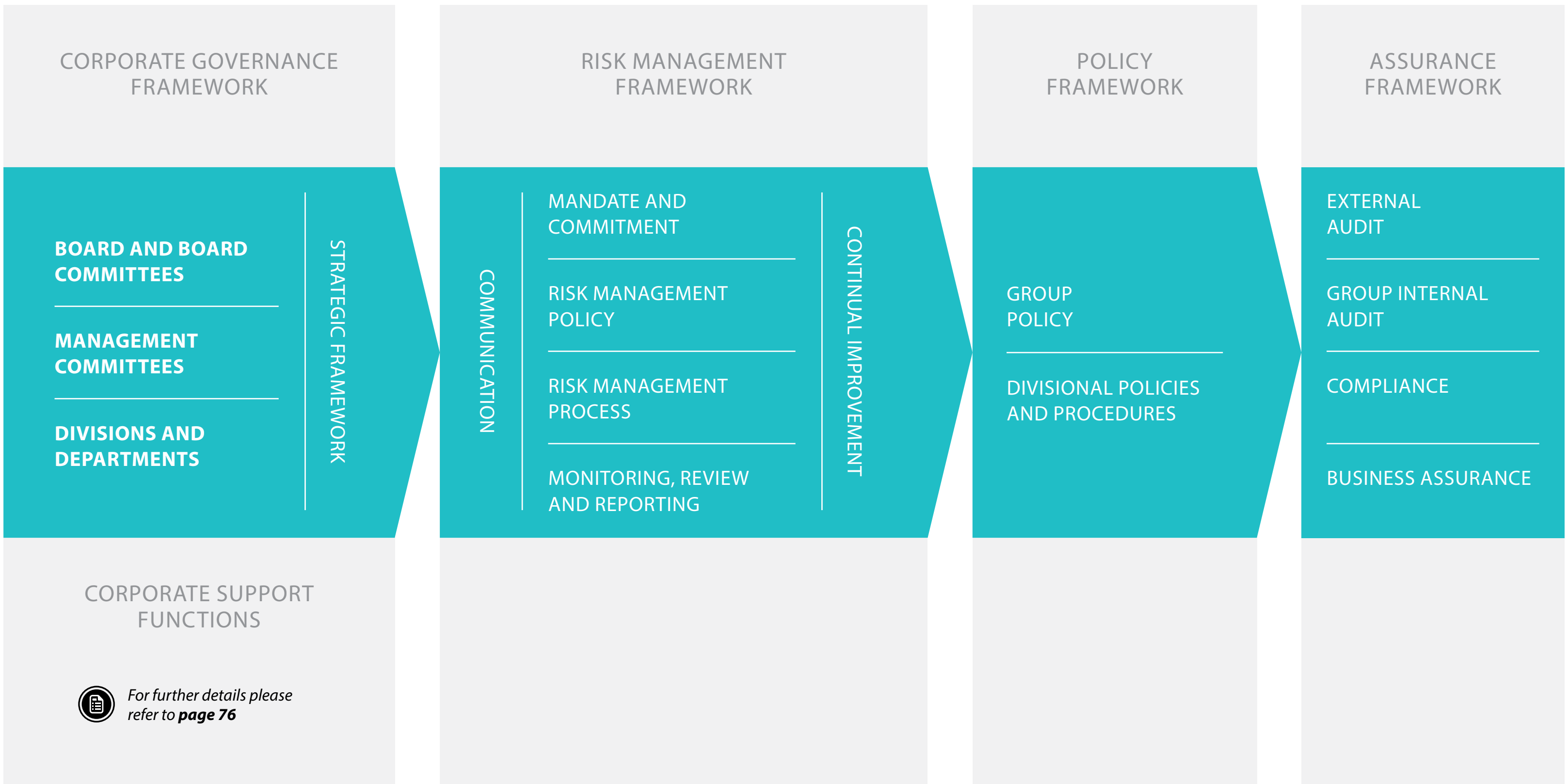
- Group Executive Council Committee
- Group Executive Management Committee
- Group Management Tender Committee
- Energy Supply Committee
- Investment Executive Committee
- Commodity Procurement Executive Committee
- Information And Communication Technology Governance Council
- Incentive Based Regulation Council

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

RISK MANAGEMENT & INTERNAL CONTROL

TNB's risk management objective is to integrate risk management best practices, in accordance to international standards, into the culture, processes and structures of the Group for informed decision-making to achieve business objectives. The internal control framework is structured in such a manner that it provides reasonable assurance that the likelihood of an event with significant adverse impact on business objectives is managed at an acceptable level. This is achieved through a combination of preventive, detective and corrective measures. Thus, the risk management and internal control system only provides reasonable but not absolute assurance against material misstatement, loss or fraud.

The component parts of the Risk Management Framework and how it interacts with the wider system of internal control are illustrated below:



The Risk Management Framework was designed to align with ISO 31000:2009 'Risk Management - Principles and Guidelines' and it provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Group.

Together with the Group Policy Framework, outputs from the Risk Management Framework provide the foundation for the work of the teams within the Assurance Framework in providing objective assessments of the control environment.

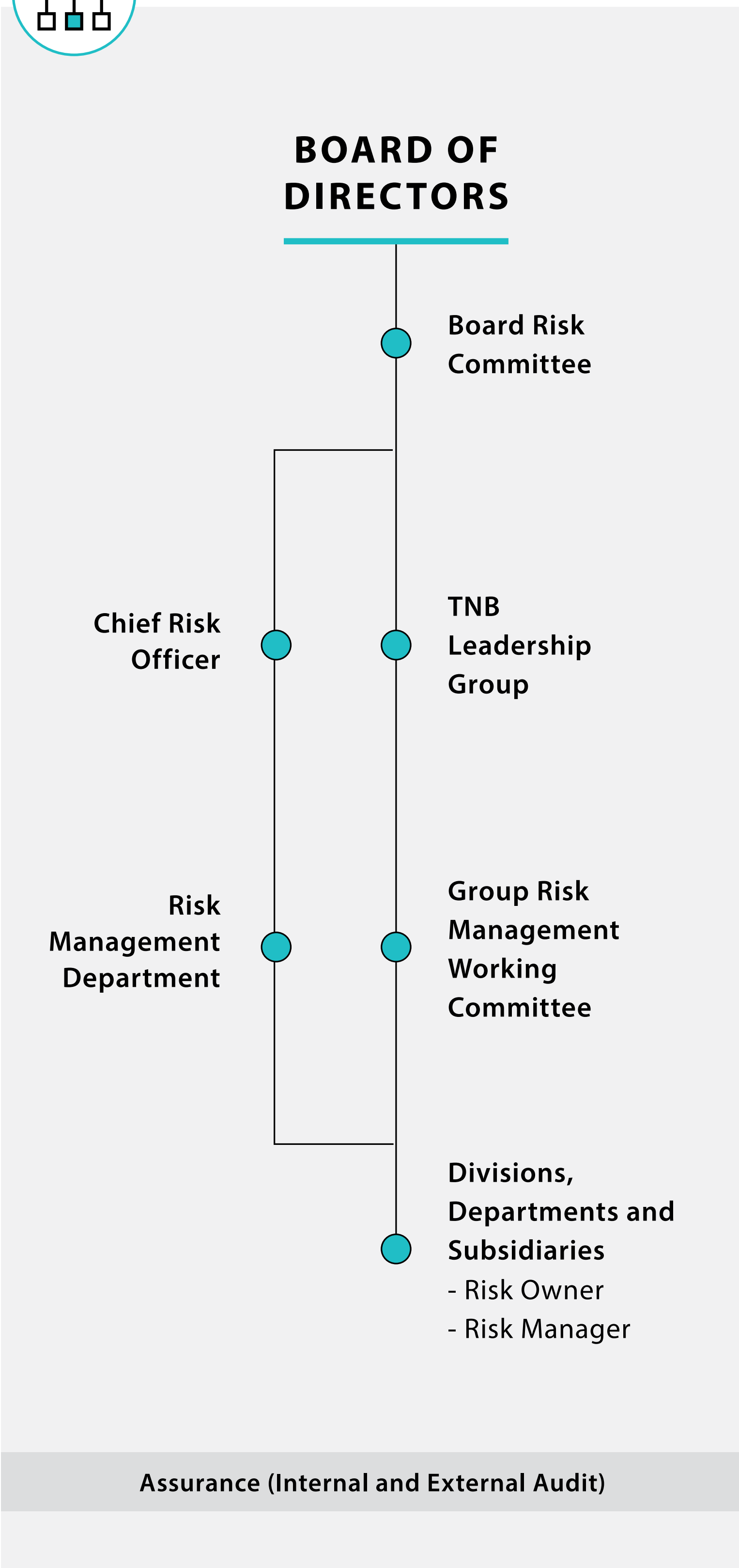
MANDATE AND COMMITMENT

Since 2013, the Board has had in place a Board Risk Committee (BRC) as a reflection of its commitment to safeguard stakeholders' interests and the Group's assets. The BRC is mandated to assist the Board in ensuring that the Group has a sound and robust enterprise risk management framework and such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives.

The BRC is supported by Management through the TNB Leadership Group chaired by the President/Chief Executive Officer and the Group Risk Management Working Committee chaired by the Chief Risk Officer. The Risk Management Department provides facilitation, coordination, advisory and assessment of the effectiveness of the Risk Management Framework implementation by respective divisions, departments and subsidiaries in the Group.

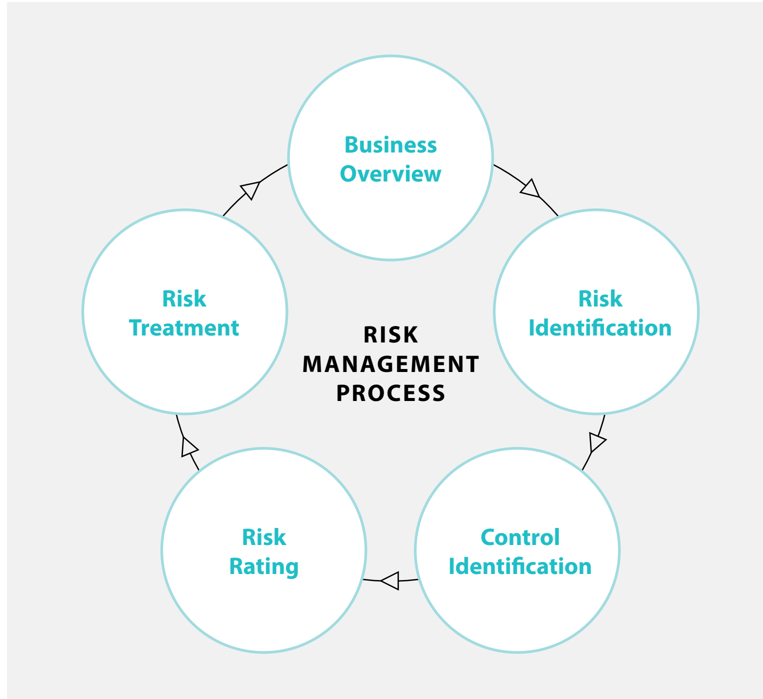
STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

TNB RISK MANAGEMENT STRUCTURE



RISK MANAGEMENT PROCESS

TNB RISK MANAGEMENT PROCESS



In order to systematically assess our risks in this challenging and rapidly changing environment, a five-step Risk Management Process is applied.

The divisions, departments and subsidiaries in the Group have applied this process in identifying, evaluating and treating its risks. These risks are recorded and monitored through the TNB Risk Information System (TRIS), an online real-time tool and database, of which, a TRIS Helpdesk is available to handle queries and requests related to the system.

Likewise, the process was applied to assess our strategic risks that could prevent us from achieving our long-term strategic objectives to become one of the top 10 global utility company by 2025 through the Reimagining TNB transformation programme. Below are the strategic risks identified:

1. Inability to keep pace with changing customers' expectations
2. Competency mismatch to drive strategy
3. Inability to adapt to changing market environment
4. Inability to leverage on available technology
5. Ineffective engagement and communication to stakeholders
6. Regulatory constraints that can negatively impact TNB businesses

The Risk Management Process is also applied to assess risks related to new projects and initiatives; consequently, the corresponding risk profile and mitigations are tabled to the relevant approving committee for its deliberation and decision-making. Specifically with regard to domestic or international investments, the TNB Investment Risk Assessment guideline was applied for one proposal in the period under review.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

INTERNAL CONTROL

The Group's risks are mitigated to tolerable levels through the effective implementation of controls.

Group Policies and Procedures

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

- TNB Code of Ethics
- TNB Risk Management Policy
- TNB Confidentiality Policy
- TNB Limits of Authority
- TNB Procurement & Supply Chain Policy and Procedures
- TNB Whistle-Blowing Policy Procedures
- TNB Disciplinary Procedures
- TNB ICT Codes of Practice and Guidelines
- TNB Safety & Health Policy
- TNB Environmental Policy
- TNB Group Financial Policies and Procedures
- TNB Group Human Resource circulars and guidelines

Human Resource Management and Development

Job descriptions and responsibilities of approved job positions are clearly defined, up-to-date and communicated to employees through the TNB Job Description Online system.

Manpower requirement planning is carried out, led by Group Human Resource, mirroring the budget planning cycle with the aim to optimise staffing levels and increase productivity.

Employee training needs are regularly assessed and various programs are in place to address competency gaps.

Financial and Operational Control Framework

TNB Group Financial Policies and Procedures (GFPP) serves as a compulsory source of reference for the Group in conducting its operations to manage associated risks. The Group has acted in accordance with generally accepted accounting principles and the Malaysian Financial Reporting Standards. Periodic reviews of actual performance versus budgets, targets, and performance in prior periods for key functions and major initiatives are carried out and appropriate mitigating and follow-up action are taken.

The Board Audit Committee (BAC) reviews the Group's quarterly financial performance together with management, and these are subsequently reported to the Board. The quarterly reviews enable the BAC to deliberate and assess the Group's financial results and operational performance. Group Monthly Management Reports, which serve as a monitoring tool, are also circulated to the Board and Management to provide information on key financial results, operational performance indicators and variances.

The procedures for critical functions and key activities are documented, communicated to employees and periodically reviewed. Relevant divisions, departments and subsidiaries have been consistently maintaining its certification in ISO 9001, ISO 14001, ISO 27001, OHSAS 18001 and PAS-55/ISO 55000. The compliance management department in several divisions conducts audits and reviews within its division to ensure compliance with relevant standards and procedures.

In addition, the Incentive Based Regulation (IBR) Project Management Office coordinates the overall IBR submission of the relevant Regulatory Period to Energy Commission. The IBR Council regularly deliberates issues and improvements related to the submission and effective implementation of the IBR in the Group.

Management Information Systems

Leveraging on information and communication technology is vital in promoting effective and efficient business operations as well as timely and accurate communication with internal and external stakeholders.

Several key information systems utilised by the Group for that purpose are:

- Enterprise Resource Management System (ERMS)
- Enterprise Human Resources Management System (EHRMS)
- Corporate Geospatial Information System (CGIS)
- Supervisory Control and Data Acquisition System (SCADA)
- TNB Outage Management Systems (TOMS)
- Billing and Customer Relation Management (BCRM)
- Employee Self Service (ESS)

Super User Privilege Management (SUPM) and Governance, Risk and Compliance (GRC) systems have been implemented to control and govern access to core Enterprise Resource Planning systems and IT servers. This is to ensure that access to critical information systems and confidential information is adequately monitored and controlled.

Annual disaster recovery tests are carried out at TNB's data centres and ICT security assessments are regularly carried out on IT systems at core divisions and power stations.

In the period under review, an Innovation Management System was established to cultivate an innovative culture among ICT personnel.

TNB Corporate Integrity Management System

The TNB Corporate Integrity Management System (TCIMS), which is based on the ISO 370001 Anti Bribery Management System, was launched group-wide in 2017 with the objective of strengthening TNB's integrity culture and infrastructure in alignment with international standards. This initiative is aimed to further strengthen stakeholder confidence, particularly with the regional and global expansion strategy of the Group.

Various channels are available for TNB employees to report any non-compliance to the TNB Code of Ethics or any unlawful activity. The available channels include filling up the appropriate form or writing directly to the Integrity Department, utilising the dedicated email address or submitting a report through the TNB Whistle Blowing Information System. The Group is committed to manage and investigate all reports, treating each with utmost confidentiality.

Customer Feedback

Customer feedback is regularly collated and analysed with appropriate follow-up action. The TNB One Stop Engagement Centre offers a single point of contact to respond to customer enquiries and feedback on billing and account related matters. A variety of channels utilising online infrastructure and social media is made available for customers to submit queries or report problems.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

MONITORING, REVIEW AND REPORTING

Risk and/or Management Committees of respective divisions, departments and subsidiaries monitor and review its key operational and emerging risks whilst identifying appropriate mitigating action and assessing its effectiveness.

Strategic and operational risks are reviewed on a regular basis across the Group with 9 reviews facilitated by Risk Management Department (RMD) in the period under review.

Quarterly risk dashboards are reported to the BRC, highlighting the status of approved key indicators as well as relevant mitigation taken to address indicators that were at the trigger or "breaking" points.

Operational risks are reported on a half-yearly basis and deliberated at the Group Risk Management Working Committee (GRMWC), including emerging risks and cross-divisional issues.

In the period under review, the Risk Management Department (RMD) had assessed the risk maturity of one (1) division and two (2) departments. The aim of these assessments is to gauge the risk culture and effectiveness of the implementation of the risk management framework as well as to recommend opportunities for improvement. The maturity assessment is based on the following elements:

- Mandate and Communication
- Risk Management Process
- Review and Reporting
- Risk Management Effectiveness
- Continual Improvement

COMMUNICATION AND CONTINUAL IMPROVEMENT

Communication remains key in embedding a risk conscious culture amongst our internal and external stakeholders.

It is each division, department and subsidiary's role to communicate risk information in a succinct and regular manner utilising cost-effective communication channels.

Management converges weekly in a communication war room, in which the Group Corporate Communications Department highlights matters for decision-making, particularly on areas with potential adverse impact on our brand and reputation.

Tone from the top regarding risk management and internal control is cascaded to middle management through risk conferences and forums. In the period under review, three risk forums were conducted for approximately 300 non-executives in total, with the objective of inculcating a risk-thinking mentality amongst the technical and non-technical personnel. It was an opportunity to share lessons learnt from TNB case studies and brainstorm on risks and controls relevant to their areas of responsibility.

BUSINESS CONTINUITY MANAGEMENT

The TNB Business Continuity Management (BCM) framework was developed and implemented with the objective of ensuring a holistic and structured approach in managing business continuity of the Group. The purpose of the framework is to ensure we are able to recover following a crisis or disaster even at a degraded level so that we are able to remain resilient to safeguard the interest of our stakeholders whilst maintaining our brand and reputation.

The effectiveness of the framework is tested through drills; in the period under review, one corporate communication drill, two drills based on flood scenarios and two drills at our power stations were carried out. Improvements from drill post-mortems are implemented to increase our resiliency and promptness of response.

An Integrated Community Based Disaster Management programme, facilitated by TNB Research Sdn. Bhd., has been implemented at three of our hydro power stations to increase the preparedness of the local communities in the event of a disaster affecting our hydro dams or power stations.

CONCLUSION

The Board has obtained assurances from the President/Chief Executive Officer, the Chief Financial Officer/Vice President (Group Finance) and Chief Internal Auditor that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. Where weaknesses are identified, rectification steps have been put in place.

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is made in accordance with the resolution of the Board of Directors dated 27 February 2018.

SHAPING ENERGY TOMORROW

As we grow as a corporation, we are also growing with the communities we serve, ensuring a better and brighter future for generations to come.

SECTION SIX

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Group and Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 15 to the financial statements, which also includes the details of the subsidiaries of the Group.

There have been no significant changes in these activities during the financial period.

FINANCIAL RESULTS

	Group RM'million	Company RM'million
Profit for the financial period attributable to:		
- Owners of the Company	2,755.7	2,554.7
- Non-controlling interests	(11.8)	0
Profit for the financial period	2,743.9	2,554.7

DIVIDENDS

The dividends paid or declared since the previous financial year ended 31 August 2017 were as follows:

	RM'million
In respect of the financial year ended 31 August 2017:	
Final single tier dividend of 44.0 sen per ordinary share, paid on 29 December 2017	2,493.0

The Directors has proposed a final single tier dividend of 21.41 sen per share, on 5,665,986,271 ordinary shares in respect of the financial period ended 31 December 2017 amounting to a total of RM1,213.0 million. The books closure and payment dates will be announced in due course.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial period are shown in the financial statements.

ISSUE OF SHARES

During the financial period, the paid-up share capital of the Company increased due to the vesting of Long Term Incentive Plan ('LTIP') granted to eligible employees, details of which are disclosed in Note 7 to the financial statements. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

The Companies Act 2016 ('Act'), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within twenty-four (24) months from the commencement of Section 74 of the Act, use the amount standing to the credit of its share premium account of RM5,382,186,956.74 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

DIRECTORS' REPORT

TENAGA NASIONAL BERHAD'S LONG TERM INCENTIVE PLAN ('LTIP')

The Company implemented a LTIP on 30 April 2015 for a period of 10 years. The LTIP is governed by the by-laws, which were approved by the shareholders at an Extraordinary General Meeting on 18 December 2014.

The main features and details of the number of grants over the shares of the Company are set out in Note 7 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia via letter dated 29 January 2018 from having to disclose in this report the names of the persons to whom LTIP have been granted under the scheme and details of their holdings pursuant to Section 255(1) Paragraph 5, Part 1, Fifth Schedule of the Companies Act 2016 except for information on employees who were granted the offering of up to 106,400 and more ordinary shares under the LTIP scheme.

The employees of the Company who were granted the offering of up to 106,400 and more ordinary shares under the LTIP scheme during the financial period are as follows:

	Number of ordinary shares granted under PS*	Number of ordinary shares granted under RS**	Total
Datuk Seri Ir. Azman bin Mohd	385,800	176,500	**562,300**
Datuk Fazlur Rahman bin Zainuddin	98,500	60,000	**158,500**
Datuk Wira Roslan bin Ab Rahman	97,600	59,500	**157,100**
Dato' Muhammad Razif bin Abdul Rahman	94,600	57,600	**152,200**
Dato' Roslina binti Zainal	94,400	57,500	**151,900**
Datuk Ir. Baharin bin Din	92,300	56,100	**148,400**
Dato' Nor Azman bin Mufti @ Jaafar	91,400	55,700	**147,100**
Datuk Zainudin bin Ibrahim	84,100	51,100	**135,200**
Dato' Ir. Ho Peng Choong	74,200	50,100	**124,300**
Fazil bin Ibrahim	63,700	42,700	**106,400**

* *PS - Performance Share Grant*

** *RS - Restricted Share Grant*

None of the subsidiaries' employees were granted offering representing 106,400 or more ordinary shares under the LTIP scheme.

DIRECTORS

The Directors who have held office during the financial period and during the period from the end of the financial period to the date of the report are:

Tan Sri Leo Moggie

Datuk Seri Ir. Azman bin Mohd

Datuk Seri Hashmuddin bin Mohammad

Amran Hafiz bin Affifudin

Dato' Abd Manaf bin Hashim

Datuk Sakthivel Alagappan

Tan Sri Dato' Seri Chor Chee Heung

Gee Siew Yoong

Noraini binti Che Dan

Juniwati Rahmat Hussin

Badrul Ilahan bin Abd Jabbar

Tan Sri Dato' Seri Siti Norma binti Yaakob (Ceasation of Office as Director w.e.f. 18 December 2017)

The Directors of subsidiaries who have held office during the financial period and during the period from the end of the financial period to the date of the report are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made part thereof.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

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

Since the end of the previous financial period, no Director has received or become entitled to receive a benefit (other than benefits shown under Directors' Remuneration below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a partner, or with a company in which the Director has a substantial financial interest.

INDEMNITY AND INSURANCE COSTS

TNB Group and Company have its own Directors and Officers Liability Insurance at a premium of RM283,125.00 to cover the liability of Directors and Officers in discharging their duties for the period of 1 November 2017 until 31 October 2018.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial period held any shares or debentures in the Company or its subsidiaries during the financial period except as follows:

	Number of ordinary shares			
	As at 1.9.2017	Acquired	Disposed	As at 31.12.2017
Datuk Seri Ir. Azman bin Mohd	38,500	16,100	0	**54,600**

Ordinary shares granted pursuant to the Company's LTIP granted to the Director during the financial period are as follows:

	Number of ordinary shares			
	As at 1.9.2017	Granted	Vested	As at 31.12.2017
Datuk Seri Ir. Azman bin Mohd				
Performance Share Grant ('PS Grant')				
PS Grant 1	109,200	0	0	**109,200**
PS Grant 2	142,400	0	0	**142,400**
PS Grant 3	134,200	0	0	**134,200**
Restricted Share Grant ('RS Grant')				
RS Grant 1	32,200	0	(16,100)	**16,100**
RS Grant 2	44,400	0	0	**44,400**
RS Grant 3	61,400	0	0	**61,400**

DIRECTORS' REMUNERATION

	Group		Company	
	31.12.2017 RM	31.8.2017 RM	31.12.2017 RM	31.8.2017 RM
Directors' fees	**1,038,280**	2,987,677	**911,613**	2,629,677
Directors' other emoluments*	**2,216,893**	9,695,503	**2,199,093**	9,624,403
	3,255,173	12,683,180	**3,110,706**	12,254,080

* *In respect of the Directors or past Directors of the Company, there were no benefits receivable by the Directors from the Company and its subsidiaries as Directors' other emoluments for their services.*

The estimated monetary value of benefits received by the Directors was RM205,423 (31.8.2017: RM1,512,684) for the Group and Company.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report:

(i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial period which secures the liabilities of any other person; and

(ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial period.

(d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may affect the ability of the Group and its subsidiaries to meet their obligations when they fall due.

(e) 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 of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

CHANGE OF FINANCIAL YEAR END

The Directors have, in their resolution dated 30 November 2016, approved the change of the financial year end from 31 August to 31 December. Therefore, the financial period covered in these financial statements is for a period of four (4) months from 1 September 2017 to 31 December 2017. Thereafter, the financial year of the Group and Company shall revert to twelve (12) months ending 31 December, for each subsequent year.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Details of the auditors' remuneration are set out in Note 6 to the financial statements.

This report was approved by the Board of Directors on 28 February 2018. Signed on behalf of the Board of Directors:

TAN SRI LEO MOGGIE
CHAIRMAN

DATUK SERI IR. AZMAN BIN MOHD
PRESIDENT/CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Note	Group		Company	
		Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Revenue	5	**15,827.1**	47,416.9	**14,820.6**	44,204.3
Operating expenses	6	**(13,191.1)**	(39,074.2)	**(12,411.9)**	(36,343.9)
Other operating income	8	**512.6**	1,021.3	**360.7**	877.5
Operating profit		**3,148.6**	9,364.0	**2,769.4**	8,737.9
Foreign exchange gain	9	**310.2**	7.9	**421.6**	3.8
Share of results of joint ventures	16(a)	**7.7**	25.0	**0**	0
Share of results of associates	17	**(44.7)**	103.3	**0**	0
Profit before finance cost		**3,421.8**	9,500.2	**3,191.0**	8,741.7
Finance income	10	**133.5**	237.6	**101.0**	216.9
Finance cost	10	**(576.0)**	(1,456.0)	**(564.2)**	(1,416.9)
Profit before taxation and zakat		**2,979.3**	8,281.8	**2,727.8**	7,541.7
Taxation and zakat	11	**(235.4)**	(1,369.7)	**(173.1)**	(1,246.0)
Profit for the financial period/year		**2,743.9**	6,912.1	**2,554.7**	6,295.7
Profit attributable to:					
- Owners of the Company		**2,755.7**	6,904.0	**2,554.7**	6,295.7
- Non-controlling interests		**(11.8)**	8.1	**0**	0
Profit for the financial period/year		**2,743.9**	6,912.1	**2,554.7**	6,295.7

		Sen	Sen
Earnings per share:			
- Basic	12(a)	**48.68**	122.00
- Diluted	12(b)	**48.56**	121.52

The notes set out on pages 122 to 210 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Note	Group		Company	
		Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Profit for the financial period/year		**2,743.9**	6,912.1	**2,554.7**	6,295.7
Other comprehensive income/(expense)					
Items that will not be reclassified subsequently to profit or loss:					
Defined benefit plan actuarial (loss)/gain		**(107.6)**	24.7	**(99.8)**	(17.1)
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		**(219.8)**	(184.6)	**0**	0
Fair value of available-for-sale financial assets		**(2.6)**	33.3	**(2.6)**	33.2
Share of other comprehensive gain/(loss) of associates accounted for using the equity method	17	**94.2**	(86.2)	**0**	0
Total other comprehensive (expense)/income		**(235.8)**	(212.8)	**(102.4)**	16.1
Total comprehensive income		**2,508.1**	6,699.3	**2,452.3**	6,311.8
Attributable to:					
- Owners of the Company		**2,519.9**	6,691.2	**2,452.3**	6,311.8
- Non-controlling interests		**(11.8)**	8.1	**0**	0
Total comprehensive income		**2,508.1**	6,699.3	**2,452.3**	6,311.8

The notes set out on pages 122 to 210 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
NON-CURRENT ASSETS					
Property, plant and equipment	14	**104,807.6**	103,083.7	**81,792.6**	75,841.9
Subsidiaries	15	**0**	0	**9,991.5**	10,081.5
Joint ventures	16(a)	**153.1**	152.3	**0**	0
Associates	17	**2,799.2**	2,937.8	**70.3**	70.3
Goodwill on consolidation	18	**211.0**	211.0	**0**	0
Investment in unquoted debt security	19	**318.5**	275.7	**0**	0
Tax recoverable		**1,765.1**	1,765.1	**1,765.1**	1,765.1
Deferred tax assets	20	**68.3**	77.0	**0**	0
Long term receivables	21	**829.4**	549.7	**690.5**	694.1
Amounts due from subsidiaries	22(a)	**0**	0	**527.6**	455.0
Finance lease receivable	23(a)	**13.4**	13.8	**0**	0
Prepaid operating leases	24(a)	**5,505.2**	5,353.7	**5,417.0**	5,241.2
Available-for-sale financial assets	25	**69.3**	71.9	**68.6**	71.2
		116,540.1	114,491.7	**100,323.2**	94,220.3
CURRENT ASSETS					
Inventories	26	**885.0**	828.7	**279.2**	261.9
Receivables, deposits and prepayments	27	**10,362.1**	8,962.2	**6,260.9**	6,119.1
Tax recoverable		**104.7**	83.8	**0**	0
Finance lease receivable	23(a)	**0.8**	0.7	**0**	0
Prepaid operating leases	24(a)	**146.2**	139.1	**137.6**	129.0
Amounts due from subsidiaries	22(b)	**0**	0	**4,186.9**	3,097.3
Amounts due from joint ventures		**1.1**	0.6	**0**	0
Amounts due from associates		**332.0**	226.3	**9.2**	1.0
Derivative financial instruments	28	**0**	1.2	**0**	0
Financial assets at fair value through profit or loss	29	**10,490.2**	12,221.9	**3,850.5**	6,097.9
Deposits, bank and cash balances	30	**5,415.0**	5,056.2	**3,001.3**	3,335.4
		27,737.1	27,520.7	**17,725.6**	19,041.6

The notes set out on pages 122 to 210 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group		Company	
		31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
CURRENT LIABILITIES					
Payables	31	**(9,065.2)**	(10,245.0)	**(5,819.8)**	(6,641.1)
Finance lease payables	23(b)	**(336.4)**	(329.6)	**(1,122.1)**	(1,149.1)
Derivative financial instruments	28	**(47.3)**	(10.9)	**(0.2)**	0
Deferred income	32	**(1,487.2)**	(1,460.9)	**(1,377.7)**	(1,384.9)
Amounts due to subsidiaries	22(b)	**0**	0	**(1,086.3)**	(1,258.1)
Amounts due to associates		**(691.2)**	(636.9)	**(683.0)**	(628.9)
Current tax liabilities		**(132.9)**	(85.2)	**(109.7)**	(58.7)
Employee benefits	33	**(748.8)**	(749.9)	**(737.1)**	(738.3)
Short term borrowings	34	**(1,745.3)**	(1,808.1)	**(227.6)**	(290.4)
		(14,254.3)	(15,326.5)	**(11,163.5)**	(12,149.5)
NET CURRENT ASSETS		**13,482.8**	12,194.2	**6,562.1**	6,892.1
TOTAL ASSETS LESS CURRENT LIABILITIES		**130,022.9**	126,685.9	**106,885.3**	101,112.4
NON-CURRENT LIABILITIES					
Borrowings	35	**(39,698.4)**	(37,038.4)	**(15,120.5)**	(15,686.6)
Consumer deposits	36	**(5,209.2)**	(5,073.4)	**(4,910.9)**	(4,778.2)
Finance lease payables	23(b)	**(4,874.1)**	(4,988.9)	**(16,668.8)**	(10,722.4)
Deferred income	32	**(1,107.6)**	(993.9)	**(826.0)**	(691.5)
Other liabilities	37	**(1,357.4)**	(1,413.1)	**(642.3)**	(631.7)
Deferred tax liabilities	20	**(7,646.0)**	(7,728.3)	**(6,289.9)**	(6,339.9)
Employee benefits	33	**(11,036.3)**	(10,887.3)	**(10,581.7)**	(10,442.5)
Government development grants	38	**(964.1)**	(977.8)	**0**	0
		(71,893.1)	(69,101.1)	**(55,040.1)**	(49,292.8)
TOTAL NET ASSETS		**58,129.8**	57,584.8	**51,845.2**	51,819.6
EQUITY					
Share capital	39	**11,199.6**	11,124.9	**11,199.6**	11,124.9
Other reserves	40	**(6,373.0)**	(6,128.8)	**(5,301.7)**	(5,190.9)
Retained profits		**52,378.0**	52,115.3	**45,947.3**	45,885.6
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		**57,204.6**	57,111.4	**51,845.2**	51,819.6
NON-CONTROLLING INTERESTS		**925.2**	473.4	**0**	0
TOTAL EQUITY		**58,129.8**	57,584.8	**51,845.2**	51,819.6

The notes set out on pages 122 to 210 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Note	Attributable to owners of the Company			Non-controlling interests RM'million	Total equity RM'million
		Ordinary shares RM'million	Other reserves RM'million	Retained profits RM'million		
Group						
At 1 September 2017		11,124.9	(6,128.8)	52,115.3	473.4	57,584.8
Profit for the financial period		0	0	2,755.7	(11.8)	2,743.9
Foreign currency translation reserve	40	0	(219.8)	0	0	(219.8)
Fair value of available-for-sale financial assets	40	0	(2.6)	0	0	(2.6)
Share of other comprehensive gain of associates accounted for using the equity method	40	0	94.2	0	0	94.2
Employee benefits reserve	40	0	(107.6)	0	0	(107.6)
Total comprehensive (expense)/income for the financial period		0	(235.8)	2,755.7	(11.8)	2,508.1
LTIP share-based payment expense	7	0	66.3	0	0	66.3
LTIP shares issued	39	74.7	(74.7)	0	0	0
Final dividend paid for FY2017	13	0	0	(2,493.0)	0	(2,493.0)
Subscription of shares in a subsidiary		0	0	0	4.9	4.9
Acquisition of additional equity by NCI		0	0	0	458.7	458.7
Total transactions with owners		74.7	(8.4)	(2,493.0)	463.6	(1,963.1)
At 31 December 2017		11,199.6	(6,373.0)	52,378.0	925.2	58,129.8

The notes set out on pages 122 to 210 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Note	Attributable to owners of the Company				Non-controlling interests RM'million	Total equity RM'million
		Ordinary shares RM'million	Share premium RM'million	Other reserves RM'million	Retained profits RM'million		
Group							
At 1 September 2016		5,643.6	5,382.2	(5,967.2)	47,330.0	211.1	52,599.7
Profit for the financial year		0	0	0	6,904.0	8.1	6,912.1
Foreign currency translation reserve	40	0	0	(184.6)	0	0	(184.6)
Fair value of available-for-sale financial assets	40	0	0	33.3	0	0	33.3
Share of other comprehensive loss of associates accounted for using the equity method	40	0	0	(86.2)	0	0	(86.2)
Employee benefits reserve	40	0	0	24.7	0	0	24.7
Total comprehensive (expense)/ income for the financial year		0	0	(212.8)	6,904.0	8.1	6,699.3
LTIP share-based payment expense	7	0	0	237.1	0	0	237.1
LTIP shares issued	39	99.1	0	(185.9)	86.8	0	0
Dividend paid:							
- Final for FY2016		0	0	0	(1,243.5)	0	(1,243.5)
- Interim for FY2017	13	0	0	0	(962.0)	0	(962.0)
Capital contribution owing to NCI		0	0	0	0	254.6	254.6
Dividend paid to NCI		0	0	0	0	(0.4)	(0.4)
Total transactions with owners		99.1	0	51.2	(2,118.7)	254.2	(1,714.2)
Transition to no-par value regime on 31 January 2017[1]		5,382.2	(5,382.2)	0	0	0	0
At 31 August 2017		11,124.9	0	(6,128.8)	52,115.3	473.4	57,584.8

[1] *The Companies Act 2016 ('Act'), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within twenty-four (24) months from the commencement of Section 74 of the Act, use the amount standing to the credit of its share premium account of RM5,382,186,956.74 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

The notes set out on pages 122 to 210 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Note	Non-distributable		Distributable	
		Ordinary shares RM'million	Other reserves RM'million	Retained profits RM'million	Total equity RM'million
Company					
At 1 September 2017		**11,124.9**	**(5,190.9)**	**45,885.6**	**51,819.6**
Profit for the financial period		**0**	**0**	**2,554.7**	**2,554.7**
Fair value of available-for-sale financial assets	40	**0**	**(2.6)**	**0**	**(2.6)**
Employee benefits reserve	40	**0**	**(99.8)**	**0**	**(99.8)**
Total comprehensive (expense)/income for the financial period		**0**	**(102.4)**	**2,554.7**	**2,452.3**
LTIP share-based payment expense		**0**	**66.3**	**0**	**66.3**
LTIP shares issued	39	**74.7**	**(74.7)**	**0**	**0**
Final dividend paid for FY2017	13	**0**	**0**	**(2,493.0)**	**(2,493.0)**
Total transactions with owners		**74.7**	**(8.4)**	**(2,493.0)**	**(2,426.7)**
At 31 December 2017		**11,199.6**	**(5,301.7)**	**45,947.3**	**51,845.2**

	Note	Non-distributable			Distributable	
		Ordinary shares RM'million	Share premium RM'million	Other reserves RM'million	Retained profits RM'million	Total equity RM'million
Company						
At 1 September 2016		5,643.6	5,382.2	(5,258.2)	41,708.6	47,476.2
Profit for the financial year		0	0	0	6,295.7	6,295.7
Fair value of available-for-sale financial assets	40	0	0	33.2	0	33.2
Employee benefits reserve	40	0	0	(17.1)	0	(17.1)
Total comprehensive income for the financial year		0	0	16.1	6,295.7	6,311.8
LTIP share-based payment expense		0	0	237.1	0	237.1
LTIP shares issued	39	99.1	0	(185.9)	86.8	0
Dividend paid						
- Final for FY2016		0	0	0	(1,243.5)	(1,243.5)
- Interim for FY2017	13	0	0	0	(962.0)	(962.0)
Total transactions with owners		99.1	0	51.2	(2,118.7)	(1,968.4)
Transition to no-par value regime on 31 January 2017[1]		5,382.2	(5,382.2)	0	0	0
At 31 August 2017		11,124.9	0	(5,190.9)	45,885.6	51,819.6

[1] *The Companies Act 2016 ('Act'), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within twenty-four (24) months from the commencement of Section 74 of the Act, use the amount standing to the credit of its share premium account of RM5,382,186,956.74 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial period/year	**2,743.9**	6,912.1	**2,554.7**	6,295.7
Adjustments for:				
Taxation and zakat	**235.4**	1,369.7	**173.1**	1,246.0
Property, plant and equipment:				
- Depreciation	**2,049.9**	6,105.0	**1,785.3**	5,219.2
- Written off	**9.6**	32.3	**9.6**	23.2
- (Gain)/Loss on disposals	**(9.1)**	0.3	**(9.1)**	0.4
- Abandoned projects	**14.9**	0	**14.9**	0
Provision for post-employment benefits	**248.8**	743.8	**233.4**	695.0
Provision for LTIP	**66.3**	237.1	**50.1**	188.9
Foreign exchange translation (gain)/loss	**(329.7)**	13.7	**(421.5)**	4.6
Gain on redemption of redeemable preference shares in subsidiaries	**0**	0	**(30.6)**	(0.5)
Share of results of joint ventures	**(7.7)**	(25.0)	**0**	0
Share of results of associates	**44.7**	(103.3)	**0**	0
Dividend income	**(0.9)**	(3.1)	**(18.9)**	(69.7)
Interest income	**(94.9)**	(258.5)	**(71.9)**	(224.2)
Interest on:				
- Borrowings	**246.6**	772.6	**144.8**	264.1
- Others	**124.2**	168.5	**12.2**	168.5
Release of:				
- Customers' contributions	**(142.5)**	(687.2)	**(120.9)**	(347.2)
- Deferred income	**(116.8)**	(406.5)	**(77.6)**	(326.6)
- Government development grants				
- Other operating income	**(190.0)**	(50.3)	**0**	0
- Finance cost	**(6.8)**	(18.1)	**0**	0
Impairment losses on:				
- Receivables	**163.7**	667.2	**138.8**	630.2
- Investment in subsidiary	**0**	0	**43.1**	21.4
- Amounts due from subsidiaries	**0**	0	**13.3**	26.7
- Amounts due from joint ventures	**5.5**	9.2	**0**	0
Reversal of impairment losses on:				
- Receivables	**(5.8)**	(152.9)	**(2.0)**	(144.9)
- Amounts due from subsidiaries	**0**	0	**(14.5)**	(45.8)
- Amounts due from associates	**0**	(22.3)	**0**	(22.3)
Changes in fair value of derivatives	**1.2**	1.5	**1.2**	1.5
Inventories:				
- Impairment for obsolescence	**69.9**	299.5	**69.9**	299.5
- Write-back of obsolescence	**(62.9)**	(297.6)	**(62.9)**	(297.6)
- Written off	**0.2**	43.2	**0.2**	43.2
Changes in fair value	**6.0**	48.4	**(28.9)**	10.3
	5,063.7	15,399.3	**4,385.8**	13,659.6

The notes set out on pages 122 to 210 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Inventories	**(63.5)**	(81.5)	**(24.5)**	(70.9)
Receivables	**(2,006.3)**	(1,331.5)	**(455.4)**	(972.3)
Payables*	**(995.7)**	(1,737.1)	**(1,268.4)**	(3,311.7)
Subsidiaries balances	**0**	0	**(1,263.3)**	(1,483.7)
Associates balances	**(51.4)**	82.8	**45.9**	118.8
Joint ventures balances	**(6.0)**	(3.8)	**0**	0
Cash generated from operations	**1,940.8**	12,328.2	**1,420.1**	7,939.8
Post-employment benefits paid	**(240.1)**	(898.4)	**(232.2)**	(882.6)
Contributions received	**399.3**	1,243.7	**325.8**	696.6
Consumer deposits received	**135.8**	522.3	**132.7**	494.2
Taxation and zakat paid	**(250.6)**	(639.8)	**(140.6)**	(433.2)
Net cash flows generated from operating activities	**1,985.2**	12,556.0	**1,505.8**	7,814.8
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash considerations paid to acquire:				
- Associates	**0**	(1,387.9)	**0**	0
- Unquoted debt security	**0**	(338.0)	**0**	0
Additional investments in:				
- Subsidiaries	**0**	0	**(5.1)**	(1,266.7)
- FVTPL	**(27,579.4)**	(69,330.5)	**(23,512.0)**	(66,302.0)
Proceeds from redemptions:				
- Redeemable preference shares in subsidiaries	**0**	0	**100.0**	7.1
- Unquoted debt security	**0**	62.3	**0**	0
Disposals of FVTPL	**29,311.1**	70,488.7	**25,802.8**	65,021.0
Dividend income received	**24.9**	53.7	**18.0**	68.5
Interest income received	**96.6**	105.9	**22.5**	34.7
Property, plant and equipment:				
- Additions	**(3,768.6)**	(12,519.7)	**(1,424.5)**	(5,975.2)
- Proceeds from disposals	**29.0**	182.9	**10.6**	126.3
Advances granted to subsidiaries	**0**	0	**0**	(466.3)
Repayment of advances from subsidiaries	**0**	0	**0**	62.3
Net cash flows (used in)/generated from investing activities	**(1,886.4)**	(12,682.6)	**1,012.3**	(8,690.3)

The notes set out on pages 122 to 210 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

		Group		Company	
		Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
CASH FLOWS FROM FINANCING ACTIVITIES					
Government development grants received		**174.7**	27.0	**0**	0
Long term borrowings:					
- Drawdowns		**3,757.6**	5,260.0	**0**	5,137.3
- Repayments		**(701.1)**	(749.2)	**(62.0)**	(126.7)
Short term borrowings:					
- Drawdowns		**434.0**	814.0	**0**	0
- Repayments		**(329.5)**	(851.2)	**0**	0
Interests paid:					
- Borrowings		**(575.4)**	(1,084.4)	**(278.8)**	(533.0)
- Others		**(9.8)**	0	**(9.8)**	0
Dividends paid to shareholders		**(2,493.0)**	(2,205.5)	**(2,493.0)**	(2,205.5)
Dividends paid to NCI		**0**	(0.4)	**0**	0
Subscription of shares in subsidiaries		**4.9**	0	**0**	0
Net decrease in debt reserve accounts		**0**	4.5	**0**	0
Net decrease in cash at bank, held in trust		**3.7**	11.9	**0**	0
Net cash flows generated from/(used in) financing activities		**266.1**	1,226.7	**(2,843.6)**	2,272.1
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**364.9**	1,100.1	**(325.5)**	1,396.6
EFFECTS OF CHANGES IN FOREIGN CURRENCY		**(2.4)**	1.3	**(8.6)**	(14.7)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD/YEAR		**4,512.9**	3,411.5	**3,335.4**	1,953.5
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD/YEAR	30	**4,875.4**	4,512.9	**3,001.3**	3,335.4

* *Included in the payables are finance lease payments made amounting to RM232.0 million (31.8.2017: RM1,109.9 million) for the Group and RM638.6 million (31.8.2017: RM2,251.8 million) for the Company.*

Prior year comparatives in relation to finance cost of Government development grants amounting to RM18.1 million were reclassified from interest on borrowings to a separate line item within cash flows from operating activities. This conforms with current financial period's presentation.

The changes in liabilities arising from financing activities have been disclosed in Notes 23(b), 35 and 38 respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

1 GENERAL INFORMATION

The Group and Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 15 to these financial statements which also includes the details of the subsidiaries of the Group.

There have been no significant changes in these activities of the Group and Company during the financial period.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is Pejabat Setiausaha Syarikat, Tingkat 2, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia.

2 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act 2016 in Malaysia.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) Change of financial year end

The Directors have, in their resolution dated 30 November 2016, approved the change of the financial year end from 31 August to 31 December. Therefore, the financial period covered in these financial statements is for a period of 4 months from 1 September 2017 to 31 December 2017. Thereafter, the financial year of the Group and Company shall revert to twelve (12) months ending 31 December, for each subsequent year. The comparatives are for the financial year from 1 September 2016 to 31 August 2017.

(b) Amendments and improvements to published standards that are effective and applicable to the Group and Company.

The Group and Company have applied the following amendments and improvements to the published standards that are applicable to the Group and Company for the first time for the financial period beginning on 1 September 2017:

(i) Amendments to MFRS 107 'Statement of Cash Flows' ('MFRS 107') 'Disclosure Initiative'
(ii) Amendments to MFRS 112 'Income Taxes' ('MFRS 112') 'Recognition of Deferred Tax Assets for Unrealised Losses'
(iii) Amendments to MFRS 12 'Disclosure of Interest in Other Entities' ('MFRS 12') 'Annual Improvements to MFRS Standards 2014-2016 Cycle'

The adoption of the Amendments to MFRS 107 required disclosures of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments and improvements to the published standards did not have any significant impact on the consolidated and separate financial statements of the Group and Company respectively upon their initial recognition.

(c) New standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective.

The Group and Company will apply the new standards, amendments to published standards, interpretations and improvements to existing standards in the following periods:

(i) Financial year beginning on or after 1 January 2018

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' ('IC 22') applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 'The Effects of Changes in Foreign Exchange Rates' ('MFRS 121') requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk. If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt. An entity has the option to apply IC 22 retrospectively or prospectively. Earlier application is permitted and should be disclosed.

2 BASIS OF PREPARATION (CONTINUED)

(c) New standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

(i) Financial year beginning on or after 1 January 2018 (continued)

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' ('IC 22') (continued)

  Based on the assessment performed to date, IC 22 has no significant effect on the consolidated and separate financial statements of the Group and Company.

- Amendments to MFRS 128 'Investments in Associates and Joint Ventures' ('MFRS 128') in Annual Improvements to MFRS Standards 2014-2016 Cycle allow:

  - venture capital organisations, mutual funds, unit trusts and similar entities to elect, on an individual basis, measuring their investments in associates and joint ventures at fair value through profit or loss.
  - an entity that is not an investment entity to retain the fair value measurement applied by its associates or joint ventures (that are investment entities) when applying equity method.

  The amendments shall be applied retrospectively. Earlier application is permitted and should be disclosed.

  Based on assessment performed to date, the Group and Company do not expect amendments to MFRS 128 to have a significant effect on the consolidated and separate financial statements of the Group and Company.

- Amendments to MFRS 2 'Share-Based Payment' ('MFRS 2') on Classification and Measurement of Share-Based Payment Transactions clarifies that the fair value of a cash-settled award is determined on a basis consistent with that used for equity-settled awards, where the impact of vesting and non-vesting conditions is considered.

  Specifically, market performance conditions and non-vesting conditions are reflected in the estimation of fair value of the cash-settled award, whilst non-market performance conditions and service conditions are reflected in the estimate of the number of awards expected to vest. This method differs from the concept of "fair value" in MFRS 13 'Fair Value Measurement' ('MFRS 13').

  The amendments introduce an exception to the principles of MFRS 2 when an employer is obliged under the tax law to withhold some of the shares to which an employee is entitled under a share-based payment award and to remit the employee's tax obligation to the tax authority on behalf of the employee.

  The amendments require an entity to account for awards with such a feature as equity-settled share-based payment instead of dividing the award into 2 components; the tax portion as cash-settled and the net amount of shares issued to the employee as equity-settled.

  The amendments clarify that when an award is modified from cash-settled to equity-settled, the liability for the original award is derecognised, and the modified equity-settled award is recognised in equity to the extent of goods or services received at the modification date.

  The modified award is measured by reference to the fair value of the equity instruments on the modification date. The resultant difference is recognised in profit or loss.

  Earlier application is permitted and should be disclosed.

  Based on the assessment performed to date, the Group and Company do not expect amendments to MFRS 2 to have a significant effect on the consolidated and separate financial statements of the Group and Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

2 BASIS OF PREPARATION (CONTINUED)

(c) New standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

(i) Financial year beginning on or after 1 January 2018 (continued)

- MFRS 15 'Revenue from Contracts with Customers' ('MFRS 15') replaces MFRS 118 'Revenue' ('MFRS 118') and MFRS 111 'Construction Contracts' ('MFRS 111') and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  - Identify contracts with customers;
  - Identify the separate performance obligations;
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift some revenue which is currently recognised at a point in time of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

  The standard shall be applied retrospectively with transitional reliefs available. Earlier application is permitted and should be disclosed.

  The Group and Company have assessed the effects of applying the new standard on the Group and Company's financial statements and has identified the following areas that will be affected:

  - MFRS 15 requires contributions (either assets or cash) received from customers for the construction of assets used to connect the customers to a network or to provide them with service in respect of electricity supply as not distinct and with a single performance obligation being the supply of electricity. This will result in these contributions being recognised as revenue over the period the constructed infrastructure is used to provide electricity to the customer.
  - The application of MFRS 15 will also affect the timing of the recognition of revenue for other contracts with third parties under the Group.

  The Group and Company will adopt the standard using the retrospective approach with practical expedients permitted under the standard, which means the impact of the adoption will be recognised in the retained profits as at 1 September 2017 and comparatives will be restated.

  Based on the assessment performed to date, the application of this standard is expected to reduce the retained profits as at 1 September 2017 by approximately 1.0% for the Group. Additionally, the Group and Company's results for the comparative period is estimated to reduce by approximately 1.0% for revenue and 4.0% to 6.0% for profit.

2 BASIS OF PREPARATION (CONTINUED)

(c) New standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

(i) Financial year beginning on or after 1 January 2018 (continued)

- MFRS 9 'Financial Instruments' ('MFRS 9') will replace MFRS 139 'Financial Instruments: Recognition and Measurement' ('MFRS 139').

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ('FVTPL') and fair value through other comprehensive income ('FVOCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

MFRS 9 introduces an Expected Credit Loss ('ECL') model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and recognises the impairment loss based on expected credit losses. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15, lease receivables, loan commitments and certain financial guarantee contracts.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- for financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

MFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group and Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group and Company will apply the new standard retrospectively from 1 January 2018, with the practical expedients permitted under the standard, where comparatives will not be restated.

Based on the assessment performed to date, there is no significant effect on the classification and measurements of the financial assets and financial liabilities due to:

- Majority of the Group and Company's debt instruments that are currently classified as loans and receivables will satisfy the conditions for classification as amortised cost and hence, there will be no change to the accounting for these assets.
- Other financial assets held by the Group and Company include:
  i. equity instruments currently classified as available-for-sale for which a FVOCI election is available.
  ii. financial assets currently designated at FVTPL will continue to be measured on the same basis under MFRS 9.

The ECL model introduced in MFRS 9 is expected to increase the impairment loss on receivables for the Group and Company by approximately 5.0% to 7.0%. Additionally, the retained profits as at 1 January 2018 for the Group and Company are estimated to reduce by approximately 1.0% to 2.0%.

(ii) Financial year beginning on or after 1 January 2019

- MFRS 16 'Leases' ('MFRS 16') supersedes MFRS 117 'Leases' ('MFRS 117') and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' ('MFRS 116') and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The standard shall be applied retrospectively with transitional reliefs available. Earlier application is only permitted if MFRS 15 has been adopted and it should be disclosed.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

2 BASIS OF PREPARATION (CONTINUED)

(c) New standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

(ii) Financial year beginning on or after 1 January 2019 (continued)

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' ('IC 23') provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC 23 shall be applied retrospectively. Earlier application is permitted and should be disclosed.

- Amendments to MFRS 128 on Long-term Interests in Associates and Joint Ventures clarifies that MFRS 9, including its impairment requirements shall be applied when accounting for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture to which the equity method is not applied.

  The amendments shall be applied retrospectively with transitional reliefs available. Earlier application is permitted and should be disclosed.

- Amendments to MFRS 9 on Prepayment Features with Negative Compensation allows the measurement of prepayable financial assets with negative compensation to be at amortised cost or at FVOCI if certain conditions are met.

  The amendments shall be applied retrospectively with transitional reliefs available. Earlier application is permitted and should be disclosed.

- Amendments to MFRS 3 'Business Combinations' ('MFRS 3') in Annual Improvements to MFRS Standards 2015-2017 Cycle clarify that obtaining control of a business that is a joint operation (as defined in MFRS 11 'Joint Arrangements' ('MFRS 11')) is a business combination achieved in stages. The acquirer must remeasure its previously held interest in the joint operation at its acquisition-date fair value. Accordingly, the acquirer effectively:

  - derecognises its previously held interest in the joint operation, and
  - recognises a controlling interest in all of the assets and liabilities of the former joint operation.

  These amendments shall be applied to business combinations with acquisition dates on or after 1 January 2019. Earlier application is permitted and should be disclosed.

- Amendments to MFRS 11 in Annual Improvements to MFRS Standards 2015-2017 Cycle clarify that when the party that participates in (but does not have joint control over) a joint operation, obtains joint control over that joint operation that is a business (as defined in MFRS 3), it should not remeasure its previously held interest in the joint operation.

  These amendments shall be applied to transactions resulting in obtaining joint control on or after 1 January 2019. Earlier application is permitted and should be disclosed.

- Amendments to MFRS 112 in Annual Improvements to MFRS Standards 2015-2017 Cycle clarify that all income tax consequences of dividends should be recognised either in profit or loss, other comprehensive income or equity, depending on where the past transactions or events that generated the distributable profits were recognised.

  These amendments shall be applied to income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Earlier application is permitted and should be disclosed.

- Amendments to MFRS 123 'Borrowing Costs' ('MFRS 123') in Annual Improvements to MFRS Standards 2015-2017 Cycle clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally.

  These amendments shall be applied prospectively. Earlier application is permitted and should be disclosed.

(iii) Effective date yet to be determined by Malaysian Accounting Standards Board

- Amendments to MFRS 10 'Consolidated Financial Statements' ('MFRS 10') and MFRS 128 on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The adoption of the above applicable new standards, amendments to published standards, interpretations and improvements to existing standards are not expected to have a material impact on the financial statements of the Group and Company.

There are no other standards, amendments to published standards and interpretations to existing standards that are not effective that would be expected to have a material impact on the Group and Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the period/year presented, unless otherwise stated.

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. The existence and effect of potential voting rights are considered only when such rights are substantive when assessing control.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statement of profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

The Group applies the acquisition method to account for business combinations. The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in the statement of profit or loss.

The excess of the consideration transferred, the amount of any Non-Controlling Interest ('NCI') in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in the statement of profit or loss. Refer to Note 18 for accounting policy on goodwill.

NCI is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any NCI in the acquiree either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, NCI consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the NCI, even if the attribution of losses to the NCI results in a debit balance in the shareholders' equity.

(iii) Changes in ownership interest

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(b) Transactions with NCI

Transactions with NCI that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and NCI to reflect their relative interests in the subsidiary. Any differences between the amount of the adjustment to NCI and any consideration paid or received are recognised in equity attributable to owners of the Group.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised in the statement of profit or loss for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill previously impaired are reviewed for possible reversal of the impairment at each reporting date. Any subsequent increase in recoverable amount is recognised in the statement of profit or loss.

(d) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of profit or loss as an expense as incurred.

Expenditure on development activities, whereby the application research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only when all the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the intangible asset;
(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Capitalised development costs are recognised as intangible assets and amortised from the point at which the asset is ready for use on a straight line method over its useful life.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the assets for its intended use. Other development expenditure is recognised in the statement of profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

All other significant accounting policies are disclosed in their respective notes.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equate to the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact on the Group and Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Revenue recognition

Electricity revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the financial period end of the Group and Company (unread and unbilled). An assessment is also made on any factors that are likely to materially affect the ultimate economic benefits which will flow to the Group and Company, including bill cancellations and adjustments. These assessments will have a corresponding adjustment to trade receivables. To the extent that the economic benefits are not expected to flow to the Group and Company, the value of that revenue is not recognised.

Included in the payable balance in Note 31 is the estimated over-recovery of costs under the Imbalance Cost Pass-Through ('ICPT') mechanism. The Group and Company continually assess the obligation by considering factors such as changes in the applicable regulatory implementation guidelines and political environment, the ability to recover costs through regulated rates, and the status of any pending or potential deregulation legislation. Based on this continual assessment, the Company believes the existing liability balance reflects the best estimate of the Company's obligation to the Government. This assessment reflects the current political and regulatory climate, and may be subject to change in the future.

(b) Estimated useful lives of Property, Plant and Equipment ('PPE')

The Group and Company regularly reviewed the estimated useful lives of PPE based on factors such as business plans and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of PPE would increase the recorded depreciation and decrease the value of PPE.

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4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (continued)

(c) Impairment of PPE

The Group and Company assess impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e., the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group and Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

In particular for TNB Liberty Power Limited ('LPL'), as disclosed in Note 14(a), the appropriateness of the assumptions required for impairment purpose is dependent on the extension of the Gas Supply Agreement ('GSA') by the Government of Pakistan where the subsidiary is operating, till the end of the Power Purchase Agreement ('PPA') term. The Government of Pakistan through its Economic Coordination Committee ('ECC') has approved the extension for gas allocation from Oil and Gas Development Company Limited ('OGDCL') Qadirpur gas field until the end of the PPA in 2026. Accordingly, the Group is of the view that the carrying amount of the subsidiary's PPE is recoverable.

(d) Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy and whenever events or change in circumstances indicate that this is necessary within the financial period. This requires an estimation of the value-in-use of the Group as the cash generating unit to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the Group and also to apply a suitable discount rate in order to calculate the present value of those cash flows. The assumptions used, results and sensitivity of the impairment assessment of goodwill are disclosed in Note 18 to the financial statements.

(e) Impairment of trade receivables

The Group and Company review its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, the Group and Company make judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the Group and Company make judgements as to whether an impairment loss should be recognised. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

(f) Lease accounting

As a result of adopting IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease' ('IC 4'), certain of the Group and Company's power purchase agreements have been accounted for as a finance lease rather than the normal sale and purchase arrangements. This has resulted in finance lease accounting being applied to these power purchase agreements.

To apply finance lease accounting, a number of assumptions in the lease models have been made, such as the determination of minimum lease payments, implicit interest rates and residual values of the power plants at the end of contract periods. Any changes to these assumptions will affect lease income and expenses.

(g) Fair value of derivatives and other financial instruments

Certain financial instruments such as investments and derivative financial instruments are carried on the statement of financial position at fair value, with changes in fair value reflected in the statement of profit or loss.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The Group and Company use its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting periods, as disclosed in Note 45 to the financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (continued)

(h) Estimation of income taxes

(i) Income tax

Income tax is estimated based on the rules governed under the Income Tax Act, 1967.

Differences in determining the capital allowances, deductibility of certain expenses and subsequent utilisation of reinvestment allowance may arise during the estimation of the provision for income tax between tax calculated at the statement of financial position date, and the final submission to the tax authority as a result of obtaining further detailed information that may become available subsequent to the statement of financial position date.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions and deferred tax balance in the period in which such determination is made.

The Group and Company has recorded tax recoverable for which the Group and Company believe that there is a reasonable basis for recognition. Where the final tax outcome of this matter is different from the amount that was initially recorded, such difference may cause a material adjustment to the carrying amount of the tax recoverable balance recorded in the period in which such determination is made.

On 23 November 2015, Inland Revenue Board ('IRB') had disallowed the Company's reinvestment allowance ('RIA') claims of RM2,068.2 million for Year Assessment 2013 and 2014 and had issued notices of additional assessments ('Notices') to the Company. The Company had filed an appeal to the Special Commissioners of the Income Tax ('SCIT') on the Notices.

As at 31 December 2017, the Group and Company recorded a tax recoverable of RM1,765.1 million from Inland Revenue Board ('IRB') arising from the resubmission of tax computations in the financial year ended 31 August 2014, pursuant to the explicit approval given by IRB on 21 January 2013 on the eligibility of the Company in claiming the RIA.

In addition, the Group and Company have not recorded the potential additional tax liability arising from the tax impact if the RIA claimed is disallowed and the Company loses its appeal. The realisation of this tax recoverable and the potential tax liability is dependent on the outcome of judgement on the RIA claims by the SCIT and by the Kuala Lumpur High Court, including if there is a subsequent appeal by either party, as disclosed in Note 42 to the financial statements.

The Directors performed an assessment on the tax recoverable of RM1,765.1 million and the potential tax liability based on a legal view obtained from external legal counsel and the facts surrounding its RIA claims. The Directors have exercised judgement that there is sufficient evidence and case law to support the Company's appeal against the Notices.

(ii) Deferred tax assets

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

(i) Post-employment employee benefits

The Group and Company provide both Retirement Benefit Plan and Post Retirement Medical Plan for certain employees. The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using certain assumptions. The key assumptions used in determining the net cost/(income) for the employee benefits include discount rate, medical claim inflation rate and salary increment rate. Any changes in these assumptions will impact the carrying amount of employee benefits obligations, as disclosed in Note 33.

(i) Discount rate

The Group and Company determine the appropriate discount rate at the end of each financial period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group and Company consider the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefits obligation.

(ii) Medical claim inflation rate

The medical claim inflation rate for general practitioner, hospitalisation, specialist and dialysis medical claims, as determined by the Group and Company are based on the annualised increase in average claims over the past 7 years.

(iii) Salary increment rate

The salary increment rate for employees receiving the Retirement Benefit Plan as determined by the Group and Company is based on the average salary increment rate for the past 8 years and considerations for price inflation, real salary increase, promotions and Collective Agreement ('CA') negotiation.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (continued)

(j) Fair value of LTIP

The Group introduces an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group.

The Group and Company measure the equity-settled share-based payments by reference to the fair value of the equity instruments at the date which they are granted, and revise the estimated number of shares that are expected to vest at the end of the reporting period.

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model (i.e. Monte Carlo simulation model). The estimate requires determining the most appropriate inputs to the valuation model including the expected life of the share scheme, volatility and dividend yield and making assumptions about them, as disclosed in Note 7 to the financial statements.

5 REVENUE

Accounting Policy

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and Company's activities, net of estimated returns, rebates and discounts.

(a) Electricity revenue

Revenue from the supply of electricity in Peninsular Malaysia is regulated based on certain formulae and parameters as set out in the regulatory implementation guidance under the Incentive Based Regulation ('IBR') framework and as agreed with the Ministry of Energy, Green Technology and Water.

Electricity revenue is recognised when electricity is consumed by customers. Electricity revenue includes an estimated value of the electricity consumed by customers from the date of their last meter reading and reporting period end. Accrued unbilled revenues are reversed the following month when actual billings occur.

ICPT, a mechanism established under the IBR allows the Company to pass through the volatility in fuel and other generation specific costs (termed as the 'Single Buyer Generation Cost') to the consumers, such that the Company remains financially neutral. The Company's claims and undertakings under the ICPT mechanism are such that any over or under-recovery of costs would be payable to or reimbursable from the Government, and would be recognised as part of revenue in the period the costs are incurred. Actual base tariff billed to the customer remains unchanged.

(b) Sale of goods

Sale of goods is recognised when significant risks and rewards of ownership have passed and the collectability of the related receivable is reasonably assured.

(c) Rendering of services

For services rendered, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(d) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in the statement of profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the contract costs incurred to the reporting date as a percentage of total estimated costs for each contract.

When an outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of profit or loss.

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5 REVENUE (CONTINUED)

Accounting Policy (continued)

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and Company's activities, net of estimated returns, rebates and discounts. (continued)

(e) Customers' contributions

Contributions (assets in the form of PPE or cash to acquire such assets) received from customers consist mainly of upfront capital contributions for the construction of assets, used to connect the customers to a network or to provide them with the service.

Contributions received prior to 1 January 2011 are amortised over 15 years, being the average useful life of the asset, recognised as release of deferred income.

Effective 1 January 2011, in compliance with IC Interpretation 18 'Transfers of Assets from Customers' ('IC18'), all contributions received from customers, where that amount of contributions must be used only to construct or acquire an item of PPE, and the item of PPE is used to either connect the customer to a network or to provide the customer with ongoing access to supply of goods or services, or to do both, the contributions received are recognised as revenue. Revenue arising from assets received from customers are recognised in the statement of profit or loss when the performance obligations associated with receiving those customer contributions are met.

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Sales:				
- Electricity*	**15,380.4**	45,803.1	**14,622.1**	43,530.5
- Goods and services	**183.2**	501.8	**0**	0
- Contract revenue	**4.2**	18.3	**0**	0
- Customers' contributions	**142.5**	687.2	**120.9**	347.2
Release of deferred income	**116.8**	406.5	**77.6**	326.6
	15,827.1	47,416.9	**14,820.6**	44,204.3

* *Included in the sales of electricity is the ICPT amounting to RM50.4 million (31.8.2017: RM227.0 million) and subsidised tariff rebate for Sabah Electricity Sdn. Bhd. ('SESB') amounting to RM19.2 million (31.8.2017: RM55.9 million).*

6 OPERATING EXPENSES

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Cost of sales:				
- Energy cost	**9,214.2**	26,797.6	**9,077.9**	26,105.1
- Transmission cost	**521.3**	1,765.2	**476.5**	1,613.4
- Distribution cost	**1,974.7**	6,371.4	**1,898.7**	6,016.3
	11,710.2	34,934.2	**11,453.1**	33,734.8
Administrative expenses	**839.7**	2,312.9	**571.3**	1,523.6
Other operating expenses	**641.2**	1,827.1	**387.5**	1,085.5
	13,191.1	39,074.2	**12,411.9**	36,343.9

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6 OPERATING EXPENSES (CONTINUED)

Operating expenses include the following items:

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Purchases from Independent Power Producers ('IPPs')^	**4,970.4**	14,113.9	**7,621.2**	20,550.8
Fuel costs	**3,378.2**	9,431.9	**778.8**	3,204.1
Operating lease expenses	**1,308.0**	3,743.7	**1,551.4**	4,356.4
Directors' remuneration:				
- Fees and allowances	**1.3**	3.9	**1.2**	3.5
- Other emoluments	**0.2**	1.5	**0.2**	1.5
Auditors' remuneration:				
- Statutory audit				
- PricewaterhouseCoopers PLT, Malaysia	**2.5**	2.8	**1.1**	1.4
- Regulatory compliance and reporting	**0.5**	1.8	**0.5**	1.8
- Assurance related services	**0.5**	1.7	**0**	1.3
- Tax and tax related services	**0.1**	1.1	**0.1**	1.1
- Advisory services	**3.1**	8.0	**3.1**	7.4
Staff cost (Note 7)	**1,288.5**	3,751.1	**1,054.8**	2,982.4
Property, plant and equipment:				
- Depreciation	**2,049.9**	6,105.0	**1,785.3**	5,219.2
- Written off	**9.6**	32.3	**9.6**	23.2
- Abandoned projects	**14.9**	0	**14.9**	0
Impairment losses on:				
- Receivables	**163.7**	667.2	**138.8**	630.2
- Investment in subsidiary	**0**	0	**43.1**	21.4
- Amounts due from subsidiaries	**0**	0	**13.3**	26.7
- Amounts due from joint ventures	**5.5**	9.2	**0**	0
Reversal for impairment losses on:				
- Receivables	**(5.8)**	(152.9)	**(2.0)**	(144.9)
- Amounts due from subsidiaries	**0**	0	**(14.5)**	(45.8)
- Amounts due from associate	**0**	(22.3)	**0**	(22.3)
Changes in fair value of derivatives	**1.2**	1.5	**1.2**	1.5
Inventories:				
- Impairment for obsolescence	**69.9**	299.5	**69.9**	299.5
- Write back of obsolescence	**(62.9)**	(297.6)	**(62.9)**	(297.6)
- Written off	**0.2**	43.2	**0.2**	43.2
Rental of land and buildings	**18.8**	75.0	**16.0**	50.7
Rental of plant and machinery	**12.1**	35.6	**12.1**	35.3
Research and development expenses	**35.9**	187.3	**34.7**	181.7
Receipt of Government subsidies#	**(70.5)**	(178.3)	**0**	0

^ *These include amounts related to the Government Sponsored Tariff Stabilisation Fund as disclosed in Note 31 amounting to RM11.2 million (31.8.2017: RM184.9 million).*

This represents the subsidies that SESB received for diesel and medium fuel oil from the Government of Malaysia. The total amount credited in the current period has been offsetted against energy cost.

The estimated monetary value of benefits received by the Directors was RM202,090 (31.8.2017: RM1,512,684) for the Group and Company.

All non-audit services were procured competitively in accordance with TNB Procurement Policies and Procedures. Non-audit services can be offered by the external auditors of the Group if there are clear efficiencies and value added benefits to the Group.

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7 STAFF COST

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Wages, salaries and bonuses	**771.5**	2,053.3	**605.3**	1,484.1
Defined contribution retirement plan	**106.1**	369.7	**87.1**	299.5
Long Term Incentive Plan	**66.3**	237.1	**50.1**	188.9
Retirement benefit plan (Note 33)	**59.3**	201.2	**51.7**	177.2
Post retirement medical plan (Note 33)	**189.5**	542.6	**181.7**	517.8
Other employee benefits	**95.8**	347.2	**78.9**	314.9
	1,288.5	3,751.1	**1,054.8**	2,982.4

Details of the retirement benefit and retirement medical plans of the Group and Company are set out in Note 33 to the financial statements.

Long Term Incentive Plan ('LTIP')

The Group operates an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group.

The fair value of the employee services received in exchange for the grant of the Company's shares is recognised as an expense in the statement of profit or loss over the vesting period of the grant, with a corresponding increase in share-based payment reserve in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

Non-market vesting conditions are included in the assumptions to arrive at the number of shares that are expected to vest. At the end of the reporting period, the Group and Company revise its estimate of the number of shares that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the statement of profit or loss, with a corresponding adjustment to share-based payment reserve in equity.

The fair value of shares granted to employees of subsidiaries is allocated to the subsidiaries.

The Company implemented a LTIP on 30 April 2015 for a period of 10 years. The LTIP is governed by the by-laws, which was approved by the shareholders at an Extraordinary General Meeting on 18 December 2014. LTIP is intended to allow the Company to award the grant of new shares to be vested to selected employees for the attainment of identified performance objectives.

(a) The main features of the LTIP

The LTIP comprises a Restricted Share Grant ('RS Grant') and a Performance Share Grant ('PS Grant'). The main difference in the features of the RS Grant and the PS Grant is the eligibility of the selected employees in terms of their job grades in the Group and the performance targets and/or performance conditions to be met prior to the offer and vesting of the grant to the selected employees.

The details of the grant are as follows:

(i) RS Grant

The RS Grant is a restricted share grant for all eligible employees selected on a basis designated by the LTIP Committee. The RS Grant will be awarded annually to the selected employees to be vested over a period of 3 years on pro-rata basis and after fulfillment of individual performance targets based on the Group's performance management system (such as individual performance rating) and certain performance conditions (such as financial targets) as determined by the LTIP Committee from time to time at its discretion in accordance with the terms and conditions of the LTIP.

7 STAFF COST (CONTINUED)

Long Term Incentive Plan ('LTIP') (continued)

(a) The main features of the LTIP (continued)

(ii) PS Grant

The PS Grant is a performance share grant for senior executives of the Group and Executive Director as well as key employees of the Group selected on a basis designated by the LTIP Committee. The PS Grant will be awarded annually to the selected employees to be vested at the end of the 3-year period and after fulfilment of certain performance targets and/or conditions at the time of grant and vesting, which may include, among other factors, total shareholders' return and the long-term financial performance targets/ratios of the Group as determined by the LTIP Committee from time to time at its discretion in accordance with the terms and conditions of the LTIP. At the point of vesting, the final award of the PS Grant is based on a multiple of the initial grant whereby the multiple is determined according to the performance targets and/or conditions. In the event the performance targets and/or conditions are not met by the selected employees, the grant will not be vested to them at the end of the performance period.

The new ordinary shares to be allotted and issued upon the vesting of the ordinary shares pursuant to the RS Grant and PS Grant will not be subject to any retention period or restriction on transfer.

In implementing the LTIP, the grant will be satisfied by way of allotment and issuance of new ordinary shares to the respective RS and PS grantees upon vesting of the grant.

The LTIP Committee shall decide from time to time at its discretion to determine or vary the terms and conditions of the offer, such as the eligibility criteria and allocation in each grant, the timing and frequency of the award of the grant, the performance targets and/or performance conditions to be met prior to the offer and vesting of the grant and the vesting period.

(b) Maximum number of new ordinary shares available under the LTIP

The maximum number of new ordinary shares which may be made available under the LTIP and/or allotted and issued upon vesting of the new ordinary shares under the LTIP shall not be more than 10.0% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) at any point in time during the duration of the LTIP.

(c) Basis of allocation and maximum allowable allotment

The total number of new ordinary shares that may be offered to any one of the selected employees and/or to be vested in any one of the grantees under the LTIP at any time shall be at the discretion of the LTIP Committee (subject to the by-laws and any applicable law).

(d) Eligibility

Employees of the Group and Company (including the Executive Director) who meet the following criteria as at the date of offer shall be eligible to be considered as an eligible employee to participate in the LTIP:

(i) has attained the age of 18 years;
(ii) has entered into a full-time or fixed-term contract of employment with, and is on the payroll of any company within the Group and has not served a notice of resignation or received a notice of termination;
(iii) whose service/employment has been confirmed in writing;
(iv) is not a non-executive or independent director of the Company; and
(v) has fulfilled any other eligibility criteria which has been determined by the LTIP Committee at its discretion from time to time, as the case may be.

The LTIP Committee may determine any other eligibility criteria for the purpose of selecting an eligible employee at any time and from time to time, at its discretion.

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7 STAFF COST (CONTINUED)

Long Term Incentive Plan ('LTIP') (continued)

(e) Ranking of the new ordinary shares

The new ordinary shares to be allotted and issued pursuant to the LTIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued ordinary shares.

The new ordinary shares to be allotted and issued pursuant to the vesting of the grant under the LTIP shall not be entitled to any dividends, rights, allotments and/or any other distributions, for which the entitlement date is prior to the date on which the new ordinary shares are credited into the Central Depository System ('CDS') accounts of the respective grantees upon vesting of the grant under the LTIP.

(f) Alteration of share capital and adjustment

If the LTIP Committee so decides (but not otherwise), in the event of any alteration in the capital structure of the Company during the duration of LTIP, which expires on 29 April 2025, such corresponding alterations (if any) may be made to the LTIP in:

(i) the number of unvested new ordinary shares comprised in a grant; and/or
(ii) the method and/or manner in the vesting of the new ordinary shares comprised in a grant.

The movement in the total number of share grants during the financial period/year is as follows:

Financial period ended 31 December 2017

	Group					Company				
	At 1.9 .2017 '000	Transfer '000	Forfeited '000	Vested '000	At 31.12.2017 '000	At 1.9.2017 '000	Transfer '000	Forfeited '000	Vested '000	At 31.12.2017 '000
LTIP 1										
RS Grant	**13,177.8**	**0**	**(268.4)**	**(6,971.2)**	**5,938.2**	**10,229.7**	**(153.7)**	**(130.9)**	**(5,388.4)**	**4,556.7**
PS Grant	**2,067.0**	**0**	**0**	**0**	**2,067.0**	**1,815.7**	**1.7**	**0**	**0**	**1,817.4**
LTIP 2										
RS Grant	**10,815.6**	**0**	**(196.0)**	**0**	**10,619.6**	**8,679.2**	**(130.8)**	**(101.8)**	**0**	**8,446.6**
PS Grant	**1,883.1**	**0**	**0**	**0**	**1,883.1**	**1,692.8**	**5.0**	**0**	**0**	**1,697.8**
LTIP 3										
RS Grant	**20,609.9**	**0**	**(310.2)**	**0**	**20,299.7**	**15,785.3**	**(159.1)**	**(244.9)**	**0**	**15,381.3**
PS Grant	**2,123.4**	**0**	**0**	**0**	**2,123.4**	**1,879.5**	**(3.7)**	**0**	**0**	**1,875.8**

Financial year ended 31 August 2017

	Group					Company				
	At 1.9.2016 '000	Granted '000	Forfeited '000	Vested '000	At 31.8.2017 '000	At 1.9.2016 '000	Granted '000	Forfeited '000	Vested '000	At 31.8.2017 '000
LTIP 1										
RS Grant	23,814.5	0	(1,913.7)	(8,723.0)	13,177.8	18,703.2	0	(1,593.5)	(6,880.0)	10,229.7
PS Grant	2,067.0	0	0	0	2,067.0	1,815.7	0	0	0	1,815.7
LTIP 2										
RS Grant	18,923.3	0	(1,426.8)	(6,680.9)	10,815.6	15,286.4	0	(1,143.8)	(5,463.4)	8,679.2
PS Grant	1,883.1	0	0	0	1,883.1	1,692.8	0	0	0	1,692.8
LTIP 3										
RS Grant	0	21,008.8	(398.9)	0	20,609.9	0	16,131.4	(346.1)	0	15,785.3
PS Grant	0	2,123.4	0	0	2,123.4	0	1,879.5	0	0	1,879.5

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7 STAFF COST (CONTINUED)

Long Term Incentive Plan ('LTIP') (continued)

The fair value of the share granted is estimated using the Monte Carlo Simulation Model with the following inputs:

	Group and Company					
	LTIP 1		LTIP 2		LTIP 3	
	RS Grant	PS Grant	RS Grant	PS Grant	RS Grant	PS Grant
Fair value at grant date	RM10.46 - RM10.96	RM8.70^	RM12.87 - RM13.53	RM12.04^	RM12.33 - RM13.21	RM11.67^
Share price at grant date	RM11.18	RM11.18	RM13.88	RM13.88	RM13.74	RM13.74
Expected volatility*	18.5%	18.5%	18.9%	18.9%	16.5%	16.5%
Expected dividend yield	2.3%	2.3%	2.5%	2.5%	3.6%	3.6%
Risk-free interest rate**	3.8%	3.8%	3.0%	3.0%	3.5%	3.5%
Grant date	3 August 2015	3 August 2015	1 April 2016	1 April 2016	28 March 2017	28 March 2017
Vesting date		15 November 2018		2 May 2019		2 May 2020
Tranche 1	15 November 2016	-	2 May 2017	-	2 May 2018	-
Tranche 2	23 November 2017	-	2 May 2018	-	2 May 2019	-
Tranche 3	15 November 2018	-	2 May 2019	-	2 May 2020	-

^ *Market considerations have been included in the consideration of fair value.*

* *Expected volatility is based on TNB's 3 year average daily historical volatility.*

** *Risk-free interest is based on Malaysian Government Securities yield.*

8 OTHER OPERATING INCOME

Accounting Policy

Other operating income are the non-core revenue received for sales of goods and services rendered by the Group and Company. Leasing income is accrued, unless collectability is in doubt. Dividend income is recognised when the shareholders' rights to receive payment is established. All others are recognised upon the rendering of services or sale, when the transfers of risks and rewards have been completed.

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Dividend income from:				
- Quoted shares	**0.9**	1.7	**0.9**	1.7
- Unquoted shares	**0**	1.4	**0**	1.4
- Subsidiaries	**0**	0	**0**	27.0
- Associates	**0**	0	**18.0**	39.6
Leasing income	**13.1**	30.5	**11.2**	23.9
Rental income	**7.8**	24.0	**15.7**	42.3
Release of Government development grants (Note 38)	**190.0**	50.3	**0**	0
Gain/(Loss) on disposals of PPE	**9.1**	(0.3)	**9.1**	(0.4)
Interest on late payments	**84.0**	182.4	**82.4**	181.4
Minimum charges	**13.4**	37.0	**13.4**	37.0
Gain on redemption of redeemable preference shares in subsidiaries	**0**	0	**30.6**	0.5
Sales of scrap	**9.6**	209.7	**6.2**	196.4
Other income	**184.7**	484.6	**173.2**	326.7
	512.6	1,021.3	**360.7**	877.5

Other income comprises primarily of income from other electricity income and sundry receipts.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

9 FOREIGN EXCHANGE GAIN

Accounting Policy

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-/year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. However, exchange differences are deferred in OCI when they are attributable to items that form part of the net investment in a foreign operation.

(c) Group companies

The results and financial positions of the Group's entities (none of which has the currency of a hyperinflationary economy) that have functional currencies which are different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss and OCI are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in OCI.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), the cumulative amount of the exchange differences relating to that foreign operation recognised in OCI, and accumulated in the separate component of equity, are reclassified from equity to profit or loss, as part of the gain or loss on disposal.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences recognised in OCI are re-attributed to NCI in that foreign operation, and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Foreign exchange gain comprises:				
Translation gain/(loss) – foreign term loans	**522.3**	(165.9)	**516.3**	(163.1)
Translation (loss)/gain – others	**(192.6)**	152.2	**(94.8)**	158.5
Total foreign exchange translation gain/(loss)	**329.7**	(13.7)	**421.5**	(4.6)
Transaction gain – foreign term loans	**2.4**	5.5	**2.4**	5.4
Transaction (loss)/gain – others	**(21.9)**	16.1	**(2.3)**	3.0
	310.2	7.9	**421.6**	3.8

NOTES TO THE FINANCIAL STATEMENTS
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10 FINANCE INCOME/COST

Accounting Policy

Interest income is recognised using the effective interest method. When a loan and receivables are impaired, the Group reduces the carrying amount to their recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Interests, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability are reported within finance cost in the statement of profit or loss.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily takes substantial period of time to get ready for their intended use.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Accounting policy on finance cost for finance lease and government grants are disclosed in Note 23 and Note 38 respectively.

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Finance income:				
Interest from subsidiaries	**0**	0	**16.0**	62.8
Interest from deposits, staff loans and associates	**259.2**	377.1	**55.9**	161.4
Changes in fair value and impairment on interest income	**38.6**	(20.9)	**29.1**	(7.3)
Less: Reduction of borrowing costs capitalised into PPE	**(164.3)**	(118.6)	**0**	0
	133.5	237.6	**101.0**	216.9
Finance cost:				
Interest on:				
- Borrowings	**533.9**	1,891.5	**228.2**	604.7
- Consumer deposits	**44.0**	120.5	**41.6**	113.6
- Others	**124.2**	168.5	**12.2**	168.5
Release of Government grants (Note 38)	**(6.8)**	(18.1)	**0**	0
Finance charges under finance leases	**123.4**	385.0	**365.4**	867.7
Changes in fair value	**44.6**	27.5	**0.2**	3.0
Less: Amount capitalised into PPE	**(287.3)**	(1,118.9)	**(83.4)**	(340.6)
	576.0	1,456.0	**564.2**	1,416.9

NOTES TO THE FINANCIAL STATEMENTS
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11 TAXATION AND ZAKAT

Accounting Policy

(a) Income tax

Current tax expense is determined by the expected income taxes payable in respect of the taxable profit for the financial period and is measured using the applicable tax rates according to the tax laws of the countries in which the Company and its subsidiaries operate and generate the taxable profits.

Management periodically evaluates positions taken in tax returns with respect to situation in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in OCI. In this case, the item is recognised in OCI, net of tax.

(b) Zakat

The Group and Company recognise its obligation towards the payment of zakat on business income in the statement of profit or loss. Zakat payment is an obligation and is accrued based on 2.5% of profit before tax and determined according to the percentage of Muslim shareholding in the Company.

	Note	Group		Company	
		Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Current tax:					
- Malaysian corporate income tax		**277.4**	608.7	**191.6**	338.0
Deferred tax	20	**(42.0)**	726.0	**(18.5)**	873.0
Tax expense		**235.4**	1,334.7	**173.1**	1,211.0
Zakat		**0**	35.0	**0**	35.0
		235.4	1,369.7	**173.1**	1,246.0
The analysis of the tax expense is as follows:					
Current tax:					
- Current financial period/year		**277.4**	684.0	**191.6**	425.2
- Over accrual in prior financial years		**0**	(75.3)	**0**	(87.2)
		277.4	608.7	**191.6**	338.0
Deferred tax:					
- Origination and reversal of temporary differences	20	**(42.0)**	726.0	**(18.5)**	873.0
		235.4	1,334.7	**173.1**	1,211.0

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11 TAXATION AND ZAKAT (CONTINUED)

The explanation of the relationship between tax expense and profit before taxation and zakat is as follows:

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Profit before taxation and zakat	**2,979.3**	8,281.8	**2,727.8**	7,541.7
Tax calculated at the Malaysian corporate income tax rate of 24% (31.8.2017: 24%)	**715.0**	1,987.6	**654.7**	1,810.0
Tax effects of:				
- Share of results of associates and joint ventures	**8.9**	(30.8)	**0**	0
- Income not subject to tax	**(285.2)**	(345.6)	**(228.9)**	(217.8)
- Expenses not deductible for tax purposes	**142.6**	370.6	**142.5**	339.4
- Expenses qualifying for double deduction	**(5.2)**	(32.9)	**(5.2)**	(32.9)
- Current financial period/year unrecognised temporary differences and unused tax losses	**6.3**	44.3	**0**	0
Over accrual of tax in prior years	**0**	(75.3)	**0**	(87.2)
Recognition and utilisation of previously unrecognised temporary differences	**43.0**	260.9	**0**	243.6
Real property gains tax	**0**	6.9	**0**	6.9
Zakat	**0**	35.0	**0**	35.0
Utilisation of reinvestment allowances	**(390.0)**	(851.0)	**(390.0)**	(851.0)
Tax and zakat charge	**235.4**	1,369.7	**173.1**	1,246.0
Average effective tax rate (%)	**7.9**	16.5	**6.3**	16.5

The tax charge relating to components of other comprehensive income is as follows:

	Financial period ended 31.12.2017			Financial year ended 31.8.2017		
	Before tax RM'million	Tax charged RM'million	After tax RM'million	Before tax RM'million	Tax charged RM'million	After tax RM'million
Group						
Defined benefit plan actuarial (loss)/gain	**(139.2)**	**31.6**	**(107.6)**	19.3	5.4	24.7
Foreign currency translation differences	**(219.8)**	**0**	**(219.8)**	(184.6)	0	(184.6)
Fair value of available-for-sale financial assets	**(2.6)**	**0**	**(2.6)**	33.3	0	33.3
Share of other comprehensive gain/(loss) of associates	**94.2**	**0**	**94.2**	(86.2)	0	(86.2)
	(267.4)	**31.6**	**(235.8)**	(218.2)	5.4	(212.8)
Company						
Defined benefit plan actuarial loss	**(131.3)**	**31.5**	**(99.8)**	(22.5)	5.4	(17.1)
Fair value of available-for-sale financial assets	**(2.6)**	**0**	**(2.6)**	33.2	0	33.2
	(133.9)	**31.5**	**(102.4)**	10.7	5.4	16.1

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12 EARNINGS PER SHARE ('EPS')

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the financial period/year by the weighted average number of ordinary shares issued during the financial period/year.

	Group	
	Financial period ended 31.12.2017	Financial year ended 31.8.2017
Profit attributable to owners of the Company (RM'million)	**2,755.7**	6,904.0
Weighted average number of ordinary shares in issue ('000)	**5,661,204**	5,659,015
Basic earnings per share (sen)	**48.68**	122.00

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit attributable to owners of the Company for the financial period/year and the weighted average number of ordinary shares issued during the financial period/year has been adjusted for the dilutive effects of all potential ordinary shares such as the LTIP granted to employees.

	Group	
	Financial period ended 31.12.2017	Financial year ended 31.8.2017
Profit attributable to owners of the Company (RM'million)	**2,755.7**	6,904.0
Weighted average number of ordinary shares in issue ('000)	**5,661,204**	5,659,015
Adjustment for Long Term Incentive Plan ('000)	**13,597**	22,312
Weighted average number of ordinary shares for diluted earnings per share ('000)	**5,674,801**	5,681,327
Diluted earnings per share (sen)	**48.56**	121.52

13 DIVIDENDS

	Group and Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Interim single tier dividend of NIL		
(31.8.2017: interim single tier dividend of 17.0 sen per ordinary share)	**0**	962.0
Proposed final single tier dividend of 21.41 sen per share on 5,665,986,271 ordinary shares		
(31.8.2017: final single tier dividend of 44.0 sen per ordinary share)	**1,213.0**	2,493.0
	1,213.0	3,455.0

Interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained profits in the financial period.

The Directors has proposed a final single tier dividend of 21.41 sen per share, on 5,665,986,271 ordinary shares in respect of the financial period ended 31 December 2017 amounting to a total of RM1,213.0 million. The books closure and payment dates will be announced in due course.

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14 PROPERTY, PLANT AND EQUIPMENT ('PPE')

Accounting Policy

PPE are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the construction or acquisition of the items and bringing them to the location and condition so as to render them operational in the manner intended by the Group. The Group allocates the cost of an item of PPE to its significant system and component parts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The cost of major overhaul/inspection is recognised in the asset's carrying amount as a replacement and the remaining carrying amount of the previous major overhaul/inspection is derecognised.

Major spare parts and standby equipment are recognised as assets when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of PPE, they are accounted for as PPE.

Gains or losses on disposal of PPE are determined by reference to their carrying amount and are included in profit or loss.

Freehold land and capital work-in-progress are not depreciated. Leasehold land classified as finance lease (refer to Note 23 on finance leases) is amortised over the remaining period of the respective leases ranging from 5 to 99 years on the straight line method. Land with lease period less than 50 years is classified as short leasehold land and land with lease period greater than or equal to 50 years is classified as long leasehold land.

Other property, plant and equipment are depreciated on the straight line method to allocate the cost to their residual values over their estimated useful lives, summarised as follows:

Buildings and civil works	10 to 60 years
Plant and machinery	3 to 40 years
Lines and distribution mains	10 to 40 years
Distribution services	20 years
Meters	10 to 15 years
Public lighting	15 to 20 years
Furniture, fittings and office equipment	3 to 15 years
Motor vehicles	5 to 15 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3(c)).

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14 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

31.12.2017	As at 1.9.2017 RM'million	Exchange rate adjustments RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassification/ Write off RM'million	As at 31.12.2017 RM'million
Group						
Cost						
Freehold land	1,353.9	(0.2)	103.6	(1.4)	22.3	1,478.2
Long leasehold land	1,759.4	0	126.8	0	2.9	1,889.1
Short leasehold land	186.6	0	0	0	0	186.6
Buildings and civil works	20,814.9	(0.3)	2.8	(3.8)	71.2	20,884.8
	24,114.8	(0.5)	233.2	(5.2)	96.4	24,438.7
Plant and machinery:						
- Owned	64,377.1	(71.6)	17.5	(22.5)	5,648.1	69,948.6
- Leased	8,163.6	0	0	0	0	8,163.6
Lines and distribution mains	43,517.8	0	4.8	0	692.6	44,215.2
Distribution services	4,373.8	0	2.3	0	35.6	4,411.7
Meters	2,780.6	0	1.2	(0.5)	31.0	2,812.3
Public lighting	664.4	0	0	0	24.0	688.4
Furniture, fittings and office equipment	2,193.9	(1.1)	31.2	(1.0)	(1.7)	2,221.3
Motor vehicles	657.8	(0.2)	0.7	(4.0)	(7.0)	647.3
	150,843.8	(73.4)	290.9	(33.2)	6,519.0	157,547.1
Capital work-in-progress	21,819.7	0	4,018.8	(29.4)	(6,988.7)	18,820.4
	172,663.5	(73.4)	4,309.7	(62.6)	(469.7)	176,367.5

31.12.2017	As at 1.9.2017 RM'million	Charged for the financial period RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.12.2017 RM'million
Group				
Accumulated depreciation				
Long leasehold land	324.2	8.0	0	332.2
Short leasehold land	114.6	2.4	0	117.0
Buildings and civil works	6,365.4	173.4	(1.9)	6,536.9
	6,804.2	183.8	(1.9)	6,986.1
Plant and machinery:				
- Owned	31,151.5	979.6	(52.1)	32,079.0
- Leased	2,222.4	170.8	0	2,393.2
Lines and distribution mains	21,970.7	536.6	0	22,507.3
Distribution services	2,609.4	55.4	0	2,664.8
Meters	1,752.4	45.4	(0.4)	1,797.4
Public lighting	346.1	10.7	0	356.8
Furniture, fittings and office equipment	1,810.6	52.8	(4.4)	1,859.0
Motor vehicles	526.9	14.8	(11.0)	530.7
	69,194.2	2,049.9	(69.8)	71,174.3
Accumulated impairment losses				
Plant and machinery	385.6	0	0	385.6

NOTES TO THE FINANCIAL STATEMENTS
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14 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

31.8.2017	As at 1.9.2016 RM'million	Exchange rate adjustments RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassification/ Write off RM'million	As at 31.8.2017 RM'million
Group						
Cost						
Freehold land	1,270.3	0.1	87.1	(2.0)	(1.6)	1,353.9
Long leasehold land	1,698.3	0	72.2	0	(11.1)	1,759.4
Short leasehold land	183.8	0	1.4	0	1.4	186.6
Buildings and civil works	18,654.9	0.2	109.6	(6.0)	2,056.2	20,814.9
	21,807.3	0.3	270.3	(8.0)	2,044.9	24,114.8
Plant and machinery:						
- Owned	63,862.3	40.6	181.7	(2,667.6)	2,960.1	64,377.1
- Leased	8,163.6	0	0	0	0	8,163.6
Lines and distribution mains	41,370.6	0	141.0	(2.7)	2,008.9	43,517.8
Distribution services	4,196.2	0	12.0	0	165.6	4,373.8
Meters	2,644.3	0	6.7	(0.1)	129.7	2,780.6
Public lighting	587.2	0	0	0	77.2	664.4
Furniture, fittings and office equipment	1,987.5	2.2	218.8	(19.5)	4.9	2,193.9
Motor vehicles	641.2	0.1	35.6	(15.5)	(3.6)	657.8
	145,260.2	43.2	866.1	(2,713.4)	7,387.7	150,843.8
Capital work-in-progress	17,583.9	0	14,710.1	(197.7)	(10,276.6)	21,819.7
	162,844.1	43.2	15,576.2	(2,911.1)	(2,888.9)	172,663.5

31.8.2017	As at 1.9.2016 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2017 RM'million
Group				
Accumulated depreciation				
Long leasehold land	302.6	21.6	0	324.2
Short leasehold land	107.4	7.2	0	114.6
Buildings and civil works	5,866.0	516.9	(17.5)	6,365.4
	6,276.0	545.7	(17.5)	6,804.2
Plant and machinery:				
- Owned	31,020.1	2,880.9	(2,749.5)	31,151.5
- Leased	1,714.1	508.3	0	2,222.4
Lines and distribution mains	20,412.6	1,617.5	(59.4)	21,970.7
Distribution services	2,440.5	169.0	(0.1)	2,609.4
Meters	1,608.5	144.4	(0.5)	1,752.4
Public lighting	314.0	32.1	0	346.1
Furniture, fittings and office equipment	1,670.0	154.9	(14.3)	1,810.6
Motor vehicles	490.0	52.2	(15.3)	526.9
	65,945.8	6,105.0	(2,856.6)	69,194.2
Accumulated impairment losses				
Plant and machinery	385.6	0	0	385.6

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

14 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

31.12.2017	As at 1.9.2017 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassification/ Write off RM'million	As at 31.12.2017 RM'million
Company					
Cost					
Freehold land	1,356.0	103.6	(1.4)	22.3	1,480.5
Long leasehold land	1,426.4	5.3	0	0	1,431.7
Short leasehold land	4.5	0	0	0	4.5
Buildings and civil works	17,028.9	0	(0.1)	70.7	17,099.5
	19,815.8	108.9	(1.5)	93.0	20,016.2
Plant and machinery:					
- Owned	43,273.2	0	(21.9)	(385.7)	42,865.6
- Leased	18,763.1	6,255.5	0	0	25,018.6
Lines and distribution mains	41,349.5	0	0	690.6	42,040.1
Distribution services	4,084.0	0	0	34.3	4,118.3
Meters	2,679.5	0	0	31.0	2,710.5
Public lighting	664.3	0	0	24.1	688.4
Furniture, fittings and office equipment	1,868.6	28.7	(0.4)	(4.1)	1,892.8
Motor vehicles	524.9	0.1	(4.0)	(0.8)	520.2
	133,022.9	6,393.2	(27.8)	482.4	139,870.7
Capital work-in-progress	7,608.0	2,091.4	0	(1,830.7)	7,868.7
	140,630.9	8,484.6	(27.8)	(1,348.3)	147,739.4

31.12.2017	As at 1.9.2017 RM'million	Charged for the financial period RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.12.2017 RM'million
Company				
Accumulated depreciation				
Long leasehold land	313.8	6.9	0	320.7
Short leasehold land	2.6	0	0	2.6
Buildings and civil works	5,322.5	128.8	0	5,451.3
	5,638.9	135.7	0	5,774.6
Plant and machinery:				
- Owned	22,861.3	590.5	(619.4)	22,832.4
- Leased	8,675.4	392.1	0	9,067.5
Lines and distribution mains	21,136.7	509.2	0	21,645.9
Distribution services	2,448.2	50.6	0	2,498.8
Meters	1,692.8	43.1	0	1,735.9
Public lighting	346.1	10.7	0	356.8
Furniture, fittings and office equipment	1,554.7	42.9	(3.5)	1,594.1
Motor vehicles	434.9	10.5	(4.6)	440.8
	64,789.0	1,785.3	(627.5)	65,946.8

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

14 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

31.8.2017	As at 1.9.2016 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassification/ Write off RM'million	As at 31.8.2017 RM'million
Company					
Cost					
Freehold land	1,272.5	87.1	(2.0)	(1.6)	1,356.0
Long leasehold land	1,388.9	37.7	0	(0.2)	1,426.4
Short leasehold land	4.5	0	0	0	4.5
Buildings and civil works	14,975.4	0	(1.1)	2,054.6	17,028.9
	17,641.3	124.8	(3.1)	2,052.8	19,815.8
Plant and machinery:					
- Owned	43,004.2	0	(2,529.4)	2,798.4	43,273.2
- Leased	18,763.1	0	0	0	18,763.1
Lines and distribution mains	39,331.0	0	(1.7)	2,020.2	41,349.5
Distribution services	3,923.3	0	0	160.7	4,084.0
Meters	2,550.7	0	0	128.8	2,679.5
Public lighting	587.2	0	0	77.1	664.3
Furniture, fittings and office equipment	1,699.6	179.5	(11.0)	0.5	1,868.6
Motor vehicles	526.9	11.6	(10.9)	(2.7)	524.9
	128,027.3	315.9	(2,556.1)	7,235.8	133,022.9
Capital work-in-progress	9,107.5	8,141.0	(122.3)	(9,518.2)	7,608.0
	137,134.8	8,456.9	(2,678.4)	(2,282.4)	140,630.9

31.8.2017	As at 1.9.2016 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2017 RM'million
Company				
Accumulated depreciation				
Long leasehold land	293.9	19.9	0	313.8
Short leasehold land	2.5	0.1	0	2.6
Buildings and civil works	4,953.6	383.8	(14.9)	5,322.5
	5,250.0	403.8	(14.9)	5,638.9
Plant and machinery:				
- Owned	23,551.5	1,863.6	(2,553.8)	22,861.3
- Leased	7,749.3	926.1	0	8,675.4
Lines and distribution mains	19,657.8	1,537.1	(58.2)	21,136.7
Distribution services	2,293.3	154.9	0	2,448.2
Meters	1,555.4	137.4	0	1,692.8
Public lighting	314.0	32.1	0	346.1
Furniture, fittings and office equipment	1,441.2	124.2	(10.7)	1,554.7
Motor vehicles	406.0	40.0	(11.1)	434.9
	62,218.5	5,219.2	(2,648.7)	64,789.0

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

14 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Net book value				
Freehold land	**1,478.2**	1,353.9	**1,480.5**	1,356.0
Long leasehold land	**1,556.9**	1,435.2	**1,111.0**	1,112.6
Short leasehold land	**69.6**	72.0	**1.9**	1.9
Buildings and civil works	**14,347.9**	14,449.5	**11,648.2**	11,706.4
Total land and buildings	**17,452.6**	17,310.6	**14,241.6**	14,176.9
Plant and machinery:				
- Owned	**37,484.0**	32,840.0	**20,033.2**	20,411.9
- Leased	**5,770.4**	5,941.2	**15,951.1**	10,087.7
Lines and distribution mains	**21,707.9**	21,547.1	**20,394.2**	20,212.8
Distribution services	**1,746.9**	1,764.4	**1,619.5**	1,635.8
Meters	**1,014.9**	1,028.2	**974.6**	986.7
Public lighting	**331.6**	318.3	**331.6**	318.2
Furniture, fittings and office equipment	**362.3**	383.3	**298.7**	313.9
Motor vehicles	**116.6**	130.9	**79.4**	90.0
	85,987.2	81,264.0	**73,923.9**	68,233.9
Capital work-in-progress	**18,820.4**	21,819.7	**7,868.7**	7,608.0
	104,807.6	103,083.7	**81,792.6**	75,841.9

The title deeds of certain lands are in the process of being registered in the name of the Company and certain subsidiaries.

Net book value of PPE pledged as security for borrowings are disclosed in Note 35.

Interest capitalised during the financial period in capital work-in-progress amounted to RM123.0 million (31.8.2017: RM1,000.3 million) for the Group and RM83.4 million (31.8.2017: RM340.6 million) for the Company.

The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation is 6.0% (31.8.2017: 6.5%).

(a) Impairment test for PPE

TNB Liberty Power Limited ('LPL') has recognised in prior years, a provision for impairment totalling RM385.6 million. Current financial period assessment showed that no further impairment loss is required for the carrying amount of PPE assessed. The carrying value of the PPE at statement of financial position date is RM233.5 million (31.8.2017: RM256.3 million). The recoverable amount of the PPE is determined based on value in use.

NOTES TO THE FINANCIAL STATEMENTS
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15 SUBSIDIARIES

	Note	Company	
		31.12.2017 RM'million	31.8.2017 RM'million
At cost:			
Unquoted ordinary shares	(a)	**2,293.4**	2,288.3
Redeemable preference shares	(b)	**8,376.1**	7,375.3
Shares/Options granted to employees of subsidiaries		**143.8**	127.6
Advance to subsidiaries treated as quasi-investment	(b)(c)(d)	**887.8**	1,956.8
		11,701.1	11,748.0
Less: Accumulated impairment losses		**(1,709.6)**	(1,666.5)
		9,991.5	10,081.5

Additional investments in subsidiaries:

(a) On 5 October 2017, the Company subscribed an additional 5,100,000 ordinary shares of RM1.00 each in Southern Power Generation Sdn. Bhd. ('SPG') for RM5.1 million.

(b) On 28 September 2017, a total of RM1,070.3 million which was previously recognised as quasi-investment in the subsidiary Jimah East Power Sdn. Bhd. ('JEP'), a wholly owned subsidiary was converted to Redeemable Preference Shares ('RPS').

(c) On 15 December 2017, the Company has made an additional equity capital injection of RM1.6 million in Aruna Servicios Integrales S.L.U. ('ASI') and Global Power Enerjî Sanayî Ve Tîcaret Anonîm Şîrketî ('GPES').

Additionally, a total of RM3.0 million of amounts due from TNB Fuel Services Sdn. Bhd., a wholly-owned subsidiary, were reclassified as quasi-investment.

(d) These advances are unsecured and non-interest bearing with no fixed terms of repayment. The Company does not anticipate any repayment of advances and will only recall the loans when the subsidiaries have surplus cash. These advances are treated as an extension of the Company's investment in subsidiaries.

The details of the subsidiaries are as follows:

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	31.12.2017	31.8.2017		
TNB Janamanjung Sdn. Bhd.	**100%**	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
TNB Power Daharki Ltd.#	**100%**	100%	Investment holding company	Mauritius
TNB Fuel Services Sdn. Bhd.	**100%**	100%	Supplying fuel and coal for power generation	Malaysia
TNB Energy Services Sdn. Bhd.	**100%**	100%	Generating, distributing, supplying, dealing, selling of different kinds of energy sources and related technical services	Malaysia
TNB Research Sdn. Bhd.	**100%**	100%	Research and development, consultancy and other services	Malaysia
TNB Ventures Sdn. Bhd.	**100%**	100%	Investment holding company	Malaysia
TNB Engineering Corporation Sdn. Bhd.	**100%**	100%	Principally engaged as turnkey contractors, energy project development specialising in district cooling system and co-generation including operation and maintenance works	Malaysia
TNB Repair And Maintenance Sdn. Bhd.	**100%**	100%	Providing repair and maintenance services to heavy industries and other related services	Malaysia
TNB Capital (L) Ltd.	**100%**	100%	Investment holding company	Malaysia
Universiti Tenaga Nasional Sdn. Bhd.	**100%**	100%	Providing higher education	Malaysia

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

15 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest 31.12.2017	Group's interest 31.8.2017	Principal activities	Country of incorporation
Malaysia Transformer Manufacturing Sdn. Bhd.	**100%**	100%	Principally engaged in the manufacturing, selling and repairing distribution, power and earthing transformers	Malaysia
Power and Energy International (Mauritius) Ltd.*	**100%**	100%	Investment holding	Mauritius
Orion Mission Sdn. Bhd.	**100%**	100%	Investment holding company	Malaysia
Sabah Electricity Sdn. Bhd. ('SESB')	**83%**	83%	Business of generation, transmission, distribution and sale of electricity and services in Sabah	Malaysia
Tenaga Switchgear Sdn. Bhd.	**60%**	60%	Principally engaged in the business of assembling and manufacturing of high voltage switchgears and contracting of turnkey transmission substations	Malaysia
Kapar Energy Ventures Sdn. Bhd. ('KEV')	**60%**	60%	Generate and deliver electricity energy and generating capacity to TNB	Malaysia
TNB Integrated Learning Solution Sdn. Bhd.	**100%**	100%	Providing training courses	Malaysia
TNB Prai Sdn. Bhd.	**100%**	100%	Generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
TNB Pasir Gudang Energy Sdn. Bhd.	**100%**	100%	Carry business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia	Malaysia
TNB Manjung Five Sdn. Bhd.	**100%**	100%	Primarily involved in the generation, sale and supply of electricity, providing operation and maintenance services for power plant	Malaysia
TNB Connaught Bridge Sdn. Bhd.	**100%**	100%	To generate and deliver electricity energy and maintain generating capacity to TNB	Malaysia
Integrax Berhad	**100%**	100%	Investment holding company	Malaysia
Jimah East Power Sdn. Bhd. ('JEP')	**70%**	70%	Construct a 2,000MW coal fired power plant	Malaysia
Yayasan Tenaga Nasional	**-**	-	A trust established under the provision of Trustees (Incorporation) Act 1952 (Act 258), for promotion and advancement of education and for charitable purposes	Malaysia
Manjung Island Energy Berhad	**-**	-	Special purpose company to raise Islamic securities under the Islamic Securities Programme	Malaysia
TNB Global Ventures Capital Berhad	**100%**	100%	Investment holding company	Malaysia
Aruna Servicios Integrales S.L.U.*	**100%**	100%	Investment holding	Spain
TNB-IT Sdn. Bhd.	**100%**	100%	To provide information and multimedia services	Malaysia
TNB International Sdn. Bhd.	**100%**	100%	Investment holding company	Malaysia
TNB Sepang Solar Sdn. Bhd.	**100%**	100%	To undertake the development of large scale solar PV Plant of 50MW Sepang, Selangor	Malaysia

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

15 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest 31.12.2017	Group's interest 31.8.2017	Principal activities	Country of incorporation
Southern Power Generation Sdn. Bhd.	**51%**	51%	To undertake the design, engineering, procurement, construction, testing, commissioning, operations, maintenance and financing of power plant	Malaysia
TNBX Sdn. Bhd.	**100%^**	-	Act as the single-fronting entity for customers to purchase/obtain solutions beyond the meter. The solutions comprises of non-regulated products and services such as energy efficiency, renewable energy and smart cities	Malaysia
TNB Transmission Network Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Distribution Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Quantum Solutions Sdn. Bhd.* (In Creditors' Voluntary winding up)	**100%**	100%	Dormant	Malaysia
TNB Risk Management Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Engineers Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Generation Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Hidro Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNB Properties Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Sepang Power Sdn. Bhd.	**70%**	70%	Dormant	Malaysia
TNB Coal International Limited*	**100%**	100%	Dormant	Mauritius
<u>Subsidiary of TNB Power Daharki Ltd.</u>				
TNB Liberty Power Limited#	**100%**	100%	Operation of power plant and generation of electricity	Pakistan
<u>Subsidiary of TNB Research Sdn. Bhd.</u>				
TNBR QATS Sdn. Bhd.	**100%**	100%	Technical and laboratory services, consultancy and other services	Malaysia
<u>Subsidiary of TNB Ventures Sdn. Bhd.</u>				
Tenaga Cable Industries Sdn. Bhd.	**76%**	76%	Manufacturing and distribution of power and general cables, aluminium rods and related activities	Malaysia
<u>Subsidiaries of TNB Engineering Corporation Sdn. Bhd.</u>				
Bangsar Energy Systems Sdn. Bhd.	**100%**	100%	Operating an integrated district cooling system for air conditioning systems of office buildings	Malaysia
TNEC Construction Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
TNEC Operations And Maintenance Sdn. Bhd.	**100%**	100%	Principally involved in operations and maintenance of cooling plants	Malaysia
<u>Subsidiary of Bangsar Energy Systems Sdn. Bhd.</u>				
Selesa Energy Systems Sdn. Bhd.	**70%**	70%	Dormant	Malaysia

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

15 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest 31.12.2017	Group's interest 31.8.2017	Principal activities	Country of incorporation
Subsidiary of TNEC Operations And Maintenance Sdn. Bhd.				
Tomest Energy Management Sdn. Bhd.* (In Members' Voluntary winding up)	**51%**	51%	Operating an integrated district cooling system for air conditioning systems of office building	Malaysia
Subsidiaries of TNB Repair And Maintenance Sdn. Bhd.				
Trichy Power Limited*	**100%**	100%	Dormant	India
Trichy Energy Limited*	**100%**	100%	Dormant	India
TNB Operations and Maintenance International Ltd.	**100%**	100%	Investment holding	Mauritius
TNB REMACO Pakistan (Private) Limited#	**100%**	100%	Providing repair and maintenance services to heavy industries and other related services	Pakistan
Tenaga WHR 1 Sdn. Bhd.	**100%^**	-	To carry on the business of establishing, constructing, commissioning, setting up, operating and maintaining electric power generation systems, transmission systems/networks, power systems, generating stations/plants based on waste heat recovery and/or power efficiency technology	Malaysia
Subsidiary of TNB Operations And Maintenance International Ltd.				
Oasis Parade Sdn. Bhd.	**100%**	100%	Investment company	Malaysia
Subsidiaries of Universiti Tenaga Nasional Sdn. Bhd.				
UNITEN R&D Sdn. Bhd.	**100%**	100%	Providing research and development in areas related to engineering, information technology, business, accountancy, liberal studies and other services	Malaysia
Yayasan Canselor Universiti Tenaga Nasional	**-**	-	A trust established under the provision of Trustees (Incorporation) Act 1952 (Act 258) to receive and administer funds for educational and charitable purposes	Malaysia
Subsidiary of Power and Energy International (Mauritius) Ltd.				
Independent Power International Ltd.*	**100%**	100%	Investment holding	Mauritius
Subsidiary of Orion Mission Sdn. Bhd.				
Lahad Datu Holdings Sdn. Bhd.	**100%**	100%	Investment holding company	Malaysia
Subsidiary of Lahad Datu Holdings Sdn. Bhd.				
Lahad Datu Energy Sdn. Bhd.	**100%**	100%	Dormant	Malaysia

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

15 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest 31.12.2017	Group's interest 31.8.2017	Principal activities	Country of incorporation
Subsidiary of Sabah Electricity Sdn. Bhd.				
Elopura Power Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Subsidiaries of Tenaga Switchgear Sdn. Bhd.				
TSG Ormazabal Sdn. Bhd.	**60%**	60%	Assembling, manufacture, test, reconditioning, distribution and other sources of medium voltage switchgear and control gear for transmission and distribution of electric power	Malaysia
PT. Tenaga Nusa Bakti*	**95%**	95%	Dormant	Indonesia
Subsidiary of TNB Prai Sdn. Bhd.				
TNB Northern Energy Berhad	**100%**	100%	Principally to construct a 1,071MW gas fired power plant in Seberang Perai Tengah, Seberang Perai Pulau Pinang	Malaysia
Subsidiary of TNB Manjung Five Sdn. Bhd.				
TNB Western Energy Berhad	**100%**	100%	Principally engaged in the construction of 1,000MW coal fired power plant in Lumut, Perak, Malaysia	Malaysia
Subsidiaries of Integrax Berhad				
Pelabuhan Lumut Sdn. Bhd.	**100%**	100%	Investment holding	Malaysia
LBT Two Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Segmen Kembara Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Trek Kembara Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Subsidiary of Pelabuhan Lumut Sdn. Bhd.				
Lekir Bulk Terminal Sdn. Bhd.	**80%**	80%	Development, ownership and management of a dry bulk terminal	Malaysia
Subsidiary of Aruna Servicios Integrales S.L.U.				
Global Power Enerjî Sanayî Ve Tîcaret Anonîm Şîrketî*	**100%**	100%	To engage in activities related to building and operating electricity production facilities, producing electricity and/or capacity and distributing the generated electricity and/or capacity to customers and/or to legal entities with wholesale trade licences and to free consumers	Turkey
Subsidiary of TNB International Sdn. Bhd.				
Tenaga Investments UK Ltd.	**100%**	-	Investment company	United Kingdom
Subsidiary of Tenaga Investments UK Ltd.				
Tenaga Wind Ventures UK Ltd.	**100%**	-	Investment company	United Kingdom

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15 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest 31.12.2017	Group's interest 31.8.2017	Principal activities	Country of incorporation
Subsidiary of TNB Properties Sdn. Bhd.				
TNP Construction Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Subsidiary of TNB Coal International Limited				
Dynamic Acres Sdn. Bhd.* (In Members' Voluntary winding up)	**100%**	100%	Dormant	Malaysia

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

* *Not audited by PricewaterhouseCoopers.*

^ *In the process of share transfer.*

Capital and other commitments for the subsidiaries are disclosed in Note 41.

There are no material contingent liabilities relating to the subsidiaries.

The NCI is not material to the financial performance, financial position and cash flows of the Group. The NCI information for KEV, SESB and JEP which contribute to a substantial portion of total NCI is voluntarily disclosed below:

	KEV		SESB		JEP		Other individually immaterial NCI		Total	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Carrying amount of NCI	**218.7**	230.7	**177.6**	150.1	**449.6**	(5.5)	**79.3**	98.1	**925.2**	473.4
Financial period/year ended										
Total comprehensive (expense)/income allocated to NCI	**(12.0)**	(10.4)	**27.5**	7.6	**(3.6)**	1.6	**(23.7)**	9.3	**(11.8)**	8.1

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15 SUBSIDIARIES (CONTINUED)

The summarised financial information of KEV, SESB and JEP before inter-company eliminations are as follows:

	KEV		SESB		JEP	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Summarised statement of financial position						
Non-current assets	**2,086.0**	2,183.3	**7,358.0**	7,351.1	**8,207.2**	7,009.4
Current assets	**1,759.7**	1,692.3	**1,345.8**	1,230.5	**2,885.4**	3,927.9
Non-current liabilities	**(2,267.4)**	(2,212.9)	**(6,194.5)**	(6,283.6)	**(8,962.3)**	(8,960.4)
Current liabilities	**(1,034.6)**	(1,089.5)	**(1,792.6)**	(1,738.0)	**(714.1)**	(2,077.8)
Net assets/(liabilities)	**543.7**	573.2	**716.7**	560.0	**1,416.2**	(100.9)
Summarised statement of comprehensive income						
Financial period/year ended						
Revenue	**747.6**	2,135.3	**622.5**	2,150.7	**0**	0
(Loss)/Profit after tax	**(29.9)**	(26.1)	**161.5**	44.7	**(11.9)**	5.3
Other comprehensive (expense)/income	**0**	0	**(7.5)**	41.6	**0**	0
Total comprehensive (expense)/income	**(29.9)**	(26.1)	**154.0**	86.3	**(11.9)**	5.3
Summarised statement of cash flows						
Financial period/year ended						
Net cash flows generated from/(used in) operating activities	**277.1**	271.1	**376.9**	812.3	**(194.3)**	388.5
Net cash flows generated from/(used in) investing activities	**2.2**	10.3	**(158.3)**	(519.5)	**167.1**	(1,156.7)
Net cash flows (used in)/generated from financing	**(4.8)**	(371.0)	**(65.4)**	(325.9)	**57.3**	474.3
Net increase/(decrease) in cash and cash equivalents	**274.5**	(89.6)	**153.2**	(33.1)	**30.1**	(293.9)

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16 JOINT ARRANGEMENTS

Accounting Policy

A joint arrangement is an arrangement over which there is contractually agreed sharing of control by the Group with one or more parties where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. Joint operations are joint arrangements whereby the Company has the rights to the assets and obligations for the liabilities. In respect of its interests in joint operations, the Company shall recognise in its financial statements the assets that it controls and the expenses and liabilities that it incurs and its share of the income that it earns from the sale of goods or services.

The Group's interest in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity, the Group's share of profits less losses of the joint ventures based on the latest audited financial statements or management accounts of the joint ventures, made up to the financial year end of the Group. Where necessary, adjustments are made to the results and net assets of the joint ventures to ensure consistency of accounting policies with those of the Group. The Group's investments in joint ventures are recorded at cost inclusive of goodwill and adjusted thereafter for accumulated impairment losses and the post-acquisition change in the Group's share of net assets of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in joint ventures. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balances that provide evidence of reduction in net realisable value or an impairment of the asset transferred are recognised in the consolidated statement of profit or loss.

(a) Joint ventures

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Unquoted ordinary shares, at cost	**81.7**	81.7	**7.9**	7.9
Redeemable preference shares	**1.1**	1.1	**0**	0
Share of post-acquisition results and reserves	**79.3**	78.5	**0**	0
	162.1	161.3	**7.9**	7.9
Less: Accumulated impairment losses	**(9.0)**	(9.0)	**(7.9)**	(7.9)
	153.1	152.3	**0**	0
Share of net assets of joint ventures	**153.1**	152.3		

None of the joint ventures are material individually to the financial position, financial performance and cash flows of the Group.

The aggregated financial information of the Group's joint ventures is as follows:

	Total	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Group's share of results		
Profit after tax and total comprehensive income	**7.7**	25.0
Dividend received	**6.9**	11.6

NOTES TO THE FINANCIAL STATEMENTS
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16 JOINT ARRANGEMENTS (CONTINUED)

(a) Joint ventures (continued)

The details of the Group's joint ventures are as follows:

Name of joint venture	Group's interest 31.12.2017	Group's interest 31.8.2017	Principal activities	Country of incorporation
Seatrac Sdn. Bhd.	**50%**	50%	Dormant	Malaysia
Joint venture of TNB Energy Services Sdn. Bhd.				
FTJ Bio Power Sdn. Bhd.	**40%**	40%	Generation and distribution of electricity using palm empty fruit bunches as its main fuel source	Malaysia
Joint venture of TNB Engineering Corporation Sdn. Bhd.				
Airport Cooling Energy Supply Sdn. Bhd.	**77%**	77%	To develop, design, engineer, procure, construct, finance district cooling projects in the airport sector, to undertake the comprehensive operational maintenance of district cooling projects in the airport sector and to carry on the business of producing, distributing, applying, dealing and selling of chilled water	Malaysia

(b) Joint operations

The details of the Group's joint operations are as follows:

Name of joint operation	Group's interest 31.12.2017	Group's interest 31.8.2017	Principal activities	Country of incorporation
Joint operation of TNB Repair And Maintenance Sdn. Bhd.				
TNB Repair and Maintenance Sdn. Bhd. & Kharafi National KSC (Closed) JV (TNB REMACO & KN JV)	**50%**	50%	Operation and maintenance services in the State of Kuwait	Malaysia

The impact of the Group's joint operations to the Group is immaterial.

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17 ASSOCIATES

Accounting Policy

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20.0% and 50.0% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting is discontinued when the Group ceases to have significant influence over the associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements is recognised in OCI. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses (see Note 3(c)).

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution of gains and losses in associates are recognised in the consolidated statement of profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI is reclassified to profit or loss where appropriate.

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Unquoted shares	**2,736.4**	2,736.4	**50.6**	50.6
Share of post-acquisition results and reserves	**(49.7)**	88.9	**0**	0
Redeemable preference shares	**112.5**	112.5	**19.7**	19.7
	2,799.2	2,937.8	**70.3**	70.3

The aggregated financial information of the Group's associates is as follows:

	Total	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Group's share of results		
(Loss)/Profit after tax	**(44.7)**	103.3
Total other comprehensive income/(expense)	**94.2**	(86.2)
Dividend received	**18.0**	42.1
Foreign exchange loss	**170.1**	129.9

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17 ASSOCIATES (CONTINUED)

In the opinion of the Directors, the associates that are material to the Group are Gama Enerji Anonîm Şîrketî ('Gama Enerji') and GMR Energy Limited ('GEL'). The following summarises the financial information of material associates to the Group and reconciles the information to the carrying amount of the Group's interest in the associates.

(a) The summarised statement of comprehensive income from material associates that is significant to the Group:

	Gama Enerji		GEL	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Revenue	**826.0**	1,683.1	**963.7**	0
(Loss)/Profit after tax	**(7.2)**	51.7	**(227.0)**	(57.9)
Other comprehensive income/(expense)	**289.0**	(291.6)	**44.0**	0
Total comprehensive income/(expense)	**281.8**	(239.9)	**(183.0)**	(57.9)

(b) The summarised statement of financial position from material associates that is significant to the Group:

	Gama Enerji		GEL	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Non-current assets	**7,092.9**	7,264.7	**5,974.6**	6,812.2
Current assets	**896.1**	924.5	**702.8**	2,326.8
Non-current liabilities	**(4,430.2)**	(5,069.3)	**(3,496.5)**	(4,069.7)
Current liabilities	**(1,083.0)**	(758.7)	**(1,096.9)**	(1,672.1)
Less: Non-controlling interest	**(66.5)**	(38.1)	**(119.2)**	(119.5)
	2,409.3	2,323.1	**1,964.8**	3,277.7

Reconciliation of the summarised financial information of material associates presented to the carrying amount of its interest in the associates:

	Gama Enerji		GEL	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Group's share of net assets	**722.8**	696.9	**589.4**	983.3
Goodwill	**207.1**	263.9	**557.8**	260.0
Carrying amount	**929.9**	960.8	**1,147.2**	1,243.3

Individually immaterial associates:

	31.12.2017 RM'million	31.8.2017 RM'million
Aggregate carrying amount of individually immaterial associates	**722.1**	733.7
Aggregate amounts of the Group's share of profit from continuing operations	**19.9**	106.4

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17 ASSOCIATES (CONTINUED)

The details of the Group's associates are as follows:

Name of associate	Group's interest 31.12.2017	Group's interest 31.8.2017	Principal activities	Country of incorporation
Teknologi Tenaga Perlis Consortium Sdn. Bhd.	**20%**	20%	Design, construction, divesting, operation and maintenance of electricity generating facility	Malaysia
GB3 Sdn. Bhd.	**20%**	20%	Design, construction, operation and maintenance of electricity generating facility	Malaysia
Fibrecomm Network (M) Sdn. Bhd.	**49%**	49%	Provision of fibre optic transmission network services	Malaysia
Jimah Energy Ventures Holdings Sdn. Bhd.	**20%**	20%	Generate electric power and investment holdings	Malaysia
Associates of TNB Properties Sdn. Bhd.				
INDERA-TNB Properties Sdn. Bhd.	**40%**	40%	Dormant	Malaysia
KM Metro-TNB Properties Sdn. Bhd.	**40%**	40%	Dormant	Malaysia
Associate of TNB Ventures Sdn. Bhd.				
Northern Utility Resources Sdn. Bhd. (In Liquidation and Under Receivership)	**20%**	20%	Dormant	Malaysia
Associate of Independent Power International Ltd.				
Malaysian Shoaiba Consortium Sdn. Bhd.	**20%**	20%	Acquiring and hold for investment, shares, stocks, debentures in Malaysia or elsewhere	Malaysia
Associate of Power and Energy International (Mauritius) Ltd.				
GMR Energy Limited	**30%**	30%	Development, operation and maintenance of power generation projects and sale of power to off-takers	India
Associate of Oasis Parade Sdn. Bhd.				
Saudi-Malaysia Operation And Maintenance Services Company Limited	**30%**	30%	Operation and maintenance of electricity generation stations and water desalination plants	Kingdom of Saudi Arabia
Associates of TNB Energy Services Sdn. Bhd.				
Jana Landfill Sdn. Bhd.	**20%**	20%	Generation and distribution of heat and electricity using methane gas from landfill sites	Malaysia
Sime Darby TNBES Renewable Energy Sdn. Bhd.	**49%**	49%	To develop, set up, construct, install, operate and maintain renewable energy or biogas power plant which uses the palm oil mill effluent as its main source of fuel	Malaysia

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17 ASSOCIATES (CONTINUED)

The details of the Group's associates are as follows: (continued)

Name of associate	Group's interest		Principal activities	Country of incorporation
	31.12.2017	31.8.2017		
Associate of TNB Engineering Corporation Sdn. Bhd.				
Abraj Cooling LLC	**49%**	49%	Contracting works for the construction of district cooling plants	United Arab Emirates
Associate of TNB Research Sdn. Bhd.				
Gunung Tenaga Sdn. Bhd.	**40%**	40%	Environmental services and research	Malaysia
Associate of Orion Mission Sdn. Bhd.				
Eastern Sabah Power Consortium Sdn. Bhd.	**50%**	50%	To develop, construct and operate a gas-fired power plant and to generate and sell electricity. The company has not commenced its operation since the date of incorporation	Malaysia
Associate of Global Power Enerjî Sanayî Ve Tîcaret Anonîm Şîrketî				
Gama Enerji Anonîm Şîrketî	**30%**	30%	To enter into commitments related to energy investments and to carry out industrial, commercial and business activities	Turkey
Associate of Pelabuhan Lumut Sdn. Bhd.				
Lumut Maritime Terminal Sdn. Bhd.	**50% less 1 share**	50% less 1 share	Development of an integrated privatised project encompassing ownership and operations of multi-purpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities	Malaysia
Associate of TNB International Sdn. Bhd.				
Vortex Solar Investment S.A.R.L.	**50%**	50%	Investment holding company	Luxembourg

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17 ASSOCIATES (CONTINUED)

The list of contingent liabilities of material associates are as follows:

		Potential exposure 31.12.2017 RM'million
Gama Enerji		
Letters of Guarantee		**493.3**
The letters of guarantee are mainly provided to certain regulators within the energy market and Ministry of Water and Irrigation of Jordan.		
GEL		
(a)	Corporate guarantees	**381.1***
(b)	Bank guarantees outstanding/Letter of credit outstanding	**880.8***
(c)	Claims againts the GEL Group not acknowledged as debts	**165.2***
(d)	Matters relating to income tax under dispute	**55.8***
(e)	Custom duties refunds	**37.5**
	In 2010, a subsidiary of GEL was granted a refund of customs duty which was paid earlier towards the import of plant and machinery. In 2011, the subsidiary received an intimation from the Office of the Joint Director General of Foreign Trade ('DGFT') for cancellation of duty drawback refund order granted thereby seeking refund of the amount that has been received earlier.	
	In the opinion of experts, the management is confident that the duty drawback refund granted earlier was appropriate and that the cancellation of the duty drawback refund is not tenable. During the year ended March 31, 2015, the matter has been transferred to the Hon'ble Supreme Court of India and will be concluded along with other similar cases and is pending finalisation.	
(f)	Payment of electricity duty towards Chief Electrical Inspectorate, Government of Andhra Pradesh ('GoAP')	**49.4**
	The associate and a subsidiary received demands from the Chief Electrical Inspectorate, Government of Andhra Pradesh ('GoAP') for electricity duties on generation and sale of electrical energy since the commencement of commercial operations date of its plants.	
	Based on internal assessment and expert legal opinion, the management of GEL is confident that the provisions of Electricity Duty Act and Rules, 1939 in respect of payment of electricity duty are not applicable to GEL and its subsidiary.	
(g)	Appeals and disputes	**173.2**
	GEL is in dispute with its fuel supplier which is currently being heard at the District Civil Court of Bangalore.	
	Based on independent legal opinion and internal assessment, the management of GEL is confident that it has a strong defense against these claims.	
	Total exposure	**1,743.0**
	Total exposure of the Group	**670.9**

* *These balances are in respect of subsidiaries of GEL and a joint venture.*

18 GOODWILL ON CONSOLIDATION

Accounting Policy

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGU's), or groups of CGUs, that is expected to benefit from synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately to the statement of profit or loss and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

	Group	
	31.12.2017 RM'million	**31.8.2017 RM'million**
As at the end of the financial period/year	**211.0**	211.0

Impairment test for goodwill on consolidation

Annual impairment test is conducted on the Group as a whole as it is treated as a CGU. No impairment was required as at 31 December 2017 as the recoverable amount exceeded the carrying amount.

(a) Key assumptions used in the value-in-use calculation

The recoverable amount of the CGU including goodwill, is determined based on its value-in-use. This value-in-use calculation applies a discounted cash flow model using cash flow projection based on forecast approved by management covering a five-year period. The forecast reflects management's expectation of revenue growth, operating costs and margins for the Group based on current assessment of market share, expectations of market growth and industry growth. Cash flows beyond the fifth year are extrapolated using an estimated terminal growth rate.

The discount rate applied to the cash flow forecast refers to the Group's pre-tax Weighted Average Cost of Capital ('WACC').

The following key assumptions have been applied in the value-in-use calculation:

	31.12.2017 %	**31.8.2017 %**
Revenue growth rate	**3.8**	3.8
Pre-tax discount rate	**7.0**	7.5
Terminal growth rate	**3.8**	3.8

(b) Impact of possible change in key assumptions used

The Group's review includes an impact assessment of changes in key assumptions used. Based on the sensitivity analysis performed, it was concluded that no reasonable change in the base case assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

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19 INVESTMENT IN UNQUOTED DEBT SECURITY

Accounting Policy

Investment in unquoted debt security is a financial instrument and the accounting policy is disclosed in Note 45.

	Group	
	31.12.2017 RM'million	31.8.2017 RM'million
Preferred Equity Certificate ('PEC')	**318.5**	275.7

The PEC earns interest of 8.0% per annum and has a maturity period of 12 years.

20 DEFERRED TAXATION

Accounting Policy

Deferred tax is recognised on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements including those arising from business combinations. Deferred tax is not recognised on goodwill and those arising from initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unutilised tax credits can be utilised. Deferred tax is recognised on temporary differences arising on investment in subsdiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is receivable.

Deferred tax is measured at the tax rates (and laws) that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Deferred tax assets:				
- Deferred tax assets to be realised after more than 12 months	**42.1**	37.4	**0**	0
- Deferred tax assets to be realised within 12 months	**26.2**	39.6	**0**	0
	68.3	77.0	**0**	0
Deferred tax liabilities:				
- Deferred tax liabilities to be settled after more than 12 months	**(7,258.9)**	(7,086.5)	**(5,905.7)**	(5,727.7)
- Deferred tax liabilities to be settled within 12 months	**(387.1)**	(641.8)	**(384.2)**	(612.2)
	(7,646.0)	(7,728.3)	**(6,289.9)**	(6,339.9)
Deferred tax assets	**68.3**	77.0	**0**	0
Deferred tax liabilities	**(7,646.0)**	(7,728.3)	**(6,289.9)**	(6,339.9)
Net total	**(7,577.7)**	(7,651.3)	**(6,289.9)**	(6,339.9)

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20 DEFERRED TAXATION (CONTINUED)

The movements during the financial period/year relating to deferred tax are as follows:

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
As at the beginning of the financial period/year	**(7,651.3)**	(6,930.7)	**(6,339.9)**	(5,472.3)
(Charged)/Credited to statement of profit or loss:				
- Property, plant and equipment	**(0.4)**	(503.1)	**38.5**	(551.5)
- Provisions and allowances	**(5.4)**	(30.8)	**(32.9)**	(64.7)
- Unbilled revenue	**48.2**	(76.4)	**48.2**	(76.4)
- Finance leases	**49.0**	(59.6)	**7.6**	(120.3)
- Prepaid operating leases	**(49.4)**	(56.1)	**(42.9)**	(60.1)
	42.0	(726.0)	**18.5**	(873.0)
Credited to other comprehensive income:				
- Provisions and allowances	**31.6**	5.4	**31.5**	5.4
As at the end of the financial period/year	**(7,577.7)**	(7,651.3)	**(6,289.9)**	(6,339.9)
Subject to income tax				
Deferred tax assets (before offsetting):				
- Provisions and allowances	**4,489.8**	4,463.6	**3,157.9**	3,159.3
- Finance leases	**266.6**	217.6	**398.0**	390.4
- Property, plant and equipment	**36.7**	30.1	**0**	0
Offsetting	**(4,724.8)**	(4,634.3)	**(3,555.9)**	(3,549.7)
Deferred tax assets (after offsetting)	**68.3**	77.0	**0**	0
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	**(10,209.1)**	(10,202.1)	**(7,837.6)**	(7,876.1)
- Unbilled revenue	**(711.6)**	(759.8)	**(711.6)**	(759.8)
- Prepaid operating leases	**(1,450.1)**	(1,400.7)	**(1,296.6)**	(1,253.7)
Offsetting	**4,724.8**	4,634.3	**3,555.9**	3,549.7
Deferred tax liabilities (after offsetting)	**(7,646.0)**	(7,728.3)	**(6,289.9)**	(6,339.9)

The amount of deductible temporary differences, unused tax losses, reinvestment allowance and investment tax allowance (which have no expiry date) for which no deferred tax asset is recognised in the statements of financial position are as follows:

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Deductible temporary differences	**1,482.9**	1,446.9	**0**	0
Tax losses	**1,426.4**	1,436.2	**0**	0
Reinvestment allowance and investment tax allowance	**6,243.3**	8,049.9	**914.4**	2,539.2

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21 LONG TERM RECEIVABLES

Accounting Policy

Long term receivables is a financial instrument and the accounting policy is disclosed in Note 45.

	Note	Group 31.12.2017 RM'million	Group 31.8.2017 RM'million	Company 31.12.2017 RM'million	Company 31.8.2017 RM'million
Other debtors	(a)	**510.4**	514.1	**197.0**	200.6
Advance payment to contractors	(b)	**319.0**	35.6	**0**	0
Redeemable unsecured loan stocks ('RULS')	(c)	**0**	0	**493.5**	493.5
		829.4	549.7	**690.5**	694.1

(a) Included in the Group and Company are advances given to staff and loans to students via Yayasan Tenaga Nasional ('YTN'), which are not expected to be received within 12 months from the statement of financial position date. Included in the Group are also indirect tax receivables and other non-trade receivables which are also not expected to be received within 12 months from the statement of financial position date.

(b) Advance payment to contractors primarily relates to construction of plants which will be utilised against milestone payment invoices, which is more than 12 months.

(c) Redeemable unsecured loan stocks ('RULS') bear interest at 8.0% (31.8.2017: 8.0%) per annum on the outstanding nominal value of the principal. Refer to Note 35(c) for the terms of RULS.

22 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Note	Company 31.12.2017 RM'million	Company 31.8.2017 RM'million
Non-current			
Amounts due from subsidiaries		**1,081.3**	1,005.2
Less: Accumulated impairment loss		**(553.7)**	(550.2)
	(a)	**527.6**	455.0
Current			
Amounts due from subsidiaries		**4,990.9**	3,906.0
Less: Accumulated impairment loss		**(804.0)**	(808.7)
	(b)	**4,186.9**	3,097.3
Amounts due to subsidiaries	(b)	**(1,086.3)**	(1,258.1)

(a) The non-current portion of amounts due from subsidiaries comprise amounts receivable from Kapar Energy Ventures Sdn. Bhd. ('KEV'), TNB Power Daharki Ltd. ('TPD'), Sabah Electricity Sdn. Bhd. ('SESB') and Aruna Servicios Integrales S.L.U. ('ASI').

The interest receivable due from KEV is based on terms in Note 35(c). The amount due from TPD is subject to interest rates ranging from 1.9% to 3.4% (31.8.2017: 1.9% to 3.4%) per annum and is unsecured. Amount due from SESB is subject to interest rates of 6.0% (31.8.2017: 6.0%) per annum, is unsecured and has no fixed term of repayment. Amount due from ASI is not subject to any interest rate and is unsecured.

(b) Amounts due from/(to) all subsidiaries classified as current are unsecured, interest free and repayable on demand.

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23 FINANCE LEASES

Accounting Policy

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

The Group and Company enter into lease agreements as lessees for certain PPE. Leases of PPE where the Group and Company have substantially transferred all the risks and rewards of ownership (i.e. the Group is the lessor), and leases of PPE where the lessors have substantially transferred all the risks and rewards of ownership to the Group and Company (i.e. the Group is the lessee), are classified as finance leases.

When assets are leased out under finance lease, the Group de-recognises the leased asset and recognises the net investment in the lease as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When external assets are leased, finance leases are capitalised at the leases' commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. The interest element of the finance cost is charged to the statement of profit or loss within finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PPE acquired under finance leases are depreciated or amortised over the lease term. Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the statement of profit or loss over the lease term on the same basis as the lease expense.

(a) Finance lease receivable

The Group's finance lease receivable arises predominantly from a Cooling Energy Supply Agreement ('CESA'). This CESA is accounted for as a finance lease in accordance with IC 4 and MFRS 117 'Leases' ('MFRS 117').

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Within 1 year	**2.1**	2.4	**0.8**	0.7
After 1 year and not later than 5 years	**9.7**	9.5	**4.7**	4.6
After 5 years	**11.6**	12.3	**8.7**	9.2
	23.4	24.2	**14.2**	14.5
Less: Unearned finance income	**(9.2)**	(9.7)		
Present value of minimum lease payment receivable	**14.2**	14.5		

The effective interest rate implicit in the finance lease is approximately 10.7% (31.8.2017: 10.7%). The carrying amount of the finance lease receivable approximate to its fair value.

(b) Finance lease payables

		Group		Company	
	Note	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Finance lease liabilities	(i)	**5,200.7**	5,307.5	**17,790.9**	11,871.5
Hire purchase creditors	(ii)	**9.8**	11.0	**0**	0
		5,210.5	5,318.5	**17,790.9**	11,871.5

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23 FINANCE LEASES (CONTINUED)

(b) Finance lease payables (continued)

(i) The Group and Company's obligations under finance lease liabilities arise predominantly from the power purchase agreements with several IPPs. These power purchase agreements are accounted for as a finance lease in accordance with IC 4 and MFRS 117.

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Minimum lease payments:				
- Within 1 year	**693.8**	693.5	**2,247.5**	1,947.3
- 1 to 2 years	**694.9**	694.6	**2,142.1**	1,947.8
- 3 to 5 years	**2,093.1**	2,091.3	**5,703.5**	4,907.6
- More than 5 years	**4,713.2**	4,947.0	**18,648.9**	8,022.6
Total minimum lease payments	**8,195.0**	8,426.4	**28,742.0**	16,825.3
Future finance charges	**(2,994.3)**	(3,118.9)	**(10,951.1)**	(4,953.8)
	5,200.7	5,307.5	**17,790.9**	11,871.5
Amount payable under finance lease:				
- Within 1 year	**332.7**	326.0	**1,122.1**	1,149.1
- After 1 year and not later than 5 years	**1,562.7**	1,529.5	**4,102.4**	4,453.4
- After 5 years	**3,305.3**	3,452.0	**12,566.4**	6,269.0
	5,200.7	5,307.5	**17,790.9**	11,871.5
Average effective interest rate (%)	**7.0**	7.0	**6.6**	7.1

The finance charges associated with the finance leases were charged to the statement of profit or loss in the financial period/year in which they were actually incurred. As at 31 December 2017, the net book value of assets under finance leases for the Group and Company are as disclosed in Note 14 to the financial statements. The fair value of the financial lease liabilities are RM6,335.5 million (31.8.2017: RM5,293.3 million) for the Group and RM14,275.9 million (31.8.2017: RM7,887.5 million) for the Company.

(ii) This represents future instalments under hire purchase of motor vehicles, repayable as follows:

	Group	
	31.12.2017 RM'million	31.8.2017 RM'million
Minimum lease payments:		
- Within 1 year	**4.1**	4.1
- After 1 year and not later than 5 years	**6.4**	7.7
Total minimum lease payments	**10.5**	11.8
Future finance charges	**(0.7)**	(0.8)
	9.8	11.0
Amount payable under hire purchase:		
- Within 1 year	**3.7**	3.6
- After 1 year and not later than 5 years	**6.1**	7.4
	9.8	11.0

23 FINANCE LEASES (CONTINUED)

(b) Finance lease payables (continued)

(ii) This represents future instalments under hire purchase of motor vehicles, repayable as follows: (continued)

Hire purchase liabilities are effectively secured as the rights to the assets revert to the lessors in the event of default.

The weighted average effective interest rate applicable to the lease liabilities as at the financial period end is 5.1% (31.8.2017: 5.1%) per annum and interest for the financial period is at 2.7% (31.8.2017: 2.7%) per annum for the Group. The entire balance is denominated in RM. The carrying amounts of the hire purchase payables approximate to their fair values.

Reconciliation of finance lease payables

	Group	Company
	RM'million	RM'million
As at 1.9.2017	**5,318.5**	**11,871.5**
Cash flows	**(232.0)**	**(638.6)**
Non-cash changes		
- Additional finance lease	**0**	**6,255.5**
- Transfer from/(to) payables	**0.6**	**(62.9)**
- Finance charges under finance leases	**123.4**	**365.4**
As at 31.12.2017	**5,210.5**	**17,790.9**

24 PREPAID OPERATING LEASES

Accounting Policy

Operating leases - where the Group and Company are the lessees

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss within other operating expenses on the straight line basis over the period of the lease.

Operating leases - where the Group and Company are the lessor

Leases where substantially all of the risks and rewards of ownership are not transferred to the lessee (i.e. the Group is a lessor) are classified as operating leases. Payments received under operating leases that relate to sales of electricity are recognised in the statement of profit or loss within revenue on the straight line basis over the period of the lease. All other payments received under operating leases are presented in the statement of profit or loss within other operating income.

(a) Prepaid operating leases

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Non-current				
Prepaid operating leases	**5,505.2**	5,353.7	**5,417.0**	5,241.2
Current				
Prepaid operating leases	**146.2**	139.1	**137.6**	129.0

Payments made in advance to Independent Power Producers ('IPPs') are primarily to reserve generating capacity for future goods and services. There is no contractual right to receive a refund in cash or another financial instrument from the IPPs.

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24 PREPAID OPERATING LEASES (CONTINUED)

(b) Lease payables and prepayment by lessee

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Non-current				
Lease payables* (Note 37)	**128.6**	126.1	**140.0**	135.4
Prepayment by lessee** (Note 37)	**301.9**	349.5	**0**	0
	430.5	475.6	**140.0**	135.4
Current				
Lease payables* (Note 31)	**12.2**	11.1	**12.2**	11.1
Prepayment by lessee** (Note 31)	**39.4**	43.7	**0**	0
	51.6	54.8	**12.2**	11.1

* *The Group and Company as lessees*

** *The Group as lessor*

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Accounting Policy

Available-for-sale financial assets is a financial instrument and the accounting policy is disclosed in Note 45.

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Available-for-sale financial assets	**69.3**	71.9	**68.6**	71.2

Available-for-sale financial assets comprise unquoted shares and club memberships.

26 INVENTORIES

Accounting Policy

Inventories are stated at the lower of cost and net realisable value.

Cost of work-in-progress and finished goods comprise raw materials, direct labour and a proportion of the production overheads. Cost is determined on the weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Fuel and consumables	**872.4**	811.1	**279.2**	261.9
Work-in-progress	**6.8**	11.4	**0**	0
Finished goods	**5.8**	6.2	**0**	0
	885.0	828.7	**279.2**	261.9

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27 RECEIVABLES, DEPOSITS AND PREPAYMENTS

Accounting Policy

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Trade receivables	**8,823.3**	8,467.6	**7,214.3**	7,099.0
Staff advances/loans	**60.0**	62.9	**51.5**	54.1
Partial payment to contractors	**945.9**	172.5	**0.8**	0.8
Deposits and prepayments	**313.4**	269.7	**101.1**	89.6
Other receivables	**1,595.7**	1,427.4	**181.8**	232.2
Rechargeable debtors	**405.0**	185.4	**355.1**	150.3
	12,143.3	10,585.5	**7,904.6**	7,626.0
Impairment losses on:				
Trade receivables (Note 45 (b)(i))	**(1,551.4)**	(1,402.7)	**(1,442.0)**	(1,304.9)
Others (Note 45 (b)(i))	**(229.8)**	(220.6)	**(201.7)**	(202.0)
	(1,781.2)	(1,623.3)	**(1,643.7)**	(1,506.9)
	10,362.1	8,962.2	**6,260.9**	6,119.1

The Group and Company's credit policy provides trade receivables with a 30 days (31.8.2017: 30 days) credit period.

Credit risks relating to receivables are disclosed in Note 45(b)(i) to the financial statements.

Included in trade receivables is unbilled revenue amounting to RM3,209.2 million (31.8.2017: RM3,312.4 million) for the Group and RM3,076.9 million (31.8.2017: RM3,165.6 million) for the Company.

28 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the statement of profit or loss when the changes arise.

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28 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Note	Notional amount RM'million	Assets RM'million	Liabilities RM'million
Non-hedge accounting qualified derivative financial instruments:				
31.12.2017				
Group				
Forward foreign currency contracts	(a)	**975.1**	**0**	**(47.3)**
Company				
Forward foreign currency contracts	(b)	**19.8**	**0**	**(0.2)**
31.8.2017				
Group				
Forward foreign currency contracts	(a)	367.5	1.2	(10.9)

(a) The Group entered into forward foreign currency contracts with forward rates ranging from RM4.0880 to RM4.4100 (31.8.2017: RM4.2520 to RM4.3610) for 1 US Dollar, RM3.6209 to RM3.8271 (31.8.2017: RM3.8953 to RM4.1972) for 100 Japanese Yen and RM4.8736 (31.8.2017: RM5.045) for 1 Euro.

(b) The Company entered into forward foreign currency contracts with forward rates RM4.0889 for 1 US Dollar.

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ('FVTPL')

Accounting Policy

Financial assets at FVTPL is a financial instrument and the accounting policy is disclosed in Note 45.

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Financial assets at FVTPL	**10,490.2**	12,221.9	**3,850.5**	6,097.9

Financial assets at FVTPL represents investments in unit trusts.

30 DEPOSITS, BANK AND CASH BALANCES

Accounting Policy

For the purpose of the consolidated statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash in hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Cash in hand and at bank	**1,488.0**	1,581.1	**361.0**	506.3
Deposits with licensed banks	**3,927.0**	3,475.1	**2,640.3**	2,829.1
	5,415.0	5,056.2	**3,001.3**	3,335.4

30 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

The interest rates per annum of bank balances and deposits with licensed banks that were effective as at the end of the reporting date were as follows:

	Group		Company	
	31.12.2017 %	31.8.2017 %	31.12.2017 %	31.8.2017 %
Bank balances	**0.1 – 3.3**	0.1 – 3.3	**0.1 – 3.3**	0.1 – 3.3
Deposits with licensed banks	**1.4 – 4.0**	1.4 – 3.9	**1.5 – 1.7**	1.4 – 1.7

Deposits with licensed banks have maturity periods ranging from 14 to 173 days (31.8.2017: 7 to 124 days) for the Group and 32 to 90 days for the Company (31.8.2017: 33 to 111 days).

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Cash and cash equivalents at the end of the financial period/year comprise:				
Cash in hand and at bank	**1,488.0**	1,581.1	**361.0**	506.3
Deposits with licensed banks	**3,927.0**	3,475.1	**2,640.3**	2,829.1
Deposits, bank and cash balances	**5,415.0**	5,056.2	**3,001.3**	3,335.4
Debt reserve account* (Note 35(b)(iii))	**(249.8)**	(249.8)	**0**	0
Cash at bank held in trust**	**(289.8)**	(293.5)	**0**	0
Total cash and cash equivalents at the end of the financial period/year	**4,875.4**	4,512.9	**3,001.3**	3,335.4

* *Debt reserve account relate to deposits placed with licensed financial institutions as part of security obligations for bond financing.*

** *The cash at bank held in trust is in respect of grants received from the Government of Malaysia by a subsidiary for designated capital projects.*

31 PAYABLES

Accounting Policy

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables generally arise from transactions outside the usual operating activities of the Group. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, which is the fair value of the consideration to be paid in the future for the goods and services received.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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31 PAYABLES (CONTINUED)

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Trade payables	**6,421.4**	7,617.1	**4,289.1**	4,841.7
Payroll liabilities	**1,191.2**	1,556.4	**1,132.4**	1,446.0
Deposits	**16.6**	16.9	**10.3**	10.3
Provisions	**678.1**	397.1	**157.6**	151.4
Lease payables (Note 24(b))	**51.6**	54.8	**12.2**	11.1
Payable to Federal Government	**25.7**	25.7	**0**	0
Other payables and accruals	**680.6**	577.0	**218.2**	180.6
	9,065.2	10,245.0	**5,819.8**	6,641.1

Included in trade payables of the Group and Company are obligations amounting to RM1,032.6 million (31.8.2017: RM1,649.7 million) relating to a Government Sponsored Tariff Stabilisation Fund and balance payable under the ICPT mechanism.

Credit terms of trade payables of the Group and Company vary from 30 to 60 days (31.8.2017: 30 to 60 days) depending on the terms of the contracts.

32 DEFERRED INCOME

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
As at the beginning of the financial period/year	**2,454.8**	2,304.8	**2,076.4**	2,053.6
Received during the financial period/year	**399.3**	1,243.7	**325.8**	696.6
Release to statement of profit or loss:				
- Customers' contributions	**(142.5)**	(687.2)	**(120.9)**	(347.2)
- Deferred income	**(116.8)**	(406.5)	**(77.6)**	(326.6)
As at the end of the financial period/year	**2,594.8**	2,454.8	**2,203.7**	2,076.4
Realised within 12 months	**1,487.2**	1,460.9	**1,377.7**	1,384.9
Realised after 12 months	**1,107.6**	993.9	**826.0**	691.5
	2,594.8	2,454.8	**2,203.7**	2,076.4

Deferred income primarily relates to contributions paid in advance by electricity customers for the construction of electricity network assets.

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33 EMPLOYEE BENEFITS

Accounting Policy

(a) Short term employee benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Post-employment benefits

The Group and Company have various post-employment benefit schemes which are either defined contribution or defined benefit plans. A defined contribution plan is a pension plan under which the Group and Company pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group and Company have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

<u>Defined contribution plans</u>

The Group and Company's contributions to defined contribution plans are charged to the statement of profit or loss in the financial period to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

<u>Defined benefit plans</u>

The Group and Company make contributions to the Company's Retirement Benefit Plan, a defined benefit plan and approved fund independent of the Company's finances. A book provision is also provided by the Group and Company as the contribution rate required to fund the benefits under the said plan is in excess of the Inland Revenue maximum limit. The Group and Company also provide for a Post Retirement Medical Plan for certain employees, which is unfunded.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the statements of financial position date minus the fair value of plan assets. The Group and Company determine the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of reporting date.

The defined benefit obligation, calculated using the Projected Unit Credit Method, is determined by an independent actuarial firm, considering the estimated future cash outflows using market yields at statement of financial position date of high-quality corporate bonds which have currency and terms to maturity approximating the terms of the related liability.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in the statement of profit or loss in employee benefits expense.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefits obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly to the OCI in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to the statement of profit or loss in subsequent periods.

(i) Retirement Benefit Trust Fund ('RBTF')

The Group and Company operate a final salary defined benefit plan. The benefit is made as lump sum payment at retirement or earlier exits due to death and early retirement. The RBTF has been closed to new entrants since January 2008. There is currently no minimum funding requirement under the law.

The RBTF exposes the Group and Company to risks from interest rates from defined benefit being greater than expected due to assumptions such as salary increment or turnover rates not being borne out. The RBTF is also exposed to investment risks in relation to the assets of the plan.

The funding of the RBTF is based on recommendation of the actuary and approved by the Group and Company. The contribution by the Group and Company is based on 7.0% of the annual basic salaries of the members. The employees are not required to contribute to the plan.

The Group and Company expect to contribute 6.0% of the annual basic salaries of members to the plan in the next financial year.

(ii) Post-Retirement Medical Benefit Scheme ('PRMBS')

The Group and Company operate a post-retirement medical benefits plan in Malaysia. The PRMBS is closed to new entrants. There is no minimum funding requirement under the current law.

The PRMBS exposes the Group and Company to risk from interest rates and from defined benefit being greater than expected due to assumptions such as projection of medical benefit costs and mortality not being borne out.

There has not been any settlement or curtailment during the current financial year.

The PRMBS is unfunded.

NOTES TO THE FINANCIAL STATEMENTS
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33 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows:

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
Group					
At 1 September 2017	2,804.0	(1,562.5)	1,241.5	10,395.7	11,637.2
Included in profit or loss					
Current service costs	39.2	0	39.2	0	39.2
Interest cost/(income)	46.6	(26.5)	20.1	189.5	209.6
	85.8	(26.5)	59.3	189.5	248.8
Included in other comprehensive income					
Remeasurement of loss:					
- Actuarial loss arising from financial assumptions	0	0	0	138.8	138.8
- Return on plan assets excluding interest income	0	0.4	0.4	0	0.4
Others					
Contribution paid by the employer	0	(113.7)	(113.7)	0	(113.7)
Benefits paid	(103.5)	101.8	(1.7)	(124.7)	(126.4)
	(103.5)	(11.5)	(115.0)	14.1	(100.9)
At 31 December 2017	2,786.3	(1,600.5)	1,185.8	10,599.3	11,785.1
Current			337.6	411.2	748.8
Non-current			848.2	10,188.1	11,036.3
			1,185.8	10,599.3	11,785.1

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

33 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
Group					
At 1 September 2016	3,090.5	(1,494.2)	1,596.3	10,214.8	11,811.1
Included in profit or loss					
Current service costs	131.6	0	131.6	0	131.6
Interest cost/(income)	144.4	(74.8)	69.6	542.6	612.2
	276.0	(74.8)	201.2	542.6	743.8
Included in other comprehensive income					
Remeasurement of loss/(gain):					
- Actuarial loss/(gain) arising from:					
- Demographic assumptions	6.0	0	6.0	4.4	10.4
- Financial assumptions	(17.6)	0	(17.6)	94.4	76.8
- Experience adjustments	(101.6)	0	(101.6)	17.4	(84.2)
- Return on plan assets excluding interest income	0	(22.3)	(22.3)	0	(22.3)
Others					
Contribution paid by the employer	0	(417.5)	(417.5)	0	(417.5)
Benefits paid	(449.3)	446.3	(3.0)	(477.9)	(480.9)
	(562.5)	6.5	(556.0)	(361.7)	(917.7)
At 31 August 2017	2,804.0	(1,562.5)	1,241.5	10,395.7	11,637.2
Current			342.3	407.6	749.9
Non-current			899.2	9,988.1	10,887.3
			1,241.5	10,395.7	11,637.2

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

33 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
Company					
At 1 September 2017	2,767.2	(1,562.5)	1,204.7	9,976.1	11,180.8
Included in profit or loss					
Current service costs	32.2	0	32.2	0	32.2
Interest cost/(income)	46.0	(26.5)	19.5	181.7	201.2
	78.2	(26.5)	51.7	181.7	233.4
Charged to subsidiaries	5.5	0	5.5	0	5.5
	83.7	(26.5)	57.2	181.7	238.9
Included in other comprehensive income					
Remeasurement of loss:					
- Actuarial loss arising from financial assumptions	0	0	0	131.3	131.3
Others					
Contribution paid by the employer	0	(113.7)	(113.7)	0	(113.7)
Benefits paid	(101.8)	101.8	0	(118.5)	(118.5)
	(101.8)	(11.9)	(113.7)	12.8	(100.9)
At 31 December 2017	2,749.1	(1,600.9)	1,148.2	10,170.6	11,318.8
Current			337.6	399.5	737.1
Non-current			810.6	9,771.1	10,581.7
			1,148.2	10,170.6	11,318.8

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

33 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

	RBTF			PRMBS	Total
	Defined benefit obligation RM'million	Fair value of plan asset RM'million	Net defined benefit liability RM'million	RM'million	RM'million
Company					
At 1 September 2016	3,056.1	(1,494.2)	1,561.9	9,765.5	11,327.4
Included in profit or loss					
Current service costs	109.0	0	109.0	0	109.0
Interest cost/(income)	143.0	(74.8)	68.2	517.8	586.0
	252.0	(74.8)	177.2	517.8	695.0
Charged to subsidiaries	18.5	0	18.5	0	18.5
	270.5	(74.8)	195.7	517.8	713.5
Included in other comprehensive income					
Remeasurement of loss/(gain):					
- Actuarial loss/(gain) arising from:					
- Demographic assumptions	6.0	0	6.0	4.4	10.4
- Financial assumptions	(17.6)	0	(17.6)	77.9	60.3
- Experience adjustments	(101.5)	0	(101.5)	75.6	(25.9)
- Return on plan assets excluding interest income	0	(22.3)	(22.3)	0	(22.3)
Others					
Contribution paid by the employer	0	(417.5)	(417.5)	0	(417.5)
Benefits paid	(446.3)	446.3	0	(465.1)	(465.1)
	(559.4)	6.5	(552.9)	(307.2)	(860.1)
At 31 August 2017	2,767.2	(1,562.5)	1,204.7	9,976.1	11,180.8
Current			342.3	396.0	738.3
Non-current			862.4	9,580.1	10,442.5
			1,204.7	9,976.1	11,180.8

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

33 EMPLOYEE BENEFITS (CONTINUED)

The latest actuarial revaluation for RBTF and PRMBS was carried out in October and September 2017 respectively. The principal actuarial assumptions used in respect of defined benefit plans were as follows:

	Group		Company	
	RBTF %	PRMBS %	RBTF %	PRMBS %
31.12.2017				
Discount rates	**5.0 – 7.8**	**5.4 – 5.5**	**5.1**	**5.4**
Salary increment rate	**5.0 – 7.8**	**N/A**	**7.0**	**N/A**
Medical cost inflation:				
- Inpatient	**N/A**	**5.5**	**N/A**	**5.5**
- Outpatient	**N/A**	**5.8**	**N/A**	**5.8**
Others:				
- Specialist	**N/A**	**4.5**	**N/A**	**4.5**
- Dialysis	**N/A**	**5.5**	**N/A**	**5.5**
31.8.2017				
Discount rates	5.0 – 7.8	5.5 – 5.6	5.1	5.5
Salary increment rate	5.0 – 7.8	N/A	7.0	N/A
Medical cost inflation:				
- Inpatient	N/A	5.5	N/A	5.5
- Outpatient	N/A	5.8	N/A	5.8
Others:				
- Specialist	N/A	4.5	N/A	4.5
- Dialysis	N/A	5.5	N/A	5.5

The effect of a 1.0% movement in the key assumptions to the defined benefit obligation balances are as follows:

	RBTF		PRMBS	
	Increase RM'million	Decrease RM'million	Increase RM'million	Decrease RM'million
Group				
Medical cost trend rate	N/A	N/A	1,529.5	(1,271.6)
Discount rate	(162.9)	182.8	(1,265.3)	1,551.3
Salary increment rate	174.9	(158.9)	N/A	N/A
Company				
Medical cost trend rate	N/A	N/A	1,455.4	(1,211.8)
Discount rate	(162.9)	182.8	(1,205.9)	1,476.4
Salary increment rate	174.9	(158.9)	N/A	N/A

The sensitivity analysis has been provided based on membership data as at 31 December 2017 and considered a change of each principal assumption in isolation. The method and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

The weighted average duration of the Group and Company's liability is estimated at approximately 7 and 13 years for RBTF and PRMBS respectively.

33 EMPLOYEE BENEFITS (CONTINUED)

Plan assets for RBTF comprise:

		Group and Company	
		31.12.2017 %	31.8.2017 %
Equity instruments	- quoted	**45.7**	43.5
Debt instruments	- quoted	**18.6**	20.9
	- unquoted	**18.5**	19.0
Others		**17.2**	16.6
		100.0	100.0

The plan assets for RBTF did not include any ordinary share of the Company.

The Group and Company's RBTF are conditional on future employment of the members of the plan. The Group and Company's PRMBS is not conditional on future employment and has been fully vested as at 31 December 2017.

34 SHORT TERM BORROWINGS

Accounting Policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method, any differences between proceeds (net of transaction costs) and the redemption value are recognised in the statement of profit or loss over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group and Company have an unconditional right to defer settlement of the liability for at least twelve (12) months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawdown. In this case, the fee is deferred until the drawdown occurs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Portion of borrowings due within 1 year (Note 35):				
- Secured	**1,046.9**	1,126.6	**0**	0
- Unsecured	**296.1**	379.2	**227.6**	290.4
	1,343.0	1,505.8	**227.6**	290.4
Short term loans:				
- Secured	**270.5**	214.0	**0**	0
- Unsecured	**61.5**	0.5	**0**	0
Bankers' acceptances (unsecured)	**70.3**	87.8	**0**	0
	1,745.3	1,808.1	**227.6**	290.4

The short term borrowings carry interest at rates ranging from 0.8% to 8.2% (31.8.2017: 0.8% to 8.1%) per annum for the Group and from 0.8% to 7.5% (31.8.2017: 0.8% to 7.5%) per annum for the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

35 BORROWINGS

Accounting Policy

The accounting policy for borrowings is as disclosed in Note 34.

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Secured:				
- Term loans (Note (a))	**1,955.8**	1,836.2	**0**	0
- Bonds (Note (b))	**22,115.9**	19,091.6	**0**	0
	24,071.7	20,927.8	**0**	0
Unsecured:				
- Term loans (Note (a))	**6,664.3**	7,036.0	**6,562.5**	6,923.0
- Bonds (Note (b))	**9,784.5**	10,073.2	**8,785.6**	9,054.0
- Redeemable unsecured loan stocks (Note (c))	**520.9**	507.2	**0**	0
	16,969.7	17,616.4	**15,348.1**	15,977.0
	41,041.4	38,544.2	**15,348.1**	15,977.0
Payable within 1 year under short term borrowings excluding short term loans and bankers' acceptances (Note 34)	**1,343.0**	1,505.8	**227.6**	290.4
Repayable after 1 year:				
- After 1 and up to 2 years	**6,741.1**	6,103.2	**2,031.4**	5,505.7
- After 2 and up to 5 years	**5,849.7**	2,539.9	**3,745.3**	1,072.3
- After 5 and up to 10 years	**8,818.7**	11,627.6	**5,660.4**	7,239.1
- After 10 and up to 20 years	**15,511.1**	13,893.7	**3,151.0**	1,240.9
- After 20 and up to 30 years	**2,475.8**	2,555.8	**230.4**	310.4
- After 30 years	**302.0**	318.2	**302.0**	318.2
Total borrowings	**39,698.4**	37,038.4	**15,120.5**	15,686.6
	41,041.4	38,544.2	**15,348.1**	15,977.0
Add:				
- Short term loans	**332.0**	214.5	**0**	0
- Bankers' acceptances	**70.3**	87.8	**0**	0
	41,443.7	38,846.5	**15,348.1**	15,977.0

	Group	
	31.12.2017 RM'million	31.8.2017 RM'million
Net book values of PPE pledged as security for borrowings:		
Machinery, lines and equipment	**4,918.7**	4,964.3
Buildings	**892.6**	913.0
Long leasehold land	**169.3**	153.0
	5,980.6	6,030.3

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

35 BORROWINGS (CONTINUED)

(a) Term loans

(i) The Federal Government loans obtained by SESB are secured by the following:

- A debenture creating:
  - a first fixed charge over all present and future freehold and leasehold properties including all buildings and fixtures; and
  - a first floating charge over all present and future assets of SESB not effectively charged by way of the fixed charge.
- A deed of assignment transferring all SESB's present and future rights and interests in all sales proceeds or revenue derived from the sale of electricity generated from the projects funded.
- A deed of assignment transferring all SESB's present and future rights and interests in the bank accounts in which the loan proceeds are credited.

The tenure of the loans ranges from 20 to 25 years with a profit rate of between 0% to 4.0% per annum.

(ii) 15-YEAR RM73.3 MILLION TERM LOAN

On 20 December 2010, TNB Engineering Corporation Sdn. Bhd. ('TNEC') entered into a 15-year RM73.3 million secured loan, paying interest at a fixed rate of 5.9%. The loan will mature on 24 December 2025. The principal is payable in 12 annual instalments.

The term loan is secured by a corporate guarantee from the Company. The term loan also requires TNEC to comply with certain affirmative and restrictive non-financial covenants.

(iii) USD300.0 MILLION TERM LOAN

On 30 March 2016, the Company entered into a 3-year USD300.0 million unsecured loan, paying interest at a floating interest rate with margin of 0.7%. The loan is a bullet loan which will mature on 30 March 2019. The loan had been fully drawndown.

(iv) COMMODITY MURABAHAH FINANCING-I

On 2 May 2017, Malaysia Transformer Manufacturing Sdn. Bhd. entered into a RM25.0 million unsecured loan, with a floating interest rate of 1.6% plus prevailing Kuala Lumpur Interbank Offered Rate ('KLIBOR') to part finance the construction and development of a new plant at Kapar, Klang.

(v) ISLAMIC FACILITY AGREEMENT

On 19 July 2017, TNB Sepang Solar Sdn. Bhd. ('TSS') obtained a RM323.0 million Islamic Facility Agreement to finance the construction of a 50MW solar power plant. The tenure of the Facility Agreement is up to 20 years with a periodic distribution rate for pre Commercial Operation Date ('COD') (KLIBOR+1.2%) and post COD (KLIBOR+1.3%) per annum.

The Islamic Agreement will be disbursed based on the claims submitted to Affin Islamic Bank Berhad ('AIBB') up to 180 days after the COD.

(b) Bonds

(i) ISLAMIC SECURITIES PROGRAMME

On 25 November 2011, TNB Janamanjung Sdn. Bhd. ('TNBJ') obtained a RM4.9 billion Islamic Securities Programme to finance the construction of a 1,010MW coal fired power plant. The tenure of the Islamic Securities Programme ranging from 5 to 20 years with profit rates between 3.8% and 4.9% per annum.

The Islamic Securities Programme was issued by Manjung Island Energy Berhad ('MIEB') which is a special purpose vehicle company incorporated in Malaysia with a paid up ordinary share capital of RM2.00. All of the issued shares of MIEB are held by Equity Trust (Malaysia) Berhad as share trustee for the benefit of certain specified charities, under the terms of a declaration of trust.

The Islamic Securities Programme consists of 2 series and the details of the series are as follows:

- Series 1 consists of 15 tranches, with tenures ranging from 5 to 19 years.
- Series 2 consists of 1 tranche, with a tenure of 20 years.

The Islamic Securities Programme Series 1 is secured by the followings:

- a first ranking assignment of TNBJ's rights, interests, titles and benefits under PPA1 (Manjung 1, 2 & 3) and PPA2 (Manjung 4) inclusive of the proceeds therefrom; and
- a first ranking assignment of all designated accounts and the related credit balances.

The Islamic Securities Programme Series 2 is unsecured and have the benefit of unconditional and irrevocable guarantee from the Company, to meet the payment obligations of TNBJ.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

35 BORROWINGS (CONTINUED)

(b) Bonds (continued)

(ii) SUKUK - GAS FIRED POWER PLANT

On 22 May 2013, TNB Northern Energy Berhad ('TNEB') entered into a RM1.6 billion sukuk facility agreement to finance the construction of a 1,071MW gas fired power plant. The tenure of the facility agreement is 23 years with periodic distribution rates between 3.6% and 4.8% per annum. The sukuk facility agreement consists of 39 tranches with tenures ranging from 4 to 23 years.

(iii) SUKUK IJARAH

On 5 July 2013, Kapar Energy Ventures Sdn. Bhd. ('KEV') issued a sukuk facility based on the Shariah principles of Ijarah ('Sukuk Ijarah') of RM2.0 billion in nominal value. The tenure of the sukuk ranging from 1 to 13 years with profit rates of 3.8% to 5.0%.

The Sukuk Ijarah is secured by the followings:

- First fixed charge over the lease of the land owned by the Company where the power plant, coal yard and jetty are located;
- A first ranking debenture comprising fixed and floating charges over all present and future assets of KEV; and
- Assignment of all rights, titles, interests and benefits of:
  - the project documents
  - the applicable Takaful/insurances; and
  - the designated accounts

(iv) SUKUK - COAL FIRED POWER PLANT

On 24 January 2014, TNB Western Energy Berhad ('TWEB') entered into a RM3.7 billion sukuk facility agreement to finance the construction of a 1,000MW coal fired power plant. The tenure of the facility agreement is 23 years with periodic distribution rates between 5.1% and 5.8% per annum. The sukuk facility agreement consists of 20 tranches with tenures ranging from 10 to 20 years.

On 4 December 2015, Jimah East Power Sdn. Bhd. ('JEP') issued a Sukuk Murabahah of RM9.0 billion nominal value. The proceeds from the Sukuk Murabahah shall be utilised by JEP for shariah-compliant purposes in connection with the financing, design, engineering, procurement, construction, installation, testing, commissioning, ownership, operation and maintenance of a 2,000MW coal fired power plant and associated facilities, including the transmission line and interconnection facilities.

The tenure of the facility agreement is 23 years with periodic distribution rates between 5.0% and 6.8% per annum. The sukuk facility agreement consists of 36 tranches with tenures ranging from 6 to 23 years.

(v) RM2.0 BILLION ISLAMIC MEDIUM TERM NOTE SUKUK WAKALAH

On 3 August 2017, the Company has issued RM2.0 billion Islamic Medium Term Note Sukuk Wakalah to finance capital expenditure, investment, general corporate purpose, working capital requirements and equity injection into Tenaga Nasional Berhad's power plant projects. The issuance comprises of RM500.0 million 15 year tranche and RM1.5 billion 20 year tranche, with periodic distribution rates between 5.0% and 5.2% respectively.

(vi) MULTI-CURRENCY SUKUK PROGRAM

On 19 October 2016, TNB Global Ventures Capital Berhad ('TGVC') has established a USD750.0 million Multi-Currency Medium Term Note Sukuk Programme to provide flexibility to time Tenaga Nasional Berhad fund raising exercise for its future investment. The tenure of the Sukuk Programme is 10 years with a fixed periodic distribution rate of 3.2%.

The Sukuk Programme is unsecured and has the benefit of unconditional and irrecoverable guarantee from Tenaga Nasional Berhad, to meet the payment obligations of TGVC.

(vii) RM3.7 BILLION SUKUK WAKALAH

On 31 October 2017, Southern Power Generation Sdn. Bhd. ('SPG') issued a Sukuk Wakalah of RM3.7 billion in nominal value. The proceeds from the Sukuk Wakalah shall be utilised for the following shariah-compliant purposes in connection with the financing, design, engineering, procurement, construction, installation, testing, commissioning, ownership, operation and maintenance of a 1,440MW coal-fired power plant and associated facilities, including the transmission line and interconnection facilities.

The tenure of the facility agreement is 18 years with a periodic distribution rate between 4.7% and 5.6% per annum. The sukuk facility agreement consists of 28 tranches with tenures ranging from 4.5 years to 18 years.

35 BORROWINGS (CONTINUED)

(c) Redeemable Unsecured Loan Stocks ('RULS')

On 29 June 2004, KEV issued RM957.6 million of Redeemable Unsecured Loan Stocks ('RULS') to the Company and Malakoff Corporation Berhad to finance the acquisition of Stesen Janaelektrik Sultan Salahuddin Abdul Aziz, Kapar.

The main features of the RULS are as follows:

(i) The RULS bear interest at 8.0% per annum on the outstanding nominal value of the RULS. The interest is repayable semi-annually on the last day of the relevant six month period from the issue date of RULS. No compounding interest will be charged on the unpaid interest after the due date.

(ii) The RULS are repayable from the third year from the issue date of RULS as stipulated in the agreement dated 29 June 2004. The RULS has to be settled in full by the final maturity date of 8 July 2029.

Reconciliation of borrowings from financing activities

	Group	Company
	RM'million	RM'million
As at 1.9.2017	**38,846.5**	**15,977.0**
Cash flows		
- Drawdowns	**4,191.6**	**0**
- Repayments	**(1,030.6)**	**(62.0)**
- Interest paid	**(575.4)**	**(278.8)**
Non-cash changes:		
- Interest on borrowings	**533.9**	**228.2**
- Translation gain - foreign term loans	**(522.3)**	**(516.3)**
As at 31.12.2017	**41,443.7**	**15,348.1**

36 CONSUMER DEPOSITS

Consumers (with the exception of employees and government departments/agencies) are required to deposit a sum sufficient to cover charges for two months supply of energy as allowed under the regulation of the Licensee Supply (Amendment) regulations 2002. In default of payment of the deposit within the time specified, the supply to the consumer's installation may be disconnected, subject to certain conditions laid out in the regulations.

The Company and SESB pay 2.5% (31.8.2017: 2.5%) per annum on the amount of cash deposits as rebate in January every year.

37 OTHER LIABILITIES

	Note	Group		Company	
		31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Payable to:					
- Federal Government		**15.3**	14.5	**0**	0
- State Government		**26.0**	26.0	**26.0**	26.0
Lease payables	24(b)	**128.6**	126.1	**140.0**	135.4
Prepayment by lessee	24(b)	**301.9**	349.5	**0**	0
Retention monies		**517.2**	510.6	**473.5**	467.5
Others		**368.4**	386.4	**2.8**	2.8
		1,357.4	1,413.1	**642.3**	631.7

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38 GOVERNMENT DEVELOPMENT GRANTS

Accounting Policy

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to construction of PPE are included in non-current liabilities as deferred income and are credited to the statement of profit or loss on the straight line method over the expected lives of the related assets.

A subsidiary of the Group obtains Government loans at an interest rate which is below the market rate of interest. The differential between the initial carrying value of the loan based on market rate and the Government rate is recognised as a deferred income and is credited to the statement of profit or loss over the period necessary to match the interest costs.

	Group	
	31.12.2017 RM'million	**31.8.2017 RM'million**
As at the beginning of the financial period/year	**977.8**	1,019.2
Received during the financial period/year:		
- Cash	**174.7**	27.0
- In relation to Government loans	**8.4**	0
Released to statement of profit or loss:		
- Other operating income (Note 8)	**(190.0)**	(50.3)
- Finance cost (Note 10)	**(6.8)**	(18.1)
As at the end of the financial period/year	**964.1**	977.8

The development grants are provided by the Government to a subsidiary mainly for the construction of PPE of RM705.5 million (31.8.2017: RM720.7 million) and government loan below market interest of RM258.6 million (31.8.2017: RM257.1 million).

Reconciliation of Government development grants from financing activities

	Group
	RM'million
As at 1.9.2017	**977.8**
Cash flows	**174.7**
Non-cash changes:	
- Deferred income relating to Government loans	**8.4**
- Other income	**(190.0)**
- Interest accretion	**(6.8)**
As at 31.12.2017	**964.1**

39 SHARE CAPITAL

Accounting Policy

(a) Classification

Ordinary shares and non-redeemable preference shares with dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends to shareholders of the Company

Dividends are recognised as liability in the period in which they are declared.

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39 SHARE CAPITAL (CONTINUED)

	Group and Company	
	31.12.2017	**31.8.2017**
Issued and fully paid:		
Ordinary shares	**5,665,986,271**	5,659,015,071
Special Rights Redeemable Preference Share	**1**	1
Total share capital issued and fully paid as at the end of the financial period/year	**5,665,986,272**	5,659,015,072

	Note	Group and Company			
		Number of shares 31.12.2017 million	**Amount 31.12.2017 RM'million**	**Number of shares 31.8.2017 million**	**Amount 31.8.2017 RM'million**
Issued and fully paid:					
Ordinary shares					
As at the beginning of the financial period/year		**5,659.0**	**11,124.9**	5,643.6	5,643.6
LTIP shares issued during the financial period/year	(a)	**7.0**	**74.7**	15.4	99.1
Transition to no-par value regime on 31 January 2017	(b)	**0**	**0**	0	5,382.2
As at the end of the financial period/year		**5,666.0**	**11,199.6**	5,659.0	11,124.9

	Note	Group and Company	
		31.12.2017 RM'million	**31.8.2017 RM'million**
Share premium			
As at the beginning of the financial period/year		**0**	5,382.2
Transition to no-par value regime on 31 January 2017	(b)	**0**	(5,382.2)
As at the end of the financial period/year		**0**	0

(a) On 23 November 2017, the Company issued and alloted 6,971,200 ordinary shares in the Company to eligible executives or eligible employees, pursuant to the letters of offer dated 3 August 2015 ('Letter of Offer') and in accordance with the By-laws of the LTIP scheme of the Company. Subsequent to the above, the issued and paid up share capital of the Company increased to 5,665,986,271 ordinary shares.

(b) The Companies Act 2016 ('Act'), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within twenty-four (24) months from the commencement of Section 74 of the Act, use the amount standing to the credit of its share premium account of RM5,382,186,956.74 for purposes as set out in Section 618 (3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(c) Special Rights Redeemable Preference Share ('Special Share')

(i) The Special Share would enable the Government of Malaysia through the Minister of Finance Incorporated to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policies. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but not to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.
The Special Shareholder has the right to appoint any person, but not more than six at any time, to be a member of the Board of Directors of the Company.

(ii) Certain matters, in particular the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, merger and takeover, require the prior consent of the Special Shareholder.

(iii) The Special Shareholder does not have any right to participate in the capital or profits of the Company.

(iv) The Special Shareholder has the right to require the Company to redeem the Special Share, at par, at any time.

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40 OTHER RESERVES

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Long Term Incentive Plan reserve	**287.4**	295.8	**287.4**	295.8
Employee benefits reserve	**(5,830.5)**	(5,722.9)	**(5,619.7)**	(5,519.9)
Foreign currency translation reserve	**(651.8)**	(432.0)	**0**	0
Available-for-sale ('AFS') reserve	**31.3**	33.9	**30.6**	33.2
Reserve on consolidation	**(209.4)**	(303.6)	**0**	0
	(6,373.0)	(6,128.8)	**(5,301.7)**	(5,190.9)

The movements in each category of reserves are as follows:

	LTIP reserve RM'million	Employee benefits reserve RM'million	Foreign currency translation reserve RM'million	AFS reserve RM'million	Reserve on consolidation RM'million	Total RM'million
Group						
31.12.2017						
As at the beginning of the financial period	**295.8**	**(5,722.9)**	**(432.0)**	**33.9**	**(303.6)**	**(6,128.8)**
Arising in the financial period	**(8.4)**	**(107.6)**	**(219.8)**	**(2.6)**	**94.2**	**(244.2)**
As at the end of the financial period	**287.4**	**(5,830.5)**	**(651.8)**	**31.3**	**(209.4)**	**(6,373.0)**
31.8.2017						
As at the beginning of the financial year	244.6	(5,747.6)	(247.4)	0.6	(217.4)	(5,967.2)
Arising in the financial year	51.2	24.7	(184.6)	33.3	(86.2)	(161.6)
As at the end of the financial year	295.8	(5,722.9)	(432.0)	33.9	(303.6)	(6,128.8)

	LTIP reserve RM'million	Employee benefits reserve RM'million	AFS reserve RM'million	Total RM'million
Company				
31.12.2017				
As at the beginning of the financial period	**295.8**	**(5,519.9)**	**33.2**	**(5,190.9)**
Arising in the financial period	**(8.4)**	**(99.8)**	**(2.6)**	**(110.8)**
As at the end of the financial period	**287.4**	**(5,619.7)**	**30.6**	**(5,301.7)**
31.8.2017				
As at the beginning of the financial year	244.6	(5,502.8)	0	(5,258.2)
Arising in the financial year	51.2	(17.1)	33.2	67.3
As at the end of the financial year	295.8	(5,519.9)	33.2	(5,190.9)

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41 COMMITMENTS

(a) Capital commitments for 5 years

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Authorised capital expenditure not provided in the financial statements:				
Property, plant and equipment				
- Contracted	**1,109.4**	3,785.1	**681.7**	726.3
- Not contracted	**36,641.7**	30,059.1	**35,937.4**	29,618.2
	37,751.1	33,844.2	**36,619.1**	30,344.5

(b) Operating lease commitments - as lessee

The Group and Company lease a number of plant and machineries, office buildings and equipment under operating leases. These leases have average tenures between 3 and 25 years.

Future minimum rental payable under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Payable not later than 1 year	**4,437.5**	4,271.0	**5,412.6**	5,113.3
Payable later than 1 year and not later than 5 years	**14,323.8**	14,183.6	**18,320.7**	17,706.0
Payable more than 5 years	**26,322.3**	25,672.4	**40,022.6**	39,671.4
	45,083.6	44,127.0	**63,755.9**	62,490.7

(c) Operating lease commitments - as lessor

The Group and Company lease out its plant and equipment under non-cancellable operating leases. The lessees are required to pay absolute fixed lease payments during the lease period. Total future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Payable not later than 1 year	**79.7**	85.0	**61.8**	61.6
Payable later than 1 year and not later than 5 years	**318.7**	340.1	**247.4**	246.3
Payable more than 5 years	**204.7**	247.7	**13.1**	14.1
	603.1	672.8	**322.3**	322.0

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42 CONTINGENT LIABILITIES

Accounting Policy

The Group and Company do not recognise contingent assets and liabilities other than those arising from business combinations, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company. The Group and Company do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

Determination of the treatment of contingent liabilities is based on the Group and Company's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group and Company for matters in the ordinary course of business.

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Claims by third parties:				
- Contractors	**125.4**	146.1	**104.6**	125.3
- Customers	**78.7**	73.2	**78.7**	73.2
- Others	**136.8**	148.2	**120.9**	134.2
	340.9	367.5	**304.2**	332.7
Trade guarantees and performance bonds	**66.0**	33.9	**0**	0
	406.9	401.4	**304.2**	332.7

All third party claims are being resolved and the Directors are of the opinion that their outcomes will not have a material adverse effect on the financial positions of both the Group and Company.

On 7 December 2016, the Company and the Inland Revenue Board ('IRB') entered into a consent judgement before the Kuala Lumpur High Court to substitute the judicial review proceedings with regard to the notices of additional assessment dated 23 November 2015 ('Notices') arising from the disallowance of the Company's reinvestment allowance ('RIA') claims by filling an appeal to the Special Commissioners of Income Tax ('SCIT'). The consent judgement also provides that the IRB will not commence any proceedings against the Notices until this matter is determined by the SCIT and by the Kuala Lumpur High Court, including if there is a subsequent appeal by either party. Pursuant to this, on 15 December 2016, the Company has filed notice of appeal against the Notices to the SCIT according to Section 99(1) of the Income Tax Act 1967. Accordingly, the Company has obtained legal advice from a firm of prominent tax solicitors who are of the view that there is sufficient evidence and case law to support the Company's appeal against the Notices. On this basis and the facts surrounding its RIA claims, the Directors are of the opinion that no provision is required in the financial statements for the potential tax liability up to the reporting date and that there is sufficient evidence and case law to support the Company's appeal against the Notices.

43 SIGNIFICANT RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence.

The related parties of the Group and Company are:

(a) Subsidiary companies

Details of the subsidiary companies are shown in Note 15.

(b) Associate companies

Associate companies are those entities in which the Group has significant influence but not control as disclosed in Note 17.

(c) Key Management Personnel ('KMP')

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and Company either directly or indirectly. The KMP of the Group or of the Company include Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Company.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

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43 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(d) Government-related entities

Government-linked corporations are related to the Group and Company by virtue of the substantial shareholdings of Khazanah Nasional Berhad ('KNB'), with 28.1% (31.8.2017: 28.2%) equity interest. KNB is a wholly-owned entity of MoF Incorporated which is in turn owned by the Ministry of Finance. KNB and entities directly controlled by the Government of Malaysia are collectively referred to as government-related entities to the Group and Company.

The Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Group and Company. The Group and Company enter into transactions with many of these bodies, which include but are not limited to purchasing of goods, including use of public utilities and amenities, and the placing of bank deposits.

All the transactions entered into by the Group and Company with the government-related entities are conducted in the ordinary course of the Group and Company's businesses on negotiated terms or terms comparable to those with other entities that are not government-related, except otherwise disclosed elsewhere in the financial statements.

The Group and Company are principally involved in the provision of electricity as part of their ordinary operations. These services are carried out generally on commercial terms that are consistently applied to all customers. These transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Apart from the individually significant transactions and balances as disclosed elsewhere in the financial statements, the Group and Company have collectively, but not individually significant transactions with related parties.

In addition to the transactions detailed elsewhere in the financial statements, the Group and Company had the following significant transactions with the following related parties based on agreed terms during the financial period/year:

	Associate Companies		Key Management Personnel	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Group				
Income:				
- Sales of electricity	**0.4**	1.0	**0**	0
- Interest income	**3.6**	0	**0**	0
- Dividend income	**18.0**	42.1	**0**	0
- Rental income	**4.7**	9.5	**0**	0
- Leasing income	**8.5**	17.4	**0**	0
Expenses:				
- Purchase of electricity	**1,269.9**	3,427.6	**0**	0
- Key management compensations:				
- Salaries, allowances and bonuses	**0**	0	**6.7**	25.6
- Benefits-in-kind	**0**	0	**0.2**	1.5
- Defined contribution retirement plan	**0**	0	**0.9**	3.5
- Other staff benefits	**0**	0	**0.6**	3.3
- LTIP expense	**0**	0	**2.4**	7.0
- Leasing expense	**5.6**	15.4	**0**	0
Amounts due from	**332.0**	226.3		
Amounts due to	**(691.2)**	(636.9)		

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43 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to the transactions detailed elsewhere in the financial statements, the Group and Company had the following significant transactions with the following related parties based on agreed terms during the financial period/year: (continued)

	Subsidiary Companies		Associate Companies		Key Management Personnel	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Company						
Income:						
- Sales of electricity	**13.5**	38.3	**0.4**	1.0	**0**	0
- Interest income	**16.0**	62.8	**3.6**	0	**0**	0
- Dividend income	**0**	27.0	**18.0**	39.6	**0**	0
- Rental income	**8.4**	24.4	**4.7**	9.5	**0**	0
- Leasing income	**0.3**	0.8	**8.5**	17.4	**0**	0
- Redemption of RPS	**30.6**	0.5	**0**	0	**0**	0
Expenses:						
- Purchase of electricity	**3,430.5**	8,868.1	**1,269.9**	3,427.6	**0**	0
- Training fees	**28.9**	80.9	**0**	0	**0**	0
- Finance lease interest	**329.9**	747.8	**0**	0	**0**	0
- Key management compensations:						
- Salaries, allowances and bonuses	**0**	0	**0**	0	**6.5**	25.2
- Benefits-in-kind	**0**	0	**0**	0	**0.2**	1.5
- Defined contribution retirement plan	**0**	0	**0**	0	**0.9**	3.5
- Other staff benefits	**0**	0	**0**	0	**0.6**	3.3
- LTIP expense	**0**	0	**0**	0	**2.4**	7.0
- Leasing expense	**0**	0	**5.6**	15.4	**0**	0
Amounts due from	**4,714.5**	3,552.3	**9.2**	1.0		
Amounts due to	**(1,086.3)**	(1,258.1)	**(683.0)**	(628.9)		

44 SEGMENTAL REPORTING

Segmental reporting is not presented as the Group is principally engaged in the generation, transmission, distribution and sales of electricity and the provision of other related services, which are substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in Malaysia.

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45 FINANCIAL INSTRUMENTS

Accounting Policy

Financial assets

(a) Classification

The Group and Company classify its financial assets in the following categories: at fair value through profit or loss ('FVTPL'), loans and receivables ('L&R') and available-for-sale ('AFS'). The classification depends on the purpose for which the financial assets were acquired. The Group and Company determine the classification at initial recognition.

(i) Financial assets at FVTPL

Financial assets at FVTPL are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets.

(iii) AFS financial assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investments mature or management intends to dispose it within 12 months of the end of the reporting period.

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

(c) Subsequent measurement – gains and losses

AFS financial assets and financial assets at FVTPL are subsequently carried at fair value. L&R financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation are recognised in the statement of profit or loss in the period in which the changes arise.

(d) Subsequent measurement - impairment of financial assets

(i) Assets carried at amortised cost

The Group and Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest method. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of profit or loss. If L&R have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

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45 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting Policy (continued)

Financial assets (continued)

(d) Subsequent measurement - impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

When an asset is uncollectible, it is written off against the related accumulated impairment losses account. Such assets are written off after all the necessary procedures have been completed and the amount of the losses have been determined.

(ii) Assets classified as AFS

The Group and Company assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and Company use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

In the case of equity securities classified as AFS, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative losses that had been recognised directly in equity is removed from equity and recognised in the statement of profit or loss. The amount of cumulative losses that is reclassified to the statement of profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments classified as AFS are not reversed through the statement of profit or loss.

(e) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company have transferred substantially all risks and rewards of ownership to related party.

Financial liabilities

The Group and Company classify its financial liabilities in two categories, at FVTPL or other financial liabilities. The Group and Company determine the classification of its financial liabilities at initial recognition.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the statement of profit or loss.

The Group and Company's other financial liabilities comprise trade and other payables and borrowings in the statement of financial position. Financial liabilities are classified as current liabilities; except for maturities more than 12 months after the reporting date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the liability is either discharged, cancelled, expired or has been restructured with substantially different terms.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position ('SOFP') when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' ('MFRS 137') and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

NOTES TO THE FINANCIAL STATEMENTS
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45 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ('L&R');
(ii) Fair value through profit or loss ('FVTPL');
(iii) Available-for-sale financial assets ('AFS'); and
(iv) Other financial liabilities measured at amortised cost ('OL').

31.12.2017	Carrying amount RM'million	L&R RM'million	FVTPL RM'million	AFS RM'million
Group				
Financial assets				
Investment in unquoted debt security	318.5	318.5	0	0
Long term receivables	249.5	249.5	0	0
Finance lease receivable	14.2	14.2	0	0
AFS financial assets	69.3	0	0	69.3
Receivables	9,102.8	9,102.8	0	0
Amounts due from joint ventures	1.1	1.1	0	0
Amounts due from associates	332.0	332.0	0	0
Financial assets at FVTPL	10,490.2	0	10,490.2	0
Deposits, bank and cash balances	5,415.0	5,415.0	0	0
	25,992.6	15,433.1	10,490.2	69.3
Company				
Financial assets				
Long term receivables	690.5	690.5	0	0
AFS financial assets	68.6	0	0	68.6
Receivables	6,159.0	6,159.0	0	0
Amounts due from subsidiaries	4,714.5	4,714.5	0	0
Amounts due from associates	9.2	9.2	0	0
Financial assets at FVTPL	3,850.5	0	3,850.5	0
Deposits, bank and cash balances	3,001.3	3,001.3	0	0
	18,493.6	14,574.5	3,850.5	68.6

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

31.8.2017	Carrying amount RM'million	L&R RM'million	FVTPL RM'million	AFS RM'million
Group				
Financial assets				
Investment in unquoted debt security	275.7	275.7	0	0
Long term receivables	258.2	258.2	0	0
Finance lease receivable	14.5	14.5	0	0
AFS financial assets	71.9	0	0	71.9
Receivables	8,503.5	8,503.5	0	0
Amounts due from joint ventures	0.6	0.6	0	0
Amounts due from associates	226.3	226.3	0	0
Financial assets at FVTPL	12,221.9	0	12,221.9	0
Deposits, bank and cash balances	5,056.2	5,056.2	0	0
Derivative financial instruments	1.2	0	1.2	0
	26,630.0	14,335.0	12,223.1	71.9
Company				
Financial assets				
Long term receivables	694.1	694.1	0	0
AFS financial assets	71.2	0	0	71.2
Receivables	6,028.7	6,028.7	0	0
Amounts due from subsidiaries	3,552.3	3,552.3	0	0
Amounts due from associates	1.0	1.0	0	0
Financial assets at FVTPL	6,097.9	0	6,097.9	0
Deposits, bank and cash balances	3,335.4	3,335.4	0	0
	19,780.6	13,611.5	6,097.9	71.2

NOTES TO THE FINANCIAL STATEMENTS
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45 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

31.12.2017	Carrying amount RM'million	OL RM'million	FVTPL RM'million
Group			
Financial liabilities			
Payables	**8,697.1**	**8,697.1**	**0**
Finance lease payables	**5,210.5**	**5,210.5**	**0**
Amounts due to associates	**691.2**	**691.2**	**0**
Borrowings	**41,443.7**	**41,443.7**	**0**
Derivative financial instruments	**47.3**	**0**	**47.3**
Other liabilities	**517.2**	**517.2**	**0**
	56,607.0	**56,559.7**	**47.3**
Company			
Financial liabilities			
Payables	**5,491.1**	**5,491.1**	**0**
Finance lease payables	**17,790.9**	**17,790.9**	**0**
Amounts due to subsidiaries	**1,086.3**	**1,086.3**	**0**
Amounts due to associates	**683.0**	**683.0**	**0**
Borrowings	**15,348.1**	**15,348.1**	**0**
Derivative financial instruments	**0.2**	**0**	**0.2**
Other liabilities	**473.5**	**473.5**	**0**
	40,873.1	**40,872.9**	**0.2**

31.8.2017	Carrying amount RM'million	OL RM'million	FVTPL RM'million
Group			
Financial liabilities			
Payables	9,502.6	9,502.6	0
Finance lease payables	5,318.5	5,318.5	0
Amounts due to associates	636.9	636.9	0
Borrowings	38,846.5	38,846.5	0
Derivative financial instruments	10.9	0	10.9
Other liabilities	510.6	510.6	0
	54,826.0	54,815.1	10.9
Company			
Financial liabilities			
Payables	5,942.4	5,942.4	0
Finance lease payables	11,871.5	11,871.5	0
Amounts due to subsidiaries	1,258.1	1,258.1	0
Amounts due to associates	628.9	628.9	0
Borrowings	15,977.0	15,977.0	0
Other liabilities	467.5	467.5	0
	36,145.4	36,145.4	0

Net gains and losses arising from financial instruments are disclosed in Note 6, 9 and 10.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group and Company have exposure to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

Credit risk

Credit risk is the risk of a financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and Company's exposures to credit risk arise principally from its receivables from customers, investments, deposits, bank and cash balances and derivative instruments. In addition, the Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

(i) Receivables

Risk management objectives, policies and processes for managing the risk

The Group and Company have a credit policy in place and the exposures to credit risk are monitored on an ongoing basis. Normally, financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customer requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

The Group and Company's credit policy provide trade receivables with a 30 days (31.8.2017: 30 days) credit period. The Group and Company have no major significant concentration of credit risk due to their diverse customer base. An impairment has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtor and collection portfolio.

The total trade receivables and impairment provided are as follows:

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Trade receivables	**8,823.3**	8,467.6	**7,214.3**	7,099.0
Less: Impairment losses	**(1,551.4)**	(1,402.7)	**(1,442.0)**	(1,304.9)
	7,271.9	7,064.9	**5,772.3**	5,794.1

Given the varied nature of the Group and Company's customer base, the following analysis of trade receivables by type of customer is considered the most appropriate disclosure of credit concentration.

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Industrial	**1,941.6**	2,286.5	**1,871.0**	2,197.4
Commercial	**3,080.2**	2,756.3	**2,928.5**	2,615.0
Domestic	**2,407.2**	2,299.7	**2,291.0**	2,184.1
Specific agriculture	**22.1**	21.8	**22.1**	21.8
Mining	**13.6**	12.8	**13.6**	12.8
Public lighting	**100.0**	79.4	**88.1**	67.9
Others	**1,258.6**	1,011.1	**0**	0
	8,823.3	8,467.6	**7,214.3**	7,099.0

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses

The Group and Company maintain an ageing analysis in respect of trade receivables only.

The ageing of trade receivables as at the end of the financial period/year was:

31.12.2017	Gross RM'million	Individual impairment RM'million	Collective impairment RM'million	Net RM'million
Group				
Not past due	**5,187.8**	**(10.6)**	**(5.0)**	**5,172.2**
Past due 0-30 days	**569.1**	**(11.8)**	**(5.0)**	**552.3**
Past due 31-120 days	**1,255.2**	**(23.0)**	**(16.3)**	**1,215.9**
Past due 121-240 days	**436.2**	**0**	**(104.7)**	**331.5**
Past due more than 240 days	**1,375.0**	**(611.6)**	**(763.4)**	**0**
	8,823.3	**(657.0)**	**(894.4)**	**7,271.9**
Company				
Not past due	**4,608.7**	**(10.6)**	**(4.5)**	**4,593.6**
Past due 0-30 days	**349.9**	**(11.8)**	**(4.4)**	**333.7**
Past due 31-120 days	**776.6**	**(23.0)**	**(14.5)**	**739.1**
Past due 121-240 days	**383.0**	**0**	**(277.1)**	**105.9**
Past due more than 240 days	**1,096.1**	**(611.6)**	**(484.5)**	**0**
	7,214.3	**(657.0)**	**(785.0)**	**5,772.3**

31.8.2017	Gross RM'million	Individual impairment RM'million	Collective impairment RM'million	Net RM'million
Group				
Not past due	4,928.9	0	(5.8)	4,923.1
Past due 0-30 days	371.3	0	(5.0)	366.3
Past due 31-120 days	974.7	0	(19.2)	955.5
Past due 121-240 days	416.4	0	(43.2)	373.2
Past due more than 240 days	1,776.3	(591.0)	(738.5)	446.8
	8,467.6	(591.0)	(811.7)	7,064.9
Company				
Not past due	4,348.9	0	(5.2)	4,343.7
Past due 0-30 days	335.9	0	(4.5)	331.4
Past due 31-120 days	708.1	0	(17.3)	690.8
Past due 121-240 days	352.5	0	(39.3)	313.2
Past due more than 240 days	1,353.6	(591.0)	(647.6)	115.0
	7,099.0	(591.0)	(713.9)	5,794.1

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses (continued)

(i) Trade receivables that are neither past due nor impaired

With respect to the trade receivables that are neither past due nor impaired, there is no indication as of the reporting date that the debtors will not meet their payment obligations. The quality of these trade receivables is such that the Group and Company believe no impairment is necessary, except in situations where they are part of individually impaired trade receivables. Past historical collection trends are used to monitor the credit quality of these trade receivables.

(ii) Trade receivables that are past due but not impaired

Impairment was not made in respect of these past due trade receivables based on the past historical collection trends and available deposits. The Group and Company believe no impairment is required for other classes within receivables.

The movements in the impairment losses of trade receivables during the financial period/year were:

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
As at the beginning of the financial period/year	**(1,402.7)**	(1,284.6)	**(1,304.9)**	(1,199.8)
Impairment loss recognised	**(148.7)**	(631.5)	**(137.1)**	(612.7)
Impairment loss reversed	**0**	131.3	**0**	125.5
Provision written-off	**0**	382.1	**0**	382.1
As at the end of the financial period/year	**(1,551.4)**	(1,402.7)	**(1,442.0)**	(1,304.9)

The movements in the impairment losses of other receivables during the financial period/year were:

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
As at the beginning of the financial period/year	**(220.6)**	(206.5)	**(202.0)**	(203.9)
Impairment loss recognised	**(15.0)**	(35.7)	**(1.7)**	(17.5)
Impairment loss reversed	**5.8**	21.6	**2.0**	19.4
As at the end of the financial period/year	**(229.8)**	(220.6)	**(201.7)**	(202.0)

Trade receivables are secured by deposits in the form of cash and bank guarantees. The deposits amount are reviewed on an individual basis periodically.

(ii) Investments, deposits, bank and cash balances and derivative instruments

Risk management objectives, policies and processes for managing the risk

Investments, deposits, bank and cash balances and derivative instruments are allowed only in liquid securities and only with reputable financial institutions.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, the Group and Company do not expect any counterparty to fail to meet its obligations. The Group and Company do not have overdue investments that have not been impaired.

The investments, deposits, cash and bank balances and derivative instruments are unsecured.

Impairment losses

There was no impairment for investment in unquoted debt security recognised during the financial period (31.8.2017: RM6.7 million).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the financial period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries by the Company.

The total amounts due from subsidiaries and impairment provided are as follows:

	Company	
	31.12.2017 RM'million	31.8.2017 RM'million
Amounts due from subsidiaries	**6,072.2**	4,911.2
Less: Impairment losses	**(1,357.7)**	(1,358.9)
	4,714.5	3,552.3

Impairment losses

As at the end of the financial period, there was no indication that the loans and advances to the subsidiaries are not recoverable other than those which have already been impaired. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

The movement in the impairment losses of amounts due from subsidiaries during the financial period/year was:

	Company	
	31.12.2017 RM'million	31.8.2017 RM'million
As at the beginning of the financial period/year	**(1,358.9)**	(1,378.0)
Impairment loss recognised	**(13.3)**	(26.7)
Impairment loss reversed	**14.5**	45.8
As at the end of the financial period/year	**(1,357.7)**	(1,358.9)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's exposures to liquidity risk arise principally from its various payables, loans and borrowings.

The Group and Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the Group and Company to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and an associate. The maximum exposure to the Company amounts to RM1,968.5 million (31.8.2017: RM1,789.9 million) representing banking facilities utilised by the subsidiaries and an associate as at the end of the financial period. These banking facilities have been included as part of the Group's liabilities.

	Company	
	31.12.2017 RM'million	31.8.2017 RM'million
Below 1 year	**1,016.9**	959.2
1 to 2 years	**339.8**	319.2
3 to 5 years	**0**	0
More than 5 years	**611.8**	511.5
As at the end of the financial period/year	**1,968.5**	1,789.9

As at 31 December 2017, the Company has sufficient financial capacity and available facility to meet its obligations as and when they fall due within 12 months from the financial statement date.

The table below summarises the maturity profiles of the Group and Company's financial liabilities as at the end of the financial period/year based on the undiscounted contractual payments:

31.12.2017	Carrying amount RM'million	Contractual cash flows RM'million	Below 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
Group						
Non-derivative financial liabilities						
Payables	**8,697.1**	**8,697.1**	**8,697.1**	**0**	**0**	**0**
Finance lease payables	**5,210.5**	**8,205.5**	**697.9**	**701.3**	**2,093.1**	**4,713.2**
Amounts due to associates	**691.2**	**691.2**	**691.2**	**0**	**0**	**0**
Borrowings	**41,443.7**	**48,136.6**	**2,753.5**	**6,075.5**	**9,481.0**	**29,826.6**
Other liabilities	**517.2**	**531.0**	**263.8**	**264.3**	**0.7**	**2.2**
	56,559.7	**66,261.4**	**13,103.5**	**7,041.1**	**11,574.8**	**34,542.0**
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflows	**47.3**	**975.1**	**975.1**	**0**	**0**	**0**
	56,607.0	**67,236.5**	**14,078.6**	**7,041.1**	**11,574.8**	**34,542.0**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profiles of the Group and Company's financial liabilities as at the end of the financial period/year based on the undiscounted contractual payments: (continued)

31.12.2017	Carrying amount RM'million	Contractual cash flows RM'million	Below 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
Company						
Non-derivative financial liabilities						
Payables	**5,491.1**	**5,491.1**	**5,491.1**	**0**	**0**	**0**
Finance lease payables	**17,790.9**	**28,742.0**	**2,247.5**	**2,142.1**	**5,703.5**	**18,648.9**
Amounts due to subsidiaries	**1,086.3**	**1,086.3**	**1,086.3**	**0**	**0**	**0**
Amounts due to associates	**683.0**	**683.0**	**683.0**	**0**	**0**	**0**
Borrowings	**15,348.1**	**21,854.0**	**765.7**	**2,661.5**	**5,243.5**	**13,183.3**
Other liabilities	**473.5**	**487.3**	**242.1**	**242.6**	**0.6**	**2.0**
	40,872.9	**58,343.7**	**10,515.7**	**5,046.2**	**10,947.6**	**31,834.2**
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflows	**0.2**	**19.8**	**19.8**	**0**	**0**	**0**
	40,873.1	**58,363.5**	**10,535.5**	**5,046.2**	**10,947.6**	**31,834.2**

31.8.2017	Carrying amount RM'million	Contractual cash flows RM'million	Below 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
Group						
Non-derivative financial liabilities						
Payables	9,502.6	9,502.6	9,502.6	0	0	0
Finance lease payables	5,318.5	8,438.2	697.6	702.3	2,091.3	4,947.0
Amounts due to associates	636.9	636.9	636.9	0	0	0
Borrowings	38,846.5	55,822.9	3,681.5	5,237.8	14,876.5	32,027.1
Other liabilities	510.6	524.9	446.2	48.5	21.0	9.2
	54,815.1	74,925.5	14,964.8	5,988.6	16,988.8	36,983.3
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflows	10.9	161.0	161.0	0	0	0
	54,826.0	75,086.5	15,125.8	5,988.6	16,988.8	36,983.3

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profiles of the Group and Company's financial liabilities as at the end of the financial period/year based on the undiscounted contractual payments: (continued)

31.8.2017	Carrying amount RM'million	Contractual cash flows RM'million	Below 1 year RM'million	1-2 years RM'million	3-5 years RM'million	More than 5 years RM'million
Company						
Non-derivative financial liabilities						
Payables	5,942.4	5,942.4	5,942.4	0	0	0
Finance lease payables	11,871.5	16,825.3	1,947.3	1,947.8	4,907.6	8,022.6
Amounts due to subsidiaries	1,258.1	1,258.1	1,258.1	0	0	0
Amounts due to associates	628.9	628.9	628.9	0	0	0
Borrowings	15,977.0	23,335.7	787.0	2,057.2	6,093.4	14,398.1
Other liabilities	467.5	481.8	409.5	44.6	19.3	8.4
	36,145.4	48,472.2	10,973.2	4,049.6	11,020.3	22,429.1

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group and Company's financial positions or cash flows.

(i) Foreign currency risk

The Group and Company are exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group and Company. The currencies giving rise to this risk are primarily USD, JPY, PKR and EUR.

Risk management objectives, policies and processes for managing the risk

The Group and Company are required to hedge a minimum of 50.0% of TNB's known foreign currency exposure up to 12 months period. The Group and Company use forward exchange contracts and maintains foreign currencies float to hedge its foreign currency risk.

Exposure to foreign currency risk

The currency exposure of financial assets and financial liabilities of the Group and Company that are not denominated in the functional currency of the respective companies is set out below:

31.12.2017	USD RM'million	JPY RM'million	PKR RM'million	EUR RM'million	Others RM'million
Group					
Financial assets					
AFS financial assets	**0**	**0**	**0**	**0**	**0.7**
Deposits, bank and cash balances	**2,676.3**	**1.2**	**0**	**1.0**	**0**
	2,676.3	**1.2**	**0**	**1.0**	**0.7**
Financial liabilities					
Payables	**47.7**	**22.2**	**0**	**3.8**	**10.9**
Borrowings	**5,958.5**	**2,542.0**	**68.4**	**0**	**2.9**
	6,006.2	**2,564.2**	**68.4**	**3.8**	**13.8**
Company					
Financial assets					
Amounts due from subsidiaries	**112.1**	**0**	**0**	**0**	**0**
Deposits, bank and cash balances	**2,644.9**	**0**	**0**	**0**	**0**
	2,757.0	**0**	**0**	**0**	**0**
Financial liability					
Borrowings	**5,958.5**	**2,538.5**	**0**	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS
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45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

The currency exposure of financial assets and financial liabilities of the Group and Company that are not denominated in the functional currency of the respective companies is set out below: (continued)

31.8.2017	USD RM'million	JPY RM'million	PKR RM'million	EUR RM'million	Others RM'million
Group					
Financial assets					
AFS financial assets	0	0	0	0	0.5
Receivables	0.3	0	0	0	2.4
Deposits, bank and cash balances	2,856.4	0	0	0.3	5.2
	2,856.7	0	0	0.3	8.1
Financial liabilities					
Payables	84.6	34.3	0	57.5	11.2
Borrowings	6,307.3	2,809.1	14.0	0	0.5
	6,391.9	2,843.4	14.0	57.5	11.7
Company					
Financial assets					
Amounts due from subsidiaries	112.1	0	0	0	0
Deposits, bank and cash balances	2,829.1	0	0	0	0
	2,941.2	0	0	0	0
Financial liability					
Borrowings	6,307.3	2,803.5	0	0	0

Currency risk sensitivity analysis

A 10.0% strengthening of the foreign currencies against RM at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss/equity	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Group		
USD	**(275.1)**	(942.6)
JPY	**(55.3)**	(221.3)
Company		
USD	**(275.1)**	(942.6)
JPY	**(55.4)**	(220.9)

A 10.0% weakening of the foreign currencies against RM at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Foreign currency risk for the Group and Company which have a functional currency other than USD and JPY are not material and hence, sensitivity analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk

The Group and Company's investments in fixed rate debt securities and its fixed rate borrowings are not exposed to a significant risk of change in their fair values due to changes in interest rates. The Group and Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Group and Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the financial period/year was:

	Group		Company	
	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million	Financial period ended 31.12.2017 RM'million	Financial year ended 31.8.2017 RM'million
Fixed rate instruments:				
Financial assets	**4,403.0**	3,916.7	**3,565.0**	3,741.1
Financial liabilities	**45,381.3**	42,852.4	**31,916.3**	26,555.9
Floating rate instrument:				
Financial liabilities	**1,272.9**	1,312.6	**1,222.7**	1,292.6

The financial assets are not sensitive to interest rate changes.

A 10.0% change in the interest rates of the financial liabilities with floating interest rates at the end of the reporting period would have affected the Group and Company's profit or loss and equity by RM0.5 million (31.8.2017: RM0.8 million). This analysis assumes that all other variables, in particular foreign currency rates remained constant.

(iii) Other price risk

Other price risk arises from the Group and Company's investments in equity securities and unit trust funds.

Risk management objectives, policies and processes for managing the risk

The Group and Company are exposed to price risk because the investments held are classified on the statement of financial position as AFS and FVTPL. The Group and Company mainly invest in unit trust funds, primarily in short term deposits as underlying instruments with minimal price risk.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments

The carrying amounts of deposits, bank and cash balances, short term receivables and payables and short term borrowings approximate their fair values and are equivalent to nominal values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

The classifications in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value are summarised in the table below:

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
31.12.2017	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Group										
Financial assets										
Investment in unquoted debt security	0	0	0	0	0	318.5	0	318.5	318.5	318.5
Long term receivables	0	0	0	0	0	214.3	0	214.3	214.3	249.5
AFS financial assets	0	69.3	0	69.3	0	0	0	0	69.3	69.3
Financial assets at FVTPL	10,490.2	0	0	10,490.2	0	0	0	0	10,490.2	10,490.2
	10,490.2	69.3	0	10,559.5	0	532.8	0	532.8	11,092.3	11,127.5
Financial liabilities										
Borrowings	0	0	0	0	2,023.1	40,711.2	0	42,734.3	42,734.3	41,443.7
Other liabilities	0	0	0	0	0	520.6	0	520.6	520.6	517.2
Derivative financial instruments	0	47.3	0	47.3	0	0	0	0	47.3	47.3
	0	47.3	0	47.3	2,023.1	41,231.8	0	43,254.9	43,302.2	42,008.2
Company										
Financial assets										
Long term receivables	0	0	0	0	0	410.7	0	410.7	410.7	690.5
AFS financial assets	0	68.6	0	68.6	0	0	0	0	68.6	68.6
Amounts due from subsidiaries	0	0	0	0	0	357.6	0	357.6	357.6	527.6
Financial assets at FVTPL	3,850.5	0	0	3,850.5	0	0	0	0	3,850.5	3,850.5
	3,850.5	68.6	0	3,919.1	0	768.3	0	768.3	4,687.4	5,137.2
Financial liabilities										
Borrowings	0	0	0	0	2,023.1	14,112.9	0	16,136.0	16,136.0	15,348.1
Other liabilities	0	0	0	0	0	476.7	0	476.7	476.7	473.5
	0	0	0	0	2,023.1	14,589.6	0	16,612.7	16,612.7	15,821.6

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classifications in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value are summarised in the table below: (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
31.8.2017	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million	Level 1 RM'million	Level 2 RM'million	Level 3 RM'million	Total RM'million	RM'million	RM'million
Group										
Financial assets										
Investment in unquoted debt security	0	0	0	0	0	275.7	0	275.7	275.7	275.7
Long term receivables	0	0	0	0	0	245.4	0	245.4	245.4	258.2
AFS financial assets	0	71.9	0	71.9	0	0	0	0	71.9	71.9
Financial assets at FVTPL	12,221.9	0	0	12,221.9	0	0	0	0	12,221.9	12,221.9
Derivative financial instruments	0	1.2	0	1.2	0	0	0	0	1.2	1.2
	12,221.9	73.1	0	12,295.0	0	521.1	0	521.1	12,816.1	12,828.9
Financial liabilities										
Borrowings	0	0	0	0	2,176.9	39,910.2	0	42,087.1	42,087.1	38,846.5
Other liabilities	0	0	0	0	0	516.2	0	516.2	516.2	510.6
Derivative financial instruments	0	10.9	0	10.9	0	0	0	0	10.9	10.9
	0	10.9	0	10.9	2,176.9	40,426.4	0	42,603.3	42,614.2	39,368.0
Company										
Financial assets										
Long term receivables	0	0	0	0	0	400.5	0	400.5	400.5	694.1
AFS financial assets	0	71.2	0	71.2	0	0	0	0	71.2	71.2
Amounts due from subsidiaries	0	0	0	0	0	3,392.1	0	3,392.1	3,392.1	3,552.3
Financial assets at FVTPL	6,097.9	0	0	6,097.9	0	0	0	0	6,097.9	6,097.9
	6,097.9	71.2	0	6,169.1	0	3,792.6	0	3,792.6	9,961.7	10,415.5
Financial liabilities										
Borrowings	0	0	0	0	2,176.9	14,739.0	0	16,915.9	16,915.9	15,977.0
Other liabilities	0	0	0	0	0	475.7	0	475.7	475.7	467.5
	0	0	0	0	2,176.9	15,214.7	0	17,391.6	17,391.6	16,444.5

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfer between levels during the financial period.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivative financial instruments

The fair value is estimated by the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Non-derivative financial instruments

Fair value, which is determined for disclosure purpose, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

(v) Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, ranging between 0.1% to 8.9% (31.8.2017: 0.1% to 8.9%).

Although the Group and Company believe that their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values using expected cash flows and risk-adjusted discount rates based on the probability weighted average of the Group and Company's ranges of possible outcomes.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

45 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Offsetting of financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting arangements:

	Group			Company		
	Gross amounts recognised RM'million	Gross amounts set-off in the SOFP RM'million	Net amounts presented in the SOFP RM'million	Gross amounts recognised RM'million	Gross amounts set-off in the SOFP RM'million	Net amounts presented in the SOFP RM'million
Financial assets						
31.12.2017						
Amounts due from associates	**337.4**	**(5.4)**	**332.0**	**14.6**	**(5.4)**	**9.2**
Amounts due from subsidiaries	**0**	**0**	**0**	**5,626.8**	**(912.3)**	**4,714.5**
31.8.2017						
Amounts due from associates	240.2	(13.9)	226.3	14.9	(13.9)	1.0
Amounts due from subsidiaries	0	0	0	4,305.4	(753.1)	3,552.3
Financial liabilities						
31.12.2017						
Amounts due to associates	**(691.2)**	**0**	**(691.2)**	**(683.0)**	**0**	**(683.0)**
Amounts due to subsidiaries	**0**	**0**	**0**	**(4,130.5)**	**3,044.2**	**(1,086.3)**
31.8.2017						
Amounts due to associates	(636.9)	0	(636.9)	(628.9)	0	(628.9)
Amounts due to subsidiaries	0	0	0	(4,273.1)	3,015.0	(1,258.1)

46 CAPITAL RISK MANAGEMENT

The Group and Company's main objective of capital management is to safeguard the Group and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group and Company will also strive to maintain an optimal capital structure to reduce the cost of capital.

For the purpose of sustaining or changing the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders.

In order to be consistent with industry norms, the Group and Company monitor its capital structure on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital employed. Total borrowings include non-current borrowings, current borrowings and hire purchase as shown in the consolidated statement of financial position. Capital employed is the summation of total equity and total borrowings.

The gearing ratios are as follows:

	Group		Company	
	31.12.2017 RM'million	31.8.2017 RM'million	31.12.2017 RM'million	31.8.2017 RM'million
Total borrowings	**41,453.5**	38,857.5	**15,348.1**	15,977.0
Total equity	**58,129.8**	57,584.8	**51,845.2**	51,819.6
Total capital employed	**99,583.3**	96,442.3	**67,193.3**	67,796.6
Gearing ratios	**0.42**	0.40	**0.23**	0.24

The Group and Company have met all externally imposed capital requirements.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Leo Moggie and Datuk Seri Ir. Azman bin Mohd, the Directors of Tenaga Nasional Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 112 to 210 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and financial performance of the Group and of the Company for the financial period ended 31 December 2017 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors, in accordance with their resolution dated 28 February 2018.

TAN SRI LEO MOGGIE
CHAIRMAN

DATUK SERI IR. AZMAN BIN MOHD
PRESIDENT/CHIEF EXECUTIVE OFFICER

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Datuk Fazlur Rahman bin Zainuddin, the Officer primarily responsible for the financial management of Tenaga Nasional Berhad, do solemnly and sincerely declare that the financial statements set out on pages 112 to 210 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.

DATUK FAZLUR RAHMAN BIN ZAINUDDIN

Subscribed and solemnly declared by the abovenamed Datuk Fazlur Rahman bin Zainuddin at Kuala Lumpur, Malaysia on 28 February 2018, before me.

PESURUHJAYA SUMPAH
No. W607
Nama: GURDEEP SINGH
A/L JAG SINGH
MALAYSIA

5B, JALAN RAKYAT
(JALAN TRAVERS)
BRICKFIELDS
50470 KUALA LUMPUR

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 200866-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Tenaga Nasional Berhad ('the Company') and its subsidiaries ('the Group') give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the consolidated statement of financial position as at 31 December 2017 of the Group and of the Company, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 112 to 210.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TENAGA NASIONAL BERHAD
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 200866-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the Key Audit Matters
Revenue recognition for sales of electricity *Refer to Note 4 – Critical Accounting Estimates and Judgements and Note 5 – Revenue* Sales of electricity of RM15,827.1 million and RM14,820.6 million is the most significant component of the Group's and Company's revenue respectively for the financial period ended 31 December 2017. Revenue from sales of electricity is based on the end customers' consumption and the related tariff rates, which are governed by the Incentive Based Regulations imposed by the Energy Commission. We focused on the revenue recognition for sales of electricity as it involves the use of complex billing and accounting systems to process large volumes of data with different tariffs based on respective customer categories and consumption.	We performed the following audit procedures: • Tested the overall information technology general controls of the billing and accounting systems recording the revenue transactions. • Tested the application controls on the billing systems over the: - maintenance of tariff changes and the input of tariff changes to the billing systems; - accuracy of calculation of amounts billed to customers; and - recording of revenue transactions. • Tested the billings and revenue adjustments on a sampling basis to assess whether the revenue recognised and revenue adjustments are valid and recorded accurately. Based on the above procedures performed, we did not find any material exceptions.
Reinvestment Allowance ('RIA') Claims *Refer to Note 4 – Critical Accounting Estimates and Judgements and Note 42 – Contingent Liabilities* On 23 November 2015, Inland Revenue Board ('IRB') had disallowed the Company's RIA claims of RM2,068.2 million for Year Assessment 2013 and 2014 and had issued notices of additional assessments ('Notices') to the Company. The Company had filed an appeal to the Special Commissioners of the Income Tax ('SCIT') on the Notices. As at 31 December 2017, the Group and Company recorded a tax recoverable of RM1,765.1 million from IRB arising from the resubmission of tax computations in the financial year ended 31 August 2014, pursuant to the explicit approval given by IRB on 21 January 2013 on the eligibility of the Company in claiming RIA, and based on a legal view obtained from external legal counsel. In addition, the Group and Company have not recorded the potential tax liability arising from the tax impact if the RIA claimed is disallowed and the Company loses its appeal. We focused on this area due to the inherent uncertainties involved in the outcome of judgement on the RIA claims by the SCIT and by the Kuala Lumpur High Court, including if there is a subsequent appeal by either party.	We evaluated the Directors' assessment on the basis of recoverability of the tax recoverable of RM1,765.1 million and the potential tax liability by assessing the independent legal confirmation obtained from management's external legal counsel. Examined the correspondence between the Company and the tax authority and assessed the matters in dispute based on advice received from our own tax experts to review the basis of application of the relevant tax laws. Based on the procedures performed above, we did not find any material exceptions to the Directors' judgement in the treatment of the tax recoverable balance and the potential tax liability.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TENAGA NASIONAL BERHAD
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 200866-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the Key Audit Matters
Assessment on carrying value of post-employment benefits *Refer to Note 4 – Critical Accounting Estimates and Judgements and Note 33 – Employee Benefits* As at 31 December 2017, the Group and Company recorded post-employment benefits of RM11,785.1 million and RM11,318.8 million respectively. Management assessed the present value of post-employment benefit plans by relying on the actuarial valuation reports from an actuary. The actuarial valuation reports estimated the present value of post-employment benefit plans based on key assumptions that comprised expected rate of salary increases, medical cost inflation and discount rates. We focused on this area because of the estimates made by management in determining the present value of post-employment benefit plans.	We performed the following audit procedures: • Obtained an understanding of the terms and conditions of the post-employment benefit plans. • Tested the present value of post-employment benefit plans based on the actuarial valuation reports by performing the following: - Discussed with actuary the valuation method used and checked that the valuation method is acceptable in accordance with MFRS 119 'Employee Benefits'. - Discussed with actuary on the key assumptions used in the actuarial valuation and checked the reasonableness by comparing to historical data. - Checked the reasonableness of the discount rates with the assistance of our valuation experts by comparing to market yields of high quality government securities at reporting date. - Checked the membership data used in the actuarial models through inspection of payroll personnel files and other supporting documents. - Compared the fair value of plan assets based on the actuary report against the trustee's report. Based on the procedures performed above, we did not find any material exceptions to the Director's estimates of the post-employment benefits carrying value.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report, Statement on Risk Management and Internal Control and the Board Risk Committee Report, which we obtained prior to the date of this auditors' report, and the remaining Annual Report 31 December 2017 of Tenaga Nasional Berhad, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TENAGA NASIONAL BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 200866-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieve fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD
(INCORPORATED IN MALAYSIA)
(COMPANY NO. 200866-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers Plt

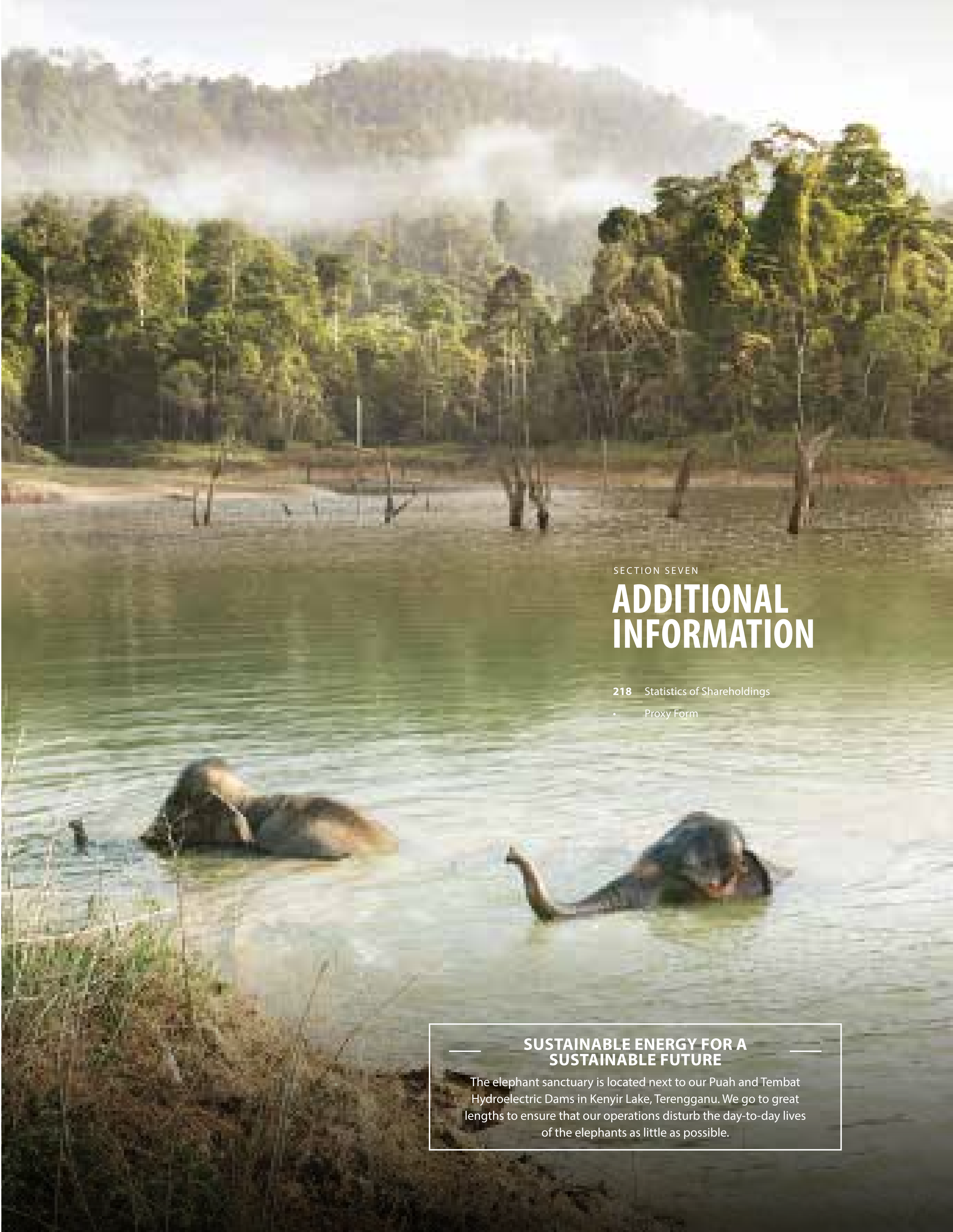
PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Amrit Kaur

AMRIT KAUR A/P KAUR SINGH
02482/01/2019 J
Chartered Accountant

Kuala Lumpur

28 February 2018



SECTION SEVEN

ADDITIONAL INFORMATION

SUSTAINABLE ENERGY FOR A SUSTAINABLE FUTURE

The elephant sanctuary is located next to our Puah and Tembat Hydroelectric Dams in Kenyir Lake, Terengganu. We go to great lengths to ensure that our operations disturb the day-to-day lives of the elephants as little as possible.

STATISTICS OF SHAREHOLDINGS

AS AT 7 MARCH 2018

SHARE CAPITAL

Issued Shares	:	5,665,986,271 ordinary shares One (1) Special Rights Redeemable Preference Share
Voting Right	:	One (1) vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
1 - 99	1,796	20	1,816	4.54	62,163	733	62,896	0.00
100 - 1,000	16,804	122	16,926	42.30	6,801,506	74,747	6,876,253	0.12
1,001 - 10,000	17,976	281	18,257	45.62	48,796,977	1,178,073	49,975,050	0.88
10,001 - 100,000	1,430	396	1,826	4.56	37,301,320	17,545,140	54,846,460	0.97
100,001 - less than 5% of issued shares	426	764	1,190	2.97	1,531,365,422	1,351,620,147	2,882,985,569	50.88
5% and above of issued shares	3	0	3	0.01	2,671,240,043	0	2,671,240,043	47.15
Total	**38,435**	**1,583**	**40,018**	**100.00**	**4,295,567,431**	**1,370,418,840**	**5,665,986,271**	**100.00**

ANALYSIS OF EQUITY STRUCTURE

No.	Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
		Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1.	Individuals	34,404	257	72,955,573	1,065,158	1.29	0.02
2.	Body Corporate						
	a. Banks/finance companies	136	3	1,354,863,775	600,046	23.91	0.01
	b. Investment trusts/foundation/ charities	6	0	167,112	0	0.00	0.00
	c. Other types of companies	326	11	1,613,788,732	7,648,562	28.48	0.14
3.	Government agencies/institutions	18	0	12,882,237	0	0.23	0.00
4.	Nominees	3,545	1,312	1,240,910,002	1,361,105,074	21.90	24.02
5.	Others	0	0	0	0	0.00	0.00
	Total	**38,435**	**1,583**	**4,295,567,431**	**1,370,418,840**	**75.81**	**24.19**

STATISTICS OF SHAREHOLDINGS

AS AT 7 MARCH 2018

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares Direct Interest	%
1.	Tan Sri Leo Moggie	-	-
2.	Datuk Seri Ir. Azman bin Mohd	54,600	0.00
3.	Datuk Seri Hashmuddin bin Mohammad	-	-
4.	Amran Hafiz bin Affifudin	-	-
5.	Dato' Abd Manaf bin Hashim	-	-
6.	Datuk Sakthivel Alagappan	-	-
7.	Tan Sri Dato' Seri Chor Chee Heung	-	-
8.	Gee Siew Yoong	-	-
9.	Noraini binti Che Dan	-	-
10.	Juniwati Rahmat Hussin	-	-
11.	Badrul Ilahan bin Abd Jabbar	-	-
12.	Tan Sri Dato' Seri Siti Norma binti Yaakob (*Cessation of Office as Director w.e.f. 18 December 2017*)	1,562	0.00

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,594,655,861	28.14
2.	Employees Provident Fund Board*	699,529,282	12.35
3.	Amanah Saham Bumiputera**	452,707,000	7.99
	Total	**2,746,892,143**	**48.48**

Notes:-

* *Registered with Citigroup Nominees (Tempatan) Sdn. Bhd.*

** *Registered with AmanahRaya Trustees Berhad*

TOP 30 SECURITIES ACCOUNT HOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,594,655,861	28.14
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	623,877,182	11.01
3.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	452,707,000	7.99
4.	Kumpulan Wang Persaraan (Diperbadankan)	246,441,825	4.35
5.	Permodalan Nasional Berhad	124,000,000	2.19
6.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt AN For State Street Bank & Trust Company (West CLT OD67)	113,523,630	2.00
7.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	101,604,000	1.79

STATISTICS OF SHAREHOLDINGS

AS AT 7 MARCH 2018

TOP 30 SECURITIES ACCOUNT HOLDERS (CONT'D.)

No.	Name of Shareholders	No. of Shares	%
8.	AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	84,000,000	1.48
9.	HSBC Nominees (Asing) Sdn. Bhd. BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	69,546,805	1.23
10.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	63,558,825	1.12
11.	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB For Prulink Equity Fund	59,879,250	1.06
12.	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA For Vanguard Total International Stock Index Fund	54,891,179	0.97
13.	AmanahRaya Trustees Berhad AS 1Malaysia	46,927,000	0.83
14.	HSBC Nominees (Asing) Sdn. Bhd. JPMBL SA For Nordea 1, Sicav	43,292,000	0.77
15.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN For AIA Bhd.	42,653,425	0.75
16.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)	36,000,000	0.64
17.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	31,897,875	0.56
18.	AmanahRaya Trustees Berhad Amanah Saham Didik	31,352,992	0.55
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (NOMURA)	31,255,000	0.55
20.	Cartaban Nominees (Asing) Sdn. Bhd. GIC Private Limited For Government Of Singapore (C)	30,549,575	0.54
21.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	25,530,000	0.45
22.	AMSEC Nominees (Tempatan) Sdn. Bhd. MTrustee Berhad For CIMB Islamic DALI Equity Growth Fund (UT-CIMB-DALI)	25,020,900	0.44
23.	Affin Hwang Nominees (Asing) Sdn. Bhd. RSS/SBL For Deutsche Bank Aktiengesellschaft (London Branch)	23,489,900	0.42
24.	Malaysian Nominess (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	20,864,850	0.37
25.	Pertubuhan Keselamatan Sosial	19,521,820	0.34
26.	Citigroup Nominees (Asing) Sdn. Bhd. Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	18,205,017	0.32
27.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG London (DB LN EQ HSE CE)	18,034,678	0.32
28.	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA For Stichting Depositary APG Emerging Markets Equity Pool	17,918,300	0.32
29.	AmanahRaya Trustees Berhad Public Ittikal Sequel Fund	17,620,200	0.31
30.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	16,752,500	0.30
	Total	**4,085,571,589**	**72.11**

PROXY FORM

TENAGA NASIONAL BERHAD
(200866-W)

28TH ANNUAL GENERAL MEETING

(Before completing the form, please refer to the notes overleaf)

Number of Ordinary Share(s) held	CDS Account No.
	– –

I/We, ____
(FULL NAME OF SHAREHOLDER AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

NRIC No./Passport No./Company No. ______________________ of ______________________
(FULL ADDRESS)

____
(FULL ADDRESS)

Telephone No. ______________________

being a Member of Tenaga Nasional Berhad, hereby appoint:

	FULL NAME OF PROXY AS PER NRIC IN CAPITAL LETTERS	NO. OF SHARES	PERCENTAGE (%)	
Proxy 1	 NRIC No./Passport No.:			or failing him/her
Proxy 2	 NRIC No./Passport No.:			or failing him/her
		TOTAL	**100%**	

the *Chairman of the Meeting, as my/our proxy, to attend and vote for me/us and on my/our behalf at the **28TH ANNUAL GENERAL MEETING ("28TH AGM")** of **TENAGA NASIONAL BERHAD ("TNB")** to be held at Tun Hussein Onn Hall, Level 2, Putra World Trade Centre, 41 Jalan Tun Ismail, 50480 Kuala Lumpur, Malaysia on **TUESDAY, 15 MAY 2018** at **10.00 a.m.** and/or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS		FOR	AGAINST
ORDINARY BUSINESS				
	Re-election of the following Directors who retire in accordance with Clause 64(1) of the Company's Constitution:			
1.	Dato' Abd Manaf bin Hashim	**ORDINARY RESOLUTION 1**		
2.	Datuk Sakthivel Alagappan	**ORDINARY RESOLUTION 2**		
3.	Gee Siew Yoong	**ORDINARY RESOLUTION 3**		
4.	Noraini binti Che Dan	**ORDINARY RESOLUTION 4**		
5.	Approval for Payment of Non-Executive Directors' Fees for the Financial Period ended 31 December 2017	**ORDINARY RESOLUTION 5**		
6.	Approval for Payment of Benefits to the Non-Executive Directors (excluding Non-Executive Directors' fees) from the 28TH AGM untill the Company's next Annual General Meeting ("AGM")	**ORDINARY RESOLUTION 6**		
7.	Re-appointment of Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration	**ORDINARY RESOLUTION 7**		
SPECIAL BUSINESS				
8.	Proposed Renewal of Share Buy-Back Authority	**ORDINARY RESOLUTION 8**		

Please indicate with an "X" in the box provided for each Resolution as how you wish your votes to be cast. If no voting instruction is given, the proxy(ies) is/are hereby authorised to vote, or abstain from voting at his/her/their discretion.

** If you do not wish to appoint the Chairman of the Meeting as your proxy/one (1) of your proxies, please strike out the words "the Chairman of the Meeting" and insert the name(s) of the proxy(ies) you wish to appoint in the blank spaces provided.*

Dated this __________ day of ____________________ , 2018

____
Signature(s) or Common Seal of Member(s)

NOTES:

1. A member of a Company shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, in accordance with Section 334(1) of the Companies Act 2016.
2. Only members whose names appear in the Record of Depositors as at 8 May 2018 shall be entitled to attend the AGM or appoint proxy(ies) to attend and/or vote on their behalf. There shall be no restriction as to the qualification of a proxy.
3. Where a member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where a member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
5. The instrument appointing a proxy/Proxy Form shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy/Proxy Form is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
6. A corporation which is a member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting in accordance with Clause 51 of the Company's Constitution.
7. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time appointed for the taking of the poll or **no later than 14 May 2018 at 12.00 p.m.**
8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the 28th AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.
9. Registration of members/proxies attending the Meeting will start from 7.00 a.m. on the day of the Meeting and shall remain open until such time as may be determined by the Chairman of the Meeting. At the closure thereof, no person will be allowed to register for the Meeting nor enter the Meeting venue. Members/proxies are required to produce identification documents for registration.

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AFFIX
STAMP

SYMPHONY SHARE REGISTRARS SDN. BHD.

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

2. Fold Here To Seal

TENAGA NASIONAL BERHAD (200866-W)

No. 129, Jalan Bangsar, 59200 Kuala Lumpur

Tel: +603 2180 4582 Fax: +603 2180 4589 Email: cosec@tnb.com.my

www.tnb.com.my

This Integrated Annual Report
for the 4-month period ended 31 December 2017
is printed on environmentally friendly paper.