GROWING BETTER TOGETHER

TENAGA NASIONAL
Better. Brighter.

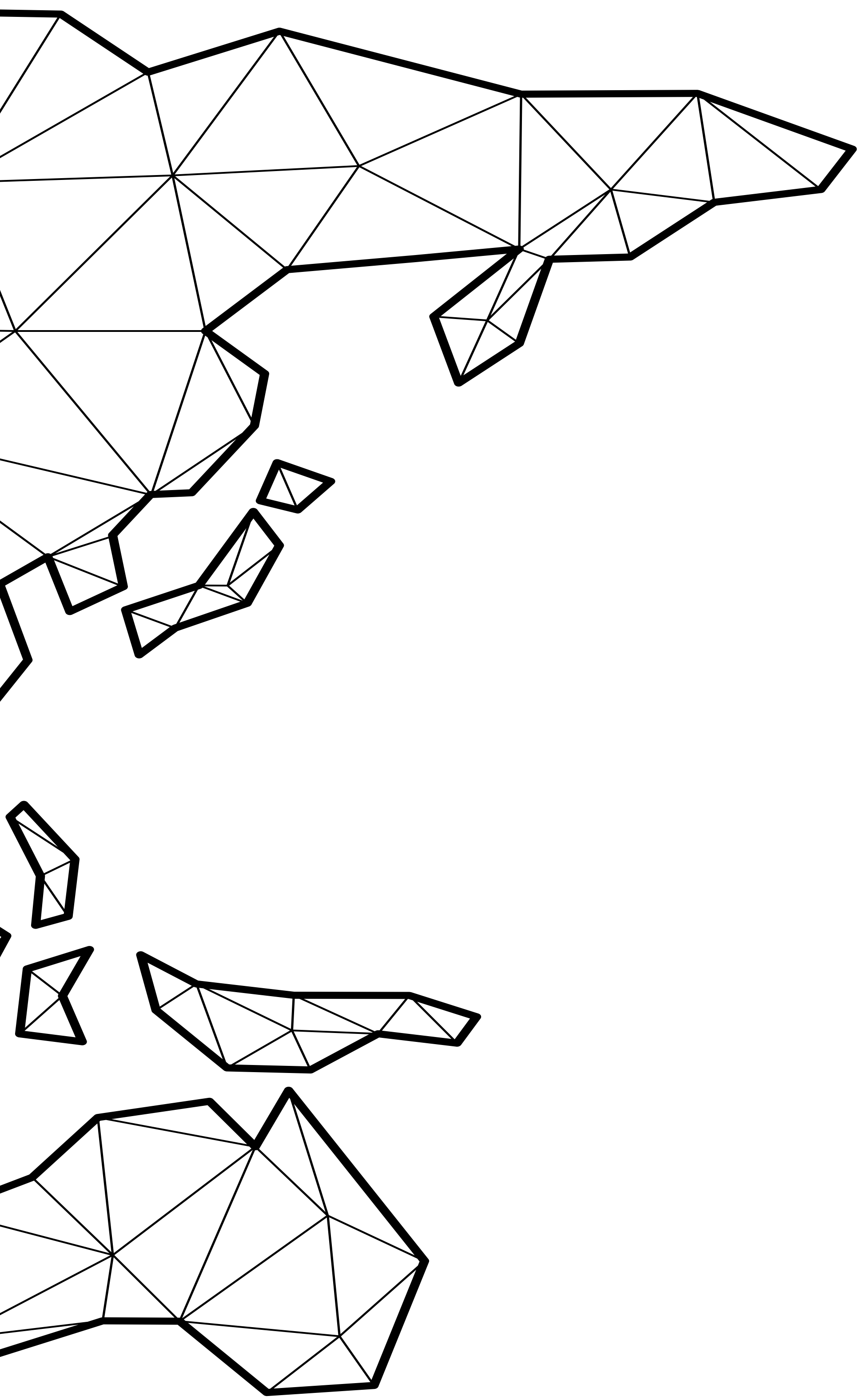
GROWING BETTER TOGETHER

TENAGA NASIONAL
Better. Brighter.

COVER RATIONALE

The cover for our Integrated Annual Report (IAR) 2017 reflects TNB's continued expansion as a Domestic and Regional Champion in the electricity utility industry. In pursuing this aspiration, we remain committed to delivering value and ensuring sustainability for our shareholders and all our other stakeholders. This is in line with the theme of our IAR this year, 'Growing Better Together'.

This also means driving innovation and transformative solutions to utilities across the Asia-Pacific region, as we seek to be a leader in providing higher standards and better quality of service in our industry.



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 in diverse markets from Europe to the Middle East and around Asia.

UNITED KINGDOM
- 50% equity ownership in a UK Solar Portfolio via Vortex Solar Investments Sarl

TURKEY
- 30% equity ownership in GAMA Enerji A.S.

SAUDI ARABIA
- REMACO O&M Services for Shuaibah IWPP
- IWPP: 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

PAKISTAN
- REMACO O&M services for Bong Hydro Plant
- REMACO O&M services for Liberty Power Ltd
- IPP: Liberty Power Ltd (USD272m) 235MW

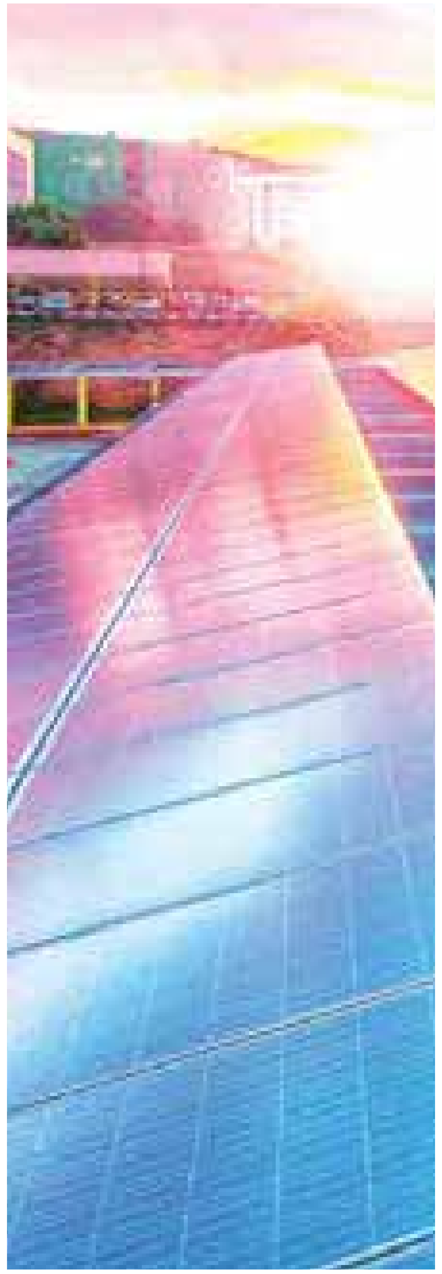
INDIA
- 30% equity ownership in GMR Energy Ltd
- REMACO MoU with GMR Energy Ltd for power plant O&M, performance improvement, testing and diagnostic services

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

For more information, kindly visit www.tnb.com.my

OUR BUSINESSES

GENERATION - Our Generation Division operates and maintains TNB's portfolio of electricity generating assets, ensuring sufficient and secure electricity supply to meet the Nation's energy needs. These are made up of thermal generation facilities as well as major hydro-generation schemes in Peninsular Malaysia. The Division also provides support for the operation and maintenance of six Independent Power Producers (IPPs).



CAPACITY

Total Equity Generating Capacity:

14,510.9MW

AVAILABILITY

Equivalent Availability Factor (EAF)

88.5%

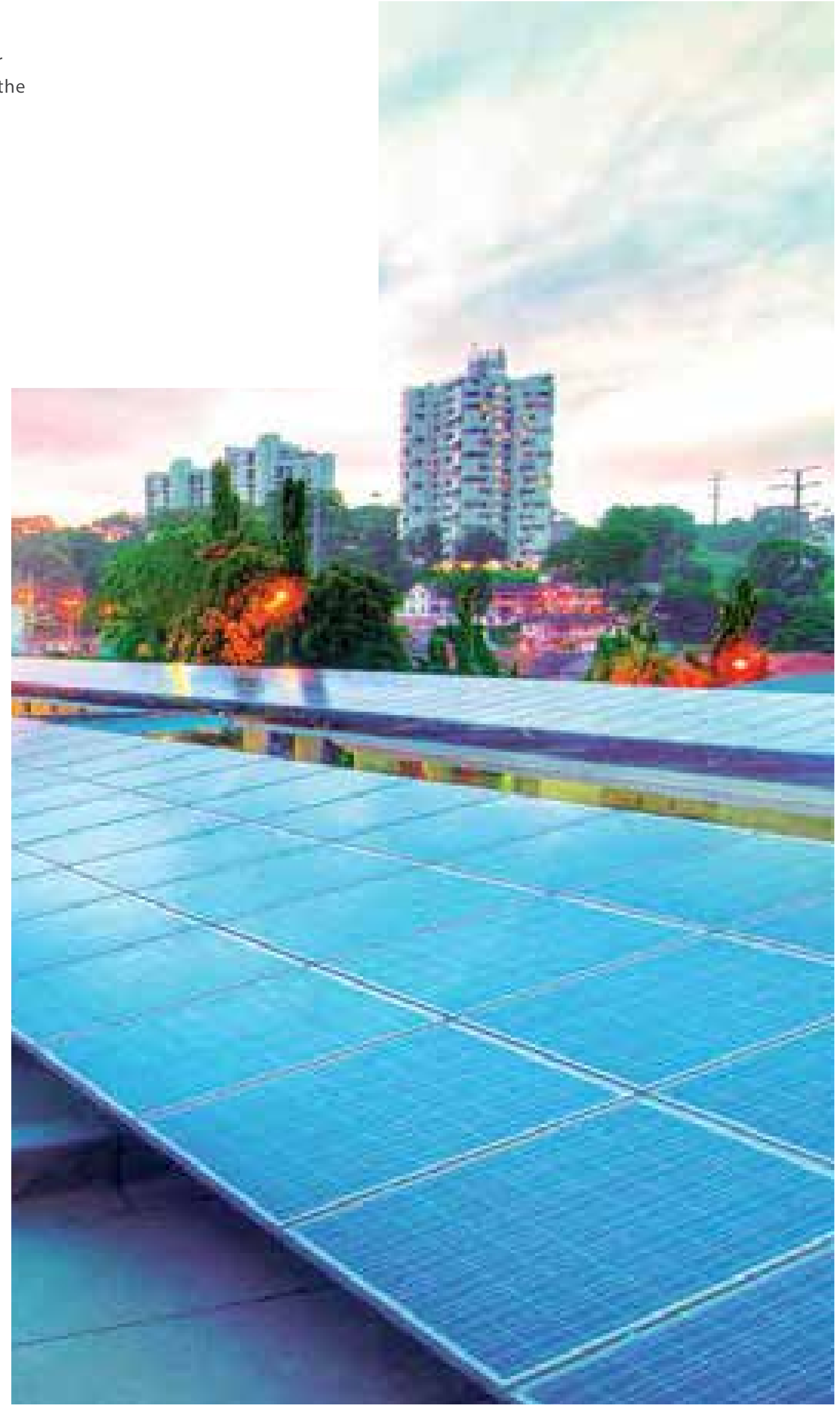
For wholly-owned power plants in Peninsular Malaysia

RELIABILITY

Equivalent Unplanned Outage Factor (EUOF)

2.7%

For wholly-owned power plants in Peninsular Malaysia



GRID - Our Grid Division enables our customers to access electricity by linking the electricity produced by our Company and the IPPs throughout Peninsular Malaysia with the Distribution Division's network. The Division also transmits electricity directly to large industrial customers through the National Grid.

SYSTEM MINUTES

0.2265

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

SYSTEM AVAILABILITY

99.79%

up from the previous year of 99.77%

TRANSMISSION LOSSES

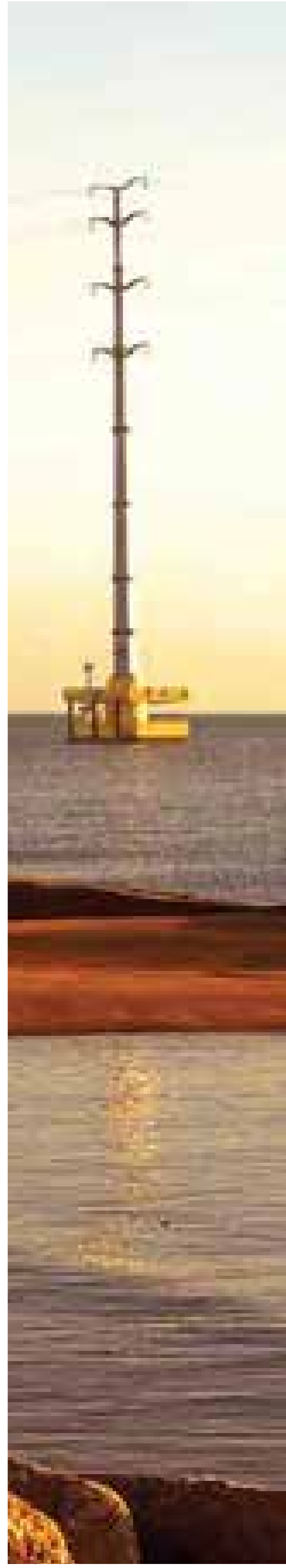
1.29%

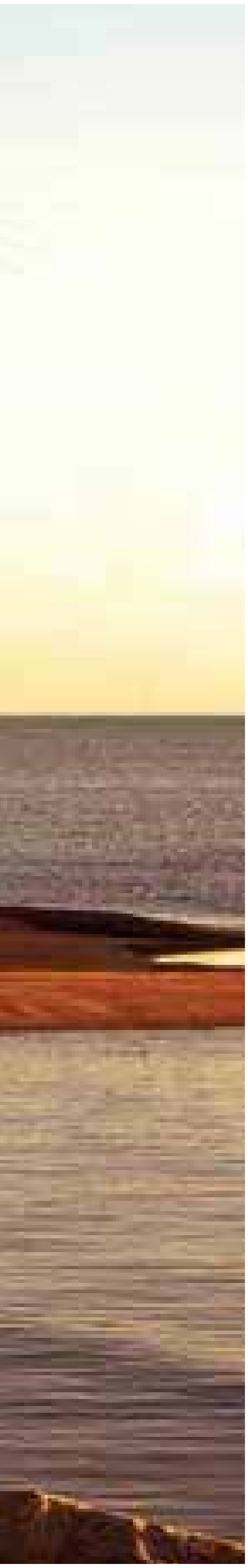
Low transmission losses (1.28% in FY2016)

SYSTEM RESILIENCE

Zero

Tripping with load loss for the 500kV and 275kV system for the 9th consecutive years





DISTRIBUTION - Our Distribution Division represents the customer-facing component of our operations and is responsible for planning, designing, building, operating and maintaining the Nation's electricity supply system. The Division is also tasked with marketing and sales of our electricity supply to ensure access to electricity reaches all Malaysians.

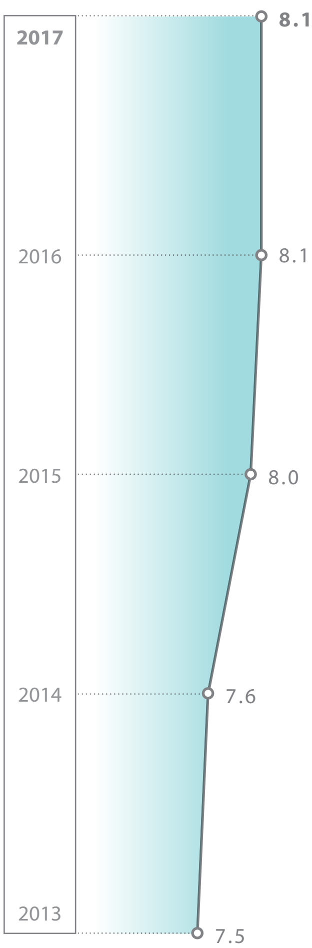
SAIDI

50.24

min/customer/year

CUSTOMER SATISFACTION INDEX

8.1



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

TABLE OF CONTENTS

NOTICE OF THE 27TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Seventh Annual General Meeting ("27th AGM") of Tenaga Nasional Berhad ("TNB" or "the Company") will be held on Monday, 18 December 2017 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 Year ended 31 August 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 approve the declaration of a final single-tier dividend of 44.0 sen per ordinary share for the Financial Year ended 31 August 2017. **Ordinary Resolution 1**

3. To re-elect the following Directors who were appointed to the Board during the year and retire in accordance with Article 133 of the Company's Articles of Association and being eligible offer themselves for re-election:

   (i) Juniwati Rahmat Hussin **Ordinary Resolution 2**
   (ii) Amran Hafiz bin Affifudin **Ordinary Resolution 3**
   (iii) Badrul Ilahan bin Abd Jabbar **Ordinary Resolution 4**

4. To re-elect the following Directors who retire by rotation in accordance with Article 135 of the Company's Articles of Association and being eligible offer themselves for re-election:

   (i) Datuk Seri Ir. Azman bin Mohd **Ordinary Resolution 5**
   (ii) Tan Sri Dato' Seri Chor Chee Heung **Ordinary Resolution 6**

5. To re-appoint Tan Sri Leo Moggie, who retires upon expiration of term of office at the conclusion of 27th AGM. **Ordinary Resolution 7**

   Tan Sri Dato' Seri Siti Norma binti Yaakob, who holds office until the conclusion of 27th AGM, has expressed her intention of not to seek for re-appointment and shall retain office until the conclusion of the 27th AGM.

6. To approve the payment of Non-Executive Directors' fees of RM2,629,677.41 for the Financial Year ended 31 August 2017. **Ordinary Resolution 8**

7. To approve the payment of benefits to the Non-Executive Directors amounting to RM3,003,000.00 from 31 January 2017 until the conclusion of the next Annual General Meeting ("AGM") of the Company. **Ordinary Resolution 9**

8. To re-appoint Messrs PricewaterhouseCoopers ("PwC"), having consented to act, as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **Ordinary Resolution 10**

AS SPECIAL BUSINESS:

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

9. 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 Memorandum and Articles of Association ("M&A"), 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 all or any of the following manner:

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

(b) the shares so purchased may be retained in treasury for distribution as dividend to the shareholders and/or resold on the market of BMSB and/or subsequently cancelled; and/or

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

(d) transfer the shares, or any of the shares for the purposes of or under an employees' shares scheme; and/or

(e) transfer the shares, or any of the shares as purchase consideration; and/or

(f) deal with the shares in any other manner as may be permitted by the applicable laws and/or regulations in force from time to time.

(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."

"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 11**

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

10. Proposed Alteration of Existing M&A in its entirety and substituting with a new Constitution of the Company ("Proposed Alteration").

"THAT subject to the approval of any other parties, if required, the Company's M&A be altered, modified, added and/or deleted, as the case may be, in the form and manner as set out in Appendix II of the Circular to Shareholders dated 21 November 2017."

"AND THAT the Board be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Alteration with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities or third parties to give effect to the Proposed Alteration." **Special Resolution 1**

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

NOTICE OF THE 27TH ANNUAL GENERAL MEETING

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 27th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository") in accordance with Article 87(B)(1) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 ("SICDA") to issue a General Meeting Record of Depositors ("ROD") as at 11 December 2017. Only a depositor whose name appears on the ROD as at 11 December 2017 shall be entitled to attend the said Meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Members at the 27th AGM to be held on 18 December 2017, a final single-tier dividend of 44.0 sen per ordinary share for the Financial Year ended 31 August 2017 will be paid on 29 December 2017 to Depositors whose names appear in the ROD on 21 December 2017.

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

(a) shares transferred into the Depositor's securities account before 4.00 p.m. on 21 December 2017 in respect of ordinary transfers; and

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

BY ORDER OF THE BOARD

NORAZNI BINTI MOHD ISA
(LS 0009635)
Company Secretary

Kuala Lumpur
21 November 2017

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 Resolution 1 – Final Single-Tier Dividend**

Pursuant to Section 131 of the Act, a Company may only make a distribution to the shareholders out of profits of the Company available if the Company is solvent. On 31 October 2017, the Board had considered the amount of final single-tier dividend to be paid and resolved to recommend the same for the shareholders' approval in accordance with Article 156 of the Company's Articles of Association.

The Directors are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution to be made on 29 December 2017 in accordance with Sections 132(2) and 132(3) of the Act.

(iii) **Ordinary Resolutions 2-6 – Proposed Re-election of Directors in accordance with Article 133 & 135 of the Company's Articles of Association**

Article 133 of the Company's Articles of Association provides among others, that the Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Article 135 of the Company's Articles of Association 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.

The Board and Board Nomination and Remuneration Committee ("BNRC") have conducted an assessment on the independence of all Independent Directors including Juniwati Rahmat Hussin, Badrul Ilahan bin Abd Jabbar and Tan Sri Dato' Seri Chor Chee Heung 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 evaluation of Juniwati Rahmat Hussin, Badrul Ilahan bin Abd Jabbar and Tan Sri Dato' Seri Chor Chee Heung and agree that they have met the Board's expectation in terms of experience, expertise, integrity, competency and commitment by continuously performing their duties diligently as Directors of the Company.

Datuk Seri Ir. Azman bin Mohd, an Appointed Director by the Minister of Finance (Incorporated) ("MoF Inc."), the Special Shareholder of TNB and Amran Hafiz bin Affifudin, an Appointed Director by Khazanah Nasional Berhad, a Major Shareholder of TNB, both are also standing for re-election.

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

At the 26th AGM duly held on 15 December 2016, the re-appointment of Tan Sri Leo Moggie and Tan Sri Dato' Seri Siti Norma binti Yaakob were approved by the shareholders for continuation in office until the conclusion of the 27th AGM pursuant to Section 129(6) of the Companies Act 1965.

With the enforcement of the Act with effect from 31 January 2017 and the abolishment of the Companies Act 1965, there is no age limit imposed for the Directors. The Ordinary Resolution 7 is tabled to seek the shareholders' approval for the continuation in office of Tan Sri Leo Moggie upon the expiry of his term of office. Should this resolution be passed, he shall thereafter be subject to retirement by rotation.

Tan Sri Leo Moggie is an Appointed Director by the MoF Inc., the Special Shareholder of TNB. Tan Sri Leo Moggie's extensive knowledge, experience and reputation in the energy-related industry are incomparable. He is also the Chairman of the Board Finance and Investment Committee and of several subsidiaries within TNB Group.

With the adoption of the Board's nine (9) year policy pursuant to the Malaysian Code on Corporate Governance 2017, Tan Sri Dato' Seri Siti Norma binti Yaakob has expressed her intention of not to seek for re-appointment and shall retain office until the conclusion of the 27th AGM of the Company.

The Board and BNRC hereby recommend for the re-election and re-appointment of the abovementioned Directors.

(v) **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 27th AGM on the Non-Executive Directors' remuneration through two (2) separate resolutions as follows:

Ordinary Resolution 8 on payment of Non-Executive Directors' fees in respect of the preceding Financial Year 2017; and

Ordinary Resolution 9 on the payment of benefits to the Non-Executive Directors amounting to RM3,003,000.00 from 31 January 2017 until the conclusion of 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 (ii) Board Committees	 RM2,500 RM2,000	 RM2,000 RM1,500	 RM1,500 RM1,000	 RM1,000 RM800
Benefits	Medical, Insurance, Business Peripherals, Travelling & Communication and other claimable benefits			

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

In determining the estimated total amount of other 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 9 be passed at the 27th AGM. The Board is of the view that it is just and equitable for the Non-Executive Directors' fees to be paid on monthly basis and/or as and when incurred, after the Non-Executive Directors have discharged their responsibilities and rendered their services to the Company.

(vi) **Ordinary Resolution 10 – Re-appointment of Auditors**

Based on the External Auditors Assessment Result for the Financial Year under review, the Board and Board Audit Committee 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 forthcoming AGM.

NOTICE OF THE 27TH ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESSES:

(i) **Ordinary Resolution 11 – 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 retained profits of the Company. 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 21 November 2017 dispatched together with the 2017 Integrated Annual Report.

(ii) **Special Resolution 1 – Proposed Alteration**

The proposed Special Resolution, if passed, shall streamline the Company's Constitution to be aligned with the enforcement of the Act and to enhance administrative efficiency. The details of Proposed Alteration is set out in Part II of the Circular to Shareholders dated 21 November 2017 dispatched together with the 2017 Integrated Annual Report.

Additional Information on Ordinary Resolutions 2 to 7

Additional Information on the particulars of the retiring Directors, as required under Appendix 8A of the MMLR is detailed out in the Statement Accompanying Notice of 27th AGM in the 2017 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. Only members whose names appear in the ROD as at 11 December 2017 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 SICDA, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.

4. 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 Article 107(6) of the Company's Articles of Association.

7. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time appointed for the taking of the poll or **no later than 17 December 2017 at 12.00 p.m.**

8. Pursuant to Paragraph 8.29A of the MMLR, voting at the 27th 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 27TH ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The Directors who were appointed to the Board during the year and are retiring in accordance with Article 133 of the Company's Articles of Association and seeking re-election:

(i) Juniwati Rahmat Hussin

(ii) Amran Hafiz bin Affifudin

(iii) Badrul Ilahan bin Abd Jabbar

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

(i) Datuk Seri Ir. Azman bin Mohd

(ii) Tan Sri Dato' Seri Chor Chee Heung

The Director who is standing for re-appointment upon expiration of term of office at the conclusion of 27th AGM:

(i) Tan Sri Leo Moggie

The profiles of the above Directors are set out in Our Board on pages 99 to 111 of this Integrated Annual Report.

Save for Datuk Seri Ir. Azman bin Mohd, none of the above Directors has any interest in the securities of the Company or its Subsidiaries. The detail of his shareholdings in the Company is set out in the Directors' Report on page 154 of the Audited Financial Statements of this Integrated Annual Report.

— MANJUNG 4 & 5 —

First two ultra-supercritical coal-fired power plants in the whole of Southeast Asia.

CHAPTER 01

OUR BUSINESS

Having established ourselves as Malaysia's largest electricity utility, TNB is now in the midst of expanding our presence globally. Our Generation, Transmission and Distribution businesses make us one of the few companies in the world operating throughout the entire electricity value chain. This also sets a clear sustainability agenda for our Company as we seek to cement our longevity through both recurring businesses which provide stable earnings; and new businesses which offer untapped opportunities for growth. These efforts ensure continued value creation for all our stakeholders over the long-term.

OUR REPORTING JOURNEY

In line with our Strategic Plan to develop into a world-class electricity utility, our reporting journey this year continues in the format of the Integrated Annual Report (IAR) which is aligned to global standards.

In doing so, we strive to provide all our stakeholders with meaningful analysis of our operations on the Economic, Environmental and Social (EES) fronts for a holistic disclosure of our efforts to ensure sustainability and deliver value not just for our business, but also for the energy industry, the communities we serve and the environment.

Following the adoption of the IAR as our reporting standard from last year, this year our reporting journey has once again progressed with the publication of a standalone Sustainability Report. This will supplement our Sustainability Statement within this IAR to provide further information on our sustainability activities.

This IAR records the performance of TNB's domestic and international operations for the Financial Year ended 31 August 2017 (FY2017) and details our strategies moving forward to achieve long-term sustainability. Indeed, our Strategic Plan forms a core component of our sustainability agenda, setting the goals and actions that our Company must accomplish to ensure we thrive within the rapidly changing energy industry landscape and achieve continued value creation for all our stakeholders.

For FY2017, our IAR and Sustainability Report have been guided by Bursa Malaysia's Sustainability Reporting Guide, the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and the International Integrated Reporting <IR> Framework.

NAVIGATION

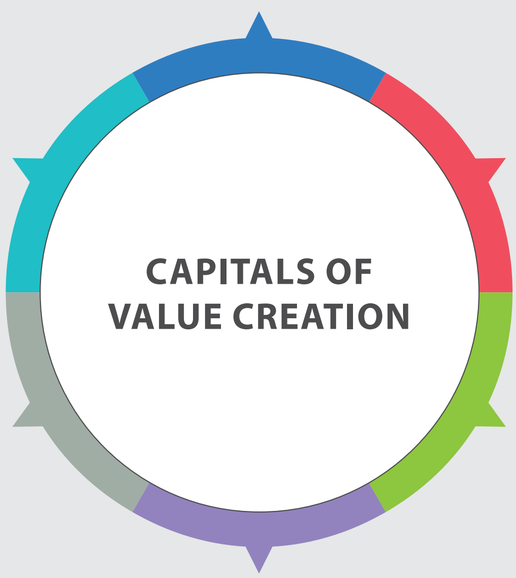
TNB's impact on and contributions to the six capitals of value creation described in the <IR> Framework are addressed in an integrated manner throughout this report, including all elements previously reported on in a separate sustainability section.

The following navigation icons are used throughout this report to highlight our reporting of the respective capital:

FINANCIAL CAPITAL
- Building a World-Class Supply Chain

MANUFACTURED CAPITAL
- Enhance Existing Capacity and Services
- Developing New Capacity and Services

INTELLECTUAL CAPITAL
- Opportunities for New Business Development



SOCIAL AND RELATIONSHIP CAPITAL
- Improve Customer Satisfaction
- Value-Adding Our Services
- Corporate Social Responsibility

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

HUMAN CAPITAL
- Safety at the Workplace
- Value Unlocking Programme (VUP)
- Engaging Our Employees
- Talent Sourcing and Development
- Leadership Development Programme
- Employee Well-being

This icon indicates where more details can be accessed elsewhere in this report.

A BRIGHTER FUTURE FOR YOUNG MINDS

For many, education is a springboard to success in life and thus, we have long lent whatever support we can to help deserving students in their pursuit of academic excellence. We do all this to better lives for a brighter tomorrow.

KEY HIGHLIGHTS

UNIT DEMAND GROWTH

1.0%

4.0% in FY2016

CAPEX

RM12.1 billion

RM11.4 billion in FY2016

ROA*

5.4%

6.4% in FY2016

* *Based on adjusted net profit*

EBITDA MARGIN

32.6%

33.2% in FY2016

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RM6,904.0 million

RM7,367.6 million in FY2016

AVERAGE COAL PRICE

USD72.7/mt

USD55.7/mt in FY2016

OPERATING EXPENSES INCREASE/(DECREASE)

8.0%

1.9% in FY2016

REVENUE GROWTH

(Sales of Electricity: Peninsular at **0.7%*** and SESB at **-0.4%**)

6.5%

* *Excludes Imbalance Cost Pass-Through*

KEY FINANCIAL HIGHLIGHTS

	GROUP		COMPANY	
YEAR ENDED 31 AUGUST	**2016**	**2017**	**2016**	**2017**
PROFITABILITY (RM Million)				
Revenue	44,531.5	**47,416.9**	41,272.1	**44,204.3**
Operating profit	9,072.0	**9,364.0**	8,678.9	**8,737.9**
Profit before taxation and *zakat*	8,066.8	**8,281.8**	7,477.4	**7,541.7**
Net profit attributable to owners of the Company	7,367.6	**6,904.0**	6,761.0	**6,295.7**
KEY BALANCE SHEET DATA (RM Million)				
Property, plant and equipment	96,512.7	**103,083.7**	74,916.3	**75,841.9**
Total assets	132,902.2	**142,012.4**	105,513.2	**113,261.9**
Total borrowings	34,306.7	**38,846.5**	10,762.9	**15,977.0**
Total liabilities	80,302.5	**84,427.6**	58,037.0	**61,442.3**
Share capital	11,025.8	**11,124.9**	11,025.8	**11,124.9**
Shareholders' equity	52,599.7	**57,584.8**	47,476.2	**51,819.6**
SHARE INFORMATION				
Per share (sen)				
Basic earnings	130.55	**122.00**		
Diluted earnings	130.16	**121.52**		
Dividend (sen):				
- Interim	10.00	**17.00**		
- Final	22.00	**44.00**		
Net assets per share attributable to owners of the Company	928.3	**1,009.2**		
FINANCIAL RATIOS				
Return on assets (%)	6.4	**5.4**		
EBITDA margin (%)	33.2	**32.6**		
Debt-equity (net of cash) ratio	0.33	**0.37**		

SIX-YEAR GROUP FINANCIAL SUMMARY

	GROUP					
YEAR ENDED 31 AUGUST	2012 (Restated)	2013 (Restated)	2014	2015	2016	2017
OPERATING RESULTS (RM MILLION)[1]						
Revenue	35,848.4	37,130.7	42,792.4	43,286.8	44,531.5	**47,416.9**
Operating profit	6,680.8	5,906.9	7,181.0	8,627.6	9,072.0	**9,364.0**
Profit before taxation and *zakat*	5,821.1	5,925.1	7,114.7	7,133.7	8,066.8	**8,281.8**
Net profit attributable to owners of the Company	4,410.5	5,356.2	6,467.0	6,118.4	7,367.6	**6,904.0**
KEY BALANCE SHEET DATA (RM MILLION)[2]						
Property, plant and equipment	64,769.9	75,460.5	83,045.1	90,300.3	96,512.7	**103,083.7**
Total assets	88,469.1	99,999.3	110,665.4	117,135.0	132,902.2	**142,012.4**
Total borrowings	23,071.8	22,888.4	25,456.0	24,698.9	34,306.7	**38,846.5**
Total liabilities	53,311.8	62,028.6	67,206.2	69,668.1	80,302.5	**84,427.6**
Share capital	5,501.6	5,643.6	5,643.6	5,643.6	11,025.8	**11,124.9**
Shareholders' equity	34,897.7	37,693.1	43,222.0	47,208.0	52,599.7	**57,584.8**
SHARE INFORMATION						
Per share (sen)						
Basic earnings	80.71	96.13	114.59	108.41	130.55	**122.00**
Diluted earnings	80.51	95.96	114.59	108.41	130.16	**121.52**
Gross dividend	20.09	25.00	29.00	29.00	32.00	**61.00**
Net assets	634.3	667.9	765.9	836.5	928.3	**1,009.2**
Share price as @ 31 August (RM)	6.84	8.73	12.38	11.18	14.74	**14.28**
FINANCIAL RATIOS[3]						
Return on assets (%)	4.5	5.6	6.2	6.6	6.4	**5.4**
Return on shareholders' equity (%)	11.4	14.7	15.8	16.3	16.1	**13.3**
Gearing (%)	39.6	37.6	36.9	34.2	39.5	**40.3**
EBITDA margin (%)	25.9	28.1	28.2	32.2	33.2	**32.6**
Effective weighted average cost of funds (%)	4.9	4.7	4.9	4.8	5.1	**4.7**
Interest coverage (%)	11.3	11.7	13.8	14.7	14.2	**10.6**
Currency mix (RM:Foreign)	65:35	71:29	77:23	78:22	83:17	**77:23**
Debt-equity (net of cash) ratio[4]	0.41	0.35	0.32	0.33	0.33	**0.37**

[1] *Amounts for periods prior to FY2012 have not been restated for the Amendments to MFRS 119 which was early adopted in FY2013.*
Amounts for periods prior to FY2013 have not been restated for the Amendments to MFRS 10 and MFRS 116 which were adopted during the financial year.

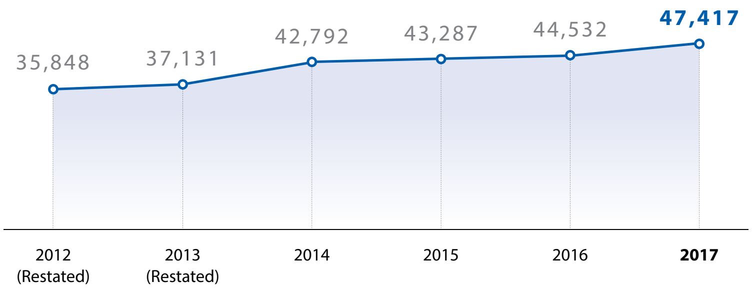
[2] *Balances prior to 1 September 2011 have not been restated for the Amendments to MFRS 119 which was early adopted in FY2013.*
Balances prior to 1 September 2012 have not been restated for the Amendments to MFRS 10 and MFRS 116 which were adopted during the financial year.

[3] *Based on adjusted net profit; FY2011 and FY2012 - after adjusting for Fuel Cost Compensation in respective periods.*

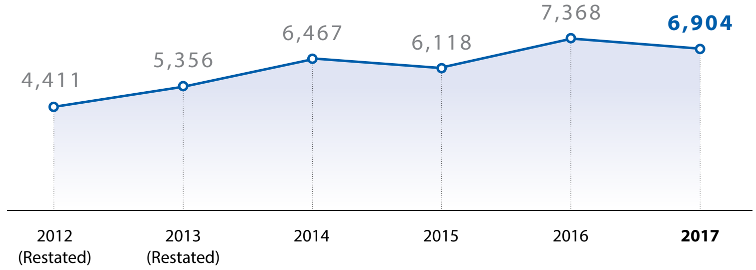
[4] *Cash for FY2014 until FY2017 includes financial assets at fair value through profit or loss.*

SIX-YEAR GROUP GROWTH SUMMARY

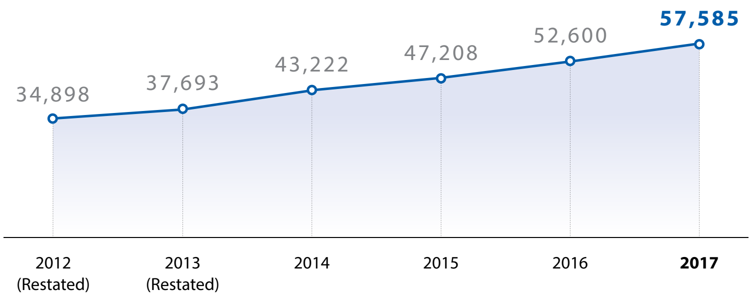
REVENUE (RM Million)



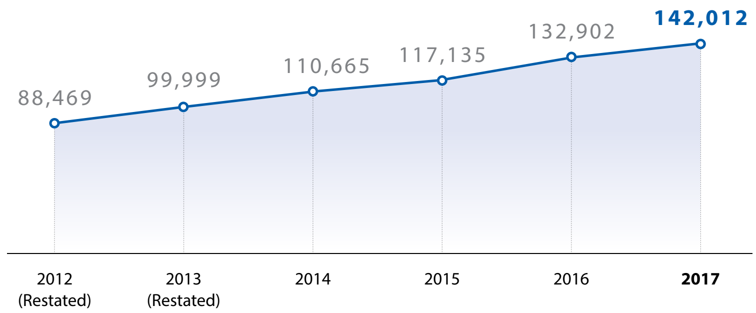
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM Million)



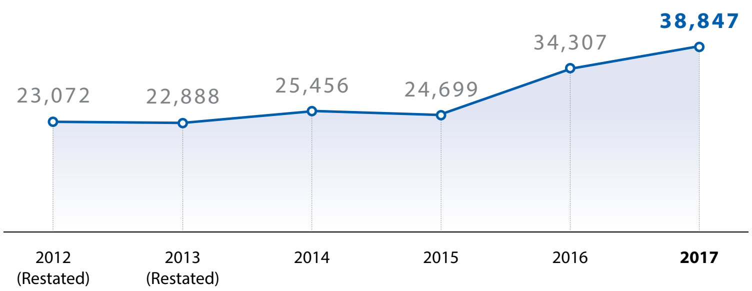
SHAREHOLDERS' EQUITY (RM Million)



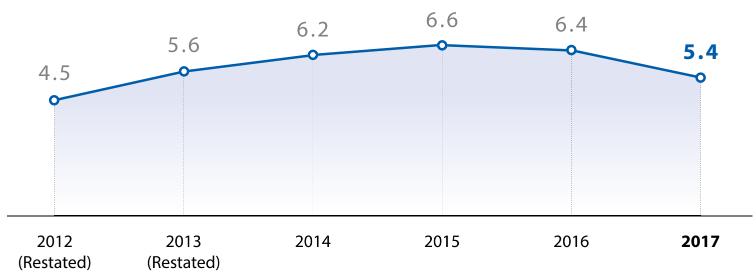
TOTAL ASSETS (RM Million)



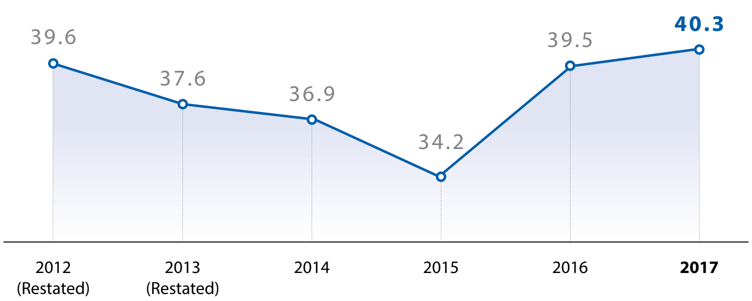
TOTAL BORROWINGS (RM Million)



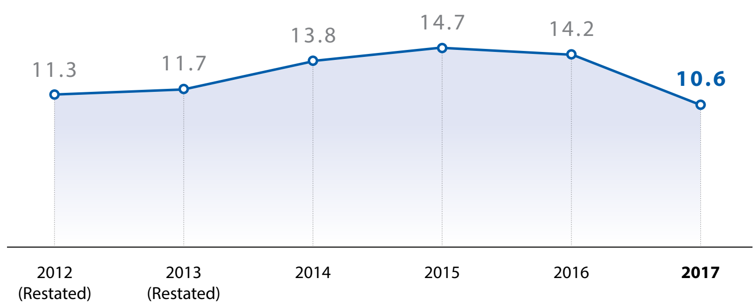
RETURN ON ASSETS* (%)



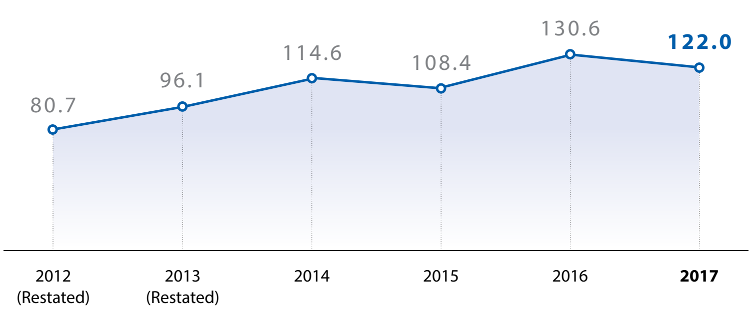
GEARING (%)



INTEREST COVERAGE (%)



BASIC EPS (Sen)



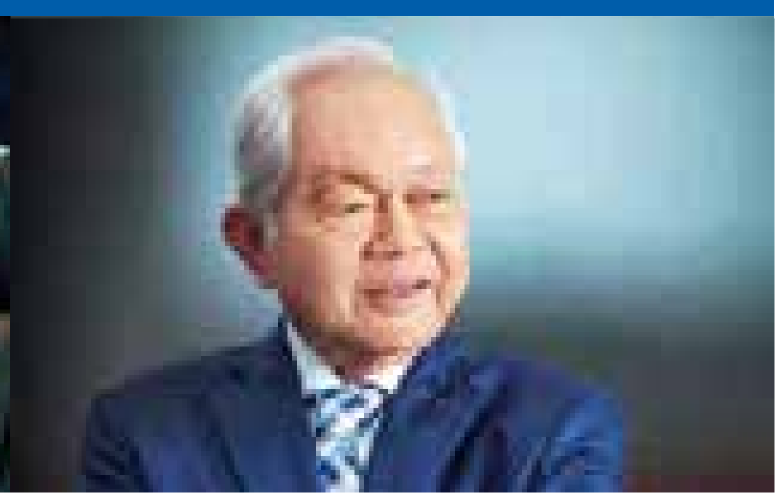
* *FY2011 & FY2012 - After adjusting for Fuel Cost Compensation in respective periods.*

CHAIRMAN'S LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS OF TENAGA NASIONAL BERHAD,

I AM PLEASED TO PRESENT OUR INTEGRATED ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017 (FY2017). OUR COMPANY CONTINUED TO REGISTER SOLID RESULTS THIS YEAR, DEMONSTRATING OUR ABILITY TO DELIVER SUSTAINABLE AND STABLE EARNINGS WHILE PURSUING OUR GROWTH AGENDA.

TAN SRI LEO MOGGIE
Chairman



Dividend Policy

30% to **60**%
of PATAMI

Profit After Tax

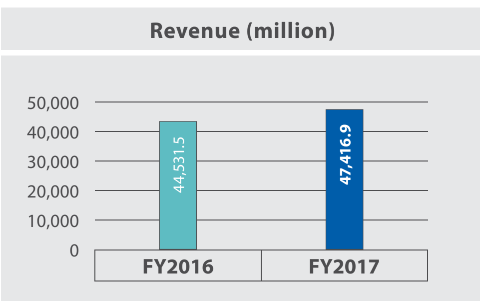
RM **6.9** billion
YoY -5.6%

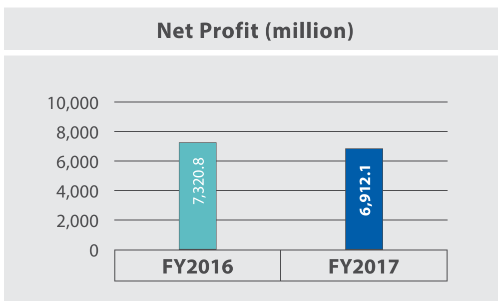
Total Dividend per Share

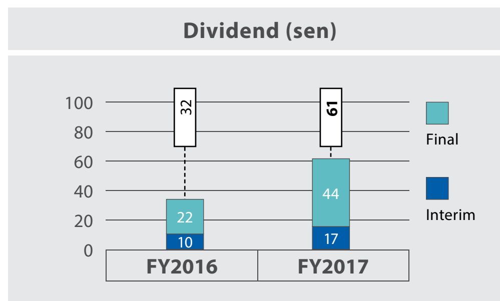
61.0 sen
YoY +90.6%

CHAIRMAN'S LETTER TO SHAREHOLDERS

Board of Directors being briefed on Jimah East Power Plant project, which is targeted to be completed in 2019.







FINANCIAL POSITION INTACT

TNB's performance over the past three years has delivered huge value to our shareholders. As testament to the value we have created for you, our shareholders, TNB received the Gold award for highest growth in profit after tax over three years at The Edge Billion Ringgit Club awards in 2017, as well as the Silver award for highest returns to shareholders over three years.

TNB RECEIVED THE GOLD AWARD FOR HIGHEST GROWTH IN PROFIT AFTER TAX OVER THREE YEARS AT THE EDGE BILLION RINGGIT CLUB AWARDS IN 2017, AS WELL AS THE SILVER AWARD FOR HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS.

I am pleased to announce that we have revised the Company's dividend policy to a 30%-60% dividend payout ratio of profit after tax and minority interests (PATAMI). For FY2017, the Board recommends a total dividend payout of 50% of PATAMI, equivalent to RM3.5 billion, which is almost double the dividend payout in FY2016. This marks our highest dividend payout to date.

More importantly, the dividend payout will create multipliers through our institutional investors such as Kumpulan Wang Simpanan Pekerja (KWSP), Permodalan Nasional Berhad (PNB), Kumpulan Wang Persaraan (KWAP) and Lembaga Tabung Haji (LTH), who can pass on the returns to their account holders, the rakyat.

The recommended final single tier dividend for FY2017 is 44.0 sen, bringing the total dividend to 61.0 sen per ordinary share for the financial year against 32.0 sen in FY2016. The total final dividend is subject to shareholders' approval at the 27th Annual General Meeting.

I would like to take this opportunity to announce that beginning January 2018, we will be changing our financial year-end to 31 December from the current 31 August. This is in line with the annual reporting period of the majority of public-listed companies in Malaysia. We also believe the change of our fiscal year to coincide with the calendar year will enable us to improve planning of our activities and align our reporting with industry milestones, such as the Incentive Based Regulation (IBR) regulatory period and the Imbalance Cost Pass-Through (ICPT) calculation timetable.

CHAIRMAN'S LETTER TO SHAREHOLDERS

STABLE INDUSTRY LANDSCAPE CONDUCIVE FOR GROWTH

The ICPT is implemented under the IBR framework with continued commitment from the Government of Malaysia. Since its introduction in 2014, it has served as the bedrock of stability for the Malaysian electricity supply industry.

The ICPT allows TNB to reflect any increase or decrease in fuel and other generation-related costs in the electricity tariff every six months subject to the Government's decision and approval. Consumers also benefit as they are only charged the actual cost of electricity generation. For the year under review, all customers continued to enjoy a rebate on their tariff, except for domestic customers with monthly usage of 300kWh and below. Although not affected by the ICPT adjustments, these domestic customers with monthly consumption of 300kWh and below continue to benefit from lower tariff rates in line with the Government's policy to protect the most deserving segments of the society.

We consistently engage with the Government, Energy Commission (EC) and all our stakeholders to ensure the successful implementation of both the IBR framework and ICPT mechanism. Negotiations with the Government and EC on the forecasted industry costs and tariffs for the upcoming Second Regulatory Period (2018-2020) are ongoing. The Government's decision is expected by the end of 2017. We are confident the new regulatory period will continue to be beneficial for all stakeholders of the Malaysian electricity supply industry.

CHAMPIONING SUSTAINABILITY

As Malaysia's leading utility company, TNB believes that our value lies not only in providing access to electricity to homes and businesses throughout the country, but also in adopting sustainable activities in our operations to improve societal and environmental outcomes. It is in this way that we can ensure the sustainability of our business alongside the continued growth and development of the community.

PINTAR-TNB school adoption programme helps identify, nurture and groom future leaders.

As part of these efforts, we have put in place our Green Policy which guides us in minimising our environmental impact by adopting sustainable practices and developing our green energy business whilst reducing our carbon footprint through energy-efficient operations. To this end, we have been expanding our portfolio of clean power assets which now includes two ultra-supercritical coal-fired power plants, Manjung 4 and the recently commissioned Manjung 5, our Large Scale Solar (LSS) plant currently under development in Kuala Langat, Selangor, biomass power plant in Jengka, Pahang and two biogas power plants in Layang-Layang, Johor and Bagan Datuk, Perak.

At the centre of our drive to empower the community sustainably is our contributions in education. We support the development of the talent pipeline among Malaysian youths at all levels, in both academic and vocational education. Our aim is to nurture young talents in fulfilling their potential to bring about change for a better future for all.

We remain a staunch advocate of the PINTAR Programme and are now in our 10th year of the school adoption initiative. To date, we have supported 58 schools through activities such as parent and teacher engagement sessions, provision of remedial and extra classes, exam preparation as well as team building and motivational courses, among others. In FY2017, we adopted 18 new schools throughout the country following the successful graduation of 13 schools from the programme.

This year, we collaborated with Yayasan AMIR on their Trust Schools programme by adopting eight schools across the country located near our power stations. We believe this is one of the ways to contribute to the communities closest to us. Through this partnership, we aim to embed an innovative culture in the participating schools and develop 21st century leaders by specifically improving the curriculum and delivery of education.

Our support for tertiary students is undertaken via our Yayasan Tenaga Nasional (YTN) foundation, which provides scholarships, study loans and motivational programmes. In FY2017, YTN provided assistance to 1,963

WE ADOPTED	YTN PROVIDED ASSISTANCE TO	ILSAS HAS PROVIDED
26 new schools	**1,963** outstanding students	technical and specialised training for over **30 years**

outstanding students to further their tertiary studies in local and foreign universities.

Beyond the classroom, we further empower our Nation's technical talents through our support of vocational education programmes. Our subsidiary, TNB Integrated Learning Solution (ILSAS) is an Industry Lead Body which has provided technical and specialised training for over 30 years. Initially catering for TNB's technical talent needs, ILSAS now offers industry-wide vocational training to the public, focusing on courses for electrical technicians, chargemen and cable jointers. In FY2017, ILSAS in collaboration with Yayasan Peneraju Pendidikan Bumiputera provided financial assistance and vocational training to 541 Malaysians as part of our drive to provide vocational upskilling to the public at large.

Through our participation in the Skim Latihan 1Malaysia (SL1M) programme, we provide graduates with on-the-job training and help develop their soft skills. In FY2017, we selected 624 trainees to participate in this programme under two sessions in September and November 2016.

It is our hope that these initiatives will be able to contribute towards empowering positive change for all Malaysians.

LIGHTING THE WAY TO THE FUTURE

The Malaysian energy industry is now in a more exciting time than ever, marked by rapid changes in the operating landscape and customer needs.

We are confident that our experience as Malaysia's largest electricity provider and our growing presence in overseas markets makes us well-placed to remain the leading name in the energy industry at home and globally. Our Strategic Plan launched last year has put in place measures to ensure this by continuously improving and expanding our domestic services while leveraging acquisitions abroad and focusing on the renewable energy sphere to further bolster our capacity.

ACKNOWLEDGEMENTS

I would like to take this opportunity to record our Company's appreciation to the Malaysian Government and regulatory bodies. The Board of Directors is also ever grateful to TNB's Management and employees for their tireless efforts to achieve our long-term aspirations. I would also like to extend our appreciation to our suppliers, contractors and vendors for their role in supporting our operations.

To my esteemed colleagues on the Board of Directors, I record my personal gratitude for their time, counsel and stewardship.

Most importantly, on behalf of our entire Company, I would like to express our thanks to our shareholders and customers for their trust and support in TNB.

TAN SRI LEO MOGGIE
Chairman

STUDENTS TAKING AN ACTIVE ROLE IN HELPING TO GREEN THE ENVIRONMENT IN LINE WITH TNB'S GREEN POLICY.

CEO'S STRATEGIC & OPERATIONAL REVIEW

TO THE VALUED SHAREHOLDERS OF TENAGA NASIONAL BERHAD,

I AM PLEASED TO REPORT TO YOU THAT YOUR COMPANY REMAINS ON A POSITIVE TRAJECTORY IN ITS JOURNEY TOWARDS BECOMING A DOMESTIC AND REGIONAL CHAMPION. GUIDED BY OUR STRATEGIC PLAN 2017-2025, REFERRED INTERNALLY AS REIMAGINING TNB, YOUR COMPANY CONTINUED TO DELIVER STABLE EARNINGS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017 (FY2017). YOUR COMPANY ALSO ACHIEVED STEADY EXPANSION OF ITS GLOBAL FOOTPRINT AS WE ASPIRE TO GROW INTO A LEADING UTILITY COMPANY ACROSS THE GLOBE BY 2025 TO ENSURE WE CREATE SUSTAINABLE VALUE FOR YOU, OUR SHAREHOLDERS.

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

EBIT

RM **9,364.0** million

YoY +3.2%

Basic Earning Per Share (EPS)

122.0 sen

YoY -6.5%

Total Assets

RM **142.0** billion

YoY +6.85%

LOCKING IN SUSTAINABLE FINANCIAL PERFORMANCE

Your Company recorded a revenue of RM47.42 billion in FY2017, an increase of 6.5% from RM44.53 billion in FY2016. We remain confident in the sustainability and growth of our business, as well as in its ability to deliver value to you. This is owed to the stability afforded by our regulated business and rapid expansion of our non-regulated business which will unlock greater value over time.

The Imbalance Cost Pass-Through (ICPT) mechanism continued to shield TNB from the impact of any fluctuations in generation costs and fuel prices. The ICPT is a component of the wider Incentive Based Regulation (IBR) framework introduced in 2014. For the year under review, the return for regulated business under the IBR framework, which is mainly made up of our Transmission and Distribution businesses, was recorded at RM4.50 billion. Since March 2015, the Government has approved for RM5.40 billion from the generation costs savings to be passed-through as ICPT rebates to our customers.

In recognition of the continued strength of our business, in 2017 your Company was recognised as the fastest growing brand among Brand Finance's Global Top 50 utility brands (Utilities 50) as we moved up 15 places from 39th in 2016 to 24th place. Your Company's brand value now is worth US$1.58 billion from US$1.19 billion last year.

On the international landscape, we are holding the Chairmanship of the Association of Electricity Supply Industry of East Asia and the Western Pacific (AESIEAP) for 2017-2018. As part of our commitment to the utility industry, we are hosting the Conference of the Electricity Power Supply Industry (CEPSI) 2018, which will be held on 17 to 22 September 2018 in Kuala Lumpur, Malaysia. This year's theme is 'Reimagining and Transforming Electricity Supply Industry towards a Sustainable, Innovative and Smarter Future'.

As testament to our commitment to deliver value to you, our shareholders as well as to the resilience of our business, we have revised our dividend policy to a 30%-60% dividend payout ratio of profit after tax and minority interests (PATAMI) in our effort to maximise your shareholder value.

Prime Minister of Malaysia, Dato' Sri Mohd Najib Tun Abdul Razak witnessed TNB's official entry into India market, GMR Energy Ltd.

OUR REGULATED BUSINESS HAS BEEN
SUCCESSFUL IN GENERATING
A RETURN ON ASSETS (ROA) OF NO LESS THAN 5%.

CONSISTENTLY DELIVERING VALUE THROUGH STABILITY

As Malaysia's leading electricity provider, we are clear on the sources of growth and sustainability which will translate into the delivery of value to you, our shareholders. One of these sources of growth is our regulated business, governed under the IBR framework, which contributes to stable and recurring income for your Company.

In the current regulatory period, our regulated business has been successful in generating a Return On Assets (ROA) of no less than 5%. This has been fuelled by the healthy demand growth especially from our commercial customers. To ensure that we are able to meet the demand, we have been investing RM15.08 billion over the same period to enhance and strengthen our network reliability and security of supply.

Moving forward, under the upcoming Second Regulatory Period (2018-2020) we are expecting a shift in customers' growth and demand. Therefore, our future investments will be focused on introducing automation and intelligent solutions to our grid to reduce grid costs to serve and enable new technologies such as energy storage, electric vehicle (EV) charging stations, cybersecurity upgrades and grid enhancements that enable bi-directional energy flow. This is in line with the **Grid of the Future** pillar under Reimagining TNB.

In April 2017, we started negotiations with the Government on the Second Regulatory Period. The Government's final decision is expected in late 2017. Through our continuous engagement with the Government and Energy Commission (EC), we are confident that we will be able to continue to deliver value to you, our shareholders, in the next regulatory period.

CEO'S STRATEGIC & OPERATIONAL REVIEW

NAVIGATING THE FUTURE THROUGH SUSTAINABLE INITIATIVES

While the regulated business is vital to the delivery of stable and sustainable returns and we remain committed to meeting the electricity needs of our home market, we believe further longevity must be anchored on new sources of growth, both in terms of products and markets. Therefore, through our non-regulated business, we continue to explore avenues to unlock greater value which can sustain your Company in the years to come.

In response to this, in 2016 we developed a clear aspiration of what we want TNB to become through our Strategic Plan (2017-2025). The plan maps your Company's future direction to maintain its leadership in our home market amid developments in the domestic energy industry while expanding our global presence in selected markets. It also proves timely as electricity demand has begun to moderate as expected, with unit electricity demand growth growing just 1% in FY2017. Our Strategic Plan, Reimagining TNB, is anchored by concrete and measurable targets with the ultimate aim of emerging as a Top 10 Global Utility by 2025. While we have achieved much thus far, we recognise that we cannot remain where we are. The time is ripe for our evolution, as the world is also changing at unprecedented speeds. As a forward-thinking organisation determined to transform into a global leader in the utilities industry, TNB seeks to capitalise on these changes through three strategic pillars: **Winning the Customer** and **Future Generation Sources**, in addition to **Grid of the Future** highlighted earlier.

In catering to **Winning the Customer**, we see potential energy-related services beyond the meter evolving through advances in technology. We plan to offer products and services that would meet the needs and values of our customers such as the growing preference for clean power generation, smart home technology and improvement in energy efficiency. Earlier this year, we started offering self-generation packages that provide interested customers with technical and financial support enabling them to pursue self-generation through solar photovoltaic (PV) installation on rooftops.

Beyond self-generation, we also expect that smartness and automation to not just be confined to our grid but also begin to feature heavily in the homes and buildings of our customers. In supporting the drive to introduce smartness in buildings and homes, we are pushing ahead with our initiative to roll out Advanced Metering Infrastructure (AMI) and developing an online energy monitoring system that will enable our customers to monitor their electricity bills, automate appliances and keep their homes safe with optional security features. In addition, we are continuing with the Home Energy Report (HER) programme next year.

INTERNATIONAL VENTURES

30%
Acquisition of interest in Indian power company GMR Energy Ltd

50%
Acquisition of interest in Vortex Solar UK Ltd

OUR FIRST LARGE SCALE SOLAR PLANT

50MW
Full operationalisation scheduled for November 2018

OUR STRATEGIC PLAN, REIMAGINING TNB, IS ANCHORED BY CONCRETE AND MEASURABLE TARGETS WITH THE ULTIMATE AIM OF EMERGING AS A TOP 10 GLOBAL UTILITY BY 2025.

The HER pilot programme, first introduced in August 2015, is another engaging solution where we empower our domestic customers to monitor their home energy usage and better manage their electricity costs.

One of the key components of our **Future Generation Sources** pillar is to venture into international markets, balancing both conventional and renewable asset acquisitions. In November 2016, we completed our acquisition of a 30% interest in Indian power company GMR Energy Ltd (GMR). This investment includes a balanced portfolio of six operational power assets in India with a combined total capacity of 2,299MW. Subsequently, this acquisition has allowed your Company to establish a refurbishment and maintenance facility in India, its first outside Malaysia. The facility will provide power plant operations and maintenance, performance improvement, testing and diagnostic services. We believe that the partnership with GMR is key in enabling your Company to create a strong foothold in a country with one of the highest electricity demand growth globally.

Renewable Energy (RE) makes up a vital component of value creation for TNB, with our goal to become the ASEAN leader in this future-ready segment. In line with this, during the financial year we completed the acquisition of a 50% share in Vortex Solar Investments Sarl. The purchase has given your Company an operational 365MW solar PV portfolio in the UK through Vortex Solar UK Ltd. The Vortex Solar asset is immediately earnings accretive with 80% of revenue under long-term, 15-year power purchase agreements and are subsidised by Renewable Obligation Certificates for the next 20 years.

Further cementing our RE ambitions, in July 2017 we commenced the construction of our first Large Scale Solar (LSS) project in Kuala Langat, Selangor. Upon its completion and full operationalisation scheduled for November 2018, the project will generate and transmit 50MW of electricity to the National Grid.

In the year under review, we also launched two biogas power plants in Layang-Layang, Johor, and Bagan Datuk, Perak, co-developed with Sime Darby Berhad (Sime Darby). The power plants produce electricity using palm oil effluents. Both plants have an installed capacity of 1.6MW each and are fully operational, distributing electricity directly to the National Grid. They are also expected to pave the way for another four similar projects undertaken by TNB and Sime Darby.

In terms of conventional capacity, our Manjung 5 coal-fired power plant in Perak achieved its Initial Operation Date in May 2017 and was connected to the National Grid for the first time, before completing full commissioning in October 2017. This ultra-supercritical plant is set to generate 1,000MW of electricity at full capacity, increasing your Company's coal-fired generation capacity to almost 5,000MW. This is equivalent to around 23% of the maximum demand in Peninsular Malaysia.

CEO'S STRATEGIC & OPERATIONAL REVIEW

DEVELOPING OUR TALENT

Leadership and talent development remain a vital agenda for TNB. Our Leadership Drive, Future CEO and customised Master of Business Administration (MBA) programmes for identified talents and leaders continue to play a critical role in developing our employees to ensure a robust talent pipeline.

In support of this talent agenda, in January 2017 we launched our Transformation Accelerator Programme aimed at discovering, developing and deploying leaders within our organisation to ensure we have the right talent in pivotal positions. Under this programme, we have identified 54 pivotal positions in specific areas critical to the delivery of value in achieving our strategic targets. We will prioritise internal talents to fill these positions, however, in the event specific skill sets may not be available within the organisation, we will also seek external hires.

Meanwhile, our Leadership Drive Programme, which has been implemented since 2015, continues to identify and develop future leaders. To date, 43 candidates have been identified and provided with exposure through extended assignments in various divisions, projects and task forces to enhance their leadership skills and competencies. In addition, a further 59 MBA graduates were produced through our Leadership Development Centre's MBA programme.

We have also established our Generation Academy to develop generation's Subject Matter Experts (SMEs) with specific knowledge or skills in transformation as well as strong coaching abilities to provide on-the-job technical upskilling to our teams and ensure the transformation sustainability of TNB's generation fleet. Already, we are beginning to see marked improvement in operational cost efficiency valued at RM361 million for FY2017 due to intervention of these SMEs.

We believe that with these talent development initiatives in place, we are steadily equipping your Company with the workforce needed to achieve our aspirations.

BETTER BRIGHTER YOUTH PROGRAMME WAS ORGANISED BY PELITAWANIS TO PROVIDE EXPOSURE AND INSPIRATION FOR YOUNGER GENERATIONS.

INCULCATING A CULTURE OF SUSTAINABILITY

Since the inception of your Company over 68 years ago, we have held firmly to a tight-knit culture of family first inculcated when our employees and families were housed in the TNB quarters. During this time, the TNB workforce developed a bond which transcended the workplace. Over the years, we have continued to nurture this bond among TNB employees through internal associations such as Kelab Kilat, PELITAWANIS and Persatuan Kebajikan Pekerja Islam TNB (PKPI). The activities of these associations, which are also open to the spouses and families of TNB employees, strive to provide work-life balance, family and spiritual support during their tenure with us.

We believe the ties developed among our employees over the years provide us with a competitive edge, enabling your Company to move forward as one by breaking silos and allowing our people to work better together. This spirit of togetherness also helps us to stand out among other organisations, making your Company quite unlike others and providing an invaluable experience to those who work with us.

As we embark on our journey to become a Top 10 Global Utility by 2025, we are committed to maintaining this strong sense of togetherness and belonging while also identifying new values which can help drive us towards our aspirations.

ACKNOWLEDGEMENTS

As we continue our journey of Reimagining TNB, I would like to take this opportunity to extend our appreciation to the Board of Directors for their stewardship and guidance. I would also like to express my heartfelt gratitude to all our employees for committing to our high-performing culture of excellence towards the achievement of our long-term goals. Additionally, I would like to thank the Government, in particular the Ministry of Energy, Green Technology and Water, the EC and the Economic Planning Unit for ensuring the continued development and stability of the domestic electricity industry.

Furthermore, on behalf of the entire organisation, I would like to sincerely thank you, our valued shareholders, for continuing to place your trust in us. Finally, our appreciation also goes to our customers, business partners and other stakeholders for enabling TNB to deliver our responsibility as a world-leading utility Company.

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

OUR STRATEGY

TNB'S STRATEGY IS ANCHORED ON BECOMING ONE OF THE WORLD'S LEADING CORPORATIONS IN THE ENERGY AND RELATED BUSINESS. THIS HAS BEEN ACHIEVED THROUGH INITIATIVES CENTRED ON FIVE KEY RESULT AREAS (KRAs): ENABLING A STABLE REGULATORY ENVIRONMENT, EXCEEDING CUSTOMER EXPECTATIONS, DRIVING OPERATIONAL EXCELLENCE AND COST EFFICIENCIES, GROWING PROFITABLE BUSINESS, AND TRANSFORMING OUR PEOPLE AND LEADERSHIP. FROM FY2018, OUR STRATEGY WILL SHIFT TO THE STRATEGIC PILLARS UNDER REIMAGINING TNB.

TARGETS: WHAT WE WANT TO ACHIEVE

Return on Assets (%)	Customer Satisfaction Index	Cost per Unit (sen/kWh)	Revenue from Non-Regulated business[1] (RM billion)	Employee Engagement Score (%)
6.0 to 6.4	7.6 to 8.0	35.5 to 36.5	3.0 to 4.0	75 to 80

DOMESTIC & REGIONAL CHAMPION

	Enabling a Stable Operating Environment	Exceeding Customer Expectations	Driving Operational Excellence & Cost Efficiencies	Growing Profitable Business	Transforming Our People and Leadership
	For more information, kindly refer to page 32	*For more information, kindly refer to page 34*	*For more information, kindly refer to page 36*	*For more information, kindly refer to page 38*	*For more information, kindly refer to page 40*
TOP PRIORITIES	• Deliver equitable regulatory earnings and value • Minimise regulatory risks	• Customer service • New products and services	• Improve operational performances • Optimise cost efficiency	• Improve non-regulated business performance and revenue	• Workforce engagement • Talent sourcing, development, and diversity • Shift to high-performance culture
TARGET METRICS	• Return on Assets • Generation Market Share	• Product and service quality scores • Customer loyalty and retention	• Availability performance metrics • Reliability performance metrics • Cost per unit	• Non-regulated revenue	• Employee engagement scores • Internal talent development
STRATEGIC RISK	• Uncertain implementation of regulatory reforms • Reputational Risk	• Inability to meet increasing customer expectations	• Failure to provide sustainable, reliable and secure supply of electricity • Cyber intrusion	• Inability to secure profitable new businesses internationally • Inability to maximise investment value	• Not having right leaders at pivotal positions to drive business growth

Note:

1. Gross revenue of all subsidiaries excluding Sabah Electricity Sdn Bhd (SESB), Kapar Energy Ventures (KEV), TNB Janamanjung Sdn Bhd (TNBJ) & TNB Capital.

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.

14,510.85MW EQUITY MW OF GENERATING CAPACITY

RENEWABLES	264.12MW	1.82%
OIL	213.44MW	1.47%
HYDRO	2,654.69MW	18.29%
COAL	4,422.47MW	30.48%
GAS	6,956.13MW	47.94%

1. 666,510[1] Circuit Kilometers of transmission and distribution line
2. 79,476[1] Primary and secondary substations
3. 92,946[1] Primary and secondary transformers

Manufactured Capital

FUEL USE[2]

COAL	347,407.84TJ
OIL	2,905.75TJ
DISTILLATE	2,575.74TJ
GAS	233,230.75TJ

Natural Capital

6 Capitals

Social and Relationship Capital

Build Trust

Create Value

Intellectual Capital

Research and Development

Process Improvement

Operation Optimisation

Human Capital

35,009 Employees
TNB Group

TNB Company: 27,990

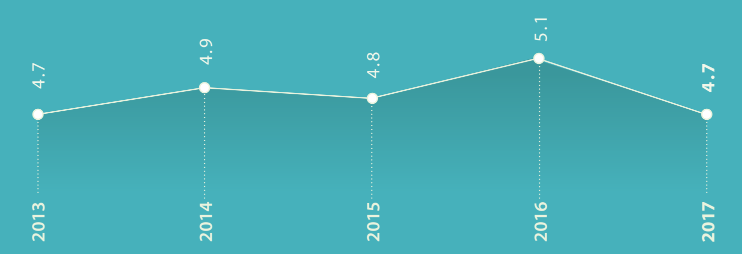
80% Male

20% Female

Company Workforce Breakdown by Gender

Financial Capital

Effective Weighted Average Cost of Funds (%)



1. Shareholders' Funds RM 57,584.8 million
2. Total Borrowings RM 38,846.5 million

THE VALUE CREATED AND ITS IMPACT

SUPPLIERS AND CONTRACTORS
Fuel and Other Operating Costs

FUEL COST	RM 9,431.9 MILLION
OTHER OPERATING COST	RM 25,891.2 MILLION

CAPITAL PROVIDERS

SHAREHOLDERS TOTAL DIVIDENDS	RM 3,452.0 MILLION
LENDERS FINANCIAL COST	RM 2,684.8 MILLION

EMPLOYEES

STAFF EXPENSES	RM 3,751.1 MILLION

GOVERNMENT AND REGULATORS

TAXES	RM 639.8 MILLION

Economic

Community

4 Values

Customers

Environment

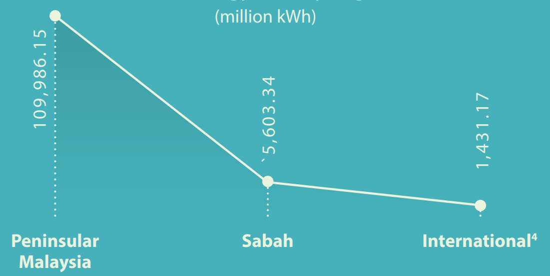
Community

1. **26** Adopted Trust Schools
2. **1,963** Number of Graduates Students Assisted
3. **541** Number of Vocational Students Assisted
4. **1,486** Number of Rural Homes Electrified

Customers

TOTAL ENERGY SOLD[3]: **117,020.66** million kWh

Total Energy Sold by Region
(million kWh)



CUSTOMER ACCOUNTS[5]: **9.08** MILLION

	Peninsular Malaysia	Sabah
SAIDI	50.24	262.68
SYSTEM MINUTES	0.23	10.92

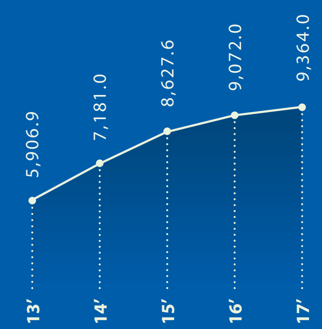
Environment

1. **Emission[6]**
   0.55 tCO_2e/MWh
   Greenhouse Gas Emissions Intensity
2. **Renewable Energy**
   264.12 MW
   1.82% of TNB's equity generating capacity
3. **Non-Carbon Energy**
   2,918.81 MW
   20.11% of TNB's equity generating capacity

TENAGA NASIONAL

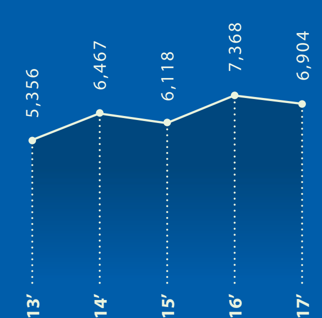
Operating Profit

RM9,364.0 million



Net Profit Attributable to Owners of the Company

RM6,904.0 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 8.49 million customers in Peninsular Malaysia and 588,000 customers in Sabah.*
6. *For TNB operations in Peninsular Malaysia only.*

STRATEGIC REVIEW

MARKET REVIEW

THE GLOBAL ENERGY INDUSTRY CONTINUED TO UNDERGO RAPID CHANGES IN 2017, AS UNCERTAINTY ON THE INDUSTRY'S RECOVERY REMAINED DESPITE AN UPSWING IN ENERGY PRICES.

Although the outlook for the industry is buoyed by the growing global population which will support consumption, factors such as increasing demand for clean energy amid higher pricing for renewables leave the industry at a crucial turning point which has yet to be fully addressed.

MACROECONOMIC DRIVERS

In view of these trends, TNB expects the following macroeconomic drivers to impact our business:

- **Emerging economies** and regions such as Southeast Asia, South Asia and the Middle East whose influence on the global economy is growing and are leading energy consumption, making up the key markets we are targeting to pursue growth.
- **Climate change and sustainability** which have become vital considerations for global corporations, especially energy companies such as ours as we seek to meet public expectations on the green agenda.
- **Rapid urbanisation** is playing a major role in influencing the need for new ways to generate, transmit and distribute electricity as existing resources and infrastructure strive to keep up with the needs of burgeoning cities.
- **Technology**, undeniably the largest influence on the 21st Century, offers new opportunities and challenges for energy companies as digitisation creates new trends in product and electricity usage.

We remain confident that our Strategic Plan 2017-2025 will enable us to compete amid this landscape both in our home market as well as in the international markets where we are present.

DOMESTIC POWER SECTOR OUTLOOK

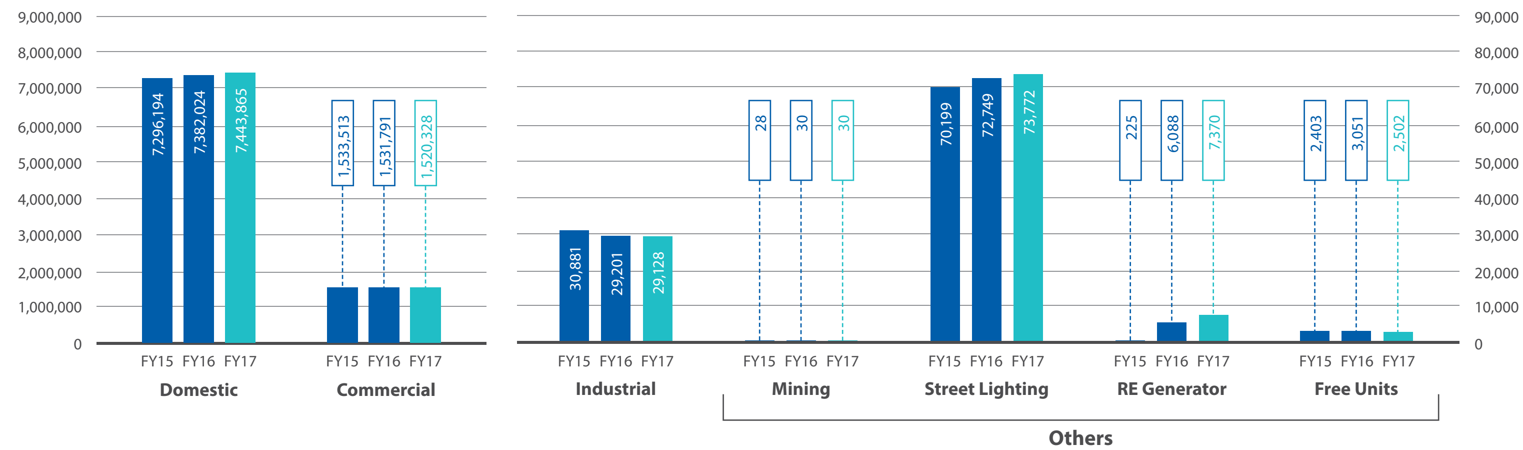
Electricity sales growth in Malaysia is expected to continue to slow in line with the sales growth over the last three consecutive years. Sales growth has been revised for 2017 taking into account the current trend of slow demand in the industrial sector along with the change in consumer consumption behaviour in adopting more energy efficiency measures. This has led to a lower sales growth of 1.92% leading towards 2020.[1]

The domestic power sector is also on track to continue modernising through regulatory reforms, with the introduction of the Electricity Supply (Amendment) Act 2015 and the Gas Supply (Amendment) Act 2016. The authorities are also expected to continue reviewing and introducing regulations, codes and guidelines from time to time in an effort to stay abreast with industry trends. In particular, the Paris Agreement on climate change, which entered into force in November 2016, is expected to play a role in future generation planting-up in Malaysia as energy industry stakeholders will need to address greenhouse gas emissions. In another domestic regulatory development, the second IBR regulatory period will commence in 2018 following the completion of the first regulatory period at the end of 2017.

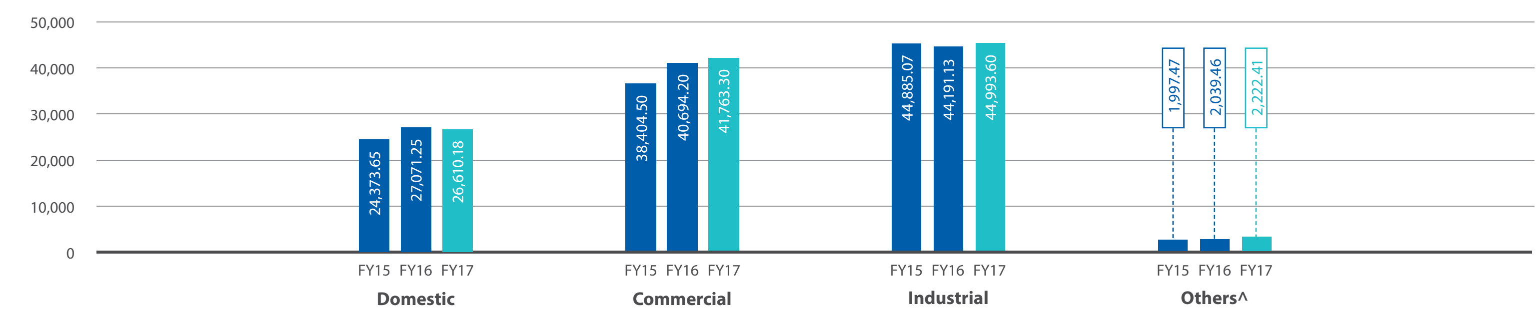
Capacity continues to grow with the commissioning of new thermal and solar plants, with the outlook for Renewable Energy (RE) also remaining bright supported by the Large Scale Solar capacity bidding and Net Energy Metering (NEM) schemes. At the same time, the industry must ensure existing transmission capacity congestion is addressed in a timely manner.

Furthermore, the country may require a higher generation adequacy target in tandem with its development into a high-income nation. This is to ensure continued reliable electricity supply which supports economic growth.

Number of Customers[#]



Sales by Segment (GWh)[#]



OUR COMPETITIVE ADVANTAGE

As Malaysia's leading utility company which is also making a name for itself on the global stage, TNB will capitalise on its established competitive advantages to realise its aspirations of becoming a Domestic and Regional Champion.

- **Unrivalled experience in our home market:** TNB is backed by 68 years' experience operating in the domestic market, creating a wealth of expertise and technical knowledge which will serve us well in our pursuit for continued and sustainable growth.
- **Complete value chain presence:** Our Generation, Transmission and Distribution businesses provide us with a presence along the entire electricity supply value chain, including energy support services from asset operation and maintenance to industry training and accreditation.
- **Technical expertise:** Our technical expertise allows us to provide world-class performance in developing and operating our assets.
- **Customer-centric:** We have gained a deep understanding of the values and needs of our customers while we have also earned their trust from our illustrious history as Malaysia's leading electricity company.
- **World-class talent:** Our employees are the centre of our organisation and we remain committed to developing our workforce along all levels of our talent pipeline.

[1] *Peninsular Malaysia Electricity Supply Outlook 2017, Energy Commission*
[#] *Data shown are for Peninsular Malaysia and Sabah*
^ *Others include Mining, Street Lighting and Agriculture*

STRATEGIC
REVIEW

MINISTER OF ENERGY, GREEN TECHNOLOGY AND WATER, DATUK SERI PANGLIMA DR. MAXIMUS JOHNITY ONGKILI VISITED TNB'S BOOTH DURING THE INTERNATIONAL GREENTECH & ECO PRODUCTS EXHIBITION & CONFERENCE MALAYSIA (IGEM) 2016, WHICH FOCUSED ON CLEAN AND GREEN TECHNOLOGIES.

OPERATIONS REVIEW

KRA1: ENABLING A STABLE OPERATING ENVIRONMENT

STRATEGY

As a company which operates predominantly in a regulated industry, understanding and managing the needs and values of our key stakeholders is key to contribute to the stability of our operating environment. In recognition of our responsibility as the national utility supplying the majority of energy users in Malaysia, we are focused on:

- "Keeping the lights on" – ensuring that our customers will always benefit from a secure and reliable electricity supply;
- Maintaining affordable energy costs through efficient and optimum management across our value chain; and
- Supporting the Malaysian Government's aspiration to reduce GHG emission intensity in line with the country's commitment to the 21st Conference of Parties (COP21).

DEVELOPMENTS IN 2017

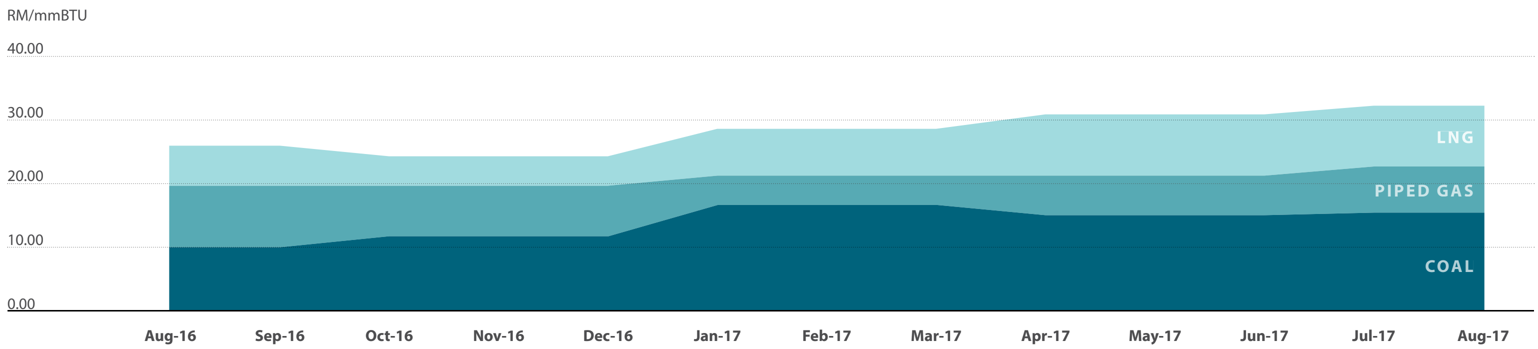
We have recorded encouraging progress in the Lao PDR-Thailand-Malaysia Power Interconnection Project which will enable the sale of up to 100MW of electricity from Lao PDR to Malaysia via Thailand's grid. This will also represent the first multilateral energy exchange in ASEAN. The three utilities involved in this exchange (Electricite du Laos, Electricity Generating Authority of Thailand and TNB) have already agreed to the terms of the sales agreement, scheduled to commence in January 2018.

As part of our preparation to enter the Second Regulatory Period (January 2018 – December 2020), we submitted our proposed cost and investment plan for the new regulatory period. In committing our continued support for the Government, we have proposed:

- Promotion of energy efficiency targeted at improving our customers' energy efficiency and active reduction of grid energy losses
- Upgrading our grid to enhance its resilience and ability to support the Government's plans to activate distributed renewable energy sources
- Promotion of electric vehicles charging infrastructure in line with initiatives outlined in the 11th Malaysia Plan and the Electric Mobility Blueprint

STRATEGIC
REVIEW

Fuel Price



Fuel Price Trend

While coal prices have remained relatively predictable over the long-term, short-term coal prices tend to fluctuate seasonally due to geopolitical developments, supply/demand imbalances and foreign exchange movements.

The gas price on the other hand follows the current two-tiered pricing mechanism, whereby gas volumes of up to 1,000 million standard cubic feet per day (mmscfd) is priced at the domestic piped gas price and all gas volumes above 1,000 mmscfd are priced at liquefied natural gas (LNG) ex-Bintulu.

In line with the Government's aspiration under the 11th Malaysia Plan from 2016 to 2020 to reduce the energy subsidy in stages, the gas subsidy rationalisation programme will continue to be implemented. This entails a bi-annual increase in domestic piped gas prices in an effort to bring its pricing in line with the market.

Meanwhile, the pricing for LNG is calculated based on the discounted weighted average price of LNG exported from Bintulu, Malaysia. Historically, its movement has been tied to crude oil, particularly the Japan Customs-cleared Crude (JCC) prices.

The Government's decision to maintain a rebate of 1.52sen/kWh over both the ICPT implementation periods of January 2017 – June 2017 and July 2017 – December 2017, coupled with the increase in coal and LNG regional prices as well as the Government's continued scheduled increase of regulated piped gas prices at RM1.50/mmBTU every six months resulted in higher industry costs of RM1.3 billion. However, this cost has been paid by the Government to the industry through the utilisation of the Electricity Industry Fund.

Our Key Stakeholders

PLANNED ACTIVITIES MOVING FORWARD

As part of our operating license condition under the Electricity Supply Act 1990, TNB will be participating in the Regulatory Compliance Audit in the upcoming financial year ending 31 December 2018. The purpose of this audit is to ensure our compliance to regulatory requirements, assess the execution of technical works in accordance to required standards and evaluate our financial health. The period under audit is September 2012 to August 2016. We are prepared to assist our regulators on this audit as we have for previous audits.

We are also currently participating in negotiations for the Second Regulatory period. We expect the negotiations to be concluded by end of 2017 and are confident its outcome will continue to serve the interests of all stakeholders.

STRATEGIC REVIEW

OPERATIONS REVIEW

KRA2: EXCEEDING CUSTOMER EXPECTATIONS

STRATEGY

We see ourselves as a customer-centric company, supplying our household, industrial and business customers with a wide range of energy solutions and services beyond just the sale of kWh. In the last five years, we have focused our efforts on improving our customer service and developing an enduring relationship with our customers to better serve their needs and values. Since 2016, we have begun to push forward with digitising the delivery of our services as we aspire to bring 70% of our customer interactions online or through digital channels.

DEVELOPMENTS IN 2017

Throughout the year, we continued focusing on the emotional and functional aspects of our customers' journey and experience. Among the initiatives undertaken included piloting our improved service offerings, designed to better help customers manage their energy consumption and bills, to selected customers. We also continued to develop our digital platform and payment channels to better serve our customers beyond our branches and service counters.

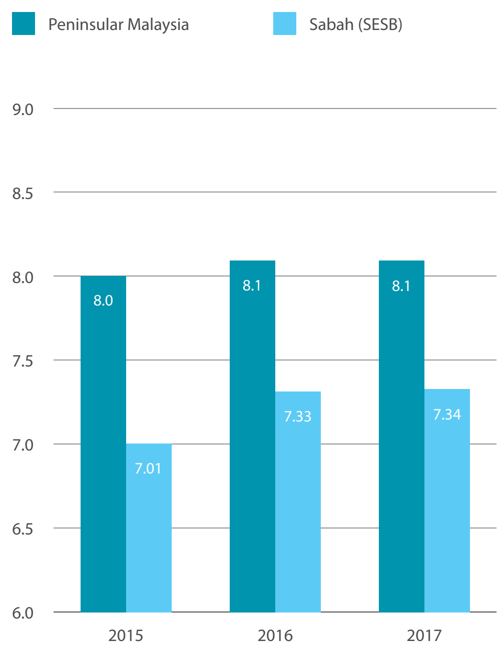
We have completed the organisational renewal of our customer services entity through the separation of customer-fronting operations and network asset management operations. This has allowed us to immediately realise the centralisation of large customer billing and invoicing management.

In recognition of the measures we have put in place to improve our contact centres since 2015, during the year we received the Customer Operations Performance Centre accreditation.

In line with our push to provide products and services that meet the needs of our customers, we have introduced our 'distributed energy' package to cater to customers interested in self-generation in line with the Government's Net Energy Metering programme.

We have also continued to support the national Rural Electrification Programme, connecting 1,486 rural homes with electricity supply, as well as the Village Street Lighting Project, installing 40,240 street lights.

TNB CSI Score



We engage in numerous community development programmes, and encourage our people to play an active role in volunteering. Overall progress for the three current Rural Electrification Programmes amounts to 88%, benefiting a total of 1,486 homes to date.

240 HOUSES	394 HOUSES	852 HOUSES
Progress as of August 2017: 88%	**Progress as of August 2017: 78%**	**Progress as of August 2017: 98%**
Rural Electrification Programme Kg. Orang Asli, Sg. Siput, Perak Phase 1 - Pos Yum, Kuala Mu & Kg. Jong	Rural Electrification Programme Kg. Orang Asli, Sg. Siput, Perak Phase 2 - Pos Piah Poi & Kg. Langkor	Rural Electrification Programme Peninsular Malaysia Year 2014 - 2015

PLANNED ACTIVITIES MOVING FORWARD

Digital platforms and channels will increasingly become integral to our efforts to maximise the customer experience. We will also continue to expand our services beyond the sale of kWh through relevant energy-related services designed to better serve our customers' needs and values. This will be achieved through partnerships within the TNB Group and with other external customer-centric solutions providers as we target to improve our domestic profitability through these energy-related services over the medium-to-long-term.

The completion of the separation of our customer service entity is expected to improve our efficiency in serving our customers. As we seek to further enhance the performance of our award-winning contact centre, we plan to introduce 18 more services that will allow us to better serve our customers remotely.

We will continue providing our Home Energy Report (HER) in the next financial year, increasing the number of customers benefiting from this programme to include our domestic customers, who will be able to access the HER via our myTNB web portal. We see this initiative as an enabler in increasing customers' awareness on energy consumption and efficiency, which is key to achieving the Government's goal of making Malaysia a sustainable and low-carbon Nation.

STRATEGIC
REVIEW

A STUNNING VIEW OF TNB'S MEN AT WORK STRINGING THE LINES OF THE MONOPOLE TOWER, PULAU BESAR, MELAKA.

OPERATIONS REVIEW

KRA3: DRIVING OPERATIONAL EXCELLENCE & COST EFFICIENCIES

STRATEGY

As Malaysia's leading utility with a growing global footprint, we aspire to become the world's leading generation and grid operation utility. This will be anchored on maximising returns on our generation and grid assets while ensuring world-class performance levels and reliability.

In view of this, our strategic focus areas are:

- Maintaining safe, reliable and efficient power plants;
- Maintaining excellent grid performance and reliability;
- Accelerating business performance improvement across our generation fleet;
- Ensuring grid enhancement and development in line with our five-year grid strategic plan;
- Improving grid projects implementation to reduce our grid related projects lead time;
- Completing the organisational renewal initiative for our generation, transmission and distribution entities; and
- Reducing operation costs through improved building energy efficiency.

DEVELOPMENTS IN 2017

Our generation business recorded the highest plant reliability performance in five years in 2017, with our Equivalent Unplanned Outage Factor (EUOF) improving 39% to 2.7% from 4.4% in 2016. We also achieved improved performance of our legacy plants, which delivered RM361 million in term of cost efficiencies in line with targets under our Generation Excellence initiative. We have also institutionalised our Centre of Excellence, enabling a more effective platform for generation plants to share and address technical issues, plant improvement initiatives and management of planned outages.

Under our transmission business, we continued to improve our grid reliability and performance, achieving an 84% reduction in Transmission System Minutes to 0.2265 minutes from 1.4720 minutes in 2016.

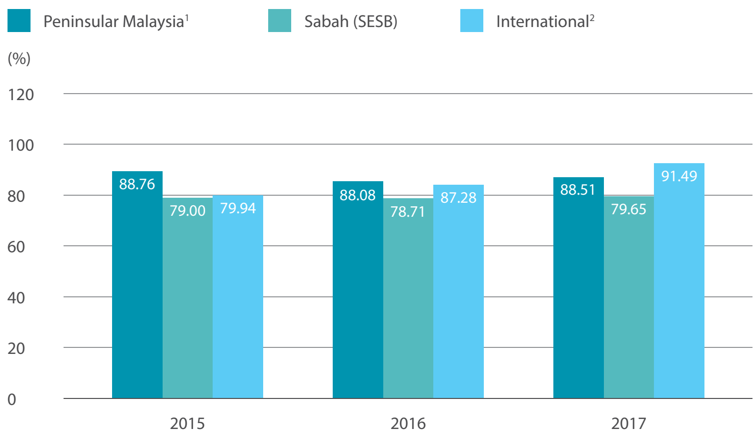
STRATEGIC REVIEW

We completed two high-profile grid projects in the Klang Valley, comprising the Central Area reinforcement project of 275kV overhead lines (Bukit Tarek-Chubadak) and 275kV/132kV overhead lines (Salak South-Mahkota Cheras) for the Langat 2 Water Treatment Plant and MRT electrification. Furthermore, we continued to manage grid operations through the National Load Despatch Centre, strengthening grid reliability and performance for Malaysia's business centre.

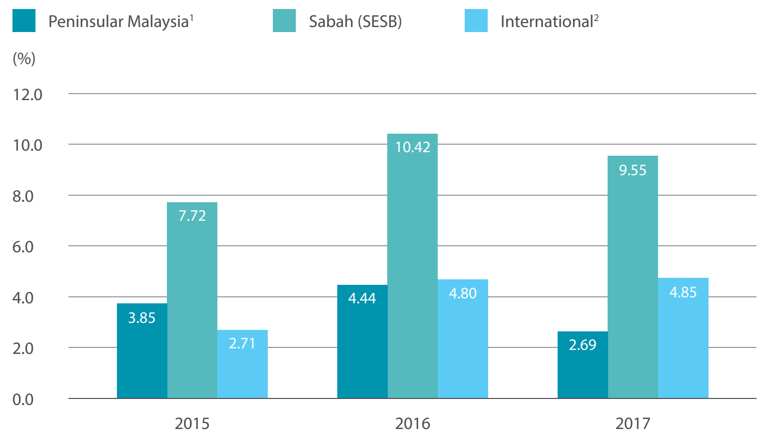
Our distribution business continued to maintain its distribution grid availability performance in line with world-class standards and in 2017, with our SAIDI coming in at 50.24 minutes/customer/year. We also achieved the highest distribution grid availability performance in five years in Sabah, recording an improvement of 14% from 2016. In line with our efforts to adopt energy efficiency within our operations, we have improved energy efficiency in six of our office buildings, resulting in savings of 634 tonnes of displaced carbon dioxide.

The Distribution Automation initiative started in 2014, designed to deliver improved grid reliability and operational efficiency. It will be completed in 2025. Another project, the implementation of the Geospatial Information System (GIS) to help engineers manage distribution network planning, construction, operation and maintenance, successfully completed its pilot deployment at TNB Cheras.

Equivalent Availability Factor (EAF)



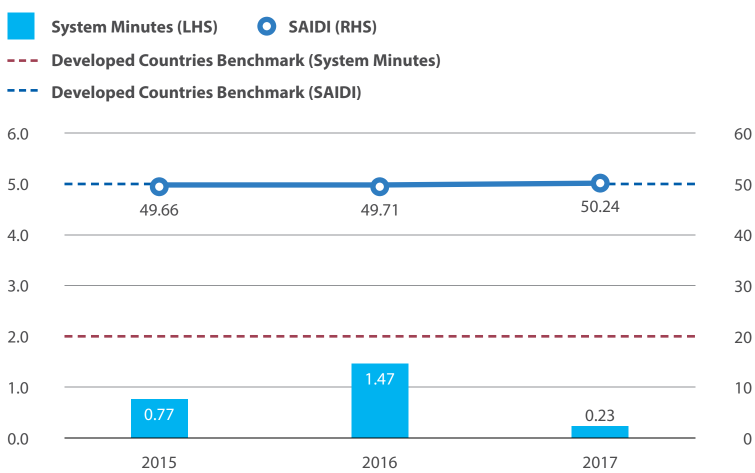
Equivalent Unplanned Outage Factor (EUOF)



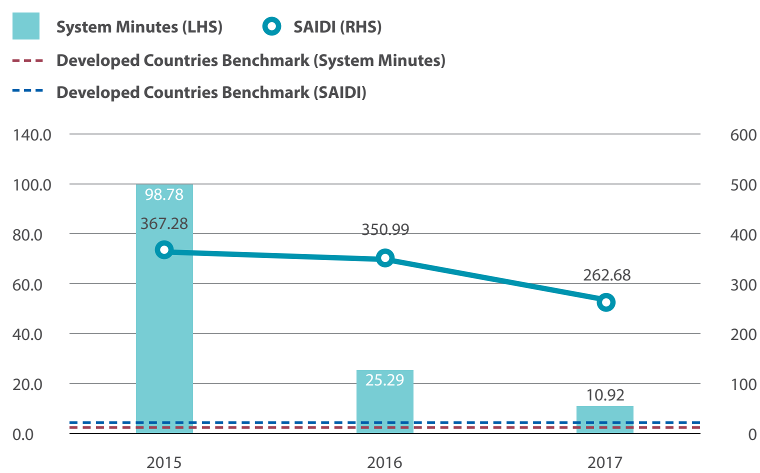
[1] *Performance of TNB's wholly-owned power plants in Peninsular Malaysia*
[2] *Performance of TNB's wholly-owned power plants internationally*

System Minutes & System Average Interruption Duration Index (SAIDI)

PENINSULAR MALAYSIA



SABAH (SESB)



PLANNED ACTIVITIES MOVING FORWARD

In our continued efforts to improve our generation plant efficiency and performance, we will embark on several key initiatives such as the establishment of a Business Turnaround Programme which aims to substantially enhance the performance of existing power plants. In addition to this programme, we will also be implementing an Intelligent Predictive and Diagnostic Monitoring System which will enable us to perform earlier detection of plant anomalies.

We plan to improve our world-class grid performance by putting in place an enhanced protection system for our transmission grid through automation and analytics. Additionally, we will improve grid project delivery through the utilisation of the integrated building system (IBS), as well as deploy analytics and GIS to ensure better management of grid assets. We will also deploy Smart Meter/Advanced Metering Infrastructure to 340,000 customers in Melaka in 2018.

We expect to conclude discussions with the Energy Commission and proceed with the deployment of a large-scale energy storage system to be used for utilities purposes in providing facilities such as spinning reserve, frequency regulation services and 'black start' capabilities.

STRATEGIC REVIEW

THE 250MW HULU TERENGGANU HYDRO POWER STATION HAS FURTHER BOOSTED TNB'S HYDRO INSTALLED CAPACITY TO 2,533MW.

OPERATIONS REVIEW

KRA4: GROWING PROFITABLE BUSINESS

STRATEGY

The energy market is rapidly shifting towards a more sustainable system with a higher share of renewable energy, growing customer involvement in generation and decentralisation of energy generation. At the same time, regulatory pressures continue to drive the energy industry towards cost reductions and ensure an affordable tariff for our customers. We also see an emerging trend of customers keen to produce and consume their own electricity, especially utilising but not limited to renewable energy.

As a company focused on the sustainability of our business, we are preparing for such a future by focusing on growing our non-regulated business through:

- International asset acquisition in key markets with high-growth opportunities;
- Acquiring and developing renewable generation assets, both locally and abroad, through bilateral agreements or participation in tenders;
- Growing our energy services, equipment and cable manufacturing, and education business locally and internationally; and
- Piloting new products and services that will enable decentralised energy solutions for households, businesses and industrial customers.

STRATEGIC
REVIEW

DEVELOPMENTS IN 2017

In the year under review, we have delivered the following additional capacity:

- Acquisition of a 51% shareholding in Southern Power Generation (SPG), a special purpose vehicle established to develop a 1,440MW combined cycle gas turbine plant in Pasir Gudang which is expected to be completed in July 2020
- Acquisition of a 30% shareholding in GMR Energy Limited, India (GEL) which has provided us with access to a portfolio of six operational power plants in India with a combined installed capacity of 2,299MW
- Acquisition of a 50% shareholding in Vortex Solar Investments Sarl (Vortex), which owns a portfolio of 24 solar farms with a combined capacity of 365MW in the UK
- Successful operations of our unit 1 Ulu Jelai hydroelectric plant (186MW), unit 3 and 4 Hulu Terengganu hydroelectric plant (2 x 7.5MW) since September 2016 and June 2017, respectively
- Successful operations of our jointly developed biogas plants with Sime Darby in Layang-Layang (1.6MW) and Bagan Datuk (1.6MW) since December 2016 and January 2017, respectively
- Successful operations of our jointly developed biomass plant with FELDA Global Group Plantation Company in Jengka with a capacity of 10MW
- Timely progress of our Manjung 5 ultra-supercritical plant (1,000MW) which began operations on 28 September 2017, three days ahead of schedule
- Timely progress of our 50MW Large Scale Solar in Kuala Langat, which is expected to be operational by the end of 2018

Furthermore, we continued our efforts to develop energy-related services to better serve our customers. Our subsidiary, TNB Repair and Maintenance successfully secured generation plant O&M contracts abroad and domestically. Among the contracts secured this year were:

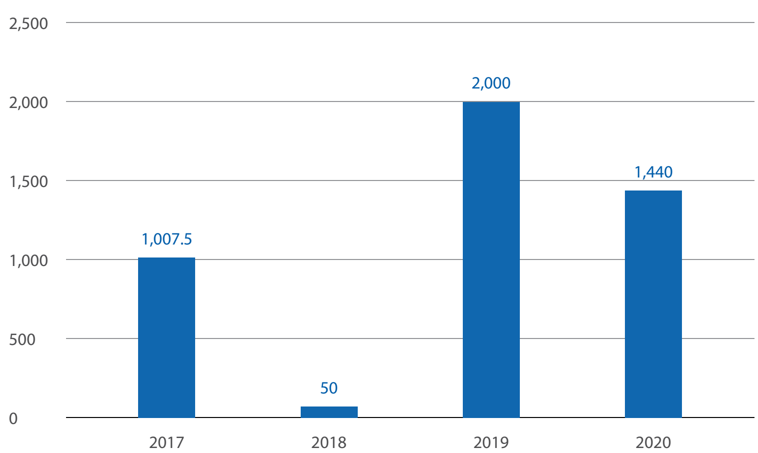
- O&M contract with Balloki power plant (1,223MW) in Pakistan for 12 years
- Long-Term Service contract with Utilities Kerteh and Utilities Gebeng for six years

We have also started offering Energy Performance products and services through our subsidiary, aimed at helping large clients improve their energy efficiency. In this regard, we secured contracts with two large public Malaysian universities, Universiti Putra Malaysia and Universiti Teknologi Malaysia. We have also won tenders to provide Energy Performance Contract services for two large scale solar developments, comprising a 50MW plant in Kuala Langat, Selangor and a 29MW plant in Kuala Muda, Kedah.

Our Global Footprint Expansion

30%	**GMR Energy Limited, India (GEL)** 6 operational power plants with a combined installed capacity of:	2,299MW
50%	**Vortex Solar Investments Sarl UK (Vortex)** 24 solar farms with a combined capacity of:	365MW

TNB Domestic Capacity Plant Up (MW)



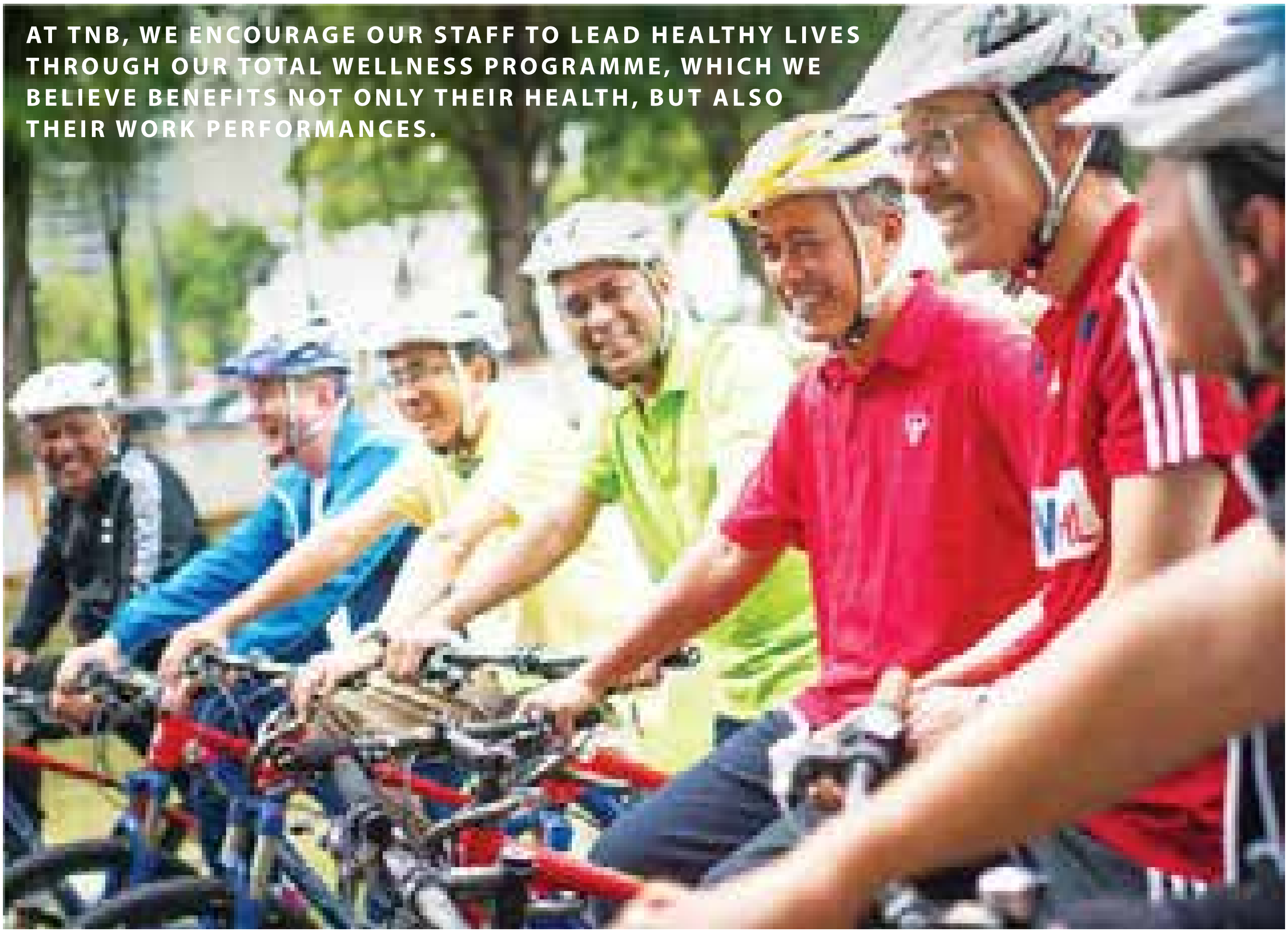
PLANNED ACTIVITIES MOVING FORWARD

As a key component of our long-term strategy, we will continue to invest in Renewable Energy (RE) capacity going forward, both locally and abroad, and continue to prepare bids for tenders in 2018 with a focus on solar and wind projects.

We have already submitted bids for the second round of Large Scale Solar PV plants locally and are expecting the outcome of our bids in early 2018. Similarly, we have made bids for another large solar PV plant in the Middle East and are also expecting the outcome in early 2018.

To strengthen our RE supply chain and allow us to explore potential RE opportunities in ASEAN, we continue to strengthen our relationships with ASEAN-based RE equipment suppliers and players. At the same time, we are exploring opportunities in conventional capacity in key growth markets internationally while also focusing on our generation project delivery capability to ensure that both upcoming plants, Jimah East (2 x 1,000MW) and SPG (1,440MW) will be delivered on time.

STRATEGIC REVIEW



OPERATIONS REVIEW

KRA5: TRANSFORMING OUR PEOPLE AND LEADERSHIP

STRATEGY

The energy industry is currently undergoing rapid change and faces major challenges. In view of this, we recognise the need to transform our business to become more competitive, allowing us to confront the challenges and capitalise on trends to ensure continued growth.

At the core of this transformation is the reorganisation of our current operations, an enhancement of existing competencies and the development of key capabilities in our identified growth areas.

As we gear up to deliver the aspirations of our Strategic Plan, we spent the last year putting the foundation for Reimagining TNB in place. These efforts involved:

- The delivery of our organisation renewal initiatives which we initiated in 2015 to unlock value from customers, employees, and finance towards Reimagining TNB;
- Identification and development of our future leadership with the right competencies;
- Promoting a safe, healthy and engaging working environment for all our employees; and
- Developing a high-performance culture to help us unlock a step change in our performance.

DEVELOPMENTS IN 2017

We have successfully delivered 11 out of 19 tracks of our organisational renewal initiative; the Value Unlocking Programme (VUP). The objective of this initiative is to shift from the current geographical organisational set-up to one which is focused on centralisation of functions through the creation of Centres of Expertise, Business Partners and Shared Service Centres for our various business entities.

Amongst the core entities which have completed the initiative this year is our Distribution division which has seen the separation of its Customer Service and Distribution Network functions. This has enabled Customer Service to focus on capturing new non-regulated business sales, whilst allowing the Distribution Network to focus on its operational functions and improved its efficiencies.

Similarly, we have also seen improved efficiencies in corporate functions which have completed this initiative, such as Group Human Resource, Group Finance and Group Procurement. In the case of Group Procurement, we have been able to realise RM200 million in cost savings from the introduction of category management as a direct result of this initiative.

Our VUP initiative is also focused on creating entities with the aim of capturing new business opportunities such as the establishment of a wholly-owned subsidiary focused on growing non-regulating revenue from the IT and telecommunication-related industry.

We have introduced our Transformation Accelerator initiative which is focused on identifying pivotal positions which will enable the success of our strategic target delivery. Through this programme, we have identified 54 pivotal positions along with the necessary traits and skillset for each position. These pivotal positions are expected to enable us to pursue business opportunities targeted to grow our three-year EBIT by ~50%.

Our Generation Academy was set up to develop Subject Matter Experts (SMEs) who are 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 been developed through this programme. These SMEs have been crucial in improving the efficiency of our plants, resulting in a savings of RM361 million.

We have also developed our Life-Saving Rules in line with our drive to create a safer working environment across all our business entities. We see these Life-Saving Rules as a key component that will drive us towards our aspiration of Zero Accidents.

Get Home Safe

2017 Lost Time Injury Frequency (LTIF)

1.44

Our Total Wellness Programme drive was expanded in 2017. Beyond the 1TNB Family Wellness annual event, we have also established:

- 60 1TNB gyms located throughout Peninsular Malaysia furnished with the latest equipment to help our employees maintain an active lifestyle and further improve their health levels. These 1TNB Gyms are also staffed with professional fitness instructors who are able to provide our employees with advice and classes to improve their fitness.
- Healthy meal options for our employees through the drive to acquire Healthy Cafeteria Certifications by the Ministry of Health Malaysia for dining facilities within our premises.

Other ongoing programmes include health screening and quit smoking initiatives for employees. This is a first for TNB, where we have attracted volunteers to subscribe to our quit smoking programme.

Employee Category	Objective	Highlights	Number of employees trained
Top Management	• Leadership Capabilities • Executive Coaching • Business Strategy	• Leadership Corporate Forum by LDC • Talent & Succession Development Programme – Prestigious Programme by GHR	36
Management	• Leadership Capabilities • Executive Coaching • Business Strategy • Leveraging Networking	• Talent & Succession Development Programme – Prestigious Programme by GHR • Technical & Functional Excellence Programme	296
Executive	• Leadership Capabilities • Executive Coaching • Leveraging Networking • Competencies Based Learning	• Leadership Capabilities • Technical & Functional Capabilities • Current & Future Jobs Needs • Technology Driven Programme • Education Programme	5,321
Non-Executive	• Upskilling & Upward Mobility Programme • Competencies Based Learning	• Technical & Functional Capabilities and Leadership Capabilities • Majority of Programmes Conducted In-house by Division/Department or by ILSAS	29,347

This year, we invested up to RM165 million (2.39% of profit) on training and development, with 80% of our workforce attending at least three days of training.

PLANNED ACTIVITIES MOVING FORWARD

We will deliver on the remaining eight of the 19 tracks of our organisation renewal initiatives while continuing to improve the efficiency and performance of the tracks already delivered in our push towards world-class performance standards. We will also enhance our Generation Academy by further expanding our SMEs' capabilities in order to develop leaders that are able to design and drive long-term transformation of the whole business. We believe this will be critical as we reach for more international capacity. In support of our Reimagining TNB Strategic Plan, we are committed to instilling a culture of high-performance amongst our employees.

OPERATIONS SCORECARD

	FY2013	FY2014	FY2015	FY2016	FY2017
ENABLING REGULATORY ENVIRONMENT					
Return on asset	5.6%	6.2%	6.6%	6.4%	**5.4%**
Generation market share[1]	48%	47%	48%	54%	**52%**
EXCEEDING CUSTOMER EXPECTATIONS					
Customer satisfaction index[1]	7.5	7.6	8.0	8.1	**8.1**
Corporate reputation index[3]	-	74%	76%	82%	**81%**
DRIVING OPERATION EXCELLENCE AND COST EFFICIENCIES					
Cost per unit[1]	31.0sen/kWh	36.3sen/kWh	35.1sen/kWh	34.2sen/kWh	**36.60sen/kWh**
Equivalent availability factor[2]	88.10%	85.51%	88.76%	88.08%	**88.51%**
Equivalent unplanned outage factor[2]	6.21%	7.09%	3.85%	4.44%	**2.69%**
Transmission system minutes[1]	0.44 minute	0.13 minute	0.77 minute	1.47 minute	**0.23 minute**
System average interruption duration index[1] (SAIDI) minutes/customer/year	64.20	55.00	49.66	49.71	**50.24**
Transmission losses[1]	1.69%	1.63%	1.47%	1.28%	**1.29%**
Distribution losses[1]	6.66%	6.52%	6.21%	6.11%	**6.21%**
GROWING PROFITABLE BUSINESS					
Non-regulated revenue[4]	RM2.2bn	RM2.5bn	RM2.6bn	RM2.7bn	**RM3.3bn**
TRANSFORMING PEOPLE AND LEADERSHIP					
Employee engagement score[5]	83%	85%	85%	89%	**89%**

[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 biannually. The scores for both FY2016 and FY2017 are based on survey conducted in FY2016.*

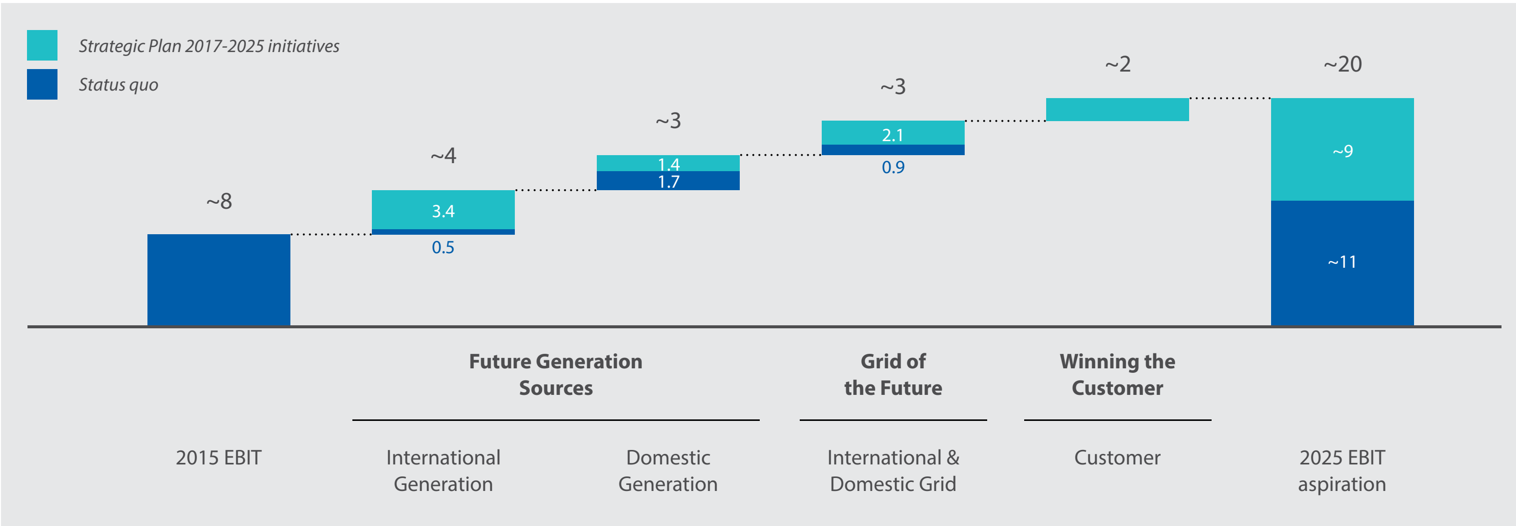
MOVING FORWARD:
OUR STRATEGIC PLAN 2017-2025

IMPLEMENTING OUR STRATEGIC PLAN 2017-2025

We see the energy industry landscape continuing to evolve rapidly in the medium-term with emerging trends taking root. These trends take the form of Asia's growing economic prominence, disruptive technology, more expensive capital, and evolving regulatory landscape; and will shape the future of the energy industry while presenting exciting opportunities for growth.

TNB will strive to take advantage of these trends to unlock new growth areas, win a new generation of customers, expand our regional and global presence and achieve productivity gains. These efforts will be guided by our Strategic Plan 2017-2025 which is anchored on key pillars designed to achieve continued and sustainable growth. The pillars comprise: Future Generation Sources, Grid of the Future and Winning the Customer.

TNB 2025 Growth Aspiration (in RM Billion)



TNB aspires to grow our EBIT from RM8 billion in 2015 to RM20 billion in 2025 through domestic and international investment

Source: TNB analysis

Future Generation Sources

We aspire to be the ASEAN leader in renewables by working with the Malaysian Government to deliver a major portion of the country's RE portfolio through investments in solar, wind, biomass, biogas and mini hydro projects. This will be fortified by our existing capabilities and experience in the renewables space in Malaysia.

Another component of this pillar is our global expansion drive, focusing on key growth markets in Southeast Asia, South Asia and the Middle East, as well as other markets in which we see opportunities to add value to our portfolio.

Grid of the Future

While the grid will continue to play a key role in the delivery of electricity, we foresee that its operations will evolve in line with advancements in technology. This will enable greater digitisation and automation of the grid, improving the performance and reliability of grid operations and delivering greater value to our customers.

In response to this, we have already introduced our smart meter/AMI facilities and will embark on providing more digitised and automated services not only to offer more value to our customers, but also unlock opportunities beyond the sale of electricity.

Winning the Customer

We recognise that our customers are the keystone of our business. As the industry landscape shifts, it will be crucial for us to adopt a value-centric understanding of our customers' needs. This will require us to appreciate their needs beyond electricity consumption to enable us to provide more complex products and services which surpass the mere sale of electricity.

To achieve this, we will pursue new avenues for business and strengthen the capabilities of our workforce to equip the Company with the right talent who can achieve our identified business targets.

FINANCIAL CALENDAR

FINANCIAL YEAR 2016-2017

ANNOUNCEMENT OF QUARTERLY RESULTS

24 JANUARY 2017

Unaudited consolidated results for the first (1st) quarter ended 30 November 2016

27 APRIL 2017

Unaudited consolidated results for the second (2nd) quarter ended 28 February 2017

27 JULY 2017

Unaudited consolidated results for the third (3rd) quarter ended 31 May 2017

26 OCTOBER 2017

Audited consolidated results for the fourth (4th) quarter and Financial Year ended 31 August 2017

CHANGE IN FINANCIAL YEAR END

30 NOVEMBER 2016

Change in the Financial Year end of the Company from 31 August to 31 December

DIVIDENDS

2016

Final Single-Tier Dividend of 22.0 sen per ordinary share for the Financial Year ended 31 August 2016

Notice of Book Closure

17 NOVEMBER 2016

Entitlement Date

20 DECEMBER 2016

Payment Date

30 DECEMBER 2016

2017

Interim Single-Tier Dividend of 17.0 sen per ordinary share for the Financial Year ended 31 August 2017

Notice of Book Closure

3 MAY 2017

Entitlement Date

22 MAY 2017

Payment Date

31 MAY 2017

DIVIDEND POLICY

9 DECEMBER 2016

Adoption of new dividend policy based on 30% to 50% dividend payout ratio for the Company

26 OCTOBER 2017

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

ANNUAL GENERAL MEETINGS

18 NOVEMBER 2016

Notice of 26th Annual General Meeting and Issuance of Integrated Annual Report for the Financial Year ended 31 August 2016

15 DECEMBER 2016

26th Annual General Meeting

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

INVESTOR
RELATIONS

IN SUPPORTING OUR LONG-TERM ASPIRATION OF BECOMING A LEADING ENERGY CORPORATION GLOBALLY BY 2025, TNB STRIVES TO CONTINUOUSLY CULTIVATE STRONG RELATIONSHIPS WITH THE DOMESTIC AND GLOBAL INVESTMENT COMMUNITY AND OUR VALUED STAKEHOLDERS. TNB AIMS AT TIMELY, EFFECTIVE AND RELIABLE DISSEMINATION OF INFORMATION WITH IMPROVED AND RELEVANT DISCLOSURES TO AID INVESTMENT DECISIONS OF VARIOUS STAKEHOLDERS, WHILE RETAINING CONFIDENCE TO STRENGTHEN OUR SHAREHOLDERS VALUE. DURING THE THIRD QUARTER OF FINANCIAL YEAR 2017, TNB TOOK A STEP FORWARD BY DISCLOSING THE PROFIT AFTER TAX OF THE REGULATED BUSINESS UNDER THE INCENTIVE BASED REGULATION (IBR) FRAMEWORK.

This year marked the final year of the first regulatory period of the IBR. This saw the successful implementation of the six-monthly review of Imbalance Cost Pass-Through (ICPT) mechanism throughout the three-year period. Given the prospect of volatility in the global commodity and energy prices, the ICPT mechanism allows for TNB regulated businesses to be financially neutral from any variation in generation costs and fuel prices.

The Investor Relations role remained critical to keep all stakeholders reassured and updated on management strategies, directions and current developments. As for the upcoming second regulatory period, key parameters in deriving the levelised tariff, management viewpoints and strategic decisions proved to be matters of interest to the financial community. As such, these were the key focus areas for the Investor Relations team throughout the year under review.

ENGAGEMENT ACTIVITIES

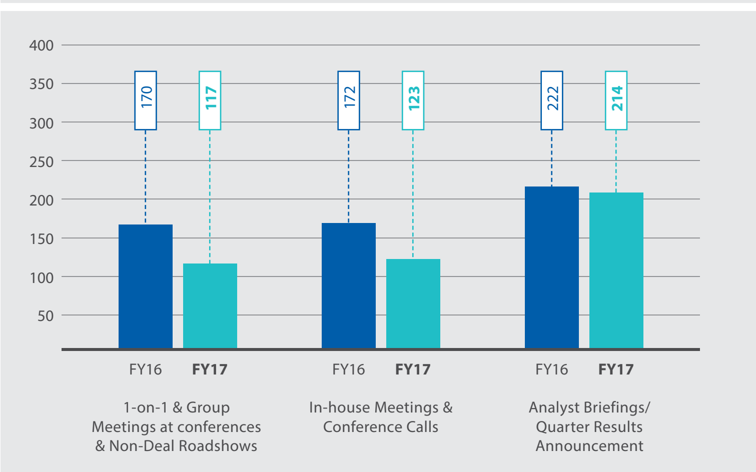
TNB Investor Relations continued its robust investor engagements to better serve our investors' request for regular updates on TNB's financial performance, business strategies and growth prospects. The investment community was kept abreast of the regulatory developments within the Malaysia Electricity Supply Industry as we approach the second regulatory period under the IBR.

In Financial Year 2017, various engagement activities were carried out to maintain our engagements with existing and potential investors. These included Quarterly and Annual Financial Results announcements, IR conferences and non-deal roadshows (NDRs), in-house meetings, conference calls and site visits. While we collaborate with various key teams within the divisions, we also worked closely with TNB senior management to provide greater clarity and transparent information for areas of interest in 2017. Proactive communications through these engagement platforms create clearer understanding and better insights of TNB's performance to shareholders, stakeholders and the market in general.

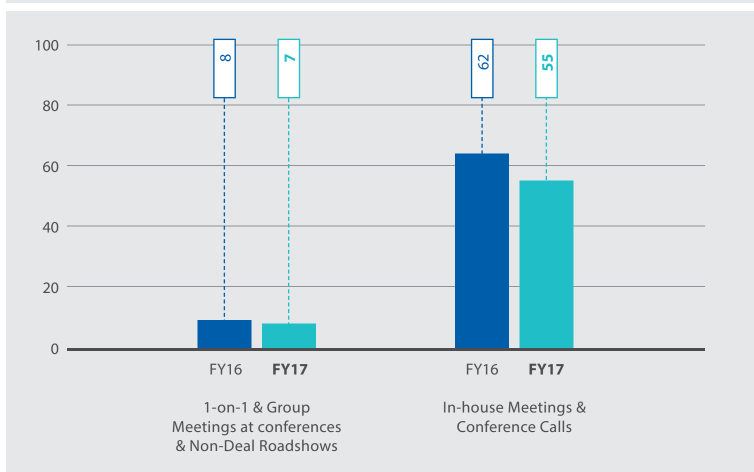
Engagement Activities in Financial Year 2017

We remained strongly committed to stakeholder communication and continued to ensure fair and equal distribution of information in a timely and accurate manner.

Number of analysts/fund managers engaged



Number of meetings/IR Conferences & NDRs



Investor Relations in-house meetings and conference calls were the main avenue for TNB's senior management to directly engage with institutional investors to outline TNB's strategic directions and business performance as well as to provide clarification on operational and financial matters. TNB also sustained continuous interactions with both the sell and buy-side communities.

INVESTOR RELATIONS

However, there was a decline in the number recorded for in-house meetings and conference calls due to overall lower interest from foreign investors towards the region. This resulted in a lower number of total meeting requests from the financial community during the year under review. The take-up rate from foreign funds is reflected in TNB's foreign shareholding movement as can be seen in page 49.

We strived to meet as many investors as possible to provide clear guidance on the company's strategic direction, and promote understanding of the financial performance and latest developments of the company. Given the slower equity market and lower interest from foreign funds, TNB's senior management and Investor Relations team made the efforts to reach out directly to our various investors by engaging NDRs in major global finance centres for the past twelve months. This is critical to ensure a high level of investor engagement through appropriate channels to disseminate equal and transparent information to all our stakeholders.

Financial Year 2017 Investor Engagements through agile IR Annual Programme

We met 454 analysts and fund managers from conferences and NDRs, in-house meetings and conference calls, as well as analyst briefings hosted during the year to maintain our engagements with the financial community.

TNB Investor Relations manages and monitors engagement activities through investor profiling and segmentation, which enables the team to focus on a targeted audience when planning our IR Annual Programme. This is part of our initiatives to better utilise TNB senior management's efforts in our engagement activities to meet current, former or prospective shareholders.

Key activities conducted during Financial Year 2017 were:

- 16 **Sept 2016 -** Maybank NDR, London
- 28 **Sept 2016 -** Site Visit: Kapar Energy Ventures
- 27 **Oct 2016 -** 4Q FY2016 Analyst Briefing
- 21 **Nov 2016 -** JP Morgan Asia Rising Dragon 1x1 Forum, Kuala Lumpur
- 15 **Dec 2016 -** 26th Annual General Meeting
- 24 **Jan 2017 -** 1Q FY2017 Analyst Briefing*
- 14-16 **Feb 2017 -** Nomura NDR, Tokyo
- 7-8 **Mar 2017 -** Citi NDR, Singapore
- 29-31 **Mar 2017 -** Credit Suisse 20th Annual Asian Investment Conference & NDR, Hong Kong
- 27 **Apr 2017 -** 2Q FY2017 Analyst Briefing
- 4-9 **May 2017 -** Maybank Kim Eng Invest Asia Conference, London & NDR, Stockholm & Copenhagen
- 5-10 **Jul 2017 -** Engagement Sessions, Kuala Lumpur & Singapore
- 27 **Jul 2017 -** 3Q FY2017 Analyst Briefing*
- 22-23 **Aug 2017 -** Macquarie Asean Conference, Singapore

** conference call only*

EFFECTIVE COMMUNICATION TO ENHANCE ENGAGEMENT

TNB's corporate website, *www.tnb.com.my*, offers an essential platform for investors to access information periodically through the Investor Relations section. Any queries or concerns regarding the company, especially on Investor Relations related matters, can be directed to the team at *tenaga_ird@tnb.com.my*.

As part of our continuous improvements and consistent engagement initiatives with the financial community, our IR Survey is conducted on a bi-annual basis. We welcome valuable feedback on our IR initiatives and services through this channel.

ANALYST COVERAGE

As the company is the second-largest on Bursa Malaysia by market capitalisation, TNB is closely tracked by the investment community and as at August 2017, 23 core analysts provided coverage on TNB, reflecting strong interest from sell side equity research houses, both domestic and abroad.

Affin Hwang Capital	Alliance DBS Research	Am Research	BIMB Securities Research	CIMB	Citi Research	CLSA	Credit Suisse
Hong Leong Investment Bank Research	HSBC Global Research	JP Morgan	KAF Seagroatt & Campbell Securities	Kenanga	Macquarie Research	Maybank Investment Bank Research	MIDF Research
Morgan Stanley Research	Nomura Research	Public Invest Research	RHB	TA Securities	UBS Global Research	UOB Kay Hian	23 ANALYST COVERAGE

INVESTOR
RELATIONS

CREDIT RATING

Maintaining a good relationship with rating agencies is vital for TNB to have a better view on the overall capital market as well as to understand their concerns on the company's debt position, which ultimately affects their credit rating. TNB Investor Relations remains committed in engaging with our local and international rating agencies in ensuring accurate information is delivered and shared. As one of the largest issuers of debt and capital securities in Malaysia, we engaged with four credit rating agencies which are RAM Ratings, Malaysian Rating Corporation (MARC), Standard and Poor's (S&P) and Moody's Investors Services. Their ratings, which reflect TNB's outlook and position, are closely monitored by the investment community. Please refer to page 54 for the ratings details.

INVESTOR INTEREST

Throughout the year under review, among the key areas of interest discussed during our investor engagement sessions were mainly:

Regulatory Landscape

Under IBR framework, TNB remains neutral with regard to any fluctuations in generation costs via the ICPT mechanism.

To-date six cycles of ICPT review have been implemented in a timely manner as follows:

ICPT	Announcement	Rebate	Period
Jan – Dec'14	RM727mn	2.25 sen/kWh	Mar – Jun'15
Jan – Jun'15	RM1,086mn	2.25 sen/kWh	Jul – Dec'15
Jul – Dec'15	RM762mn	1.52 sen/kWh	Jan – Jun'16
Jan – Jun'16	RM758mn	1.52 sen/kWh	Jul – Dec'16
Jul – Dec'16	RM766mn	1.52 sen/kWh	Jan – Jun'17
Jan – Jun'17	RM523mn# RM780mn* RM1.3bn	1.52 sen/kWh*	Jul – Dec'17

 # Surcharge of 1.02 sen/kWh
** Utilisation of RM780mn of PPA Saving Fund to maintain the current rebate of 1.52 sen/kWh*

Overseas Investment

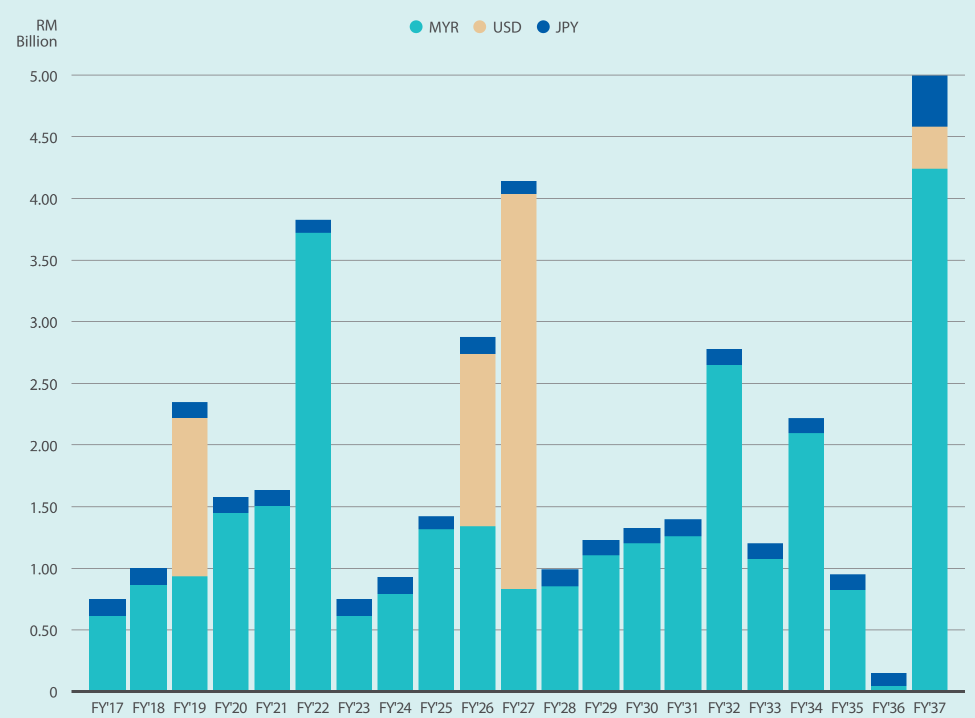
In line with TNB's aspiration to become one of the top 10 utilities globally, TNB is continuously expanding its footprint at home and regionally through M&A exercises, namely:

i. Turkey: Completed the acquisition of a 30% equity interest in GAMA Enerji on 13 April, 2016.
ii. India: Completed the acquisition of a 30% equity interest in GMR Energy Limited on 4 November, 2016.
iii. United Kingdom: Completed the acquisition of 50% equity interest in Vortex Solar Investments Sarl on 12 May, 2017.

Debt

TNB's debt mix is mainly denominated in Ringgit which limits its foreign currency exposure. TNB practices a prudence in managing our debt to safeguard TNB's position as a going concern entity as well as to fund future growth of the business. TNB continuously monitors its debt and gearing level and will consider improvement options if the overall impact is positive to TNB and its shareholders.

The following graph illustrates the Group Debt Maturity Profile.



Demand Outlook

Demand growth in Financial Year 2017 normalised from the exceptionally hot weather season due to the El Nino phenomenon recorded last year, and in line with Malaysia's projected GDP growth.

Capital Management Study - Dividend Policy

TNB completed reviewing its capital management framework with the objective of optimising its capital structure and maximising shareholders' value. One of the key actions was the adoption of a new Dividend Policy for the company effective from Financial Year 2017.

New dividend policy:
TNB intends to distribute dividends based on a 30%-60% dividend payout ratio

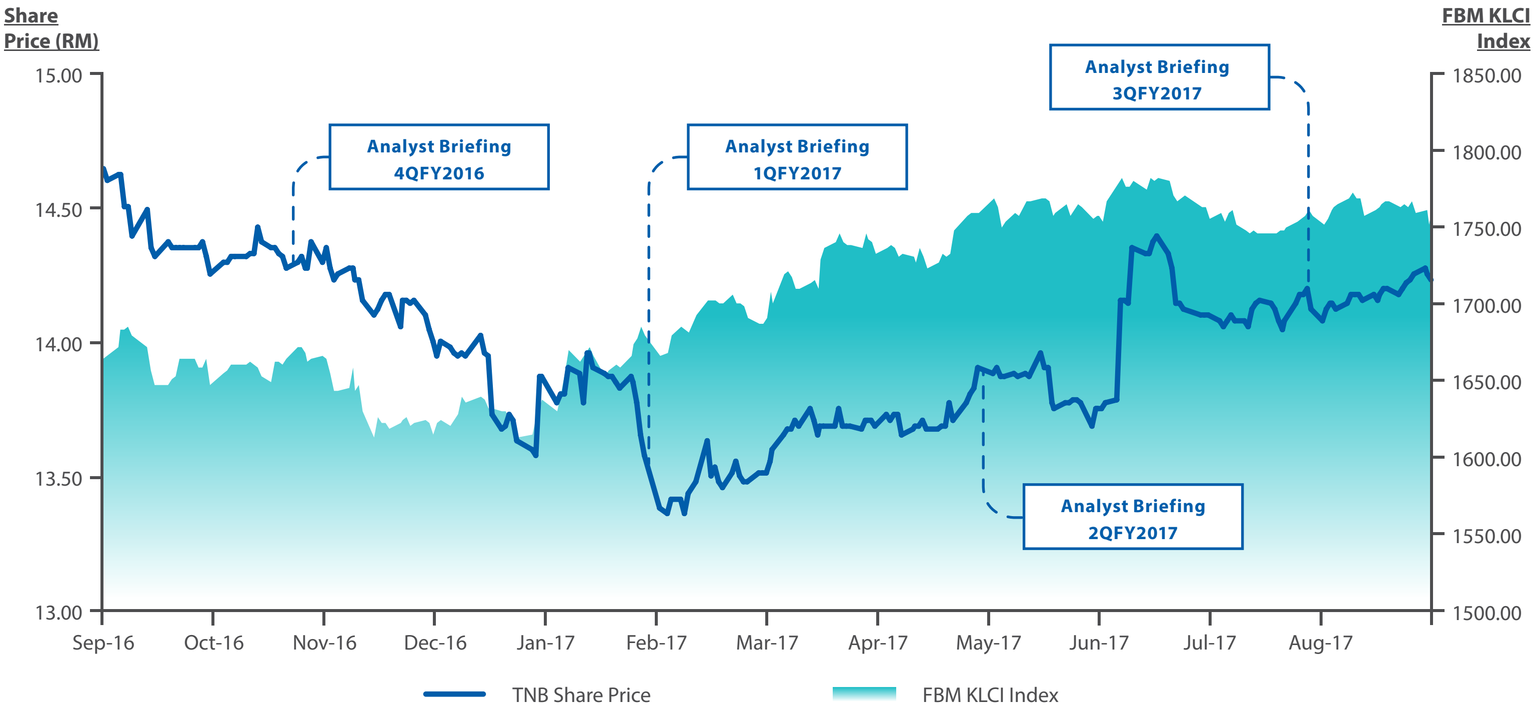
based on the reported consolidated net profit after tax and minority interest (PATAMI), excluding extraordinary, non-recurring items.

TNB endeavours to adopt a dividend policy that will provide stable and sustainable dividends to shareholders, while maintaining an efficient capital structure, and sufficient to cater to TNB's business prospects, growth strategy, and other factors considered relevant by the Board.

INVESTOR RELATIONS

SHAREHOLDING PERFORMANCE

Share Price and FBM KLCI Index in FY2017



Significant Events in FY2017

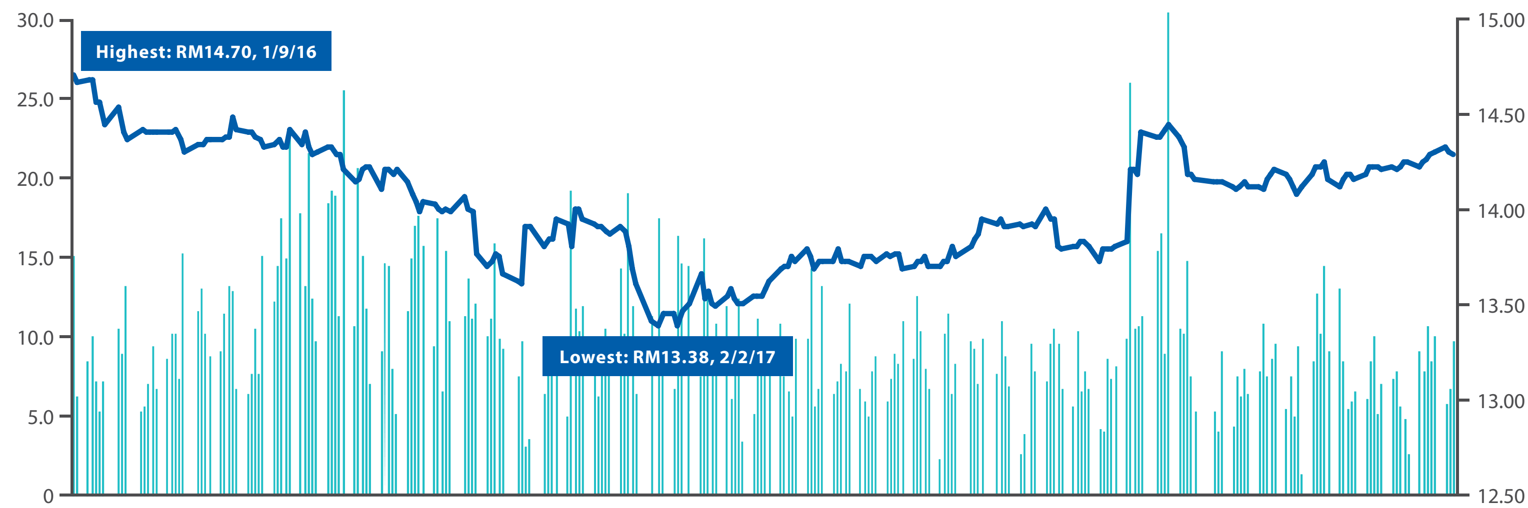
No.	Date	Significant Events
1.	06 Sept 2016	TNB signed a Power Purchase Agreement (PPA) with SIPP Energy Sdn. Bhd. for a 1,440MW gas-fired combined cycle plant to be built at Pasir Gudang, Johor.
2.	04 Oct 2016	TNB Global Ventures Capital Berhad established a Multicurrency Sukuk Issuance Programme of USD2.5 billion.
3.	20 Oct 2016	TNB Global Ventures Capital Berhad successfully priced and issued its USD denominated Sukuk with an issue size of USD750.0 million.
4.	04 Nov 2016	Proposed subscription of a 30% equity interest in GMR Energy Limited (GEL) completed.
5.	14 Dec 2016	ICPT rebate of 1.52 sen/kWh effective from 1 Jan 2017 until 30 Jun 2017.
6.	21 Dec 2016	TNB received a Letter of Acceptance of Offer from the Energy Commission (EC) dated 15 Dec 2016 to develop a 50MW Large Scale Solar (LSS) Photovoltaic Plant, located in Mukim Tanjung 12, Kuala Langat, Selangor.
7.	06 Jan 2017	TNB entered into a Subscription and Funding Agreement with Beaufort Investments Sarl, to subscribe for new equity shares in Vortex Solar Investments Sarl, representing a 50.0% equity interest in Vortex Solar for a total cash consideration of GBP86.00 million.
8.	03 Apr 2017	TNB REMACO ventured into power plant Operations & Maintenance (O&M) in India through a collaboration with TNB's 30%-owned GEL.
9.	27 Apr 2017	Interim Single-Tier Dividend of 17.0 sen per ordinary share announced in respect of the Financial Year ending 31 Aug 2017.
10.	08 May 2017	TNB REMACO awarded a USD176 million 12-year contract for the O&M of the 1,223MW Balloki combined cycle power plant located in the Punjab province, Pakistan.
11.	09 May 2017	TNB signed a new PPA and Land Lease Agreement (LLA) with YTL to continue the operations of the YTL plant for a further period of 3 years and 10 months. The scheduled commercial operation date of the plant is 1 Sept 2017.
12.	12 May 2017	Proposed subscription of a 50% equity interest in Vortex Solar Investments Sarl for the acquisition of an operational 365MW solar PV portfolio in the United Kingdom via Vortex Solar UK Limited which is an indirect wholly-owned subsidiary of Vortex Solar Investments Sarl completed.
13.	30 Jun 2017	ICPT subsidy of 2.54 sen/kWh effective from 1 Jul 2017 until 31 Dec 2017.
14.	06 Jul 2017	The lodgement of an Islamic Medium Term Notes under Islamic Medium Term Note Programme of RM5.0 billion in nominal value based on the Shariah principle of Wakalah.
15.	03 Aug 2017	The issuance of RM2.0 billion in nominal value Islamic Medium Term Notes pursuant to the Islamic Medium Term Note programme of RM5.0 billion in nominal value based on the Shariah principle of Wakalah.
16.	15 Aug 2017	TNB secured RM339 million financing for its LSS Photovoltaic Plant in Kuala Langat, Selangor.
17.	30 Aug 2017	All conditions precedent to the Share Sale and Purchase Agreement between TNB and SIPP Energy Sdn. Bhd. for the acquisition of 51% equity interest in Southern Power Generation Sdn. Bhd. satisfied and complied with, as such the acquisition was completed.

INVESTOR
RELATIONS

Share Price and Volume Performance in FY2017

During the year under review, the stock recorded its highest closing price of RM14.70 on 1 September 2016 and the lowest closing price of RM13.38 on 2 February 2017.

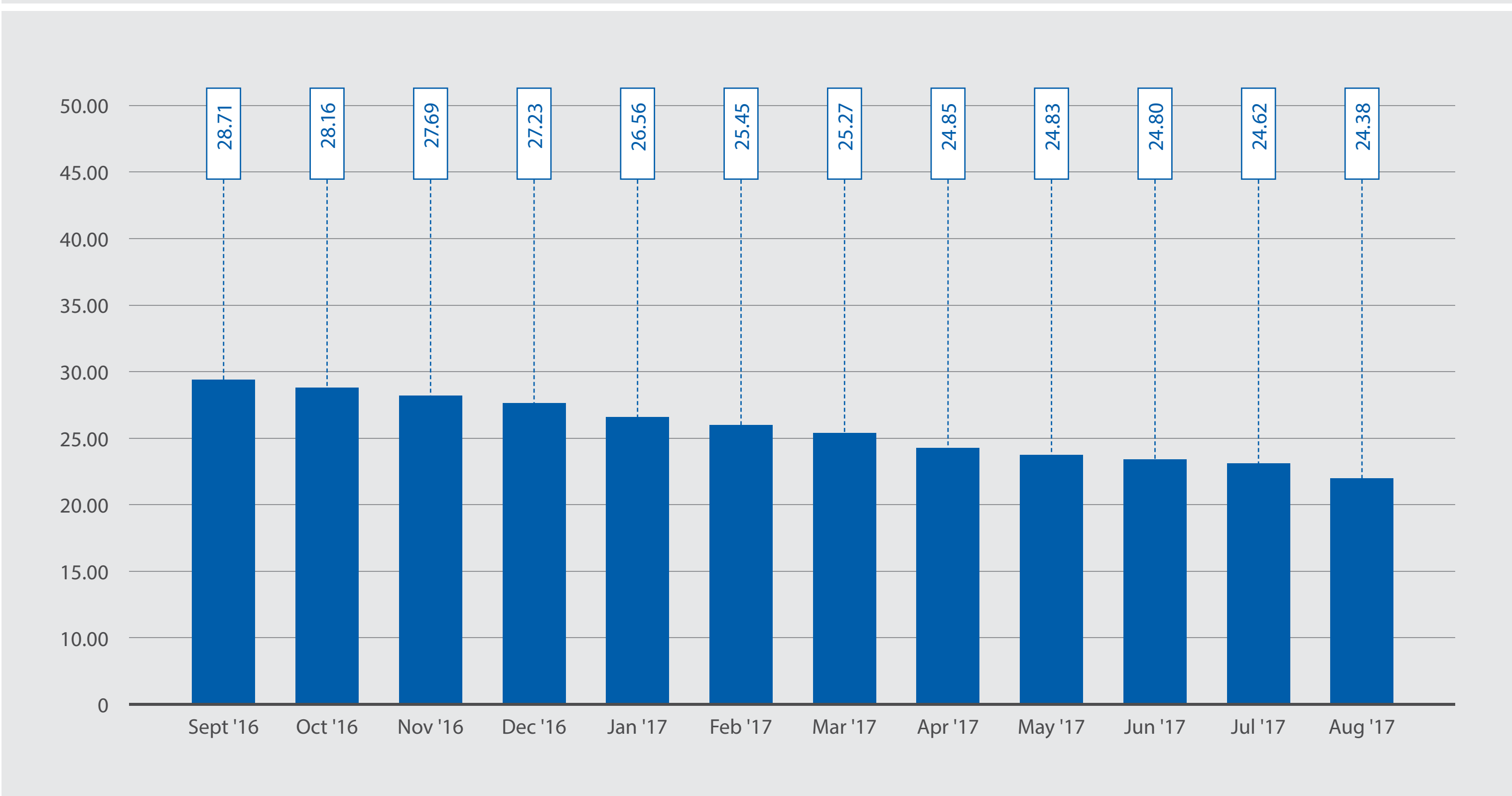
As at 31 August 2017, TNB ranked second on Bursa Malaysia with a market capitalisation of RM80.7 billion.



	Sept'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17
Volume Traded ('000)	178,582	244,118	310,749	222,281	204,990	193,874	191,478	163,201	156,283	222,797	173,891	160,511
Share Price (RM) highest	14.70	14.48	14.40	14.06	14.00	13.66	13.78	13.94	14.00	14.44	14.24	14.32
Share Price (RM) lowest	14.30	14.32	14.04	13.60	13.40	13.38	13.54	13.68	13.72	13.78	14.08	14.16

TNB's foreign shareholding reduced by 3.9 percentage points to 24.38% from 28.28% a year earlier; which was in line with weaker foreign fund interest seen in the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI), in light of the weaker Ringgit and geopolitical uncertainties.

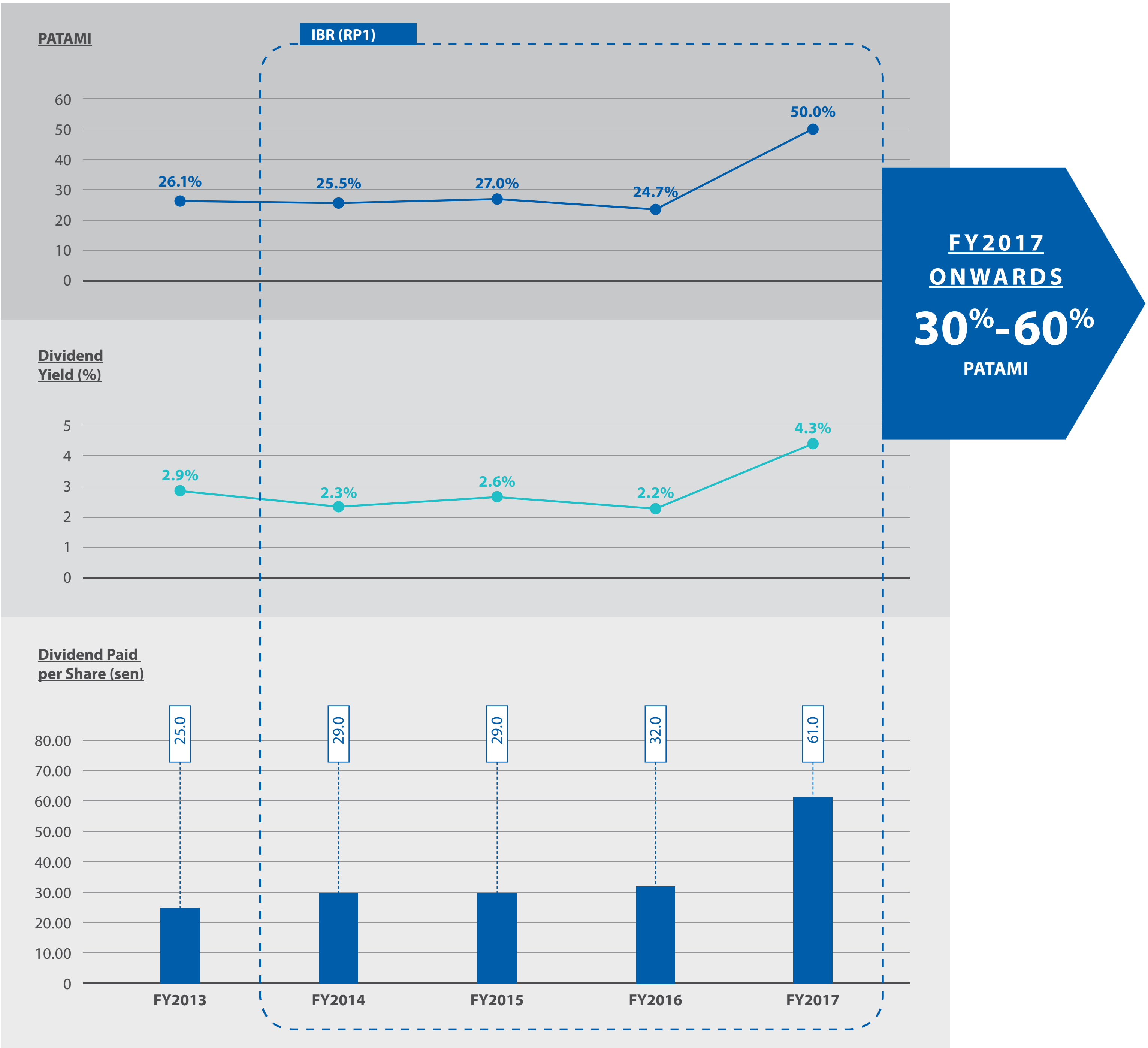
Foreign Shareholding FY2017 (%)



INVESTOR RELATIONS

COMMITMENT TO SHAREHOLDERS THROUGH DIVIDEND PAYMENTS

TNB has been rewarding its shareholders with cash returns on a regular basis through the declaration of interim dividend and final dividend in each financial year. In the past, TNB's dividend payout ranged between 24% to 27% of PATAMI as illustrated in the graph below. With the new dividend policy, the payout ratio will be improved to between 30% and 60% of PATAMI.



For FY2017, the details of the dividends are:

- A single-tier interim dividend of 17.0 sen per ordinary share amounting to RM962.0 million (paid in May 2017); and
- A proposed single-tier final dividend of 44.0 sen per ordinary share subject to shareholders' approval.

The total dividend payout of 61.0 sen per ordinary share represents a dividend yield of 4.3% based on the closing price of RM14.28 as at 30 August 2017. For the year under review, the total dividend payout of RM3.45 billion represents 50.0% of the PATAMI.

NET BOOK VALUE
OF LAND AND BUILDINGS

As at 31 August 2017

Property List	LAND									BUILDINGS		
	Leasehold			Freehold			Total					
Group	No. of Lots	Area (sq M)	NBV (RM'000)	No. of Lots	Area (sq M)	NBV (RM'000)	No. of Lots	Area (sq M)	NBV (RM'000)	No.	Built-Up Area (sq M)	Total NBV (RM'000)
	(1)	(2)	(3)	(4)	(5)	(6)	(1+4)	(2+5)	(3+6)	(10)	(11)	(12)
LOCATION												
Perlis	49	156,976	1,826	77	58,510	3,748	126	215,486	5,574	74	11,369	22,662
Kedah	297	1,056,663	14,186	598	937,580	51,943	895	1,994,243	66,129	369	135,440	222,452
Pulau Pinang	194	719,709	64,309	660	731,701	88,009	854	1,451,410	152,318	334	128,542	865,807
Perak	760	5,749,105	340,233	640	4,331,991	272,581	1,400	10,081,096	612,814	937	679,370	1,974,087
Selangor	850	10,644,494	360,193	1,389	2,522,530	382,328	2,239	13,167,024	742,521	1,649	729,646	2,601,237
W. Persekutuan	384	297,326	69,774	487	464,525	158,182	871	761,851	227,956	576	273,566	709,548
Putrajaya/Cyberjaya	6	588,490	13,407	8	1,554	1,693	14	590,044	15,100	62	8,581	41,475
N. Sembilan	282	2,065,430	56,762	481	1,008,299	46,891	763	3,073,729	103,653	260	459,156	508,485
Melaka	355	639,226	23,752	411	192,052	39,989	766	831,278	63,741	88	160,648	124,795
Johor	961	3,437,393	417,223	1,092	873,325	92,768	2,053	4,310,718	509,991	538	252,338	795,183
Pahang	371	1,316,429	51,404	497	297,228	43,569	868	1,613,657	94,973	498	275,608	3,330,751
Terengganu	361	2,119,260	27,010	184	10,982,897	88,308	545	13,102,157	115,318	275	489,507	1,988,484
Kelantan	360	1,288,093	8,870	337	469,437	46,371	697	1,757,530	55,241	356	663,204	840,220
Sabah	272	6,281,621	58,094	61	4,501,754	35,487	333	10,783,375	93,581	2,793	651,954	423,853
Pakistan	1	38,141	141	1	790,344	2,067	2	828,485	2,208	1	12,713	454
Total	**5,503**	**36,398,356**	**1,507,184**	**6,923**	**28,163,727**	**1,353,934**	**12,426**	**64,562,083**	**2,861,118**	**8,810**	**4,931,642**	**14,449,493**

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

BRIGHTER BUSINESS OUTLOOK

The energy landscape is changing at unprecedented speeds, but we are ready to take on its opportunities and challenges by delivering sustainable value and unlocking new sources of growth.

CHAPTER 02

BUSINESS CONTEXT

TNB shoulders a crucial responsibility in meeting Malaysia's power needs - whether to enable economic activity or by simply ensuring the lights are kept on in the homes of each Malaysian. We also embrace our role in Nation-building by operating a robust business to contribute to economic growth as well as by investing in our talent and community. In this way, we believe we will be able to meet the value needs of all our stakeholders.

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
(Appointed w.e.f. 22 June 2017)

Dato' Abd Manaf bin Hashim
Senior Independent Non-Executive Director
(Redesignated w.e.f. 31 October 2017)

Tan Sri Dato' Seri Siti Norma binti Yaakob
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
(Appointed w.e.f. 1 June 2017)

Badrul Ilahan bin Abd Jabbar
Independent Non-Executive Director
(Appointed w.e.f. 1 July 2017)

Dato' Zainal Abidin bin Putih
Senior Independent Non-Executive Director
(Cessation of Office as Director w.e.f. 15 December 2016)

Datuk Wira Ir. Md Sidek bin Ahmad
Independent Non-Executive Director
(Resigned w.e.f. 1 June 2017)

Ahmad Farouk bin Mohamed
Non-Independent Non-Executive Director
(Resigned w.e.f. 22 June 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)
10th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur
Malaysia
Telephone : 603-2034 7751
Facsimile : 603-2026 3712

PRINCIPAL BANKERS

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

EXTERNAL AUDITORS

Messrs PricewaterhouseCoopers (AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
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 and 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

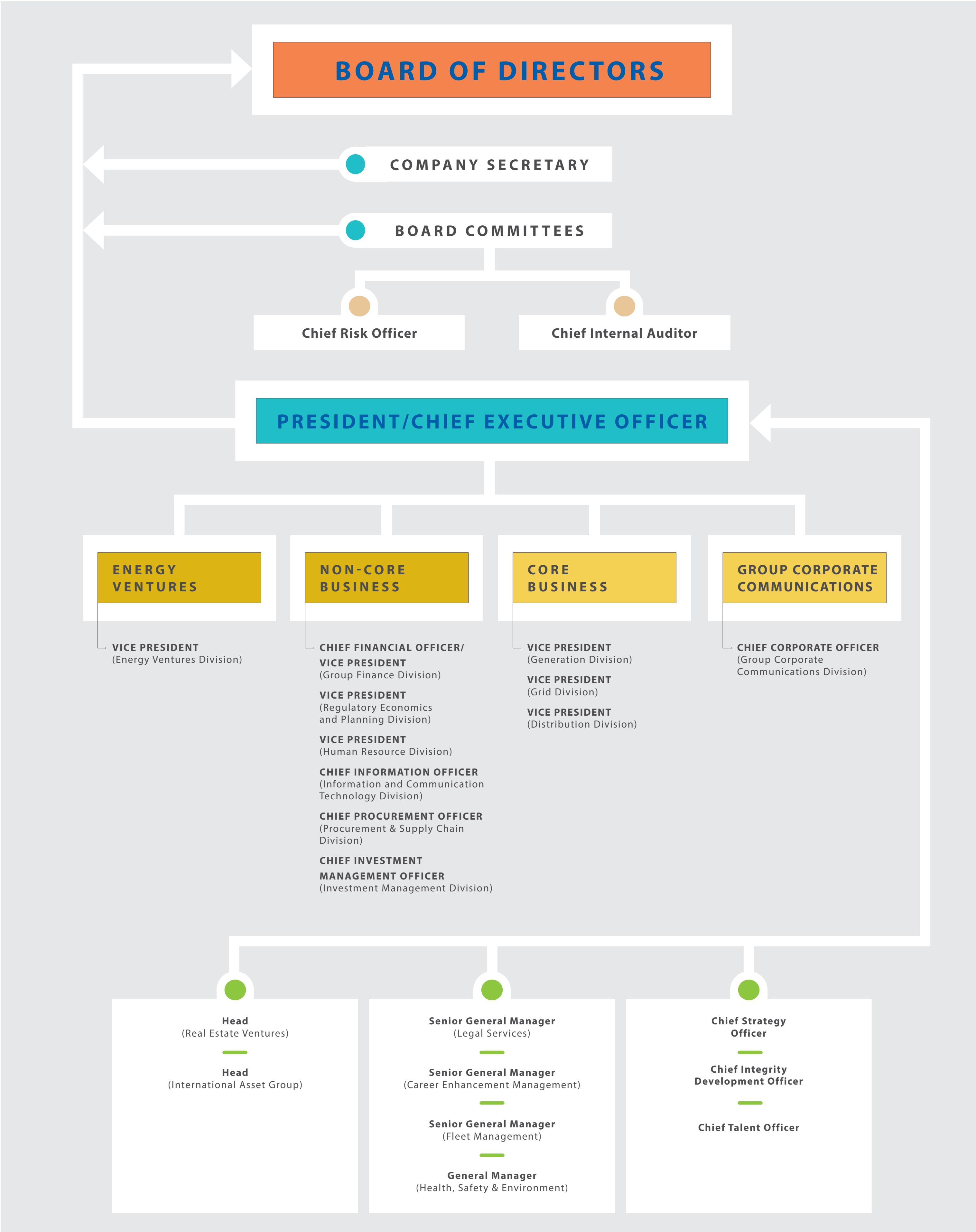
Local Rating Agency	Issuer Rating
RAM Rating Services Berhad (RAM)	AAA Stable
Malaysian Rating Corporation Berhad (MARC)	AAA_{IS}/ AAA Stable

International Rating Agency	Issuer Rating
Standard & Poor's Ratings Services (S&P)	BBB+ 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 CAPITAL (L) LTD.**
- 100% **TNB GLOBAL VENTURES CAPITAL BERHAD**
- 100% **TNB SEPANG SOLAR 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% **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.
      - 100% 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.
- 100% **TNB VENTURES SDN. BHD.**
  - 76% Tenaga Cable Industries Sdn. Bhd.
  - 20% Northern Utility Resources Sdn. Bhd. *(In Liquidation & under Receivership)*

- **Subsidiaries**
- **Associates**
- **Joint Venture**
- **Simple Investments**
- **Trust Foundations**

* *The information is as at 11 October 2017*

GROUP CORPORATE STRUCTURE

- 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% 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. *(Dormant)*
- 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

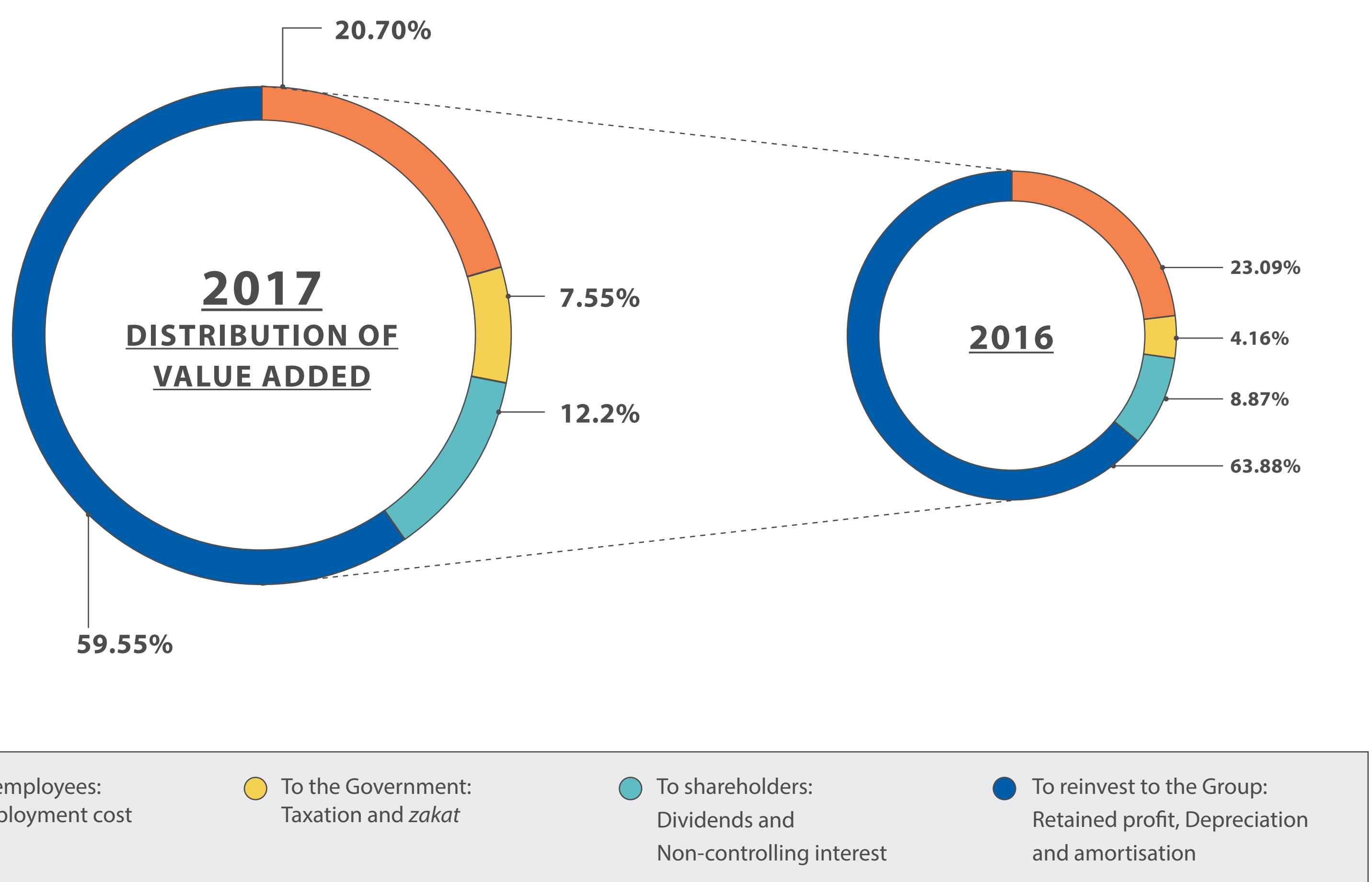
- 100% **TNB Risk Management Sdn. Bhd.**
- 100% **TNB Hidro Sdn. Bhd.**
- 100% **TNB Transmission Network Sdn. Bhd.**
- 100% **TNB Quantum Solutions Sdn. Bhd.** *(In Creditors' Voluntary Winding Up)*
- 100% **TNB Generation Sdn. Bhd.**
- 100% **TNB Distribution Sdn. Bhd.**
- 100% **TNB Engineers Sdn. 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.
  - 40% INDERA-TNB Properties Sdn. Bhd.
- 70% **Sepang Power Sdn. Bhd.**

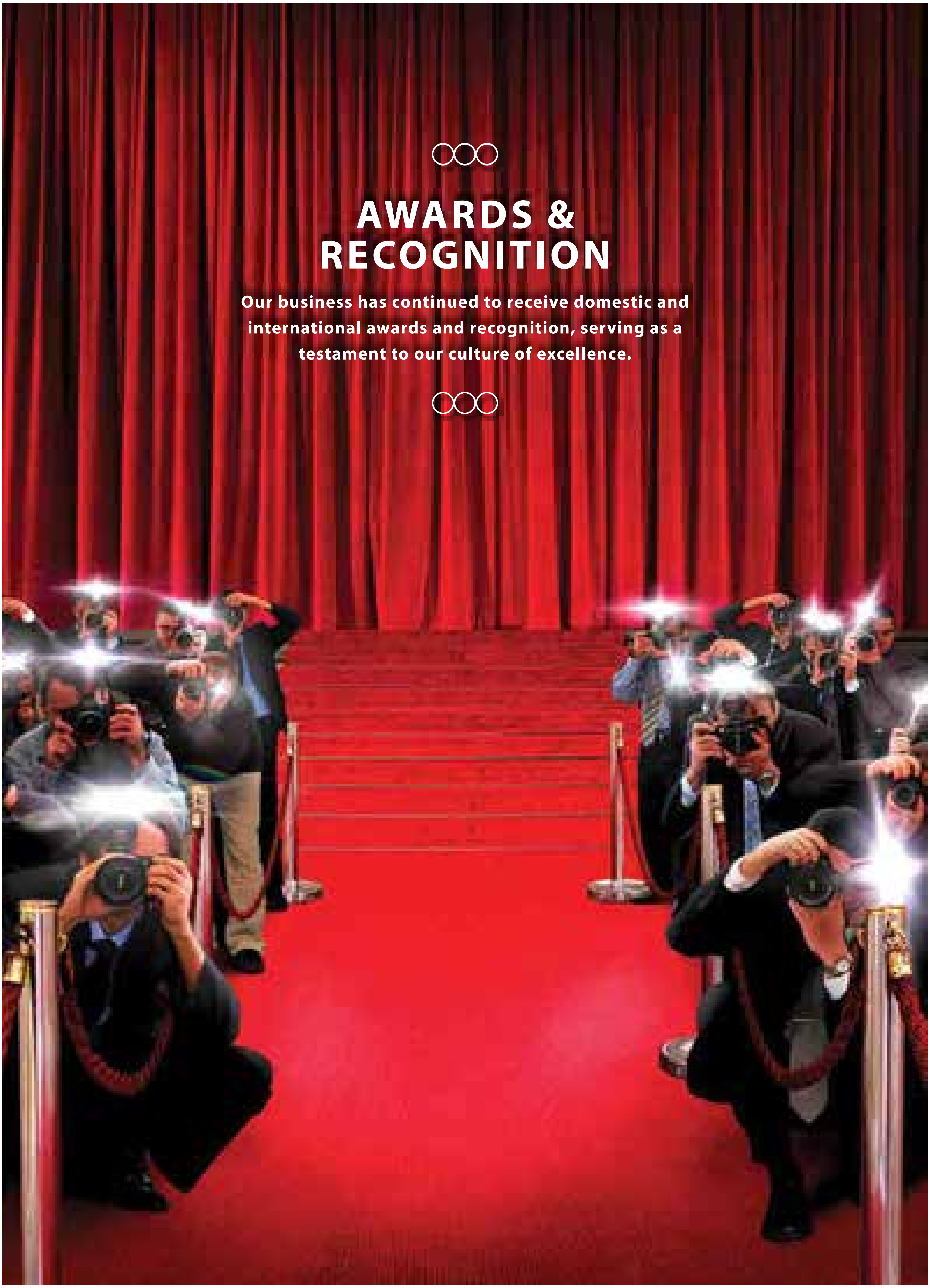
Manjung Island Energy Berhad
(Subsidiary as defined by MFRS 10,11 and 12)

DIRECT VALUE ADDED TO MALAYSIA

STATEMENT OF VALUE ADDED

	2016 RM Million	2017 RM Million
VALUE ADDED		
Revenue	44,531.50	**47,416.90**
Operating expenses excluding staff costs, depreciation, amortisation and Directors' remuneration	(26,304.50)	**(29,212.80)**
Other operating income	711.50	**1,021.30**
Finance income	299.00	**237.60**
Finance cost	(1,039.30)	**(1,456.00)**
Foreign exchange gain/(loss) on borrowings	(358.20)	**7.90**
Share of results of associates and joint ventures	93.30	**128.30**
Value added available for distribution	17,933.30	**18,143.20**
DISTRIBUTION		
To employees:		
Employment cost	4,144.30	**3,756.40**
To the Government		
Taxation and *zakat*	746.00	**1,369.70**
To shareholders:		
Dividends	1,636.70	**2,205.50**
Non-controlling interest	(46.80)	**8.10**
To reinvest to the Group		
Depreciation and amortisation	5,722.20	**6,105.00**
Retained profit	5,730.90	**4,698.50**
Total distributed	17,933.30	**18,143.20**





AWARDS & RECOGNITION

Our business has continued to receive domestic and international awards and recognition, serving as a testament to our culture of excellence.

AWARDS & RECOGNITION

RED HAT INNOVATION AWARDS APAC 2016
- Infrastructure Category

ASEAN ENERGY AWARDS 2016
- Energy Management in Buildings and Industries - Large Building Category - Wisma TNB Jalan Timur, Malaysia
- 1st Runner-up

ASIA GEOSPATIAL EXCELLENCE AWARD 2016
- Implementation of Unmanned Aerial Systems (UAS) for Utilities Asset Management

10TH ANNUAL BEST DEAL & SOLUTION AWARDS 2016
- Best Foreign Currency Bond Deal of the Year 2016 in Southeast Asia
  - TNB Global Ventures Capital for its US$750 million Sukuk Wakala

SHARE GUIDE ASSOCIATION MALAYSIA (SGAM) ICT AWARD 2016
- Malaysia IT User Group Category: Unmanned Aerial Services (UAS) Project

MSWG MALAYSIA – ASEAN CORPORATE GOVERNANCE TRANSPARENCY INDEX, FINDINGS AND RECOGNITION 2016
- Industry Excellence – Consumer Services
- Merit Award for CG Disclosures – 9th Place

ISLAMIC FINANCE NEWS (IFN) AWARDS DEALS OF THE YEAR 2016
- Sime Darby TNBES Renewable Energy Term Financing-i Facility
  - Malaysia Deal of the Year
  - Project & Infrastructure Deal of the Year

AWARDS & RECOGNITION

9TH ANNUAL GLOBAL CSR SUMMIT & AWARDS 2017

- Best Workplace Practises Award – Gold
- Best Community Programme Award – Gold

THE BRANDLAUREATE BEST BRANDS AWARD 2016 - 2017

- Brand of the Year for Best Performing Government-Linked Company - Energy & Power Category

11TH EMPLOYER BRANDING AWARDS 2017

- Malaysia Best Employer Brand Award

ASIA-PACIFIC RISK MANAGEMENT AWARDS 2017

- Asia-Pacific Risk Management Team of the Year

ASIAN UTILITY INNOVATORS AWARDS 2017

- Best Digital Transformation Project

2017 AUSTRALASIAN REPORTING AWARD

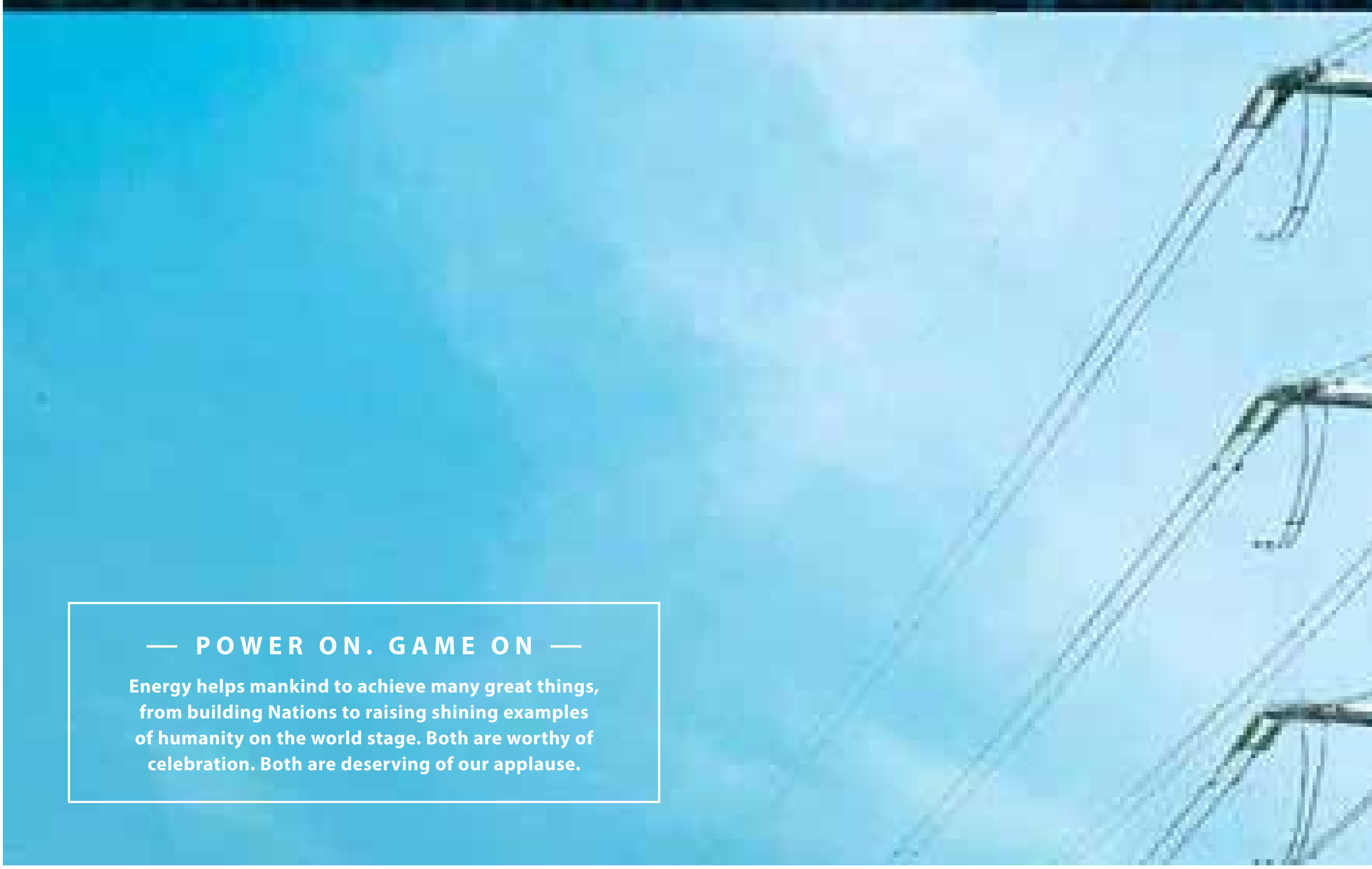
- Gold Award for Excellence in Content Reporting

THE EDGE BILLION RINGGIT CLUB 2017

- Super Big Cap Companies, More Than RM40 Billion Market Capitalisation
  - Best CR Initiatives
  - Highest Returns to Shareholders Over Three Years
  - Highest Growth in Profit After Tax Over Three Years

ASSET ASIAN AWARDS 2017

- TNB Global Ventures Capital for its US$750 Million Wakala Sukuk
  - Best Corporate Sukuk



— POWER ON. GAME ON —

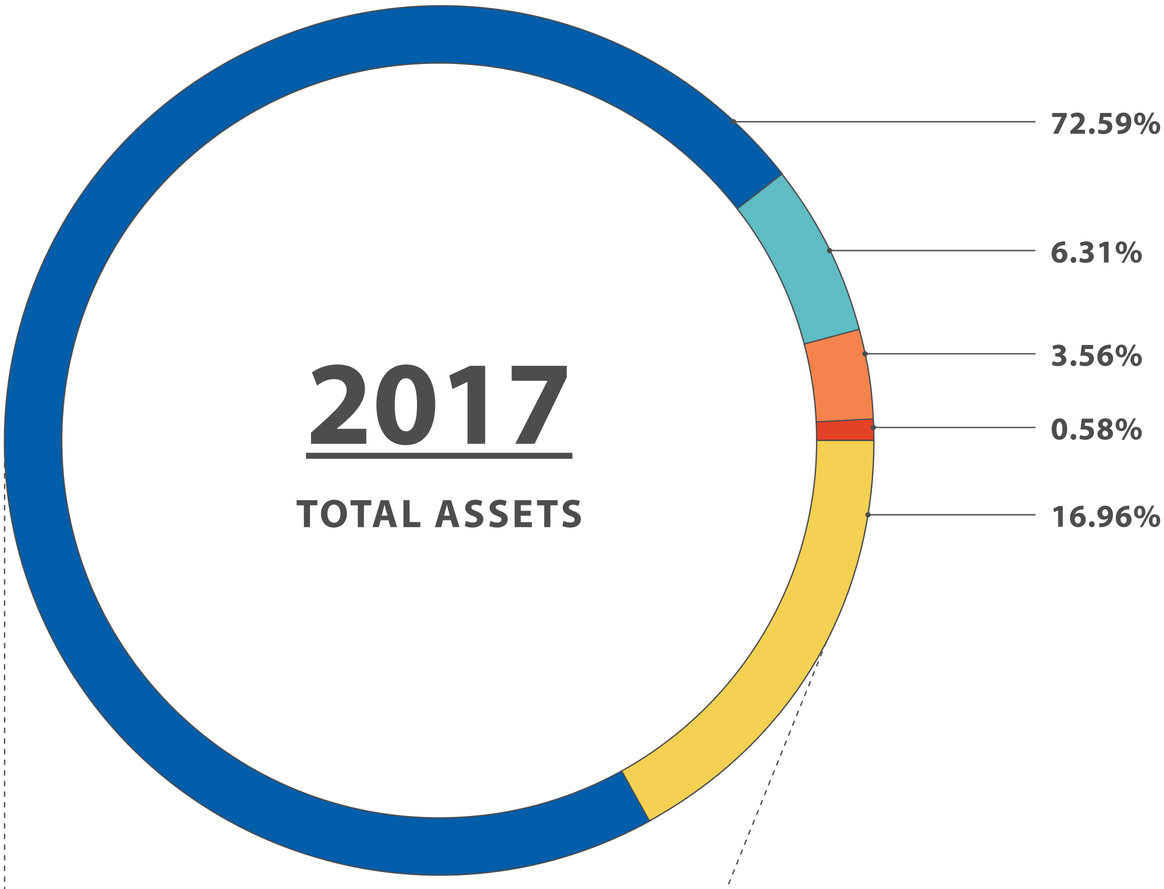
Energy helps mankind to achieve many great things, from building Nations to raising shining examples of humanity on the world stage. Both are worthy of celebration. Both are deserving of our applause.

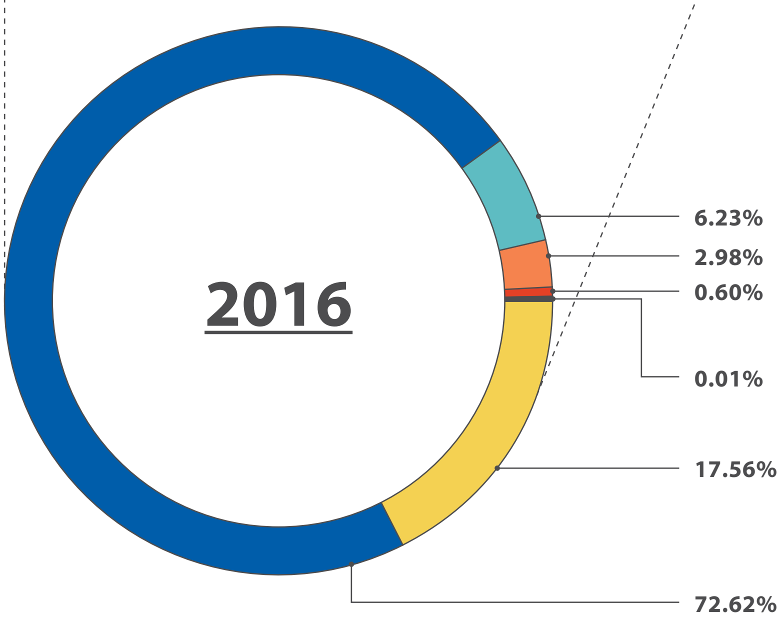
CHAPTER 03

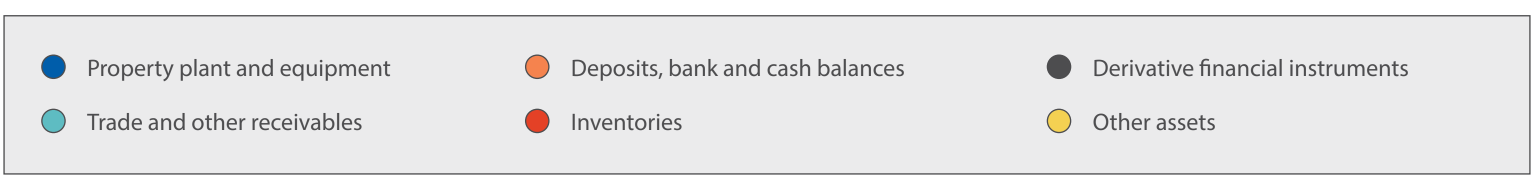
PERFORMANCE REVIEW

As an electricity company, we measure our performance not only through the delivery of sound financial results, but also excellence in service quality. This ensures we achieve sustainability of our business.

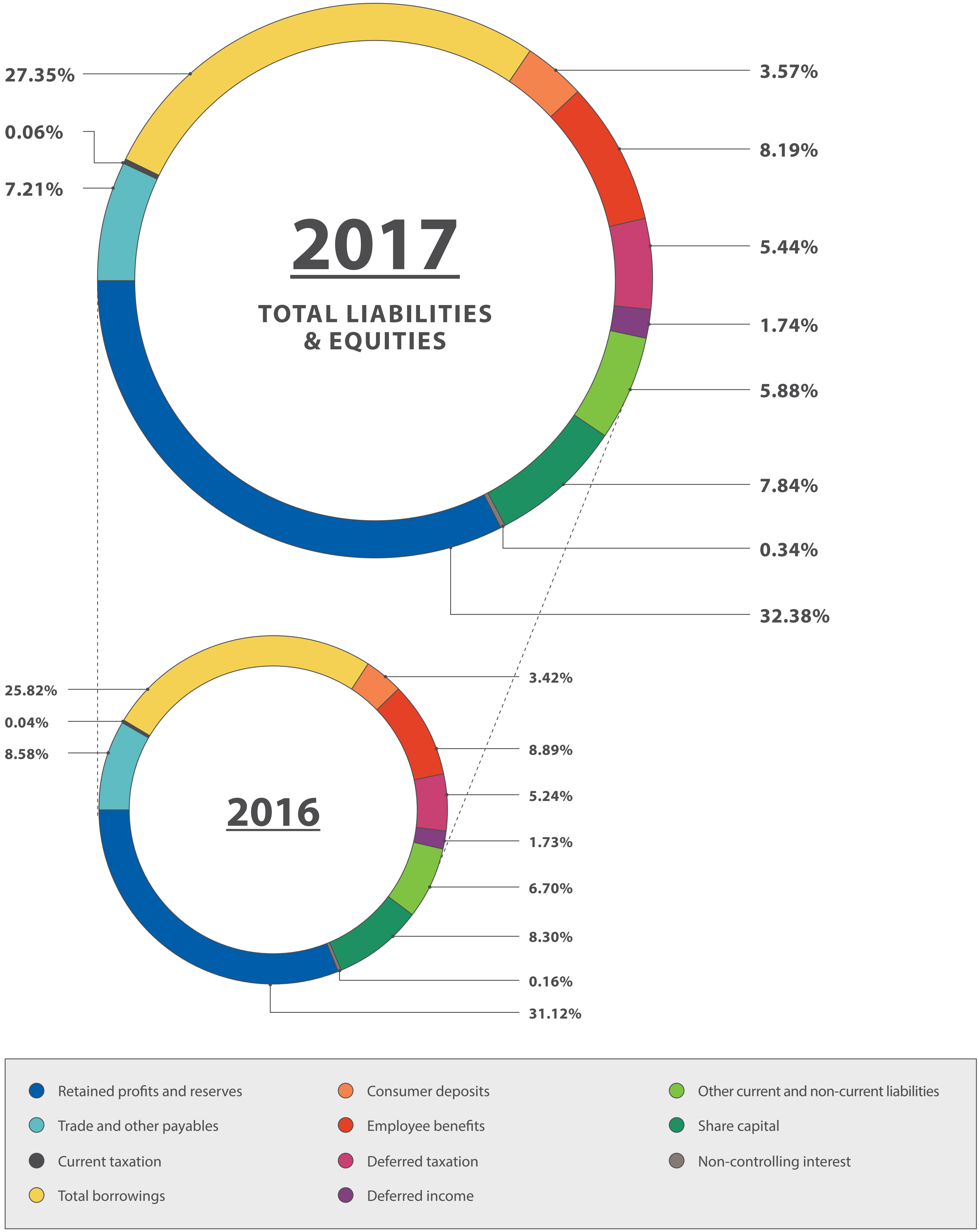
SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION







SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION



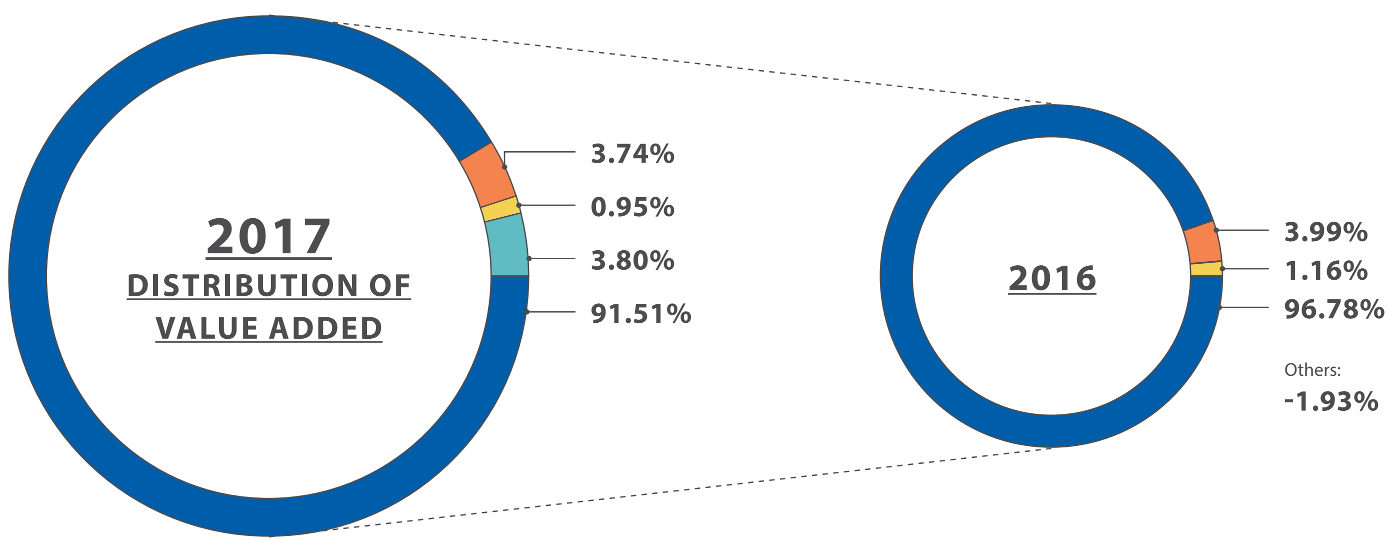
GROUP QUARTERLY FINANCIAL PERFORMANCE

STATEMENT OF VALUE ADDED

2016	1QFY'16	2QFY'16	3QFY'16	4QFY'16
(RM Million)				
Revenue	10,676.80	10,489.30	12,128.70	11,236.70
Operating profit	2,397.70	1,841.80	2,747.10	2,085.40
Profit before taxation and *zakat*	2,163.30	1,499.40	2,531.80	1,872.30
Net profit attributable to owners of the Company	1,976.00	1,320.70	2,308.70	1,762.20
Basic earnings per share (sen)	35.01	23.40	40.91	31.22

2017	1QFY'17	2QFY'17	3QFY'17	4QFY'17
(RM Million)				
Revenue	**11,241.60**	**11,162.30**	**12,549.20**	**12,463.80**
Operating profit	**2,339.60**	**1,979.10**	**2,713.00**	**2,332.30**
Profit before taxation and *zakat*	**1,995.20**	**1,699.60**	**2,434.60**	**2,152.40**
Net profit attributable to owners of the Company	**1,740.50**	**1,481.90**	**1,962.40**	**1,719.20**
Basic earnings per share (sen)	**30.79**	**26.22**	**34.68**	**30.38**

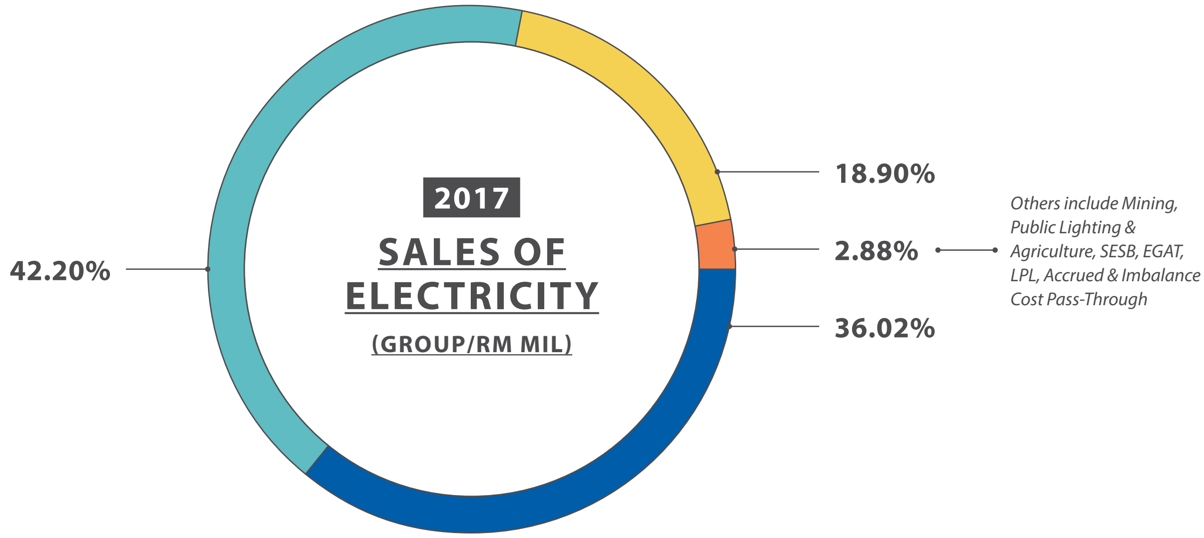
FY2017 CORE REVENUE

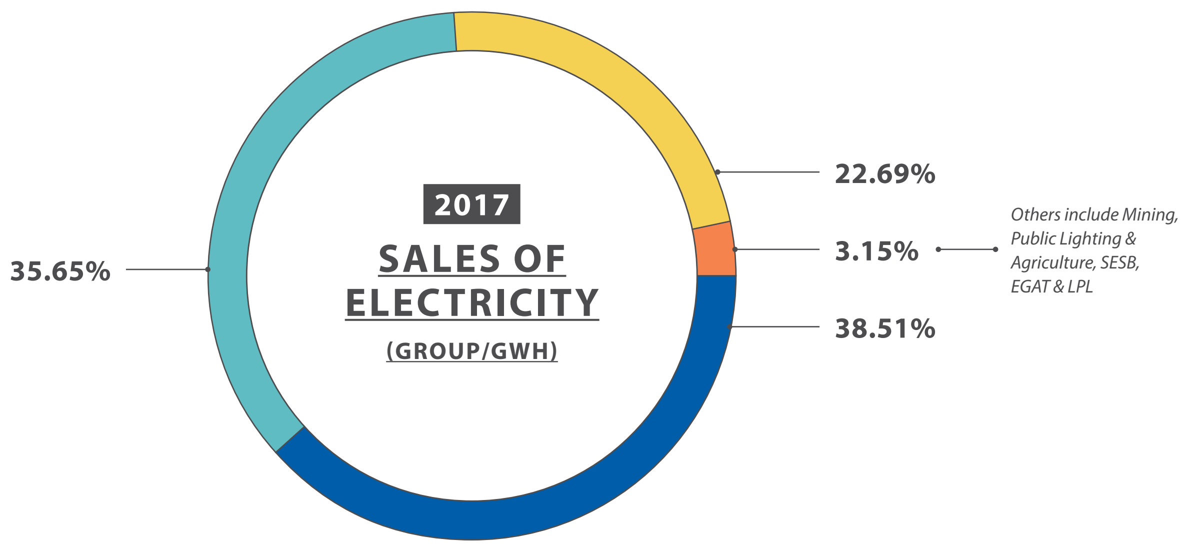


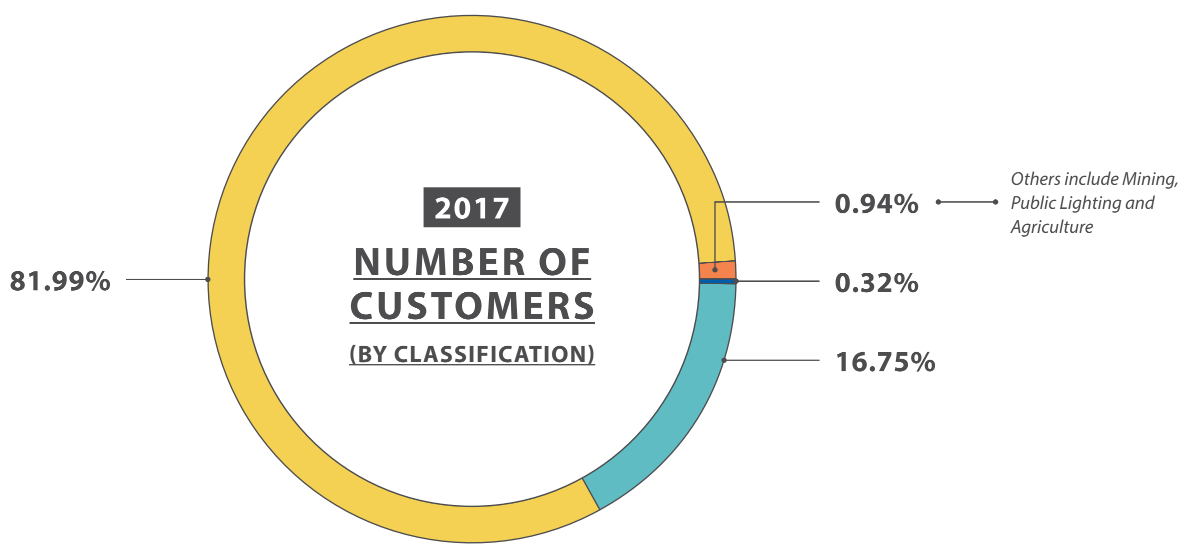
* *Others include EGAT, LPL, LPL Operating Lease, Accrued Revenue, Goods & Services, Deferred Income & Imbalance Cost Pass-Through*

Peninsular Malaysia | SESB | LPL | Others*

OPERATIONAL
STATISTICS







Industrial · Commercial · Domestic · Others

CHAPTER 04

SUSTAINABILITY STATEMENT

Our sustainability agenda is embedded within our operations, enabling us to walk the talk in achieving long-term growth and value creation. This means anchoring our operations on an identified strategy and sticking to our targets. We further expand our sustainability initiatives by reaching out to our communities to find ways to contribute to their growth and betterment. On the environmental front, we have embraced green initiatives throughout our business, from managing our own carbon footprint to providing clean energy products and services to our customers.

SUSTAINABILITY STATEMENT

OVERVIEW

At Tenaga Nasional Berhad (TNB), we believe that a sustainable, better and brighter future is built on the premise of achieving long-term shared value while identifying opportunities for business growth. In pursuing this, we seek ways to better manage the environment and social aspects to create value for all our stakeholders.

Sustainability lies at the core of what we do. It is about understanding our stakeholders and their changing needs, and working towards meeting their expectations in a meaningful way.

Our mission is to continue contributing to the Nation's development by providing Malaysia with safe, secure and reliable energy. Our intention is to further enhance our capabilities to become a world-class energy player by expanding our business beyond our shores.

In this respect, we continue exploring opportunities outside of Malaysia, in emerging and developing markets, such as India and Turkey. We have also invested in developed countries, such as United Kingdom.

ABOUT THIS STATEMENT

Reporting Standards and Boundaries

This report primarily covers the sustainability initiatives of TNB's operations in Peninsular Malaysia which account for the majority, including highlights from subsidiaries and international operations.

We strive to provide the most relevant data available at the time of publication, with information and performance indicators covering the reporting period of 1 September 2016 to 31 August 2017 (FY2017) unless otherwise indicated.

This statement aligns to the Global Reporting Initiative G4 Sustainability Reporting Guidelines (GRI-G4) and Bursa Malaysia's Sustainability Reporting Guide.

Materiality Assessment

This year, we have conducted a comprehensive materiality assessment in order to identify matters that are most significant to our business and stakeholders. A step-by-step approach was undertaken to develop a list of material matters.

Steps to define materiality:

STEP 1: IDENTIFICATION

A list of material 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 its 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.

The outcome resulted in the following list of material matters. These matters are reported throughout this section and anchored to the following four key areas:

Focus Areas	Material Matters
Spirit of Responsibility Marks our commitment, driven by our Board to reinforce ethical and safe business governance and a forward-looking culture	• Responsible and ethical business practices • Stakeholder management • Disaster management • Cybersecurity management
Delivering with purpose Defines our continued aspiration to provide reliable and efficient energy in the local and international Energy Supply Industry (ESI) for a better brighter future	• Business and financial performance • Reliable energy and fair tariffs • Renewable energy • Fuel mix policy • Efficient technology and innovation
Environmental stewardship Defines our commitment to minimise our environmental impact wherever we operate	• Greenhouse Gas (GHG) emissions and environment management • Biodiversity • Natural resource consumption
Embracing Relationships Revolves around how we look to develop long-term meaningful relationships with our customers, employees and communities in order to gain their trust	• Customer experience • Energy efficiency • Health and safety • Workplace culture • Education • Community development • Employee engagement

Managing our Stakeholders

Core to the success of our business is our ability to develop strong and meaningful relationships with all of our stakeholders. We have put in place various communication channels designed to allow us to regularly engage with our stakeholders so that we can better understand their needs and interests.

A summary of who our key stakeholders are and how we engage with them throughout the year is presented below:

	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 networks • 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 conferences and roadshows • One-to-one engagement • Site visits
Employees	Our 35,009 employees throughout TNB Group	• Direct contact • Town halls, *turun padang* & other outreach programmes • Online portal (Intranet), newsletters, emails • Employee surveys • CSR events
Trade Unions	Three registered unions and two workers' associations that cover all categories of staff	• Joint meetings and engagement sessions • Negotiations • Collective Agreements • Direct contact
Vendors	4,514 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	• CSR programmes • Town halls • Outreach programmes • 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 • Collaboration programmes

SUSTAINABILITY STATEMENT

SPIRIT OF RESPONSIBILITY

THIS SPIRIT OF RESPONSIBILITY MARKS OUR COMMITMENT, DRIVEN BY TNB BOARD AND SHARED BY OUR MANAGEMENT WITH ALL OUR EMPLOYEES TO PROMOTE ETHICAL AND SAFE PRACTICES TO REINFORCE SOUND BUSINESS AND A FORWARD-LOOKING CULTURE.

FOCUS MATERIAL MATTERS
Responsible & Ethical Business Practices
Disaster Management
Cybersecurity Management
KEY STAKEHOLDERS
Government
Employees
Investors

SUSTAINABILITY GOVERNANCE

Sustainability is embedded in our company policies and is inextricably linked with our business strategy and decisions. It influences our investments, operational efficiency programme, stakeholder engagement and climate risk mitigation efforts, among others.

Our sustainability initiatives come under the purview of the Sustainability Development Committee (SDC) and TNB Leadership Group (TLG), 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.

We continuously review our governance structures and update our controls and policies to ensure compliance with regulations, making sure they are relevant and allow for best practices in the company.

RESPONSIBLE AND ETHICAL BUSINESS PRACTICES

To protect the interests of our investors, customers, partners, employees and local communities, we are committed to operating in an ethical and transparent manner by, upholding the principles of good governance. This encapsulates our spirit of responsibility and marks the practice throughout our organisation, driven by our Board and shared by our Management with all our employees.

Details of compliance with Malaysia Code of Corporate Governance (MCCG) and other guidelines are provided in the Governance section within this report. For more information, please refer to the Statement of Corporate Governance and Statement of Risk Management and Internal Control on pages 118 and 144 respectively.

Adherence to practices of good governance has helped to strengthen TNB and contributed significantly to our years of growth and success. Today, as we strive for global positioning, we are aligned to Reimagining TNB, which aims to ensure our policies and business practices are able to meet future regulation, as well as adapt and thrive in a more competitive and market-driven environment.

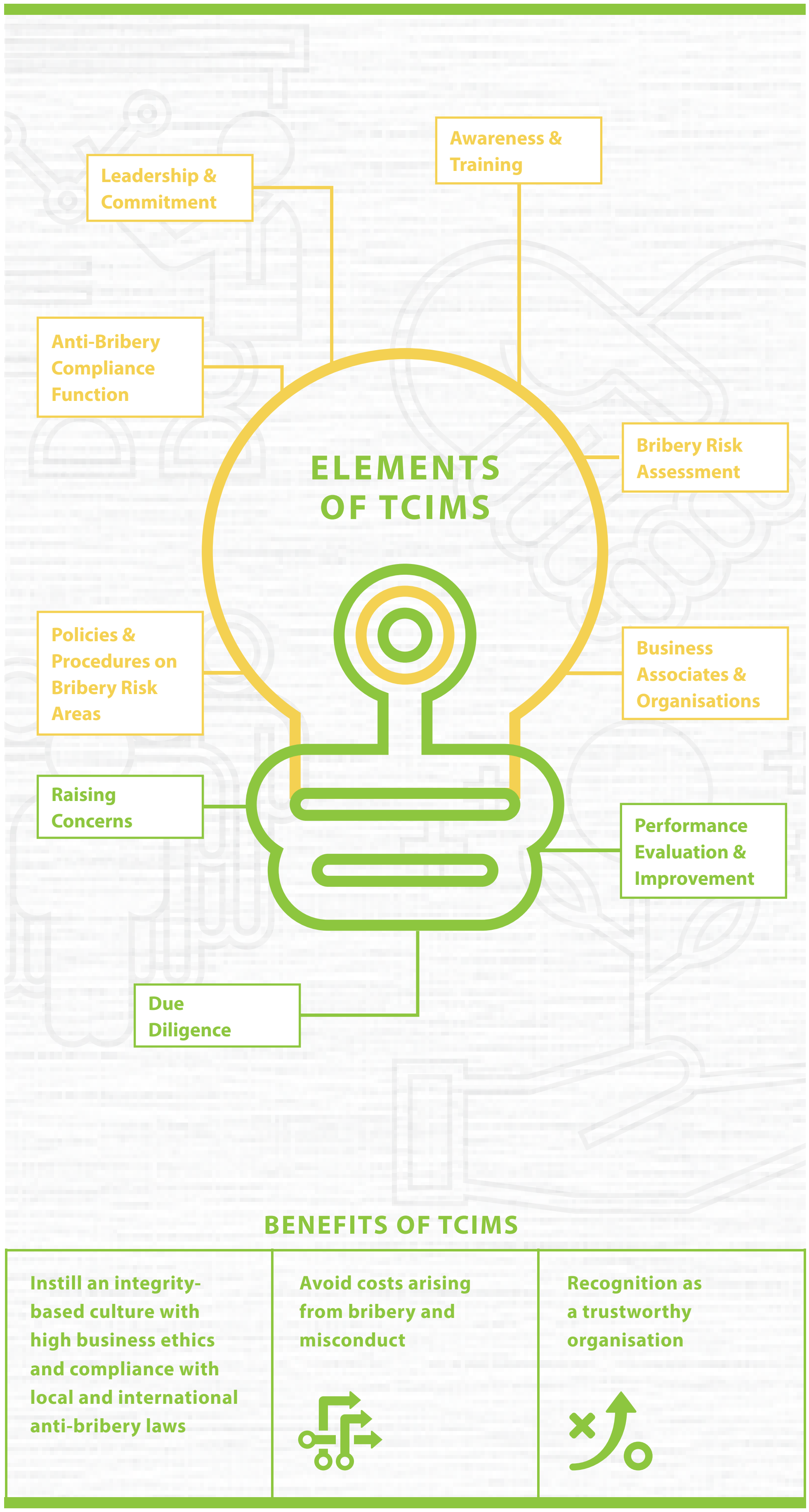
TNB is committed to conducting its business with integrity and high business ethics.

Implementation of TNB Corporate Integrity Management System (TCIMS)

Our Integrity Department has embarked on implementing TCIMS based on the new ISO 37001:2016 Anti-Bribery Management System certification as published by the International Organisation for Standardisation on 15 October 2016. This will make us one of the first corporations in Malaysia to adopt the standard. In FY2017, our Integrity Department formed a TCIMS Steering Committee, chaired by the Chief Financial Officer, to roll out TCIMS as part of preparations for the ISO 37001:2016 certification. Implementation of TCIMS is expected to be completed by late 2018. There are nine elements to the system, which we have divided into seven project stages. We kicked off the first stage in February 2017, and are currently in the third stage of the project.

TCIMS Project Milestone

- FOUNDATION
- LEADERSHIP & PLANNING
- SUPPORT & OPERATION (1)
- OPERATION (2)
- APPROVALS, TRAINING & COMMUNICATION
- REVIEW & IMPROVEMENT
- PREPARATION FOR ISO CERTIFICATION & MALAYSIA ANTI-CORRUPTION COMMISSION CORPORATE INTEGRITY PLEDGE ASSESSMENT



SUSTAINABILITY STATEMENT

DISASTER MANAGEMENT

Given that our assets are classified as Critical National Information Infrastructure (CNII), we have a primary duty to ensure they are maintained at optimal operating levels, safe from threats. Business continuity management is a matter of good governance, and essential to fulfill our implicit mandate of powering the Nation safely. The TNB Business Continuity Management (BCM) Framework, implemented group-wide, provides a holistic and structured approach in managing business continuity. Drills are carried out regularly to evaluate and improve the effectiveness of our business continuity plans. Our power plant-specific Disaster Management Plans are an example of this and are designed to cater to individual risk exposures. We remain disciplined in performing drills according to plan to ensure our employees and the immediate communities are ready to respond to any adversity.

EMERGENCY PREPAREDNESS

Malaysian Armed Forces performing the simulation of terrorist attack at Sultan Azlan Shah Power Station, Manjung, Perak.

Counter Terrorist Drill in Manjung

On November 2016, we conducted our first-ever counter-terrorist drill at the Sultan Azlan Shah Power Station, Manjung, Perak. The full-scale emergency drill tested the joint readiness of TNB Janamanjung Sdn. Bhd. (TNBJ) and various agencies involved in dealing with terrorist threats, with encouraging results. A total of 527 members from 33 departments and national security agencies were involved in the three-day exercise.

Cybersecurity Drill

Safeguarding our systems from cyber threats are equally as important to prevent disruptions to our business. Similarly, to protect our physical assets, TNB participated in the National Cyber Crisis Exercises (Cyber Drills) in collaboration with National Security Council. This exercise simulated cyber attacks and assessed TNB's internal and external communication, processes and procedures including team readiness to manage cybersecurity incidents.

We regularly organise Integrated Community-based Disaster Management (ICBDM) involving Management, employees, members of the local communities and representatives of state government agencies. ICBDM is an emergency response system developed to minimise damage and risk within communities with close proximity to power plants.

ICBDM FOR HYDROELECTRIC STATIONS AT CAMERON HIGHLANDS AND KENYIR

Cameron Highlands, Pahang

To prepare ourselves and the community in the event of a flood, a full-scale and controlled joint flood drill was held between TNB and other agencies at the flood-prone Bertam Valley. This is to ensure that they were fully prepared to carry out their tasks in the event of an emergency. The drill served as a rehearsal for residents to evacuate promptly when emergency sirens go off, warning about rising water levels at the dam. The drill involved 140 personnel and was participated by approximately 300 households in the vicinity.

Kenyir, Terengganu

In May 2017, we organised a Safety Day at our hydroelectric dam in Kenyir Lake. Approximately 1,000 members of the Kuala Berang community which consists of students and state disaster management agencies took part in this one-day programme. The event was officiated by a local assemblyman who commended TNB's efforts in building and maintaining Kenyir Hydroelectric Dam in accordance to international standards, which has indirectly improved the socioeconomic status of the community living around the area. Participants were given the opportunity to visit Kenyir Dam to witness the safety level of the infrastructure alongside safety exhibitions and demonstrations.

THE DRILL AT CAMERON HIGHLANDS HYDROELECTRIC STATIONS INVOLVED

140

PERSONNEL AND WAS PARTICIPATED BY APPROXIMATELY

300

RESIDENCES IN THE VICINITY

DELIVERING WITH PURPOSE

Sultan Azlan Shah Power Station, Manjung, Perak.

FOCUS MATERIAL MATTERS
Business & Financial Performance
Reliable Energy & Fair Tariffs
Renewable Energy
Fuel Mix Policy
Business Growth & Innovation

KEY STAKEHOLDERS
Government
Investors
Customers
Community
NGOs

We support the transition towards a low-carbon economy, by promoting Renewable Energy (RE), embracing new technologies and empowering our customers. Having contributed to the Nation's development, we intend to further enhance our capabilities to become a world-class energy player.

Our business over the years has been defined by our primary responsibility of ensuring a reliable supply of energy to Malaysians at all times at a fair tariff.

GLOBAL EXPANSION

We recognise that continued growth will require us to expand our operations beyond Malaysia. Therefore, we are continuously identifying opportunities in emerging and developed markets such as India, Turkey and United Kingdom.

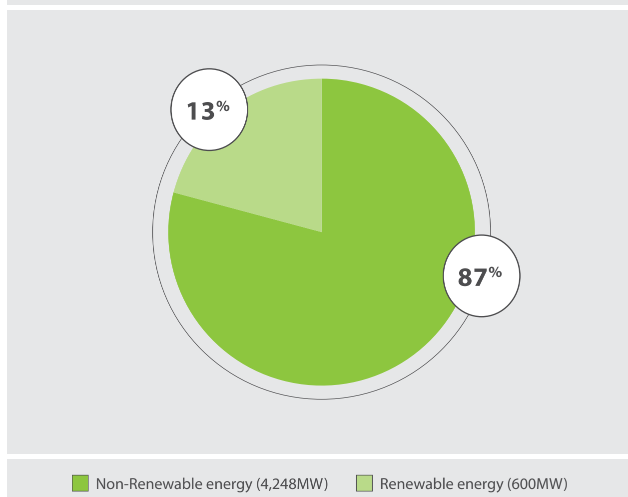
This has allowed us to grow our generation portfolio through strategic foreign acquisitions. To date, we have acquired a significant foreign portfolio of generation capacity of 4,888MW, of which 13% comprises renewable energy assets.

TNB's accumulated portfolio of international RE generation capacity amounts to approximately 600MW.

Percentage of electricity coverage	
99.8% Peninsular Malaysia	**95%** Sabah

Note: Statistics represented are as at 2015

International footprint of generation portfolio (FY2017)



SUSTAINABILITY STATEMENT

EXPANDING OUR INTERNATIONAL FOOTPRINT VIA ACQUISITIONS OF RENEWABLE ENERGY FACILITIES ABROAD

In early 2016, we acquired 30% of Turkey-based GAMA Enerji A.S. which has provided us with a foothold in an emerging market with one of the fastest-growing energy markets in the world. This has also helped to diversify our renewable energy capabilities with the inclusion of 117.5MW of wind generation capacity.

50%

STAKE IN UK-BASED VORTEX SOLAR IS TNB'S LATEST ACQUISITION

This year, as we further seek to expand our international presence and increase our renewable energy assets, we completed the acquisition of a 50% interest in Vortex Solar Investments Sarl which operates a 365MW solar photovoltaic (PV) portfolio in the United Kingdom. This investment marks our first foray into the European renewable energy market, and increases our international renewable energy portfolio.

FUEL MIX POLICY

In order to deliver reliable energy at a fair tariff, we utilise a diversified electricity generation fuel mix. Coal currently makes up the bulk of our fuel mix based on the optimal generation capacity plant up established by the Planning & Implementation Committee for Electricity Supply and Tariff (JPPPET), helmed by KeTTHA.

TNB is committed towards the development of Malaysia's renewable energy by investing in infrastructure that allows more renewable energy to be connected to the grid. Our efforts lend support to the 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. In response, we have set our own target, under Reimagining TNB, to achieve a renewable energy capacity of 1,700MW by 2025.

EMBRACING RENEWABLE ENERGY

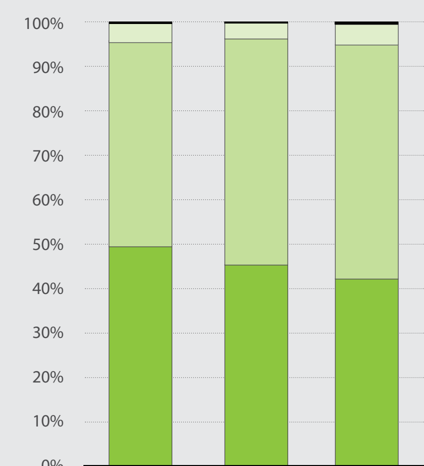
Together with the Sustainable Energy Development Authority (SEDA), we administer and manage the implementation of the Feed-in-Tariff (FiT) programme that is mandated under the Renewable Energy Act 2011. This programme pays Feed-in Approval Holders (FiAH) a fixed price for their electricity as a pioneering incentive. This has led to the commissioning of 7,367 FiT projects in Peninsular Malaysia with an installed capacity of 379.4MW as of July 2017.

As the solar PV quota under the FiT programme is reaching its limit for customers, the Government has introduced the Net Energy Metering (NEM) programme. Under this programme, customers can install rooftop solar PV systems for their own electricity consumption and sell any excess electricity to TNB. The NEM target is to achieve 500MW of installed capacity from 2016 to 2020 (450MW from Peninsular Malaysia and 50MW from Sabah). This translates to an NEM quota of 90MW per year for Peninsular Malaysia in the period of 2016 to 2020.

Our initiatives to promote the use of renewable energy include our joint venture (JV) with Sime Darby Plantation to develop two biogas power plants located in Layang-Layang, Johor and Bagan Datuk, Perak. Both plants commenced commercial operations in December 2016 and January 2017, respectively. TNB also formed a JV with Felda Global Ventures Holdings Berhad to build a biomass power plant in Jengka, Pahang which was commissioned in October 2016 with a generating capacity of 10MW.

We manage 19 mini hydropower stations with a capacity of 9MW as a whole, located in several rivers in Peninsular Malaysia. Recently, we were awarded a contract by the Energy Commission to develop our first Large Scale Solar plant.

Fuel Mix (Peninsular Malaysia)



	FY2015	FY2016	FY2017
Gas	49.4%	45.2%	42.2%
Coal	45.6%	50.8%	52.8%
Hydro	4.5%	3.5%	4.7%
Others	0.5%	0.5%	0.3%

Two biogas power plants developed by TNB and Sime Darby Bhd were launched at Layang-Layang, Johor and Bagan Datuk, Perak.

SUSTAINABILITY STATEMENT

BUILDING RENEWABLE ENERGY CAPACITY FOR MALAYSIA'S SUSTAINABLE FUTURE

In March 2017, we won a competitive bid by the Energy Commission to develop our first Large Scale Solar (LSS) farm boasting a capacity of 50MW. Construction work on the project, located on 97 hectares of land in Mukim Tanjung 12, Kuala Langat, Selangor began in July 2017. It is being undertaken by our wholly-owned subsidiary TNB Sepang Solar Sdn. Bhd. (TSS). On 2 March 2017, TNB signed a 21-year Solar Power Purchase Agreement (SPPA) with TSS for it to supply electricity from the farm to the National Grid.

The project, to be operational by end-2018, is expected to cut CO_2 emissions by 64,000 tonnes/year. Besides the environmental benefit, this development will enrich the local community's livelihood through new job opportunities and the promotion of educational tourism and research into the region.

Additionally, our subsidiary, TNB Research Sdn. Bhd. (TNBR) conducted a research on the development of the country's first floating solar project that is being undertaken in Sepang, Selangor utilising the Malaysian Electricity Supply Industries Trust Account (MESITA) fund. The project was launched in March 2015 with a capacity of 108kWp, covering 1,000m^2 on a 50-hectare lake in the Sungai Labu Water Treatment Plant (WTP).

TNB gained a foothold in the country's first Large Scale Solar (LSS) through a 50MW project in Kuala Langat, Selangor.

EFFICIENT TECHNOLOGIES AND INNOVATION

We have decommissioned inefficient and ageing Open Cycle Gas Turbine (OCGT) and Combined Cycle Gas Turbine (CCGT) plants and replaced these with more efficient and economical CCGT plants. Our latest CCGT development at Perai Power Station, runs on the latest Gas Turbine technologies enabling the plant to achieve generation efficiency of up to 60%.

ULTRA-SUPERCRITICAL COAL GENERATION POWER PLANT

Our latest coal-fired power plant in Perak, Manjung 4 utilises ultra-supercritical steam generation technology, a gold standard in the industry and is the most efficient coal-fired power plant in Southeast Asia. The ultra-supercritical technology refers to the steam generation process for plant production at steam pressure and temperature beyond "critical point", resulting in lower coal consumption, higher efficiency, improved operation flexibility and reduced emissions. This technology enables Manjung 4 to operate at an efficiency exceeding 40% and generate more energy per unit of coal burned compared to the "subcritical" steam generation technology used by older plants within the complex, namely Manjung 1, 2 and 3.

TNB has also developed a new generating unit called Manjung 5 with a 1,000MW capacity using the same high efficiency ultra-supercritical technology next to the Manjung 4 plant. Manjung 5 was recently commissioned with its commercial operations on 28 September 2017, three days ahead of schedule. The entire Manjung power plant complex has now accounted for 20% of Peninsular Malaysia's total generation capacity.

SUSTAINABILITY STATEMENT

Grid and Distribution

Our **Grid Division** has consistently met its targets on system minutes and system availability as a result of various programmes and initiatives. They include loss minimisation projects, preventive maintenance of assets and other initiatives.

Loss minimisation projects

- Completion of bottleneck projects
  - OHL 275kV Bukit Tarek - Chubadak
  - OHL 275kV Salak South - Mahkota Cheras
- Commissioning of new 500kV overhead lines (OHL)
- Use of high-capacity low-loss conductor for new 500kV & 275kV OHL

Preventive Maintenance of Assets

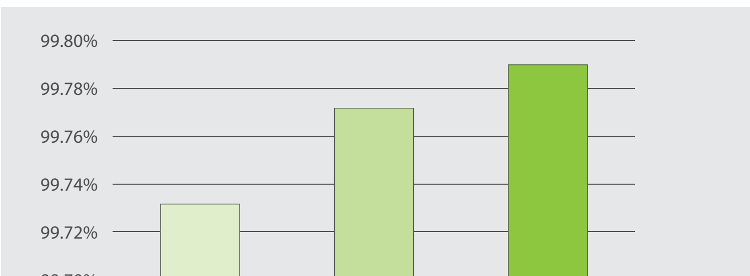
The Grid Division has established an effective preventive maintenance programme. It involves carrying out maintenance work at pre-determined intervals or in accordance with prescribed criteria as determined by the Original Equipment Manufacturer (OEM) using Reliability Centred Maintenance Methodology.

Other initiatives

Other initiatives to enhance high system reliability and availability are as follows:-

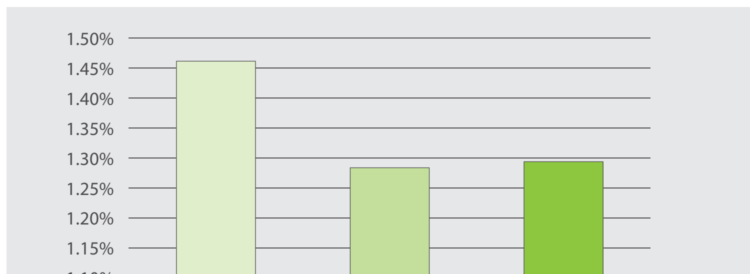
- FY2015-FY2020 Refurbishment and Replacement Plan
- Reviewing Existing Maintenance Practices focusing on risk-based maintenance
- Establishment of Force Outage Criteria
- Zero Tripping Action Plan (ZTAP)

System Availability



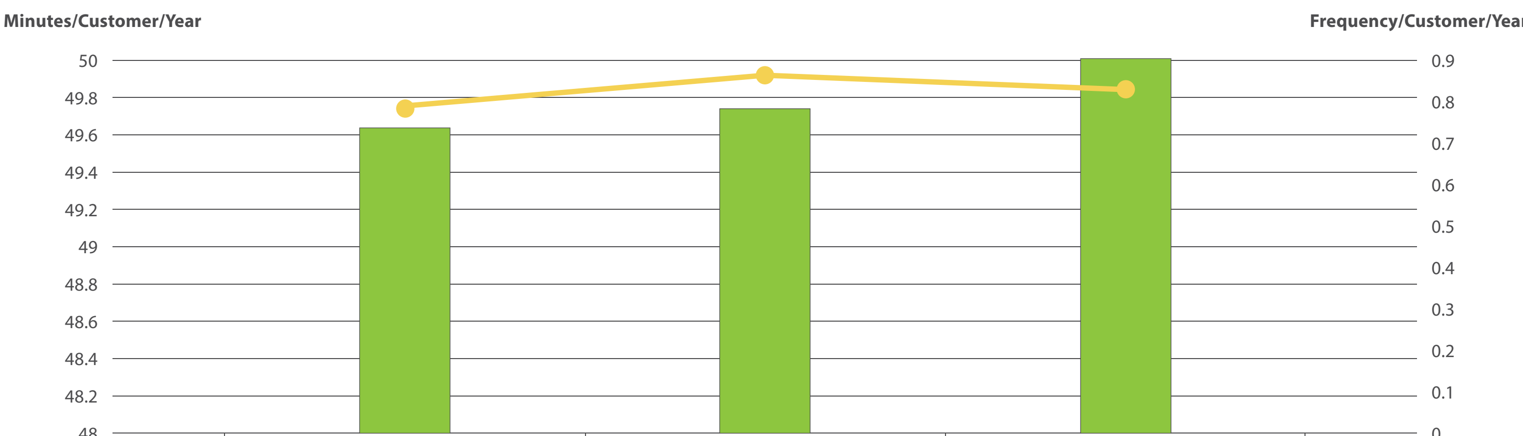
FY2015	FY2016	FY2017
99.73%	99.77%	99.79%

Transmission Losses



FY2015	FY2016	FY2017
1.47%	1.28%	1.29%

Two key performance indicators in our **Distribution Division** are System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI). As depicted in the graph below, the performance of both has improved over the years.



	FY2015	FY2016	FY2017
SAIFI	0.79	0.87	0.84
SAIDI	49.66	49.71	50.24

We have consistently maintained our SAIDI figures as a result of concerted efforts to prevent major failures through early detection, asset replacement and investment in new technologies. We have also adopted best practices in Preventive and Condition-Based Maintenance. Distribution Automation project is another initiative which has served both to reduce the duration of outages and increase the speed of restoration.

IN MALAYSIA, OUR CORE BUSINESS ENCOMPASSES THE FULL SPECTRUM OF THE ELECTRICITY SUPPLY INDUSTRY VALUE CHAIN NOTABLY GENERATION, GRID AND DISTRIBUTION. OUR GROWTH IN THESE CORE AREAS IS UNDERPINNED BY EFFORTS OF UTILISING PROVEN AND EFFECTIVE TECHNICAL INNOVATION IN MOST MAJOR PROJECTS AND FACILITIES.

CUTTING-EDGE TECHNOLOGY AND AUTOMATION

Recently, our Generation Division developed its own Intelligent Predictive and Diagnostic Monitoring System (IPDMS) using predictive analytics software that enables plant operators to detect anomalies from operating parameters of the major assets. The system detects symptoms of failure in advance, thus allowing the operator to take early preventive action.

Similarly, our Grid Division uses drones for land planning and acquisition which helps improve the accuracy of land survey works. This pilot project was conducted together with TNB ICT as the service provider and focuses on patrolling and inspecting works of 500kV Transmission Lines (inclusive Right-Of-Way) and 500kV main intake substations. This system has increased visibility of equipment conditions which was previously limited and reduces the risk exposure to our maintenance staff who were previously required to perform the inspection work manually. Additionally, our turnaround rate in responding to requests for inspections have also improved. For states that do not have 500kV installations, applicators are trained and familiarised with the drones for verification of rentice clearing works using drones. By FY2018, Grid Division plans to equip maintenance offices in each zone with drones in order to complement conservative ground patrolling before being fully dependent on this application.

TNB staff doing their maintenance works at one of the power plants.

To support the Grid of the Future (GoTF) initiative, our Distribution Division has embarked on several key projects such as Advanced Metering Infrastructure (AMI), Mobility Solutions, Volt-VAr Optimisation (VVO), Geospatial Information System (GIS) and Distribution Automation (DA). These GoTF projects represent a new and broader approach to improve reliability, service quality and operational efficiency. AMI's main objective is to improve meter reading by introducing remote and automatic readings, consequently reducing time and manpower resources. Mobility Solutions provide a platform for work efficiency amongst field staff. VVO improves electricity supply quality while GIS provides near-real-time information on TNB's distribution network. DA provides real-time management on network operations and we intend to equip substations and feeders with this facility in the near future.

LOCAL VENDOR SUPPORT

Local vendors play an integral part in helping us to deliver our services. In 2017, TNB has procured from 4,514 suppliers and contractors. For this financial year, our total spent on local procurement has amounted to almost RM6.64 billion.

Financial Year	FY2015	FY2016	FY2017
Total spent on local procurement (RM billion)	7.91	7.44	6.64
Total number of local suppliers	4,534	4,550	3,281

We go beyond providing contract opportunities and make a conscious effort to build the capabilities of our vendors to contribute to the further development of the Malaysian SME industry, in line with the Government's economic agenda. An example of such initiatives include selecting performing manufacturing vendors to participate in "ExploreAce", an annual gathering of SMEs and Government-Linked Companies (GLCs) where vendors can showcase their products and expand their clientele base.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL STEWARDSHIP

TNB has become a champion of Renewable Energy (RE) as part of our commitment to promote a greener and more sustainable energy sector.

FOCUS MATERIAL MATTERS
GHG Emissions & Environment Management
Biodiversity
Natural resource consumption
KEY STAKEHOLDERS
Government
Investors
NGOs

Energy companies, must confront the pressures of growing interest in environmental protection and pressing global issues such as climate change. This has led to an increasing need for corporations to work jointly with Governments and communities to protect the environment.

MANAGING OUR ENVIRONMENTAL IMPACTS

TNB's Green Policy is committed to minimising our environmental impact by applying the following principles:

- Sustainability practices;
- Efficient operations; and
- Delivering Green Technology via appropriate technology investment.

This is reflected in the adoption of clean energy technologies that can generate electricity with minimum impact to the environment and at the same time reduce Greenhouse Gas emissions over the long-term such as solar PV and hydro.

MITIGATING OUR GREENHOUSE GAS (GHG) EMISSIONS

GHG emissions from human activity have been identified as the most significant driver of observed climate change. To mitigate climate change, environmental scientists have urged Nations to limit the increase in average global temperature to 2˚ Celsius by the end of the century compared to pre-industrial levels. The International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC) set up under the United Nations Framework Convention on Climate Change (UNFCCC) support this by advocating decarbonisation of energy systems. Under the Paris Agreement in COP 21, Malaysia has pledged to reduce its GHG emissions intensity to GDP by 45% by the year 2030 from the emissions intensity in 2005, where 35% of this reduction is to be achieved on an unconditional basis while another 10% is conditional upon receiving climate finance, technology transfer and capacity building from developed countries.

In response, we are committed to better measure and monitor our emissions, with the ultimate objective of reducing our emissions intensity. This is aligned with the demand for greater transparency on our GHG emissions performance from our stakeholders as well as growing expectations from them to limit our emissions. Our next step entails developing a GHG management framework to drive a more systematic management of GHG emissions, in our quest to reduce our emissions intensity.

SUSTAINABILITY AND CLIMATE CHANGE HAVE EMERGED AS A LEADING AGENDA FOR COMPANIES ALL AROUND THE WORLD.

CARBON FOOTPRINT ASSESSMENT

In FY2016, our Greenhouse Gas (GHG) emissions from Generation, Grid and Distribution was approximately 29 million tCO_2e. Power generation accounts for approximately 98% of the total GHG emissions in FY2016. The GHG emissions intensity for TNB has been relatively stable in recent years although it varies slightly depending on the generation mix, which in turn is determined by prevailing fuel prices.

GHG emissions in the power sector is mainly attributed to the optimal generation development plan to meet increasing demand.

The Nation's optimal generation development plan is established by KeTTHA's Planning & Implementation Committee for Electricity Supply and Tariff (JPPPET). This plan takes into consideration the economic, environment and energy security factors.

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

GHG Emissions Amount*

29,061,190

(tCO_2e) FY2016

GHG Emissions Intensity*

0.55

(tCO_2e/MWh)FY2016

* *Represents Scope 1 and Scope 2 emissions for TNB*
* *Figure for FY2017 is in progress*

TREE FOR A TREE PROGRAMME

For many years, TNB has been actively planting and replenishing trees through our "Tree for a Tree" programme. We take this programme seriously because we care about the environment as this will counterbalance our carbon emission. The idea is more than just to rejuvenate forests but to re-green and re-energise urban public areas as well. Types of trees to be planted were chosen carefully, based on properties such as the ability to filter pollutants from waterways and to prevent erosion. We have invested a total of RM1.23 million in this programme that is carried out together with Pertubuhan Pelindung Khazanah Alam Malaysia (PEKA), local authorities, TNB staff and communities. To date, we have planted 11,243 trees and we will continue our efforts to plant more trees.

WE HAVE PLANTED
11,243 **TREES**

TO MINIMISE OUR ENVIRONMENTAL IMPACT AND PROTECT THE WELL-BEING OF THE COMMUNITY AND BIODIVERSITY SURROUNDING OUR POWER PLANTS AND DAMS, WE CONTINUOUSLY STRIVE TO MANAGE OUR AIR EMISSIONS, EFFLUENTS AND WASTE FROM ALL OUR FACILITIES.

ENVIRONMENT MANAGEMENT

At TNB, we remain committed to ensure that all our activities are conducted in a responsible manner. To minimise our environmental impact and protect the well-being of the community and biodiversity surrounding our power plants and dams, we continuously strive to manage our air emissions, effluents and waste from all our facilities.

We are guided by our comprehensive Environmental Management System (EMS) and continuously adhere to TNB's Environmental Policy in all our decision-making. In addition to meeting all regulatory requirements, we also work towards going beyond regulatory compliance. Our research arm, TNB Research Sdn. Bhd. (TNBR), undertakes various studies on how we can operate in a manner that will minimise our impact towards the environment.

GREEN BUILDING

Recently, six of our Distribution buildings were selected to become models of energy efficient buildings in the country. In September 2016, under the ASEAN Energy Awards, Wisma TNB Jalan Timur was awarded First Runner-up under the Energy Management for Buildings and Industries Awards in the Large Building Category. Wisma TNB, Jalan Timur was selected for demonstrating excellence, creativity, practicality and dedication in the field of green energy. We give full commitment and support to SEDA, KeTTHA and the Energy Commission on all issues pertaining to green technology. With this initiative, we managed to reduce up to 6% of energy consumption in our building.

BIODIVERSITY MANAGEMENT

Malaysia ranks among the most megadiverse Nations in the world. We are proud of this natural heritage, and are committed to contribute towards its preservation for its own sake as well as for the economic, ecological and social value of biodiversity.

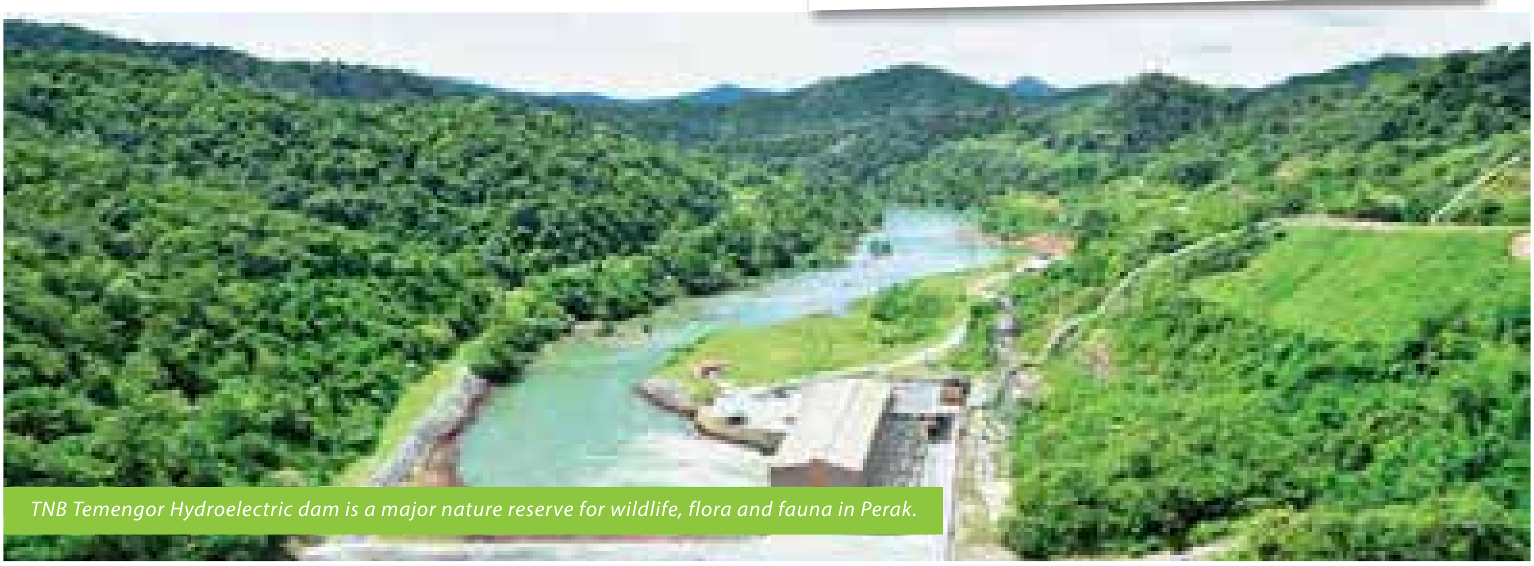
SUSTAINABILITY STATEMENT

RESTORING THE RICHNESS OF ROYAL BELUM

In 2007, about 117,500 hectares of land surrounding our Temengor Hydroelectric dam, encompassing 33.5% of the catchment area, was gazetted as a protected area, the Royal Belum State Park (RBSP). RBSP is notable for being home to three different Rafflesia species, all 10 hornbill species found in Malaysia and a number of large mammals including elephants, tigers and the *seladang* (gaur or wild ox). In recent years, however, fish stock in the lake has been decreasing along with the number of mammals visiting the salt lakes, indicating a general degradation of the ecosystem. Temengor dam was built prior to introduction of the Environmental Impact Assessment (EIA) as a regulatory requirement in 1987. Although we had no baseline data to gauge the extent of the environmental deterioration, we are determined to prevent any further degradation of this natural reserve and to restore the health of the natural surrounds as far as possible. We are currently assessing the wildlife in RBSP and developing a comprehensive environmental management plan to help sustain the flora and fauna.

We have built a mobile pontoon, an observation platform and a boardwalk to assist researchers while also constructing a trail specifically for Rafflesia observation and monitoring. As we believe the best conservation efforts involve the participation of local communities, we also educate the local community on conservation, especially fish breeding. To date, we have arranged numerous trips to *Kelah Sanctuaries* in Sabah to witness the successful *Tagal* system implementation. We believe the wonders of RBSP, especially the Rafflesia, should be shared with the rest of the world. To this end, we are in the midst of completing a coffee table book entitled *Rafflesia* of *Royal Belum*.

Royal Belum is notable for being home to three different Rafflesia species.



TNB Temengor Hydroelectric dam is a major nature reserve for wildlife, flora and fauna in Perak.

NATURAL RESOURCE CONSUMPTION

In addition to research on preserving biodiversity, we invest in improving the way we manage natural resources, especially water. Water is essential in our hydroelectric plants, as well as in our thermal power plants where it is used for cooling, cleaning and steam generation. Our dependence on water, and the realisation that it is a precious natural resource that supports life on this planet, has made us conscious of the need to use water efficiently.

WATER RECLAMATION PLANT

Our team of researchers developed a closed system of water consumption at our Sultan Iskandar Power Station (SIPS) in 2016. The small-scale pilot water treatment plant (PWPR) has been built at SIPS to treat the approximately 100m^3 of wastewater discharged from the plant every day. The treated water is then looped back into the system to feed the boilers. Results from a three-month pilot study, indicate that all baseline data met the Department of Environment's (DoE) requirements and the plant has been performing as per set specifications. In the long-term, this will not only save the plant's water intake, but also reduce the amount spent on water usage.

EMBRACING RELATIONSHIPS

PARTNERING WITH OUR CUSTOMERS	EMPOWERING OUR PEOPLE	BUILDING OUR COMMUNITIES
Please refer to pages 83-84 of this Report.	*Please refer to pages 85-87 of this Report.*	*Please refer to pages 88-95 of this Report.*

OUR BUSINESS RELIES ON US BUILDING LONG-LASTING AND MEANINGFUL RELATIONSHIPS WITH OUR STAKEHOLDERS TO GAIN THEIR TRUST AND MAINTAIN OUR SOCIAL LICENSE TO OPERATE. WE AIM TO CREATE SHARED VALUES FOR ALL AND REMAIN COMMITTED TO ENGAGING AND UNDERSTANDING EXPECTATIONS TO SERVE OUR STAKEHOLDERS BETTER.

With myTNB, you can pay your bill anytime, anywhere.

The young, diverse and digitally savvy population are well-positioned to benefit from the digital transformation.

FOCUS MATERIAL MATTERS	Customer Experience	Energy Efficiency	KEY STAKEHOLDERS	Customers	Investors	Government

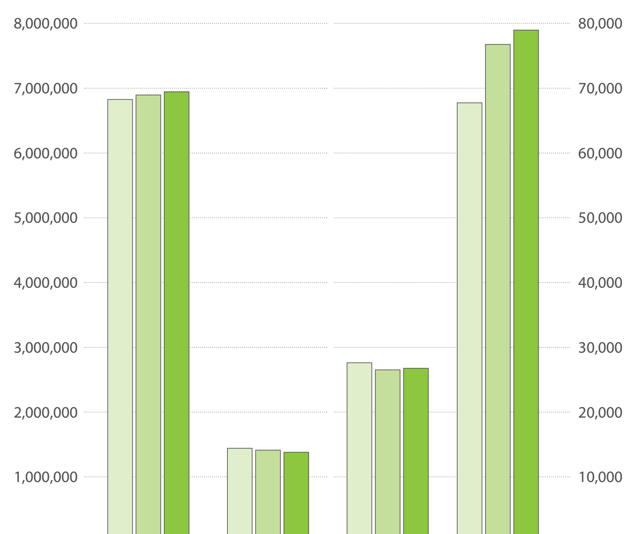
PARTNERING WITH OUR CUSTOMERS

With the digital revolution, we are able to connect and engage with our customers in more meaningful ways.

To us, "customer experience" matters, as we seek to win their trust and loyalty over the long-term. Through digitalisation, we are enabling easier access to information and services. We use enhanced analytics in the development of customised products and services, and educate our customers on how they can integrate energy efficient behaviours into their lives at home and at work. In meeting our customers' needs, we give priority to respecting their personal data, and adhere to all relevant regulations on data privacy and safety.

We continue to monitor our Customer Satisfaction Index (CSI) annually in order to better understand our performance in customers satisfaction. For FY2017, we maintained our high CSI score of 8.1 as compared to FY2016. We understand that moving forward, maintaining the score will require us to maintain and improve our performance and services to our customers.

Breakdown of TNB's customers



	Domestic	Commercial	Industrial	Others	Total
FY2015	6,843,725	1,449,104	28,054	68,962	8,389,845
FY2016	6,910,081	1,442,980	27,210	77,786	8,458,057
FY2017	6,955,595	1,427,422	27,575	79,511	8,490,103

SUSTAINABILITY STATEMENT

TRANSFORMING OUR CUSTOMER EXPERIENCE

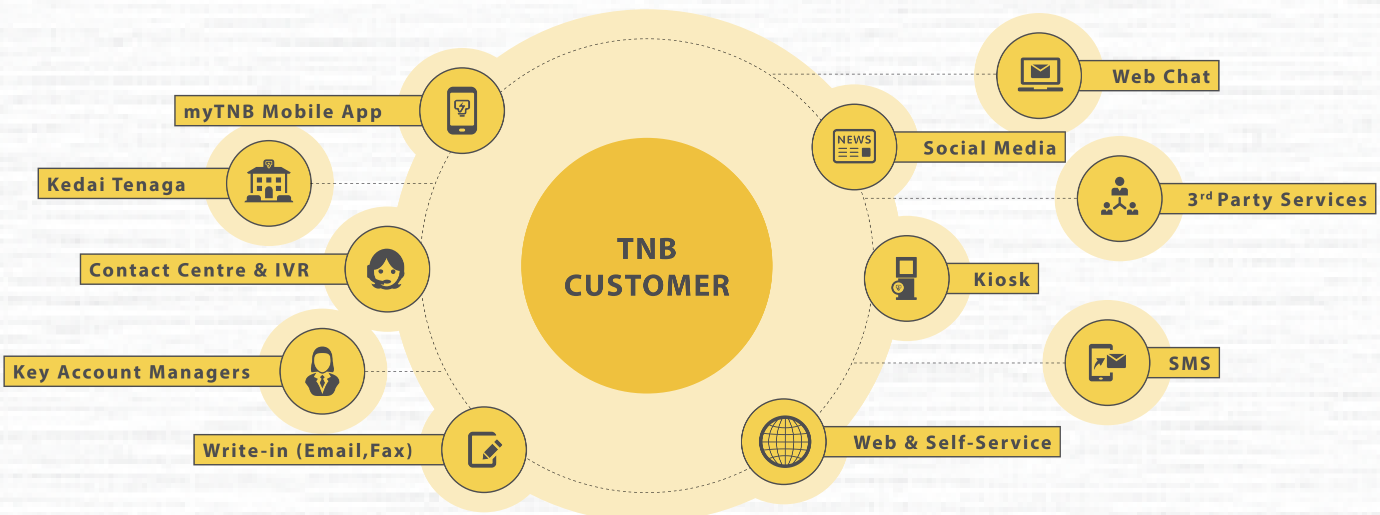
As we respond to the transformation of the ESI, the way we interact with our customers is also evolving. We are enhancing our frontline engagement while also encouraging customer migration to digital channels.

As of 2017, we have 11 customer interaction channels in place with our digital interactions making up 57% of total interactions. Our aim is to increase this figure to 70% by the year 2020.

The digitalisation initiatives are considered a positive expansion from our earlier commitment to reduce face-to-face interactions by providing alternative channels such as kiosks, increased online payment and service options via apps and TNB Careline, and also enhancements of the myTNB portal, among others, to the customer.

Our "myTNB Self Service Portal" is a one-stop centre that provides our customers with greater convenience and flexibility to not only manage their bills and energy consumption but also online services such as new supply application, change of tenancy, closing of account and payment services for individual accounts up to RM30,000, among others.

MALAYSIAN TNB CUSTOMERS HAVE 11 INTERACTION CHANNELS



PROMOTING ENERGY EFFICIENCY THROUGH THE HOME ENERGY REPORT (HER)

We continue to empower customers to reduce their energy consumption through the HER programme. In this programme, we provide them with personalised reports that contain detailed information on how their consumption compares to other similar efficient homes. The programme aims to reduce energy consumption, increase customer satisfaction and digital activity while building a larger knowledge base about TNB customers.

AVAILABLE CHANNELS FOR CUSTOMERS

Subsequent to our pilot programme, phase 2 of HER will be launched in October 2017. Phase 2 of HER programme is jointly funded by both TNB and KeTTHA under the Malaysian Electricity Supply Industries Trust Account (MESITA). All domestic customers can utilise personalised web tools through the myTNB web portal that provides information about energy usage, allowing for more accurate and personalised analysis.

EMPOWERING OUR PEOPLE

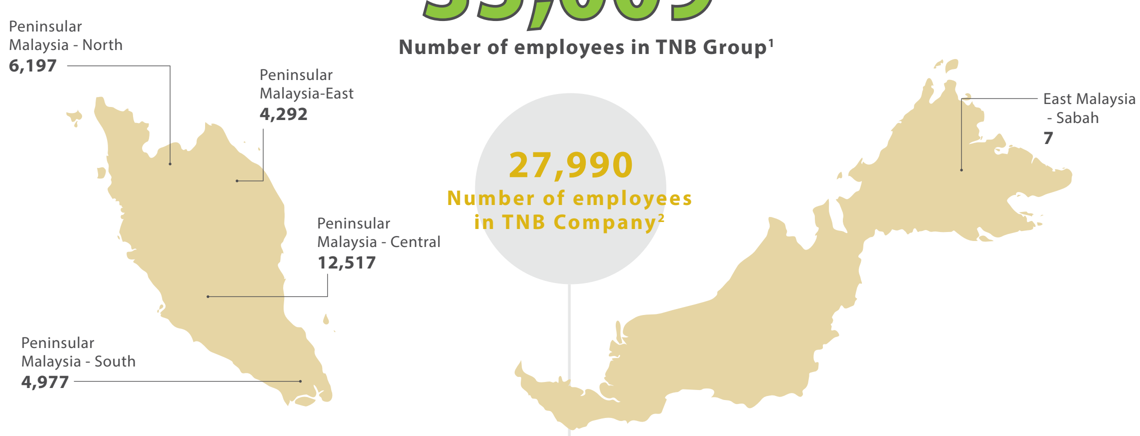
Our people are the driving force behind our business operations. As we embark on a new phase in TNB's transformation, we will continue to focus on driving the productivity, efficiency and career development of our 35,009 valued employees.

FOCUS MATERIAL MATTERS	Workplace Culture	Capability Development	Employee Engagement	Health and Safety	**KEY STAKEHOLDERS INVOLVED**	Employees	Unions

OVERVIEW OF OUR WORKFORCE

35,009

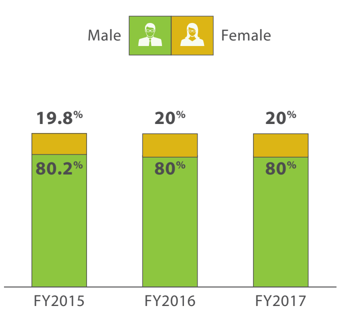
Number of employees in TNB Group[1]



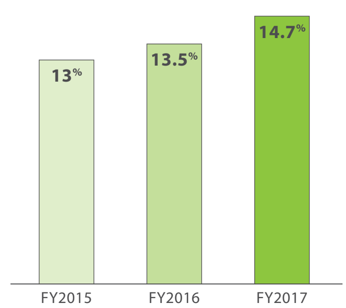
Employees by region for TNB Company only

We believe that a diverse workforce is critical to achieving our goals. We welcome people from all backgrounds. The diversity of our people promotes productivity and innovation. This allows us to better respond in the most strategic and effective manner to increasing demands and expectations of our various stakeholders.

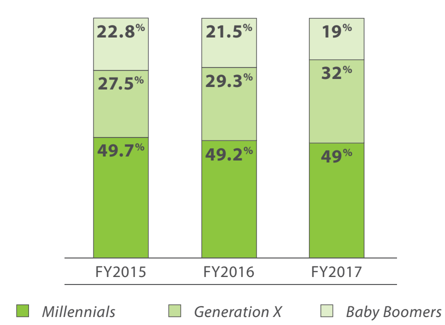
Breakdown by gender (Percentage)[1]



Women in Senior Management (Percentage)[2]



Breakdown by age generation (Percentage)[3]



Note:
1. *TNB Group consists of TNB Company and its subsidiaries*
2. *The above breakdown and numbers are for TNB Company*
3. *Baby boomers (> 50 years old), Generation X (35 – 50 years old) and Millennials (Generation Y) (<35 years old)*

We promote gender equality within the workforce. At present, women make up 20% of all employees in TNB Company.

There has been a gradual increase in female representation company-wide over the past three years, including among our Senior Management. In FY2017, 14.7% of our Senior Management were women as compared to 13% in FY2015. This signifies our support and empowerment in developing women as leaders in our organisation.

We have a healthy mix of ages among our employees, with growing representation of younger recruits from diverse backgrounds. This will provide a healthy pipeline of leaders as we embark on our expansion journey. In FY2017, we hired 641 new hires, of which 626 were millennials. We understand the importance of employing diverse age groups and ensure we engage and empower them effectively by training them with the right skills and competencies to promote job satisfaction and build a strong sense of belonging within our organisation.

SUSTAINABILITY STATEMENT

Engaging our Workforce

Our structured employee engagement platform allows us to communicate regularly with our employees. This fosters sense of belonging to TNB and increases motivation levels. Our Management and team leaders engage frequently with employees through outreach sessions and internal communication platforms.

Employee Engagement Surveys (EES) are conducted every two years. We achieved a score of 89% for FY2016/2017, which was four percentage points higher than the previous score of 85% for FY2014/FY2015. This score was also achieved with a strong response rate of 76% which is encouraging.

We promote employee wellness as we believe a healthy workforce is a productive workforce. We have a number of initiatives to support the well-being of our people, with Kelab Kilat serving as a platform to organise activities for our employees. Our Family Day was recently rebranded to 1TNB Family Wellness Day with the theme '1TNB Healthier Together'. Under the newly rebranded programme, numerous activities involving TNB employees and their families were conducted throughout the year with some activities happening simultaneously nationwide.

Transforming our Workplace Culture and Capability Development

We seek to create a dynamic culture at TNB which gears our people for our upcoming global expansion, empowering them to brave any challenge. Our new culture is being driven by a strong tone from the top. Among the initiatives in place include our Value Unlocking Programme (VUP) and Leadership Development programmes.

In FY2017, a total of 3,152 hours were utilised for Leadership Training spanning across 197 sessions. We have spent over RM165 million on developing our peoples' capability in FY2017.

Employee Well-being Highlights for FY2017

- An hour a week for sports and recreation for all employees
- 70 Kelab Kilat in Peninsular Malaysia
- Upgraded 60 TNB gymnasiums around the country
- More than 1,000 attendees for the first TNB Wellness and Fitness Fair 2017 at TNB Headquarters in August 2017

The Management of TNB takes the staff as an asset for the organisation. Thus, TNB prioritises the healthcare of their staff and family and creates various health activities and programmes from time to time.

LEADERSHIP DEVELOPMENT PROGRAMMES

TNB Leadership Drive

The objective of this programme is to identify employees who possess the potential to lead TNB to new horizons. It is an extensive leadership development programme which blends experiential learning with classroom lessons and mission-based work assignments. The expected outcome is a result and value-driven leadership to spur TNB's growth.

Selection Process

49 successful finalists were selected after comprehensive selection process (AIR) in FY2016

Tour of Duty

- The talents were deployed to various Divisions and Subsidiaries, based on mission assignments over the course of three years
- Allows talents to expand their network in order to better contribute to TNB and innovation initiatives

Updates for FY2017:

- Reassignment of 15 finalists to critical projects and those with bigger roles
- TNB Leadership Group (TLG) conducted the first performance review with 43 out of 49 finalists remaining in the programme
- In total 12 finalists are pursuing their MBA, of which 10 are attached to the Melbourne Business School, University of Melbourne MBA-Executive Development programme for six weeks

Leadership Courses

Conducted by TNB Leadership Development Centre (LDC) and TNB Group HR

MBA programme together with UNITEN and the Melbourne Business School, University of Melbourne, Future, Engage, Deliver (FED) programme, 7 Habits programme, Let's Talk programme and Situation, Complication, Implication, Position, Action, Benefit (SCIPAB).

SUSTAINABILITY STATEMENT

"Get Home Safe"

The tagline "Get Home Safe" serves as the foundation of our health and safety initiative, to ensure that everyone that works with us are protected. Our Lost Time Injury Frequency (LTIF) was recorded at 1.44 in FY2017. Unfortunately, we also recorded four fatalities, two of whom were our employees and two who worked for our contractors. The fatality cases for our employees involved one electrical accident and one road accident while travelling on official duty. We are making every effort to keep reinforcing a safe working culture among our employees as well as our contractors.

HIGHLIGHT: LIFE-SAVING RULES (LSR) – GET HOME SAFE

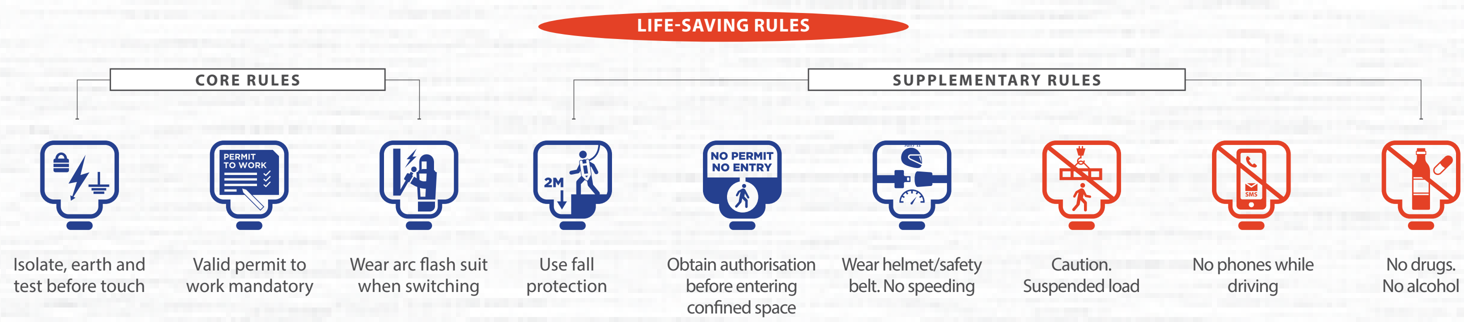
In line with our vision to create a safe culture, on our Safety Day on 15 May 2017, we launched our Life-Saving Rules (LSR). The LSR applies to all our employees and contractors, influencing their behaviour at work as well as on the road to ensure everyone "Gets Home Safe". The objective is to save lives, prevent serious injuries and fatality for our employees and contractors, with the aspiration to achieve "Zero Accident" by improving compliance with safety standards/rules. Ultimately, we look to inculcate a Generative Safety culture, where it is possible to achieve 'no accidents' and 'no fatalities'.

LSR GUIDING PRINCIPLES:

"If You Choose To Break The Rules, You Choose Not To Work For TNB."

The LSR comprises three core and six supplementary rules. Non-compliance with any of the rules will not be tolerated.

At the corporate level, HSE Handholding Programmes and Sessions were conducted throughout the year to create awareness of the LSR. Q&A sessions were also held to clarify any queries. On the ground, our supervisors and managers are responsible for ensuring these rules are complied with and for reinforcing the message to stop work if any one of these rules cannot be adhered to at any time.



Life-Saving Rules are a critical part of our culture towards making TNB an accident-free workplace.

SUSTAINABILITY STATEMENT

BUILDING OUR COMMUNITIES

We seek to create better, brighter lives by providing a positive impact on the communities in which we operate. We achieved this through our initiatives and investments in community programmes that support Nation-building.

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. Our educational initiatives are centred on Universiti Tenaga Nasional (UNITEN), TNB Integrated Learning Solution (ILSAS) and corporate social responsibility efforts.

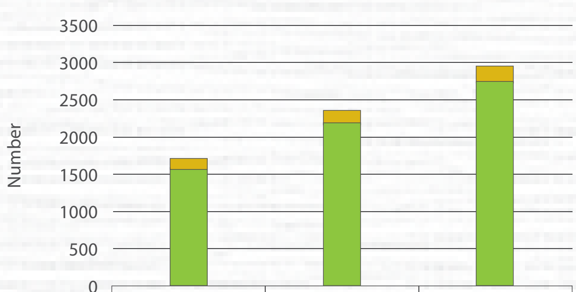
FOCUS MATERIAL MATTERS	Education	Community Development	KEY STAKEHOLDERS INVOLVED	Communities	Customers	Government	NGOs

UNITEN

UNITEN is fully owned by TNB and is committed to cutting-edge research as it gears towards becoming a globally competitive, energy-focused university by the year 2025. UNITEN has been at the forefront of energy research, leveraging TNB's solid industry experience from power generation to transmission and distribution. The university continues to play its role in offering quality engineering, IT and business management programmes at the foundation, undergraduate and postgraduate levels. From the world's 26,000 universities, UNITEN has been ranked among the top 2% based on the QS World University Rankings by Subject - Engineering and Technology in 2017.

To date, UNITEN has produced 27,729 graduates from its foundation, diploma, degree and postgraduate programmes. UNITEN's employability rate is 95% upon completion of studies. We have also seen our number of graduates growing. Currently, UNITEN has 11,938 students enrolled of which 95% are Malaysians.

UNITEN Graduates[1]



	FY2015	FY2016	FY2017
Postgraduate	147	167	178
Undergraduate	1,543	2,233	2,781

Note:

1. Number of students who completed their studies and were eligible to attend UNITEN's yearly convocation during that Financial Year

STUDENTS CURRENTLY ENROLLED 11,938

GRADUATES TO DATE 27,729

EMPLOYABILITY RATE 95%

UNITEN has achieved numerous international and local recognitions, winning several engineering and technology designs awards. In FY2017, the university was awarded two gold medals at the Seoul International Invention Fair (SIIF 2016) and seven gold medals at the International, Invention, Innovation and Technology Exhibition (ITEX 2017). With increasing focus on the commercialisation of its research, UNITEN has obtained seven Malaysian and three international patents, with another 12 impending patents.

Driven by an ongoing Building Opportunities, Living Dreams 2025 (BOLD2025) plan, we aspire to achieve teaching and learning excellence, research excellence and ensure financial sustainability for the university. The university's strong focus on research supports our innovation needs and further enhances Malaysia's engineering expertise as well as helps propel our Nation to a better and brighter future.

UNITEN not only prepares its graduates to be knowledgeable and competent professionals, but also develops them as well-rounded individuals with a broad intellectual outlook.

TNB INTEGRATED LEARNING SOLUTION (ILSAS)

With three decades of experience in the field of utility engineering training, ILSAS is certified ISO9001: 2015 by the Scientific and Industrial Research Institute of Malaysia (SIRIM).

ILSAS has been providing technical training and specialised services for TNB and the energy industry for over 30 years. Its training capabilities cover technical courses in electrical, electronic and mechanical engineering as well as Information Technology (IT). Catering to engineering-related organisations, ILSAS offers programmes on asset management, project planning, cost efficiency, reliability and risk which are aligned to ISO requirements. ILSAS also provides management consultancy and advisory services to energy businesses, helping them to remain relevant. The range of programmes and services offered supports its transformation into a leading energy learning centre.

As an Industry Lead Body (ILB), ILSAS is responsible for the development of National Occupational Skills Standards (NOSS) for Chargemen and a leading training provider for electrical industry competent persons (Chargemen, Cable Jointer and Competent Engineers), accredited by the Energy Commission and Board of Engineers Malaysia. It has also been chosen by *Yayasan Peneraju Pendidikan Bumiputera* (Peneraju), a trust fund under the purview of the Economic Planning Unit (EPU), to upskill chargemen to the High Voltage BO category, and is the only academy in the country able to provide such specialist training.

300 staff with 150 trainers	Surpassed **RM100** million revenue in FY2016 (first time in 30 years)	**62,769** total number of individuals trained[1]

Note:
1. Number of individuals trained is recorded in accumulative man-days

RECOGNITION/AWARDS

- Certified as a City & Guilds Centre in 2017
- Recognised as a Department of Occupational and Health (DOSH) Examination Centre in 2017
- Awarded the Top 20 Training Provider under the Human Resources Development Fund (HRDF) in 2016
- Certified ISO9001:2015

SUSTAINABILITY STATEMENT

EDUCATION HIGHLIGHTS

Trust Schools Programme

Boost quality of education in Malaysia through Trust Schools by:
- Developing high-quality leadership and management within the schools;
- Improving overall quality of learning and teaching by exposing teachers to new methods and techniques, as well as encouraging more collaboration with students;
- Maximising students achievements and potentials through the creation of an effective co-curriculum framework; and
- Strengthening the engagement of parents, communities and other stakeholders.

In FY2017, TNB committed to assist eight Trust Schools by contributing RM800,000 to each school over the course of five years.

The programme is a public-private partnership between Malaysia's Ministry of Education (MOE) and Khazanah Nasional's Yayasan AMIR, a non-profit foundation. Trust Schools are public schools that have been carefully selected by MOE and Yayasan AMIR for a period of five years.

PINTAR School Adoption Programme

Adopt under-performing schools and provide the students and teachers with support to enhance academic and non-academic outcomes.

In FY2017, we adopted a fresh batch of 18 schools nationwide, after the previous batch of 13 schools 'graduated' from the programme. Our investment in PINTAR for FY2017 was RM706,480 which reached 1,417 students.

A collaboration between the PINTAR Foundation and private corporations, primarily GLCs. We run motivational camps, tuition classes, examination seminars and clinics at our adopted schools while also providing the students with sports training to nurture well-rounded individuals.

Back to School

This programme started in 2013, with the intention to provide school uniforms and stationeries for rural and underprivileged primary school students nationwide.

In FY2017, about 3,400 underprivileged primary school students received school aids such as uniforms, scarves, shoes, socks, bags and stationery sets.

Legend: *Project Objective* *Highlights* *Background*

Yayasan Tenaga Nasional (YTN)

Our foundation, YTN, provides scholarships, study loans and education/welfare programmes focused on the fields of engineering, accounting and IT.

In FY2017, YTN provided RM55.78 million to sponsor 1,963 outstanding Malaysians to pursue tertiary education in local and foreign universities.

Long dedicated to advancing local educational excellence, YTN has awarded 11,000 scholarships since 1993, with an investment exceeding RM1 billion to date.

Skim Latihan 1Malaysia (SL1M)

Help graduates gain employment by providing soft skills and on-the-job training at various divisions in TNB.

In FY2017, we took in a total of 500 trainees for two sessions; the first beginning in September and the second in November 2016.

As part of realising the vision of 1Malaysia, TNB has developed a strong human capital by involving in comprehensive training scheme for graduates at bachelor degree level, in support of Government's effort to further improve the employability of graduates in securing jobs at the job market.

Legend: Project Objective Highlights Background

SUSTAINABILITY STATEMENT

Electrical Safety Awareness Campaign (Kempen Kesedaran Keselamatan Elektrik)

Aimed at educating the community on the safety of electricity usage and to increase awareness on activities that are being carried out near TNB's existing assets.

For FY2017, we have engaged with primary and secondary schools student and teachers at 13 states across the country.

From its inception in 2007 until 2016, we engaged with primary and secondary school students and teachers nationwide.

SOCIAL HIGHLIGHTS

Rural Electrification Programme (Bekalan Elektrik Luar Bandar)

Category: Social - Government Electrical Infrastructure Projects

Developing electrical infrastructure in rural areas in collaboration with the Government to create better living conditions for the people.

The overall progress of three projects undertaken in FY2017 reached 88%, benefiting 1,486 homes to date.

No.	Project Title	Funded by	Cost (RM million)	No. of villages	No. of houses	Progress as of August 2017
1.	BELB Kg. Orang Asli Sg Siput Perak Phase 1 - Pos Yum, Kuala Mu & Kg. Jong	JAKOA	24.90	3	240	88%
2.	BELB Kg. Orang Asli Sg. Siput Perak Phase 2 - Pos Piah Poi & Kg. Langkor	JAKOA	21.80	3	394	78%
3.	BELB KKLW Semenanjung M'sia Tahun 2014 - 2015	KKLW	45.00	22	852	98%

Implemented with the noble purpose of providing electricity to houses in villages which are outside the operational areas of the Local Authorities throughout Peninsular Malaysia, Sabah and Sarawak. It is also inclusive of homes located in remote areas, Orang Asli settlements and villages located on islands. The three projects were awarded to TNB as the main contractor by the Ministry of Rural and Regional Development (KKLW) and its agency, Department of Orang Asli Development (JAKOA).

Legend: *Project Objective* *Highlights* *Background*

Village Street Lighting Project (Projek Lampu Jalan Kampung)

Category: Social - Government Electrical Infrastructure Projects

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

1. Completed Phase 7 as of November 2016 with 36,964 lightings installed.
2. For Phase 8, our progress is at 57.84% completion.
    - Contract cost: RM82.79 million fully funded by KKLW
    - Number of lightings in contract: 95,541 units. To date, we have completed the installation of 40,240 units nationwide
    - For this phase, the Government has introduced the usage of Light-Emitting Diode (LED) for Village Street Lighting

Under the Village Street Lighting Project, street lights are installed at public areas (e.g. police stations, religious buildings, etc) and roadsides with a maximum number of 10 units for every village.

Better. Brighter. Shelter TNB

Transit homes that provide accommodation for rural or underprivileged people that have family members who are undergoing treatments at hospitals. This initiative includes upgrading of facilities, increasing the number of beds and providing maintenance for the shelter.

For FY2017, TNB has contributed a total of RM985,192 to the cause in which RM389,192 was donated to the National Heart Institute Foundation and RM599,000 to the National Welfare Foundation.

TNB will cover the maintenance aspects for both transit homes over five years from 2017 until 2021 for a total of RM2 million.

Legend: *Project Objective* *Highlights* *Background*

SUSTAINABILITY STATEMENT

Home for Needy

We take pride in our *Projek Baiti Jannati* and *Program Mesra Rakyat* as they reach out to the needy by building new homes, assisting families to own apartments, repairing and upgrading of homes and re-wiring. They are aimed at improving the lives of the underprivileged communities by transforming their dilapidated houses into comfortable homes equipped with basic amenities such as electricity, water and proper sanitation.

For FY2017, this programme has changed the lives of 144 families with a disbursed amount of RM6.6 million.

For both projects, recipients consist of underprivileged, senior citizens, single parents and disabled people.

Lestari Community Project

Installation of solar panels at community care centres to generate electricity under Feed-in Tariff (FiT) scheme. Excess electricity will be sold to TNB and income generated from the sales will benefit the centres.

Total amount disbursed for this project in FY2017 amounted to RM3,843,427.50.

This project is part of Government's efforts to assist welfare homes whilst promoting renewable energy.

Kampung Kuantan Firefly Conservation Project

Conservation of fireflies, fireflies research, developing physical infrastructure and generating publicity to attract more tourists to Kampung Kuantan.

We have helped to generate additional income for the boatmen by providing new boats and language tutorials to enhance their communication skills.

Legend: *Project Objective* *Highlights* *Background*

SPORTS HIGHLIGHTS

National Hockey Development Programme

For decades, TNB has played a pivotal role in pushing its social mobility through education and sports, apart from being the prime mover in powering the Nation. We provide opportunities for youth to grow in sports, especially hockey.

Hockey is in the company's DNA, where we have produced many great hockey players and legends. With the tagline "Powering Champions", a programme was developed to shape up the players under the guidance of former national players who are also TNB employees.

Since then, we have nurtured players through our Thunderbolts Programme and have many defining stories to tell. We are also proud of the fact that the Malaysian Men's team has qualified to the 2018 Hockey World Cup in India consisting four employees and five former players from the Thunderbolts Programme.

TNB Thunderbolts Programme: Developing and nurturing new generations of hockey talents.

GOLD PARTNER FOR SEA GAMES KL2017

TNB, as a Gold partner, sponsored more than RM3 million which includes cash and in-kind contributions. We were also the "Official Energy Partner", ensuring reliable electricity throughout the games.

At the SEA Games sponsorship handover ceremony held on 3 August 2017, Youth & Sports Minister YB Brigadier General Khairy Jamaluddin Abu Bakar launched our hockey coffee table book entitled "The Sticks", which documented TNB's involvement in promoting and supporting hockey as well as producing notable Malaysian hockey legends who had played at the World Cup and the Olympics.

YB Brig Gen Khairy Jamaluddin at the handover ceremony sponsorship by TNB as "gold" sponsor for the SEA Games.

— PERAI POWER PLANT —

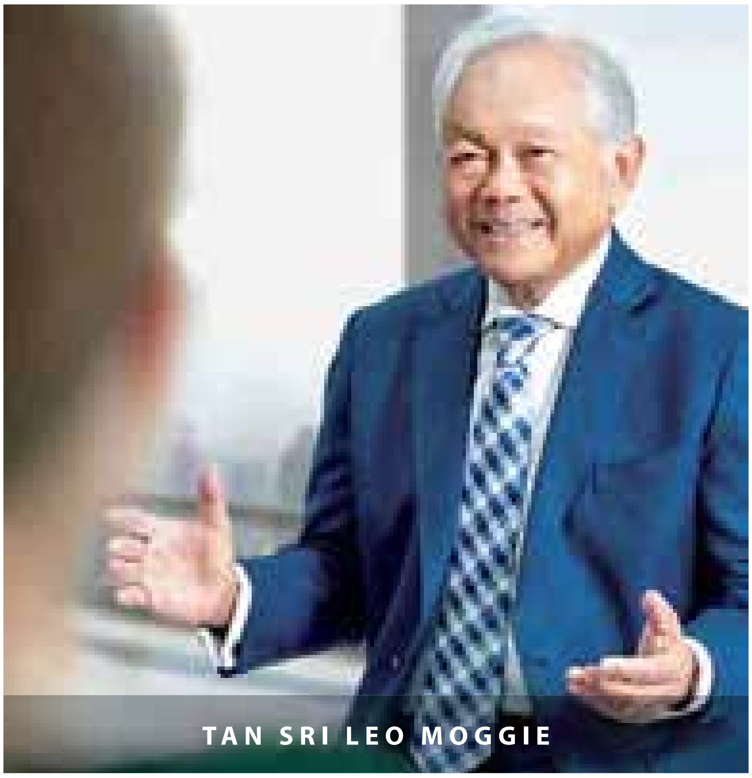
Largest single-shaft combined cycle plant in Southeast Asia with a capacity of 1,071MW.

CHAPTER 05

A FRAMEWORK OF TRUST

At TNB, we have put in place the highest standards of governance because we value the trust we earn from our shareholders. This is achieved by ensuring regulatory oversight and implementing a system of checks and balances which institute accountability and transparency from the top-down.

CHAIRMAN'S INTRODUCTION



TNB RECOGNISES THAT A SUCCESSFUL AND SUSTAINABLE COMPANY IS FOUNDED UPON STRONG PRINCIPLES OF CORPORATE GOVERNANCE.

The Board is therefore committed to ensuring that the high standards of corporate governance which is embedded within the organisation is maintained and at the forefront of all that we do. It is these standards in turn, that underpin TNB's clear strategic, financial and responsibility framework and enable decisions to be taken that create value for future years.

THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (MCCG 2017)

Our report is in line with the MCCG 2017, which is issued by the Securities Commission. The MCCG 2017 adopts the 'apply or explain an alternative approach', which recognises that there are situations where a period of non-compliance may be appropriate, provided good governance can be achieved by other means and the reasons are explained to shareholders.

During the year under review, there have been no material departures from the MCCG 2017 which have been detrimental to the standards of governance that we instil.

BOARD CHANGES

A number of membership changes to the Board took place during the year under review. We welcomed three (3) new Non-Executive Directors to the Board, Juniwati Rahmat Hussin and Amran Hafiz bin Affifudin, who were appointed with effect from 1 June 2017 and 22 June 2017, respectively, and Badrul Ilahan bin Abd Jabbar who was appointed to the Board with effect from 1 July 2017.

BOARD DIVERSITY

The MCCG 2017, passed in April 2017, sets out recommendations that all FTSE 100 Boards should aim for 30% female representation. TNB continues to be supportive of the approach and recognises that gender diversity plays a pivotal role in creating a balanced and effective Board. I am delighted that following the changes outlined above the TNB Board currently comprises 33% female representation.

Balance and effectiveness is further achieved through understanding the needs of the organisation, identifying the skills required of the Board and recruiting the best individuals for any role. The BNRC is entrusted to identify and evaluate suitable candidates, taking into account their skills, experience and other qualities required, if necessary assisted by the independent consultant, before making any recommendation to the Board. The appointment of new female Directors has indeed contributed to the balance of the Board, as they bring a wealth of knowledge and professional experience from a broad range of work across different sectors, and I am sure this will be of great value moving forward.

BOARD EVALUATION

The Board recognises the importance of the evaluation process. In line with recommended practice, we will institute provisions to conduct the evaluation through an externally facilitated process. The findings will help shape the agenda and activity of the Board going forward will be reported in the next Interim Annual Report.

RISK

Risk management and reporting continues to be an area of focus for both the Board and Board Risk Committee. TNB's approach to managing risk is defined by the TNB Risk Management Framework which is set by the Board. In order to manage the TNB Risk Management Framework, the Board conducts an annual review of effectiveness yearly. Further information on risk management and internal control can be found on pages 144 to 149.

OUR CULTURE

Embedded within our corporate culture are a set of core values. These values underpin everything that TNB does and focus on integrity, safety, service, efficiency, sustainability, excellence and teamwork. Whilst the Board plays a vital role in shaping culture and embedding these values, it is the hard work and dedication of our people who define them.

TAN SRI LEO MOGGIE
Chairman

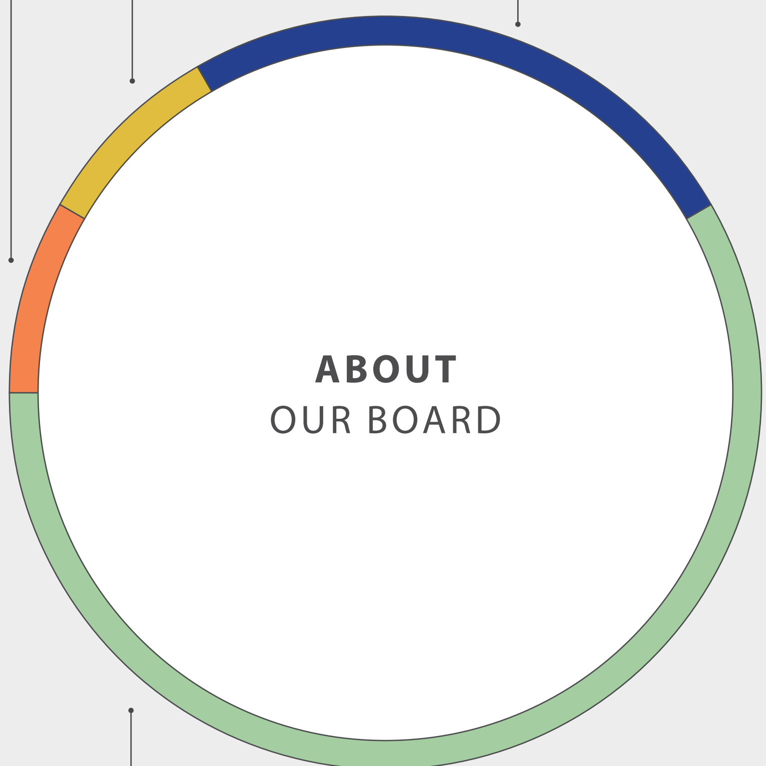
OUR BOARD

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

8%
1 NON-EXECUTIVE CHAIRMAN

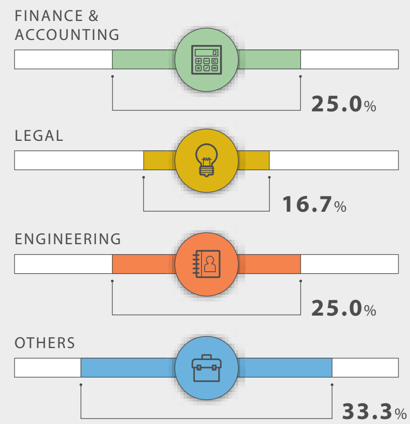
8%
1 EXECUTIVE DIRECTOR

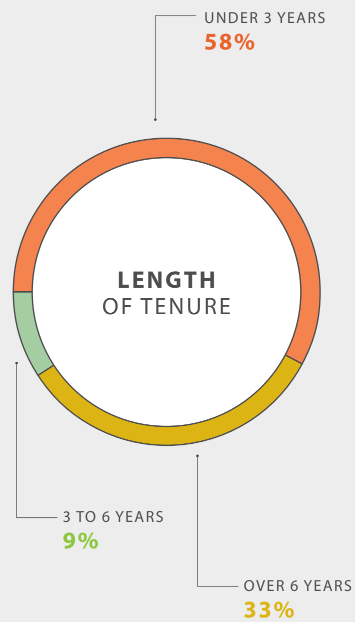
17%
2 NON-INDEPENDENT NON-EXECUTIVE DIRECTORS



67%
8 INDEPENDENT NON-EXECUTIVE DIRECTORS

DIRECTOR'S CORE AREA OF EXPERTISE





BOARD COMMITTEE MEMBERSHIP KEY

- A — BOARD AUDIT COMMITTEE
- R — BOARD RISK COMMITTEE
- F — BOARD FINANCE AND INVESTMENT COMMITTEE
- L — BOARD LONG TERM INCENTIVE PLAN COMMITTEE
- T — BOARD TENDER COMMITTEE
- I — BOARD INTEGRITY COMMITTEE
- NR — BOARD NOMINATION AND REMUNERATION COMMITTEE

CHAIRMAN OF RESPECTIVE COMMITTEE

OUR BOARD

TAN SRI LEO MOGGIE

Age 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:
Thirteen (13) years

Extension of service:
12 March 2017 until 11 March 2019

Date of Last Re-appointment:
15 December 2016, until the conclusion of the 27th AGM

Number of Board Meetings Attended in the Financial Year:
18/20

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 Entity:
- 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 positions included as Minister of Energy, Communications and Multimedia (1998-2004), Minister of Works (1989-1995), Minister of Energy, Telecommunications and Posts (1978-1989 and 1995-1998), Minister of Local Government (1977-1978) and Minister of Welfare Services in the State Government of Sarawak (1976-1977). He was also elected as Member of Council Negri Sarawak (Sarawak Legislative Assembly) (1974-1978) and a Member of Parliament (1974-2004).

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

DATUK SERI IR. AZMAN BIN MOHD

Age 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:
Seven (7) years

Extension of service:
1 July 2015 until 30 June 2018

Date of Last Re-election:
14 December 2015

Number of Board Meetings Attended in the Financial Year:
20/20

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 Entity:
- 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 with the Company as Assistant District Engineer for TNB Temerloh/Mentakab in 1979.

Since then, he has risen through the ranks in various technical and engineering capacities, particularly within the Distribution Division, for which he has also served 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 appointment as President/CEO, Datuk Seri Ir. Azman 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

Age 59, 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:

One (1) year

Date of Last Re-election:

15 December 2016

Number of Board Meetings Attended in the Financial Year:

14/20

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 Entity:

- 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 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

Age 43, Malaysian, Male
*Non-Independent Non-Executive Director**
**Appointed Director by Khazanah Nasional Berhad (Khazanah), a Major Shareholder of TNB*

Date Appointed to the Board: 22 June 2017

Year(s) of Directorship:
Less than one (1) year

Number of Board Meetings Attended in the Financial Year:
4/4 (since appointment date)

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 Entity:
- Nil

Other Public Companies:
- Biotropics Malaysia Berhad
- Blue Archipelago Berhad
- Malaysian Agrifood Corporation Berhad

Skills, Experience and Expertise:
Amran Hafiz bin Affifudin is currently 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 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 boards of a number of private limited companies.

OUR BOARD

DATO' ABD MANAF BIN HASHIM

Age 61, Malaysian, Male
Senior Independent Non-Executive Director
(Redesignated w.e.f. 31 October 2017)

Date Appointed to the Board: 1 February 2010

Year(s) of Directorship:
Seven (7) years

Date of Last Re-election:
15 December 2016

Number of Board Meetings Attended in the Financial Year:
18/20

Qualification(s):
- Higher National Diploma (Engineering), Thames Valley University (Slough Campus)
- Ordinary National Diploma, Cambridgeshire College of Arts & Technology

Membership of Board Committee(s):
R A T NR L

Present Directorship(s):
Listed Entity:
- 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 serves 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 holds directorships in several private limited companies.

TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB

Age 77, Malaysian, Female
Independent Non-Executive Director

Date Appointed to the Board: 12 September 2008

Year(s) of Directorship:
Nine (9) years

Date of Last Re-appointment:
15 December 2016, until the conclusion of the 27th AGM

Number of Board Meetings Attended in the Financial Year:
18/20

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

Membership of Board Committee(s):
NR L I

Present Directorship(s):
Listed Entity:
- Nil

Other Public Companies:
- RAM Holdings Berhad
- RAM Rating Services Berhad

Skills, Experience and Expertise:
Tan Sri Dato' Seri Siti Norma binti Yaakob is a well-respected member in the international legal community with extensive experience in legal and judicial services and had served the Legal Services of Malaysia for a long stint in various significant positions. She was made the Chief Judge of Malaya in 2005, a position she held until her retirement in 2007.

During her 43 years of exemplary service, she was the Judge of Federal Court, Malaysia (2001-2005), Judge of Court of Appeal, Malaysia (1994-2000) and Judge of High Court, Malaya (1983-1994). A number of other positions which she has held since 1963 to 1983 were Chief Registrar of Federal Court, President of Sessions Court, Deputy Public Trustee and Senior Federal Counsel of the Attorney General's Chambers and Senior Assistant Registrar of High Court.

Presently, besides being a Company Director, Tan Sri Dato' Seri Siti Norma also sits on the board of Bank Negara Malaysia.

OUR BOARD

DATUK SAKTHIVEL ALAGAPPAN

Age 47, Malaysian, Male
Independent Non-Executive Director

Date Appointed to the Board: 1 February 2014

Year(s) of Directorship:
Three (3) years

Date of Last Re-election:
15 December 2016

Number of Board Meetings Attended in the Financial Year:
20/20

Qualification(s):
- Bachelor of Engineering (Chemical), University of Technology, Malaysia

Membership of Board Committee(s):
A F I

Present Directorship(s):
Listed Entity:
- 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.

TAN SRI DATO' SERI CHOR CHEE HEUNG

Age 62, Malaysian, Male
Independent Non-Executive Director

Date Appointed to the Board: 4 February 2015

Year(s) of Directorship:
Two (2) years

Date of Last Re-election:
14 December 2015

Number of Board Meetings Attended in the Financial Year:
20/20

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

Membership of Board Committee(s):
A F NR L I

Present Directorship(s):
Listed Entity:
- 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 the Minister of Housing and Local Government (2010-2013) and a Member of Parliament (1990-2013). Prior to that, he served as the 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 practiced law since 1981 until 1995. His great achievements, among others, were being appointed as the 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 the Chairman of Maxim Holdings Sdn. Bhd. and also serves as Advisor of Melati Ehsan Holdings Berhad Group of Companies. He is also at present a Commissioner of Malaysian Aviation Commission and recently has been appointed as a Council Member of Universiti Tunku Abdul Rahman.

He holds directorships in several private limited companies.

OUR BOARD

GEE SIEW YOONG

Age 68, Malaysian, Female
Independent Non-Executive Director

Date Appointed to the Board: 2 January 2016

Year(s) of Directorship:
One (1) year

Date of Last Re-election:
15 December 2016

Number of Board Meetings Attended in the Financial Year:
20/20

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 (formerly known as SapuraKencana Petroleum 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 an Independent Non-Executive Director on the boards of a number of public listed companies since 2001.

NORAINI BINTI CHE DAN

Age 61, Malaysian, Female
Independent Non-Executive Director

Date Appointed to the Board: 2 January 2016

Year(s) of Directorship:
One (1) year

Date of Last Re-election:
15 December 2016

Number of Board Meetings Attended in the Financial Year:
18/20

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.

OUR BOARD

JUNIWATI RAHMAT HUSSIN

Age 58, Malaysian, Female
Independent Non-Executive Director

Date Appointed to the Board: 1 June 2017

Year(s) of Directorship:
Less than one (1) year

Number of Board Meetings Attended in the Financial Year:
5/5 (since appointment date)

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):
R T

Present Directorship(s):
Listed Entity:
- 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 currently sits on the board of Trustees for Yayasan Universiti Teknologi PETRONAS, a member of Advisory Council for Yayasan Peneraju Pendidikan Bumiputera (Yayasan Peneraju) and an Advisor to Malaysian Philharmonic Orchestra.

BADRUL ILAHAN BIN ABD JABBAR

Age 47, Malaysian, Male
Independent Non-Executive Director

Date Appointed to the Board: 1 July 2017

Year(s) of Directorship:
Less than one (1) year

Number of Board Meetings Attended in the Financial Year:
4/4 (since appointment date)

Qualification(s):
- Master 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 serves in the areas of Public Policy, Information Technology & Communications and Innovation. Prior to that, he 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/penalty imposed by relevant regulatory bodies during the Financial Year 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 Year 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
- Advance 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 Entity:
- Nil

Other Public Companies:
- TNB Western Energy Berhad

Skills, Experience and Expertise:
Norazni binti Mohd Isa is the Company Secretary of TNB, appointed on 31 May 2012. She is also the Company Secretary for several subsidiaries under TNB Group. She heads TNB's Company Secretary's Office whereby she oversees TNB and its Group company secretarial matters 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 has vast experience of more than 26 years within TNB specifically in legal services, tender, contract management and regulatory management, where she has served in various positions within TNB. Prior to her current appointment, she was the Deputy Company Secretary and the Joint Company Secretary (2011-2012). Other positions she has held were the 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 Boards 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/penalty imposed by relevant regulatory bodies during the Financial Year under review: Nil.

OUR MANAGEMENT TEAM

MEMBERSHIP KEY

GECC
Group Executive Council Committee

GEMC
Group Executive Management Committee

ESC
Energy Supply Committee

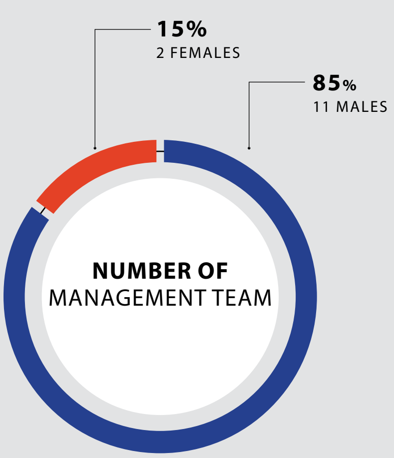
SDC
Sustainability Development Committee

GMTC
Group Management Tender Committee

ComPEC
Commodity Procurement Executive Committee

ICTGC
Information and Communication Technology (ICT) Governance Council

HSE
Health, Safety and Environment Steering Committee



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 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.

OUR MANAGEMENT TEAM

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 years in public accounting practices including three years in Price Waterhouse, 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.

DATUK ZAINUDIN BIN IBRAHIM

Vice President, Generation

Male, Malaysian, Aged 60

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 months as the Senior General Manager (Operations), Generation Division.
- Appointed as the Vice President, Generation on 3 September 2012.

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), Universiti Teknologi Malaysia, 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.

OUR MANAGEMENT TEAM

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.

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, Universiti Teknologi Malaysia, 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.

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.

OUR MANAGEMENT TEAM

DATO' MUHAMMAD RAZIF BIN ABDUL RAHMAN

Vice President, 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.

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).

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.

OUR MANAGEMENT TEAM

IR. SYED ABU HANIFAH BIN SYED ALWI

Chief Procurement Officer

Male, Malaysian, Aged 59

FAZIL BIN IBRAHIM

Chief Information Officer

Male, Malaysian, Aged 54

NORAZNI BINTI MOHD ISA

Her Profile is set out in Our Company Secretary on page 112.

Date Appointed to the Management Team

1 January 2013

1 September 2015

Qualifications

- Advanced Diploma in Electrical Engineering (Power), Universiti Teknologi MARA, Malaysia

- 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

- Nil

Management Committees

GEMC GMTC ComPEC HSE

GEMC GMTC ICTGC

GEMC

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.

- 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.

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 interests 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 Year under review.

OUR GOVERNANCE IN ACTION

WE BELIEVE HIGH STANDARDS OF GOVERNANCE AND TRANSPARENCY ARE ESSENTIAL

CORPORATE GOVERNANCE AT TNB

Tenaga Nasional Berhad (TNB or the Company) is committed to a 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 is illustrated below. The 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.

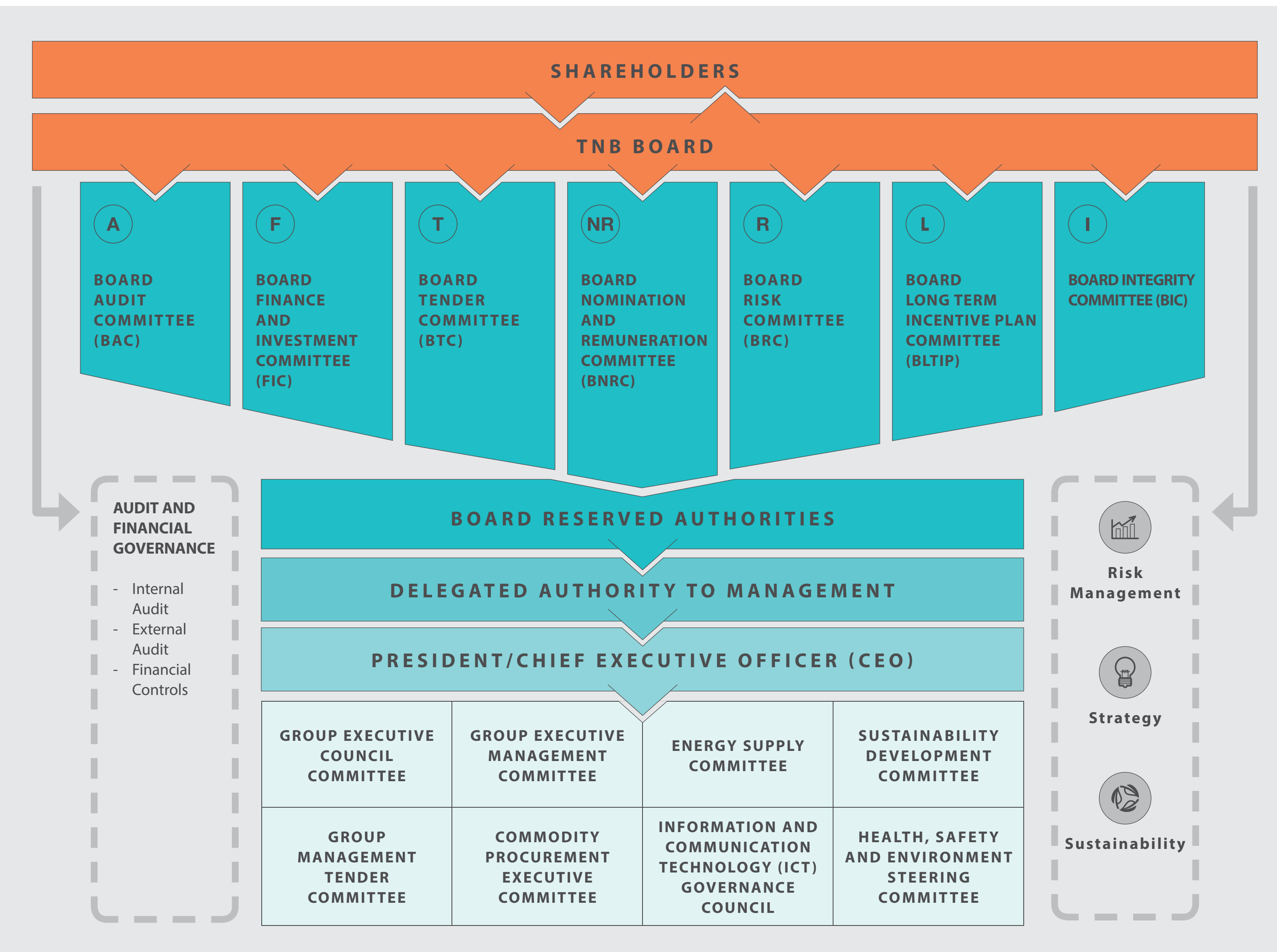
Throughout 2016/2017, our governance arrangements generally complied with the Malaysian Code on Corporate Governance 2017 (MCCG 2017). In addition, our governance framework complies with the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) and is guided by the Corporate Governance Guide: Towards Boardroom Excellence by Bursa Malaysia Securities Berhad and The Green Book: Enhancing Board Effectiveness by the Putrajaya Committee on Government-Linked Companies High Performance.

Our Corporate Governance 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 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 inclusion and diversity.

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 Statement. The website is updated periodically to ensure that it reflects TNB's current corporate governance information.

TNB'S ACHIEVEMENTS

During the Financial Year under review, TNB's efforts in corporate governance practices were recognised by the Minority Shareholder Watchdog Group's 2016 Malaysia-ASEAN Corporate Governance Report, which presented the Company with the Industry Excellence Award for Consumer Services and received 2017 Gold Awards by Australasian Reporting Awards. In addition, TNB also received the Silver Award for Best Designed Annual Report for the 2015 Annual Report at the National Annual Corporate Report Awards (NACRA) 2016.



OUR GOVERNANCE IN ACTION

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

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 and its Committees;
- 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.

PRESIDENT/CEO
Datuk Seri Ir. Azman bin Mohd

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; and
- Representing TNB externally to stakeholders, shareholders, customers, suppliers, regulatory and government authorities and the community.

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 in 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.

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.

NON-EXECUTIVE DIRECTORS
Datuk Seri Hashmuddin bin Mohammad
Amran Hafiz bin Affifudin
Dato' Abd Manaf bin Hashim
Tan Sri Dato' Seri Siti Norma binti Yaakob
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.

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 Company 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 IN ACTION

BOARD CHARTER

During the Financial Year, the Board 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:

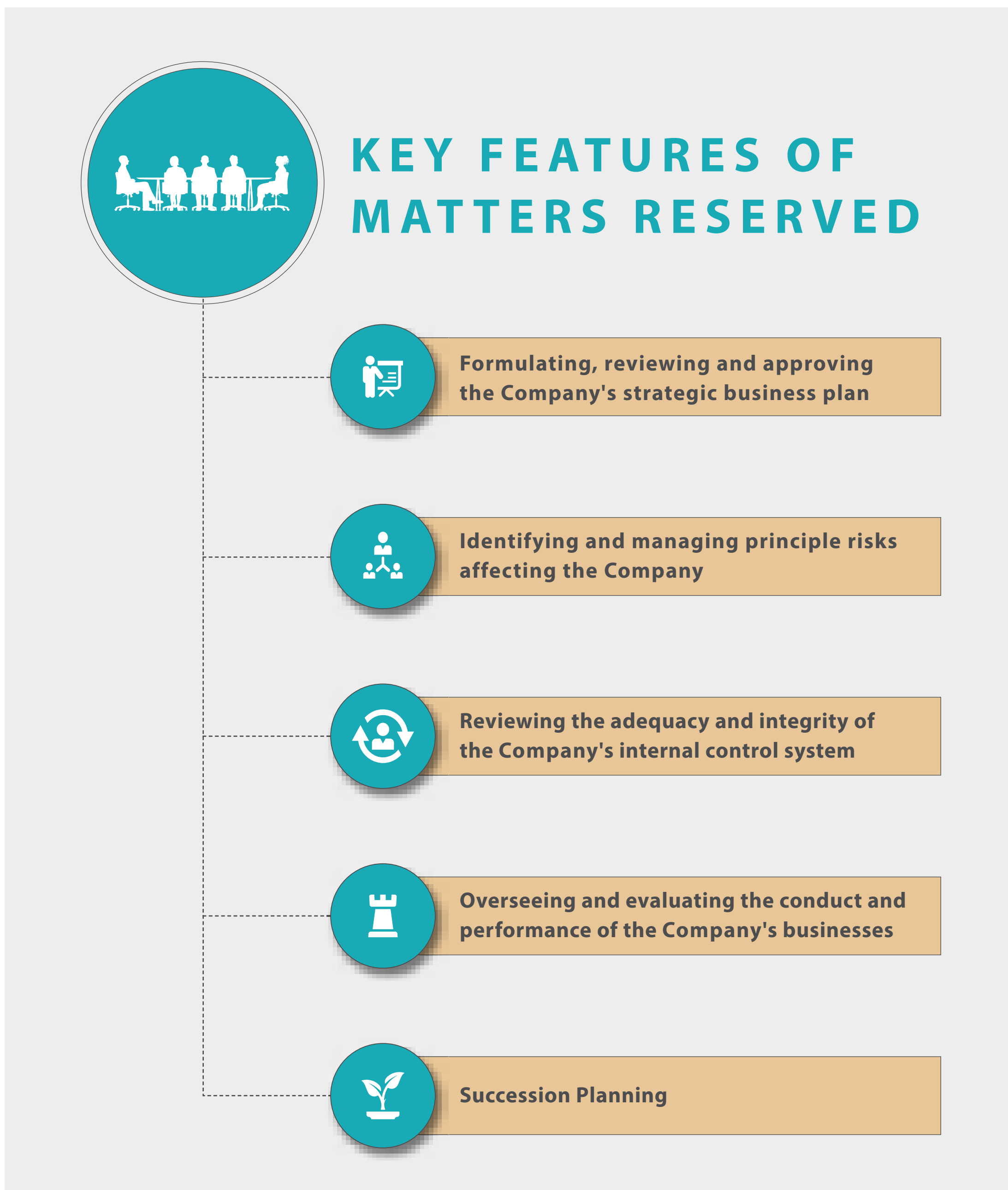
- **The division of responsibilities between the Chairman and President/CEO;**
- **The respective roles, responsibilities and authorities of the Board, its Committees and Management;**
- **The Schedule of Reserved Matters; and**
- **Board level policies and practices.**

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 recently 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 Year under review are set out on pages 124 to 131. 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:



OUR GOVERNANCE
IN ACTION

BOARD ACTIVITY IN 2016/2017

TNB is built on strong foundations and operates with a clear strategic framework comprising a balanced 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 conducted by the Company Secretary's Office as and when the need arises and is a platform for the Board and Management to deliberate and exchange views as well as opinions in formulating strategic plans and to chart the direction of the Group, including the reporting of its progress. During the Financial Year under review, two (2) BBOs were held on 19 January 2017 and 8 May 2017, specifically to discuss on Due Diligence on End State Corporate Structure of TNB's Strategic Direction (2017-2025). During both BBOs, the Management shared with the Board on the impact of the corporate reorganisation focusing on financial, tax and legal implications, risks associated and mitigation plans, as well as employees and stakeholders engagement on TNB's End State Corporate Structure. In return, the Management gained constructive inputs from the Board on how to further improve TNB's Strategic Direction (2017-2025). More information on the Strategic Direction is available in the CEO's Strategic and Operational Review on page 22 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 annual evaluation for Financial Year 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 annual evaluation for the Financial Year 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.
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. The Board/BNRC had reviewed and appointed three (3) new Board members, to fulfill the vacancies by the Directors who had resigned/ceased office, during the Financial Year under review. Juniwati Rahmat Hussin and Badrul Ilahan bin Abd Jabbar, were both appointed as Independent Non-Executive Directors with effect from 1 June 2017 and 1 July 2017 respectively, while Amran Hafiz bin Affifudin was appointed on 22 June 2017, as Appointed Director of Khazanah Nasional Berhad (Khazanah), a Major Shareholder of TNB. Their mix of skills, experience, expertise and qualification were analysed prior to their respective appointments. The selection of candidates and appointment of Independent Non-Executive Directors by the Board/BNRC were made with the assistance of an 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 annual evaluation for the Financial Year 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.

OUR GOVERNANCE IN ACTION

AREA OF FOCUS	MATTERS CONSIDERED BY THE BOARD
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 annual evaluation for the Financial Year 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 the Financial Year are provided in this Statement of Corporate Governance 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 annual evaluation for the Financial Year 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.

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.

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

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.

SUPPLY OF INFORMATION AND ACCESS TO ADVICE

The Board receives accurate, timely and clear information three (3) 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 20 Board meetings during the Financial Year 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.

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 three (3) 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.

With the recent adoption of Guidance 1.5 of MCCG 2017, currently the meeting materials will be circulated at least five (5) working days in advance of the Board meetings of TNB and its Group of Companies.

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. During the Financial Year under review, the Board/respective Board Committees visited the following business operations/on-going projects:

Technical Visits of Board

Date	Venue
6 March 2017	Jimah East Power Project, Negeri Sembilan (2 x 1000MW Jimah Coal Fired Power Plant Project, Negeri Sembilan)
21 August 2017	Manjung 5 Power Station, Manjung, Perak

Technical Visits of BAC

Date	Venue
4 November 2016	Kubota Power Station, Tawau, Sabah
21 April 2017	Kolombong 132/33/11kV Substation, Kota Kinabalu, Sabah
22 April 2017	Ranau Power Station, 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 Year. This demonstrates that each Director has devoted sufficient time and commitment to carrying out his/her responsibilities.

OUR GOVERNANCE IN ACTION

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	18/20 (90%)
Datuk Seri Ir. Azman bin Mohd	20/20 (100%)
Datuk Seri Hashmuddin bin Mohammad	14/20 (70%)
Amran Hafiz bin Affifudin[1]	^4/4 (100%)
Dato' Abd Manaf bin Hashim	18/20 (90%)
Tan Sri Dato' Seri Siti Norma binti Yaakob	18/20 (90%)
Datuk Sakthivel Alagappan	20/20 (100%)
Tan Sri Dato' Seri Chor Chee Heung	20/20 (100%)

A — BOARD AUDIT COMMITTEE (BAC)

Chairman:

Noraini binti Che Dan[2] — Attendance ^10/10 (100%)

Dato' Zainal Abidin bin Putih[5] — Attendance *5/5 (100%)

Members:

Dato' Abd Manaf bin Hashim — Attendance 13/16 (81%)

Datuk Sakthivel Alagappan — Attendance 16/16 (100%)

Tan Sri Dato' Seri Chor Chee Heung — Attendance 16/16 (100%)

Gee Siew Yoong — Attendance 16/16 (100%)

Badrul Ilahan bin Abd Jabbar[4] — Attendance ^3/3 (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 **41.12**

For BAC Report, please refer to pages 126-128 of this Report.

F — BOARD FINANCE AND INVESTMENT COMMITTEE (FIC)

Chairman:

Tan Sri Leo Moggie — Attendance 12/13 (92%)

Members:

Amran Hafiz bin Affifudin[1] — Attendance ^3/3 (100%)

Datuk Sakthivel Alagappan — Attendance 13/13 (100%)

Tan Sri Dato' Seri Chor Chee Heung — Attendance 13/13 (100%)

Noraini binti Che Dan — Attendance 12/13 (92%)

Dato' Zainal Abidin bin Putih[5] — Attendance *4/5 (80%)

Ahmad Farouk bin Mohamed[7] — Attendance *9/10 (90%)

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 **22.83**

T — BOARD TENDER COMMITTEE (BTC)

Chairman:

Datuk Seri Hashmuddin bin Mohammad — Attendance 11/11 (100%)

Members:

Amran Hafiz bin Affifudin[1] — Attendance ^2/2 (100%)

Dato' Abd Manaf bin Hashim — Attendance 10/11 (91%)

Juniwati Rahmat Hussin[3] — Attendance ^2/2 (100%)

Datuk Wira Ir. Md Sidek bin Ahmad[6] — Attendance *8/8 (100%)

Ahmad Farouk bin Mohamed[7] — Attendance *7/9 (78%)

Key Roles and Responsibilities:

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

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

To assist the Board in regulating the compliance of Top Management and Executive Director with TNB's Procurement 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 **41.32**

NR — BOARD NOMINATION AND REMUNERATION COMMITTEE (BNRC)

Chairman:

Tan Sri Dato' Seri Siti Norma binti Yaakob — Attendance 5/5 (100%)

Members:

Dato' Abd Manaf bin Hashim — Attendance 4/5 (80%)

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

Amran Hafiz bin Affifudin[1] — Attendance ^1/1 (100%)

Datuk Wira Ir. Md Sidek bin Ahmad[6] — Attendance *3/3 (100%)

Key Roles and 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 and the Board Committees as a whole.

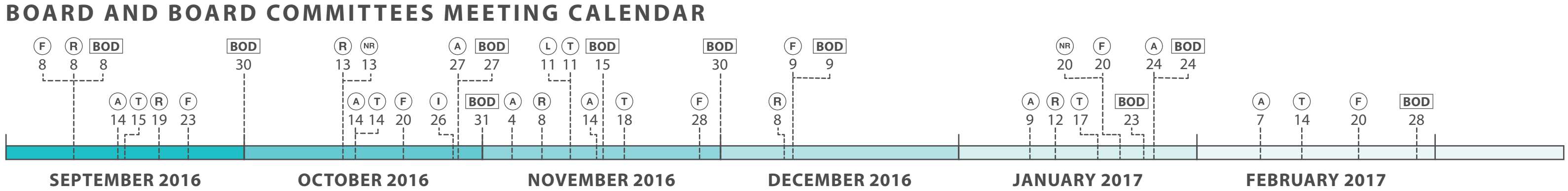
To determine and recommend to the Board the remuneration packages of Non-Executive Directors/ Executive Directors/Top Management.

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

BNRC Meeting Hours **4.08**

For BNRC Report, please refer to pages 131-139 of this Report.

BOARD AND BOARD COMMITTEES MEETING CALENDAR



NOTES

1. Appointed as Director and Member of FIC, BTC, BNRC & BLTIP w.e.f. 22 June 2017
2. Appointed as Chairman of BAC w.e.f. 23 January 2017
3. Appointed as Director w.e.f. 1 June 2017 and Member of BTC & BRC w.e.f. 21 June 2017
4. Appointed as Director and Member of BAC, BRC & BIC w.e.f. 1 July 2017
5. Cessation of office as Director, Chairman of BAC and Member of FIC & BRC w.e.f. 15 December 2016
6. Resigned as Director and Ceased as Member of BTC, BNRC, BRC & BLTIP w.e.f. 1 June 2017

OUR GOVERNANCE
IN ACTION

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.

Based on the annual evaluation of each standing Board Committee for this Financial Year under review, the Board unanimously resolves that each Board Committee 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 **45.33**

Gee Siew Yoong	Noraini binti Che Dan[2]	Juniwati Rahmat Hussin[3]	Badrul Ilahan bin Abd Jabbar[4]	Dato' Zainal Abidin bin Putih[5]	Datuk Wira Ir. Md Sidek bin Ahmad[6]	Ahmad Farouk bin Mohamed[7]
Total Attendance	*Total Attendance*	*Total Attendance*	*Total Attendance*	*Total Attendance*	*Total Attendance*	*Total Attendance*
20/20 (100%)	**18/20** (90%)	**^5/5** (100%)	**^4/4** (100%)	***7/7** (100%)	***15/15** (100%)	**^16/16** (100%)

R

BOARD RISK COMMITTEE (BRC)

Chairman:

Dato' Abd Manaf bin Hashim
Attendance **11/12** (92%)

Members:

Datuk Seri Hashmuddin bin Mohammad
Attendance **10/12** (83%)

Gee Siew Yoong
Attendance **11/12** (92%)

Noraini binti Che Dan
Attendance **11/12** (92%)

Juniwati Rahmat Hussin[3]
Attendance **^3/3** (100%)

Badrul Ilahan bin Abd Jabbar[4]
Attendance **^3/3** (100%)

Dato' Zainal Abidin bin Putih[5]
Attendance ***4/5** (80%)

Datuk Wira Ir. Md Sidek bin Ahmad[6]
Attendance ***8/8** (100%)

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 **38.83**

For BRC Report, please refer to pages 129-130 of this Report.

L

BOARD LONG TERM INCENTIVE PLAN COMMITTEE (BLTIP)

Chairman:

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

Members:

Dato' Abd Manaf bin Hashim
Attendance **2/2** (100%)

Tan Sri Dato' Seri Chor Chee Heung
Attendance **2/2** (100%)

Amran Hafiz bin Affifudin[1]
(No meeting held since his appointment)

Datuk Wira Ir. Md Sidek bin Ahmad[6]
Attendance ***2/2** (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 **2.08**

I

BOARD INTEGRITY COMMITTEE (BIC)

Chairman:

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

Members:

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

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

Badrul Ilahan bin Abd Jabbar[4]
(No meeting held since his appointment)

Ahmad Farouk bin Mohamed[7]
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.

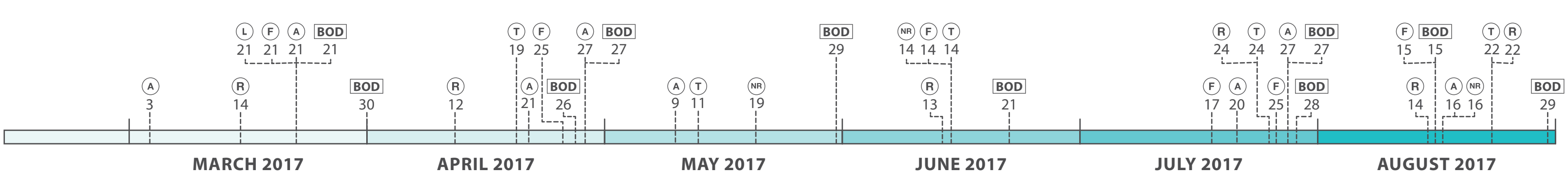
BIC Meeting Hours **1.5**

OVERALL PERCENTAGE OF THE BOARD MEETINGS ATTENDED BY DIRECTORS

95%

TOTAL BOARD & BOARD COMMITTEES' MEETINGS HOURS

197.09



[7] Resigned as Director and Ceased as Member of FIC, BTC & BIC w.e.f. 22 June 2017
* Reflects the number of meetings during the time the Director held office/was Chairman/Member of Committee
^ Reflects the number of meetings since his/her respective appointment on the Board/relevant Board Committee

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 Year.

OUR GOVERNANCE IN ACTION

A AUDIT COMMITTEE REPORT R NR

BOARD AUDIT COMMITTEE

COMMITTEE MEMBERS

Chairman

Noraini binti Che Dan
Appointed as Chairman w.e.f. 23 January 2017
Independent Non-Executive Director

Dato' Zainal Abidin bin Putih
Ceased as Chairman w.e.f. 15 December 2016
Senior 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
Appointed as Member w.e.f. 1 July 2017
Independent Non-Executive Director

MEMBERSHIP AND ATTENDANCE

The Committee members and details of their attendance at BAC meetings held during the Financial Year can be found on page 124. Presently, the Committee consists of six (6) Independent Non-Executive Directors. All members of the Committee are financially literate and have sufficient understanding of the Company's business. In addition, the Committee practices a cooling-off period of two (2) years for former audit partners before being appointed as a member of the Board Audit Committee.

With effect from 23 January 2017, Noraini binti Che Dan was appointed as the Committee Chairman replacing Dato' Zainal Abidin bin Putih. Badrul Ilahan bin Abd Jabbar was appointed as a Committee member with effect from 1 July 2017. Whilst the Committee Terms of Reference requires the Committee to meet six (6) times a year, during the year under review, the BAC met 16 times. Aside from the Committee members, attendance during the meetings include the Chief Internal Auditor and the Company Secretary, who is also the Secretary to the Committee. The President/CEO and other Officers were additionally invited to deliberate on matters related to their purview.

At the onset of each meeting, the Committee Chairman submits a report on matters deliberated to the Board for their reference and attention. Matters reserved for the Board are tabled at Board meetings. Action sheets are issued by the Company Secretary on the decisions made and actions required. These are then, in turn, circulated to Management for their onward action.

KEY ISSUES CONSIDERED BY THE AUDIT COMMITTEE

Internal Audit

- Reviewed and approved the Group Internal Audit (GIA)'s staffing requirements, budget and Annual Audit Plan to ensure adequacy of resources, competencies and coverage of auditable entities with significant and high risks.
- Reviewed TNB's statements of internal controls 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 and approved the revised TNB Internal Audit Charter.
- Reviewed GIA's interim achievement and approved the Revised Annual Audit Plan in consideration of changes in business environment and GIA's actual resources.
- Approved the tender award for a Quality Assurance Review (QAR) on GIA and reviewed the external assessment results.
- Reviewed the results of an organisational study on GIA and other internal audit functions within TNB Group.
- Approved GIA's new organisational structure.
- Approved the re-appointment of the Chief Internal Auditor.

External Audit

- Deliberated and reported the results of the annual statutory audit to the Board.
- Evaluated the performance of the External Auditors and recommended their appointment and remuneration to the Board.
- Reviewed status of compliance with TNB External Auditor Policy and external auditor assessment results for FY2016.
- Reviewed the status of non-audit services awarded to TNB's External Auditor.

Financial Results

- Reviewed and recommended the Quarterly and Annual Financial Statements of the Company and Group (including announcements) for Board's approval.
- Deliberated on significant matters raised by the External Auditor and received progress updates from Management on actions taken for improvements.

A AUDIT COMMITTEE REPORT R NR

Related Party Transactions

- Reviewed the system for identifying, monitoring and disclosing related party transactions for TNB and its subsidiaries.

Annual Reporting

- Reviewed the Board Audit Committee Report, Statement on Corporate Governance, Sustainability Statement and Statement on Internal Audit Function for publication in the 2016 Integrated Annual Report.

Others

- Deliberated and reviewed the performance of TNB's subsidiaries, strategic direction, financial performance and business plans.
- Reviewed the proposal for the vesting of first and second tranche of restricted shares to staff under TNB's Long Term Incentive Plan (LTIP) and recommended for approval to the Board.
- Reviewed the proposal for granting the third tranche of restricted shares to staff under TNB's LTIP and recommended for approval to the Board.
- Approved the tender award for consultancy services to conduct the Regulatory Compliance Audit 2016.
- Approved the tender award for consultancy services to conduct a security assessment on SCADA control in TNB.

GROUP INTERNAL AUDIT

The BAC is assisted by the 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, a Subject Matter Expert who is experienced in technical areas was engaged to assist GIA in performing certain technical audits.

During the Financial Year, GIA issued 275 reports arising from the performance of 135 planned jobs, two (2) ad-hoc jobs and 138 follow-up audits on corrective actions. The areas reviewed included generation, transmission, distribution, procurement, engineering, projects, finance, corporate governance, human resources, logistics, information and communication technology, investments in subsidiaries and risk management.

Internal audit reports were issued to Management and they contain improvement opportunities, audit findings, management responses 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 show 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.

Mission and Practices

GIA endeavours to provide independent, risk based and objective assurance on the areas of operations reviewed, and gives 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 relevance 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 are 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 is reviewed periodically to cater for changes in the risk exposure and operating environment.

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

OUR GOVERNANCE IN ACTION

A AUDIT COMMITTEE REPORT

R NR

Among the key areas covered during the Financial Year are:

- Supply Application
- Billings
- Collection
- Credit and Disconnection Management
- Inventory Management
- Operation and Maintenance
- Network Services
- Engineering Services
- Planning
- Project Management
- Safety and Security
- Procurement
- Asset Management
- Financial Management
- Human Resource Management
- IT and System Security

GIA tables audit reports that comprise business process improvement opportunities, audit observations, root causes, impact and 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 Year, GIA issued a total of 275 reports arising from the performance of 135 planned jobs, two (2) ad-hoc jobs and 138 follow-up audits on corrective actions. One (1) planned audit was conducted together with a Subject Matter Expert who is an ex-TNB retiree.

Resources

In the Financial Year 2017, GIA spent a total of RM19 million. A summary of the internal audit costs is as follows:

Category	RM (Million)	% of total cost
Staff costs	13.8	73
Operating costs	4.7	25
Consultancy fees	0.5	2
Total	**19.0**	**100**

As part of TNB's Value Unlocking Program, GIA had reviewed its' organisational structure. As at 31 August 2017, GIA had a total of 57 auditors, comprising staff from diverse backgrounds, as follows:

Discipline	No. of Internal Auditors	Percentage (%)
Finance and Business	28	49
Engineering	19	33
Quantity Surveying	4	7
System Analyst/Computer Science/Information Technology	6	11
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 RM387,000 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 August 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**

To date, GIA has won 11 Corporate Awards from the Institute of Internal Auditors Malaysia (IIAM) since 2008 for strong commitment to continuous development and Certified Internal Audit Programme.

Improvement Initiatives

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

i. Attached four (4) GIA staff at other Division/Subsidiary to gain practical and operational experience.
ii. Implemented job rotation between GIA's units to broaden staff exposure and skill set.
iii. Organised the Heads of ASEAN Power Authorities (HAPUA) Internal Audit Workshop to exchange knowledge, experience and ideas, benchmark and collaborate with Asean counterparts.
iv. Conducted TNB's Top Management knowledge sharing sessions to create awareness and enhance staff's business knowledge.
v. Appointed the Institute of Internal Auditors Malaysia (IIAM) to perform the Quality Assurance Review (QAR) to assess effectiveness of GIA's quality management system.
vi. Facilitate enhancement of TNB's Land Management processes and cleansing of Land Bank records.

Our practices generally complied with the International Professional Practice Framework on Internal Auditing based on the QAR performed by IIAM. 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

A | R RISK COMMITTEE REPORT | NR

BOARD RISK COMMITTEE

COMMITTEE MEMBERS

Chairman

Dato' Abd Manaf bin Hashim
Chairman, 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
(Appointed as Member w.e.f. 21 June 2017)
Independent Non-Executive Director

Badrul Ilahan bin Abd Jabbar
(Appointed as Member w.e.f. 1 July 2017)
Independent Non-Executive Director

Dato' Zainal Abidin bin Putih
(Ceased as Member w.e.f. 15 December 2016)
Senior Independent Non-Executive Director

Datuk Wira Ir. Md Sidek bin Ahmad
(Ceased as Member w.e.f. 1 June 2017)
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 provides 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 Board Risk Committee (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 requirements stated in the Malaysian Code on Corporate Governance and MMLR.

The purpose of the BRC is to assist the Board 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.

MEMBERSHIP AND ATTENDANCE

The BRC is composed of no fewer than three (3) members including the Chairman, with a majority of Non-Executive Directors, at least one (1) of whom shall preferably have recent and relevant experience in risk management.

BRC members and details of their attendance at BRC meetings held during the Financial Year can be found on page 125.

Collectively, the BRC members have vast experience in fields such as finance, accounting, audit, procurement, engineering, project management and in industries such as construction, telecommunication, oil and gas, financial institutions and government agencies. The BRC members also sit on the boards of other private limited companies and public listed companies.

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.

During the year under review, 12 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 meetings with action sheets circulated to relevant parties.

OUR GOVERNANCE IN ACTION

A R **RISK COMMITTEE REPORT** NR

SUMMARY OF ACTIVITIES FOR THE YEAR UNDER REVIEW

The BRC principal activities in the year 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 strategic risks and the corresponding key operational risks as well as key controls taken to manage the risks. Further mitigations to strengthen the management of existing and emerging risks were recommended for Management's 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 (RMD).
- Reviewed reports on risk incidents which occurred in the Financial Year 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.
- Cascaded the tone from the top regarding the importance of integrated risk management in organisational processes for informed decision making through the TNB Top Management Risk Forum.

RISK MANAGEMENT

BRC is assisted by the Chief Risk Officer and the 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 GIA 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.

During the year under review, RMD facilitated workshops with relevant risk owners from various divisions to review TNB's strategic risks in view of the Reimagining TNB strategies. In addition, RMD assessed the risk maturity of 12 divisions, departments and subsidiaries and facilitated 23 risk reviews with the respective division, department and subsidiary.

The TNB Investment Risk Assessment (TIRA) was developed by RMD in FY2015 with the objective of providing a standardised risk assessment methodology and process for investment proposals that reflected the risk appetite of the BRC. In the year under review, 18 investment proposals were assessed applying the TIRA guideline.

With regard to people capability, two (2) risk management training sessions were held in the year under review at TNB's wholly-owned subsidiary, TNB Integrated Learning Solution Sdn. Bhd. (TNB-ILSAS) as part of the Young Executives Development Programme (YEDP). In addition, RMD had developed an internal risk certification programme administered by TNB-ILSAS with the aim of increasing the competency of TNB personnel in risk management. This internal risk certification programme was approved by BRC in the year under review.

Moreover, during the year under review, RMD had carried out two (2) engagement meetings with the insurance market to highlight TNB's risk management initiatives and performance with the objective of assuring the incumbent and potential insurers of the effectiveness of current risk management practices in TNB.

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 31 October 2017.

DATO' ABD MANAF BIN HASHIM
Chairman, Board Risk Committee
Senior Independent Non-Executive Director

BOARD NOMINATION AND REMUNERATION COMMITTEE

COMMITTEE MEMBERS

Chairman

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

Members

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

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

Amran Hafiz bin Affifudin
Non-Independent Non-Executive Director
(Appointed as Member w.e.f. 22 June 2017)

Datuk Wira Ir. Md Sidek bin Ahmad
Independent Non-Executive Director
(Ceased as Member w.e.f. 1 June 2017)

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 and the Board Committees as a whole.
- 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 YEAR UNDER REVIEW

The BNRC is chaired by Tan Sri Dato' Seri Siti Norma binti Yaakob, an Independent Non-Executive Director, supported by three (3) Members, majority of whom are Independent Non-Executive Directors.

During the Financial Year under review, the BNRC held five (5) meetings on matters including the following:

- Appointment of new Independent Non-Executive Directors;
- Re-election and re-appointment of Independent Non-Executive Directors;
- Review of the status of independence of the Independent Non-Executive Directors;
- Annual Assessment of the Board and its Committees;
- 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 regard 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;
- Review Non-Executive Directors' Terms of Appointment;
- Oversee the appointment, succession planning and performance evaluation of President/CEO and Top Management;
- Appointment of Senior Independent Non-Executive Director;
- 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.

OUR GOVERNANCE IN ACTION

A R NR **NOMINATION AND REMUNERATION COMMITTEE**

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.

The Board through BNRC has appointed Dato' Abd Manaf bin Hashim as Senior Independent Non-Executive Director with effect from 31 October 2017. He was appointed to the Board on 1 February 2010 and has served on various Board Committees. At present, he chairs the BRC and serves as a Member of BAC, BTC, BNRC and BLTIP.

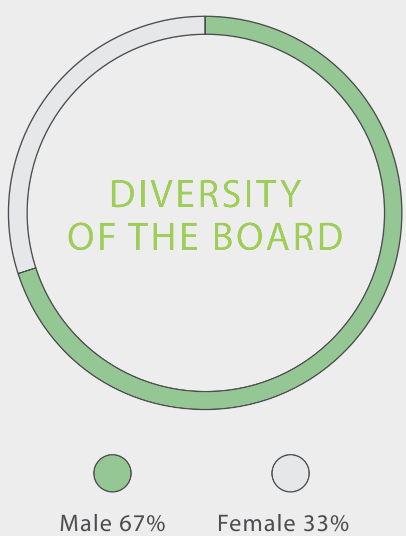
He has in-depth knowledge and experience of the Company's operation/business and its industry and with that, the Board agreed for Dato' Abd Manaf bin Hashim to take up the role as Senior Independent Non-Executive Director.

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.

During the Financial Year under review, Juniwati Rahmat Hussin was appointed to the Board with effect from 1 June 2017, in support of the Government's target of having 30% women's participation on boards of public companies in Malaysia. Currently, four (4) women Directors sit on the Board, namely Tan Sri Dato' Seri Siti Norma binti Yaakob, Gee Siew Yoong, Noraini binti Che Dan and Juniwati Rahmat Hussin, representing 33% of the Board.

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



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.

A R NR **NOMINATION AND REMUNERATION COMMITTEE**

COMPOSITION OF THE BOARD

TNB Board currently consists of 12 members; one (1) Executive Director and 11 Non-Executive Directors, of whom eight (8) 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 Articles of Association provide 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 AND RE-APPOINTMENT OF DIRECTORS

New appointments to the Board include, Juniwati Rahmat Hussin and Amran Hafiz bin Affifudin, both were appointed, with effect from 1 June 2017 and 22 June 2017, respectively. In addition to that, Badrul Ilahan bin Abd Jabbar was appointed to the Board with effect from 1 July 2017. At the forthcoming AGM, they are retiring in accordance with Article 133 of the Company's Articles of Association, and being eligible, have offered themselves for re-election.

Datuk Seri Ir. Azman bin Mohd and Tan Sri Dato' Seri Chor Chee Heung, being Directors who are retiring by rotation in accordance with Article 135 of the Company's Articles of Association and being eligible, have offered themselves for re-election.

Datuk Seri Ir. Azman bin Mohd is an Appointed Director by MoF Inc., the Special Shareholder of TNB, and Amran Hafiz bin Affifudin is an Appointed Director by Khazanah, a Major Shareholder of TNB.

Tan Sri Leo Moggie was re-appointed in accordance with Section 129(6) of the Companies Act 1965 at the 26th AGM held on 15 December 2016, to hold office until the conclusion of the 27th AGM.

With the enforcement of the Companies Act 2016 of which repealed the Companies Act 1965, there is no age limit for Directors. Therefore, Tan Sri Leo Moggie is seeking re-appointment for his continuation in office upon expiration of his term of office, at the conclusion of 27th AGM and shall thereafter, be subject to retirement by rotation.

Tan Sri Leo Moggie is an Appointed Director of MoF Inc. His extensive knowledge, experience and reputation in the energy-related industry are incomparable. He continues to lead and guide the Board as its Chairman in ensuring that it maintains high standard of governance. He is the Chairman of FIC and of several subsidiaries within TNB Group.

The Board recognises Directors' performance are used as basis in recommending to the shareholders for their re-election and re-appointment. 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 Juniwati Rahmat Hussin, Badrul Ilahan bin Abd Jabbar and Tan Sri Dato' Seri Chor Chee Heung, 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, having considered their professionalism, vast experience, material relationship, competency and commitment in performing their respective duties, the Board/BNRC are satisfied that all Directors who are seeking re-election and re-appointment at AGM 2017 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 and re-appointment of each Director who is standing for re-election and re-appointment at AGM 2017.

OUR GOVERNANCE IN ACTION

A R NR **NOMINATION AND REMUNERATION COMMITTEE**

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 Integrated Annual Report 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 and re-appointment is disclosed in the Notice of the 27th AGM.

During the Financial Year 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.

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 Year were energy related, 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 Memorandum and Articles of Association, 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 induction sessions held for the newly appointed Directors, Badrul Ilahan bin Abd Jabbar, Amran Hafiz bin Affifudin and Juniwati Rahmat Hussin with the respective Top Management, namely Chief Financial Officer/Vice President (Group Finance), Vice President (Generation), Vice President (Grid), Vice President (Distribution) and Vice President (Regulatory Economics and Planning) to better assist them in understanding the Company's core businesses and its whole operation. Apart from the operational briefing which are under their purview, they also visited TNB Careline in Menara PKNS, Petaling Jaya, Selangor, the Regional Control Centre in Bangsar, Kuala Lumpur and National Load Despatch Centre (NLDC), TNB Headquarters in Bangsar, Kuala Lumpur.

OUR GOVERNANCE
IN ACTION

A R NR **NOMINATION AND REMUNERATION COMMITTEE**

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. In 2016/2017 the Board of Directors participated in various technical updates and briefings, including sessions between Directors and members of Top Management.

During the Financial Year under review, Amran Hafiz bin Affifudin and Badrul Ilahan bin Abd Jabbar who were appointed on the Board with effect from 22 June 2017 and 1 July 2017, respectively, successfully attended the Mandatory Accreditation Programme for Directors of PLC (MAP) which was held on 10 and 11 August 2017, within the stipulated period of four (4) months from their appointment dates as prescribed under Paragraph 15.08 by the MMLR. Juniwati Rahmat Hussin and the existing Board Members have completed their MAPs accordingly.

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 (BDP) which is organised in-house as part of TNB's Board Continuing Development Programme.

The 2017 BDP was held on 15 August 2017, assisted by the Regulatory Economics and Planning Division with the topic "Disruptions in The Electricity Industry, Evolving Business Models and Grid of The Future" featuring Bloomberg New Energy Finance Presenters.

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

NAME OF DIRECTOR	DATE	CONFERENCE/TRAINING PROGRAMME ATTENDED
Tan Sri Leo Moggie	9 August 2016	Trending Innovation, Disruption and Entrepreneurship (TIDE)
	26 September 2016	Khazanah Megatrends Forum 2016
	9 November 2016	The 30th Sultan Azlan Shah Law Lecture On: The Supreme Court : Guardian of the Law Constitution
	5 December 2016	International Forum on Geopolitics and Global Energy Landscape : It's Implication to Asia (IFGG 2016)
	15 August 2017	TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future
Datuk Seri Ir. Azman bin Mohd	26 September 2016	Khazanah Megatrends Forum 2016
	6 October 2016	IGEM Exhibition and Conference
	13 January 2017	13th Khazanah Annual Review Briefing
	26 July 2017	MARIM Risk Conference 2017
	15 August 2017	TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future
Datuk Seri Hashmuddin bin Mohammad	2 - 4 November 2016	Pre-Retirement Course 2016
	25 January 2017	Treasury Transformation Programme (TTP), Global Expert Series
	9 - 10 February 2017	Financial Institutions Directors' Education (FIDE) Programme
	22 - 23 March 2017	Global Transformation Forum
	26 - 29 March 2017	Industrial Collaboration Programme (ICP) In Conjunction with Global Offset & Countertrade Association (GOCA) Asia Pacific 2017
	14 - 16 April 2017	Budget Retreat 2018
	31 May 2017	Dialogue Session on TN50
	15 June 2017	Budget Consultation With Industries
	15 August 2017	TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future

OUR GOVERNANCE IN ACTION

A R NR **NOMINATION AND REMUNERATION COMMITTEE**

NAME OF DIRECTOR	DATE	CONFERENCE/TRAINING PROGRAMME ATTENDED
Amran Hafiz bin Affifudin *(Appointed w.e.f. 22 June 2017)*	15 May 2017 10 - 11 August 2017 15 August 2017	Workshop on P&U Opportunities and Approach Mandatory Accreditation Programme for Directors of PLC TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future
Dato' Abd Manaf bin Hashim	22 - 23 March 2017 5 - 6 September 2017	Global Transformation Forum Asian World Summit Training, Strategic Planning for Board
Tan Sri Dato' Seri Siti Norma binti Yaakob	26 September 2016 10 October 2016 18 October 2016 25 - 26 October 2016 14 November 2016 14 February 2017 6 - 7 March 2017 8 - 9 March 2017 15 August 2017	Fighting Bid Rigging and Abuse of Dominant Position in Public Procurement Under The Competition Act 2010 Competition Law in The Pharmaceutical Sector The 1st Mooting Contest on Competition Law Act 2010 AANZFTA Competition Law Implementation Programme Investigation Module Two-Evidence and Interviewing Skills Workshop Helping SME's Understand The Competition Law The Asean Fixed Income Conference 2017, Riding the Wave of Asean Bond Market Integration The Malaysia Competition Conference 2017, Competition Law: Breaking Norms, Managing Change 7th ASEAN Competition Conference ASEAN@50: Managing Change in a Competitive ASEAN TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future
Datuk Sakthivel Alagappan	26 September 2016 9 March 2017 13 - 14 March 2017 22 - 23 March 2017 11 April 2017 15 August 2017	Belantara: A Secret Life Malaysian Institute of Corporate Governance Training, Mitigating Risk in Procurement Asian World Summit Training, Boardroom Effectiveness Global Transformation Forum Malaysian Institute of Corporate Governance Training, Assessment of The Board, Board Committees and Individual Directors-Taking Stock of Performance TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future
Tan Sri Dato' Seri Chor Chee Heung	13 - 14 March 2017 22 - 23 March 2017 5 April 2017 15 August 2017	Asian World Summit Training, Boardroom Effectiveness Global Transformation Forum Program Latihan Pengarah (PROLAP) Badan-Badan Berkanun & Swasta TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future
Gee Siew Yoong	27 March 2017 11 - 13 July 2017 10 August 2017 15 August 2017	Related Party Transaction (RPT) & Recurrent Related Party Transaction (RRPT) The 16th Asian Oil, Gas & Petrochemical Engineering Exhibition, 2017 National Seminar on Malaysian Code on Corporate Governance 2017 TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future
Noraini binti Che Dan	7 - 10 March 2017 27 - 29 March 2017 10 - 11 April 2017 15 May 2017 15 August 2017 6 September 2017 6 September 2017	FIDE Core Programme - Banks, Module A FIDE Core Programme - Banks, Module B Asian World Summit Training, Governing Boards-Excellence in Governance Asian World Summit Training, The Inside Story of The Annual Report What Director Must Know TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future Fund Transfer Pricing Masterclass Shariah
Juniwati Rahmat Hussin *(Appointed w.e.f. 1 June 2017)*	15 August 2017 5 - 6 September 2017	TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future Asian World Summit Training, Strategic Planning for Board
Badrul Ilahan bin Abd Jabbar *(Appointed w.e.f. 1 July 2017)*	10 - 11 August 2017 15 August 2017 2 - 3 October 2017	Mandatory Accreditation Programme for Directors of PLC TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future Khazanah Megatrends Forum 2017

NAME OF COMPANY SECRETARY	DATE	COURSE ATTENDED
Norazni binti Mohd Isa	15 August 2017 11 September 2017 12 - 13 September 2017 3 October 2017	TNB 2017 BDP: Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future SSM Companies Act 2016 Made Simple : A Practical Guide For Company Directors MAICSA Annual Conference 2017 - Companies Act 2016 - A Paradigm Shift SSM National Insolvency Conference 2017: Corporate Restructuring & Insolvency Under Companies Act 2016: A Paradigm Change

OUR GOVERNANCE
IN ACTION

A | R | NR **NOMINATION AND REMUNERATION COMMITTEE**

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.

THIS YEAR'S PROCESS

The Board, with the assistance of the BNRC, undertakes an annual evaluation of its performance and the performance of each of its principal Committees as a whole.

The process is internally facilitated and conducted through questionnaires circulated to the Board covering a variety of aspects associated with board effectiveness such as Board Structure, Board Operations and Interaction, Board Roles and Responsibilities, Understanding the Committees' Roles, Mix of Skills and Knowledge and Commitment of Members.

These questionnaires are designed to recognise the Board's strengths and to identify gaps or areas for improvement for the Board and its Committees. Completed questionnaires and the findings of the evaluations on the performance of the Board and its Committees are collated into a report.

The report on the Board's and its Committees' performance is provided to all Directors. Findings are deliberated by the BNRC and subsequently by the Board and key issues arising from the evaluations are identified for further action. These evaluations have produced significant improvements in the Board's processes and overall efficiency.

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.

Having considered the annual evaluation for the Financial Year under review, the Board is of the opinion that the Directors and respective Board Committees as a whole have 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 and Board Committees.

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 as well as newly appointed Directors, the Board and respective Board Committees as a whole are able to discharge their duties effectively.

Currently as recommended by MCCG 2017, we have appointed an independent expert to facilitate objective and candid board evaluations. As such, the assessment will commence in November 2017, and the findings will be reported in the next Interim Annual Report.

STEP 1 : COMPREHENSIVE QUESTIONNAIRES	STEP 2 : EVALUATION	STEP 3 : REPORTING AND DISCUSSION WITH THE BNRC/BOARD
Each Director completed confidential questionnaires.	Collation of the results and analysis of findings by the Company Secretary's Office, prior submission to the BNRC/ Board.	The Board Evaluation Assessment findings were deliberated by BNRC, and subsequently to the Board, and issues raised, are identified for further action.

OUR GOVERNANCE IN ACTION

A R NR **NOMINATION AND REMUNERATION COMMITTEE**

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

A R NR **NOMINATION AND REMUNERATION COMMITTEE**

DETAILS OF EACH DIRECTOR'S REMUNERATION FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017:

Name of Director	(i) Salary (ii) Contribution to EPF (RM)	Director's Fees Company (RM)	Director's Fees Subsidiaries (RM)	Meeting Allowances Company (RM)	Meeting Allowances Subsidiaries (RM)	Bonus (RM)	(i) Car Allowance (ii) Management Allowance (RM)	Benefits-in-Kind Utilities (RM)	Benefits-in-Kind Others (RM)	Benefits-in-Kind Subsidiaries (RM)	Total (RM)
Executive Director											
Datuk Seri Ir. Azman bin Mohd	(i) 2,440,000.00 (ii) 1,054,120.00	-	-	-	-	3,000,000.00 -	(i) 108,000.00 (ii) -	-	639,099.00 -	6,000.00 -	
	3,494,120.00	**-**	**-**	**-**	**-**	**3,000,000.00**	**108,000.00**	**-**	**639,099.00**	**6,000.00**	**7,247,219.00**
Non-Executive Directors											
Tan Sri Leo Moggie	-	360,000.00	242,000.00	71,500.00	32,700.00	-	-	8,120.79	14,159.84	-	728,480.63
Datuk Seri Hashmuddin bin Mohammad	-	240,000.00	-	67,500.00	-	-	-	-	6,012.40	-	313,512.40
Amran Hafiz bin Affifudin *(Appointed w.e.f. 22 June 2017)*	-	46,000.00*	-	17,000.00*	-	-	-	891.65	-	-	63,891.65
Dato' Abd Manaf bin Hashim	-	240,000.00	80,000.00	103,500.00	7,500.00	-	-	4,349.54	1,000.00	6,000.00	442,349.54
Tan Sri Dato' Seri Siti Norma binti Yaakob	-	240,000.00	-	54,000.00	-	-	-	8,788.00	8,928.42	-	311,716.42
Datuk Sakthivel Alagappan	-	240,000.00	-	87,000.00	-	-	-	12,816.30	21,345.97	-	361,162.27
Tan Sri Dato' Seri Chor Chee Heung	-	240,000.00	-	98,000.00	-	-	-	14,035.88	17,459.20	-	369,495.08
Gee Siew Yoong	-	240,000.00	-	83,000.00	-	-	-	2,205.95	8,876.58	-	334,082.53
Noraini binti Che Dan	-	240,000.00	-	92,500.00	-	-	-	9,177.13	2,933.00	-	344,610.13
Juniwati Rahmat Hussin *(Appointed w.e.f. 1 June 2017)*	-	60,000.00	-	17,500.00	-	-	-	661.65	486.00	-	78,647.65
Badrul Ilahan bin Abd Jabbar *(Appointed w.e.f. 1 July 2017)*	-	40,000.00	-	17,000.00	-	-	-	1,612.32	9,425.00	-	68,037.32
Dato' Zainal Abidin bin Putih *(Cessation of office as Director w.e.f. 15 December 2016)*	-	69,677.42	-	38,000.00	-	-	-	7,504.75	1,007,540.40	-	1,122,722.57
Datuk Wira Ir. Md Sidek bin Ahmad *(Resigned w.e.f. 1 June 2017)*	-	180,000.00	36,000.00	63,500.00	18,900.00	-	-	11,477.36	232,890.24	-	542,767.60
Ahmad Farouk bin Mohamed *(Resigned w.e.f. 22 June 2017)*	-	193,999.99**	-	60,500.00**	-	-	-	10,976.09	89,010.00	-	354,486.08
Total	**3,494,120.00**	**2,629,677.41**	**358,000.00**	**870,500.00**	**59,100.00**	**3,000,000.00**	**108,000.00**	**92,617.41**	**2,059,166.05**	**12,000.00**	**12,683,180.87**

* Inclusive of RM46,000.00 and RM17,000.00 paid to Khazanah Nasional Berhad, in respect of Director's Fees and Meeting Allowances provided for Amran Hafiz bin Affifudin.

** Inclusive of RM160,000.00 and RM52,000.00 paid to Khazanah Nasional Berhad, in respect of Director's Fees and Meeting Allowances provided for Ahmad Farouk bin Mohamed.

OUR GOVERNANCE IN ACTION

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 summary presentation of financial results 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.

OUR GOVERNANCE
IN ACTION

INVESTOR/STAKEHOLDER ENGAGEMENT

The Board recognises the importance of maintaining effective communication channels between the Company, its shareholders and general public. The solid teamwork between the IR team and various key teams within the Divisions, as well as TNB Top Management, enables timely, accurate, transparent, effective and relevant communication to be made available for our investors and stakeholders. Various key issues which include TNB business strategies and directions, regulatory updates, financial and technical performances as well as current business initiatives were among the key areas of concern raised by the investment community.

TNB has amplified its engagement efforts with valued stakeholders towards supporting the Company's long-term vision of becoming a leading energy corporation globally by 2025. In light of the new acquisitions that took place during the year under review, continuous engagement and active communications between TNB's Top Management with the investment community were done with the intention of instilling confidence and enhancing their understanding of the Company's strategic decisions. This year, our management strategic views were amongst the most prevalent topic as TNB announced the completion of its subscription of equity stake in Vortex Solar Investments Sarl and GMR Energy Limited. Furthermore, the Board is periodically briefed on these interactions and feedback from the market.

In recent years, TNB also identified that there were growing interest vested in environmental, social and governance (ESG) matters. These matters are continuously addressed while providing updates on the Company's sustainability to the investment community.

TNB IR functions continued to strengthen the quality of corporate disclosures during the year under review to address the increasing demand for more detailed and relevant information from the investment community. As part of our Finance Transformation journey, our IR in 2017 embarked on a few initiatives, whereby the team is currently focusing on shareholders' segmentation to introduce key account management for a stable long-term investor base, in order to support TNB's aspiration to become a strong domestic leader while growing as a regional champion. Besides shareholders' segmentation, the IR team continued with proactive investor engagements to further enhance our communication channels with investors and shareholders.

More importantly, IR has designed an extensive Annual Programme which allows TNB Top Management and the IR team to meet a well balanced targeted group of investors and shareholders, focusing on different groups at each conference and non-deal roadshow participated throughout the year. Over and above the Annual Programme, TNB has also hosted a series of engagement sessions to facilitate a clear, fair, and holistic appreciation on TNB's overall performance and business strategies with research analysts, fund managers, investors and other stakeholders.

TNB has been keeping a high standard of dissemination of relevant and material information through various channels in order to maintain a close relationship with our institutional investors, fund managers and research analysts. These channels include:

- Quarterly and Full Year Financial Results Announcements
- Analysts Briefing Presentations including conference calls
- One-on-One and Group Meetings at IR Conferences and Non-Deal Roadshows
- Site Visits
- In-house Meetings including conference calls
- IR section of the website

Engagement activities carried out during the Financial Year under review is set out in our IR calendar below:

16 September 2016	**28 September 2016**	**27 October 2016**	**21 November 2016**	**15 December 2016**	**24 January 2017**	**14-16 February 2017**
Maybank NDR, London	Site Visit: Kapar Energy Ventures Power Station	4Q FY2016 Analyst Briefing	JP Morgan Asia Rising Dragon 1x1 Forum, Kuala Lumpur	26th Annual General Meeting	1Q FY2017 Analyst Briefing*	Nomura NDR, Tokyo
Macquarie Asean Conference, Singapore	3Q FY2017 Analyst Briefing*	Engagement Sessions, Kuala Lumpur & Singapore	Maybank Kim Eng Invest Asia Conference, London & NDR, Stockholm & Copenhagen	2Q FY2017 Analyst Briefing	Credit Suisse 20th Annual Asian Investment Conference & NDR, Hong Kong	Citi NDR, Singapore
22-23 August 2017	**27 July 2017**	**5-10 July 2017**	**4-9 May 2017**	**27 April 2017**	**29-31 March 2017**	**7-8 March 2017**

* conference call only

OUR GOVERNANCE IN ACTION

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 Year under review, two (2) sessions between the BAC and the External Auditors in the absence of Management were held for greater exchange of views and opinions between both parties in relation to 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, judgement 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 Year 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 Year ended 31 August 2017 is as follows:

	Group FY2017 RM'million	Company FY2017 RM'million
Auditors' remuneration:		
• *Statutory audit*	2.8	1.4
• *Regulatory compliance and reporting*	1.8	1.8
• *Non-audit fees:*		
- Assurance related services	1.7	1.3
- Tax and tax related services	1.1	1.1
- Advisory services*	8.0	7.4

* The advisory services primarily relate to the Group's restructuring exercise, due diligences on potential acquisitions and project management.

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 Year 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.

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 Year, 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 70 to 95 of this Integrated Annual Report.

RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL YEAR 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 Year 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 19 September 2017	USD135 million
Balance of proceeds as at 19 September 2017	USD615 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 Tajung 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 1 September 2017	RM571,240
Available facility as at 1 September 2017	RM279 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
Tenor	RM500 million – 15 years RM1.5 billion – 20 years
Purpose of the issuance	1) TNB capital expenditure (Generation, Transmission and Distribution projects) 2) Investment 3) Corporate capital expenditures, other general corporate purposes and working capital requirement

RM4.0 billion Sukuk issuance by Southern Power Generation Sdn. Bhd. ("SPG") to fund up to 80% of the 1,440MW Combined Cycle Gas Turbine Power Plant in Pasir Gudang, Johor

TNB made an announcement to BMSB on 14 September 2017, on the proposed Sukuk issuance based on the shariah principle of Wakalah Bi Al-Istithmar of up to RM4.0 billion through SPG, its 51% owned subsidiary. The exercise was completed on 31 October 2017.

(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 Year 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 Year under review.

STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 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 26 October 2017.

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Understanding our Risks & Opportunities

MANAGING RISK TO DELIVER LONG-TERM VALUE

To help ensure that we are able to provide reliable and secure electricity supply that people need and to deliver value over the long term, TNB has continued to implement its Risk Management Framework across the Group and has identified its Strategic Risks in line with the Reimagining TNB initiatives.

Our Statement is prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) and Practice 9.0 of the Malaysian Code on Corporate Governance 2017. We further take guidance from the 'Statement on Risk Management and Internal Controls - Guidelines for Directors of Listed Issuers'. The scope of the disclosure excludes associated companies and joint ventures which are not under the control of the Group. The component parts of the Risk Management Framework and how it interacts with the wider system of internal control are illustrated in the diagram below.

The Board acknowledges that the risk management and internal control system is designed to manage rather than eliminate risk that may impede the delivery of the Group's strategic objectives.

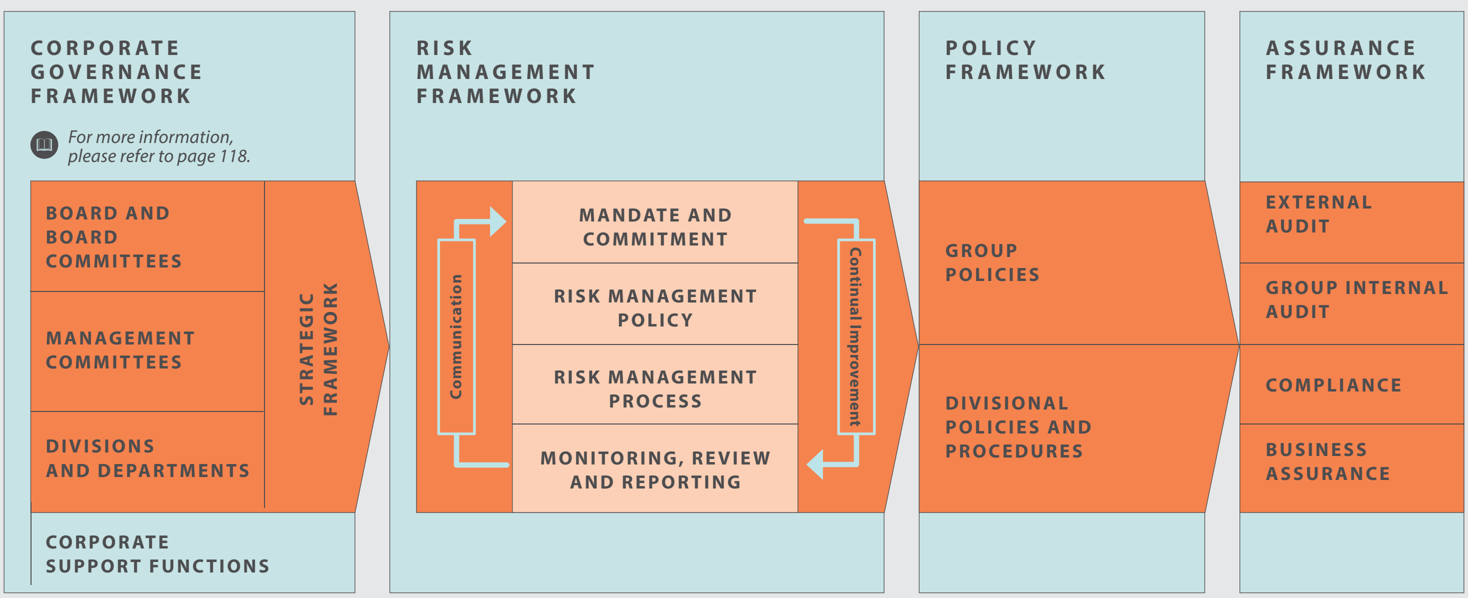
The Board reviews the effectiveness of the system of risk management and internal control regularly throughout the year through reports and updates from the Chief Risk Officer and Chief Internal Auditor, detailing relevant risks and internal controls to manage risks. For further detail please see the Board Risk Committee and the Board Audit Committee reports on pages 126 to 130.

Various board committees have been instituted to strengthen governance, promote transparency and ensure accountability. Each committee has an oversight role with its own 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 Long Term Incentive Plan Committee
- Board Integrity Committee

The responsibility for implementing and executing the risk management and internal control system across the Group reside with the management. The management is tasked with reviewing, monitoring and taking timely and relevant action to mitigate any issues which may arise. Various management committees have been established to embed the risk framework within the organisation, with a view to direct, monitor and provide ongoing assessment. This ensures that business operations are carried out in accordance with the Group's approved short and long-term business plans. 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 & Communication Technology Governance Council
- Incentive Based Regulation Council



The Risk Management Framework is aligned to the ISO 31000:2009 Risk Management Principles and Guidelines. Outputs from the Corporate Governance Framework and particularly the Group's objectives, form the basis of all activity within the Risk Management Framework.

This provides a focus for the management of risk, defined as anything which can threaten the achievement of objectives or compromise TNB's values. 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.

These relationships reflect the Three Lines of Defense model, whereby management control is the first line of defense, various established risk control and the compliance functions are the second line of defense and independent assurance is the third. Each of the three 'lines' play a distinct role within the governance framework.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

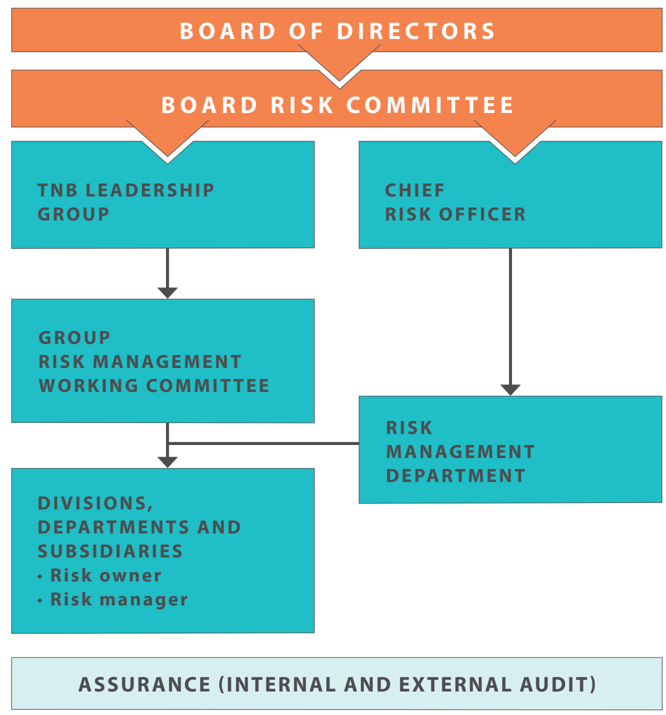
Understanding our Risks & Opportunities

Mandate and Commitment

Since 2013, the Board has had in place a Board Risk Committee (BRC). The BRC is mandated to assist the Board in ensuring that the Group has a sound and robust enterprise risk management framework and that such framework has been effectively implemented so as to enhance the Group's ability to achieve its strategic objectives. The BRC is supported by a number of Management Committees. Led by the TNB Leadership Group, which is chaired by the President/Chief Executive Officer, it also includes the Group Risk Management Working Committee, which is chaired by the Chief Risk Officer, and at ground level, the Risk Management Department which has a role in facilitating, coordinating, monitoring and assessing the effectiveness of the TNB Risk Management Framework in accordance with established policies, principles and international standards.

Risk Management Policy

Our TNB Risk Management Policy defines our overall intention and the direction with which we take on our risk management practices. During the year under review, members of the BRC and Management attended the Top Management Risk Forum. The purpose of such forum was to cascade the 'tone from the top' with regard to risk management. In addition, open dialogue was encouraged to allow Management to connect with BRC members on the company's strategic direction through the Reimagining TNB initiatives.



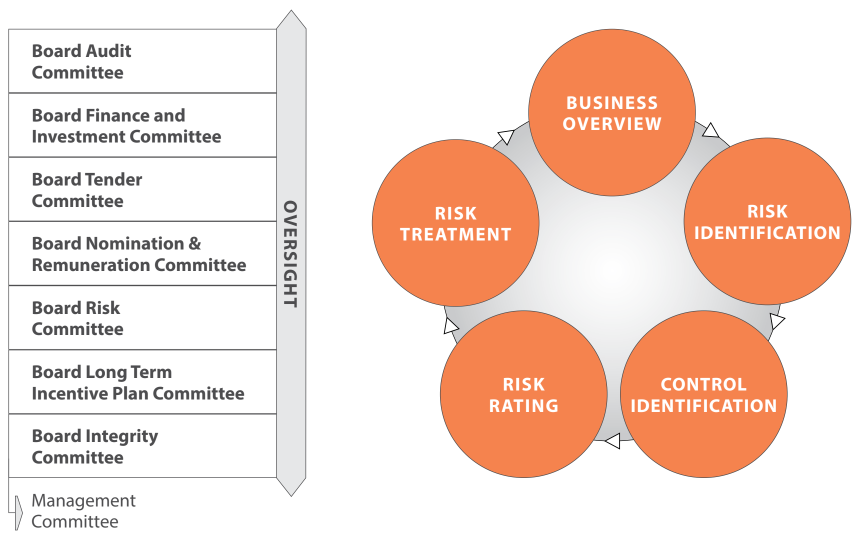
Risk Management Process

Our external operating environment is subject to constant and sometimes rapid change. We must be able to respond to this change, take appropriate levels of risk to protect our market position and take advantage of opportunities. Equally, failure to manage risk could have an adverse impact on the achievement of our strategic goals.

To understand our risk profiles for all operating divisions, departments and subsidiaries, in addition to aligning with our objectives and decision making processes, we adhere to international risk management standards that ensures we identify risk, set tolerance levels and consistently manage risk across our business.

Our risk assessments and risk treatments involve a five step process. Risk assessments are carried out before resources are committed to new initiatives. Each initiative is assessed on its impact on current operations and business objectives. The outcome of risk assessments are reported in proposals and papers tabled to the relevant approving management and Board committees. During the year under review, 18 investment proposals were assessed applying the TNB Investment Risk Assessment guideline.

This line of sight gives management the information they need to make the right decisions for our business. The diagram on the right shows the interrelations of our Risk Management Process:



Business Overview	• Analyse our objectives, outcomes and key processes by reviewing short- and long-term business plans, related Key Performance Indicators (KPI) and results, project plans and/or any other related documentation such as, audit reports, industry reports, environmental analysis, forecasts, global / regional trends and analyst reports.
Risk Identification	• Identify risk(s) that has the potential to prevent the achievement of the Group's objectives. • Determine the actual or potential root cause(s) for each risk. • Determine the consequence(s) or impact of the risk if it occurs.
Control Identification	• Identify and describe the current controls in place to mitigate the risk; i.e. to reduce the likelihood of the risk occurring and/or the impact should the risk occur.
Risk Rating	• Rate the risk based on the combination of the likelihood of occurrence and its potential impact, taking into account current controls.
Risk Treatment	• Select one or more options to treat the risk and implement additional mitigation plan(s) if necessary.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Understanding our Risks & Opportunities

ASSESSING OUR STRATEGIC RISKS

As in previous years we identified and assessed our strategic risks in view of the Group's strategic direction and applied appropriate mitigating activities to manage the risks. During the year, the strategic risks for the Group were identified in light of:

- External challenges in the global energy sector, such as economic shifts, technology disruptions, higher shareholder's expectation, increasing pressure for cost efficiency and competitive intensity from regulators.
- Domestic challenges in the Malaysian electricity supply industry. Namely, reduced electricity demands, limited opportunities in growth of market share, over generation capacity, deregulation of the gas market, increased pressure to reduce regulated returns and the liberalisation of the energy market.

The Strategic Risks, and their related components, are allocated oversight through the Board and its Committees. The table below provides an indication of the risk mitigation strategy for each risk, reflecting our appetite for risk, and our view on changes in the risk climate compared with 2016.

	Risk	Description	Mitigation
1.	**INABILITY TO KEEP PACE WITH CHANGING CUSTOMERS' EXPECTATIONS**	Customers' expectations are changing over time based on the customers' values. Moving towards Reimagining TNB, understanding changing customers' values and expectations is important to be successful in both kWh and beyond kWh businesses. If we fail to determine our customers' values, we might not be offering the right products and services to the customers. This may affect customers' loyalty and confidence towards TNB.	• Establish Customer Analytics and Market Intelligence Unit under Distribution Division to envision customer needs • Implement comprehensive and integrated communication plan for targeted customers to shape intended perception • Embark on Advanced Metering Infrastructure (smart meter installation) nationwide
2.	**COMPETENCY MISMATCH TO DRIVE STRATEGY**	As a leading electricity utility for the past 67 years, TNB has continuously developed employees with skills and competencies required for the business. Moving forward, new skill sets and capabilities are required in line with the new business focus such as renewable energy and beyond kWh business.	• Establish Leadership Development Programmes e.g. Leadership Drive, Tour of Duty, Upward Mobility, etc. • Implement Value Unlocking Programme (VUP) to optimise productivity and efficiency by ensuring job focus and job fit • Implement "Return policy" for ex-TNB staff with required skill sets to bring value to TNB
3.	**INABILITY TO ADAPT TO CHANGING MARKET ENVIRONMENT**	In our quest towards becoming a top 10 global utility company, we must be agile and quick to respond to changing domestic and international market environments. The speed of adapting to changing market environment is crucial to put us in a winning position in various ventures. In this VUCA (Volatile, Uncertain, Complex, Ambiguous) business environment, successful delivery of Reimagining TNB targets will depend on the right value levers, corporate structure, capabilities and conviction within the leadership group.	• Establish centralised intelligence information databases e.g. country, partners, companies, individuals, etc. • Establish Strategic Partnership with relevant sources
4.	**INABILITY TO LEVERAGE ON AVAILABLE TECHNOLOGY**	In the current Internet of Things (IoT) era, we need to remain competitive by leveraging on the latest technologies available. In driving strategies, creativity and innovation are vital to be capitalised and monetised into business opportunities.	• Establish strategic affiliations with industry leaders, reputable utilities and Engineering Organisations e.g. CIGRE, EPRI, IEEE etc. to gain market intelligence on latest available technology • Establish appropriate (fast and suitable) acceptance process for new technologies to be adopted by TNB • Establish strategic partnership with the right technology provider • Conduct cost benefit analysis to justify the value of investment on new technology
5.	**INEFFECTIVE ENGAGEMENT AND COMMUNICATION TO STAKEHOLDERS**	It is vital that stakeholders at all levels (such as government, regulators, customers, investors, employees, etc) are engaged and committed to bring about the success of Reimagining TNB initiatives.	• Establish and roll-down a comprehensive and integrated strategic communication & engagement plan for Reimagining TNB intiatives • Establishment of a war room to proactively strategise and position TNB as "National Pride" • Conduct assessment on the impact and effectiveness of the content of messages communicated and the medium / channel utilised
6.	**REGULATORY CONSTRAINTS THAT CAN NEGATIVELY IMPACT TNB BUSINESSES**	Besides full compliance to domestic and international regulatory and statutory requirements, we fully appreciate the importance of good relationships with regulators and government agencies. Under Reimagining TNB, proactive measures are taken to strengthen relationships and trust with all regulators and policy makers. Unfavourable decisions or regulatory requirements may prevent us from profitably positioning ourselves within the regulated business environment and maximising its opportunities.	• Develop strategic communication and engagement plan to communicate effectively with regulators and the public (fandom effect) • Enhance the current financial reporting to be more transparent on regulated & non-regulated businesses • Strategise the secondment of TNB staff at regulatory bodies to mediate any issues and obtain first-hand information of any future policy / initiative • Establish good working relationship with international regulators and leverage on ASEAN-level platforms such as HAPUA, CEPSI, AESIEAP etc.

MONITORING, REVIEW AND REPORTING

Quarterly risk dashboards are reported to the Board Risk Committee, highlighting the status of approved key indicators as well as relevant efforts to mitigate indicators which are at the trigger or breaking points. Operational risks are deliberated through its respective risk and/or management committees. These committees address key operational and emerging risks and identify appropriate mitigating efforts as well as assessing its effectiveness. Operational risks are reported on a half-yearly basis and deliberated at the Group Risk Management Working Committee (GRMWC), which includes deliberation on both emerging risks and cross divisional issues. Strategic and operational risk are recorded and monitored through the TNB Risk Information System (TRIS), an online real-time database. A TRIS help desk is available to handle queries and requests related to the system.

During the year under review, the Risk Management Department (RMD) assessed the risk maturity of 12 divisions, departments and subsidiaries. The objectives of the assessment was to evaluate the risk culture and risk management effectiveness of the organisation in view of creating a matured risk based organisation to support our aspiration of 'Domestic Dominance, Regional Champion'. The assessments were based on the following elements:

- Mandate and Communication
- Risk Management Process
- Review and Reporting
- Risk Management Effectiveness
- Continual Improvement

During the year, RMD facilitated the risk reviews of 23 divisions, departments and subsidiaries. Special attention was paid to the identification of related risks for newly established or realigned functions.

COMMUNICATION AND CONTINUAL IMPROVEMENT

Communication remains key to aligning our risk management efforts to both internal and external stakeholders. It is each division, department and subsidiary's role to communicate risk information in a succinct and regular manner. Communication efforts in this regard are cascaded from top management to middle management. During the year, 2 Risk Management and Insurance Conferences were held as an opportunity to share lessons learnt from TNB case studies and to discuss in an open forum, the applications of various risk and insurance principles.

In addition, 2 dialogue sessions were held with industry players from the insurance market. These sessions had the sole objective of communicating our Risk Management and Internal Control system as a means to increase the understanding and appreciation of our operations and risk management practices.

Internally, RMD has developed a TNB Risk Certification Programme. The programme is administered by TNB Integrated Learning Solution Sdn. Bhd., a wholly-owned subsidiary of TNB. The objective is to develop and continually improve the risk competencies of TNB personnel. The programme consists of 3 risk management modules, namely, fundamentals, intermediate and advanced.

INTERNAL CONTROLS

Group Policies and Procedures

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

- Among others, the Group policies and procedures in place are:
  - TNB Code of Ethics
  - TNB Risk Management Policy
  - TNB Confidentiality Policy
  - TNB Limits of Authority
  - TNB Procurement & Supply Chain Policy and Procedures
  - TNB Whistle-Blowing 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 programmes are in place to address competency gaps.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Understanding our Risks & Opportunities

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 established Incentive Based Regulation (IBR) Project Management Office and eight cross-divisional working groups continue to strategise and coordinate the overall IBR submission for the Second Regulatory Period (2018-2020) to Energy Commission. The IBR Project Management Office and several working groups have been assisted by external experts in economics regulation. Regular updates and issues are presented and deliberated at the IBR Council meetings.

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.

- The 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 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 year under review, a TNB Cyber Security Strategy was developed and various initiatives were identified for implementation to strengthen the security of both the Information Technology and Operational Technology of the Group.

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 in the year under review 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.

Health and Safety

- The TNB Life-Saving Rules was launched in the year under review.
- It consists of three core rules and six supplementary rules with the aim of making the workplace accident free and safe. These Life-Saving Rules reinforces the existing Health, Safety and Environment system, policies and procedures by setting the rules in a simple and consistent manner to increase awareness for the prevention of serious injury.

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.

Business Continuity Management

- A holistic Business Continuity Management (BCM) framework ensures that a company is able to recover following a crisis or disaster even at a degraded level so that it is able to remain resilient to safeguard the interest of their interested parties whilst maintaining their brand and reputation.
- In the year under review, the TNB Business Continuity Management (BCM) Framework was developed and approved with the objective of ensuring a holistic and structured approach in managing business continuity in the Group.
- The BCM framework incorporate elements of the TNB Corporate Emergency Response Plan (CERP) which had been in place since 2007.
- In the year under review, two communication drills, one functional drill and two full-scaled drills were carried out at the corporate level. Relevant improvements and recommendations identified in the post-mortem reports were implemented to increase resiliency and promptness of response.

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 year under review and up to the date of approval of this statement for inclusion into the annual integrated 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 31 October 2017.

An exchange of ideas amongst Top Management of TNB in the 2017 Risk Forum.

APPROACHING OUR FINANCIAL STATEMENTS

FINANCIAL STATEMENTS DECODED

The purpose of financial statements is to communicate the Group's financial information to its stakeholders, especially shareholders, investors and lenders. In this section we try to help readers who are not familiar with accounting rules and financial expressions to understand our financial information, by explaining the functions and relationships between the essential financial statements: the statement of profit or loss and other comprehensive income, the statement of financial position and the statement of cash flows. For comprehensive and authoritative definitions and explanations, readers should turn to the relevant accounting standards, but we hope this section offers useful guidance.

STATEMENT OF PROFIT OR LOSS

Financial statement that summarises the revenues, costs and expenses incurred by the Group and Company during the financial year.

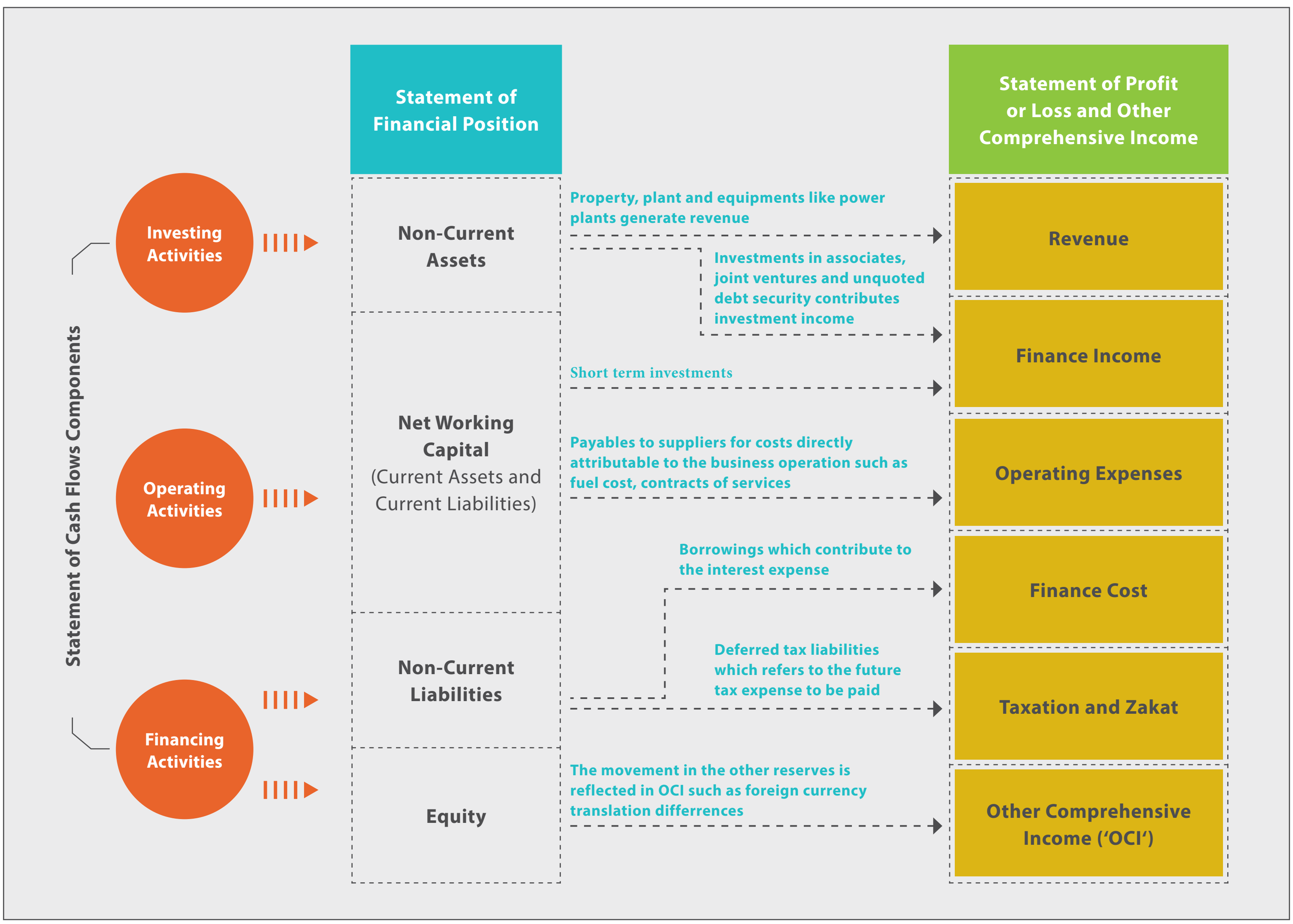
STATEMENT OF FINANCIAL POSITION

Financial statement that reports the balances of assets, liabilities, and equity of the Group and Company as at the financial year-end date. In other words, it lists the resources, obligations, and ownership details of the Group and Company on the specific reporting date.

STATEMENT OF CASH FLOWS

Financial statement that provides an overview of the cash inflows and outflows of the business of the Group and Company for the whole financial year period.

FINANCIAL STATEMENTS – AN ILLUSTRATION



CHAPTER 06

FINANCIAL STATEMENTS

Our financial results measure our performance in delivering shareholder returns and sustainable value.

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 August 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 14 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 year.

FINANCIAL RESULTS

	Group RM'million	Company RM'million
Profit for the financial year attributable to:		
- Owners of the Company	6,904.0	6,295.7
- Non-controlling interests	8.1	0
Profit for the financial year	6,912.1	6,295.7

DIVIDENDS

The dividends paid or declared since the previous financial year ended 31 August 2016 were as follows:

	RM'million
In respect of the financial year ended 31 August 2016:	
Final single tier dividend of 22.0 sen per ordinary share, paid on 31 December 2016	1,243.5
In respect of the financial year ended 31 August 2017:	
Interim single tier dividend of 17.0 sen per ordinary share, paid on 31 May 2017	962.0

The Directors has proposed a final single tier dividend of 44.0 sen per share, on 5,659,015,071 ordinary shares in respect of the financial year ended 31 August 2017 amounting to a total of RM2,490.0 million. This is subject to the approval at the forthcoming Annual General Meeting. The books closure and payment dates will be announced in due course.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year, 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 6 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.

TENAGA NASIONAL BERHAD 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 granting during the financial year in the number of grants over the shares of the Company are set out in Note 6 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia via letter dated 5 October 2017 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 year are as follows:

	Number of ordinary shares granted under PS*	Number of ordinary shares granted under RS**	Grand 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 year and during the period from the end of the financial year 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	(Appointed w.e.f. 22 June 2017)
Dato' Abd Manaf bin Hashim	
Tan Sri Dato' Seri Siti Norma binti Yaakob	
Datuk Sakthivel Alagappan	
Tan Sri Dato' Seri Chor Chee Heung	
Gee Siew Yoong	
Noraini binti Che Dan	
Juniwati Rahmat Hussin	(Appointed w.e.f. 1 June 2017)
Badrul Ilahan bin Abd Jabbar	(Appointed w.e.f. 1 July 2017)
Dato' Zainal Abidin bin Putih	(Cessation of Office as Director w.e.f. 15 December 2016)
Datuk Wira Ir. Md Sidek bin Ahmad	(Resigned w.e.f. 1 June 2017)
Ahmad Farouk bin Mohamed	(Resigned w.e.f. 22 June 2017)

DIRECTORS' REPORT

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits 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.

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 year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares			
	As at 1.9.2016	Acquired	Disposed	As at 31.8.2017
Datuk Seri Ir. Azman bin Mohd	0	38,500	0	**38,500**
Tan Sri Dato' Seri Siti Norma binti Yaakob	1,562	0	0	**1,562**

Ordinary shares granted pursuant to the Company's LTIP granted to the Director during the financial year are as follows:

	Number of ordinary shares			
	As at 1.9.2016	Granted	Vested	As at 31.8.2017
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	0	134,200	0	**134,200**
Restricted Share Grant ('RS Grant')				
RS Grant 1	48,400	0	(16,200)	**32,200**
RS Grant 2	66,700	0	(22,300)	**44,400**
RS Grant 3	0	61,400	0	**61,400**

DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' fees	**2,987,677**	2,977,027	**2,629,677**	2,544,516
Directors' other emoluments*	**9,695,503**	6,727,768	**9,624,403**	6,667,868
	12,683,180	9,704,795	**12,254,080**	9,212,384

* *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 RM1,512,684 (2016: RM446,271) 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 year 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 year.

(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 year which, in the opinion of the Directors, will or may affect the ability of the Company 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 year 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 year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year 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, which shall be implemented after the close of the financial year ended 31 August 2017. The new financial year will commence from 1 September 2017 to 31 December 2017, covering a period of four (4) months. Thereafter, the financial year of the Group and the Company shall revert to twelve (12) months ending 31 December, for each subsequent year.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office. Details of the auditors' remuneration are set out in Note 5 to the financial statements.

This report was approved by the Board of Directors on 26 October 2017. 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 YEAR ENDED 31 AUGUST 2017

	Note	Group		Company	
		2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Revenue	4	**47,416.9**	44,531.5	**44,204.3**	41,272.1
Operating expenses	5	**(39,074.2)**	(36,171.0)	**(36,343.9)**	(33,297.5)
Other operating income	7	**1,021.3**	711.5	**877.5**	704.3
Operating profit		**9,364.0**	9,072.0	**8,737.9**	8,678.9
Foreign exchange gain/(loss)	8	**7.9**	(358.2)	**3.8**	(305.2)
Share of results of joint ventures	15(a)	**25.0**	26.0	**0**	0
Share of results of associates	16	**103.3**	67.3	**0**	0
Profit before finance cost		**9,500.2**	8,807.1	**8,741.7**	8,373.7
Finance income	9	**237.6**	299.0	**216.9**	201.1
Finance cost	9	**(1,456.0)**	(1,039.3)	**(1,416.9)**	(1,097.4)
Profit before taxation and zakat		**8,281.8**	8,066.8	**7,541.7**	7,477.4
Taxation and zakat	10	**(1,369.7)**	(746.0)	**(1,246.0)**	(716.4)
Profit for the financial year		**6,912.1**	7,320.8	**6,295.7**	6,761.0
Profit attributable to:					
- Owners of the Company		**6,904.0**	7,367.6	**6,295.7**	6,761.0
- Non-controlling interests		**8.1**	(46.8)	**0**	0
Profit for the financial year		**6,912.1**	7,320.8	**6,295.7**	6,761.0

		Sen	Sen
Earnings per share:			
- Basic	11(a)	**122.00**	130.55
- Diluted	11(b)	**121.52**	130.16

The notes set out on pages 166 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Profit for the financial year	**6,912.1**	7,320.8	**6,295.7**	6,761.0
Other comprehensive income/(expense)				
Items that will not be reclassified subsequently to profit or loss:				
Defined benefit plan actuarial gain/(loss)	**24.7**	(719.2)	**(17.1)**	(627.1)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	**(184.6)**	(5.0)	**0**	0
Fair value of available-for-sale financial assets	**33.3**	0.1	**33.2**	0
Share of other comprehensive loss of associates accounted for using the equity method	**(86.2)**	0	**0**	0
Total other comprehensive (expense)/income for the financial year	**(212.8)**	(724.1)	**16.1**	(627.1)
Total comprehensive income for the financial year	**6,699.3**	6,596.7	**6,311.8**	6,133.9
Attributable to:				
- Owners of the Company	**6,691.2**	6,643.5	**6,311.8**	6,133.9
- Non-controlling interests	**8.1**	(46.8)	**0**	0
Total comprehensive income for the financial year	**6,699.3**	6,596.7	**6,311.8**	6,133.9

The notes set out on pages 166 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2017

	Note	Group		Company	
		2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
NON-CURRENT ASSETS					
Property, plant and equipment ('PPE')	13	**103,083.7**	96,512.7	**75,841.9**	74,916.3
Subsidiaries	14	**0**	0	**10,081.5**	7,626.2
Joint ventures	15(a)	**152.3**	138.9	**0**	0
Associates	16	**2,937.8**	1,699.3	**70.3**	70.3
Goodwill on consolidation	17	**211.0**	211.0	**0**	0
Investment in unquoted debt security	18	**275.7**	15.4	**0**	15.4
Tax recoverable		**1,765.1**	1,693.2	**1,765.1**	1,693.2
Deferred tax assets	19	**77.0**	31.2	**0**	0
Long term receivables	20	**549.7**	620.3	**694.1**	721.3
Amounts due from subsidiaries	21(a)	**0**	0	**455.0**	534.7
Finance lease receivable	22(a)	**13.8**	13.6	**0**	0
Prepaid operating leases	23(a)	**5,353.7**	5,172.7	**5,241.2**	4,990.0
Available-for-sale financial assets	24	**71.9**	38.6	**71.2**	38.0
		114,491.7	106,146.9	**94,220.3**	90,605.4
CURRENT ASSETS					
Non-current assets held-for-sale		**0**	31.6	**0**	0
Inventories	25	**828.7**	792.3	**261.9**	236.1
Receivables, deposits and prepayments	26	**8,962.2**	8,276.8	**6,119.1**	5,875.4
Tax recoverable		**83.8**	125.0	**0**	0
Finance lease receivable	22(a)	**0.7**	0.7	**0**	0
Prepaid operating leases	23(a)	**139.1**	150.1	**129.0**	130.9
Amounts due from subsidiaries	21(b)	**0**	0	**3,097.3**	1,996.8
Amounts due from joint ventures		**0.6**	6.0	**0**	0
Amounts due from associates		**226.3**	202.4	**1.0**	18.4
Derivative financial instruments	27	**1.2**	16.8	**0**	3.5
Financial assets at fair value through profit or loss ('FVTPL')	28	**12,221.9**	13,182.4	**6,097.9**	4,693.3
Deposits, bank and cash balances	29	**5,056.2**	3,971.2	**3,335.4**	1,953.5
		27,520.7	26,755.3	**19,041.6**	14,907.9

The notes set out on pages 166 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2017

	Note	Group		Company	
		2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
CURRENT LIABILITIES					
Payables	30	**(10,245.0)**	(11,409.1)	**(6,641.1)**	(8,786.9)
Finance lease payables	22(b)	**(329.6)**	(661.6)	**(1,149.1)**	(1,417.2)
Derivative financial instruments	27	**(10.9)**	(12.9)	**0**	(0.4)
Deferred income	31	**(1,460.9)**	(1,139.2)	**(1,384.9)**	(1,132.9)
Amounts due to subsidiaries	21(b)	**0**	0	**(1,258.1)**	(1,029.3)
Amounts due to associates		**(636.9)**	(559.5)	**(628.9)**	(549.8)
Current tax liabilities		**(85.2)**	(50.6)	**(58.7)**	(47.0)
Employee benefits	32	**(749.9)**	(762.3)	**(738.3)**	(747.6)
Short term borrowings	33	**(1,808.1)**	(1,488.8)	**(290.4)**	(242.0)
		(15,326.5)	(16,084.0)	**(12,149.5)**	(13,953.1)
NET CURRENT ASSETS		**12,194.2**	10,671.3	**6,892.1**	954.8
TOTAL ASSETS LESS CURRENT LIABILITIES		**126,685.9**	116,818.2	**101,112.4**	91,560.2
NON-CURRENT LIABILITIES					
Borrowings	34	**(37,038.4)**	(32,817.9)	**(15,686.6)**	(10,520.9)
Consumer deposits	35	**(5,073.4)**	(4,551.1)	**(4,778.2)**	(4,284.0)
Finance lease payables	22(b)	**(4,988.9)**	(5,287.2)	**(10,722.4)**	(11,724.7)
Deferred income	31	**(993.9)**	(1,165.6)	**(691.5)**	(920.7)
Other liabilities	36	**(1,413.1)**	(1,366.8)	**(631.7)**	(581.6)
Deferred tax liabilities	19	**(7,728.3)**	(6,961.9)	**(6,339.9)**	(5,472.3)
Employee benefits	32	**(10,887.3)**	(11,048.8)	**(10,442.5)**	(10,579.8)
Government development grants	37	**(977.8)**	(1,019.2)	**0**	0
		(69,101.1)	(64,218.5)	**(49,292.8)**	(44,084.0)
TOTAL NET ASSETS		**57,584.8**	52,599.7	**51,819.6**	47,476.2
EQUITY					
Share capital	38	**11,124.9**	5,643.6	**11,124.9**	5,643.6
Share premium	38	**0**	5,382.2	**0**	5,382.2
Other reserves	39	**(6,128.8)**	(5,967.2)	**(5,190.9)**	(5,258.2)
Retained profits		**52,115.3**	47,330.0	**45,885.6**	41,708.6
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		**57,111.4**	52,388.6	**51,819.6**	47,476.2
NON-CONTROLLING INTERESTS ('NCI')		**473.4**	211.1	**0**	0
TOTAL EQUITY		**57,584.8**	52,599.7	**51,819.6**	47,476.2

The notes set out on pages 166 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 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	39	0	0	(184.6)	0	0	(184.6)
Fair value of available-for-sale financial assets	39	0	0	33.3	0	0	33.3
Share of other comprehensive loss of associates accounted for using the equity method	39	0	0	(86.2)	0	0	(86.2)
Employee benefits reserve	39	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
Long Term Incentive Plan ('LTIP'):							
- share-based payment expense	39	0	0	237.1	0	0	237.1
- shares issued	38	99.1	0	(185.9)	86.8	0	0
Dividend paid:							
- Final for FY2016	12	0	0	0	(1,243.5)	0	(1,243.5)
- Interim for FY2017	12	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 166 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 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 2015		5,643.6	5,382.2	(5,416.9)	41,599.1	258.9	47,466.9
Profit for the financial year		0	0	0	7,367.6	(46.8)	7,320.8
Foreign currency translation reserve	39	0	0	(5.0)	0	0	(5.0)
Fair value of available-for-sale financial assets	39	0	0	0.1	0	0	0.1
Employee benefits reserve	39	0	0	(719.2)	0	0	(719.2)
Total comprehensive (expense)/ income for the financial year		0	0	(724.1)	7,367.6	(46.8)	6,596.7
LTIP share-based payment expense	39	0	0	244.6	0	0	244.6
Dividend paid:							
- Final for FY2015		0	0	0	(1,072.3)	0	(1,072.3)
- Interim for FY2016	12	0	0	0	(564.4)	0	(564.4)
Gross obligation under put option	39	0	0	(70.8)	0	0	(70.8)
Dividend paid to NCI		0	0	0	0	(1.0)	(1.0)
Total transactions with owners		0	0	173.8	(1,636.7)	(1.0)	(1,463.9)
At 31 August 2016		5,643.6	5,382.2	(5,967.2)	47,330.0	211.1	52,599.7

The notes set out on pages 166 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

	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	39	0	0	33.2	0	33.2
Employee benefits reserve	39	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	39	0	0	237.1	0	237.1
- shares issued	38	99.1	0	(185.9)	86.8	0
Dividend paid:						
- Final for FY2016	12	0	0	0	(1,243.5)	(1,243.5)
- Interim for FY2017	12	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
At 1 September 2015		5,643.6	5,382.2	(4,875.7)	36,584.3	42,734.4
Profit for the financial year		0	0	0	6,761.0	6,761.0
Employee benefits reserve	39	0	0	(627.1)	0	(627.1)
Total comprehensive (expense)/income for the financial year		0	0	(627.1)	6,761.0	6,133.9
LTIP share-based payment expense	39	0	0	244.6	0	244.6
Dividend paid:						
- Final for FY2015		0	0	0	(1,072.3)	(1,072.3)
- Interim for FY2016	12	0	0	0	(564.4)	(564.4)
Total transactions with owners		0	0	244.6	(1,636.7)	(1,392.1)
At 31 August 2016		5,643.6	5,382.2	(5,258.2)	41,708.6	47,476.2

[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 166 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial year	**6,912.1**	7,320.8	**6,295.7**	6,761.0
Adjustments for:				
Taxation and zakat	**1,369.7**	746.0	**1,246.0**	716.4
Property, plant and equipment ('PPE'):				
- Depreciation	**6,105.0**	5,722.2	**5,219.2**	4,951.2
- Written off	**32.3**	43.2	**23.2**	43.2
- Loss/(Gain) on disposals	**0.3**	(1.5)	**0.4**	(1.5)
Provision for post-employment benefits	**743.8**	738.4	**695.0**	711.0
Provision for LTIP	**237.1**	244.6	**188.9**	194.6
Foreign exchange translation loss	**13.7**	390.1	**4.6**	341.8
Gain on:				
- Disposal of non-current assets held-for-sale	**0**	(2.5)	**0**	(2.5)
- Redemption of redeemable preference shares in subsidiaries	**0**	0	**(0.5)**	(31.1)
Share of results of joint ventures	**(25.0)**	(26.0)	**0**	0
Share of results of associates	**(103.3)**	(67.3)	**0**	0
Dividend income	**(3.1)**	0	**(69.7)**	(46.6)
Interest income	**(258.5)**	(269.1)	**(224.2)**	(316.6)
Interest on borrowings	**923.0**	521.0	**432.7**	12.7
Release of deferred income	**(1,093.7)**	(1,420.0)	**(673.8)**	(968.5)
Release of Government development grants	**(50.3)**	(50.2)	**0**	0
Allowance for impairment:				
- Receivables	**667.2**	686.6	**630.2**	680.7
- Investment in subsidiary	**0**	0	**21.4**	0
- Amounts due from subsidiaries	**0**	0	**26.7**	21.6
- Amounts due from associate	**0**	22.3	**0**	22.3
- Amounts due from joint ventures	**9.2**	28.7	**0**	0
Reversal of impairment:				
- Receivables	**(152.9)**	(151.0)	**(144.9)**	(137.8)
- Amounts due from subsidiaries	**0**	0	**(45.8)**	(120.4)
- Amounts due from associate	**(22.3)**	0	**(22.3)**	0
Changes in fair value of derivatives	**1.5**	1.3	**1.5**	0.6
Allowance for inventories obsolescence	**299.5**	258.9	**299.5**	258.9
Write-back of inventories obsolescence	**(297.6)**	(257.1)	**(297.6)**	(257.1)
Inventories written off	**43.2**	27.5	**43.2**	27.5
Changes in fair value and accretion of interest	**48.4**	(43.8)	**10.2**	127.8
	15,399.3	14,463.1	**13,659.6**	12,989.2

The notes set out on pages 166 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Inventories	**(81.5)**	22.2	**(70.9)**	(10.7)
Receivables	**(1,331.5)**	(698.6)	**(972.3)**	(1,132.1)
Payables	**(1,737.1)**	(390.4)	**(3,311.7)**	414.9
Subsidiaries balances	**0**	0	**(1,483.7)**	(638.0)
Associates balances	**82.8**	(21.9)	**118.8**	36.6
Joint ventures balances	**(3.8)**	(8.8)	**0**	0
Cash generated from operations	**12,328.2**	13,365.6	**7,939.8**	11,659.9
Post employment benefits paid	**(898.4)**	(815.4)	**(882.6)**	(795.9)
Contributions received	**1,243.7**	1,099.1	**696.6**	727.8
Consumer deposits received	**522.3**	363.8	**494.2**	345.3
Taxation and zakat paid	**(639.8)**	(720.6)	**(433.2)**	(473.5)
Net cash flows generated from operating activities	**12,556.0**	13,292.5	**7,814.8**	11,463.6
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash considerations paid to acquire:				
- Associates	**(1,387.9)**	(1,044.6)	**0**	0
- Unquoted debt security	**(338.0)**	0	**0**	0
Additional investments in:				
- Subsidiaries	**0**	0	**(1,266.7)**	(1.0)
- FVTPL	**(69,330.5)**	(72,325.1)	**(66,302.0)**	(62,340.0)
Proceeds from redemptions:				
- Redeemable preference shares in subsidiaries	**0**	0	**7.1**	108.1
- Unquoted debt security	**62.3**	0	**0**	0
Disposals of FVTPL	**70,488.7**	65,893.6	**65,021.0**	61,434.0
Dividend income received	**53.7**	66.9	**68.5**	46.6
Interest income received	**105.9**	117.3	**34.7**	18.2
Property, plant and equipment:				
- Additions	**(12,519.7)**	(11,142.8)	**(5,975.2)**	(6,336.9)
- Proceeds from disposals	**182.9**	35.9	**126.3**	11.5
Proceeds from disposal of non-current assets held-for-sale	**0**	2.9	**0**	2.9
Advances granted to subsidiaries	**0**	0	**(466.3)**	(1,596.5)
Repayment of advances from subsidiaries	**0**	0	**62.3**	735.3
Net cash flows used in investing activities	**(12,682.6)**	(18,395.9)	**(8,690.3)**	(7,917.8)

The notes set out on pages 166 to 261 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

	Note	Group		Company	
		2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
CASH FLOWS FROM FINANCING ACTIVITIES					
Government development grants received		**27.0**	74.1	**0**	0
Long term borrowings:					
- Drawdowns		**5,260.0**	10,446.8	**5,137.3**	1,185.0
- Repayments		**(749.2)**	(1,410.1)	**(126.7)**	(1,218.7)
Short term borrowings:					
- Drawdowns		**814.0**	969.4	**0**	0
- Repayments		**(851.2)**	(942.7)	**0**	0
Interests paid		**(1,084.4)**	(890.3)	**(533.0)**	(481.5)
Dividends paid to shareholders		**(2,205.5)**	(1,636.7)	**(2,205.5)**	(1,636.7)
Dividends paid to NCI		**(0.4)**	(1.0)	**0**	0
Net decrease/(increase) in debt reserve accounts		**4.5**	(16.1)	**0**	0
Net decrease/(increase) in cash at bank, held in trust		**11.9**	(54.4)	**0**	0
Net cash flows generated from/(used in) financing activities		**1,226.7**	6,539.0	**2,272.1**	(2,151.9)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,100.1**	1,435.6	**1,396.6**	1,393.9
EFFECT OF CHANGES IN FOREIGN CURRENCY		**1.3**	(6.2)	**(14.7)**	7.8
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**3,411.5**	1,982.1	**1,953.5**	551.8
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	29	**4,512.9**	3,411.5	**3,335.4**	1,953.5

The notes set out on pages 166 to 261 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 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 14 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 the Company during the financial year.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act 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 3.

(i) Amendments to published standards that are effective and applicable to the Group and Company.

The Group and Company has applied the following amendments for the first time for the financial year beginning on 1 September 2016:

- Amendments to MFRS 11 'Joint Arrangements' ('MFRS 11') 'Accounting for Acquisition of Interests in Joint Operations'
- Amendments to MFRS 101 'Presentation of Financial Statements' ('MFRS 101') 'Disclosure Initiative'
- Amendments to MFRS 127 'Separate Financial Statements' ('MFRS 127') 'Equity Method in Separate Financial Statements'
- Amendments to MFRS 10 'Consolidated Financial Statements' ('MFRS 10'), MFRS 12 'Disclosure of Interests in Other Entities' ('MFRS 12') and MFRS 128 'Investments in Associates and Joint Ventures' ('MFRS 128') 'Investment Entities: Applying the Consolidation Exception'
- Amendments to MFRS 116 'Property, Plant and Equipment' ('MFRS 116') and MFRS 138 'Intangible Assets' ('MFRS 138') 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- Amendment to MFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' ('MFRS 5') 'Annual Improvements to MFRSs 2012-2014 Cycle'
- Amendments to MFRS 7 'Financial Instruments: Disclosures' ('MFRS 7') 'Annual Improvements to MFRSs 2012-2014 Cycle'
- Amendment to MFRS 119 'Employee Benefits' ('MFRS 119') 'Annual Improvements to MFRSs 2012-2014 Cycle'
- Amendment to MFRS 134 'Interim Financial Reporting' ('MFRS 134') 'Annual Improvements to MFRSs 2012-2014 Cycle'

The adoption of these amendments did not have any impact on the financial year ended 31 August 2017 and any prior period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) 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 September 2017

- Amendments to MFRS 107 'Statement of Cash Flows' ('MFRS 107') on Disclosure Initiative introduce an additional disclosure on changes in liabilities arising from financing activities.

  The amendments shall be applied prospectively and early application is permitted.

- Amendments to MFRS 112 'Income Taxes' ('MFRS 112') on Recognition of Deferred Tax Assets for Unrealised Losses clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively and early application is permitted.

- Amendments to MFRS 12 in Annual Improvements to MFRS Standards 2014-2016 Cycle clarify that when an entity's interest in a subsidiary, a joint venture of an associate classified as held for sale in accordance with MFRS 5, the entity is not required to disclose summarised financial information of these interest. Other disclosure requirements in MFRS 12 remain applicable.

  The amendments shall be applied retrospectively.

(ii) 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.

- Amendments to 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 and early application is permitted.

- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) 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 2018 (continued)

- Amendments to MFRS 2 'Share-based Payment' ('MFRS 2') on Classification and Measurement of Share-based Payment Transactions. (continued)

  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.

- 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 at the end 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. Early application is permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) 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 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 and fair value through other comprehensive income ('OCI'). 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 fair value through profit or loss 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.

  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 change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the income statement, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

(iii) 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 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. Early application is only permitted if MFRS 15 has been adopted.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' ('IC 23') applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits, and tax rates. IC 23 clarifies that recognition and measurement requirements of MFRS 112 applies when there is uncertainty over income tax treatments.

  An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that approach will be accepted by the tax authority.

  If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes otherwise, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) 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)

(iii) Financial year beginning on or after 1 January 2019 (continued)

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' ('IC 23') (continued)

  The measurement of the impact of uncertainty is by using the method that best predicts the resolution of the uncertainty; either the most likely amount method or the expected value method. This amount will be adjusted when circumstances change or when there is new relevant information available. IC 23 shall be applied retrospectively.

(iv) Effective date yet to be determined by Malaysian Accounting Standards Board

- Amendments to 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 except for MFRS 9, MFRS 15, and MFRS 16. At the time of preparing this financial statements, the impact from the adoption of these standards has yet to be fully quantified.

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.

(b) 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's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in the statement of profit or loss. Refer to Note 17 for accounting policy on goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries and basis of consolidation (continued)

(ii) Basis of consolidation (continued)

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.

(c) 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.

(d) 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 profit or loss.

(e) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Non-current assets held-for-sale

The Group shall classify a non-current asset as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held-for-sale. Non-current assets classified as held-for-sale are presented separately from the other assets in the statement of financial position.

The assets shall be derecognised on disposal and the difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of disposal.

An asset that ceases to be classified as non-current assets held-for-sale shall be measured at the lower of its carrying amount before the asset was classified as non-current assets held-for-sale, adjusted for any depreciation, amortisation or revaluations that would be recognised had the asset not been classified as non-current assets held-for-sale, and its recoverable amount at the date of the subsequent decision not to sell.

All other significant accounting policies are disclosed in the respective notes.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgement in applying the Group's accounting policies

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 August 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 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 41 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equate to the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact on the Group and Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) Revenue recognition

Electricity revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the financial year end of the Group and Company (unread and unbilled). An assessment is also made 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 30 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.

(ii) Estimated useful lives of 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.

(iii) 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 13(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.

(iv) 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 year. 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 17 to the financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions (continued)

(v) 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 recorded as an expense. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

(vi) 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.

(vii) 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 44 to the financial statements.

(viii) Estimation of income taxes

(a) 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.

(b) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions (continued)

(ix) 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 a number of assumptions. The key assumptions used in determining the net cost/(income) for the employee benefits include discount rate and medical claim inflation rate. Any changes in these assumptions will impact the carrying amount of employee benefits obligations, as disclosed in Note 32.

(i) Discount rate

The Group and Company determine the appropriate discount rate at the end of each financial year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group and Company consider the interest rates of 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.

(x) 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 6 to the financial statements.

4 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.

4 REVENUE (CONTINUED)

Accounting Policy (Continued)

(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.

(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' ('IC 18'), 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Sales:				
- Electricity*	**45,803.1**	42,644.8	**43,530.5**	40,303.6
- Goods and services	**501.8**	465.8	**0**	0
- Contract revenue	**18.3**	0.9	**0**	0
- Customers contributions	**687.2**	1,038.9	**347.2**	722.3
Release of deferred income	**406.5**	381.1	**326.6**	246.2
	47,416.9	44,531.5	**44,204.3**	41,272.1

* *Included in the sales of electricity is the ICPT amounting to RM227.0 million (2016: RM2,788.5 million) and subsidised tariff rebate for Sabah Electricity Sdn. Bhd. ('SESB') amounting to RM55.9 million (2016: RM58.7 million).*

5 OPERATING EXPENSES

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Cost of sales:				
- Energy cost	**26,797.6**	24,112.5	**26,105.1**	23,176.4
- Transmission cost	**1,765.2**	1,755.3	**1,613.4**	1,632.2
- Distribution cost	**6,371.4**	6,375.0	**6,016.3**	6,034.2
	34,934.2	32,242.8	**33,734.8**	30,842.8
Administrative expenses	**2,312.9**	2,262.8	**1,523.6**	1,627.2
Other operating expenses	**1,827.1**	1,665.4	**1,085.5**	827.5
	39,074.2	36,171.0	**36,343.9**	33,297.5

Operating expenses include the following items:

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Purchases from Independent Power Producers ('IPPs')^	**14,113.9**	12,510.2	**20,550.8**	17,057.5
Fuel costs	**9,431.9**	8,922.1	**3,204.1**	4,047.7
Directors' remuneration:				
- Fees and allowances	**3.9**	3.8	**3.5**	3.3
- Other emoluments	**1.5**	0.4	**1.5**	0.4
Auditors' remuneration:				
- Statutory audit				
- PricewaterhouseCoopers, Malaysia	**2.8**	3.4	**1.4**	1.4
- Member firm of PricewaterhouseCoopers International Limited*	**0**	0	**0**	0
- Regulatory compliance and reporting	**1.8**	0.8	**1.8**	0.8
- Assurance related services	**1.7**	0.7	**1.3**	0.4
- Tax and tax related services	**1.1**	0.4	**1.1**	0.4
- Advisory services	**8.0**	6.4	**7.4**	5.7
Staff cost (Note 6)	**3,751.1**	4,140.1	**2,982.4**	3,379.3
Property, plant and equipment:				
- Depreciation	**6,105.0**	5,722.2	**5,219.2**	4,951.2
- Written off	**32.3**	43.2	**23.2**	43.2
Allowance for impairment:				
- Receivables	**667.2**	686.6	**630.2**	680.7
- Investment in subsidiary	**0**	0	**21.4**	0
- Amounts due from subsidiaries	**0**	0	**26.7**	21.6
- Amount due from associate	**0**	22.3	**0**	22.3
- Amounts due from joint ventures	**0**	28.7	**0**	0
Reversal for impairment:				
- Receivables	**(152.9)**	(151.0)	**(144.9)**	(137.8)
- Amounts due from subsidiaries	**0**	0	**(45.8)**	(120.4)
- Amounts due from associate	**(22.3)**	0	**(22.3)**	0

5 OPERATING EXPENSES (CONTINUED)

Operating expenses include the following items: (continued)

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Changes in fair value of derivatives	**1.5**	1.3	**1.5**	0.6
Inventories:				
- Allowance for obsolescence	**299.5**	258.9	**299.5**	258.9
- Write back of obsolescence	**(297.6)**	(257.1)	**(297.6)**	(257.1)
- Written off	**43.2**	27.5	**43.2**	27.5
Rental of land and buildings	**75.0**	63.9	**50.7**	37.3
Rental of plant and machinery	**35.6**	42.3	**35.3**	42.2
Research and development expenses	**187.3**	193.3	**181.7**	185.6
Receipt of Government subsidies#	**(178.3)**	(186.7)	**0**	0

^ *These include amounts related to the Government Sponsored Tariff Stabilisation Fund as disclosed in Note 30 amounting to RM147.3 million (2016: RM312.0 million).*

* *This represents the audit fees for LPL amounting to RM67,980 (2016: RM59,159) and TNB REMACO Pakistan (Private) Limited amounting to RM32,564 (2016: RM29,797). PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.*

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 year has been offsetted against energy cost.

The estimated monetary value of benefits received by the Directors was RM1,512,684 (2016: RM446,271) 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.

6 STAFF COST

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Wages, salaries and bonuses	**2,053.3**	2,358.2	**1,484.1**	1,854.4
Defined contribution retirement plan	**369.7**	418.8	**299.5**	337.5
Long Term Incentive Plan	**237.1**	244.6	**188.9**	194.6
Retirement benefit plan (Note 32)	**201.2**	235.8	**177.2**	212.8
Retirement medical plan (Note 32)	**542.6**	502.6	**517.8**	498.2
Other employee benefits	**347.2**	380.1	**314.9**	281.8
	3,751.1	4,140.1	**2,982.4**	3,379.3

Details of the retirement benefit and retirement medical plans of the Group and Company are set out in Note 32 to the financial statements.

6 STAFF COST (CONTINUED)

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 the 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

6 STAFF COST (CONTINUED)

Long Term Incentive Plan ('LTIP') (continued)

(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.

(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.

6 STAFF COST (CONTINUED)

Long Term Incentive Plan ('LTIP') (continued)

The movement in the total number of share grants during the financial year is as follows:

Financial year ended 31 August 2017

	Group					Company				
	At 1 September 2016 '000	Granted '000	Forfeited '000	Vested '000	At 31 August 2017 '000	At 1 September 2016 '000	Granted '000	Forfeited '000	Vested '000	At 31 August 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

Financial year ended 31 August 2016

	Group			Company		
	Granted '000	Forfeited '000	At 31 August 2016 '000	Granted '000	Forfeited '000	At 31 August 2016 '000
LTIP 1						
RS Grant	23,845.1	(30.6)	23,814.5	18,733.8	(30.6)	18,703.2
PS Grant	2,067.0	0	2,067.0	1,815.7	0	1,815.7
LTIP 2						
RS Grant	18,931.2	(7.9)	18,923.3	15,294.3	(7.9)	15,286.4
PS Grant	1,883.1	0	1,883.1	1,692.8	0	1,692.8

6 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 – RM 13.21	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	15 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.*

7 OTHER OPERATING INCOME

Accounting Policy

Other operating income earned by the Group and Company mainly comprise sale of scrap, interest on late payment, leasing income and dividend income. Leasing income is accrued, unless collectability is in doubt. Dividend income is recognised when the shareholders' rights to receive payment is established.

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Dividend income from:				
- Quoted shares	**1.7**	0	**1.7**	0
- Unquoted shares	**1.4**	0	**1.4**	0
- Subsidiaries	**0**	0	**27.0**	4.7
- Associates	**0**	0	**39.6**	41.9
Leasing income	**30.5**	27.0	**23.9**	21.4
Rental income	**24.0**	23.0	**42.3**	43.5
Release of Government development grants (Note 37)	**50.3**	50.2	**0**	0
(Loss)/Gain on disposals:				
- Property, plant and equipment (net)	**(0.3)**	1.5	**(0.4)**	1.5
- Non-current assets held for sale	**0**	2.5	**0**	2.5
Interest on late payments	**182.4**	158.0	**181.4**	155.4
Minimum charges	**37.0**	34.6	**37.0**	34.6
Gain on redemption of redeemable preference shares in a subsidiary	**0**	0	**0.5**	31.1
Sales of scrap	**209.7**	78.7	**196.4**	26.8
Other income	**484.6**	336.0	**326.7**	340.9
	1,021.3	711.5	**877.5**	704.3

Other income comprises primarily of income from other electricity income and sundry receipts.

8 FOREIGN EXCHANGE GAIN/(LOSS)

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 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.

Foreign exchange gains and losses that relates to borrowings are presented in the statement of profit or loss within finance costs.

8 FOREIGN EXCHANGE GAIN/(LOSS) (CONTINUED)

Accounting Policy (continued)

(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. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of profit or loss as part of the gain or loss on sale.

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.

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

Foreign currency	2017 RM	2016 RM
1 United States Dollar ('USD')	**4.2720**	4.0553
100 Japanese Yen ('JPY')	**3.8814**	3.9625
100 Pakistani Rupee ('PKR')	**4.0600**	3.8400
1 Euro ('EUR')	**5.1013**	4.5280
1 Turkish Lira ('TRY')	**1.2377**	1.3719
1 Great Britain Pound ('GBP')	**5.5139**	-

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Foreign exchange gain/(loss) comprises:				
Translation loss - foreign term loans	**(33.2)**	(337.6)	**(33.6)**	(336.3)
Translation gain/(loss) - others	**19.5**	(52.5)	**29.0**	(5.5)
Transaction gain - foreign term loans	**5.5**	7.4	**5.4**	5.8
Transaction gain - others	**16.1**	24.5	**3.0**	30.8
	7.9	(358.2)	**3.8**	(305.2)

9 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 22 and Note 37 respectively.

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Finance income:				
Interest from subsidiaries	0	0	62.8	150.3
Interest from deposits, staff loans and associates	377.1	287.0	161.4	166.3
Changes in fair value and impairment on interest income	(20.9)	29.9	(7.3)	(115.5)
Less: Reduction of borrowing costs capitalised into PPE	(118.6)	(17.9)	0	0
	237.6	299.0	216.9	201.1
Finance cost:				
Interest on borrowings	2,060.0	1,492.0	773.3	482.1
Release of government grants (Note 37)	(18.1)	(14.4)	0	0
Finance charges under finance leases	385.0	423.9	867.7	970.4
Interest on consumer deposits	120.5	108.3	113.6	102.0
Changes in fair value and accretion of interest	27.5	(13.9)	2.9	12.3
Less: Amount capitalised into PPE	(1,118.9)	(956.6)	(340.6)	(469.4)
	1,456.0	1,039.3	1,416.9	1,097.4

10 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 year 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.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

10 TAXATION AND ZAKAT (CONTINUED)

Accounting Policy (continued)

(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	
		2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Current tax:					
- Malaysian corporate income tax		**608.7**	580.5	**338.0**	437.4
Deferred tax	19	**726.0**	126.8	**873.0**	240.3
Tax expense		**1,334.7**	707.3	**1,211.0**	677.7
Zakat		**35.0**	38.7	**35.0**	38.7
		1,369.7	746.0	**1,246.0**	716.4
The analysis of the tax expense is as follows:					
Current tax:					
- Current year		**684.0**	649.8	**425.2**	509.8
- Over accrual in prior years		**(75.3)**	(69.3)	**(87.2)**	(72.4)
		608.7	580.5	**338.0**	437.4
Deferred tax:					
- Origination and reversal of temporary differences	19	**726.0**	126.8	**873.0**	240.3
		1,334.7	707.3	**1,211.0**	677.7

The explanation of the relationship between tax expense and profit before taxation and zakat is as follows:

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Profit before taxation and zakat	**8,281.8**	8,066.8	**7,541.7**	7,477.4
Tax calculated at the Malaysian corporate income tax rate of 24%	**1,987.6**	1,936.0	**1,810.0**	1,794.6
Tax effects of:				
- Share of results of associates and joint ventures	**(30.8)**	(22.4)	**0**	0
- Income not subject to tax	**(345.6)**	(444.8)	**(217.8)**	(319.1)
- Expenses not deductible for tax purposes	**370.6**	407.2	**339.4**	381.3
- Expenses qualifying for double deduction	**(32.9)**	(25.4)	**(32.9)**	(25.4)
- Current year unrecognised temporary differences and unused tax losses	**44.3**	28.0	**0**	0
Over accrual of tax in prior years	**(75.3)**	(69.3)	**(87.2)**	(72.4)
Recognition and utilisation of previously unrecognised temporary differences	**260.9**	(28.9)	**243.6**	(8.2)
Real property gains tax	**6.9**	0.1	**6.9**	0.1
Zakat	**35.0**	38.7	**35.0**	38.7
Utilisation of reinvestment allowances	**(851.0)**	(1,073.2)	**(851.0)**	(1,073.2)
Tax and zakat charge	**1,369.7**	746.0	**1,246.0**	716.4
Average effective tax rate (%)	**16.5**	9.2	**16.5**	9.6

10 TAXATION AND ZAKAT (CONTINUED)

The tax charge relating to components of other comprehensive income is as follows:

	2017			2016		
	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 gain/(loss)	**19.3**	**5.4**	**24.7**	(946.3)	227.1	(719.2)
Foreign currency translation differences	**(184.6)**	**0**	**(184.6)**	(5.0)	0	(5.0)
Fair value of available-for-sale financial assets	**33.3**	**0**	**33.3**	0.1	0	0.1
Share of other comprehensive loss of associates	**(86.2)**	**0**	**(86.2)**	0	0	0
	(218.2)	**5.4**	**(212.8)**	(951.2)	227.1	(724.1)
Company						
Defined benefit plan actuarial loss	**(22.5)**	**5.4**	**(17.1)**	(825.2)	198.1	(627.1)
Fair value of available-for-sale financial assets	**33.2**	**0**	**33.2**	0	0	0
	10.7	**5.4**	**16.1**	(825.2)	198.1	(627.1)

11 EARNINGS PER SHARE ('EPS')

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the financial year by the weighted average number of ordinary shares issued during the financial year.

	Group	
	2017	2016
Profit attributable to owners of the Company (RM'million)	**6,904.0**	7,367.6
Weighted average number of ordinary shares in issue ('000)	**5,659,015**	5,643,611
Basic earnings per share (sen)	**122.00**	130.55

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit attributable to owners of the Company for the financial year and the weighted average number of ordinary shares issued during the financial year has been adjusted for the dilutive effects of all potential ordinary shares such as the LTIP granted to employees.

	Group	
	2017	2016
Profit attributable to owners of the Company (RM'million)	**6,904.0**	7,367.6
Weighted average number of ordinary shares in issue ('000)	**5,659,015**	5,643,611
Adjustment for Long Term Incentive Plan ('000)	**22,312**	16,614
Weighted average number of ordinary shares for diluted earnings per share ('000)	**5,681,327**	5,660,225
Diluted earnings per share (sen)	**121.52**	130.16

12 DIVIDENDS

	Group and Company	
	2017 RM'million	2016 RM'million
Interim single tier dividend of 17.0 sen per share on 5,659,015,071 ordinary shares (2016: interim single tier dividend of 10.0 sen per ordinary share)	**962.0**	564.4
Proposed final single tier dividend of 44.0 sen per share on 5,659,015,071 ordinary shares (2016: final single tier dividend of 22.0 sen per ordinary share)	**2,490.0**	1,243.5
	3,452.0	1,807.9

Interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained profits in the financial year.

The Directors has proposed a final single tier dividend of 44.0 sen per share, on 5,659,015,071 ordinary shares in respect of the financial year ended 31 August 2017 amounting to a total of RM2,490.0 million. This is subject to the approval at the forthcoming Annual General Meeting. The books closure and payment dates will be announced in due course.

13 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 22 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 2(d)).

13 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

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

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

13 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

2016	As at 1.9.2015 RM'million	Exchange rate adjustments RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassification/ Write off RM'million	As at 31.8.2016 RM'million
Group						
Cost						
Freehold land	857.9	(0.1)	413.2	(0.5)	(0.2)	1,270.3
Long leasehold land	1,622.1	0	17.5	(0.1)	58.8	1,698.3
Short leasehold land	185.0	0	0	0	(1.2)	183.8
Buildings and civil works	15,098.5	(0.2)	59.3	(0.9)	3,498.2	18,654.9
	17,763.5	(0.3)	490.0	(1.5)	3,555.6	21,807.3
Plant and machinery:						
- Owned	57,921.0	(36.4)	249.8	(272.2)	6,000.1	63,862.3
- Leased	8,250.7	0	0	0	(87.1)	8,163.6
Lines and distribution mains	38,777.8	0	190.6	(12.6)	2,414.8	41,370.6
Distribution services	4,015.5	0	21.3	(0.2)	159.6	4,196.2
Meters	2,538.7	0	7.4	(0.5)	98.7	2,644.3
Public lighting	510.6	0	0	0	76.6	587.2
Furniture, fittings and office equipment	1,910.1	(0.5)	68.3	(4.7)	14.3	1,987.5
Motor vehicles	608.0	(0.1)	47.1	(16.3)	2.5	641.2
	132,295.9	(37.3)	1,074.5	(308.0)	12,235.1	145,260.2
Capital work-in-progress	18,853.0	0	13,985.6	(9.0)	(15,245.7)	17,583.9
	151,148.9	(37.3)	15,060.1	(317.0)	(3,010.6)	162,844.1

2016	As at 1.9.2015 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2016 RM'million
Group				
Accumulated depreciation				
Long leasehold land	282.9	20.3	(0.6)	302.6
Short leasehold land	100.2	7.2	0	107.4
Buildings and civil works	5,509.0	358.2	(1.2)	5,866.0
	5,892.1	385.7	(1.8)	6,276.0
Plant and machinery:				
- Owned	28,561.7	2,670.8	(212.4)	31,020.1
- Leased	1,201.9	512.2	0	1,714.1
Lines and distribution mains	18,791.3	1,623.5	(2.2)	20,412.6
Distribution services	2,271.2	169.3	0	2,440.5
Meters	1,468.7	139.8	0	1,608.5
Public lighting	285.6	28.4	0	314.0
Furniture, fittings and office equipment	1,544.7	131.8	(6.5)	1,670.0
Motor vehicles	445.8	60.7	(16.5)	490.0
	60,463.0	5,722.2	(239.4)	65,945.8
Accumulated impairment losses				
Plant and machinery	385.6	0	0	385.6

13 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

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

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 AUGUST 2017

13 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

2016	As at 1.9.2015 RM'million	Additions RM'million	Disposals RM'million	Transfers/ Adjustments/ Reclassification/ Write off RM'million	As at 31.8.2016 RM'million
Company					
Cost					
Freehold land	859.8	413.2	(0.5)	0	1,272.5
Long leasehold land	1,387.6	1.6	0	(0.3)	1,388.9
Short leasehold land	4.5	0	0	0	4.5
Buildings and civil works	12,120.8	0	(0.9)	2,855.5	14,975.4
	14,372.7	414.8	(1.4)	2,855.2	17,641.3
Plant and machinery:					
- Owned	40,430.4	0	(237.7)	2,811.5	43,004.2
- Leased	18,763.1	0	0	0	18,763.1
Lines and distribution mains	37,038.9	0	(2.7)	2,294.8	39,331.0
Distribution services	3,767.9	0	0	155.4	3,923.3
Meters	2,452.1	0	0	98.6	2,550.7
Public lighting	510.6	0	0	76.6	587.2
Furniture, fittings and office equipment	1,656.6	44.6	(2.0)	0.4	1,699.6
Motor vehicles	504.3	37.1	(15.2)	0.7	526.9
	119,496.6	496.5	(259.0)	8,293.2	128,027.3
Capital work-in-progress	11,097.8	8,622.2	(6.4)	(10,606.1)	9,107.5
	130,594.4	9,118.7	(265.4)	(2,312.9)	137,134.8

2016	As at 1.9.2015 RM'million	Charged for the financial year RM'million	Released on disposals/ Transfers/ Write off RM'million	As at 31.8.2016 RM'million
Company				
Accumulated depreciation				
Long leasehold land	274.4	19.5	0	293.9
Short leasehold land	2.4	0.1	0	2.5
Buildings and civil works	4,716.0	238.4	(0.8)	4,953.6
	4,992.8	258.0	(0.8)	5,250.0
Plant and machinery:				
- Owned	22,006.2	1,738.2	(192.9)	23,551.5
- Leased	6,823.2	926.1	0	7,749.3
Lines and distribution mains	18,107.3	1,552.5	(2.0)	19,657.8
Distribution services	2,137.4	155.9	0	2,293.3
Meters	1,422.0	133.4	0	1,555.4
Public lighting	285.6	28.4	0	314.0
Furniture, fittings and office equipment	1,335.1	108.0	(1.9)	1,441.2
Motor vehicles	370.4	50.7	(15.1)	406.0
	57,480.0	4,951.2	(212.7)	62,218.5

13 PROPERTY, PLANT AND EQUIPMENT ('PPE') (CONTINUED)

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Net book value				
Freehold land	**1,353.9**	1,270.3	**1,356.0**	1,272.5
Long leasehold land	**1,435.2**	1,395.7	**1,112.6**	1,095.0
Short leasehold land	**72.0**	76.4	**1.9**	2.0
Buildings and civil works	**14,449.5**	12,788.9	**11,706.4**	10,021.8
Total land and buildings	**17,310.6**	15,531.3	**14,176.9**	12,391.3
Plant and machinery:				
- Owned	**32,840.0**	32,456.6	**20,411.9**	19,452.7
- Leased	**5,941.2**	6,449.5	**10,087.7**	11,013.8
Lines and distribution mains	**21,547.1**	20,958.0	**20,212.8**	19,673.2
Distribution services	**1,764.4**	1,755.7	**1,635.8**	1,630.0
Meters	**1,028.2**	1,035.8	**986.7**	995.3
Public lighting	**318.3**	273.2	**318.2**	273.2
Furniture, fittings and office equipment	**383.3**	317.5	**313.9**	258.4
Motor vehicles	**130.9**	151.2	**90.0**	120.9
	81,264.0	78,928.8	**68,233.9**	65,808.8
Capital work-in-progress	**21,819.7**	17,583.9	**7,608.0**	9,107.5
	103,083.7	96,512.7	**75,841.9**	74,916.3

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 34.

Interest capitalised during the financial year in capital work-in-progress amounted to RM1,000.3 million (2016: RM938.7 million) for the Group and RM340.6 million (2016: RM469.4 million) for the Company.

The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation is 6.5% (2016: 6.6%).

(a) Impairment test for PPE

LPL has recognised in prior years, a provision for impairment totalling RM385.6 million. Current year 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 RM256.3 million (2016: RM270.2 million). The recoverable amount of the PPE is determined based on value in use.

14 SUBSIDIARIES

	Note	Company 2017 RM'million	Company 2016 RM'million
At cost:			
Unquoted ordinary shares	(i)(ii)(iii)(iv)	**2,288.3**	1,195.6
Redeemable preference shares	(v)(vi)	**7,375.3**	5,836.1
Shares/Options granted to employees of subsidiaries		**127.6**	79.3
Advance to subsidiaries treated as quasi-investment	(i)(vii)(viii)	**1,956.8**	2,160.3
		11,748.0	9,271.3
Less: Accumulated impairment losses		**(1,666.5)**	(1,645.1)
		10,081.5	7,626.2

Additional investments in subsidiaries:

(i) During the financial year, a total of RM1,085.7 million which was previously recognised as quasi-investment in the subsidiary Aruna Servicios Integrales S.L.U. ('ASI'), was converted to ordinary shares.

(ii) On 1 June 2016, the Company subscribed to 2 ordinary shares of RM1.00 each in TNB Global Ventures Capital Bhd. ('TNBGVC'), a wholly owned subsidiary of the Company, for RM2.00.

(iii) On 4 January 2017, the Company subscribed to 2 ordinary shares of RM1.00 each in TNB Sepang Solar Sdn. Bhd. ('TSS'), a wholly owned subsidiary of the Company, for RM2.00.

On 24 July 2017, the Company subscribed to an additional 6,970,200 ordinary shares, by conversion of amount due from TSS amounting to RM7.0 million.

(iv) The Company had acquired a new subsidiary during the financial year, Southern Power Generation Sdn. Bhd. ('SPG') for RM51.00, as disclosed in Note 47 of the financial statements.

(v) On 29 August 2016, the Company subscribed to an additional 2,860,000 Redeemable Preference Shares ('RPS') issued at RM100.00 each with a par value of RM1.00 and a premium of RM99.00 per share in TNB Prai Sdn. Bhd. ('TNB Prai'), a wholly owned subsidiary of the Company. During the financial year, the RPS of RM286.0 million was converted from quasi-investment.

(vi) On 3 November 2016, the Company subscribed to an additional 3,000,000 RPS issued at USD100.00 each with a par value USD1.00 and a premium of USD99.00 per share in Power And Energy International (Mauritius) Ltd. ('PEIM'), a wholly owned subsidiary of the Company, by conversion of amounts due from PEIM amounting to RM1,259.7 million.

(vii) During the financial year, a total of RM1,070.3 million of amounts due from Jimah East Power Sdn. Bhd. ('JEP'), a wholly-owned subsidiary, were reclassified as quasi-investment. Additionally, a reduction in the interest rate of Redeemable Unsecured Loan Stocks ('RULS') issued by KEV, resulted in a total of RM104.2 million being adjusted to quasi-investment.

(viii) 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 investments in subsidiaries.

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2017	2016		
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 (Ceased operations during current financial year)	Malaysia
Universiti Tenaga Nasional Sdn. Bhd.	**100%**	100%	Providing higher education	Malaysia
Malaysia Transformer Manufacturing Sdn. Bhd.	**100%**	100%	Principally engaged in the manufacturing, selling and repairing distribution, power and earthing transformers	Malaysia
Power And Energy International (Mauritius) Ltd.*	**100%**	100%	Investment holding	Mauritius

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest 2017	Group's interest 2016	Principal activities	Country of incorporation
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.	**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 ('ITB')	**100%**	100%	Investment holding company	Malaysia
Jimah East Power Sdn. Bhd.	**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

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest 2017	Group's interest 2016	Principal activities	Country of incorporation
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%	Invesment holding company	Malaysia
TNB Sepang Solar Sdn. Bhd.	**100%**	-	To undertake the development of large scale solar PV Plant of 50MW Sepang, Selangor	Malaysia
Southern Power Generation Sdn. Bhd.	**51%**	-	To undertake the design, engineering, procurement, construction, testing, commissioning, operations, maintenance and financing of power plant	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

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest 2017	Group's interest 2016	Principal activities	Country of incorporation
Subsidiary of TNB Power Daharki Ltd.				
TNB Liberty Power Limited#	**100%**	100%	Operation of power plant and generation of electricity	Pakistan
Subsidiary of TNB Research Sdn. Bhd.				
TNBR QATS Sdn. Bhd.	**100%**	100%	Technical and laboratory services, consultancy and other services	Malaysia
Subsidiary of TNB Ventures Sdn. Bhd.				
Tenaga Cable Industries Sdn. Bhd.	**76%**	76%	Manufacturing and distribution of power and general cables, aluminium rods and related activities	Malaysia
Subsidiaries of TNB Engineering Corporation Sdn. Bhd.				
Bangsar Energy Systems Sdn. Bhd.	**100%**	100%	Operating an integrated district cooling system for air conditioning systems of office 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
Subsidiary of Bangsar Energy Systems Sdn. Bhd.				
Selesa Energy Systems Sdn. Bhd.	**70%**	70%	Dormant	Malaysia
Subsidiary of TNEC Operations And Maintenance Sdn. Bhd.				
Tomest Energy Management Sdn. Bhd.* (In Members' Voluntary winding up)	**51%**	51%	Operating an integrated district cooling system for air conditioning systems of office building	Malaysia

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2017	2016		
Subsidiaries of TNB Repair And Maintenance Sdn. Bhd.				
Trichy Power Limited*	100%	100%	Dormant	India
Trichy Energy Limited*	100%	100%	Dormant	India
TNB Operations And Maintenance International Ltd.	100%	100%	Investment holding	Mauritius
TNB REMACO Pakistan (Private) Limited#	100%	100%	Providing repair and maintenance services to heavy industries and other related services	Pakistan
Subsidiary of TNB Operations And Maintenance International Ltd.				
Oasis Parade Sdn. Bhd.	100%	100%	Investment company	Malaysia
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

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest 2017	Group's interest 2016	Principal activities	Country of incorporation
Subsidiary of Lahad Datu Holdings Sdn. Bhd.				
Lahad Datu Energy Sdn. Bhd.	**100%**	100%	Dormant	Malaysia
Subsidiary of Sabah Electricity Sdn. Bhd.				
Elopura Power Sdn. Bhd.	**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%	Primarily involved in the generation, sale and supply of electricity, providing operation and maintenance services for power plant	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

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of subsidiary	Group's interest 2017	Group's interest 2016	Principal activities	Country of incorporation
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 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
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

\# *Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.*

* *Not audited by PricewaterhouseCoopers.*

Capital and other commitments for the subsidiaries are disclosed in Note 40.

There are no material contingent liabilities relating to the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

14 SUBSIDIARIES (CONTINUED)

The NCI is not material to the financial performance, financial position and cash flows of the Group. The NCI information for SESB and ITB which contribute to a substantial portion of total NCI is voluntarily disclosed below:

	SESB		ITB		Other individually immaterial NCI		Total	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
As at 31 August								
Carrying amount of NCI	**150.1**	142.5	**50.2**	46.7	**273.1***	21.9	**473.4**	211.1
Financial year ended 31 August								
Total comprehensive income/(expense) allocated to NCI	**7.6**	17.6	**3.5**	(37.9)	**(3.0)**	(26.5)	**8.1**	(46.8)

* *Included in other individually immaterial NCI is an adjustment amounting to RM254.6 million recognised for the capital contribution owing to NCI.*

The summarised financial information of SESB and ITB before intercompany eliminations are as follows:

	SESB		ITB	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Summarised statement of financial position				
As at 31 August				
Non-current assets	**7,351.1**	6,829.8	**506.5**	494.0
Current assets	**1,230.5**	1,342.0	**197.0**	218.2
Non-current liabilities	**(6,283.6)**	(6,422.7)	**(225.5)**	(241.5)
Current liabilities	**(1,738.0)**	(1,286.0)	**(129.0)**	(143.6)
Net assets	**560.0**	463.1	**349.0**	327.1
Summarised statement of comprehensive income				
Financial year ended 31 August				
Revenue	**2,150.7**	2,144.9	**106.6**	95.3
Profit after tax	**44.7**	128.7	**37.9**	36.8
Other comprehensive income/(expense)	**41.6**	(26.2)	**0**	0
Total comprehensive income	**86.3**	102.5	**37.9**	36.8
Summarised statement of cash flows				
Financial year ended 31 August				
Net cash flows generated from operating activities	**812.3**	569.7	**20.6**	38.1
Net cash flows used in investing activities	**(519.5)**	(391.7)	**(11.0)**	(45.1)
Net cash flows used in financing activities	**(337.8)**	(261.4)	**(20.6)**	(0.8)
Net decrease in cash and cash equivalents	**(45.0)**	(83.4)	**(11.0)**	(7.8)

15 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 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	**78.5**	65.1	**0**	0
	161.3	147.9	**7.9**	7.9
Less: Accumulated impairment losses	**(9.0)**	(9.0)	**(7.9)**	(7.9)
	152.3	138.9	**0**	0
Share of net assets of joint ventures	**152.3**	138.9		

15 JOINT ARRANGEMENTS (CONTINUED)

(a) Joint ventures (continued)

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	
	2017 RM'million	2016 RM'million
Group's share of results		
Financial year ended 31 August		
Profit after tax and total comprehensive income	**25.0**	26.0
Dividend received	**11.6**	10.0

The details of the Group's joint ventures are as follows:

Name of joint venture	Group's interest 2017	Group's interest 2016	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 2017	Group's interest 2016	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 joint operations to the Group is immaterial.

16 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 2(d)).

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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Unquoted shares, at cost	**2,606.5**	1,343.0	**50.6**	50.6
Share of post-acquisition results and reserves	**218.8**	243.8	**0**	0
Redeemable preference shares	**112.5**	112.5	**19.7**	19.7
	2,937.8	1,699.3	**70.3**	70.3

The aggregated financial information of the Group's associates is as follows:

	Total	
	2017 RM'million	2016 RM'million
Group's share of results		
Financial year ended 31 August		
Profit after tax and total comprehensive income	**17.1**	67.3
Dividend received	**42.1**	56.9

During the financial year, the Group, through Power and Energy International (Mauritius) Ltd. ('PEIM') had acquired 30.0% equity interest in GMR Energy Limited ('GEL') and through TNB International Sdn. Bhd. had acquired 50.0% equity interest in Vortex Solar Investment S.A.R.L. ('Vortex'), details as disclosed in Note 46.

The following summarises the financial information which, in the opinion of the Directors are material associates to the Group and reconciles the information to the carrying amount of the Group's interest in the associates.

16 ASSOCIATES (CONTINUED)

(a) The summarised statement of comprehensive income from material associate that is significant to the Group for the financial year ended 31 August:

	Gama Enerji	
	2017 RM'million	2016 RM'million
Revenue	1,683.1	293.9
Profit after tax	51.7	89.9
Other comprehensive income	(291.6)	(25.2)
Total comprehensive (expense)/income	(239.9)	64.7

(b) The summarised statement of financial position from material associates that is significant to the Group as at 31 August:

	Gama Enerji		GEL
	2017 RM'million	2016 RM'million	2017 RM'million
Non-current assets	7,255.3	7,769.6	6,782.3
Current assets	915.0	675.1	2,296.9
Non-current liabilities	(5,078.8)	(4,569.4)	(4,099.6)
Current liabilities	(768.4)	(1,283.3)	(1,701.9)
	2,323.1	2,592.0	3,277.7

Reconciliation of the summarised financial information of the material associates presented to the carrying amount of its interest in the associate:

	Gama Enerji		GEL
	2017 RM'million	2016 RM'million	2017 RM'million
Opening net asset	2,592.0	2,529.6	3,328.8
Profit/(loss) for the period	51.7	89.9	(57.9)
Other comprehensive income	(291.6)	(25.2)	0
Foreign exchange translation difference	(29.0)	(2.3)	6.8
Closing net asset	2,323.1	2,592.0	3,277.7
Group's share	696.9	777.6	983.3
Goodwill	263.9	279.8	260.0
Carrying amount	960.8	1,057.4	1,243.3

Individually immaterial associates:

	2017 RM'million	2016 RM'million
Aggregate carrying amount of individually immaterial associates	733.7	641.9
Aggregate amounts of the Group's share of:		
- Profit from continuing operations	106.4	47.9

16 ASSOCIATES (CONTINUED)

The details of the Group's associates are as follows:

Name of associate	Group's interest 2017	Group's interest 2016	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 & 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

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

16 ASSOCIATES (CONTINUED)

The details of the Group's associates are as follows: (continued)

Name of associate	Group's interest 2017	Group's interest 2016	Principal activities	Country of incorporation
Associate of Power and Energy International (Mauritius) Ltd.				
GMR Energy Limited	**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
Affluent Merger Sdn. Bhd.*	**-**	49%	Investment holding	Malaysia
Associate of TNB Engineering Corporation Sdn. Bhd.				
Abraj Cooling LLC	**49%**	49%	Contracting works for the construction of district cooling plants	United Arab Emirates
Associate of TNB Research Sdn. Bhd.				
Gunung Tenaga Sdn. Bhd.	**40%**	40%	Environmental services and research	Malaysia

16 ASSOCIATES (CONTINUED)

The details of the Group's associates are as follows: (continued)

Name of associate	Group's interest 2017	Group's interest 2016	Principal activities	Country of incorporation
Associate of Orion Mission Sdn. Bhd.				
Eastern Sabah Power Consortium Sdn. Bhd.	**50%**	50%	To carry on the business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia and other parts of the world	Malaysia
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 Lumut Maritime Terminal Sdn. Bhd.				
LMT Capital Sdn. Bhd.	**50% less 1 share**	50% less 1 share	Dormant	Malaysia
Associate of TNB International Sdn. Bhd.				
Vortex Solar Investment S.A.R.L.	**50%**	-	Investment holding company	Luxembourg

* *On 30 December 2016, TNB Energy Services Sdn. Bhd. has disposed all shares in Affluent Merger Sdn. Bhd.*

There are no material contingent liabilities relating to the associates.

17 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 the 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	
	2017 RM'million	2016 RM'million
As at the beginning of the financial year	**211.0**	124.7
Adjustment to Purchase Price Allocation ('PPA')	**0**	86.3
As at the end of the financial 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 August 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:

	2017 %	2016 %
Revenue growth rate	**3.8**	2.7
Pre-tax discount rate	**7.5**	7.4
Terminal growth rate	**3.8**	2.7

(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.

18 INVESTMENT IN UNQUOTED DEBT SECURITY

Accounting Policy

Investment in unquoted debt security is a financial instrument and the accounting policy is disclosed in Note 44.

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Unsecured loan notes	**0**	15.4	**0**	15.4
Preferred Equity Certificate ('PEC')	**275.7**	0	**0**	0
	275.7	15.4	**0**	15.4

On 13 March 2017, TNB International Sdn. Bhd. a wholly owned subsidiary of the Company, had subscribed to 62,336,070 PEC of GBP1.00 each for a consideration of GBP62.3 million. The PEC earns interest of 8.0% per annum and has a maturity period of 12 years.

19 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Deferred tax assets:				
- Deferred tax assets to be realised after more than 12 months	**37.4**	20.0	**0**	0
- Deferred tax assets to be realised within 12 months	**39.6**	11.2	**0**	0
	77.0	31.2	**0**	0
Deferred tax liabilities:				
- Deferred tax liabilities to be settled after more than 12 months	**(7,086.5)**	(6,286.2)	**(5,727.7)**	(4,858.0)
- Deferred tax liabilities to be settled within 12 months	**(641.8)**	(675.7)	**(612.2)**	(614.3)
	(7,728.3)	(6,961.9)	**(6,339.9)**	(5,472.3)
Deferred tax assets	**77.0**	31.2	**0**	0
Deferred tax liabilities	**(7,728.3)**	(6,961.9)	**(6,339.9)**	(5,472.3)
Net total	**(7,651.3)**	(6,930.7)	**(6,339.9)**	(5,472.3)

19 DEFERRED TAXATION (CONTINUED)

The movements during the financial year relating to deferred tax are as follows:

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
As at the beginning of the financial year	**(6,930.7)**	(7,031.0)	**(5,472.3)**	(5,430.1)
(Charged)/credited to statement of profit or loss:				
- Property, plant and equipment	**(503.1)**	(66.2)	**(551.5)**	(241.2)
- Provisions and allowances	**(30.8)**	95.5	**(64.7)**	148.7
- Unbilled revenue	**(76.4)**	23.3	**(76.4)**	(4.5)
- Finance leases	**(59.6)**	(73.2)	**(120.3)**	(108.6)
- Prepaid operating leases	**(56.1)**	(106.2)	**(60.1)**	(34.7)
	(726.0)	(126.8)	**(873.0)**	(240.3)
Credited to other comprehensive income:				
- Provisions and allowances	**5.4**	227.1	**5.4**	198.1
As at the end of the financial year	**(7,651.3)**	(6,930.7)	**(6,339.9)**	(5,472.3)
Subject to income tax				
Deferred tax assets (before offsetting):				
- Provisions and allowances	**4,463.6**	4,489.0	**3,159.3**	3,218.6
- Finance leases	**217.6**	277.2	**390.4**	510.7
- Property, plant and equipment	**30.1**	53.9	**0**	0
Offsetting	**(4,634.3)**	(4,788.9)	**(3,549.7)**	(3,729.3)
Deferred tax assets (after offsetting)	**77.0**	31.2	**0**	0
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	**(10,202.1)**	(9,722.8)	**(7,876.1)**	(7,324.6)
- Unbilled revenue	**(759.8)**	(683.4)	**(759.8)**	(683.4)
- Prepaid operating leases	**(1,400.7)**	(1,344.6)	**(1,253.7)**	(1,193.6)
Offsetting	**4,634.3**	4,788.9	**3,549.7**	3,729.3
Deferred tax liabilities (after offsetting)	**(7,728.3)**	(6,961.9)	**(6,339.9)**	(5,472.3)

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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Deductible temporary differences	**1,446.9**	1,262.6	**0**	0
Tax losses	**1,436.2**	1,436.0	**0**	0
Reinvestment allowance and investment tax allowance	**8,049.9**	7,921.5	**2,539.2**	2,410.8

20 LONG TERM RECEIVABLES

Accounting Policy

Long term receivables is a financial instrument and the accounting policy is disclosed in Note 44.

	Note	Group		Company	
		2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Other debtors	(a)	**514.1**	430.9	**200.6**	218.2
Advance to contractors	(b)	**35.6**	189.4	**0**	0
Redeemable Unsecured Loan Stocks ('RULS')	(c)	**0**	0	**493.5**	503.1
		549.7	620.3	**694.1**	721.3

(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 to contractors primarily relates to construction of a plant 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% (2016: 15.0%) per annum on the outstanding nominal value of the principal and a compounding interest will be charged at 0% (2016: 5.0%) per annum on the unpaid interest after the due date. Refer to Note 34(c) for the terms of RULS.

21 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Note	Company	
		2017 RM'million	2016 RM'million
Non-current			
Amounts due from subsidiaries		**1,005.2**	1,076.0
Less: Accumulated impairment loss		**(550.2)**	(541.3)
	(a)	**455.0**	534.7
Current			
Amounts due from subsidiaries		**3,906.0**	2,833.5
Less: Accumulated impairment loss		**(808.7)**	(836.7)
	(b)	**3,097.3**	1,996.8
Amounts due to subsidiaries	(b)	**(1,258.1)**	(1,029.3)

(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 34(c). The amount due from TPD is subject to interest rates ranging from 1.9% to 3.4% (2016: 1.9% to 3.4%) per annum and is unsecured. Amount due from SESB is subject to interest rates of 6.0% (2016: 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.

22 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 a 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Within 1 year	**2.4**	2.0	**0.7**	0.7
After 1 year and not later than 5 years	**9.5**	8.1	**4.6**	3.4
After 5 years	**12.3**	14.5	**9.2**	10.2
	24.2	24.6	**14.5**	14.3
Less: Unearned finance income	**(9.7)**	(10.3)		
Present value of minimum lease payment receivable	**14.5**	14.3		

The effective interest rate implicit in the finance lease is approximately 10.7% (2016: 9.5%). The carrying amount of the finance lease receivable approximate to its fair values.

(b) Finance Lease Payables

	Note	Group		Company	
		2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Finance lease liabilities	(i)	**5,307.5**	5,935.7	**11,871.5**	13,141.9
Hire purchase creditors	(ii)	**11.0**	13.1	**0**	0
		5,318.5	5,948.8	**11,871.5**	13,141.9

22 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Minimum lease payments:				
- Within 1 year	**693.5**	1,052.2	**1,947.3**	2,300.3
- 1 to 2 years	**694.6**	693.5	**1,947.8**	1,947.8
- 3 to 5 years	**2,091.3**	2,086.8	**4,907.6**	5,187.2
- More than 5 years	**4,947.0**	5,615.0	**8,022.6**	9,528.1
Total minimum lease payments	**8,426.4**	9,447.5	**16,825.3**	18,963.4
Future finance charges	**(3,118.9)**	(3,511.8)	**(4,953.8)**	(5,821.5)
	5,307.5	5,935.7	**11,871.5**	13,141.9
Amount payable under finance lease:				
- Within 1 year	**326.0**	658.2	**1,149.1**	1,417.2
- After 1 year and not later than 5 years	**1,529.5**	1,433.6	**4,453.4**	4,415.8
- After 5 years	**3,452.0**	3,843.9	**6,269.0**	7,308.9
	5,307.5	5,935.7	**11,871.5**	13,141.9
Average effective interest rate (%)	**7.0**	6.8	**7.1**	7.0

The finance charges associated with the finance leases were charged to the statement of profit or loss in the financial year in which they were actually incurred. As at 31 August 2017, the net book value of assets under finance leases for the Group and Company are as disclosed in Note 13 to the financial statements. The fair value of the financial lease liabilities are RM5,293.3 million (2016: RM6,445.6 million) for the Group and RM7,887.5 million (2016: RM9,486.4 million) for the Company.

22 FINANCE LEASES (CONTINUED)

(b) Finance Lease Payables (continued)

(ii) This represents future instalments under hire purchase of motor vehicles, repayable as follows:

	Group	
	2017 RM'million	**2016 RM'million**
Minimum lease payments:		
- Within 1 year	**4.1**	4.0
- After 1 year and not later than 5 years	**7.7**	10.4
Total minimum lease payments	**11.8**	14.4
Future finance charges	**(0.8)**	(1.3)
	11.0	13.1
Amount payable under hire purchase:		
- Within 1 year	**3.6**	3.4
- After 1 year and not later than 5 years	**7.4**	9.7
	11.0	13.1

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 year end is 5.1% (2016: 5.1%) per annum and interest for the financial year is at 2.7% (2016: 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.

23 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 is the lessor

Leases where substantially all of the risks and rewards of ownership are not transferred to the lessee (i.e. the Group is the lessor) are classified as operating leases. Payments received under operating leases that relate to sales of electricity are recognised in 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.

23 PREPAID OPERATING LEASES (CONTINUED)

(a) Prepaid operating leases

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Non-current				
Prepaid operating leases	**5,353.7**	5,172.7	**5,241.2**	4,990.0
Current				
Prepaid operating leases	**139.1**	150.1	**129.0**	130.9

Payments made in advance to Independent Power Producers ('IPPs') are primarily to reserve generating capacity for future goods and services. There is no contractual right to receive a refund in cash or another financial instrument from the IPPs.

(b) Lease payables and prepayment by lessee

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Non-current				
Lease payables* (Note 36)	**126.1**	137.3	**135.4**	139.7
Prepayment by lessee** (Note 36)	**349.5**	371.9	**0**	0
	475.6	509.2	**135.4**	139.7
Current				
Lease payables* (Note 30)	**11.1**	8.0	**11.1**	8.0
Prepayment by lessee** (Note 30)	**43.7**	41.3	**0**	0
	54.8	49.3	**11.1**	8.0

* *The Group and Company as lessees*
** *The Group as lessor*

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Accounting Policy

Available-for-sale financial assets is a financial instrument and the accounting policy is disclosed in Note 44.

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Available-for-sale financial assets	**71.9**	38.6	**71.2**	38.0

Available-for-sale financial assets comprise unquoted shares and club memberships.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

25 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Fuel and consumables	**811.1**	772.4	**261.9**	236.1
Work-in-progress	**11.4**	16.7	**0**	0
Finished goods	**6.2**	3.2	**0**	0
	828.7	792.3	**261.9**	236.1

26 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Trade receivables	**8,467.6**	8,062.7	**7,099.0**	6,909.2
Staff advances/loans	**62.9**	61.1	**54.1**	56.8
Partial payment to contractors	**172.5**	388.2	**0.8**	0.8
Deposits and prepayments	**269.7**	260.9	**89.6**	70.7
Other receivables	**1,427.4**	808.9	**232.2**	101.6
Rechargeable debtors	**185.4**	186.1	**150.3**	140.0
	10,585.5	9,767.9	**7,626.0**	7,279.1
Allowance for impairment:				
Trade receivables (Note 44(b)(i))	**(1,402.7)**	(1,284.6)	**(1,304.9)**	(1,199.8)
Others (Note 44(b)(i))	**(220.6)**	(206.5)	**(202.0)**	(203.9)
	(1,623.3)	(1,491.1)	**(1,506.9)**	(1,403.7)
	8,962.2	8,276.8	**6,119.1**	5,875.4

The Group and Company's credit policy provides trade receivables with a 30 days (2016: 30 days) credit period.

Credit risks relating to receivables are disclosed in Note 44(b)(i) to the financial statements.

Included in trade receivables is unbilled revenue amounting to RM3,312.4 million (2016: RM2,938.8 million) for the Group and RM3,165.6 million (2016: RM2,815.6 million) for the Company.

27 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.

	Note	Notional amount RM'million	Assets RM'million	Liabilities RM'million
2017				
Non-hedge accounting qualified derivative financial instruments:				
Group				
Forward foreign currency contracts	(a)	**367.5**	**1.2**	**(10.9)**
2016				
Non-hedge accounting qualified derivative financial instruments:				
Group				
Forward foreign currency contracts	(a)	1,485.1	16.8	(12.9)
Company				
Forward foreign currency contracts	(b)	207.1	3.5	(0.4)

(a) The Group entered into forward foreign currency contracts with forward rates ranging from RM4.2520 to RM4.3610 (2016: RM4.0220 to RM4.2665) for 1 US Dollar, RM3.8953 to RM4.1972 (2016: RM3.7458 to RM4.0359) for 100 Japanese Yen and RM5.045 for 1 Euro.

(b) The Company entered into forward foreign currency contracts with forward rates ranging from RM4.0905 to RM4.1088 for 1 US Dollar and RM3.7458 to RM3.8308 for 100 Japanese Yen for financial year ended 2016.

28 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 44.

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Financial assets at FVTPL	**12,221.9**	13,182.4	**6,097.9**	4,693.3

Financial assets at FVTPL represents investments in unit trusts.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2017

29 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Cash in hand and at bank	**1,581.1**	1,466.0	**506.3**	621.2
Deposits with licensed banks	**3,475.1**	2,505.2	**2,829.1**	1,332.3
	5,056.2	3,971.2	**3,335.4**	1,953.5

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	
	2017 %	2016 %	2017 %	2016 %
Bank balances	**0.1 – 3.3**	0.1 – 3.3	**0.1 – 3.3**	0.1 – 3.3
Deposits with licensed banks	**1.4 – 3.9**	0.5 – 4.1	**1.4 – 1.7**	0.6 – 0.7

Deposits with licensed banks have maturity periods ranging from 7 to 124 days (2016: 7 to 182 days) for the Group and 33 to 111 days for the Company (2016: 1 to 33 days).

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Cash and cash equivalents at the end of the financial year comprise:				
Cash in hand and at bank	**1,581.1**	1,466.0	**506.3**	621.2
Deposits with licensed banks	**3,475.1**	2,505.2	**2,829.1**	1,332.3
Deposits, bank and cash balances	**5,056.2**	3,971.2	**3,335.4**	1,953.5
Debt reserve account* (Note 34(b)(iii))	**(249.8)**	(254.3)	**0**	0
Cash at bank held in trust**	**(293.5)**	(305.4)	**0**	0
Total cash and cash equivalents	**4,512.9**	3,411.5	**3,335.4**	1,953.5

* *Debt reserve accounts 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.*

30 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.

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Trade payables	7,617.1	8,889.2	4,841.7	7,179.1
Payroll liabilities	1,556.4	1,500.4	1,446.0	1,350.2
Deposits	16.9	17.7	10.3	10.3
Provisions	397.1	200.6	151.4	28.9
Lease payables (Note 23(b))	54.8	49.3	11.1	8.0
Amount due to Federal Government	25.7	17.1	0	0
Other payables and accruals	577.0	734.8	180.6	210.4
	10,245.0	11,409.1	6,641.1	8,786.9

Included in trade payables of the Group and Company are obligations amounting to RM1,649.7 million (2016: RM3,341.1 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 (2016: 30 to 60 days) depending on the terms of the contracts.

31 DEFERRED INCOME

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
As at the beginning of the financial year	2,304.8	2,625.7	2,053.6	2,294.3
Received during the financial year	1,243.7	1,099.1	696.6	727.8
Released to statement of profit or loss	(1,093.7)	(1,420.0)	(673.8)	(968.5)
As at the end of the financial year	2,454.8	2,304.8	2,076.4	2,053.6
Realised within 12 months	1,460.9	1,139.2	1,384.9	1,132.9
Realised after 12 months	993.9	1,165.6	691.5	920.7
	2,454.8	2,304.8	2,076.4	2,053.6

Deferred income primarily relates to contributions paid in advance by electricity customers for the construction of electricity network assets.

32 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 has 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 has 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.

Defined contribution plans

The Group and Company's contributions to defined contribution plans are charged to the statement of profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and Company has no further payment obligations.

Defined benefit plans

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.

32 EMPLOYEE BENEFITS (CONTINUED)

Accounting Policy (continued)

(b) Post-employment benefits (continued)

Defined benefit plans (continued)

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 benefit obligation and the fair value of plan assets. This cost is included in employee benefits 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.

32 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 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
Past service costs	0	0	0	0	0
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 (gain)/loss:					
- 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

32 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 2015	3,231.4	(1,372.3)	1,859.1	9,082.7	10,941.8
Included in profit or loss					
Current service costs	136.2	0	136.2	0	136.2
Past service costs	1.8	0	1.8	0	1.8
Interest cost/(income)	162.6	(64.8)	97.8	502.6	600.4
	300.6	(64.8)	235.8	502.6	738.4
Included in other comprehensive income					
Remeasurement of (gain)/loss:					
- Actuarial loss/(gain) arising from:					
- Demographic assumptions	0	0	0	320.2	320.2
- Financial assumptions	76.4	0	76.4	429.7	506.1
- Experience adjustments	(102.9)	0	(102.9)	276.6	173.7
- Return on plan assets excluding interest income	(0.4)	(53.3)	(53.7)	0	(53.7)
Others					
Contribution paid by the employer	0	(408.6)	(408.6)	0	(408.6)
Benefits paid	(414.6)	404.8	(9.8)	(397.0)	(406.8)
	(441.5)	(57.1)	(498.6)	629.5	130.9
At 31 August 2016	3,090.5	(1,494.2)	1,596.3	10,214.8	11,811.1
Current			395.8	366.5	762.3
Non-current			1,200.5	9,848.3	11,048.8
			1,596.3	10,214.8	11,811.1

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

32 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 (gain)/loss:					
- 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

32 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 2015	3,189.9	(1,372.3)	1,817.6	8,748.7	10,566.3
Included in profit or loss					
Current service costs	115.7	0	115.7	0	115.7
Interest cost/(income)	161.9	(64.8)	97.1	498.2	595.3
	277.6	(64.8)	212.8	498.2	711.0
Charged to subsidiaries	20.8	0	20.8	0	20.8
	298.4	(64.8)	233.6	498.2	731.8
Included in other comprehensive income					
Remeasurement of (gain)/loss:					
- Actuarial loss/(gain) arising from:					
- Demographic assumptions	0	0	0	320.2	320.2
- Financial assumptions	75.0	0	75.0	409.0	484.0
- Experience adjustments	(102.4)	0	(102.4)	176.7	74.3
- Return on plan assets excluding interest income	0	(53.3)	(53.3)	0	(53.3)
Others					
Contribution paid by the employer	0	(408.6)	(408.6)	0	(408.6)
Benefits paid	(404.8)	404.8	0	(387.3)	(387.3)
	(432.2)	(57.1)	(489.3)	518.6	29.3
At 31 August 2016	3,056.1	(1,494.2)	1,561.9	9,765.5	11,327.4
Current			395.8	351.8	747.6
Non-current			1,166.1	9,413.7	10,579.8
			1,561.9	9,765.5	11,327.4

32 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 %
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**
2016				
Discount rates	5.0 – 9.0	5.4 – 5.6	5.0	5.4
Salary increment rate	5.0 – 9.0	N/A	7.0	N/A
Medical cost inflation:				
- Inpatient	N/A	5.5	N/A	5.5
- Outpatient	N/A	4.5 – 6.3	N/A	6.3
Others:				
- Specialist	N/A	4.5	N/A	4.5
- Dialysis	N/A	5.5	N/A	5.5

32 EMPLOYEE BENEFITS (CONTINUED)

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	1,473.9	(1,226.8)
Discount rate	(166.3)	186.5	(1,249.4)	1,532.2
Salary increment rate	168.8	(153.7)	N/A	N/A
Company				
Medical cost trend rate	N/A	N/A	1,401.1	(1,168.1)
Discount rate	(166.3)	186.5	(1,189.9)	1,457.0
Salary increment rate	168.8	(153.7)	N/A	N/A

The sensitivity analysis has been provided based on membership data as at 31 August 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.

Plan assets for RBTF comprise:

		Group and Company	
		2017 %	2016 %
Equity instruments	- quoted	**43.5**	42.7
Debt instruments	- quoted	**20.9**	26.3
	- unquoted	**19.0**	21.9
Others		**16.6**	9.1
		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 August 2017.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

33 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Portion of borrowings due within 1 year (Note 34):				
- Secured	**1,126.6**	502.9	**0**	0
- Unsecured	**379.2**	649.3	**290.4**	242.0
	1,505.8	1,152.2	**290.4**	242.0
Short term loans:				
- Secured	**214.0**	242.1	**0**	0
- Unsecured	**0.5**	16.8	**0**	0
Bankers' acceptances	**87.8**	77.7	**0**	0
	1,808.1	1,488.8	**290.4**	242.0

The short term borrowings carry interest at rates ranging from 0.8% to 8.1% (2016: 0.8% to 15.0%) per annum for the Group and from 0.8% to 7.5% (2016: 0.8% to 7.5%) per annum for the Company.

34 BORROWINGS

Accounting Policy

The accounting policy for borrowings is as disclosed in Note 33.

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Secured:				
- Term loans (Note (a))	1,836.2	1,664.5	0	0
- Bonds (Note (b))	19,091.6	19,302.8	0	0
	20,927.8	20,967.3	0	0
Unsecured:				
- Term loans (Note (a))	7,036.0	7,150.6	6,923.0	7,040.6
- Bonds (Note (b))	10,073.2	5,101.5	9,054.0	3,722.3
- Redeemable unsecured loan stocks (Note (c))	507.2	750.7	0	0
	17,616.4	13,002.8	15,977.0	10,762.9
	38,544.2	33,970.1	15,977.0	10,762.9
Payable within 1 year included under short term borrowings (Note 33)	1,505.8	1,152.2	290.4	242.0
Repayable after 1 year:				
- After 1 and up to 2 years	6,103.2	532.7	5,505.7	126.7
- After 2 and up to 5 years	2,539.9	5,196.7	1,072.3	2,996.6
- After 5 and up to 10 years	11,627.6	10,047.5	7,239.1	5,385.1
- After 10 and up to 20 years	13,893.7	14,041.6	1,240.9	1,266.8
- After 20 and up to 30 years	2,555.8	2,697.3	310.4	443.6
- After 30 years	318.2	302.1	318.2	302.1
	37,038.4	32,817.9	15,686.6	10,520.9
	38,544.2	33,970.1	15,977.0	10,762.9

34 BORROWINGS (CONTINUED)

	Group	
	2017 RM'million	2016 RM'million
Net book values of PPE pledged as security for borrowings:		
Machinery, lines and equipment	**4,964.3**	4,988.6
Buildings	**913.0**	866.2
Long leasehold land	**153.0**	135.7
	6,030.3	5,990.5

(a) Term loans

(i) The Federal Government loans obtained by SESB are secured by the following:

(i) A debenture creating:

- a first fixed charge over all present and future freehold and leasehold properties including all buildings and fixtures; and
- a first floating charge over all present and future assets of SESB not effectively charged by way of the fixed charge.

(ii) A deed of assignment transferring all SESB's present and future rights and interests in all sales proceeds or revenue derived from the sale of electricity generated from the projects funded.

(iii) A deed of assignment transferring all SESB's present and future rights and 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 KLIBOR to part finance the construction and development of a new plant at Kapar, Klang.

34 BORROWINGS (CONTINUED)

(b) Bonds

(i) ISLAMIC SECURITIES PROGRAMME

On 25 November 2011, TNB Janamanjung ('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:

(i) Series 1 consists of 15 tranches, with tenures ranging from 5 to 19 years.

(ii) Series 2 consists of 1 tranche, with a tenure of 20 years.

The Islamic Securities Programme Series 1 is secured by the followings:

(i) 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

(ii) a first ranking assignment of all designated accounts and the related credit balances.

The Islamic Securities Programme Series 2 is unsecured and have the benefit of unconditional and irrevocable guarantee from the Company, to meet the payment obligations of TNBJ.

(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:

(i) First fixed charge over the lease of the land owned by the Company where the power plant, coal yard and jetty are located;

(ii) A first ranking debenture comprising fixed and floating charges over all present and future assets of KEV; and

(iii) 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 ('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.

34 BORROWINGS (CONTINUED)

(b) Bonds (continued)

(v) 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.

(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% (2016: 15.0%) per annum on the outstanding nominal value of the RULS. The interest is repayable semi-annually on the last day of the relevant six month period from the issue date of RULS. No compounding interest will be charged (2016: 5.0%) on the unpaid interest after the due date. The change in the compounding interest rate from 5.0% to 0% had been approved by the RULS holders at its meeting on 31 October 2016.

(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.

35 CONSUMER DEPOSITS

Consumers (with the exception of employees and government departments/agencies) are required to deposit a sum sufficient to cover charges for two months supply of energy as allowed under the regulation of the Licensee Supply (Amendment) Regulations 2002. In default of payment of the deposit within the time specified, the supply to the consumer's installation may be disconnected, subject to certain conditions laid out in the Regulations.

The Company and SESB pay 2.5% (2016: 2.5%) per annum on the amount of cash deposits as rebate in January every year.

36 OTHER LIABILITIES

	Note	Group		Company	
		2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Payable to State Government		**26.0**	29.2	**26.0**	29.2
Lease payables	23(b)	**126.1**	137.3	**135.4**	139.7
Prepayment by lessee	23(b)	**349.5**	371.9	**0**	0
Retention monies		**510.6**	458.2	**467.5**	412.7
Others		**400.9**	370.2	**2.8**	0
		1,413.1	1,366.8	**631.7**	581.6

37 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.

	Group	
	2017 RM'million	2016 RM'million
As at the beginning of the financial year	1,019.2	1,009.7
Received during the financial year	27.0	74.1
Released to statement of profit or loss:		
- Other operating income (Note 7)	(50.3)	(50.2)
- Finance cost (Note 9)	(18.1)	(14.4)
As at the end of the financial year	977.8	1,019.2

The development grants are provided by the Government to a subsidiary mainly for the construction of PPE of RM720.7 million (2016: RM760.7 million) and government loan below market interest of RM257.1 million (2016: RM258.5 million).

38 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

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

	Group and Company	
	2017	2016
Issued and fully paid:		
Ordinary shares	5,659,015,071	5,643,611,171
Special Rights Redeemable Preference Share	1	1
Total share capital issued and fully paid as at the end of the financial year	5,659,015,072	5,643,611,172

38 SHARE CAPITAL (CONTINUED)

	Group and Company			
	Number of shares 2017 million	Amount 2017 RM'million	Number of shares 2016 million	Amount 2016 RM'million
<u>Issued and fully paid:</u>				
Ordinary shares				
As at the beginning of the financial year	**5,643.6**	**5,643.6**	5,643.6	5,643.6
LTIP shares issued during the financial year (a)	**15.4**	**99.1**	0	0
Transition to no-par value regime on 31 January 2017 (b)	**0**	**5,382.2**	0	0
As at the end of the financial year	**5,659.0**	**11,124.9**	5,643.6	5,643.6

	Group and Company	
	2017 RM'million	2016 RM'million
<u>Share Premium</u>		
As at the beginning of the financial year	**5,382.2**	5,382.2
Transition to no-par value regime on 31 January 2017 (b)	**(5,382.2)**	0
As at the end of the financial year	**0**	5,382.2

(a) On 15 November 2016 and 2 May 2017, the Company issued and alloted 8,723,000 and 6,680,900 ordinary shares in the Company to eligible executives or eligible employees, pursuant to the letters of offer dated 3 August 2015 and 1 April 2016 ('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 5,659,015,071 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 RM5,382,186,957 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.

39 OTHER RESERVES

	Group 2017 RM'million	Group 2016 RM'million	Company 2017 RM'million	Company 2016 RM'million
Long Term Incentive Plan reserve	**295.8**	244.6	**295.8**	244.6
Employee benefits reserve	**(5,722.9)**	(5,747.6)	**(5,519.9)**	(5,502.8)
Foreign currency translation reserve	**(432.0)**	(247.4)	**0**	0
Available-for-sale ('AFS') reserve	**33.9**	0.6	**33.2**	0
Reserve on consolidation	**(303.6)**	(217.4)	**0**	0
	(6,128.8)	(5,967.2)	**(5,190.9)**	(5,258.2)

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						
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)**
2016						
As at the beginning of the financial year	0	(5,028.4)	(242.4)	0.5	(146.6)	(5,416.9)
Arising in the financial year	244.6	(719.2)	(5.0)	0.1	(70.8)	(550.3)
As at the end of the financial year	244.6	(5,747.6)	(247.4)	0.6	(217.4)	(5,967.2)

	LTIP reserve RM'million	Employee benefits reserve RM'million	AFS reserve RM'million	Total RM'million
Company				
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)**
2016				
As at the beginning of the financial year	0	(4,875.7)	0	(4,875.7)
Arising in the financial year	244.6	(627.1)	0	(382.5)
As at the end of the financial year	244.6	(5,502.8)	0	(5,258.2)

40 COMMITMENTS

(a) Capital commitments for 5 years

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Authorised capital expenditure not provided in the financial statements:				
Property, plant and equipment				
- Contracted	**3,785.1**	8,934.0	**726.3**	1,541.7
- Not contracted	**30,059.1**	24,352.2	**29,618.2**	23,533.1
	33,844.2	33,286.2	**30,344.5**	25,074.8

(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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Payable not later than 1 year	**4,271.0**	4,305.1	**5,113.3**	5,099.1
Payable later than 1 year and not later than 5 years	**14,183.6**	15,295.2	**17,706.0**	18,765.1
Payable more than 5 years	**25,672.4**	28,755.8	**39,671.4**	43,649.6
	44,127.0	48,356.1	**62,490.7**	67,513.8

(c) Operating lease commitments - as lessor

The Group and Company leases out its plant and equipment under non-cancellable operating leases. The lessees are required to pay absolute fixed lease payments during the lease period. Total future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Payable not later than 1 year	**85.0**	69.7	**61.6**	49.2
Payable later than 1 year and not later than 5 years	**340.1**	238.3	**246.3**	156.5
Payable more than 5 years	**247.7**	296.6	**14.1**	19.4
	672.8	604.6	**322.0**	225.1

41 CONTINGENT LIABILITIES (UNSECURED)

Accounting Policy

The Group and Company does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by 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 of the Company. The Group and Company does not recognise contingent assets but discloses 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Claims by third parties:				
- Contractors	**146.1**	187.3	**125.3**	116.1
- Customers	**73.2**	88.0	**73.2**	88.0
- Others	**148.2**	139.4	**134.2**	119.1
	367.5	414.7	**332.7**	323.2
Trade guarantees and performance bond	**33.9**	9.0	**0**	0
	401.4	423.7	**332.7**	323.2

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 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.

42 SIGNIFICANT RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence.

The related parties of the Group and Company are:

(a) Subsidiary companies

Details of the subsidiary companies are shown in Note 14.

(b) Associate companies

Associate companies are those entities in which the Group has significant influence but not control as disclosed in Note 16.

42 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

The related parties of the Group and Company are: (continued)

(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.

(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 28.2% (2016: 29.7%) 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 year:

	Associate Companies		Key Management Personnel	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Group				
Income:				
- Sales of electricity	**1.0**	1.1	**0**	0
- Interest income	**0**	3.5	**0**	0
- Dividend income	**42.1**	56.9	**0**	0
- Rental income	**9.5**	10.6	**0**	0
- Leasing income	**17.4**	16.2	**0**	0
Expenses:				
- Purchase of electricity	**3,427.6**	3,150.9	**0**	0
- Key management compensations:				
- Salaries, allowances and bonuses	**0**	0	**25.6**	20.1
- Benefits-in-kind	**0**	0	**1.5**	0.2
- Defined contribution retirement plan	**0**	0	**3.5**	2.6
- Other staff benefits	**0**	0	**3.3**	0.9
- LTIP expense	**0**	0	**7.0**	4.4
- Leasing expense	**15.4**	15.6	**0**	0
Amounts due from	**226.3**	202.4		
Amounts due to	**(636.9)**	(559.5)		

42 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 year: (continued)

	Subsidiary Companies		Associate Companies		Key Management Personnel	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Company						
Income:						
- Sales of electricity	**38.3**	45.0	**1.0**	1.1	**0**	0
- Interest income	**62.8**	150.3	**0**	3.5	**0**	0
- Dividend income	**27.0**	4.7	**39.6**	41.9	**0**	0
- Rental income	**24.4**	24.4	**9.5**	10.6	**0**	0
- Leasing income	**0.8**	1.7	**17.4**	16.2	**0**	0
Expenses:						
- Purchase of electricity	**8,868.1**	6,972.6	**3,427.6**	3,150.9	**0**	0
- Training fees	**80.9**	78.5	**0**	0	**0**	0
- Finance lease interest	**747.8**	823.4	**0**	0	**0**	0
- Key management compensations:						
- Salaries, allowances and bonuses	**0**	0	**0**	0	**25.2**	19.7
- Benefits-in-kind	**0**	0	**0**	0	**1.5**	0.2
- Defined contribution retirement plan	**0**	0	**0**	0	**3.5**	2.6
- Other staff benefits	**0**	0	**0**	0	**3.3**	0.9
- LTIP expense	**0**	0	**0**	0	**7.0**	4.4
- Leasing expense	**0**	0	**15.4**	15.6	**0**	0
Amounts due from	**3,552.3**	2,531.5	**1.0**	18.4		
Amounts due to	**(1,258.1)**	(1,029.3)	**(628.9)**	(549.8)		

43 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.

44 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.

44 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting Policy (continued)

Financial assets (continued)

(a) Classification (continued)

(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 related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

When an asset is uncollectible, it is written off against the related accumulated impairment losses account. Such assets are written off after all the necessary procedures have been completed and the amount of the losses have been determined.

44 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting Policy (continued)

Financial assets (continued)

(d) Subsequent measurement – impairment of financial assets (continued)

(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 the following 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.

(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').

44 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting Policy (continued)

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 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.

(a) Categories of financial instruments (continued)

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

44 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

2016	Carrying amount RM'million	L&R RM'million	FVTPL RM'million	AFS RM'million
Group				
Financial assets				
Investment in unquoted debt security	15.4	15.4	0	0
Long term receivables	300.2	300.2	0	0
Finance lease receivable	14.3	14.3	0	0
AFS financial assets	38.6	0	0	38.6
Receivables	7,627.7	7,627.7	0	0
Amounts due from joint ventures	6.0	6.0	0	0
Amounts due from associates	202.4	202.4	0	0
Financial assets at FVTPL	13,182.4	0	13,182.4	0
Deposits, bank and cash balances	3,971.2	3,971.2	0	0
Derivative financial instruments	16.8	0	16.8	0
	25,375.0	12,137.2	13,199.2	38.6
Company				
Financial assets				
Investment in unquoted debt security	15.4	15.4	0	0
Long term receivables	721.3	721.3	0	0
AFS financial assets	38.0	0	0	38.0
Receivables	5,803.9	5,803.9	0	0
Amounts due from subsidiaries	2,531.5	2,531.5	0	0
Amounts due from associates	18.4	18.4	0	0
Financial assets at FVTPL	4,693.3	0	4,693.3	0
Deposits, bank and cash balances	1,953.5	1,953.5	0	0
Derivative financial instruments	3.5	0	3.5	0
	15,778.8	11,044.0	4,696.8	38.0

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

44 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

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

44 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

2016	Carrying amount RM'million	OL RM'million	FVTPL RM'million
Group			
Financial liabilities			
Payables	10,521.8	10,521.8	0
Finance lease payables	5,948.8	5,948.8	0
Amounts due to associates	559.5	559.5	0
Borrowings	34,306.7	34,306.7	0
Derivative financial instruments	12.9	0	12.9
Other liabilities	462.6	462.6	0
	51,812.3	51,799.4	12.9
Company			
Financial liabilities			
Payables	7,948.9	7,948.9	0
Finance lease payables	13,141.9	13,141.9	0
Amounts due to subsidiaries	1,029.3	1,029.3	0
Amounts due to associates	549.8	549.8	0
Borrowings	10,762.9	10,762.9	0
Derivative financial instruments	0.4	0	0.4
Other liabilities	412.7	412.7	0
	33,845.9	33,845.5	0.4

Net gains and losses arising from financial instruments are disclosed in Note 5, 8 and 9.

(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.

44 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(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 (2016: 30 days) credit period. The Group and Company have no major significant concentration of credit risk due to their diverse customer base. An allowance 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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Trade receivables	**8,467.6**	8,062.7	**7,099.0**	6,909.2
Less: Impairment losses	**(1,402.7)**	(1,284.6)	**(1,304.9)**	(1,199.8)
	7,064.9	6,778.1	**5,794.1**	5,709.4

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	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Industrial	**2,286.5**	1,988.4	**2,197.4**	1,900.8
Commercial	**2,756.3**	2,782.5	**2,615.0**	2,644.6
Domestic	**2,299.7**	2,349.5	**2,184.1**	2,251.6
Specific agriculture	**21.8**	19.8	**21.8**	19.8
Mining	**12.8**	17.4	**12.8**	17.4
Public lighting	**79.4**	84.8	**67.9**	75.0
Others	**1,011.1**	820.3	**0**	0
	8,467.6	8,062.7	**7,099.0**	6,909.2

Impairment losses

The Group and Company maintain an ageing analysis in respect of trade receivables only.

44 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses (continued)

The ageing of trade receivables as at the end of financial year was:

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**

2016	Gross RM'million	Individual impairment RM'million	Collective impairment RM'million	Net RM'million
Group				
Not past due	3,116.9	0	(12.6)	3,104.3
Past due 0-30 days	959.8	0	(12.7)	947.1
Past due 31-120 days	1,011.4	0	(38.0)	973.4
Past due 121-240 days	483.8	0	(58.3)	425.5
Past due more than 240 days	2,490.8	(635.4)	(527.6)	1,327.8
	8,062.7	(635.4)	(649.2)	6,778.1
Company				
Not past due	2,670.9	0	(10.9)	2,660.0
Past due 0-30 days	898.1	0	(11.0)	887.1
Past due 31-120 days	805.5	0	(33.1)	772.4
Past due 121-240 days	370.5	0	(50.7)	319.8
Past due more than 240 days	2,164.2	(635.4)	(458.7)	1,070.1
	6,909.2	(635.4)	(564.4)	5,709.4

44 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

Allowance for 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 allowance for impairment losses of trade receivables during the financial year were:

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
At 1 September	**(1,284.6)**	(787.4)	**(1,199.8)**	(708.1)
Impairment loss recognised	**(631.5)**	(631.3)	**(612.7)**	(625.7)
Impairment loss reversed	**131.3**	134.1	**125.5**	134.0
Provision written-off	**382.1**	0	**382.1**	0
At 31 August	**(1,402.7)**	(1,284.6)	**(1,304.9)**	(1,199.8)

The movements in the allowance for impairment losses of other receivables during the financial year were:

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
At 1 September	**(206.5)**	(168.1)	**(203.9)**	(152.7)
Impairment loss recognised	**(35.7)**	(55.3)	**(17.5)**	(55.0)
Impairment loss reversed	**21.6**	16.9	**19.4**	3.8
At 31 August	**(220.6)**	(206.5)	**(202.0)**	(203.9)

Trade receivables are secured by deposits in the form of cash and bank guarantees. The deposits amount are reviewed on an individual basis periodically.

44 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(ii) Investments, deposits, bank and cash balances and derivative instruments

Risk management objectives, policies and processes for managing the risk

Investments, 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

An impairment for investment in unquoted debt security of debt security of RM6.7 million (2016: RM Nil) was recognised during the financial year.

(iii) Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the financial year, the maximum exposure to credit risk is represented by their carrying amounts in the 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	
	2017 RM'million	2016 RM'million
Amounts due from subsidiaries	**4,911.2**	3,909.5
Less: Impairment losses	**(1,358.9)**	(1,378.0)
	3,552.3	2,531.5

Impairment losses

As at the end of financial year, there was no indication that the loans and advances to the subsidiaries are not recoverable other than those which have already been impaired. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

The movement in the allowance for impairment losses of amounts due from subsidiaries during the financial year were:

	Company	
	2017 RM'million	2016 RM'million
At 1 September	**(1,378.0)**	(1,760.7)
Impairment loss recognised	**(26.7)**	(21.6)
Impairment loss reversed	**45.8**	120.4
Provision written-off	**0**	283.9
At 31 August	**(1,358.9)**	(1,378.0)

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

44 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 RM1,789.9 million (2016: RM1,796.9 million) representing banking facilities utilised by the subsidiaries and an associate as at the end of the financial year. These banking facilities have been included as part of the Group's liabilities.

	Company	
	2017 RM'million	2016 RM'million
Below 1 year	959.2	792.0
1 to 2 years	319.2	441.6
3 to 5 years	0	25.5
More than 5 years	511.5	537.8
At 31 August	1,789.9	1,796.9

As at 31 August 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 financial year based on the undiscounted contractual payments:

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
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

44 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 financial year based on the undiscounted contractual payments: (continued)

2016	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	10,521.8	10,521.8	10,521.8	0	0	0
Finance lease payables	5,948.8	9,461.9	1,056.2	703.9	2,086.8	5,615.0
Amounts due to associates	559.5	559.5	559.5	0	0	0
Borrowings	34,306.7	55,809.1	2,432.8	4,790.4	8,589.7	39,996.2
Other liabilities	462.6	477.6	428.9	22.7	19.4	6.6
	51,799.4	76,829.9	14,999.2	5,517.0	10,695.9	45,617.8
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflows	12.9	654.1	654.1	0	0	0
	51,812.3	77,484.0	15,653.3	5,517.0	10,695.9	45,617.8
Company						
Non-derivative financial liabilities						
Payables	7,948.9	7,948.9	7,948.9	0	0	0
Finance lease payables	13,141.9	18,963.4	2,300.3	1,947.8	5,187.2	9,528.1
Amounts due to subsidiaries	1,029.3	1,029.3	1,029.3	0	0	0
Amounts due to associates	549.8	549.8	549.8	0	0	0
Borrowings	10,762.9	17,002.8	570.8	1,787.3	3,053.7	11,591.0
Other liabilities	412.7	427.6	384.1	20.3	17.3	5.9
	33,845.5	45,921.8	12,783.2	3,755.4	8,258.2	21,125.0
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflows	0.4	51.7	51.7	0	0	0
	33,845.9	45,973.5	12,834.9	3,755.4	8,258.2	21,125.0

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2017

44 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group 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:

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 liabilities					
Borrowings	6,307.3	2,803.5	0	0	0

44 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

2016	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	3.2	0	0	0	15.7
Deposits, bank and cash balances	1,681.7	0	0	0.3	0.2
	1,684.9	0	0	0.3	16.4
Financial liabilities					
Payables	119.9	9.8	0	19.0	8.2
Borrowings	2,915.7	2,999.3	42.1	0	12.8
	3,035.6	3,009.1	42.1	19.0	21.0
Company					
Financial assets					
Amounts due from subsidiaries	133.9	0	0	0	0
Deposits, bank and cash balances	1,332.3	0	0	0	0
	1,466.2	0	0	0	0
Financial liability					
Borrowings	2,915.7	2,989.2	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	
	2017 RM'million	2016 RM'million
Group		
USD	**(942.6)**	(265.4)
JPY	**(221.3)**	(668.3)
Company		
USD	**(942.6)**	(265.4)
JPY	**(220.9)**	(666.0)

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 Group and Company which have a functional currency other than USD and JPY are not material and hence, sensitivity analysis is not presented.

44 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 borrowing 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 financial year were:

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Fixed rate instruments:				
Financial assets	**3,916.7**	2,357.1	**3,741.1**	2,331.6
Financial liabilities	**42,852.4**	39,031.0	**26,555.9**	22,680.3
Floating rate instrument:				
Financial liabilities	**1,312.6**	1,224.5	**1,292.6**	1,224.5

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 RM0.8 million (2016: RM0.6 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.

44 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:

2017	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 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 AUGUST 2017

44 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
2016	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	66.8	0	66.8	66.8	15.4
Long term receivables	0	0	0	0	0	294.1	0	294.1	294.1	300.2
AFS financial assets	0	38.6	0	38.6	0	0	0	0	38.6	38.6
Financial assets at FVTPL	13,182.4	0	0	13,182.4	0	0	0	0	13,182.4	13,182.4
Derivative financial instruments	0	16.8	0	16.8	0	0	0	0	16.8	16.8
	13,182.4	55.4	0	13,237.8	0	360.9	0	360.9	13,598.7	13,553.4
Financial liabilities										
Borrowings	0	0	0	0	2,088.3	35,023.8	0	37,112.1	37,112.1	34,306.7
Other liabilities	0	0	0	0	0	470.3	0	470.3	470.3	462.6
Derivative financial instruments	0	12.9	0	12.9	0	0	0	0	12.9	12.9
	0	12.9	0	12.9	2,088.3	35,494.1	0	37,582.4	37,595.3	34,782.2
Company										
Financial assets										
Investment in unquoted debt security	0	0	0	0	0	66.8	0	66.8	66.8	15.4
Long term receivables	0	0	0	0	0	636.5	0	636.5	636.5	721.3
AFS financial assets	0	38.0	0	38.0	0	0	0	0	38.0	38.0
Amounts due from subsidiaries	0	0	0	0	0	2,911.2	0	2,911.2	2,911.2	2,531.5
Financial assets at FVTPL	4,693.3	0	0	4,693.3	0	0	0	0	4,693.3	4,693.3
Derivative financial instruments	0	3.5	0	3.5	0	0	0	0	3.5	3.5
	4,693.3	41.5	0	4,734.8	0	3,614.5	0	3,614.5	8,349.3	8,003.0
Financial liabilities										
Borrowings	0	0	0	0	2,088.2	9,971.8	0	12,060.0	12,060.0	10,762.9
Other liabilities	0	0	0	0	0	424.4	0	424.4	424.4	412.7
Derivative financial instruments	0	0.4	0	0.4	0	0	0	0	0.4	0.4
	0	0.4	0	0.4	2,088.2	10,396.2	0	12,484.4	12,484.8	11,176.0

44 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 year.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value is estimated by the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

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% (2016: 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 AUGUST 2017

44 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						
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**
2016						
Amounts due from associates	215.9	(13.5)	202.4	32.0	(13.6)	18.4
Amounts due from subsidiaries	0	0	0	3,119.7	(588.2)	2,531.5
Financial liabilities						
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)**
2016						
Amounts due to associates	(559.7)	0.2	(559.5)	(550.0)	0.2	(549.8)
Amounts due to subsidiaries	0	0	0	(4,022.8)	2,993.5	(1,029.3)

45 CAPITAL RISK MANAGEMENT

The Group and Company's main objective of capital management is to safeguard the Group and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group and Company will also strive to maintain an optimal capital structure to reduce the cost of capital.

For the purpose of sustaining or changing the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders.

In order to be consistent with industry norms, the Group and Company monitor its capital structure on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital employed. Total borrowings include non-current borrowings, current borrowings and hire purchase as shown in the consolidated statement of financial position. Capital employed is the summation of total equity and total borrowings.

The gearing ratios as at 31 August are as follows:

	Group		Company	
	2017 RM'million	2016 RM'million	2017 RM'million	2016 RM'million
Total borrowings	**38,857.5**	34,319.8	**15,977.0**	10,762.9
Total equity	**57,584.8**	52,599.7	**51,819.6**	47,476.2
Total capital employed	**96,442.3**	86,919.5	**67,796.6**	58,239.1
Gearing ratios	**0.40**	0.39	**0.24**	0.18

The Group and Company have met all externally imposed capital requirements.

46 SIGNIFICANT ACQUISITIONS DURING THE FINANCIAL YEAR

Acquisitions during the financial year

(a) Subsidiary acquired by the Group during the financial year ended 31 August 2017 are as follows:

(i) On 30 August 2017, the Company acquired 51.0% equity interest in Southern Power Generation Sdn. Bhd. ('SPG') from SIPP Energy Sdn. Bhd. for a purchase consideration of RM51.00. SPG is the Special Purpose Vehicle ('SPV') for the development of 2x720MW Combined Cycle Gas Turbine Power Plant in Pasir Gudang, Johor. The principle activity of SPG is as disclosed in Note 14. The aquisition of SPG does not have any material effect on the earnings and net assets of the Group for financial year ended 31 August 2017.

(b) Associates acquired by the Group during the financial year ended 31 August 2017 are as follows:

(i) On 4 November 2016, the Company through its wholly owned subsidiary, Power and Energy International (Mauritius) Ltd, completed the subscription of 1,082,070,808 equity shares representing a 30.0% equity interest in GMR Energy Limited ('GEL') for a purchase consideration of USD300.0 million. GEL is principally involved in power generation business as disclosed in Note 16.

(ii) On 12 May 2017, the Company through its wholly owned subsidiary, TNB International Sdn. Bhd., completed the subscription of 50.0% equity interest on a fully diluted basis in Vortex Investments S.a.r.l ('Vortex') for a purchase consideration of GBP86.0 million being GBP 23.7 million in ordinary shares and GBP 62.3 million in Preferred Equity Certificates ('PEC'). Vortex is the company that operates the 365MW Solar PV Portfolio in the United Kingdom via Vortex Solar UK Limited which is an indirect wholly owned subsidiary of Vortex.

Acquisitions during the preceding financial year

(a) Subsidiaries acquired by the Group during the financial year ended 31 August 2016 are as follows:

(i) The Company acquired 100.0% issued and paid-up capital in Aruna Servicios Integrales, S.L. ('ASI') with a total consideration of EUR4,000 on 23 December 2015. The acquisition of ASI does not have any material effect on the earnings and net assets of the Group for financial year ended 31 August 2016. ASI is an investment holding company and the principal activities of its subsidiary and associate companies are as disclosed in Note 14 and Note 16 respectively.

(ii) On 15 January 2016, the Company incorporated Global Power Enerjî Sanayî Ve Tîcaret Anonîm Şîrketî ('GPES'), a private company with limited liability in Turkey. The total issued share capital of TRY60,000 comprising 60,000 ordinary shares of TRY1.00 each of GPES is held by ASI. GPES is intended to serve as the intermediate subsidiary that holds the Group's investment in GAMA Enerji A.S ('GAMA Enerji'). The incorporation of GPES does not have any material effect on the earnings and net assets of the Group for financial year ended 31 August 2016.

(b) Associate acquired by the Group during the financial year ended 31 August 2016 is as follows:

On 13 April 2016, the Company satisfied and complied to all the conditions precedent of the Share Sale Agreement to purchase 289,485,000 ordinary shares of TRY1.00 each ('Sale Shares') with GAMA Holding A.S ('GAMA'), International Finance Corporation ('IFC') and IFC Global Infrastructure Fund Holding I COoPERATIEF UA ('GIF') for the acquisition of 30.0% shareholding in GAMA for a total consideration of USD255.0 million. GAMA Enerji is principally involved in power generation as disclosed in Note 16.

The Purchase Price Allocation in relation to the acquisition of 30.0% equity stake in GAMA has been finalised as at 31 August 2017.

47 EVENTS AFTER THE REPORTING PERIOD

On 14 September 2017, Southern Power Generation Sdn. Bhd. ('SPG'), a fifty-one percent (51.0%) owned subsidiary of the Company, proposed to issue Sukuk based on the shariah principle of Wakalah Bi Al-Istihmar ('Sukuk Wakalah') of up to RM4.0 billion in nominal value. The Sukuk Wakalah will be issued in one lump sum and will have a tenure of up to 20 years from the date of issuance. The proceeds of the Sukuk Wakalah shall be utilised to fund up to 80.0% of the total project costs.

The lodgement with the Securities Commission Malaysia in relation to the Sukuk Wakalah has been made on 14 September 2017 and on 24 October 2017, SPG received the official offer confirming that all conditions precedent set out in the Deed of Covenants have been satisfied and that the final close of the Sukuk has occurred on 23 October 2017.

48 CHANGE OF FINANCIAL YEAR END

The Group and Company will change their financial year end from 31 August to 31 December, which shall be implemented after the close of the financial year ended 31 August 2017. The new financial year will commence from 1 September 2017 to 31 December 2017, covering a period of four (4) months. Thereafter, the financial year of the Group and Company shall revert to twelve (12) months ending 31 December, for each subsequent year.

SUPPLEMENTARY INFORMATION DISCLOSED

PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised profits or losses at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained profits as at the reporting date are analysed as follows:

	Group		Company	
	2017 RM'million	**2016 RM'million**	**2017 RM'million**	**2016 RM'million**
Retained profits:				
- Realised	**54,741.2**	49,188.1	**51,294.0**	46,249.4
- Unrealised	**(5,788.4)**	(5,067.8)	**(5,408.4)**	(4,540.8)
Total share of retained profits from joint ventures:				
- Realised	**34.4**	30.2	**0**	0
- Unrealised	**33.3**	24.7	**0**	0
Total share of retained profits from associates:				
- Realised	**354.8**	521.9	**0**	0
- Unrealised	**50.2**	(55.4)	**0**	0
Consolidation adjustments	**2,689.8**	2,688.3	**0**	0
Total retained profits	**52,115.3**	47,330.0	**45,885.6**	41,708.6

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 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 156 to 261 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 August 2017 and financial performance of the Group and of the Company for the financial year ended 31 August 2017 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The supplementary information set out on page 262 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors, in accordance with their resolution dated 26 October 2017.

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 156 to 261 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 26 October 2017, before me.

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 August 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 August 2017 of the Group and of the Company, and 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on page 156 to 261.

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 year. 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.

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 3 – Critical Accounting Estimates and Judgements and Note 4 – Revenue* Sales of electricity of RM45,803.1 million and RM43,530.5 million is the most significant component of the Group and Company's revenue respectively for the financial year ended 31 August 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 accuracy of the sales of electricity calculation, revenue adjustments and recording as it involved 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 3 – Critical Accounting Estimates and Judgements and Note 41 – 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 August 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 3 – Critical Accounting Estimates and Judgements and Note 32 – Employee Benefits* As at 31 August 2017, the Group and Company recorded post-employment benefits of RM11,637.2 million and RM11,180.8 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 reports 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 government securities at reporting date. Based on the procedures performed above, we did not find any material exceptions to the Directors' 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 Board Risk Committee Report, which we obtained prior to the date of this auditors' report, and the remaining Annual Report 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.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 year 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD
(Incorporated in Malaysia)
(Company No. 200866-W)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in page 262 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 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
(No. AF: 1146)
Chartered Accountants

AMRIT KAUR A/P KAUR SINGH
02482/01/2019 J
Chartered Accountant

Kuala Lumpur
26 October 2017

CHAPTER 07

ADDITIONAL INFORMATION

Our shareholders play a vital role in our success. Their participation is invaluable to our growth trajectory and we hope to continue creating meaningful value to their shareholdings.

STATISTICS OF SHAREHOLDINGS

AS AT 12 OCTOBER 2017

SHARE CAPITAL

Issued Shares : 5,659,015,071 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	1,801	20	1,821	4.57	63,094	733	63,827	0.00
100 - 1,000	16,640	120	16,760	42.06	6,632,003	75,747	6,707,750	0.12
1,001 - 10,000	17,982	274	18,256	45.81	49,029,688	1,158,573	50,188,261	0.89
10,001 - 100,000	1,441	395	1,836	4.61	36,757,861	17,039,586	53,797,447	0.95
100,001 - less than 5% of issued shares	423	749	1,172	2.94	1,619,000,292	1,353,563,751	2,972,564,043	52.53
5% and above of issued shares	3	0	3	0.01	2,575,693,743	0	2,575,693,743	45.51
Total	**38,290**	**1,558**	**39,848**	**100.00**	**4,287,176,681**	**1,371,838,390**	**5,659,015,071**	**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	34,171	258	72,710,448	1,164,794	1.28	0.02
2.	Body Corporate						
	a. Banks/finance companies	122	2	1,342,413,930	19,246	23.72	0.00
	b. Investment trusts/foundation/charities	7	0	173,362	0	0.00	0.00
	c. Industrial and commercial companies	337	11	1,614,132,657	7,338,562	28.53	0.13
3.	Government agencies/institutions	18	0	13,070,262	0	0.23	0.00
4.	Nominees	3,635	1,287	1,244,676,022	1,363,315,788	22.00	24.09
5.	Others	0	0	0	0	0.00	0.00
	Total	**38,290**	**1,558**	**4,287,176,681**	**1,371,838,390**	**75.76**	**24.24**

STATISTICS OF SHAREHOLDINGS

AS AT 12 OCTOBER 2017

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares Direct Interest	%
1.	Tan Sri Leo Moggie	-	-
2.	Datuk Seri Ir. Azman bin Mohd	38,500	0.00
3.	Datuk Seri Hashmuddin bin Mohammad	-	-
4.	Amran Hafiz bin Affifudin *(Appointed w.e.f. 22 June 2017)*	-	-
5.	Dato' Abd Manaf bin Hashim *(Redesignated w.e.f. 31 October 2017)*	-	-
6.	Tan Sri Dato' Seri Siti Norma binti Yaakob	1,562	0.00
7.	Datuk Sakthivel Alagappan	-	-
8.	Tan Sri Dato' Seri Chor Chee Heung	-	-
9.	Gee Siew Yoong	-	-
10.	Noraini binti Che Dan	-	-
11.	Juniwati Rahmat Hussin *(Appointed w.e.f. 1 June 2017)*	-	-
12.	Badrul Ilahan bin Abd Jabbar *(Appointed w.e.f. 1 July 2017)*	-	-
13.	Dato' Zainal Abidin bin Putih *(Cessation of Office as Director w.e.f. 15 December 2016)*	1,562	0.00
14.	Datuk Wira Ir. Md Sidek bin Ahmad *(Resigned w.e.f. 1 June 2017)*	-	-
15.	Ahmad Farouk bin Mohamed *(Resigned w.e.f. 22 June 2017)*	-	-

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	28.18
2.	Employees Provident Fund Board*	718,813,282	12.70
3.	Amanah Saham Bumiputera**	335,911,100	5.94
4.	Kumpulan Wang Persaraan (Diperbadankan)***	307,493,625	5.43
	Total	**2,956,873,868**	**52.25**

Notes :-

** Registered with Citigroup Nominees (Tempatan) Sdn. Bhd.*

*** Registered with AmanahRaya Trustees Berhad*

**** - Registered under own name (278,355,725)*

- Registered with Citigroup Nominees (Tempatan) Sdn. Bhd. (29,137,900)

TOP 30 SECURITIES ACCOUNT HOLDERS

No.	Name Of Shareholders	No. of Shares	%
1.	Khazanah Nasional Berhad	1,594,655,861	28.18
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	645,126,782	11.40
3.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	335,911,100	5.94
4.	Kumpulan Wang Persaraan (Diperbadankan)	278,355,725	4.92
5.	Lembaga Tabung Haji	130,449,700	2.31
6.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	111,000,000	1.96
7.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt AN For State Street Bank & Trust Company (West CLT OD67)	104,570,430	1.85

STATISTICS OF SHAREHOLDINGS

AS AT 12 OCTOBER 2017

No.	Name Of Shareholders	No. of Shares	%
8.	AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	87,000,000	1.54
9.	Permodalan Nasional Berhad	70,643,100	1.25
10.	HSBC Nominees (Asing) Sdn. Bhd. BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	68,746,005	1.21
11.	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB For Prulink Equity Fund	57,117,550	1.01
12.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	54,733,825	0.97
13.	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA For Vanguard Total International Stock Index Fund	52,363,852	0.93
14.	AmanahRaya Trustees Berhad AS 1Malaysia	49,678,300	0.88
15.	HSBC Nominees (Asing) Sdn. Bhd. JPMBL SA For Nordea 1, Sicav	47,038,400	0.83
16.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN For AIA Bhd.	40,170,625	0.71
17.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)	39,750,000	0.70
18.	Cartaban Nominees (Asing) Sdn. Bhd. GIC Private Limited For Government Of Singapore (C)	35,143,575	0.62
19.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	32,897,875	0.58
20.	AMSEC Nominees (Tempatan) Sdn. Bhd. Mtrustee Berhad For CIMB Islamic DALI Equity Growth Fund (UT-CIMB-DALI)	30,941,000	0.55
21.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (NOMURA)	28,250,000	0.50
22.	AmanahRaya Trustees Berhad Amanah Saham Didik	26,214,709	0.46
23.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	25,000,000	0.44
24.	Affin Hwang Nominees (Asing) Sdn. Bhd. RSS/SBL For Deutsche Bank Aktiengesellschaft (London Branch)	23,489,900	0.42
25.	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA For Stichting Depository APG Emerging Markets Equity Pool	19,711,400	0.35
26.	Pertubuhan Keselamatan Sosial	19,394,720	0.34
27.	Citigroup Nominees (Asing) Sdn. Bhd. Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	19,037,987	0.33
28.	AmanahRaya Trustees Berhad Public Ittikal Sequel Fund	18,920,200	0.33
29.	AmanahRaya Trustees Berhad Public Islamic Equity Fund	17,891,037	0.31
30.	Malaysian Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	17,740,350	0.31
	Total	**4,081,944,008**	**72.13**

PROXY FORM

TENAGA NASIONAL BERHAD
(200866-W)

27TH 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				or failing him/her
	NRIC No./Passport No.:			
Proxy 2				or failing him/her
	NRIC No./Passport No.:			
		TOTAL	100%	

the **Chairman of the Meeting, as my/our proxy, to attend and vote for me/us and on my/our behalf at the **27TH ANNUAL GENERAL MEETING 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 **MONDAY, 18 DECEMBER 2017 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				
1.	Declaration of A Final Single-Tier Dividend	**ORDINARY RESOLUTION 1**		
	Re-election of the following Directors who retire in accordance with Article 133 of the Company's Articles of Association:			
2.	Juniwati Rahmat Hussin	**ORDINARY RESOLUTION 2**		
3.	Amran Hafiz bin Affifudin	**ORDINARY RESOLUTION 3**		
4.	Badrul Ilahan bin Abd Jabbar	**ORDINARY RESOLUTION 4**		
	Re-election of the following Directors who retire in accordance with Article 135 of the Company's Articles of Association:			
5.	Datuk Seri Ir. Azman bin Mohd	**ORDINARY RESOLUTION 5**		
6.	Tan Sri Dato' Seri Chor Chee Heung	**ORDINARY RESOLUTION 6**		
	Re-appointment of the following Director who retires upon expiration of term of office at the conclusion of 27th AGM:			
7.	Tan Sri Leo Moggie	**ORDINARY RESOLUTION 7**		
8.	Approval for Payment of Non-Executive Directors' Fees	**ORDINARY RESOLUTION 8**		
9.	Approval for Payment of Benefits to the Non-Executive Directors	**ORDINARY RESOLUTION 9**		
10.	Re-appointment of Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration	**ORDINARY RESOLUTION 10**		
SPECIAL BUSINESS				
11.	Proposed Renewal of Share Buy-Back Authority	**ORDINARY RESOLUTION 11**		
12.	Proposed Alteration of Existing Memorandum and Articles of Association in its Entirety and Substituting with a new Constitution of the Company	**SPECIAL RESOLUTION 1**		

Please indicate with an "X" in the box provided for each Resolution as how you wish your votes to be cast. If no voting instruction is given, the proxy/proxies is/are hereby authorised to vote, or abstain from voting at his/her/their discretion.

** Strike out whichever inapplicable.*
*** 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/proxies you wish to appoint in the blank spaces provided.*

Dated this __________ day of ____________________, 2017

____
Signature(s) of Shareholder(s) or Common Seal

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 11 December 2017 shall be entitled to attend the Annual General Meeting ("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 Article 107(6) of the Company's Articles of Association.
7. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time appointed for the taking of the poll or **no later than 17 December 2017 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 27th 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.

1. Fold Here

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

Better. Brighter.

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 2017
is printed on environmentally friendly paper.