



## OPERATIONS REVIEW GROUP HUMAN RESOURCE (CONT'D.)

The Sixth Collective Agreement for the period of 2008-2010 was successfully signed on 11 November 2008 between TNB and TNB Amalgamated Employees Union and TNB Junior Officers Union and on 20 November 2008 between TNB and TNB Executive Association. The new terms of the Collective Agreement were implemented in early 2009.

### CAPACITY BUILDING

On 1 September 2008, TNB's training arm, Institut Latihan Sultan Ahmad Shah (ILSAS) was turned into a subsidiary and is now called TNB Integrated Learning Solution Sdn. Bhd. – ILSAS.

With more than 25 years of experience serving the role of training provider, TNB Integrated Learning Solution Sdn. Bhd. – ILSAS strives to be the Centre of Excellence in Energy Utilities Training and able to provide more efficient and effective training solutions and related services for TNB and other parties in the Electricity Supply Industry.

During the period under review, 214 developmental training programmes and 966 mandatory and competency training programmes (technical and non-technical) were conducted respectively. The programmes are well-designed to ensure that TNB employees will gain in terms of increased level of competencies and expertise as well as professionalism.

### AWARDS/ACCOLADES RECEIVED DURING THE YEAR IN REVIEW

TNB was chosen as one of the three finalists for Employment Category at the ASEAN Business Awards 2008 organised by ASEAN Business Council in Bangkok, Thailand on 27 February 2009. Among the judging criteria was TNB's strengths and performance specifically in Human Resource Planning and Performance Management System (PMS).

Domestically, TNB won the Silver Award for HR Excellence Category at the Malaysia HR Awards 2008/2009 organised by Malaysia Institute of Human Resource Management (MIHRM) on 25 March 2009. The award which was for excellence in Human Resource Management performance and assessment was based on the following criteria:

- Alignment of HR Department's work with company's goals
- HR Development Strategy
- Best practice in Human Resource
- Continuous learning and training
- Application of HR System and Technology

Dr. Ir. Sazali P. Abdul Karim, a Senior Technical Expert under the Specialist Career Path Scheme whose Flashover Analysis Tool had been patented and put on display at World Intellectual Property Organisation (WIPO) last year, won further recognitions after receiving Universiti Teknologi Malaysia's Chancellor Award during the University's 42nd Convocation Ceremony on 28 March 2009. He also received the Excellent Worker Award (Executive Group) at the National Workers' Day Gathering 2009 held at Stadium Putra Bukit Jalil on 2 May 2009. Another TNB staff, Encik Hakimi Osman, a Senior Systems Administrator from TNB Distribution Division received the Excellent Worker Award (Non-Executive Group).





## PROCESS IMPROVEMENT

To date, 85 procedures and 116 work instructions relating to Human Resource Management have been declared MS ISO 9001:2008 certified after the re-certification audit was conducted by SIRIM in January 2009 and Group HR Division is in the process of establishing new processes and procedures utilising MS ISO 9001:2008 as a framework to ensure services provided are compliant to the standard of quality promised.

The Enterprise Human Resource Management System (EHRMS) Project Phase 3 was carried out this year with further enhancements and the introduction of Employee Self Service (ESS). It is a web-based system that will enable TNB staff to perform administrative functions more efficiently anywhere, anytime. The e-Leave module was implemented in March 2009. Other modules such as Employee Profile Maintenance, Claims Application, Pay Details, Internal Recruitment and Management Reporting will be implemented in due course. The projected completion date is in 2010.

## CORPORATE SOCIAL RESPONSIBILITY

Group HR Division contributed its fair share of corporate social responsibility as an ongoing annual activity. Group HR Division does not only look into the welfare of TNB staff and retirees but also its social obligation towards the local community in general.

In August 2009 Group HR Division together with members from respective workers' union, visited an orphanage run by Pure Life Society in Puchong and repainted the perimeter walls and curbs, repaired broken roofs and installed a number of street lights and spot lights at the boys' quarters.

## INTERNAL AFFAIRS

### Departmental Goals

The Internal Affairs Department (IAD) strives to be a professional and credible department in disciplinary management not only in TNB but amongst the GLCs. IAD's major objective is to reduce the number of misconduct cases in TNB through education and prevention programmes as well as providing excellent service in line with the department's motto 'Towards Zero Misconduct'.

### Operational Summary

The IAD is responsible for managing, conducting and monitoring disciplinary action against employees including enacting a Disciplinary Policy for TNB. Functionally, the department reports to the Board of Directors' Disciplinary Committee while operationally it reports to the Vice President (Human Resource). The main functions of IAD include investigation, prosecution, conciliation, handling and managing cases at Industrial/Labour Court, research & development as well as educating employees through training & awareness programmes.

The Whistle Blowing Information System (WBIS) and Toll Free Line which was introduced back in 2008 has served as a platform to enhance the level of integrity amongst TNB staff. Through the WBIS, the department will furnish acknowledgement receipts to complainants within 3 days. A Customer Charter for IAD was also introduced whereby the department will carry out investigations within 1½ months from the date of complaint received. IAD also utilises the online customer feedback channel, HR Mesra as a channel to address complaints received from customers. Among major projects initiated by IAD to curb disciplinary cases are the Adopt a Station Programme, Audit Station Programme and Proficiency Courses for the Disciplinary Machinery.



There was a significant reduction in disciplinary cases over the years partly due to the initiatives adopted by IAD: 189 cases (FY2005), 122 cases (FY2006), 102 cases (FY2007), 77 (FY2008) and 86 cases (FY2009) (the slight increase is in part due to misconduct being committed in group). As at July 2009, the Customer Satisfaction Index (CSI) for IAD was 78%, derived from the 1,056 participants who participated in the survey conducted by the Department.



## OPERATIONS REVIEW PLANNING



**ROSLINA BINTI ZAINAL**  
VICE PRESIDENT

### HIGHLIGHTS OF ACHIEVEMENTS:

- New Agreement with Petronas CUF
- Review of Prai GT Project Implementation
- Extracting Value from PPAs & SLAs
- Ops-TRIM X contributions
- Fuel Pricing and Tariff Adjustment
- Power from Sarawak
- PPA Re-negotiations
- Assisting SESB in Planning activities
- Renewable Energy Policy

### DIVISIONAL GOALS

The Planning Division comprises three departments namely Strategic Planning Department, System Planning and Development Department and Energy Procurement Department.

The Division's key roles and functions include formulating and reviewing TNB's long term strategic plan that will position the organisation towards attaining its desired future state and planning for the long-term power system development to ensure adequate, reliable and economic power supply to meet the nation's electricity demand requirement. In addition, the Division is also responsible for managing all activities related to energy procurement including management and settlement of energy and capacity payments to power producers and cross border trading.

### FORMULATION AND IMPLEMENTATION OF CORPORATE STRATEGIES

The Division conducted a review of the TNB 20-year Strategic Plan, which was presented by the top management to the Board of Directors. In addition, several key strategies and initiatives for the second destination of the Strategic Plan (i.e. 2011 to 2015) were also identified.

The Division organised two TNB Strategy Forums during the year under review. Key objective of the forum is to communicate and cascade key strategic information throughout the various divisions within TNB.

### MANAGEMENT OF STRATEGIC ISSUES

#### • Renewable Energy Policy

During the year under review, the Division was also actively involved in providing input and information towards formulation of the National Green Technology Policy.

A proposal outlining the strategies on Green Technology was developed via a cross-functional team comprising representatives from Planning Division, TNB Research and Distribution Division. The proposal was presented to the Minister of Energy, Green Technology and Water in June 2009.

#### • Fuel Pricing and Tariff Adjustment/Tariff Review

The Division was also actively involved in the electricity tariff adjustment in March 2009. An overall tariff reduction of 1.2 sen/kWh was implemented in March 2009 to reflect reduction in natural gas price (i.e. from RM14.31 per mmBTU to RM10.70 per mmBTU) whilst taking into account increase in coal price (i.e. from USD75 per tonne to USD85 per tonne CIF).

The Division also coordinated a cross functional team to complete TNB Tariff Review 2009 (which included a base tariff review). The final report was submitted to the Ministry of Energy, Green Technology and Water and the Energy Commission in April 2009.

### MANAGEMENT OF TNB BUSINESS PERFORMANCE

The Planning Division had completed the development of TNB Top Management Key Performance Indicators (KPIs) for Financial Year 2010. In addition, the Division is also responsible for monitoring the TNB Headline KPIs (*Please see Table 1*) which are tracked by Khazanah Nasional under the Government Linked Companies (GLCs) Transformation Programme.



The Division's key roles and functions include formulating and reviewing TNB's long term strategic plan that will position the organisation towards attaining its desired future state and planning for the long-term power system development to ensure adequate, reliable and economic power supply to meet the nation's electricity demand requirement.

**TABLE 1:**

TNB Headline Key Performance Indicators

KEY PERFORMANCE INDICATORS	Financial Year					
	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Target 2009	Actual 2009
Return on Assets (ROA)	2.2%	3.3%	6.3%	4.6%	2.3%-2.8%	<b>4.0%</b>
Gearing	64.9%	58.1%	49.9%	46.9%	48.0%-50.0%	<b>46.5%</b>
Unplanned Outage Rate	6.1%	4.7%	2.2%	3.3%	3.0%-3.5%	<b>2.89%</b>
T&D Losses	10.5%	11.0%	10.0%	9.5%	9.0%-9.5%	<b>9.67%</b>
Transmission System Minutes (minutes)	14.0	7.3	9.3	6.6	6.5-7.5	<b>1.32 mins</b>
Distribution SAIDI <sup>1</sup> Minutes (minutes)	148.0	101.6	83.0	78.0	75.0-80.0	<b>68.6 mins</b>

<sup>1</sup> SAIDI refers to System Average Interruption Index.  
TBC = to be confirmed in due course.

### LONG TERM SYSTEM PLANNING AND DEVELOPMENT

The Planning Division is entrusted with carrying out the long term system planning and development of the electricity supply infrastructure for TNB. Notwithstanding the current global economic slowdown since September 2008, the electricity demand growth for Peninsular Malaysia over the last five years has grown between 4-5% annually and is expected to grow between 2-3% over the next five years. The maximum peak demand recorded to date is 14,245 MW in August 2009.

On the supply side, with the commissioning of the second 700 MW coal unit at Jimah and the 700 MW Combined Cycle block at PD2, there is a healthy surplus of generation with a reserve margin of 53.2%. There is no more scheduled generation addition to the system until 2014 when

the Ulu Jelai and Ulu Terengganu Hydro projects are scheduled to be commissioned with a capacity of 372 MW and 250 MW respectively.

One of the significant developments in the generation capacity development for TNB is the expected commissioning of 800 MW of power from Bakun Hydro in Sarawak by 2015 followed by another 800 MW in 2017 via a longest High Voltage Direct Current (HVDC) transmission interconnection comprising 700 km of overhead line in Sarawak, 330 km of overhead line in Peninsular Malaysia and 670 km of submarine cable from the coast of Sarawak to Johor. The submarine HVDC cable would be the longest in the world. This addition of generation capacity would compensate the anticipated capacity retirement of the first batch of Independent Power Producers (IPPs) in 2016 and 2017. The generation reserve margin would then be at a very prudent level by 2016.

The Planning Division is also entrusted with overseeing the long term development of the transmission system of TNB which comprises 500 kV, 275 kV, 132 kV and some 66 kV (being phased out) voltage levels. The system is planned according to a well defined set of standards and criteria and is able to meet the reliability expectations of the Malaysian Grid Code and Licence Conditions of the Suruhanjaya Tenaga. The transmission system of TNB is also interconnected to Thailand through both HVDC and HVAC interconnections and to Singapore through a HVAC connection. Some of the other major transmission developments in the pipeline are the Peninsular Malaysia to Sumatra HVDC link and the ASEAN Power Grid (APG) development.



## OPERATIONS REVIEW PLANNING (CONT'D.)

Other major initiatives conducted by the Planning Division were:

- Assisting SESB in Planning activities**  
 TNB has been assisting SESB to carry out its Planning activities by providing training on load forecasting, generation and transmission planning to SESB personnel. This included training on relevant planning software packages as well as job assignment as part of an overall capacity building exercise.
- Ops-TRIM X contributions**  
 The global economic slowdown resulted in the Management of TNB directing the various divisions to formulate measures to reduce the Capital Expenditure (CAPEX) through an initiative called Ops Trim-X in November 2008. Planning Division responded to this directive and carried out a Transmission Projects Capital Expenditure (CAPEX) Reduction Review which was approved by TNB Top Management in February 2009. With the slowdown in electricity demand, projects identified earlier could now be reviewed, deferred and even cancelled. The preliminary review of Transmission projects resulted in an initial CAPEX reduction of about RM245 million for FY2009.

A further reassessment of the deferred/cancelled projects as well as other proposed projects in the last two years resulted in a total reduction in Transmission CAPEX of RM434 million over the period 2010-2014 which consisted of:

- Reduction in Scope (RM38 million)
- Deferral of Projects beyond 2014 (RM330 million)
- Outright cancellation of Projects (RM66 million)

- Study on the Development of Nuclear Power Plant**

With the ever depleting fossil fuel resources, price volatility and increasing environmental pressures, TNB has identified nuclear power as a feasible generation option for Peninsular Malaysia. The first nuclear plant is only envisaged to come into the system by 2025. Among the preparatory measures being adopted by TNB is the collaboration with KEPCO of Korea on a Pre-Feasibility Study for Nuclear which would cover the various aspects of nuclear power generation and all the pre-requisites such as public acceptance, site selection, regulatory requirements, technology selection, safety and health considerations, etc. Planning Division is directly responsible for carrying out the system studies and techno-economic assessment of nuclear as a generation option.

- Review of Prai GT Project**

A review of the Generation development was undertaken in the light of lower growth projections stemming from the recent financial crisis. Based on system requirements, it was decided that the Prai GT project which was planned for commissioning in 2012 will be deferred until such a time when the system requires the project to be revived. Savings from this deferral is estimated to be about RM300 million.

### MANAGEMENT OF SUPPLIERS

- Management of Energy and Fuel Suppliers**

Close cooperation between TNB, TNB Fuel Services Sdn. Bhd. and IPPs has greatly improved fuel security for the system in times of fluctuating fuel market prices, infrastructural constraints in fuel supplying facilities as well as inclement weather hindering fuel delivery, through effective communication and cooperation.

- New Agreement with Petronas CUF**

In late 2008, TNB and Petronas Gas Berhad renewed its earlier Power Purchase Agreement (PPA) for the sale and purchase of energy from the CUF co-generation facilities in Kerteh, Terengganu and Gebeng, Pahang for a total capacity of 85 MW. This further enhanced the close cooperation between TNB and Petronas while at the same time promoting the efficient usage of the co-generation technology.

- Extracting Value from PPAs & SLAs**

The Planning Division has entered into another five Service Level Agreements (SLAs) with Generation Division for all TNB hydro power stations and for the new combined cycle block of Tuanku Ja'afar Power Station. With the implementation of these hydro SLAs and all the thermal SLAs under Generation Division, all power generators in the Generation Division are now operating under the same regime.



## CHALLENGES AND PROSPECTS

The power supply industry will be facing increasing challenges attributable to volatile fuel prices, energy supply security issue and current global economic downturn and deteriorating financial condition. In this regard the Planning Division will undertake various initiatives to mitigate the risks associated with these challenges:

- **Securing Sustainable Long Term Energy Security**

Peninsular Malaysia is faced with limited and depleting gas resources and increasing reliance on imported coal to meet the country's electricity demand. In the medium term, new generation capacity will need to be developed to cater for increase in customer demand. Bakun and Hydros from Sarawak are considered to be viable options to ensure supply adequacy and sustainability prior to 2020.

Sarawak has huge energy resources (28,000 MW hydro and 1,467 million tonnes of coal, 40.9 tcf natural gas). Export of power from Sarawak to Peninsular is in line with Sarawak's aspiration to be the powerhouse of the region fulfilling the SCORE Masterplan. Success of Bakun export to Peninsular will pave the way for future power import from Sarawak.

Bakun and other Hydros from Sarawak which have an economic life of at least 50 years will minimise fuel price escalation/volatility risks at minimal operating costs and zero carbon emissions as compared to fossil-fuel plants which have an economic life of 25 years with high operating cost and high carbon emissions.

Energy supply options must be sustainable, affordable and clean. Hence, it must be a balanced mix of gas, coal, hydro, nuclear and renewable energy. Hydros from Sarawak together with Nuclear in the longer term will reduce the high dependency on gas and coal. This would allow the power sector in Peninsula to migrate towards a more sustainable generation mix of gas, coal, hydro (incl. other renewables) and nuclear by 2030. They allow the nation to diversify the fuel mix and ensure energy supply security by mitigating the risk exposure in relation to:

- Gas – availability and price;
- Coal – supply security, price and environment; and
- Nuclear – lead time and feasible number of nuclear plants.

- **Fuel Pricing and Tariff Adjustment/ Base Tariff Review**

The Division remains committed for the preparation of the implementation of the periodic fuel cost pass-through. In addition it will together with a cross Divisional Team, also prepare for a base tariff review and fuel cost pass through formula negotiation with the Government in 2010.

- **Revisiting the 20 Year Strategic Plan**

As the SE10/10 phase of the 20 Year Strategic Plan will end in 2010, the Division will coordinate a team to revisit and finalise the main theme and emphasis for the period 2011-2015 of the 20 Year Strategic Plan. The finalised strategy for this period will be submitted to the Management and Board for adoption before being cascaded for implementation throughout TNB.

- **Addressing Major Strategic Risks**

In this regard, the Division will continue to provide an active and supporting role to address major strategic risks in particular the tariff review, fuel cost pass-through mechanism and pricing study, and Malaysian Electricity Supply Industry (ESI) structure/ challenges to ensure the successful identification of strategic risks implementation plans and the associated risk mitigation plans.

- **PPA Re-negotiations**

In line with the instructions from the Government, TNB has forwarded to the Government possible areas where the Power Purchase Agreements (PPAs) can be reviewed to achieve a more equitable balance of risks and rewards for the Independent Power Producers (IPPs). The review of the PPAs should be done in a manner that will directly benefit the electricity customers whilst maintaining the financial viability of the IPPs. TNB will continue to assist the Government in this initiative and will remain committed in ensuring its success.



## OPERATIONS REVIEW ICT DIVISION



**DATO' RAZALI BIN AWANG**  
CHIEF INFORMATION OFFICER

### DIVISIONAL GOALS

ICT Division is entrusted with three key responsibilities as follows:

1. Planning and consolidating the usage of ICT in TNB
2. Providing ICT infrastructure and services to support TNB's core businesses and other business units
3. Providing governance in the use of ICT in TNB

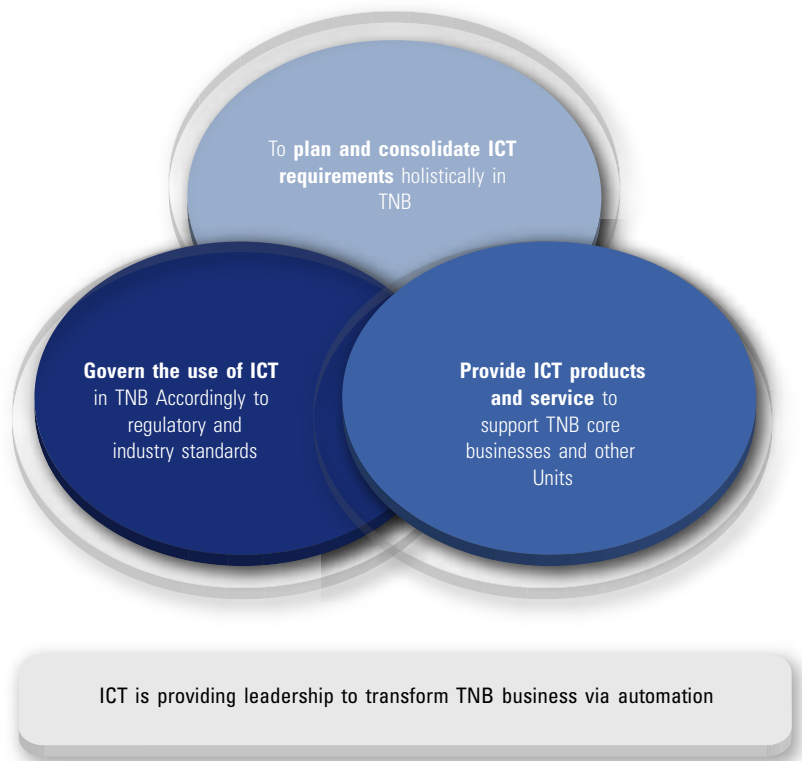
### OPERATIONAL SUMMARY

The results of aligning ICT Division's structure with a service-based value chain had transformed the Division from a functional centric to customer focused entity.

With a constant commitment to providing quality systems and continuous improvement, the Division has adopted and adapted ICT best practices. These included among others IT Infrastructure Library (ITIL) for improving customer services and enhancing ICT service delivery and support as well as Project Management Institute (PMI) framework as a guide for project managers within the Division.

In striving to become leaders in the ICT industry, it is now a common practice for ICT Division to benchmark itself in the areas of planning, governance and service provisioning against international standards and reputable organisations regionally and globally to promote a culture of excellence and leadership. This has led to several breakthroughs and achievements in the areas of application development, process reengineering and communications infrastructure.

### OUR ROLES COVER THE FULL SPECTRUM OF THE ICT VALUE CHAIN





## ICT is continuously innovating its ways to implement ICT requirements in TNB to support TNB's overall vision and mission.

### HIGHLIGHTS OF ACHIEVEMENTS

Through a greater focus in achieving high customer satisfaction and by meeting targets set based on world and industry standards, ICT Division had successfully commissioned the following major projects that had benefited TNB:

- ESS – By e-enabling critical HR related transactions, the Employee Self Service (ESS) application improved productivity, accuracy and efficiency of the leave process as a first phase, with subsequent phases handling online claims, payslips, timesheet and allowing staff members to self update their personal information.
- RFID – Implemented Radio Frequency Identification (RFID) system at Bukit Sentosa warehouse – this automated the checking in and out of items in material management process.
- CMS – An online Customer Management System to consolidate and improve the monitoring and handling of all customer service requests and complaints related to ICT products and services.
- INMS – Implemented an Integrated Network Management System (INMS) to connect all network services, thereby allowing NTCC to remotely configure and manage its telecommunication network. In the long run, ICT would be able to manage all its nodes and routers from the NTCC.
- Enterprise Architecture – In an effort to revise the first IT Masterplan developed in 2002, ICT Division developed the new ICT Enterprise Architecture (EA) that outlined the strategies for ICT project implementation in TNB, together with a flight plan of projects to be developed throughout TNB Group.
- ITIL/eTOM, COBIT, ISO17799 – Provided service levels that meet utility industry standard requirements, several international standards and best practices were studied and adapted to ICT Division's environment, covering service management, telecommunication processes, IT management and governance, and information security.
- Strategic Sourcing – ICT implemented initiatives to centralise IT related procurement: PCs and printers via Strategic Sourcing arrangement with HP and Dell, Microsoft licence via Enterprise Agreement with Microsoft, and Strategic Sourcing for telecommunications equipment.
- Customer and Staff Portal – These web-based communication channels based on Microsoft Sharepoint were introduced as a single platform to serve the Division customers with relevant and up-to-date information regarding products and services, while ICT's own staff used it to share bulletins, knowledge documents, blogs and manage collaborative team sites.

### MAJOR PROJECTS

ICT Division had implemented the following corporate-wide projects and initiatives during the financial year:

- MFFA – Expansion of the Mobile Field Force Automation (MFFA) had helped reduce breakdown response time to an average of 30 minutes per incident.
- CGIS – The Corporate Geospatial Information System (CGIS) is now ongoing, covering the scope of Transmission and Distribution electrical assets, TNB's fiber optic network, property management, security and logistics.
- SMP – Sistem Maklumbalas Pelanggan (SMP) is a centralised feedback system developed to assist TNB Divisions in monitoring feedback and complaints received via multiple channels from customers.
- Video and Desktop Conferencing – In line with TNB's Ops Trim-X campaign, Video Conferencing (VC) facility was installed at several sites throughout the country, to help reduce the amount of business travel for staff.
- IP-PBX – Another initiative that optimised the usage of TNB's network by making phone calls via IP-PBX equipments installed at various main offices throughout the country.





## OPERATIONS REVIEW ICT DIVISION (CONT'D.)

- Infrastructure Improvements – Several projects such as hardware-on-demand, server virtualisation, domain consolidation, and regular telecommunications network enhancements ensured maintenance efficiency and avoided redundancy.
- EPM – The Enterprise Project Management (EPM) system tracks and monitors all projects implemented by ICT Division, and has improved project reporting and delivery.
- Consultancy – Besides normal project commitments, ICT Division is also engaged in providing consultancy services for Remote Meter Reading (RMR), Supervisory Control and Data Acquisition (SCADA), and Customer Relationship Management (CRM).
- Hardware-on-demand – By consolidating hardware requirements of several IT projects during the planning stage, and acquiring server equipment that could cater for several requirements, cost could be controlled while maintenance was made simpler. With that project development could proceed without hindrance of delays in hardware purchases.
- Domain consolidation – By restructuring the existing domains that were based on Microsoft Active Directory, IT assets and user accounts are now centrally managed and governed.
- ERP upgrades and profile workflow – Systemic upgrades to the SAP-based ERMS and eCIBS applications were done, while the workflow to user profiling has been automated.

### EFFICIENCY IMPROVEMENT (SYSTEM IMPROVEMENT)

By reviewing its processes and systems on a continuous basis, ICT Division had made various efforts to achieve efficiency improvements: These include:

- Telecommunications network synchronisation audit – This activity highlighted areas of potential performance improvement and better configuration, which was implemented during network enhancement deployments.
- Server virtualisation – A consolidation of various server platforms was performed to streamline hardware usage and reduce total cost of ownership.
- Application categorisation and critical site prioritisation – A study on existing applications and related documentations implemented in TNB by ICT Division lead to the creation of a framework to indicate possible consolidation or retirement of duplicate applications and identification of critical nodes.
- Service master agreement – A consolidation of several agreements made with Telekom Malaysia provided better management of service levels and contractual terms.
- Quality Assurance – ICT Division has set up a Quality Assurance function which handles the divisional quality efforts in support of continuous improvements to the current work processes and deliverables. This was conducted through numerous quality initiatives such as 5S, WIT/ICC, focus groups/task force and Project Quality Assurance.

### KEY PERFORMANCE INDICATORS

The initiatives to support the operation plans were measured through KPIs based on the Balanced Score Card and benchmarked principally according to industry standards.

Highlights of KPI achievements by ICT Division include a CSI of 8.53 out of an index of 10.0 and network and system availability of 99.96% and 99.99% respectively.

ICT Division has also met and surpassed all its Service Level Availability performance indicators assigned by Generation, Transmission, Distribution and Corporate Services.

### IMPLEMENTATION OF PROCESS STANDARDISATION IMPROVEMENT (PSI)

ICT Division conformed with TNB's Corporate PSI to standardise business processes and had recently upgraded to PSI ISO 9001:2008. Through the adoption of ITIL, the Division had reengineered and consolidated 23 processes to 18. The corporate level recertification audit by SIRIM QAS International Sdn. Bhd. for TNB was conducted in January 2009 and resulted in zero NCR and zero OFI for ICT Division.



**SHARED VALUES**

While ICT Division had adopted TNB shared values, it had incorporated Teamwork as an additional value to emphasise the importance of cooperation and collaboration within the Division.

The Division’s management promotes teamwork by:

- Improving communication channels within the Division
- Being directly involved in forums or focus groups
- Encouraging teamwork amongst staff via multiple platforms

**CHALLENGES AND PROSPECTS**

Increasing customer demands together with a built-in culture for international benchmarking had brought new challenges for ICT Division. Among which are:-

- **Focus on transforming TNB business**  
As an integral part of TNB, ICT Division is moving away from traditional data processing and venturing into business process automation that has increasingly befitted its engineering-based applications. By adopting the latest methodologies like Service Oriented Architecture (SOA), the mean-time-to-market can be reduced drastically thus enabling faster deployment of services by TNB.

- **Green IT**  
ICT Division is committed to provide quality services without compromising the well-being of the environment. It is a requirement therefore, to use equipments that contribute to less heat dissipation and less power consumption. Initiatives like hardware-on-demand, storage virtualisation and the review of equipment specifications to meet Green IT standards had been implemented.

- **Business Intelligence**  
ICT Division is in the process of implementing Business Intelligence (BI), an initiative to provide management with complete, timely and accurate business and operational information. BI technologies provide historical, current and predictive views of business operations, which in turn could improve the organisation’s performance by providing business insights that could enhance decision making. Among the tools being deployed is the BI dashboard which provides graphical depictions of KPI.

By achieving world-class performance standards in the areas of planning, governance and service provisioning, ICT Division has paved the way for TNB to move towards a brighter and more agile future.



## OPERATIONS REVIEW ICT DIVISION (CONT'D.)

### HUMAN RESOURCE MANAGEMENT

ICT Division has always given top priority to enhance to its staff skills and competencies. In this regard, the following initiatives to position the right people at the right places by developing the right skills had been taken:-

- Career path – Several Specialist/Technical Experts positions with flexi-grades were created to provide suitable and flexible career paths for staff
- ICT's Internal Talent pool – Many potential executives had been identified and groomed for higher responsibilities
- Face2Face – Monthly discussions were held between supervisors and subordinates to discuss work related issues, staff performance as well as career progression
- Job profile – Assessments are being carried out to ensure that the positions required are suitably matched by the relevant staff
- In-house leadership training – Managers were being sent for leadership courses as part of succession planning
- Certified training programmes – To build up professionalism and high standards of practice, staff were sent for certifications in technical programmes
- Job Attachment – As part of creating greater awareness and exposure to different business processes, selected staff were assigned to learn the operations and customer service of different departments for short periods.
- Induction programmes – New staff was required to go through orientation and preparatory programmes during which proper guidance and coaching would be given.

### CUSTOMER FOCUS

ICT Division also adopted the ITIL best practice framework which led to the establishment of the Service Management Unit comprising Service Desk (SD), Customer Management (CM) and Service Level Management (SLM). This initiative further emphasised the Division's commitment towards service excellence in line with TNB's SE 10/10 objectives.

Multiple channels had been set up to maintain customer relationship. These include the Customer Outreach Programme, Divisional Management Engagement Programme, Online Customer Management System (CMS), and the Enterprise Architecture.

Through these efforts, ICT Division has achieved a CSI of 8.53 for FY2008/2009.

### QUALITY MANAGEMENT AND INITIATIVES

ICT Division had continuously supported initiatives undertaken under the quality management programme by encouraging participation and providing recognition to the outstanding teams. Highlights relating to quality activities in the Division were as follows:

- Work Improvement Team (WIT) – The number had increased from 4 teams in 2008 to 29 teams in 2009. This significant increase of 86% indicated that staff of the Division staffs are motivated to be actively involved in it's various initiatives.

The NIOSH-TNB Safety Passport was implemented in line with TNB's direction to inculcate a safety culture at the workplace.



- Many of the Safety and Environmental Management Systems (SEMS) activities such as SEMS Audit, Safety Inspection, Datasheet Review, talks on safety and other OSH related matters, were carried out to ensure safety at the workplace. During the period under review, ICT Division succeeded in obtaining 4 stars and had targeted to achieve 5 stars in the next financial year.
- Since February 2009, 5S audits had been carried out internally on a monthly basis.



## STAKEHOLDERS/RELATIONSHIP MANAGEMENT

Going beyond managing its internal customers within TNB, ICT Division also interacted with external parties with the view to strengthen relationships and widen its involvement. Among the key strategic alliances established were:

- GLC-CIO Roundtable – ICT Division is leading this group formed among the Government-linked Companies (GLCs) that promotes benchmarking of business processes and sharing good practices.
- HAPUA and CIGRE – Memberships in these internationally recognised associations were essential in developing benchmarks and exchanging technical know-how in telecommunications and information management.
- CAP – Our alliance with Hewlett-Packard has benefitted TNB employees by way of special discounts given for HP computer products through the Customer Appreciation Programme.
- ICT Vendor Day was held to brief ICT vendors and suppliers of the Division's upcoming plans and procurement process.
- ICT Productivity Day – For the second year running, this event which was held at TNB's multipurpose hall in Kelab Kilat provided TNB staff the opportunity to be exposed and educated with the latest in technology showcased by such prestigious companies like Microsoft, HP, Canon, P1 Wimax, Celcom, Samsung. The Division had also held demonstration on its products and services.



## CORPORATE SOCIAL RESPONSIBILITY

Despite its heavy schedule of the day-to-day project activities for TNB businesses, ICT Division has not forgotten those who are less fortunate in the community and has regularly donated monies to help the needy. Among the charitable activities were:

- Staff contributions of about RM35,000 were given to welfare related institutions such as orphanages, community centers, old folks homes and to disaster funds.
- Conducted structured computer education program called "Smart ICT, Smart School" for Sekolah Kebangsaan (SK) Bangsar which was attended by 40 students and 40 teachers.
- Contributed PCs to SK Kota Damansara and Badan Amal Kasih Sayang Malaysia (BAKASA).

- Industrial Trainings and exposures were given to 73 graduating students from local universities.
- Took part in Blood Donation campaign in collaboration with Tabung Darah Negara & Health Screening Campaign.





## OPERATIONS REVIEW PROCUREMENT



**NOR AZMI BIN RAMLI**  
CHIEF PROCUREMENT OFFICER



### **DIVISIONAL GOALS**

In line with TNB's Vision and Mission, the Division aspires to be the leader amongst regional utilities in Supply Chain Management. To realise this aspiration, the Division is committed to create value through innovation and adoption of procurement best practices.

In support of Service Excellence 10/10, which is the first destination of TNB's 20-year Strategic Plan, the Division strives to achieve the following goals:

- **Achieve Best Value**

The Group shall seek to obtain the best value in its procurement of supply, works or services. The best value is a combination of Total Cost of Ownership (TCO), quality, reliability, service and delivery terms.

- **Ensure Best Business Practices**

The Group shall conduct its procurement activities through best business practices with utmost integrity and accountability. Each Division or Subsidiary in TNB shall also ensure that procurement practices are carried out in accordance with relevant laws and regulations.

- **Advance TNB's Business Priorities**

The Group shall seek to advance and fulfil its commitment to the Government and all other stakeholders.



The Procurement Division is an important driver of business performance tasked with formulating TNB's procurement policy and sourcing strategies in-line with corporate strategic directions, providing advisory services, enforcing compliance and promoting national development priorities.

- **Support Key National Development Objectives**

- To promote the use of competitive local content.
- To ensure Bumiputera's equity share in the nation's economic growth, with fair and equitable distribution of national wealth.
- To develop Bumiputera vendors' capabilities in support of the establishment of a Bumiputera Commercial and Industrial Community (BCIC).

#### HIGHLIGHTS OF ACHIEVEMENTS:

- Substantial Procurement Value Creation achieved in the Financial Year amounting to RM197 million.
- Continuous and sustained progress in the third year implementation of the Procurement Transformation Plan.
- Development and roll-out of Tender Information System (TIS) to track and monitor procurement lead time for procurement process improvement.
- Commencement of Value Management initiative to optimise investment costs and engineering solutions for high-value procurement.
- Establishment of Key Performance Indicators (KPI) for vendors under Vendor Development Programme.
- Introduction of Supplier "On-line Registration Kiosk" followed by official launch.

#### OPERATIONAL SUMMARY

During the period under review, various initiatives and activities have been successfully carried out towards meeting the objectives and targets set.

The Division has completed the third and penultimate year of the Procurement Transformation Plan with implementation at 80% completion. The Value Creation generated for the last three years is RM464 million and other planned activities including membership in the Asia Pacific Utilities Group (APUG), commencement of Value Management initiative, vendor assessments and monitoring of their performance, were also achieved.

- **Value Creation Achieved**

Significant value creation for FY2008/2009 of RM197 million was achieved through three main levers namely e-Bidding, tax exemption and negotiations. E-Bidding was more extensively utilised during the period for procurement of logistic services by taking advantage of the softening of market prices.

The numbers of tax exemption applications had increased following issuance of guidelines on tax exemption in November 2008. Continued focus on results of negotiations has increased awareness on the requirement to achieve savings from the negotiations held.

- **Tender Information System**

Tender Information System (TIS) was developed to keep track and monitor tendering activities within TNB, differentiating between procurement modes and approving authority levels. The initiative was completed in the fourth quarter of FY2008/2009 and will support the Division in monitoring tender activities and status for the next financial year; hence improving the overall procurement lead time for TNB.

- **Asia Pacific Utilities Group**

TNB has become a member of the Asia Pacific Utilities Group (APUG), an international network of more than 20 utilities from across





## OPERATIONS REVIEW PROCUREMENT (CONT'D.)

the Asia Pacific region. The members collaborate on supply chain management activities, share experiences and develop common processes and systems, improving efficiency and generating savings for both their companies and their suppliers.

APUG is a reliable and independent source of intelligence information necessary in operationalising TNB's procurement intelligence functions. APUG also provides a support network through other member utilities, as well as the introduction to key industry contacts such as alternative and niche suppliers, and commodity consultants. This will be beneficial to TNB in terms of knowledge sharing in developing procurement best practices, strategies, procedures as well as commercial and technology intelligence.

- **Value Management**

Value Management is a rigorous, systematic effort to improve the value and optimise the cost of projects, facilities, systems, products and procedures without sacrificing the required performance levels. The implementation of Value Management provides opportunities to identify and realise savings and optimise costs for TNB. This is achieved through mobilisation of cross functional teams to rationalise and challenge project specifications against project functional requirements, with the aim of maximising TNB's overall performance. Four pilot projects were successfully completed and the Value Management Framework was approved by the management for further operationalisation of Value Management in TNB's business processes.

- **Heads of ASEAN Power Utilities/ Authorities (HAPUA) Procurement Circle**

The HAPUA Procurement Circle headed by TNB was established to serve as a platform for ASEAN member countries to share procurement best practices and provide an



alternative source of information for procurement market intelligence. Its third meeting was successfully held in Jakarta, Indonesia in February 2009, and hosted by our counterpart, PT PLN (PERSERO). Among others, the meeting agreed that there are significant tangible, intangible and potential benefits to be derived from the HAPUA Procurement Circle. These include actual realised savings, stronger bargaining power, networking relationships, best practices benchmarking and sharing of information.

- **PROCESS IMPROVEMENT**

Guided by the ISO framework, Procurement Division conforms to approved and up to date standardised processes, procedures, and work instructions for all quality activities. The quality management system helps to achieve the Division's targets and objectives through a closed-loop 'Plan, Do, Check, Act' (PDCA) cycle which provides the capability to control, measure and continuously improve our processes.

To date, thirty three procedures and nine work instructions relating to procurement had been declared MS ISO 9001:2008 certified after the re-certification audit conducted by SIRIM in January 2009.

- **TNB VENDOR DEVELOPMENT PROGRAMME**

TNB Vendor Development Programme is part of the Company's initiative to support the National Development Policy. In addition it helps to ensure material supply reliability to TNB. Through this programme, vendors are selected and developed to manufacture products and provide services that meet TNB's requirements and business needs without compromising the quality. This programme promotes the utilisation of local materials and specialised services which have the ability to ensure competitive pricing thus promoting and sustaining local industries. To date, there are eighty vendors under the programme.



The success stories of some TNB vendors bear testimony to the full commitment given by the Company in ensuring the success of this programme. These vendors have charted significant achievements in expanding their businesses in the local as well as overseas markets, which are critical in developing them into world class vendors.

• **Vendor Key Performance Indicators (KPIs)**

The KPIs are specially developed for the vendors to ensure quality and superior performance. The KPIs are based on the following factors:-

1. Local content
2. Product and delivery performance
3. Implementation of Quality Management Module
4. Financial performance
5. Participation in TNB activities
6. Market diversification



• **Quality Management System**

To ensure that vendors under the VDP manufacture products that meet TNB's specification and the required quality level, the following four modules under the Quality Management System (QMS) are required to be implemented:

1. 5S
2. Autonomous Maintenance
3. Statistical Process Control
4. Value Stream Mapping

• **Marketing and Promotional Programme**

TNB is committed in nurturing the vendors by expanding their opportunities to the global power industry. The Division has coordinated marketing and related programmes with related agencies to assist these vendors in penetrating other global markets such as the Middle East.

**DIVISION CHALLENGES**

As procurement has become an integral part of corporate performance and is drawing increased attention from senior management and stakeholders, the challenge faced by the Division is to fulfil all the expectations at all levels, both internally and externally. As the current strategies and value creation levers will progressively become business-as-usual activities, the Division faces a new challenge to continuously identify new and relevant strategies to sustain the value creation efforts.

Skilled and knowledgeable procurement practitioners are a scarce resource and are critical in meeting these challenges.





## OPERATIONS REVIEW CORPORATE SERVICES



**MD. JAILANI BIN ABAS**  
SENIOR GENERAL MANAGER



As a business partner to the core divisions and its subsidiaries, the Corporate Services Division (CSD) through departments under its jurisdiction namely Security & Intelligence, Property, Logistics and Support Services, plays a vital role in providing support services to ensure TNB continues to meet its objectives. These include providing an effective core security services to all TNB premises/assets especially TNB assets

that have been gazetted as National Critical Infrastructure, project management, consultancy in asset development and procurement, asset management, consultancy in architectural related works, building maintenance, fleet management, freight management and import clearance, mobile gen set services, intelligence services, printing services, archive, management of telephone and mail.

CSD will continue to provide and deliver effective services to its internal and external customers, in line with TNB's mission and vision and the 20 year strategic Plan and in support of the Company towards achieving "Service Excellence by 2010" objective. CSD will therefore continue to focus on initiatives that drive and add value to the Company.



As a business partner to the core divisions and its subsidiaries, the Corporate Services Division (CSD) through departments under its jurisdiction namely Security & Intelligence, Property, Logistics and Support Services, plays a vital role in providing support services to ensure TNB continues to meet its objectives.

#### HIGHLIGHTS OF ACHIEVEMENTS:

Corporate Services Division's main achievements during the FY2008/2009 are:-

- **Security Services & Intelligence Department (SSID)**
  - Embarked on the second phase of Integrated Security Management System (ISMS)
  - Conducted seminar on Security in Diversity for State Heads of Operations, selected cross functional Divisions representatives and invited government and private sector personnel. Six papers were delivered by speakers from Royal Malaysian Police (PDRM), Ministry of Defence (MINDEF), Energy Commission, National Security Council and Atomic Energy Licensing Board
  - Conducted seminar on “Dasar Keselamatan & Peraturan Kerajaan” with the assistance of Chief Government Security Officer, National Security Council, Royal Malaysian Police and Cyber Security Malaysia
  - Installed Guard Tour System (GTS) at 70 critical installations to enhance the effectiveness of patrolling by security personnel
  - Participated in Security Task Force together with GTD and relevant enforcement agencies/bodies e.g. Ops Luluh
  - Conducted Emergency Response & Evacuation Drill at TNB premises
  - Established Security Management System incorporating the Security Audit Management
    - Provided assistance to Strategic Management & Operational Development, TNBD (SMOD) in the operation of Theft of Electricity with the cooperation of Malaysian Anti Corruption Commission
    - Created synergy with Call Management Centre (CMC) to expedite response time/action towards intrusion, theft and relevant incidences
    - Resolved crime syndicates against TNB's assets. For FY2008/2009, 38 arrests were made
- **Property Services Department (PSD)**
  - Value creation from idle assets disposal – as at June 2009, payment collection stood at RM51.56 millions
  - Completed projects on building TNB offices and stores with value worth RM31.0 millions
  - Implemented Online Bookings for TNB's Holiday Bungalows
  - Conducted Stakeholder Survey in collaboration with PQM to determine that its future direction is in line with SIRIM audit findings (OFI)
  - Collaborated with ICT Division to scan and upload land titles, leased land for easy reference. As at 30 June 2009, a total of 11,682 title documents (98.6%) has been scanned and uploaded in EDMS
  - Developed 16 work procedures and 20 work instructions
  - Implemented various Customer Relationship Management activities, resulting in an improvement of CSI rating
- **Logistics Services Department (LSD)**
  - Rolled out company-wide Integrated Fleet Management System (IFMS)/PERFEKTO
  - Implemented IFMS for management of all TNB vehicles
  - Increased value creation and savings through daily operations of freight management, fleet management and gen set services
  - Reviewed panel workshops performances and appointment of new panel workshops
  - Reviewed Schedule Rate for inland transportation
  - Completed physical audit of TNB vehicles
  - Fostering relationship sessions with Puspakom, Customs, Ministry of Finance, MIDA, PDRM and other related authorities
- **Support Services Department**
  - Completed first phase of the Electronic Archiving (E-Archive)
  - Implemented various Customer Relationship Management activities, resulting in an improvement of CSI rating
  - Conducted HRA Day to promote its services to the public i.e. printing facilities, canteen services, telephone facilities, etc
  - Conducted AKP, CSI Workshops and CSD's first WIT Convention
  - Completed additional recruitment of security personnel



## OPERATIONS REVIEW CORPORATE SERVICES (CONT'D.)

### DIVISIONAL GOALS/OBJECTIVES

CSD will continue to provide cost effective services to its internal and external customers, in line with TNB vision and mission and its 20 years Strategic Plan and in support of the Company towards achieving "Service Excellence by 2010" objective. Apart from supporting TNB's strategic plan, CSD's core operational focus and objectives is to give assurance and confidence to TNB stakeholders on the security and safety of its assets/installations from any threat and intrusion towards ensuring uninterrupted power supply. The Division is also committed to contribute effectively to the business goals and growth of TNB through value creation, efficiency improvement and adoption of best practices.

### OPERATIONAL SUMMARY

CSD provides crucial support by ensuring that all TNB installations/assets are secured and safely guarded, in particular those assets which have been gazetted as National Critical Infrastructure. Thus, the **Security Services and Intelligence Department (SSID)** is entrusted, not only to protect TNB's assets but also national assets from any threat and intrusion. The Department has been proactive by undertaking strict compliance and conformance measures, adopting and implementing necessary legislation and effectively sharing information at bilateral, regional and multilateral levels.

SSID consists of four units, namely Operation, Planning & Crisis Management, Investigation & Intelligence and Support Services. Total staff strength stood at 961 comprising 33 executives and 928 non-executives. With the limited resources, SSID has been mandated to provide security protection to thousands of TNB installations across the country. Besides security coverage, SSID personnel under the Investigation & Intelligence Unit are also entrusted to investigate criminal related cases involving TNB assets.

Apart from securing TNB's sensitive industrial undertakings such as power installations, transmission power lines, critical substations and other installations, SSID has recently assisted SMOD in cases of electricity power theft. In addition the Department has increasingly been called upon to perform important duties beyond its charter.

To enable SSID personnel to perform and deliver their tasks effectively and efficiently, continuous training and development programmes have been put in place throughout the year to enhance their knowledge and improve their skills and competencies in security and related field.

The role of safeguarding national and TNB assets against sabotage, subversion and espionage by undesirable elements is very important and critical. These issues have been discussed not only internally in TNB but also with other relevant bodies/agencies. In this regard, SSID always work closely with enforcement agencies to ensure an orderly, effective and comprehensive approach to these challenges.

With the advent of fast changing technology and the diversity of security options, SSID today is on the verge of a catalytic change in its profile, a change that promises to transform its image from a primarily industrial security services to a multi-faceted specialist security agency on the forefront of the national security scenario.

The **Property Services Department's (PSD)** core operational focus is to support the Division in realising TNB's vision and mission through effective Property Management services.

The department has six units under its jurisdiction namely property planning and development, land procurement, project management, property management and property maintenance. Its objective is to enhance TNB's asset value through excellent property development, management and maintenance.

To achieve this, PSD looks forward maximising the utilisation of TNB's assets and to generate revenues from idle TNB assets. In addition, it has also implemented several initiatives to support the SE 10/10 vision. These include Energy Saving Initiative in line with Ops-Trim X objective, establishment of schedule rates for maintenance works, establishment of panel consultants and valuers, formulation of Asset Policy to address management of assets within TNB, application of NIOSH-TNB Safety Passport for all contractors, etc.

PSD strives to maintain, improve and enhance the reliability, quality and timeliness of services rendered to its customers.

The **Logistics Services Department (LSD)** consists of three (3) operational units, namely Freight Management, Fleet Management and Generator Set Services. As a one stop logistics service provider and an integrated centre that supports the core business divisions and other subsidiaries, LSD's role is to ensure that logistics requirements for TNB as a whole, are managed and handled professionally in cost-effective, timely and safe manner.

LSD also plays a vital role in ensuring TNB logistics requirements are fulfilled to meet its customer needs and increases their satisfaction level. To this end, various initiatives have been implemented among which are review panel workshops and panel transporters performances for the four regions, appointment of new panel workshops, review schedule rate for inland transportation, centralisation of TNB vehicle data and completion of physical audit of vehicles, roll out and establishment of Integrated Fleet Management System (IFMS) or PERFEKTO system for management of all TNB vehicles, increased the number of certified engine drivers, and increased value creation and savings through daily operations of freight management, fleet management and gen set services.



The **Support Services Department (SSD)** consists of three departments namely Human Resource & Administration, Planning and Performance, and Finance, each with its distinct role to provide different services to different categories of customers with varied expectation and requirements.

Human Resource and Administration (HRA) plays a major role in staff recruitment for CSD. In addition, it also monitors staff training and development by well structured programmes aimed at enhancing knowledge, skills and competencies needed for their respective fields of specialisation. HRA also supports the Group in printing services, e-archiving and the management of mail and telephony, and canteen services at the Head Office Complex.

The Planning and Performance (P&P) plans the KPIs for the Division, monitors performances, coordinate BPA and reporting. It also provides Quality management, PSI, Risk management services and Strategic management.

The Division's Finance Department focuses on budget planning, monitoring of OPEX and CAPEX, asset tagging, budget control and related financial management.

#### MAJOR PROJECTS

The implementation of Integrated Security Management System (ISMS) has been entrusted to SSID with an annual budget allocation of RM10 million. ISMS combine different security solutions into a single Control System to safeguard the security and safety of TNB assets from threats and intrusions.

While various components had been completed successfully under the ISMS, many more projects are in the pipeline for implementation. These included physical deterrent projects like enhancing security fencing and lighting, detection system through the installations of CCTV and scanners, and establishment of patrol and response teams. More vehicles are purchased to support these teams.

The *Property Services Department (PSD)* is responsible for the management and monitoring of TNB office buildings, stores and renovation works. For FY2008/2009, the Division has successfully implemented 25 projects with 90 percent completed according to schedule.

With the increase in the demand for Mobile Gen Set services, two units of 800 kw (1000 kva) Mobile Gen Set will be purchased to meet the requirements. Apart from the gen set, the *Logistics Services Department (LSD)* has also purchased several vehicles and mobile load banks to support its operations.

To provide its personnel with a better network coverage, LSD has installed WAN and LAN for gen set bases at Muadzam Shah, Gong Badak and Chain Ferry.

#### OPERATIONAL IMPROVEMENTS

To ensure constant improvement in its daily operation, various programmes have been initiated for implementation in CSD. These include among others the adoption of Human Resource Policy and formulation of Human Resource Plan i.e. redeployment of security personnel, manning level process, outsourcing of mail services, centralisation of finance function, training plan, safety & health and career development. In addition, several initiatives had also been taken to improve the efficiency daily operations of the departments. These include monitoring the monthly KPI reports and Biannual Risk Management Review, evaluating the adequacy of the process audit, monitoring the compliance of Service Level Agreement and analysing customer feedback and establishment of Strategic Supplier Relation Management Framework. The Division had also implemented staff award and recognition programmes, empowered all HODs on operational matters and conducted educational and training programmes to enhance quality and held dialogue session to serve as feedback mechanism with suppliers. Benchmarking exercises were also conducted to assess current position and for efficiency improvement as well as adoption of best practices.



## OPERATIONS REVIEW CORPORATE SERVICES (CONT'D.)

### KEY PERFORMANCE INDICATORS (KPIs)

CSD measures the quality of its products and services through such mechanisms as feedback from the customers, benchmarking, auditing and KPI application. Through the Business Plan process, KPIs are identified to measure the level of the Division's performance in areas as Finance, Customer, Internal Processes and Learning & Growth. The relevant KPIs are listed below:

#### Finance

- ✓ Average Service Cost (Management Support Division)
- ✓ Percentage of Repair & Maintenance over Total Property Assets (under PSD)
- ✓ Percentage of losses due to breach of security (guarded properties) over Total Assets (SSID)
- ✓ Saving of energy consumption at TNB Properties (PSD)
- ✓ Value creation (RM) – from Fleet, Freight and Gen Set Management (LSD)
- ✓ Value Creation (RM) – from idle Assets (PSD)

#### Customers

- ✓ Internal Customer Satisfaction Index (CSI)
- ✓ Percentage of Compliance to system security (breach)

#### Internal Processes

- ✓ Percentage of Completion of Corrective Action from Audit Report (GIA & PWC) within timeline
- ✓ Amount of penalties imposed by Authorities
- ✓ Percentage of project completion (PSD)
- ✓ Percentage of project completion (SSID)

#### Learning & Growth

- ✓ Organisation Competency Index
- ✓ PMS Conduct Compliance
- ✓ Organisation Climate Survey Index
- ✓ AKP score

### PROCESS STANDARDISATION AND IMPROVEMENT (PSI)

The Division utilises the PSI platform to improve its services. During the period under review, the Division had undertaken a review of its operational process to manage its services. There are currently 52 procedures and 35 Work Instructions, under the Division.

The Division's Internal Quality Audit (IQA) was conducted on 19 to 26 June 2009. All the Procedures registered under the ISO system were audited during the IQA. There was one non-compliance discovered and twenty-two minor observations that needed improvements (OFIs).

### HUMAN RESOURCE MANAGEMENT

In line with TNB 20 Year Strategic Plan, the Division had recognised several challenges to TNB's strategic success that need to be emphasised in its operational plan. "Right processes supported by Right Structure, Right Attitude, Right Skills and Knowledge and Right Motivation of its personnel" have been recognised as part of the challenges. Hence, in addition to recruitment of qualified and competent personnel, the Division has placed great emphasis on continuous capacity building of its competent human capital by implementing Succession Planning, Training and Development Programmes to close the competency gap and to provide opportunity for staff to further their studies. As at end of August 2009, the Division has a staff strength of 1393 covering many areas of specialisation. Based on the analysis of past year human resource key performance, job descriptions, PMS evaluation analysis and training records (TNA, TNI), the Division scheduled an annual training calendar for action by Group HR as well as planning for individual training programme, particularly for executives to enhance their skills and competencies. In addition, the Division has implemented HR Plan and adopted Human Resource Policy (Dasar Am Pembangunan Sumber

Manusia untuk Pekerja Kumpulan TNB) from Group HR, in its effort to further enhance staff performance.

### CUSTOMER FOCUS

As each department within CSD offers a variety of services, customer's requirements, needs and expectations will vary accordingly. The Division frequently solicited feedback and conducted survey with various customers groups to improve engagement.

The main objective of the survey is to help the Division gauge the level of satisfaction among its customers and to determine ways to better serve its customers. It provides a consistent framework and platform for ongoing improvement and measurement.

Each year all departments under the Division were required to distribute survey forms to their selected customers. Each department had to come up with their own Customer Satisfaction Index (CSI) survey where questions were asked not only on the services rendered, but also on the personnel's competencies and shared value. The Planning and Performance Department will do the final analysis for the whole Division. The scores and findings from the survey will serve as the basis for all departments to take appropriate corrective and improvement measures which include the following:

- To take immediate action on the identified areas that needs improvement
- To hold regular dialogue/meetings sessions (formal/informal) with customers to understand their needs and expectations and to find ways to resolve problems encountered with the services offered
- To provide feedback to customers
- To monitor, develop and implement Customer Relationship Management Plan



### QUALITY MANAGEMENT AND INITIATIVES

CSD will continue to find ways to improve its quality of services. Various methodologies were used to gather information on customers, employees and stakeholder's requirements, needs or expectations. Feedback, complaints and audit findings are discussed to enhance the existing process and communications.

Various quality management initiatives had been conducted by the Division which include:

- The use of AKP to measure strategic plan and the implementation of the nine key categories.
- The formation of 16 WIT teams with the objective to improve quality of products and services to customers. These teams participated in WIT Convention for the Division in August 2009. Members of the team were drawn from the same units and projects were designed to improve their own unit's processes. Five themes were approved for selection by the WIT teams namely Towards improvement of productivity & efficiency, Towards work place safety improvement, Towards reduction of Division/Department Operating Costs, Towards customer satisfaction improvement, and Towards prevention of intrusion on TNB assets.
- The implementation of 5S activities in all departments such as "A Great Cleaning Day", has helped to improve the office environment. The objective is to maintain a more conducive and effective work place for high productivity.
- The monitoring of Risk Management for the Division aimed to maintain strong internal control so as to minimise the likelihood of the Division/Department not achieving its objectives. It would also help to reduce uncertainty over occurrence of undesirable events.

- SEMS Internal Audit was conducted by the Division Steering Committee at the Logistic and Property Services Departments on 23 June 2009 as part of preparation for SEMS Certification in 2011.

### STAKEHOLDERS/RELATIONSHIP MANAGEMENT

Various methodologies were used to gather information on stakeholders' requirements, needs and expectations. The good rapport being established with stakeholders who are directly related to its daily operations had helped the departments in the Division to improve its services. Among the stakeholders are Ministry of Finance (MOF), Malaysian Industrial Development Authority (MIDA), Royal Customs Department, Port Authority, Ministry of Domestic Trade & Consumer Affairs, Road Transport Department (JPJ), Royal Malaysian Police (PDRM), SPRM, PUSPAKOM, Cyber Security Malaysia, Ministry of Science and Innovations and National Security Council.

Apart from that, CSD had also managed and monitored the performances of its vendors particularly the service providers such as private security agencies, panel workshops, panel transporters, panel Multimodal Transport Operators (MTOs), CELCOM, building and maintenance contractors as well as general vendors for supply of materials.

### CHALLENGES AND PROSPECTS

With the current socio-economic scenario, the Division faces various challenges especially on threats to the infrastructure. The Division needs to work closely with Government enforcement agencies to ensure an orderly approach to manage these challenges effectively and comprehensively. Initiatives were taken to educate and create awareness to the community on the impact of the threats and intrusions.

Various initiatives also need to be implemented to support TNB in facing the challenges by ensuring high performance, integrity and efficiency.





## SABAH ELECTRICITY SDN BHD



### HIGHLIGHTS OF ACHIEVEMENT

- The sale of electricity during Financial Year (FY)2008/2009 amounted to RM954 million, an increase of 11.7% compared to RM854 million recorded in the previous financial year. Total units sold increased by 9.68% rising from 3,384.74 GWh in FY2007/2008 to 3,712.55 GWh for FY2008/2009.
- The total reported operating expenditure amounted to RM1,135.20 million for FY2008/2009 compared to RM977.96 million reported in FY2007/2008 (net of subsidy). The Company received significant diesel and medium fuel oil subsidies from the Government of Malaysia and Energy cost is presented after deducting the total cost against subsidised amount.
- Total operating expenditure exceeded total income resulting in an operating loss of RM69.53 million compared to an operating loss of RM16.44 million in FY2008. Total finance costs and foreign exchange losses for the financial year of RM72.07 in FY2009 compared to RM65.03 million in FY2008 resulted in a net loss after finance cost of RM141.6 million. Cost Per Unit (CPU) SESB as of 31 August 2009 before is 32.30 cent per kWh.
- The highest Maximum Demand recorded in FY2008/2009 was 703.9 MW while the total installed capacity for Sabah is 1,048.5 MW (SESB 468 MW and IPP 580.5 MW).
- The SAIDI index in Sabah has shown positive improvement with reducing trend from 4109 minutes in FY2005 to 2285 minutes in FY2009.
- SESB had been certified ISO9001-2008 by SIRIM QAS International Sdn. Bhd. 20th August 2009.

### HUMAN RESOURCES DIVISION

With a staff strength of 2,394 (1,438 technical and 956 non-technical), SESB continues to develop the competency and capability of its employees through smart partnership programmes with Institut Latihan Perindustrian (ILP) Sabah as part of the key strategy to enhance productivity and efficiency of the company.

### GENERATION DIVISION

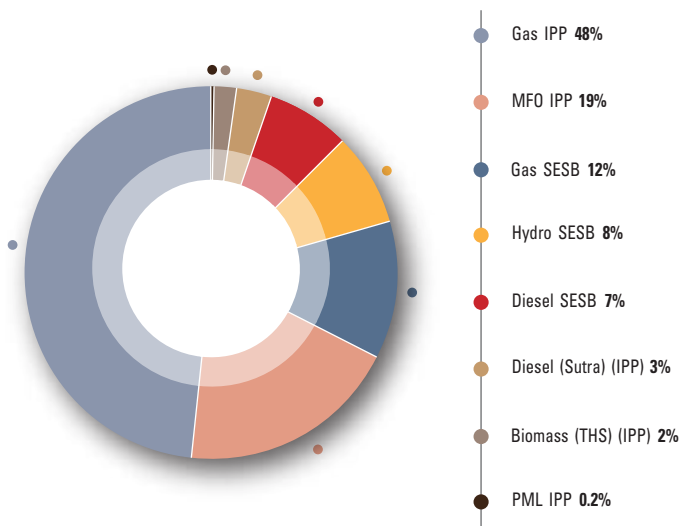
The total cost per unit (CPU) generated by the Generation Division for all SESB power stations namely major, minor, rural mini hydro stations and IPP plants for FY2008/2009 was 15.8 sen/kWh while the overall units generated and total expenditure incurred was 4,441.8 GWh and RM708.1 million respectively. Out of this total, minor and rural stations accounted for only 1.22% of the total units generated and 2.3% of the total expenditure.

As a strategy to reduce overall generation costs, the Division had focussed on its major stations, all Independent Power Producer stations (IPPs), Hydro and Gas power plants. Among initiatives implemented and to be implemented to achieve this objective included Trash Diverter II Project at Hydro Tenom Pangi Power Station and the replacement of Lateral Exhaust Ducting and Damper Door at Patau-Patau Power Station (completed on 15 July 2009).

Figure 1 shows the generation fuel mix as at end August 2009. Generation from gas fuel accounted for 60% of the total energy followed by MFO 19%, diesel 10% and hydro at 8%.



**FIGURE 1:**  
Generation Fuel Mix as at 31 August 2009



**TRANSMISSION DIVISION**

The key mandate for the Transmission Division is to ensure supply reliability and quality. In its effort to fulfil the responsibility, the Division had formulated the following initiatives:

- a. To carry out planning, operation, maintenance and system improvement works of the transmission system throughout Sabah and the Federal Territory of Labuan.
- b. To operate and control the despatch of power generation of the power plants in the Sabah Grid in the most efficient manner without jeopardising the security of the Sabah GRID.

The supply reliability of transmission lines had contributed to the overall positive image of SESB as the transmission lines and substations are the linkages between the supply source and the distribution system.

For FY2008/2009, Transmission Division had been restructured involving the transfer of Energy Procurement Unit (EPU) to the Planning Division. Following this exercise, the number of departments under SESB had subsequently been reduced from five to four.

As at August 2009, SESB Transmission Division had recorded the following achievements:

	<b>Targets and Objectives</b>	<b>Key Performance Indicators/ Measures</b>	<b>Target</b>	<b>Achievement</b>
1.	Delivery Point Unreliability Index (DPUI)	System Minutes	36	31.58
2.	System Average Interruption Frequency Index (SAIFI)	Interruption/Delivery Point	0.24	0.287

A total of 21 maintenance and system improvement projects were carried out by the Transmission Division of which nine had been completed while the remaining twelve are ongoing and are expected to be completed as scheduled.

The completed projects are:

- 1. Provision of Remote Terminal Units and Associated SCADA Interfacing Work.
- 2. Supply, Delivery, Installation, Testing and Commissioning of Numerical Under Frequency Load Shedding Schemes for East Coast Grid 11 kV Distribution Feeders.
- 3. Protection System Improvement Work and the Associated Work for 33 kV Sandakan Network In East Coast Region.





## SABAH ELECTRICITY SDN BHD (CONT'D.)

4. Supply, Delivery, Installation, Testing and Commissioning of Low Impedance Busbar Protection For 132 kV Substations.
5. Supply, Delivery, Modification Works, Site Installation, Testing and Commissioning of Synchronising Check Facility And Associate Work for 132 kV Penampang – Beaufort & 132 kV Penampang – Papar Lines.
6. Design, Supply, Delivery, Site Installation Work, Replacement Works, Modification Works, Testing and Commissioning of Distance Protection Relays and Associated Work for 132 kV Transmission Networks.
7. Installation of protection on the existing 66 kV underground cable KKBU-KRMG at Mat Salleh Junction, Coastal Highway.
8. Reconstruction of cable bridge no. 166 kV TLPT-UMS6 at Tg. Lipat, Likas.
9. Tender for the Dismantling, Removal, Design, Supply, Delivery, Installation, Testing and Commissioning of 2 units of 66 kV Neutral Earthing Resistor at SESB Melawa Sub Station, Kota Kinabalu.

### DISTRIBUTION DIVISION

The Distribution Division supplies electricity in accordance with the provisions of the Electricity Supply Act 1990, the Licensee Supply Regulations 1990 and the Electricity Regulations 1994. The Division is made up of three core components namely the Technical Unit, Customer Service & Marketing Unit and Operational Zone. All the components have been working together to optimise all customer service processes ranging from application to installation, operation to maintenance and billing to upgrading of services. Hence SESB customer-focused business strategy has enabled the customers to interact directly with SESB. It also enables SESB to provide customised solutions to meet customer requirements and provide prompt response and rectification to customer complaints.

To enhance operational efficiency, the Operational Zone are divided into seven operational areas headed by the Zone Managers.

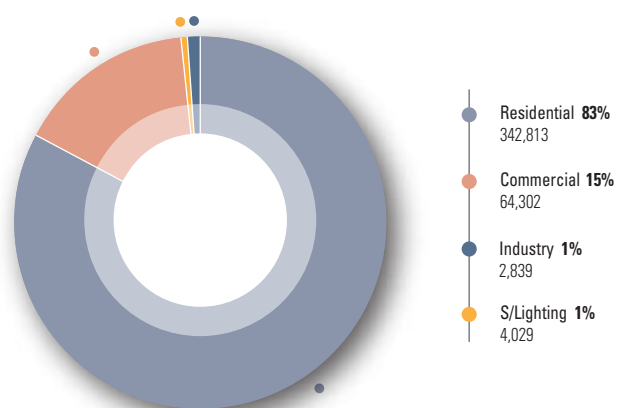
The Zones are further sub-divided into areas headed by Area Managers. The smaller districts are headed by area supervisors. The seven zones are:

Zone	Area
Central	Kota Kinabalu and Tuaran
West	Beaufort, Papar, Sipitang and Kuala Penyu
North	Kota Belud, Ranau, Kudat, Kota Marudu and Pitas
Labuan	Wilayah Persekutuan Labuan
East	Sandakan, Kota Kinabatangan, Beluran and Telupid
Southern	Tawau, Lahad Datu, Semporna and Kunak
Interior	Keningau, Tenom and Tambunan

Operational Zones manage all retail business activities and act as front liners in dealing with the customers. All zones manage the planning, construction, operations and maintenance of the system in accordance with the jurisdiction and scope assigned to them. The services provided at zone /area level include:

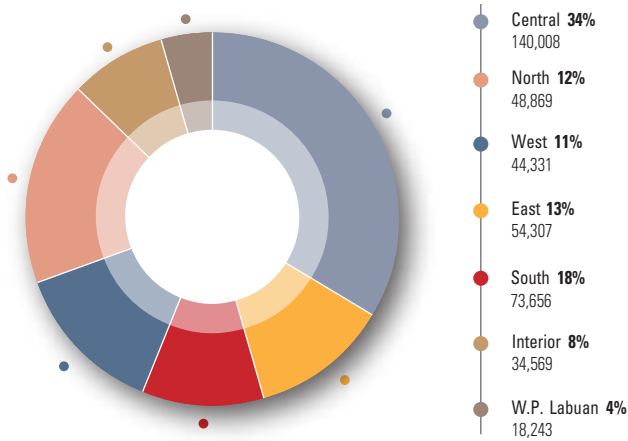
- Application for supply
- Planning and construction
- Installation of supply
- Operations and maintenance
- Metering services
- Billing and collection
- Complaints and counter services
- Call Management Centre (CMC – Tel. No.15454)

**FIGURE 2:**  
No. of Customers based on Tariff

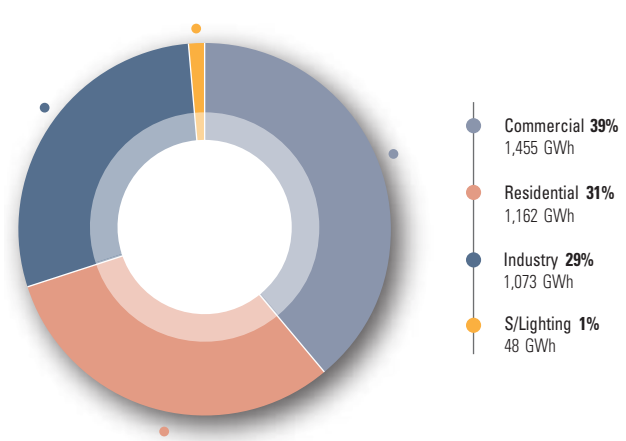




**FIGURE 3:**  
No. of Customers based on Zones



**FIGURE 4:**  
Sales (GWh) based on Tariff



**TABLE 1:**  
Technical data

	Central	North	West	East	South	Interior	W.P. Labuan
No. of PPU	0	2	7	10	7	19	5
No. of PE 11/22 kV	1,634	805	726	670	1,062	531	278
<b>Length of O/H</b>							
ABC 33 kV	0	52	25	42	33	30	0
Bare 33 kV	0	10	103	129	25	115	31
ABC 11 kV	54	152	100	164	193	87	10
Bare 11 kV	1,367	1,425	859	654	568	784	151
<b>Length of U/G</b>							
33 kV	0	80	0.55	21	42	4	31
11/22 kV	151	114	37	282	97	40	101

- Vegetation Management for 11 kV and 33 kV System
- Preventive Maintenance for VCB switchgears at PMU and PPU
- Preventive Maintenance for 33 kV Transformers by MTM.

These initiatives were further improved in FY2008/2009. 39% of the budget for HV System Improvement projects had been utilised in FY2008/2009. Projects to be given priority under these initiatives are the new feeders' injection from PMU and PPU and creating feedback system from existing feeders.

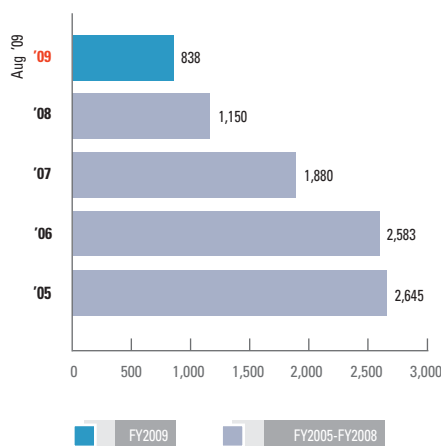
Under SESB's 20 Year Strategic Plan, the three principal Key Performance Indicators (KPIs) for which the Distribution Division is directly responsible are System Average Interruption Index (SAIDI) and Non Technical Losses and Average Collection Period (ACP). Focus was given to the implementation of preventive maintenance schedule and HV system improvement projects to improve supply reliability. Among the maintenance projects implemented were:



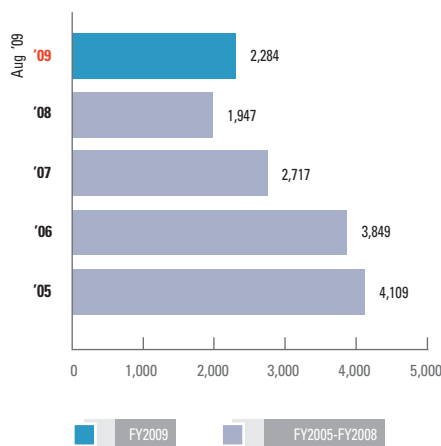
## SABAH ELECTRICITY SDN BHD (CONT'D.)

As indicated in Graph 1 below, the Distribution Division has succeeded in reducing SAIDI by 312 minutes. Overall SAIDI for SESB has recorded a down trend since 2005.

**GRAPH 1:**  
System Average Interruption Index (SAIDI)  
for FY2005-2009



**GRAPH 2:**  
Overall System Average Interruption Index (SAIDI) for FY2005-2009



The Metering Unit of the Division which is responsible for reducing system losses had outlined the following critical initiatives that has great impact on the reduction of system losses especially Non Technical Losses (NTL):

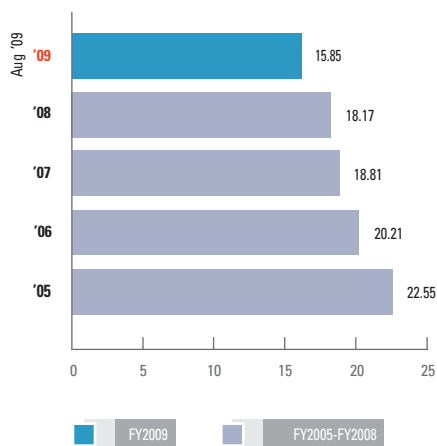
- Scheduled Inspection on LPC Meters – 100% LPC Check.
- Installation of kVARH on LPC Consumers.
- Installation of Check Meter on LPC Consumers.
- Replacement of Old Ordinary Power Consumers (OPC) ->20 years.

Results of these initiatives in FY2008/2009 are as indicated in Table 2. Graph 3 shows the System Loss recorded for FY2004-FY2008.

**TABLE 2**

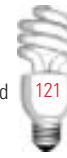
Bil	KPIs	Target	Recorded	%
1	HV & LV LPC Check	2,560	2,383	93%
2	LPC W/Out Check Meter	20	18	90%
3	Routine Meter Change	26,315	19,537	74%

**GRAPH 3:**  
System Losses Recorded from FY2005-FY2009



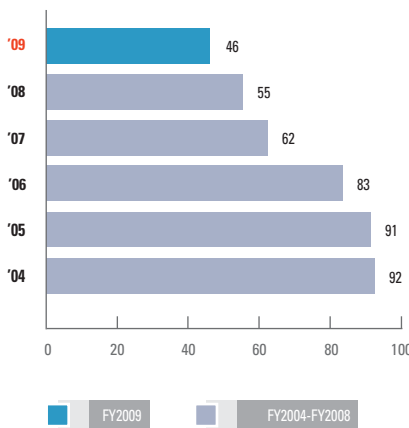
Initiatives to reduce ACP is under the purview of the Customer Services & Marketing Unit. Other than increasing the daily disconnection activities carried out at station level, several new initiatives were taken in FY2008/2009 including:

- Monitoring the daily performance of meter readers.
- Daily monitoring of Unbilled Accounts.
- Appointing vendors to carry out disconnection – only exercised in Kota Kinabalu, Sandakan, Tawau, Tuaran, Papar, Lahad Datu and Semporna.
- Ongoing monitoring of Government Accounts.



The ACP performance for FY2008/2009 is as indicated in Graph 4 below:-

**GRAPH 4:**  
ACP (days) Trend FY2004 – FY2009



Among the key activities conducted under AKP Customer Focus included PRIME Visits to show appreciation to Prime Customers for being one of our most important customers as well as to develop better rapport, understanding, and communication between both parties. As at end August 2009, a total of 33 Prime Customers were visited by 12 Management Team members throughout Sabah. Besides that all the Area Offices also carried out their own PRIME Visits in addition to those assigned to Management Team.

**INFORMATION SYSTEM DIVISION**

The Mobile Billing Management System (MOBIMAS) had been upgraded involving enhancement of the application programmes and replacement of Hand Held Terminal (HHT) and printers to improve billing services. Application enhancements are done in-house and are currently in progress. HHT's and printers will be replaced in stages and is expected to commence in September 2009, upon completion of application enhancements.

Rebates for domestic type bills amounting to RM20 or less per household had been implemented starting effective October 2008 as announced by the Government. Additional programme coding in the MOBIMAS and SAP systems to cater for the new functions were done in-house.

The 9.6kbps data-communication system at the Tenom, Sipitang and Kota Marudu branches had been replaced with Streamyx. This had reduced the annual lease line rental. Several major improvement work had been carried out including Network Management System, backup system and wireless equipments to manage, monitor and improve network performance. Firewall systems were upgraded to provide better protection and security of the system.

**ORGANISATION DEVELOPMENT DEPARTMENT**

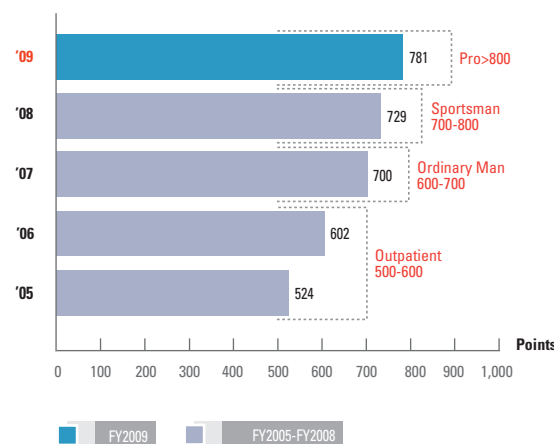
The Organisation Development (OD) Department continued to play its role in providing support services to all Divisions in SESB thus creating a vibrant work culture towards realising our 20-year Strategic Road Map – "IF IT IS TO BE, IT IS UP TO ME." Among the key initiatives taken were:-

- Signing of MOU between SESB and the National Institute of Occupational Safety & Health (NIOSH) on the 28 July 2009.
- Malaysian Productivity Corporation (MPC) had conferred Sipitang Station with 5S re-certification and had accredited Sipitang 'Main Distribution Sub-Station' on the 23 June 2009. The MPC also accredited SESB's Central Store with Quality Excellence (5S) certification on the 6 August 2009.
- SIRIM QAS International Sdn. Bhd. conducted Compliance Audit from the 12 to 21 May 2009 and approved ISO9001:2008 Certification on 20 August 2009.

**Anugerah Kualiti Presiden (AKP)**

AKP has been at the forefront of SESB's Quality initiatives since FY2004/2005. In FY2008/2009, SESB had recorded tremendous progress in AKP by scoring 781 points. This was announced during the closing meeting of FY2008/2009 AKP final assessment on 13 August 2009. Besides the meetings of AKP working groups, Prochamps and Quality Councils on Tracker Boards and quality projects performance, AKP Secretariat had mobilised the conduct of AKP roll down by SESB's own Facilitators/Assessors throughout the Company within a month. Graph 5 below shows the AKP's score trend since FY2004/2005 to FY2008/2009:

**GRAPH 5:**  
AKP Score Trend





## SABAH ELECTRICITY SDN BHD (CONT'D.)

### 5S Certification

SESB's 'Main Distribution Sub-Station' (MDSS) (Sipitang) was conferred 5S certification by Malaysian Productivity Corporation (MPC) on the 23 June 2009. More Sub-stations are expected to undergo 5S audits and certification in the future. SESB's Central Store (Kolombong Central Store) was conferred with WIT-5S Certification with 92% score by MPC on the 6 August 2009. Following this, other regional stores in SESB will also undergo 5S audits and 5S certification.

### Safety and Environment Management System (SEMS)

The inception of SESB's Quality Framework in 2007 had enabled SEMS programmes to make major headway. In FY2008/2009, four rounds of SEMS reinforcement programmes including safety awareness briefing for staff's families. SEMS Auditor workshops were also conducted in which participants include non-technical personnel. To date, there are 135 SEMS auditors in SESB. Briefing by the Fire and Rescue Department, safety week activities, material inspection and accident investigation were carried out as usual.

FY2008/2009, the Organisation Development Department creates history when both its Safety Manager and Safety Officer, under the guidance of the Head of Departmental (Engr. Gan Lip Huat), respectively presented a paper at the first Borneo OSH Convention, and conducted a safety briefing for Labuan Fire and Rescue Department staff. These events were seen as SESB's contribution to the local community and to the regional 'Community-of-Safety-Consultancy Services,' (COSCES).

### WIT-ICC & WIT-CFT

Both WIT-ICT and WIT-CFT were formed in FY2007/2008 to inculcate teamwork and continual improvement at the workplace. To date, there are 50 WIT and 33 CFT teams in SESB. Both WITs are under the jurisdiction of the respective Project Champions.

The landmark events for these two WIT in FY2008/2009 were the WIT-CFT-Forum and the WIT-ICC Convention held respectively on 22-23 June 2009 and 25-26 June 2009. The first WIT-CFT was held in October 2007 while the WIT-ICC Convention was the first. In all, nineteen (19) teams participated in the WIT-CFT Forum while the WIT-ICC Convention had twenty-six (26) teams. Winners of the WIT-ICC Convention were given cash prizes ranging from RM1,000 to RM5,000.

The three WIT-ICC winning teams subsequently participated in the Sabah-Sarawak Region ICC Convention held in Kota Kinabalu on the 13-14 July 2009 and won two gold and one silver prizes. Two of SESB's WIT-ICCs would represent SESB in the National ICC Convention.

One positive impact of the progress of WIT-ICC/WIT-CFT was their maturity in problem-solving. This might prompt the Management to accord them greater independence in solving the company's problems. However, they need to master the Ishikawa and/or other problem-solving tools as well as have more frequent exposure to WIT-ICC/CFT projects to enable them carry out more complex tasks.

### Shared Values

SESB's 'Shared Values' programme was launched in April 2009. Shared Values statements were distributed throughout the company in both print and electronic forms. Shared Values roll down was also conducted.

### Suggestion Scheme

SESB had formalised the Suggestion Scheme (SGS) which was officially launched in during the Financial Year. Forms for the suggestion scheme are available in SESB's Intranet and staff can fill in the form online. The SGS committee managed to obtain 33 suggestions from SESB staff during the period under review. One staff won recognition from the Management for the best-suggestion. The SGS is set to gain better achievements in FY2009/2010 and beyond.

### PROCUREMENT DIVISION

The Procurement Division is responsible for improving the ability, efficiency, effectiveness, transparency, accountability and integrity in procurement and store management in SESB. The core functions of the Division comprises material planning, purchase of materials and services, warehousing and distribution of stock items and vendor development.

The Division had strived to meet customer satisfaction and requirements. Current initiatives identified for this purpose are as follows:

- Improve delivery performance
- Improve material availability and quality
- Ensure procurement compliances
- Enhance non-tariff revenue
- Improve vendor performance
- Implement vendor quality development programme
- Improve Supply Chain Management through:
  - Strategic Alliances with original equipment suppliers/manufacturers and TNB subsidiaries
  - Entrepreneur development for local products
  - Vendor Warehousing
  - Panel of suppliers/contractors/workshops



Through efficient procurement management, systematic material planning and effective store management, Procurement Division will further improve its service quality to achieve its business objectives.

SESB has also focus on development of Bumiputera Vendors as well as its continuous pursuance on 'Smart Partnership' concept with potential Vendors. These initiatives and achievements includes attainment of 74% share of total awarded contract in FY2009 for Bumiputera Companies, strategic alliances with Malaysia Productivity Corporation (MPC) on Vendor Quality Development Program (VQDP), first signing of a local manufacturing company in Entrepreneur Development Programme (EDP) and realising Vendor Managed Inventories in its major contracts.

### PROSPECT

The demand growth for electricity in Sabah is expected to be at around 7% per annum up to the year 2015. On the other hand, power demand is expected to touch 1,500 MW by year 2020.

SESB's immediate short and medium term plan in Generation is to focus on the reduction of usage of oil for generation and substitute it with cheaper source of supply. The long term plan will see the use of hydro energy as the major component of the generation mix. In order to ensure fuel diversity, a coal-fired plant has been considered as an alternative fuel input to gas-fired steam plants. The first coal-fired plant project in Sabah is expected to be commissioned in 2015.

SESB's immediate plan for transmission development would focus on reinforcement of the existing transmission and distribution systems to enhance system supply stability and reliability as well as to cater for the projected increase in load demand in Sabah. The long term transmission plan would depend on identified power generation sources and locations, and the implementation of a fully integrated 275 kV ring network, (including upgrading of the 132 kV network in the East Coast to 275 kV and establishing of 275 kV Southern East-West Link), as the backbone in Sabah and to be ready for interconnection to neighbouring Sarawak and Brunei.

SESB has also set a target of 90% electrification coverage by year 2010 to enable more people in the state to have access to electricity supply as part of our contribution to the social and economic development of Sabah.





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

- **TAN SRI LEO MOGGIE**  
(Non-Independent Non-Executive Chairman)
- **DATO' SRI CHE KHALIB BIN MOHAMAD NOH**  
(President/Chief Executive Officer)  
(Non-Independent Executive Director)
- **DATO' PUTEH RUKIAH BINTI ABD MAJID**  
(Non-Independent Non-Executive Director)
- **DATO' MOHAMMAD ZAINAL BIN SHAARI**  
(Non-Independent Non-Executive Director)
- **TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG**  
(Senior Independent Non-Executive Director)
- **TAN SRI DATO' HARI NARAYANAN A/L GOVINDASAMY**  
(Independent Non-Executive Director)
- **DATO' ZAINAL ABIDIN BIN PUTIH**  
(Independent Non-Executive Director)
- **DATO' FUAD BIN JAAFAR**  
(Independent Non-Executive Director)
- **TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB**  
(Independent Non-Executive Director)  
(Appointed w.e.f. 12 September 2008)

### BOARD AUDIT COMMITTEE

**TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG**  
(Chairman of the Committee)

DATO' MOHAMMAD ZAINAL BIN SHAARI

TAN SRI DATO' HARI NARAYANAN A/L GOVINDASAMY

DATO' ZAINAL ABIDIN BIN PUTIH

### BOARD NOMINATION AND REMUNERATION COMMITTEE

**TAN SRI LEO MOGGIE**  
(Chairman of the Committee)

DATO' MOHAMMAD ZAINAL BIN SHAARI

TAN SRI DATO' HARI NARAYANAN A/L GOVINDASAMY

DATO' FUAD BIN JAAFAR

TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB



## REGISTERED OFFICE AND HEAD OFFICE

### TENAGA NASIONAL BERHAD

No. 129, Jalan Bangsar  
59200 Kuala Lumpur, Malaysia  
Telephone : 603-2296 5566  
Facsimile : 603-2283 3686  
Website : [www.tnb.com.my](http://www.tnb.com.my)

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

## COMPANY SECRETARY

NOR ZAKIAH BINTI ABDUL GHANI  
(LS 0008795)

## SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS  
SDN. BHD.  
Level 26, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur, Malaysia

## PRINCIPAL BANKERS

MALAYAN BANKING BERHAD  
Level 1, Tower A  
Dataran Maybank  
No. 1, Jalan Maarof  
59000 Kuala Lumpur, Malaysia

### CIMB BANK BERHAD

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

### BANK ISLAM MALAYSIA BERHAD

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

## EXTERNAL AUDITOR

MESSRS PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Level 10, 1 Sentral  
Jalan Travers  
Kuala Lumpur Sentral  
P. O. Box 10192  
50700 Kuala Lumpur, Malaysia

## STOCK EXCHANGE LISTING

### MAIN MARKET

Bursa Malaysia Securities Berhad, Malaysia  
(Listed since 28 May 1992)

## RATINGS

(as at 10 October 2009)

Baa1 (Moody's)  
BBB (Standard & Poor's)  
AA1 (Rating Agency Malaysia)  
AA+ (Malaysian Rating Corporation Berhad)

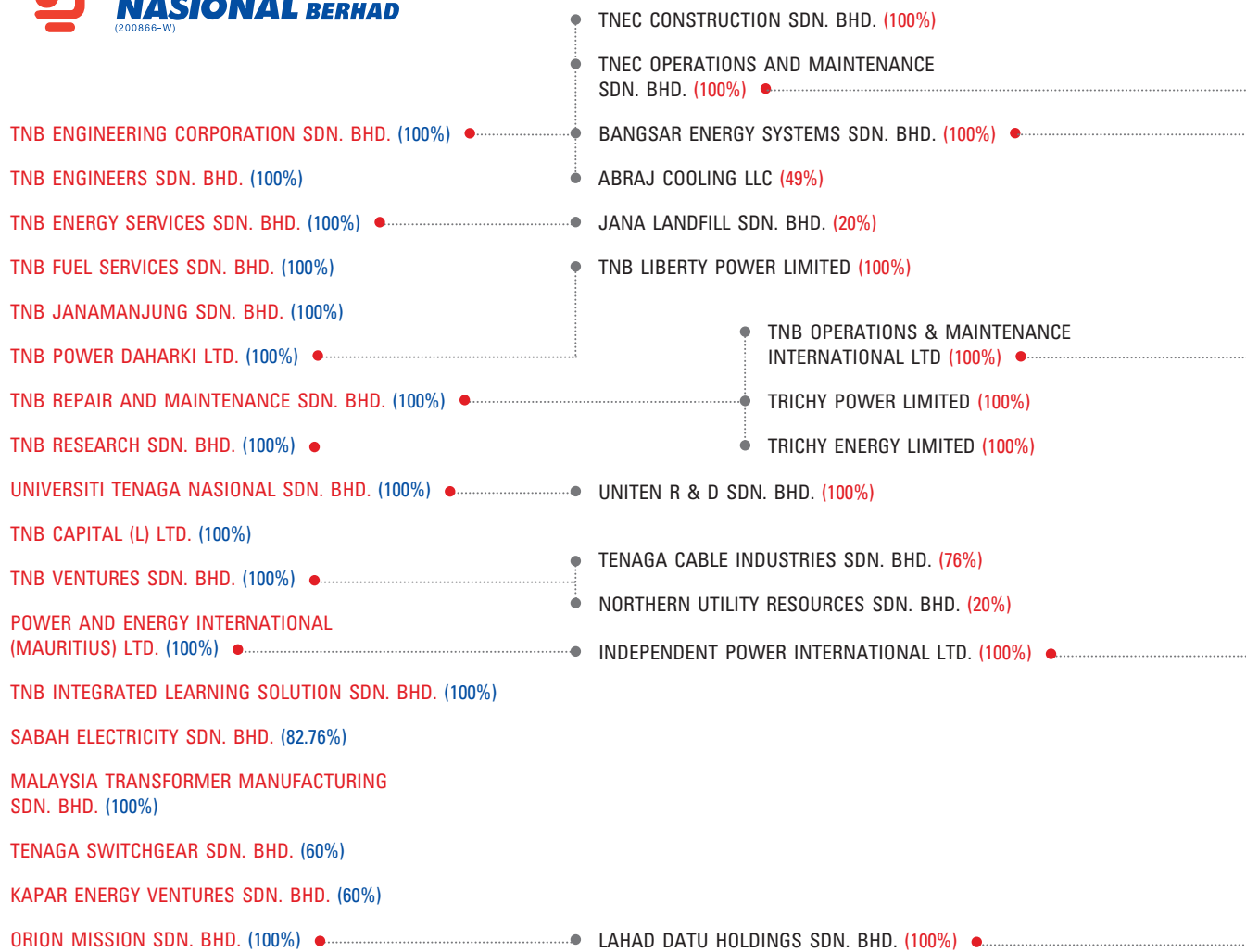
## AMERICAN DEPOSITORY RECEIPTS PROGRAMME (ADR)

ADR Level 1





# GROUP CORPORATE STRUCTURE (as at 10 October 2009)





**ASSOCIATE/INVESTMENT COMPANIES**

- FTJ BIOPOWER SDN. BHD. (24.5%)
- JIMAH ENERGY VENTURES HOLDING SDN. BHD. (20%)
- FIBRECOMM NETWORK (M) SDN. BHD. (49%)
- TEKNOLOGI TENAGA PERLIS CONSORTIUM SDN. BHD. (20%)
- PERUSAHAAN OTOMOBIL ELEKTRIK (MALAYSIA) SDN. BHD. (20%)
- GB3 SDN. BHD. (20%)
- LABUAN REINSURANCE (L) LTD. (10%)
- FEDERAL POWER SDN. BHD. (8.91%)
- BAKUN HYDRO-ELECTRIC CORPORATION SDN. BHD. (6.67%)

**JOINTLY CONTROLLED ENTITY**

- SEATRAC SDN. BHD. (50%)  
*(Formerly known as Sime Darby Power Link Sdn. Bhd.)*

**TRUST FOUNDATION**

- YAYASAN TENAGA NASIONAL
- RETIREMENT BENEFIT TRUST FUND
- YAYASAN CANSOLOR UNIVERSITI TENAGA NASIONAL

**NOTE:**

The complete list of companies under Tenaga Nasional Berhad is set out in Notes 15 to Notes 17 to the Financial Statements on page 242 to page 252 of this Annual Report.

● TOMEST ENERGY MANAGEMENT SDN. BHD. (51%)

● SELESA ENERGY SYSTEMS SDN. BHD. (70%)

● OASIS PARADE SDN. BHD. (100%) ● SAUDI-MALAYSIA OPERATION AND MAINTENANCE SERVICES COMPANY LIMITED (30%)

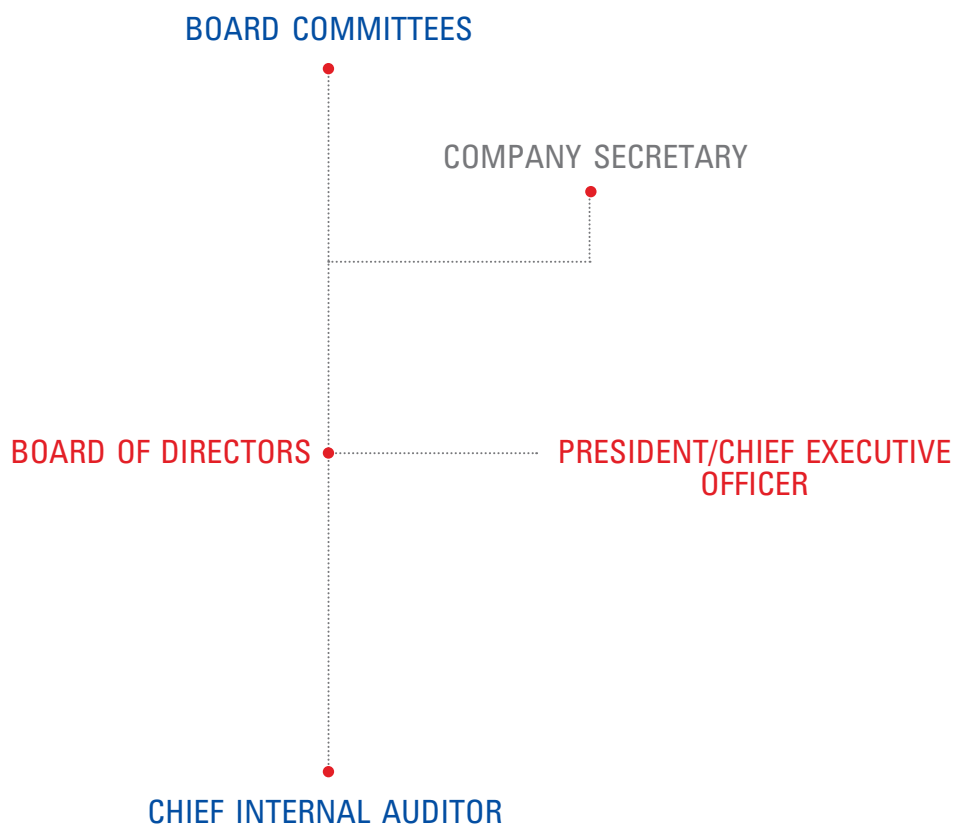
● MALAYSIAN SHOAIBA CONSORTIUM SDN. BHD. (20%) ● SAUDI-MALAYSIA WATER & ELECTRICITY COMPANY LIMITED (50%)

● LAHAD DATU ENERGY SDN. BHD. (100%)



# ORGANISATIONAL STRUCTURE

(as at 10 October 2009)





SENIOR VICE PRESIDENT  
(OPERATIONS & TECHNICAL)

CORE BUSINESS	NON-CORE BUSINESS	
<p>Vice President Generation Division</p> <p>Vice President Transmission Division</p> <p>Vice President Distribution Division</p>	ENTERPRISE MANAGEMENT	CORPORATE SERVICES
	<p>Chief Financial Officer/ Vice President Group Finance Finance Division</p> <p>Vice President Corporate Affairs Division</p> <p>Vice President Planning Division</p> <p>Vice President Human Resource Division</p> <p>Chief Information Officer Information and Communication Technology Division</p> <p>Chief Procurement Officer Procurement Division</p>	<p>Senior General Manager Corporate Services Division</p>



## CALENDAR OF EVENTS

### SEPTEMBER 2008

#### Windfall profit levy scrapped by the Government

Government scrapped on 11 September the windfall profit levy imposed on Independent Power Producers (IPPs) and suspended re-negotiation with the IPPs on the power purchase agreements (PPAs) pending a comprehensive study into the restructuring of the electricity supply industry. The Government imposed the levy on the audited returns of IPPs in excess of a 9% return on assets effective 1 July 2008, while on 24 July it announced that PPA renegotiations will be undertaken with the IPPs.

### OCTOBER 2008

#### Signing of MoU for TNB Sponsorship to MHF

TNB signed a Memorandum of Understanding (MoU) with the Malaysian Hockey Federation to pledge its sponsorship support and thus sealing it as the Main Sponsor of the TNB-Malaysian Hockey League 2008.



### OCTOBER 2008

#### Government rebate effective for electricity bill less than RM20.00

A government rebate became effective on 1 October, benefiting a total of 970,000 electricity consumers or 60% of the Malaysian population who need not pay their electricity bill for use of less than RM20 or 200 kW of electricity per month. The Government pays about RM12 million a month to TNB to subsidise the rebate under Budget 2009.

### NOVEMBER 2008

#### Signing of Collective Agreement 2008 between TNB and TNB Union

The agreement was signed by TNB's President/CEO as the representative for Management and the Chairman of the Amalgamated Union of Tenaga Nasional Berhad Employees (KPPPTNB) and Union of Tenaga Nasional Berhad Non-Executive Staff (KPPRTNB) as the representative for the TNB Union. It was witnessed by TNB Chairman, Tan Sri Leo Moggie.

### NOVEMBER 2008

#### International Energy Security Forum 2008

The International Energy Security Forum 2008 was successfully held on 12 November 2008 with more than 300 people from different sectors and industries attending the event. The theme was "Ensuring Energy Security in the 21st Century" and the main topics of discussion were Global Energy Challenges, Policies and Strategies for Energy Security, and Energy Options: Addressing Future Needs.





**NOVEMBER 2008**

**Signing of Second Supplementary Agreement on Water Royalty for Sultan Mahmud Power Station Kenyir, Terengganu**

As a result of this agreement, the Terengganu state government received water royalty amounting to approximately RM11.3 million per year for the duration of 10 years. TNB will be developing the second hydroelectric project in Hulu Terengganu to improve the electricity supply to the Country.

**NOVEMBER 2008**

**TNB Association for Executives (PET) Collective Agreement**

The signing ceremony was carried out by TNB Chairman Tan Sri Leo Moggie and TNB President/CEO Dato' Sri Che Khalib Mohamad Noh as Management representatives, whereas PET was represented by their Head Mr. Abdul Syukor and Honorary Secretary Mr. Anuar Ahmad Abidin.



**DECEMBER 2008**

**TNB 18th Annual General Meeting (AGM)**

The AGM was Chaired by TNB Chairman Tan Sri Leo Moggie together in attendance with TNB President/CEO, the Board of Directors, Senior Management, shareholders and invited ministry guests.

**JANUARY 2009**

**Launch of Penang Customer Management Centre (CMC)**

This Northern Zone CMC operations centre based in Penang is a merger of CMCs from Penang, Kedah, Perlis and Perak. It operates 24 hours a day to monitor customer service and phone calls received at the TNB Careline 15454, as well as to improve the management of TNB Careline services.





## CALENDAR OF EVENTS (CONT'D.)



### JANUARY 2009

#### Official launch ceremony of Electronic Bills Presentment by Maybank with TNB

Maybank and TNB set a milestone in electronic payments in Malaysia with the launch of an innovative Online Bill service for customers who can now view and then pay their electricity bills via Maybank2u.com, without even having their physical bills.

### JANUARY 2009

#### Extension of TNB Chairman's tenure

TNB announced extension of Tan Sri Leo Moggie's tenure as its Non-Executive Chairman for two years commencing 12 March 2009.

### JANUARY 2009

#### Government approved Bakun Hydroelectric project takeover

TNB and Sarawak Energy Berhad (SEB) announced that the Government has approved the proposal for them to jointly take over the operation of the Bakun Hydroelectric project from Sarawak Hidro Sdn. Bhd. through a leasing agreement and the joint partners will develop the transmission system from Sarawak to Peninsular Malaysia.

### FEBRUARY 2009

#### Infrastructure Enhancement Project Handover Ceremony

In line with the successful completion of the enhancement project, TNB handed over the Kuala Selangor Fireflies Conservation Centre to the Kuala Selangor District Office (MDKS) in an official ceremony.



### MARCH 2009

#### CEO of the Year Award

TNB President/CEO, Dato' Sri Che Khalib Mohamad Noh was honoured as Malaysia's CEO of the Year 2008 by Business Times. This award bestows the most coveted honour on the country's exceptional leaders who have successfully driven the organisation to spearhead the industry while making a lasting difference through the standards of strategic leadership, innovation, entrepreneurial and managerial expertise and performance.





**MARCH 2009**

**TNB signs agreement with FOMCA to support energy efficiency**

TNB signed an agreement with the Federation of Malaysian Consumers Associations (FOMCA) to implement a national energy efficiency awareness campaign to promote energy efficiency among urban domestic and industrial consumers.



**APRIL 2009**

**Safety Practitioners Symposium**

The main objective of this symposium is to further elevate the exposure and experience to safety and health amongst safety practitioners.

**APRIL 2009**

**KeTTHA Formed**

The Ministry of Energy, Green Technology and Water (KeTTHA) was formed after restructuring and Cabinet reshuffling by the Prime Minister thus bringing the importance of Green Technology to the forefront.



**MAY 2009**

**Visit by Laos Minister to the Prime Minister's Office**

TNB had the honour of a visit by His Excellency T.Y.T. Xaisengly Tengbiachue, Laos Minister to the Prime Minister's Office, who is also the President of the International Laos Business Development Committee. His purpose was to gain knowledge of Malaysia's Government-Linked Companies (GLCs).





## CALENDAR OF EVENTS (CONT'D.)



### JUNE 2009

#### Official Ceremony of RPS Dala Solar Hybrid System

TNB achieved another milestone with the official launching of the RPS Dala Solar Hybrid System in Gerik, Perak by DYMM Sultan of Perak, Sultan Azlan Muhibuddin Shah. This system generates electricity using the cleaner and more environmentally friendly solar panels to improve the quality of life of the people who live in remote areas.

### JUNE 2009

#### “Successful Completion Of Port Dickson II” Ceremony in Negeri Sembilan

The successful completion of the Second Phase of the Tuanku Ja’afar Power Station Rehabilitation Project (PD2) was marked by a ceremony that was officiated by the Minister of Energy, Green Technology and Water, Y.B. Datuk Peter Chin Fah Kui.



### JULY 2009

#### Tunku Mahkota Johor officiates Solar Hybrid in Kampung Sungai Peroh, Kluang

The solar hybrid system in the *Orang Asli* village in Sungai Peroh, Kluang was officially launched by DYAM Tunku Mahkota Johor Tunku Ibrahim Ismail Ibni Sultan Iskandar Al Haj in conjunction with the *Kembara Mahkota Johor 2009*. It supplies electricity to the 23 consumers living in the village.



### JULY 2009

#### TNB-FOMCA Launching of Energy Efficiency Mascot & Mandarin Website

In conjunction with the National Energy Efficiency Campaign, the Federation of Malaysian Consumers Associations (FOMCA) together with TNB launched the “SWITCH” mascot and their Mandarin website.





## JULY 2009

### Launch of "Sinar Lektrik Home Campaign"

Launch of "Sinar Lektrik Home Campaign" by Bank Islam Bhd in collaboration with TNB from 3 July to 30 September 2009. Under this campaign, the bank will reimburse the electricity bills of new home financing customers for five consecutive years.

## JULY 2009

### PM marks 100-days in office

Prime Minister Datuk Seri Najib Tun Razak marked his 100th day in office by announcing 11 people-friendly measures, which will receive special attention from the Government. The 11 measures include upgrading of electricity supply in rural areas of Sabah and Sarawak.

## JULY 2009

### MoU with Melaka State Government

TNB signed a Memorandum of Understanding (MoU) with the Melaka State Government on the sale of Pulau Upeh in Melaka. With the signing of the agreement, the Melaka state government buys back the island from TNB for RM6.5 million.

## AUGUST 2009

### Launching of the Institute of Energy Policy and Research (IEPR) UNITEN

This institute is the result of a collaboration with Universiti Tenaga Nasional (UNITEN), the Energy Commission and the Ministry of Energy, Green Technology and Water in the Government's efforts to increase initiatives to face global issues like pollution of the environment, thinning of the ozone layer and global warming.

## AUGUST 2009

### Official launch of Fireflies coffeetable book by DYMM Sultan of Selangor

The DYMM Sultan of Selangor, Sultan Sharafuddin Idris Shah launched "The Mysterious and Magical World of Fireflies: Kampung Kuantan, Kuala Selangor" coffeetable book on 26 August 2009 at a breaking of fast function at Universiti Tenaga Nasional's mosque.





# MEDIA HIGHLIGHTS

## TNB to proceed with east coast projects

Hydro-electric plants in Pahang and Terengganu may cost RM2 billion each, says source



DN 08/08/09: You are in good luck

## TNB to raise ringgit loans

Power company plans tranche-by-tranche financing for US\$2b cable project



## TNB aims to commission first nuke plant by 2025

Malaysia's first nuclear power plant is expected to be built in the next few years, says a source. The project is being funded by a combination of government and private investment.

## TNB completes initial study on 2 hydro plants

Initial study on two hydro plants in Pahang and Terengganu completed.

## TNB mulls possibility of setting-up nuclear plant

Tenaga Nasional Berhad (TNB) is mulling the possibility of setting up a nuclear power plant in Malaysia. The company is currently conducting an initial study on two hydro plants in Pahang and Terengganu.

## Cheaper power out as coal price high, says TNB

Higher coal prices have led to a decrease in power generation costs, says TNB.

## Oil price is down but not coal: TNB

Oil prices have fallen, but coal prices remain high, which affects power generation costs.

## Govt support needed for Bakun to be commercially viable, says Tenaga

The Bakun hydroelectric project requires government support to be commercially viable, according to Tenaga.

## Pusat kelip-kelip warisan unik untuk generasi muda

A new center for traditional crafts is being established to preserve and promote the heritage of the younger generation.

### Keajaiban solar dan kincir angin

## 55 kampung Orang Asli dapat elektrik 24 jam

55 Orang Asli villages will now have 24-hour electricity supply, thanks to a government initiative.

### Not possible to cut tariff further: TNB

## TNB may save RM400m after deferring power plant

Deferring the construction of a power plant could save TNB up to RM400 million, says a source.

## TNB not likely to increase tariffs this year, says OSK

The Malaysian Electricity Regulatory Commission (ERB) is unlikely to increase tariffs this year, according to OSK.

## IPP pay price in

Independent Power Producers (IPPs) are expected to pay a higher price for electricity, says a source.



### TNB to reduce power tariff from March 1

**KUALA LUMPUR:** Tenaga Nasional Berhad (TNB) will reduce electricity tariffs for consumers effective March 1, in line with the government's decision to reduce gas prices for the power sector as announced previously. The new rates will reflect the reduction in the gas price from RM10.10 per billion British Thermal Units (BTU) to RM9.10 per BTU.



### Tenaga's Heavy Load

**KUALA LUMPUR:** Tenaga Nasional Berhad (TNB) is facing a heavy load of power demand as it prepares to meet the growing needs of the country's economy. The company's power generation capacity is expected to reach 10,000 MW by 2015, with a peak demand of 12,000 MW.



### Penganalisis optimis potensi saham TNB naik

Jangkaan kenaikan tarif elektrik tahun depan perkukuh saranan 'beli' kepada pelabur



**SERANI:** Apabila pasaran tenaga elektrik menjelang akhir 2009, penganalisis optimis potensi saham TNB akan meningkat. Jangkaan kenaikan tarif elektrik tahun depan perkukuh saranan 'beli' kepada pelabur.

### TNB may save RM59m yearly from repurchase of bonds: AmfResearch



### Earth Hour was 'a big success'

**KUALA LUMPUR:** The Earth Hour event in Malaysia was a big success, with 40,000 light bulbs being switched off across the country. The event was organized by the Malaysian Green Council.



### TNB operational costs remain high

**KUALA LUMPUR:** Tenaga Nasional Berhad (TNB) still incurs high operational costs despite lower coal and fuel prices in the world market. The company's operational costs are expected to remain high due to the high cost of gas and coal.

### Tenaga records 550MW dip for Earth Hour

**KUALA LUMPUR:** Tenaga Nasional Berhad (TNB) recorded a 550MW dip in power demand during the Earth Hour event. The dip was due to the switching off of 40,000 light bulbs across the country.

### TNB: RM2.8b profit possible

**KUALA LUMPUR:** Tenaga Nasional Berhad (TNB) could achieve a profit of RM2.8 billion in 2010, according to analysts. The company's profit is expected to increase due to the reduction in gas prices and the increase in power demand.



**Lighting up for peace**  
Students of Universiti Tenaga Nasional Malaysia (Ustn) lighting up 40,000 oil lamps to form a logo with the theme 'Reaching for World Peace' at Masjid Shah in Pahang. The effort of the 700 students in creating the 4m by 90m logo on Thursday was acknowledged by the Malaysia Book of Records. — **NK MALDI HUSIN / The Star**

### TNB wins award

**KUALA LUMPUR:** Tenaga Nasional Berhad (TNB) has been named as the top three most admired company in Association of South-East Asian Nations (Asean) in the employment category of the Asean Business Awards 2008 (ABA). In a statement here Tuesday, TNB said it was invited to partic-



### RM100m power boost for Batu Kawan industries

**KUALA LUMPUR:** Tenaga Nasional Berhad (TNB) will invest RM100 million to build a transmission main intake station for the Batu Kawan industries. The station is expected to be completed by 2010.

### Guna tenaga nuklear dikaji

**KUALA LUMPUR:** The use of nuclear energy is being studied by Tenaga Nasional Berhad (TNB) as a potential source of power. The study is expected to be completed by 2010.

### TNB: Very strong case to review power pacts

**KUALA LUMPUR:** Tenaga Nasional Berhad (TNB) has a very strong case to review its power purchase agreements (PPAs) with independent power producers (IPPs). The company's PPAs are expected to be reviewed by the government.

### Renewables, gas the way

**KUALA LUMPUR:** Renewable energy and gas are the way forward for the power sector, according to analysts. The use of renewable energy and gas is expected to increase in the coming years.

### Che Khalib dipilih tokoh CEO 2008

**KUALA LUMPUR:** Che Khalib bin Mohamad has been chosen as the most admired CEO in Malaysia for 2008. He is the CEO of Tenaga Nasional Berhad (TNB). The award was presented to him by the Malaysian Business Awards 2008.

### TNB: Mistake to extend concession

**KUALA LUMPUR:** It is a mistake to extend the concession period for independent power producers (IPPs), according to analysts. The extension of the concession period is expected to increase the cost of power for consumers.



## STATEMENT OF CORPORATE GOVERNANCE

Corporate governance is an evolving ideal, a process of continuous improvement that any entity should focus on as the foundation and framework to manage the business of the organisation. The Board in recognising this, is committed to uphold its application and practise in the Company in ensuring the value to its shareholders and stakeholders are met.

The unprecedented scale of the global economic crisis sparked by mortgage defaults in the US in 2007 has indeed revealed that lack of corporate governance has a devastating impact when failure to conform and practise good corporate governance is left unchecked.

The Board, which in the past five years laid down the framework and structure with the necessary internal control process with continuous review for enhancement, is confident that it will be able to weather the economic storm despite the tough operating environment.

The Board is pleased to report to the shareholders on the manner TNB has strengthened its application of the principles of corporate governance and adoption of the corporate governance best practices laid down in the Malaysian Code on Corporate Governance (the Code).

### (A) THE BOARD OF DIRECTORS

The Board takes full responsibility in governing, guiding and monitoring the entire performance of the Company with the eventual objective of enhancing long term sustainable value creation aligned with the interests of shareholders as well as other stakeholders. In accordance with the Best Practice provision of the Code on

Corporate Governance, the Board is committed to ensure that the Company has applied the principal responsibilities outlined below:-

#### Composition of the Board

The Board of Directors of TNB presently consists of nine (9) members comprising one (1) Non-Executive Chairman, one (1) Executive Director and seven (7) Non-Executive Directors. The diverse background of the members who come from various fields such as financial, legal, engineering, management and public administration provide invaluable perspectives to overseeing the management of the Company. A brief profile of each Director is set out on pages 166 to 171 of this Annual Report.

#### Process of Appointment to the Board

Appointment to the Board of TNB is made either by the Special Shareholder pursuant to Article 5(2) of the Company's Articles of Association or by the Board of Directors pursuant to Article 133 of the Company's Articles of Association.

The Board Nomination & Remuneration Committee (BNRC) scrutinises the sourcing and nomination of suitable candidates for appointment as Director in TNB and its subsidiary companies. This Committee will ensure the selection of Board members with the right skill set, expertise and industry knowledge thus strengthening the composition of the Board and contributing significantly to the effectiveness of the Board.

#### Roles and Responsibilities

The Board puts in place long term strategic plans and reviews the short and medium term performance on an annual basis. This is to align the long term strategic plans and directions with current demand of the customers and change in the economic outlook. Monitoring by the Board

on the achievements of the business targets is made quarterly with monthly management reporting on financial and technical performance updates.

The roles and responsibilities of the Chairman of the Board and the President/Chief Executive Officer are distinct and separated. The Chairman is responsible for the conduct of the Board and ensures that the Board's discussions are conducted in such a way that all views are taken into account before a decision is made. The President/Chief Executive Officer has the general responsibility for running the business on a day-to-day basis thus ensuring a balance of power and authority so as to provide a safeguard against the exercise of unfettered powers in decision-making.

Accountability is part and parcel of governance in TNB - whilst the Board is accountable to the shareholders, the Management is accountable to the Board. The Board ensures that the Management acts in the best interests of the Company and its shareholders by working to enhance the Company's performance.

There is a clear division of responsibilities between the Board and the Management. The President/Chief Executive Officer supported by his team of Management through Committees namely the Group Executive Council Committee, Group Executive Management Committee, Group Management Tender Committee, Energy Supply Committee, Group Risk Management Committee, Fuel Procurement Executive Committee and these Committees are responsible for the implementation of Board resolutions, overall responsibilities over the day-to-day operations of the Group's business and operational efficiency.

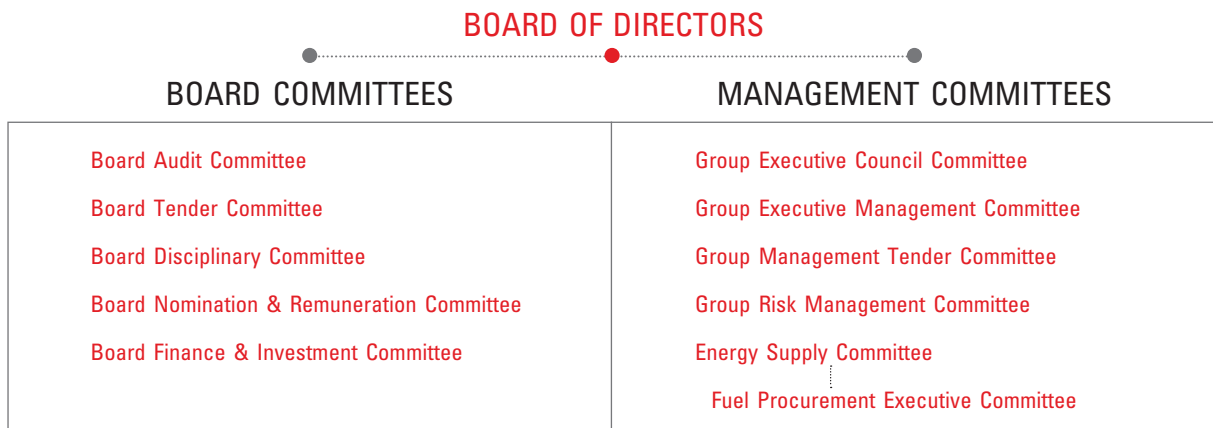


Corporate governance is an evolving ideal, a process of continuous improvement that any entity should focus on as the foundation and framework to manage the business of the organisation. The Board in recognising this, is committed to uphold its application and practise in the Company in ensuring the value to its shareholders and stakeholders are met.

**Operation of the Board**

The Board has established five (5) Board Committees. The Board has entrusted specific responsibilities to the Board Committees, which operate within clearly defined written terms of references on which the Committees deliberate the issues on a broad and indepth basis before putting up any recommendation to the Board.

A diagram outlining the main Committees involved in the decision-making process is set out below:-



The composition of the Board Committees and the attendance of Members at Board Committees meetings are listed as follows:-

**Board Audit Committee**

DIRECTORS	MEETING ATTENDANCE
Tan Sri Dato’ Lau Yin Pin @ Lau Yen Beng	15/15
Dato’ Mohammad Zainal bin Shaari	12/15
Tan Sri Dato’ Hari Narayanan a/l Govindasamy	15/15
Dato’ Zainal Abidin bin Putih	14/15

**Board Tender Committee**

DIRECTORS	MEETING ATTENDANCE
Dato’ Puteh Rukiah binti Abd Majid	12/12
Dato’ Mohammad Zainal bin Shaari	8/12
Tan Sri Dato’ Lau Yin Pin @ Lau Yen Beng	12/12
Dato’ Fuad bin Jaafar	11/12



## STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)

### Board Nomination and Remuneration Committee

DIRECTORS	MEETING ATTENDANCE
Tan Sri Leo Moggie	7/7
Dato' Mohammad Zainal bin Shaari	3/7
Tan Sri Dato' Hari Narayanan a/l Govindasamy	7/7
Dato' Fuad bin Jaafar	7/7
Tan Sri Dato' Seri Siti Norma binti Yaakob (appointed w.e.f. 16.10.2008)	4/5

### Board Finance and Investment Committee

DIRECTORS	MEETING ATTENDANCE
Tan Sri Leo Moggie	3/3
Dato' Mohammad Zainal bin Shaari	3/3
Dato' Zainal Abidin bin Putih	2/3
Tan Sri Dato' Seri Siti Norma binti Yaakob (appointed w.e.f. 16.10.2008)	3/3

### Board Disciplinary Committee

DIRECTORS	MEETING ATTENDANCE
Tan Sri Dato' Seri Siti Norma binti Yaakob (appointed w.e.f. 16.10.2008)	1/1
Dato' Puteh Rukiah binti Abd Majid	1/1
Dato' Sri Che Khalib bin Mohamad Noh	0/1
Dato' Fuad bin Jaafar	1/1

The salient terms of reference of the Board Committees are as follows:-

#### Board Audit Committee

- The terms of reference of the Board Audit Committee are detailed out under the Audit Committee Report.

#### Board Tender Committee

- To ensure the implementation and compliance with the TNB Procurement Policy and Procedures and will make the necessary recommendations (if any) to the Board. The Committee shall ensure TNB practices Best Value with integrity and accountability;
- To ensure TNB complies with the applicable laws, regulations, rules and guidelines to achieve Best Business Practices in its procurement of equipment, materials, works or services;
- The Board Tender Committee meets at least once a month;
- The Committee has convened twelve (12) meetings for this Financial Year.

#### Board Nomination and Remuneration Committee

- To identify and recommend new nominees to the Board and its subsidiaries as well as the Board Committees;
- 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 designed to assess the effectiveness of the Board as a whole and the Board Committees;
- To determine the remuneration packages of Non-Executive Directors which shall be a decision of the Board as a whole;
- The Board Nomination and Remuneration Committee meets as and when required and at least once a year;
- For this Financial Year, the Committee met a total of seven (7) times.

#### **Board Finance and Investment Committee**

- To establish a framework of policies from which the Committee shall make its recommendation to the Board in relation to the management of the Company's financial and investment activities;
- The Board Finance and Investment Committee meets as and when required and at least twice a year;
- For this Financial Year, the Committee met three (3) times.

#### **Board Disciplinary Committee**

- To manage the disciplinary issues and actions with regards to any employee's misconduct except for the hearing of appeal from executives of grade M15 and above or equivalent grade with regards to disciplinary cases of which the power lies with the Board of Directors;
- To report to the Board on updates of any disciplinary cases concluded from time to time;
- To establish new disciplinary procedures or amending the existing procedure whenever applicable subject to the Board's approval;

- The Board Disciplinary Committee meets as and when required;
- One (1) meeting was conducted during this Financial Year.

#### **The Board Meetings**

The Board meetings are scheduled in advanced and during the Financial Year ended 31 August 2009, fourteen (14) Board Meetings were convened to deliberate and consider a variety of significant matters including review on major projects, business plan, budget, quarterly financial results, risk assessment, key performance indicators of the Senior Management and other corporate proposals such as the overall performance of the Company and the subsidiary companies as well as other related business matters that require their deliberation and due approval.

All Directors are encouraged to give their views and comments for deliberation before a final decision is endorsed by Board of Directors. During the course of the board meetings the Directors have shown active participation and assistance in assessing and analysing issues before a decision is made.

In the event of potential conflict of interest, the Director in such a position will make a declaration in the said meeting. The Director concerned will then abstain from any decision-making process in which he/she has interest in.

It has been the practise by the Board members who are absent in any of the meetings to provide their views on the issues for consideration and deliberation.

Minutes of proceedings and resolutions passed at each Board and Board Committees Meetings are kept in the statutory register at the registered office of the Company.

#### **Attendance Details of Board Members**

DIRECTORS	MEETING ATTENDANCE
Tan Sri Leo Moggie (Chairman)	14/14
Dato' Sri Che Khalib bin Mohamad Noh	14/14
Dato' Puteh Rukiah binti Abd Majid	14/14
Dato' Mohammad Zainal bin Shaari	10/14
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	14/14
Tan Sri Dato' Hari Narayanan a/l Govindasamy	13/14
Dato' Zainal Abidin bin Putih	12/14
Dato' Fuad bin Jaafar	13/14
Tan Sri Dato' Seri Siti Norma binti Yaakob	11/13





## STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)

### Supply of Information to the Board

The Board and its Committees have full and unrestricted access to all information within TNB pertaining to the Group's business and affairs.

The Board Meetings are held regularly, on a monthly basis and special meetings will be convened as warranted by specific circumstances. The Board is provided in advance with the agenda for every Board meeting, together with comprehensive management reports which includes proposal analysis, risk evaluation and supporting documents for the Board's perusal. Before decisions are made, consideration is given to the adequacy of information available to the Board and, if necessary, decisions are deferred if further information is required.

All Directors have the right and duty to make further enquiries when necessary. In most instances, Senior Management of the Company as well as external advisors are invited to be in attendance at Board Meetings to provide insight and to furnish clarification on issues that may be raised by the Board. Whether as a full board or in their individual capacities, Directors are also at liberty to take independent professional advice on any matter connected with the discharge of their responsibilities as they may deem necessary and appropriate.

The Board is also notified of any disclosures/announcements made to Bursa Malaysia Securities Berhad.

### Board Effectiveness

The present composition, size, modus operandi, strength of relationship with the Management and functional Board Committees contribute to an effective Board. This is also in line with the principles and best practices of the Malaysian Code of Corporate Governance (revised 2007). Apart from the convening of Board Meeting on a frequent basis, deliberation and discussion at a Board Meeting is conducted in a comprehensive and indepth manner before arriving at any decision, as recommended by the Management.

In addition to the monthly Board meeting, twice annually the Board and Management sit in an interactive session internally known as the Board and Management Breakout (BBO). This is a useful platform to deliberate, exchange views and share opinions between Board and Management in order to formulate strategic plans and to chart the direction of the Company. This forum is utilised to update the Board on the performance of the various core business divisions. Amongst the discussions in these sessions are Electricity Demand Forecast and Outlook, Generation Plant-up and initiatives to improve service level of electricity supply to the customers.

### Board Balance and Independence

The requirement of the Code for a board balance is fulfilled with Independent Directors forming more than one third of the Board.

The current Board consists of five (5) Independent Non-Executive Directors who are independent of Management and free from any business relationships that could materially interfere with the exercise of their independent judgement. They are Y.Bhg. Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng, Y.Bhg. Tan Sri Dato' Hari Narayanan

a/l Govindasamy, Y.Bhg. Dato' Zainal Abidin bin Putih, Y.Bhg. Dato' Fuad bin Jaafar and Y.Bhg. Tan Sri Dato' Seri Siti Norma binti Yaakob. The presence of Independent Directors assure an additional element of balance to the Board as they provide unbiased and independent views, advice and judgement to all Board deliberations. Y.Bhg. Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng is the Senior Independent Non-Executive Director. He is the Company's longest serving Director and as such has significant knowledge of the Company and its business.

### Re-election

Pursuant to Article 133 of the Company's Articles of Association, newly appointed Directors are subject to re-election by shareholders at the first opportunity after their appointment and the retiring Directors may offer themselves for re-election by the shareholders. In accordance with Article 135 of the Company's Articles of Association, all Directors are required to retire from office at least once in every three (3) years.

The BNRC reviews the appointment of new Director to the Company and its subsidiaries taking into consideration the required mix of skills and experience before making recommendations to the Board for approval.

Further information concerning the Directors standing for re-election at the Annual General Meeting is included in the Statement Accompanying Notice of Annual General Meeting. The detailed profiles of Directors standing for re-election are provided in order to enable shareholders to make an informed decision in re-electing them.



### Continuing Board Development

Recognising the ever increasing demands of their roles, the Directors continue to equip and update themselves with relevant programmes, technologies and current developments in the industry.

A board development programme was organised internally on 24 July 2009. The topic on 'Crisis Risk Thinking – Benchmarking Best Practices during the Crisis' was presented by Professor Dr. Didier Cossin from IMD International based in Lausanne, Switzerland.

On an annual basis, the technical visit of the Directors is arranged by the Company to provide the Directors with knowledge and insights of the utility/electricity business around the world. For the year under review, a technical visit to Europe to Renewable Energy (RE) technology plants and facilities was carried out from 1 July 2009 to 10 July 2009.

The objective of the technical visit is to provide a better understanding and exposure on the renewable technology and subsequently to adopt such knowledge for future application in the Company/country.

In the course of the technical visit, the Board visited the manufacturer of solar system components, wind farm power generation and 40 MW solar power station in Germany. The Board also visited the Danish Energy Industries (DI) whereby a tour was arranged to waste Biomass Power Plant, Co-Fired Power Plant and off-shore wind turbine farm. Whereas in England, the Board visited the Biogas Landfill Power Plant.

### Directors' Remuneration Procedure

The BNRC will recommend to the Board on the framework and the remuneration package for the Executive Director and Senior Management. If deemed necessary, the Committee will engage a professional advice from internal as well as external sources.

### The Level and Make-Up of Remuneration

(a) The remuneration package of the Executive Director comprises of a fixed and variable pay which is linked to the key performance indicator as follows:-

#### (i) Basic Salary

The basic salary (which include the statutory contributions to the Employee Provident Fund Board) for Executive Director is recommended by the BNRC, taking into account the individual performance and information obtained from independent sources on the rates of salary for similar position in a selected group of comparable companies in the market.

#### (ii) Reward Scheme

The Group operates a bonus scheme for all employees, including the Executive Director. The criteria set in determining the quantum of bonus is the level of profit achieved by the Company through the Group's business activities as compared against the targets. It is also coupled with an assessment of each individual's performance and competencies. Meanwhile the Executive Director is provided with Contractual bonus based on performance.

(b) The remuneration package of Non-Executive Directors comprises of the following elements:-

#### (i) Fees

The Directors are paid fixed monthly fees and meeting allowance for each Board and Board Committee meeting attended during the year. Such fees are tabled to the shareholders of the Company for approval.

#### (ii) Benefits-in-kind

Other benefits in the form of coverage on electricity bills and reimbursement are made available as appropriate.



## STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)

### Disclosure on Directors' Remuneration

The details on the aggregate remuneration of directors for the financial year ended 31 August 2009 are as follows:-

Name of Directors	(i) Salary & (ii) Contribution to EPF	Director's Fee		Meeting Allowance		Bonus	Benefits in Kind			Total
		Company	Subsidiary	Company	Subsidiary		(i) Car Allowance & (ii) Flexible & Special Benefits	Electricity	Others	
		(RM)	(RM)	(RM)	(RM)		(RM)	(RM)	(RM)	
<b>Executive Directors</b>										
Dato' Sri Che Khalib bin Mohamad Noh	(i) 600,000.00 (ii) 118,440.00					328,000.00	(i) 60,000.00 (ii) 301,800.00			1,408,240.00
	<b>718,440.00</b>						<b>361,800.00</b>			
<b>Non-Executive Directors</b>										
Tan Sri Leo Moggie	—	120,000.00	96,000.00	30,000.00	32,000.00	—	—	11,190.20	10,000.00	299,190.20
Dato' Puteh Rukiah binti Abd Majid	—	60,000.00	—	26,850.00	—	—	—	—	8,319.00	95,169.00
* Dato' Mohammad Zainal bin Shaari	—	60,000.00	—	32,100.00	—	—	—	28,929.05	6,768.80	127,797.85
Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng	—	60,000.00	—	39,200.00	—	—	—	131.68	8,742.80	108,074.48
Tan Sri Dato' Hari Narayanan a/l Govindasamy	—	60,000.00	12,000.00	30,850.00	2,550.00	—	—	16,000.55	14,890.00	136,290.55
Dato' Zainal Abidin bin Putih	—	60,000.00	—	25,600.00	—	—	—	17,134.09	10,000.00	112,734.09
Dato' Fuad bin Jaafar	—	60,000.00	24,000.00	28,300.00	6,800.00	—	—	8,847.90	5,929.90	133,877.80
Tan Sri Dato' Seri Siti Norma binti Yaakob (appointed w.e.f. 12 September 2008)	—	58,150.00	—	17,950.00	—	—	—	3,643.45	320.00	80,063.45
<b>Total</b>	<b>718,440.00</b>	<b>538,150.00</b>	<b>132,000.00</b>	<b>230,850.00</b>	<b>41,350.00</b>	<b>328,000.00</b>	<b>361,800.00</b>	<b>85,876.92</b>	<b>64,970.50</b>	<b>2,501,437.42</b>

\* Inclusive of RM60,000.00 and RM32,100.00 paid to Khazanah Nasional Berhad, in respect of Directors Fee and Meeting Allowance provided for Dato' Mohammad Zainal bin Shaari.



## (B) SHAREHOLDERS

TNB is committed to maintain a constructive relationship with its shareholders, pursuing its on-going commitment to sustain the highest standards of corporate governance practices throughout the Group with full appreciation of its impact on long-term corporate performance and optimal shareholder value.

### Relations Between the Company and Investors

The Board and Management of TNB recognise the importance of transparency and accountability to its shareholders and investors, thereby its pursuit of the highest standards of corporate governance practices throughout the Group.

In this regard, TNB has developed and maintains an Investor Relations Policy to ensure a high level of quality and service is achieved when information is provided to investors and stakeholders.

Whilst various channels of communication are optimised to provide shareholders and investors with a balanced and comprehensive view of the Group's performance and the issues faced by the Group in light of the challenging environment, the role of investor relations is entrenched as the communication platform between the Group and the investor at large. In this regard, the Investor Relations & Management Reporting Unit (IRMU), a dedicated unit under the Finance Division has been entrusted with the responsibility of coordinating and responding to all queries and information raised by the shareholders, research analysts and investors. An equal level of importance is placed on the need for investor relations to channel the views of the investment community back to the Management and the Board of Directors.

### The Annual Investor Relations Programme

serves to provide the Management with opportunities and the platform to interact with investors, analysts as well as the media. The events and activities scheduled in the Programme include:-

- Quarterly results announcement
- Analyst briefing/conference call
- Full year result announcement
- Preparation and release of Annual Report
- Annual General Meeting
- Site visits
- Domestic/International road shows
- Major international broker conferences

During the year under review, the unit had organised and participated in various local and international events which include:

- 9 Conferences and forums organised by research houses:-
  - i. CLSA – Annual CLSA Investors' Forum – Hong Kong
  - ii. Credit Suisse – Malaysia Corporate Day – Kuala Lumpur
  - iii. Credit Suisse – Singapore
  - iv. KAF – KAF Corporate Day – Kuala Lumpur
  - v. Deutsche Bank – Mini Corporate Day in Singapore
  - vi. Macquarie – 2009 Macquarie Asean Conference – London
  - vii. Credit Suisse – Asian Investment Conference – Hong Kong
  - viii. CitiGroup – Asian Utility Discovery Tour – Kuala Lumpur
  - ix. UBS – UBS Power Day – Singapore

- **Announcement of quarterly financial results to the financial community and the media.** During these events, teleconferencing facilities are arranged to enable the investment communities at major financial centres worldwide to listen as well as to participate in the briefings. On average, some 107 participants from the financial community and the media attended or took part in the teleconferencing during the quarterly presentations in the Financial Year.

The quarterly financial results and analysts presentation materials are also made available on the Company's website to enable broader access to Company information by investors and other stakeholders.

In addition to the Company's website, investors can contact the Company at any time by email or other correspondence, and designated Company Officers at IRMU are available to provide information to shareholders upon request.

- **The Invest Malaysia Annual International Investors' Conference** organised by Bursa Malaysia and aimed at bringing Malaysian corporates and institutional investors both local and international, at a mutually beneficial forum.
- **One-on-one and group meetings** with equity and fixed income investors and analysts. Given that FY2009 was a very challenging year for TNB, regular meetings with the financial community proved to be the most effective medium to enhance investors' understanding and perception of the Group.



## STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)

- In-house meetings.** Aside from the conferences and meetings attended outside of TNB premises, Management and IR frequently played host to local and international fund managers and investors who requested for meetings at TNB offices. During the year under review, TNB held approximately 69 of such meetings (excluding Quarterly announcement of financial results).

In the Financial Year, TNB had approximately 98 meetings with equity research analysts, fund managers and investors who had requested to meet up with company officials (excluding investors that were seen at conferences, road shows and quarterly financial results presentation).

### Constructive Use of the Annual General Meeting

The Annual General Meeting (AGM) is the principal avenue for shareholders to communicate and engage in dialogue with the Board and Management of TNB. The highlights of the Company's technical and financial performance which is made via visual presentation is made by the Chairman and President/Chief Executive Officer at the AGM. The turnout of shareholders at general meetings of TNB has always been high where a total of 2495 registered shareholders and 1909 proxies attended the Eighteenth AGM held in 2008.

Constructive dialogue between the Board and the shareholders are encouraged whereby at the AGM, shareholders are given the opportunity to raise questions on issues pertaining to the Company's Financial and Operational performance. At the AGM, the shareholders can exercise their voting rights and the meeting is convened in strict compliance with the laws and procedures of general meeting. Separate resolutions are

proposed for separate motions and the Chairman will declare the outcome of each resolution after proposal and secondment are done by the shareholders. Each item of ordinary and special business in the notice of the general meeting would be accompanied by a full explanation of the effects of the proposed resolution. Shareholders are also given the opportunity to put forward their questions on the proposed resolutions and on the Group's operations. The Chairman will provide sufficient time for shareholders questions on matters pertaining to the Company's performance and would respond to the shareholders with regard to their concern and questions raised.

Immediately after the general meeting, the Chairman and the President/Chief Executive Officer will address all issues raised by the press and analysts through a press conference and analyst briefing in the course of providing all stakeholders with the latest updates on the Company.

### Continuing Disclosure of Material Information

TNB firmly observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia Securities Berhad. The Company has in place Corporate Disclosure Policy and Procedures since 1994, which provides for adoption of Best Practices in Corporate Disclosure laid down by Bursa Malaysia Securities Berhad in July 2004. As required under the said Best Practice, the Company Secretary is identified as "Corporate Disclosure Manager" within the context of the aforementioned Best Practice.

Timely and accurate disclosure is made on all the material information and throughout the Financial Year under review, the material information and the material development thereof

on acquisition, disposal, divestment, issuance of notes, proposed financing facility, conversion of bonds, related party transaction, employee share option scheme, notice of book closure and change in boardroom are among the material information released to Bursa Malaysia Securities Berhad via Bursa Malaysia Link.

### Confidentiality of Information

In the event of conducting briefings or presentations on any information regarded as undisclosed material information about the company and its operations, the Company will ensure that the strictest confidentiality is maintained.

## (C) ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the requirements of the Companies Act 1965 and in line with approved accounting standards in Malaysia so as to present an objective and understandable assessment of the Group's financial position and prospects. TNB publishes quarterly financial reports so that its shareholders can monitor the Company's financial position regularly. In this Annual Report, an assessment is provided in the Directors' Report of the Audited Financial Statements.

On behalf of the Board, the Board Audit Committee (BAC) scrutinises the financial, statutory compliance aspects of the Audited Financial Statements and Companies policies and procedures prior to full deliberation at the Board level. The Board ensures the integrity of the Company's financial reporting and fully recognises that accountability in financial disclosure forms an integral part of good corporate governance practices.



### Relationship with the Auditors

The Board has, through the BAC, established a formal, transparent and appropriate relationship with the Group's Auditors, both external and internal. A report by the Board Audit Committee is provided on pages 155 to 157 and its Terms of Reference is provided on pages 159 to 163.

The Board Audit Committee meets regularly with the external and internal auditors to discuss and review the audit plan, quarterly financial results, annual financial statements, their audit findings and make recommendations for the Board's approval.

### Internal Control

The Board acknowledges that they are responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the company's assets as required by the Code. TNB adheres to Bursa Malaysia Securities Berhad guidelines on the Statement on Internal Control: Guidance for Directors of Public Listed Companies, as guidance for compliance with these requirements.

On 15 April and 22 July 2009, the Board Audit Committee met with the External Auditors without the presence of the Executive Director and the Management to discuss on the adequacy of the system of internal control to ensure efficient and effective operation and compliance with statutory requirements and the Company guideline, policies and procedures.

Information on the Group's internal control is presented in the Statement of Internal Control, pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out on pages 152 to 154.

### RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL YEAR UNDER REVIEW (Pursuant to paragraph 15.26(a) of the Main Market Listing Requirements Bursa Malaysia Securities Berhad)

The Board is fully accountable to ensure that the financial statements are prepared in accordance with the Companies Act 1965 and the applicable approved accounting standards set by Malaysian Accounting Standards Board so as to present a true and fair view, balanced and understandable assessment of the Group's financial position and prospects. In this Annual Report, an assessment is provided in the Directors' Report of the Audited Accounts.

The Board Audit Committee reviews the statutory compliance and scrutinises the financial aspects of the Audited Financial Statements prior to full deliberation at the Board level.

### ADDITIONAL COMPLIANCE STATEMENT

Apart from providing the shareholders and the stakeholders with an overview of the state of corporate governance in the Company, TNB is also pleased to disclose the following information:-

#### (1) Utilisation of Proceeds Raised from Any Corporate Proposal

There were no proceeds raised from any Corporate Proposal in the Financial Year ended 31 August 2009.

#### (2) Share Buy-Back for the Financial Year

There was no share buy-back exercise carried out by the Company for the Financial Year ended 31 August 2009.

#### (3) Options, Warrants or Convertible Securities Exercised

During the financial year, 2,536,450 new ordinary shares of RM1.00 each were issued by the Company comprising:-

2,536,450 ordinary shares of RM1.00 each in TNB pursuant to the Employees' Share Option Scheme II ('ESOS II') at exercise prices of RM6.71, RM6.99, RM7.42, RM7.33, RM6.33 and RM5.57 per share.

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

The Company has been granted an exemption by the Companies Commission of Malaysia via a letter dated 10 September 2009 from having to disclose in this Report the name of the persons to whom options have been granted during the year and details of their holdings pursuant to section 169 (11) of the Companies Act, 1965 except for information on employees who were granted options representing 450,000 ordinary shares and above. Details are as set out on pages 196 to 197 of the Directors Report.



## STATEMENT OF CORPORATE GOVERNANCE (CONT'D.)

### (4) American Depository Receipts ("ADR")

In January 1994, TNB launched its Level 1 American Depository Receipts (ADR) in New York, the United States of America. Each ADR carries an equivalent of four underlying TNB shares. The only custodian bank for TNB's ADR programme is Malayan Banking Berhad. The Bank of New York in the USA is the Depository bank and the ADRs are traded over the counter. As at 31 August 2009, the total number of ordinary shares held through these ADRs was 3,357,537 which represented less than five percent (5%) of the total issued and paid-up capital of the 4,337,054,795 shares of TNB.

### (5) Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the Financial Year ended 31 August 2009.

### (6) Non Audit Fees

Apart from the annual audit fees, the Group had paid non audit fees to the external auditors. The amounts paid for the Financial Year ended 31 August 2009 are as follows:-

No.	Division/Subsidiary	Nature of Non-Audit Fees to Auditors	RM
1.	Group Finance	Professional, consultancy and tax computation review	1,382, 529.61
2.	TNB Group and Subsidiaries	Tax computation review	111,865.00
3.	Liberty Power Limited (LPL)	Tax consultation	115,117.60* (PKR2.6 mil)
<b>TOTAL</b>			<b>1,535,447.21</b>

\* Pakistani Rupee (PKR) 1 = RM0.044276

### (7) Variation in Results

The Company did not issue any profit forecast for the Financial Year ended 31 August 2009. As such, no commentary is made on variation in results.

### (8) Profit Guarantee

The Company did not issue any profit guarantee for the Financial Year ended 31 August 2009.

### (9) Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors and major shareholders' interest, either subsisting as at 31 August 2009 or entered into since the end of the previous Financial Year ended 31 August 2008.

### (10) Revaluation Policy

The revaluation policy of the Company in relation to its landed properties is set out in Note 2(g) of the Notes to the Financial Statements set out on pages 213 to 214 of this Annual Report.

### 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 OF CORPORATE GOVERNANCE

*(Pursuant to paragraph 15.25 of the Main Market Listing Requirements Bursa Malaysia Securities Berhad)*

The Board is pleased to report to shareholders that the Company has applied the principles of corporate governance and is in compliance with Part 1 of the Code. Further to that, the Board remains committed to attain the highest possible standard of corporate governance through continuous adoption of best practices as recommended in Part 2 of the Code.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 October 2009.

**TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG**  
SENIOR INDEPENDENT  
NON-EXECUTIVE DIRECTOR



# ENTERPRISE WIDE RISK MANAGEMENT (EWRM)

## 1. OVERVIEW

The management of principal risks plays an important and integral part of TNB's daily operations. Therefore, the effective identification and management of such risks will positively affect the achievement of the Group's business and strategic objectives. The on-going implementation of an Enterprise-Wide Risk Management (EWRM) framework which was introduced since 2003 would ensure that the major areas of risks are identified, managed and controlled or mitigated effectively.

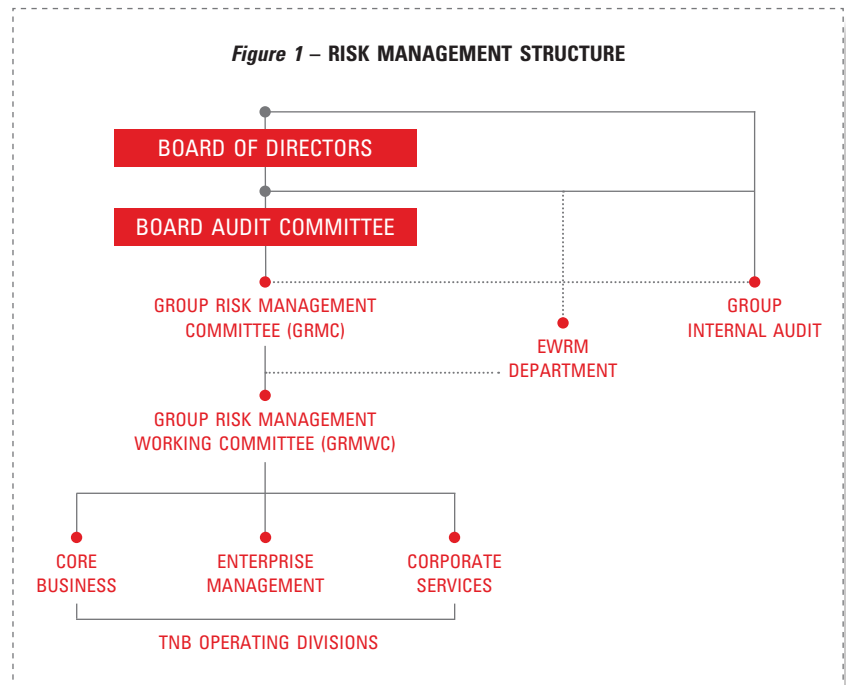
As a result, TNB management is able to make conscious and informed decisions by formulating and implementing necessary action plans and monitoring the results. The EWRM framework allows the prioritising of operational reviews throughout the Group, as well as enabling the development of an effective internal audit plan in the risk management process. The audit process in risk management is vital in ensuring the internal control system is adequate and functioning as planned.

## 2. ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

The TNB EWRM framework provides for a complete risk management cycle incorporating the assessment, reporting, treatment, monitoring and review of business risks within the Group.

### 2.1 Risk Management Structure

The EWRM risk management structure is established to ensure that the roles, responsibilities and accountabilities for managing risk are clearly defined and communicated. The risk management structure (Figure 1) comprises various levels of authority in the Group namely the Board of Directors, Board Audit Committee (BAC), Group Risk Management Committee (GRMC) chaired by the President/Chief Executive Officer and Group Risk Management Working Committee (GRMWC) chaired by the Chief Financial Officer/Vice President (Group Finance). Enterprise-Wide Risk Management (EWRM) Department is the Secretariat for the GRMC and the GRMWC. Group Internal Audit (GIA) plays a key role to ensure that the internal control system functions sufficiently throughout the TNB Operating Divisions.







## ENTERPRISE WIDE RISK MANAGEMENT (EWRM) (CONT'D.)

### 2.2 QMS MS ISO 9001:2008

#### Certification

The EWRM process has been identified as one of the key support processes under the TNB ISO Quality Manual and certified by SIRIM under the QMS MS ISO 9001:2008 standard.

### 3. RISK MANAGEMENT INITIATIVES/ ACHIEVEMENTS

#### 3.1 Risk Awareness & Review Sessions

The EWRM Department had conducted more than 15 risk awareness and review sessions for TNB operating divisions/ departments together with the relevant Risk Managers and Risk Coordinators. The exercise was to track the risk management implementation issues (if any), changes made to the operating risks as well as to ensure that all risk profiles continue to align with TNB's current business strategies and objectives.

Half-yearly risk assessment reports from all divisions were submitted to EWRM Department for analysis and subsequently forwarded to the relevant risk management committees for deliberation.

#### 3.2 Risk Profile Development

Risk profiles for newly established divisions and/or departments and those that underwent major restructuring were developed to ensure that the relevant risks are clearly defined and adequately addressed. During the year under review, two new risk profiles were

developed by EWRM Department together with the relevant divisions and subsidiaries.

#### 3.3 Risk Analysis on Common Risks

Ongoing activities to mitigate legal risks facing TNB involved the assessment of TNB's contract management and the standardisation of major contracts. The TNB Confidentiality Policy was approved and implemented throughout the Group in the year under review. Other ongoing activities include assessing the risk of accidents, data collation and reconciliation of statistics and insurance details. Roadshows were organised to educate TNB staff and necessary mitigating actions have been identified.

#### 3.4 Risk Communication

Risk communication, focusing on the dissemination of risk information at all levels, forms an integral part of the risk management activities in TNB.

Two Risk Management Forums were organised as a platform to communicate risk information to the appointed Risk Managers, Risk Coordinators and senior management across TNB Group. Topics discussed encompassed TNB's response to the current global economic environment and the employee's role in managing security risks involving information and IT as well as physical intrusion.

Risk communication was also channeled through the internal Group Finance website and TNB corporate magazine – Tenagawan.

#### 3.5 TNB Risk Information System

The on-line TNB Risk Information System (TRIS) is an in-house system developed in collaboration with the ICT Division to complement the establishment and implementation of the EWRM process. To ensure the smooth running of the system, a TRIS Helpdesk managed by dedicated TRIS administrators was formalised.

Further enhancements to TRIS have been identified and will be developed for continuous improvement to the system. Regular trainings on TRIS were carried out throughout the year to improve the risk management skills of newly appointed Risk Managers, Risk Coordinators and Risk Owners or as refresher courses for those already appointed.

#### 3.6 Risk Management and Compliance Audit

Risk management and compliance audit were conducted to provide assurance to TNB Board Audit Committee on the adequacy and effectiveness of the internal control systems in managing risks across the Group. It also offered independent challenge to the divisions to ensure that the principles and requirements of managing risks were consistently adopted. Since 2007, fifteen power stations/states/departments and twenty-one work processes/projects related to risks were audited. The audit exercises would be on-going to assess the adequacy of the implementation of risk management throughout the Group.



#### 4. CORPORATE EMERGENCY RESPONSE PLAN (CERP)

TNB had developed a Corporate Emergency Response Plan (CERP) to provide a coordinated and prompt response to an emergency situation affecting the Group. A CERP Steering Committee chaired by Senior Vice President (Operations and Technical) with representatives drawn from various divisions was set up to provide direction and guidance for the successful formulation and implementation of TNB CERP across the divisions.

Several major CERP activities/initiatives were:

- TNB CERP document for non-system-related emergencies such as flood and pandemic was approved, printed and distributed to all divisions in TNB. With objectives similar to those of the earlier published TNB CERP System-Related document, this latest CERP document also aims to provide a coordinated and consistent framework for TNB Group to respond to natural or man-made disasters.
- Testing and drills were carried out during the year under review and trainings were provided to relevant personnel in the effort to embed the principles of emergency response and business continuity in TNB.

- Frequent collaboration and cooperation were undertaken with government agencies such as the National Security Council, Chief Government Security Officer and Ministry of Science, Technology and Innovation to ensure the availability and reliability of electricity supply to the essential services in the country. One such collaboration involved efforts to mitigate the threat of cyber attacks by ensuring that TNB's corporate networks and control systems are adequately and reasonably secured.

#### 5. PROJECT RISK MANAGEMENT

Project risk assessments were conducted through workshops for construction projects and commercial ventures costing more than RM100 million. This is to ensure that sufficient consideration was given to risks identified in the risk breakdown structure of respective projects. For projects costing RM100 million and below, risk assessment on project management controls were conducted using the existing TRIS pending completion of the new Project Risk Management System (PRiMS) that is jointly designed with ICT Division. Project management controls and mitigation plans were developed in line with TNB's strategic objectives, key performance indicators and ISO 9001:2008 standard processes. During the year under review, more than ten risk assessment workshops were facilitated by EWRM Department with the respective

project teams. EWRM Department is also working with several Project Risk Advisors and Insurance Brokers to obtain updated information from the insurance industry. In addition, this endeavour gives the assurance that TNB is taking necessary mitigating measures to address the issue of high insurance claims in several projects undertaken by its contractors.

#### 6. CONCLUSION

The success of risk management lies in its ability to successfully embed risk management culture in the Group. Risk management implementation in TNB will continue to be strengthened to ensure that the Group is able to respond effectively to the fast changing business environment in order to achieve its objectives as well as to protect and enhance stakeholders' value.



## STATEMENT OF INTERNAL CONTROL

### BOARD RESPONSIBILITY

The Board of Directors (Board) is responsible for Tenaga Nasional Berhad's Group (the Group) system of internal control. The system is designed to meet the Group's business objectives, safeguard shareholders' investments, the interest of customers, regulators and employees, and the Group's assets. The internal control system covers the areas of risk management, finance, operations, management information systems and compliance with the relevant laws and regulations. The system provides a reasonable but not an absolute assurance against material misstatement, loss or fraud.

The Board has established a framework for identifying, evaluating and managing the significant risks faced by the Group. The framework and risk management processes are reviewed at regular intervals by the Board and is in accordance with the Statement on Internal control: Guidance for Directors of Public Listed Companies.

### RISK MANAGEMENT

An Enterprise Wide Risk Management (EWRM) System has been approved by the Board and implemented by the Group to identify, assess, treat, report and monitor strategic and operational risks faced by the Group. The Board Audit Committee (BAC) reviews the effectiveness of the system and the reports arising from risk management activities undertaken during the year. The BAC is assisted by the Group Risk Management Committee, Chief Risk Officer, EWRM Department and operations staff in the risk management processes. Review of the EWRM systems is undertaken by Group Internal

Audit on the operating entities to provide assurance on the adequacy and effectiveness of the system in mitigating and controlling the risks faced by the Group. The processes in place enable the system to be refined and enhanced to meet the challenges and needs of the Group. During the year, the following initiatives were undertaken to enhance risk management processes in the Group:

- Revision of an earlier EWRM Training Module to help staff enhance their understanding of risk management roles and responsibilities, and ability to identify, assess, treat and monitor risks within their scope of work.
- Development and implementation of TNB's Confidentiality Policy.
- Formulation of a process to identify Early Warning Indicators (Key Risk Indicators) for High Risk Areas to mitigate their potential impact.
- Provision of risk advisory services for Operating and Project Risk Assessments by EWRM Department.
- Performance of a Fraud and Ethics Review, comprising a Fraud and Ethics Survey, Fraud Data Analysis and review of the system for managing fraud.
- Assignment of the strategic risk assessment, monitoring, reporting and management functions to the Strategic Planning Department whilst retaining the operational risk management functions with the Enterprise Wide Risk Management Department.

### CONTROL STRUCTURES

The Board has established control structures and is committed to evaluate, enhance and maintain them to ensure effective strategic and operational control over the Group's business operations. The following key internal control structures are in place to assist the Board to maintain a proper control environment:

#### Board and Management Committees

In its efforts to promote corporate governance, transparency and accountability, the Board has set up Board and Management Committees to assist them to accomplish the vision, mission, strategies and objectives set for the Group. The Committees oversee the areas assigned to them under their Terms of Reference. The Committees play an important role to direct, monitor and ensure that the plans and operations are in accordance with the Group's approved long term and short term business plans, and the policies of the Group. The Committees are:

#### Board Committees

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

#### Management Committees

- Group Executive Council Committee
- Group Executive Management Committee
- Energy Supply Committee
- Tender Committees
- Group Risk Management Committee
- Fuel Procurement Executive Committee



### Organisation Structure

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

The Board also reviews and refines the effectiveness of the Group's organisation and control structures to enhance the Group's ability to achieve their strategic and operational objectives and manage challenges in its operating environment. During the year, the subsidiaries in the Investment Management Division were placed in the Group Finance Division.

### Management Information Systems

The Board recognises the importance of leveraging on information and communication technology to assist in providing effective and efficient business operations, timely and accurate communication with stakeholders, and enhancing the Group's performance in the long term. The major systems used by the Group are:

- Enterprise Resource Management System (ERMS)
- e-Customer Information & Billing System (e-CIBS)
- Enterprise Human Resource Management System (EHRMS)
- Supervisory Control and Data Acquisition System (SCADA)
- Remote Metering System (RMR)
- Electronic Banking Facilities
- Tenaga Risk Information System (TRIS)
- Electronic Document Management System (EDMS)
- Distribution Network Information Management (DNIM)

One of the new systems developed in the year is the Corporate Geospatial Information System (CGIS). The CGIS is expected to be implemented over a period of 10 years. Its objectives are to create the most accessible, coordinated, efficient, advanced and complete company-wide geospatial information system to improve efficiency and reduce operational costs via intelligent geospatial analysis.

### Group Policies & Procedures

The Board has approved policies and procedures to govern the financial and operational functions, and ethics of the Group. The objectives of the policies and procedures are to ensure that ethics, and internal control principles and mechanisms are embedded in operations. This enables the Group to respond quickly to evolving risks and immediately report on any significant control failure. The policies and procedures are also reviewed on a regular basis to ensure its relevance and effectiveness. Amongst others, the policies and procedures implemented are:

- Internal Control Guidelines
- Group Financial Policies & Procedures
- Treasury Policy
- Safety & Health Policy
- Environmental Policy
- Investment Policy
- Procurement Policy & Procedures
- Anti Fraud Policy
- Disciplinary Policy & Procedures
- Information & Communication Policy & Codes of Practice
- Enterprise Wide Risk Management Policy & Guidelines
- Limits of Authority
- Code of Ethics
- Procurement Code of Conduct
- Whistle Blowing Procedures

The existing Procurement Policy and Procedures were reviewed to improve operational controls and efficiency this year.

### Revenue Maximisation Department

The revenue maximisation function was upgraded from a Unit to a Department during this financial year. The Special Engagement Against Losses (SEAL) team are a part of this Department. The roles of the Department are to further curb the theft of electricity (TOE) activities and curtail revenue leakages from billing, metering and administrative errors. The Department is also responsible to improve TOE internal control mechanism and process compliance.

## MONITORING & REVIEW

### Board Interactions with Management via Breakout Sessions

The Board interacts actively with management during breakout sessions to discuss and review the plans, strategies, performance and risks faced by the Group. During the year, two Board Breakout sessions were held. These sessions provide a monitoring and review mechanism to enhance the Board's effectiveness and enables management to seek mandates to address the risks faced in its internal and external environment.

### Business Planning & Budgeting

The Board has approved the implementation of a 20 Year Strategic Plan. Business plans, budgets and Key Performance Indicators (KPIs) are aligned to the Strategic Plan. These serve as guides to the achievement of the Group's vision of becoming among the leading corporations in energy and related businesses globally.



## STATEMENT OF INTERNAL CONTROL (CONT'D.)

Strategies identified in the Strategic Plan, 5 Year Business Plans, Annual Operation Plans and KPIs are reviewed, approved and monitored by the Board and management. Revisions are made based on changes in business and operating environments. Feedback from the Board during breakout sessions with them is used to develop the Five Year and Annual Operating Plans.

The Five Year Business Plan and Annual Operating Plan also contain the budget of the Group, to enable the Group to direct its resources towards the achievement of its financial objectives. The budget is monitored at regular intervals by management to ensure effective budget utilisation.

### Long Term System Planning and Development

The Planning Division carries out long term system planning and development of the electricity supply infrastructure for TNB to cater for load demand. The long term forecasts are reviewed in conjunction with the changes in the economic climate as well as ensure close monitoring and response to the load demand situation. On the supply side, generation expansion plans are formulated for Peninsular Malaysia taking into account the long term energy security vis-à-vis the diversification of fuel resources, generation plant type and global energy outlook scenarios. Additionally, the transmission development plans are reviewed and assessed according to economic conditions.

### Financial and Operational Review

The Board Audit Committee (BAC) reviews the Group's quarterly financial performance together with management, and these are subsequently reported to the Board. The quarterly reviews enable the BAC to deliberate and assess the Group's financial results and operational

performance. Monthly management accounts which serve as a monitoring tool, are also circulated to the Board and key management staff to provide information on key financial results, operational performance indicators, budget comparisons to enable them to monitor and contribute towards improving performance.

### Group Internal Audit (GIA)

The Group Internal Audit Department (GIA) was set up by the Board to provide independent assurance on the adequacy of risk management, internal control and governance systems. GIA carries out regular reviews on the business processes to assess the adequacy and effectiveness of internal controls, compliance with regulations and the Group's policies and procedures, and highlight significant risks affecting the Group. BAC meetings are held regularly to deliberate audit findings, management response, corrective actions, and monitoring of actions taken by management for areas with significant or high risks. GIA scope of coverage includes generation, transmission, distribution, projects, procurement, engineering, finance, human resources, corporate services, information and communication technology, investment in subsidiaries, risk management and compliance.

GIA has an independent status in the Group and reports functionally to the Board through the Board Audit Committee. GIA annual audit plans, budgets, competency and resources are reviewed and approved by the Board Audit Committee. This is to enable review on the adequacy of coverage, resources available and coverage of significant and high risk areas. The review also helps to confirm the audits that are to be co-sourced and outsourced to facilitate transfer of knowledge from consultants and coverage by external party in areas where technical skills are not available in GIA.

### CONCLUSION

For the financial year under review, some weaknesses in internal control were detected. However, after due and careful inquiry and based on the information and assurance provided, the Board is satisfied that there were no material losses as a result of weaknesses in the system of internal control, that would require separate disclosure in Tenaga Nasional Berhad's Annual Report. Nevertheless, for areas requiring attention, measures have been and are being taken to ensure ongoing adequacy and effectiveness of internal controls and to safeguard shareholders' investments and the Group's assets.

This statement is made in accordance with the resolution of the Board of Directors dated 26 October 2009.



## BOARD AUDIT COMMITTEE REPORT

The BAC was established on 9 December 1990 by the Board of Directors, to assist them to carry out their responsibilities. The BAC is guided by their Terms of Reference which is set out on pages 159 to 163 of the Annual Report.



### MEMBERSHIP AND MEETINGS

The Board Audit Committee (BAC) members and the number of meetings which they attended during the financial year were as follows:

NO.	NAME	STATUS OF DIRECTORSHIP	INDEPENDENT	NO. OF MEETINGS ATTENDED
1.	Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng (Chairman)	Non-Executive Director	Yes	15/15
2.	Tan Sri Dato' Hari Narayanan a/l Govindasamy	Non-Executive Director	Yes	15/15
3.	Dato' Zainal Abidin bin Putih	Non-Executive Director	Yes	14/15
4.	Dato' Mohammad Zainal bin Shaari	Non-Executive Director	No	12/15



## BOARD AUDIT COMMITTEE REPORT (CONT'D.)

According to the BAC's Terms of Reference, the Committee shall convene meetings as and when required, and at least six (6) times during the financial year. The Committee met fifteen (15) times.

The Chief Internal Auditor and Company Secretary who is also the secretary to the BAC were in attendance during the meetings. The President/Chief Executive Officer, and officers of the company were also invited to attend the meetings on the matters requiring their attention and feedback.

The BAC Chairman submits a report on matters deliberated to the Board of Directors after each BAC meeting.

### SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

A summary of the activities performed by the BAC during the financial year is set out below.

#### Risk Management

- Reviewed the Group's Bi-annual Strategic and Operating Risk Profiles, and the activities undertaken by the Enterprise Wide Risk Management Department to promote and improve risk management awareness and processes.
- Directed the set up of Risk Compliance Unit within the Enterprise Wide Risk Management Department to provide assurance on the risk management system.
- Requested the identification of Early Warning Indicators (Key Risk Indicators) to predict and provide updates on future risk trends together with the potential impact.

#### Internal Audit

- Reviewed and approved Group Internal Audit (GIA)'s Budget and Annual Audit Plan to ensure adequacy of resources, competencies and coverage on auditable entities with significant and high risks.
- Reviewed internal audit reports issued by GIA and external parties on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed the adequacy and effectiveness of corrective actions taken by management on all significant matters raised.
- Deliberated the results of ad-hoc investigations performed and confirmed that appropriate actions are taken to correct the weaknesses.
- Assessed the performance of the Group Internal Audit Department.
- Reviewed the Key Performance Indicators achieved by Division Heads on undertaking corrective actions.

#### External Audit

- Reviewed and approved the External Audit Plan and the scope for the annual audit.
- Deliberated and reported the results of the annual audit to the Board of Directors.
- Recommended to the Board of Directors the appointment and remuneration of the Group External Auditor.
- Met with the Group External Auditor without the presence of management to discuss any matters that they may wish to present.

#### Financial Results

- Reviewed the Quarterly and Annual Financial statements of the Company and Group including announcements, and recommended them to the Board for their approval.

#### Related Party Transactions

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

#### Annual Reporting

- Reviewed and recommended the Statement on Corporate Governance, Statement on Internal Control, Board Audit Committee Report, Statement on Internal Audit Function, Report on Related Party Transactions and Recurrent Related Party Transactions, and Corporate Social Responsibility Report, to the Board for approval.

#### Others

- Reviewed and verified that the allocation options granted under Employee Share Option Scheme (ESOS) during the Financial Year were in accordance to the required provisions set out under the Company's Scheme.
- Visited and reviewed the strategies and operations of a subsidiary company, Sabah Electricity Sdn. Bhd.



## GROUP INTERNAL AUDIT

The internal audit function of the Group is carried out by the GIA Department. GIA is independent and reports directly to the BAC.

GIA provides independent, objective assurance on areas of operations reviewed, and advice on best practices that will improve and add value to the Group.

A systematic and disciplined approach is adopted to evaluate adequacy and effectiveness of the risk management, financial, operational, compliance and governance processes. Internal audit activities are aligned to the strategic plan/objectives of the company. A risk-based methodology is adopted to ensure that the relevant controls addressing risks are reviewed regularly.

During the financial year, a total of 159 reports covering 318 assignments were issued. The areas of coverage includes governance, ethics, risk management and controls in the areas of generation, transmission, distribution, procurement, engineering, projects, finance, human resource, logistics, information and communication technology and investments in subsidiaries.

The reports issued provide independent and objective assessment of the following:

- Existence, effectiveness and adequacy of the internal control systems to manage operations and safeguard the Group's assets.
- Adequacy and effectiveness of the governance, risk management, operations, and compliance functions to manage and anticipate potential risks over key business processes.

The internal audit reports arising from the assignments were issued to management for their response, corrective actions and provision of deadlines to complete the relevant preventive and corrective actions. The reports were subsequently tabled to the BAC for their deliberation. Management staff were present during the deliberation of the reports to ensure that they undertake the responsibility of carrying out preventive and corrective actions on the weaknesses reported.

During the year, GIA also facilitated the implementation of a Key Performance Indicator for corrective actions taken by Division Heads to address weaknesses in their Divisions.

**TAN SRI DATO' LAU YIN PIN**  
**@ LAU YEN BENG**

Chairman  
Board Audit Committee  
Tenaga Nasional Berhad  
(Senior Independent Non-Executive Director)





## STATEMENT ON INTERNAL AUDIT FUNCTION

The internal audit function of the Company is carried out by the Group Internal Audit Department (GIA). GIA was established to support the Board, through the Board Audit Committee, to discharge their responsibilities of maintaining a sound system of internal control to safeguard shareholders' investments, the interest of stakeholders and the Group's assets.

GIA reports functionally to the Board Audit Committee and administratively to the Chief Executive Officer. GIA authority, scope and responsibilities are governed by a Group Internal Audit Charter that was revised and approved by the Board Audit Committee in 2007.

GIA's mission is to provide objective and independent assurance of the Group's system of internal controls, through the following:

- Preparing and implementing a risk based strategic annual audit plan which covers the auditable entities within the organisation.
- Reviewing the adequacy and effectiveness of governance, risk management and control processes established by the Group to manage its risks and operations.
- Reporting internal control weaknesses and recommending preventive/corrective actions to improve operations, enable accurate reporting, safeguard assets and promote the economic utilisation of resources.
- Monitoring the implementation of corrective actions to ascertain their adequacy and ability of the auditable entities to strengthen internal controls in their area of operations.

The internal audit function is structured into core and non-core units. The areas of audit coverage includes the functions of governance, risk management and review of controls in the areas

of generation, transmission, distribution, procurement, projects, accounting & finance, human resource, information & communication technology and investments in subsidiaries.

During the financial year, GIA issued 159 reports arising from the performance of 231 planned jobs, 10 ad hoc jobs and 77 follow-up audits on corrective actions. Out of the 231 planned jobs, 3 were co-sourced with external consultants. The rest were performed in-house by GIA. The co-sourced jobs were in the areas of information and communication technology (2 jobs) and project management (1 job). The co-sourcing of assignments enabled GIA to build up their skills and competencies in the areas co-sourced.

GIA is staffed by a total of 84 auditors. The auditors comprise staff with backgrounds in engineering, finance, business, accounting, information and communication technology and quantity surveying.

The overall cost spent by GIA in financial year 2008/2009 is RM11.1 million, where 74% was for staff related costs and 6% for co-sourcing fees to consultants.

Training courses are provided to GIA staff in the areas of auditing skills, technical skills, personal development and also English language courses. Apart from training courses, staff are encouraged to become Certified Internal Auditors. They are provided with incentives such as allowances and reimbursement of examination and registration fees when they pass the Certified Internal Auditor examinations. A total of 5 staff are pursuing the Certified Internal Auditor qualification. During the financial year, GIA won the Corporate Award - Tier 4, Category I for its strong commitment to professional development from the Institute of Internal Auditors Malaysia.

The improvements carried out by GIA during the financial year include the following:

- Facilitation in the implementation of a Key Performance Indicator on completion of corrective actions for areas with weaknesses for all division heads.
- Promotion of ethical awareness through a review of ethics systems, a Fraud and Ethics Survey and also presentations of the Fraud and Ethics Review to various groups within the organisation.
- Enhancement of internal control awareness through sessions with management trainees and divisional staff.
- Introduction of Terms of Reference for Special Audits to ensure adequate and accurate coverage of areas reviewed.
- Incorporation of objectivity and conflict of interest reviews on audit team members for each audit assignment.

GIA is committed to provide objective and independent assurance as well as provide value added services to our customers in accordance with the International Professional Practices Framework on internal auditing.

**TAN SRI DATO' LAU YIN PIN**  
**@ LAU YEN BENG**

Chairman  
Board Audit Committee  
Tenaga Nasional Berhad  
(Senior Independent Non-Executive Director)



## TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

### 1. CONSTITUTION

- 1.1 The Board of Directors of Tenaga Nasional Berhad (TNB), in accordance with Article 146 of the Memorandum and Articles of Association of TNB, has established a Committee of the Board, known as the Board Audit Committee (BAC), vide Minute No. 39/90 on 9 October 1990.
- 1.2 The function and authority of the BAC extends to TNB and all its subsidiaries, joint ventures and associates where management responsibility is vested to TNB or subsidiaries of TNB (Collectively referred to as the "Group").

### 2. COMPOSITION OF THE COMMITTEE

- 2.1 The members of the BAC shall be appointed by the Board of Directors of TNB and shall consist of not less than three (3) members. All the audit committee members must be non-executive directors, with the majority of whom shall be independent in accordance with the definition in Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- 2.2 Where the members for any reason are reduced to less than three (3), that Board shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

- 2.3 At least one (1) member of the Committee must meet the criteria set by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, i.e.:-

- i. must be a member of the Malaysian Institute of Accountants or
- ii. if he/she is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience, and:
  - a. he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
  - b. he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

- 2.4 The Board shall elect a Chairman from the Committee who shall be an independent director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

- 2.5 The term of office and performance of the Committee shall be reviewed by the Board to determine whether the Committee has carried out its duties in accordance with their terms of reference.

- 2.6 No alternate Directors shall be appointed to the BAC.

### 3. CHAIRMAN OF THE COMMITTEE

- 3.1 The following are the main duties and responsibilities of the Chairman of the Committee:

- 3.1.1 to steer the Committee to achieve its objectives;
- 3.1.2 to provide leadership to the Committee and ensure proper flow of information to the Committee, review adequacy and timing of documentation;
- 3.1.3 to provide a reasonable time for discussion at the Committee meetings. Organise and present the agenda for Committee meetings based on input from Members and ensure that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy level of skepticism and independence;
- 3.1.4 to ensure that consensus is reached on every Committee resolution and where considered necessary, call for a vote and the decision will be made by simple majority. Dissenting opinions should be captured;
- 3.1.5 to manage the process and working of the Committee and ensure that the Committee discharges its responsibilities;
- 3.1.6 to ensure that all members participate in the discussion to enable effective decisions to be made; and



## TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE (CONT'D.)

3.1.7 the Chairman of the BAC shall be available to answer questions about the Committee's work at the Annual General Meeting of the Company.

### 4. COMMITTEE MEMBERS

4.1 Each Committee Member is expected to:-

4.1.1 provide independent opinions to the fact-finding, analysis and decision making process of the Committee, based on their experience and knowledge;

4.1.2 consider viewpoints of the other committee members; and make decisions and recommendations for the best interest of the Group;

4.1.3 keep abreast of the latest corporate governance guidelines in relation to the Committee and the Board as a whole; and

4.1.4 continuously seek out best practices in terms of the processes utilised by the Committee, following which these should be discussed with the rest of the Committee for possible adoption.

### 5. OBJECTIVES OF THE COMMITTEE

The objectives of the Committee are:

5.1 to ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;

5.2 to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;

5.3 to improve the Group's business efficiency, the quality of the accounting and audit function and strengthening public confidence in the Group's reported financial results;

5.4 to maintain, through regularly scheduled meetings, a direct line of communication between the Board and the External and Internal Auditors;

5.5 to ensure the independence of the external and internal audit functions; and

5.6 to create a climate of discipline and control which will reduce the opportunity for fraud.

### 6. AUTHORITY OF THE COMMITTEE

The Committee is authorised by the Board to:

6.1 investigate any activity within its Terms of Reference; or as directed by the Board of Directors;

6.2 determine and obtain the resources required to perform its duties, including approving the budget for the external and internal audit functions;

6.3 have full and unrestricted access to all employees, the Group's properties and works, to all books, accounts, records and other information of the Group in whatever form;

6.4 have direct communication channels with external auditors and person(s) carrying out the internal audit function or activity for the Group;

6.5 direct the Internal Audit Function in the Group;

6.6 approve the appointment of the Head of Internal Audit;

6.7 engage independent advisers and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and

6.8 to review the adequacy of the structure and Terms of Reference of the Board Committees, including the BAC.

### 7. FUNCTIONS OF THE COMMITTEE

The functions and responsibilities are as follows:

#### 7.1 Corporate Financial Reporting

7.1.1 To review and recommend acceptance or otherwise of accounting policies, principles and practices.

7.1.2 To review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:

- i. any changes in existing or implementation of new accounting policies;
- ii. major judgment areas, significant and unusual events;



- iii. significant adjustments resulting from audit;
  - iv. the going concern assumptions;
  - v. compliance with accounting standards; and
  - vi. compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other legal and statutory requirements.
- 7.1.3 To review with management and the external auditors the results of the audit, including any difficulties encountered.
- 7.1.4 To review and verify the allocation of scheme options pursuant to the Company's Employees' Share Option Scheme (ESOS) in accordance to the Bursa Securities Listing Requirements as to provide a statement by audit committee in the annual report.

## 7.2 Enterprise-Wide Risk Management

- 7.2.1 To review the adequacy of and to provide independent assurance to the Board of the effectiveness of risk management functions in the TNB Group.
- 7.2.2 To ensure that the principles and requirements of managing risk are consistently adopted throughout the TNB Group.

- 7.2.3 To deliberate on the key risk issues highlighted by Group Risk Management Committee in their reports to BAC.

## 7.3 Internal Control

- 7.3.1 To assess the quality and effectiveness of the systems of internal control and the efficiency of the Group's operations.
- 7.3.2 To review the findings on internal control in the Group by internal and external auditors.
- 7.3.3 To review and approve the Statement on Internal Control for the Annual Report as required under Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## 7.4 Internal Audit

- 7.4.1 To approve the Corporate Audit Charters of internal audit functions in the Group.
- 7.4.2 To ensure that the internal audit functions have appropriate standing in the Group and have the necessary authority, resources and competency to carry out their work. This includes a review of the organisational structure, resources, budgets and qualifications of the internal audit personnel.

- 7.4.3 To review internal audit reports and management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by management, the BAC will report the matter to the Board.
- 7.4.4 To review the adequacy of internal audit plans and the scope of audits, and ensure that the internal audit functions are carried out without any hindrance.
- 7.4.5 To appraise the performance of Head of Internal Audit.
- 7.4.6 To be informed of resignations and transfers of senior internal audit staff and provide resigning/transferred staff an opportunity to express their views.
- 7.4.7 To direct any special investigation to be carried out by Internal Audit.

## 7.5 External Audit

- 7.5.1 To nominate the External Auditors together with such other functions as may be agreed to by the Board and recommend for approval of the Board the external audit fee, and consider any questions of resignation or termination.



## TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE (CONT'D.)

7.5.2 To review external audit reports and management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by management, the BAC will report the matter to the Board.

7.5.3 To review external audit plans and scope of work.

7.5.4 The BAC shall meet the external and internal auditors or both at least twice a year to discuss problems and reservations arising out of audits and any matters the auditors may wish to discuss, in the absence of management, Executive Directors or non-independent Directors where necessary.

### 7.6 Corporate Governance

7.6.1 To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of non-compliance.

7.6.2 To review the findings of any examinations by regulatory authorities.

7.6.3 To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of integrity.

7.6.4 To review and approve the Statement of Corporate Governance for the disclosure in the Annual Report as required under Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

7.6.5 To review and approve the Statement of Corporate Social Responsibility for the disclosure in the Annual Report as required under Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

7.6.6 To review the investor relations programme and shareholder communications policy for the company.

7.6.7 To examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.

7.6.8 To develop and regularly review TNB's Code of Corporate Governance and Business Ethics.

7.6.9 Where the BAC is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the BAC must promptly report such matters to Bursa Malaysia.

## 8. COMMITTEE MEETINGS

8.1 The Committee shall convene meetings as and when required, and at least six (6) times during the financial year of TNB.

8.2 The number of Committee meetings held a year and the details of attendance of each individual member in respect of meetings held should be disclosed in the annual report.

8.3 The Chairman of the Committee, or the Secretary on the requisition of any member, the Head of Internal Audit or the External Auditors, shall at any time summon a meeting of the Committee by giving reasonable notice. It shall not be necessary to give notice of a Committee meeting to any member for the time being absent from Malaysia.

8.4 No business shall be transacted at any meeting of the Committee unless a quorum is present. The quorum for each meeting shall be three (3) members.



- 8.5 The Chairman of the Committee shall chair the Committee meetings and in his absence, the members present shall elect one amongst themselves to be the Chairman of the meeting.
- 8.6 In appropriate circumstances, the Committee may deal with matters by way of circular reports and resolution in lieu of convening a formal meeting.
- 8.7 Officers of the Group or others as necessary may be invited to attend meetings where the Committee considers their presence necessary.
- 8.8 All recommendations of the Committee shall be submitted to the Board for approval.
- 8.9 A Committee member shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this causes insufficient Directors to make up a quorum, the Committee has the right to appoint another Director(s), which meets the membership criteria.
- 8.10 The Committee, through its Chairman, shall report to the Board after each meeting.
- 8.11 Subject to the provisions of this Terms of Reference and Memorandum and Articles of Association of TNB, the Committee shall establish its own procedures for meetings.

## 9. SECRETARY OF THE COMMITTEE

- 9.1 The Secretary of the Committee shall be the Company Secretary.
- 9.2 The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee. The Agenda shall be sent to all members of the Committee and the Head of Internal Audit at least three (3) working days before each meeting together with the relevant papers.
- 9.3 The Secretary shall promptly prepare the written minutes of the meeting and distribute it to each member. The minutes of the Committee meeting shall be confirmed and signed by the Chairman of the meeting at the next succeeding meeting.
- 9.4 The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custody of the Company Secretary. The minutes shall be available for inspection by the members of the Board, external auditors, internal auditors, and other persons deemed appropriate by the Company Secretary.

## 10. DISCLOSURE

- 10.1 The Committee shall assist the Board in making disclosures concerning the activities of the Committee, in the Report of the Board Audit Committee, to be issued in the Annual Report.
- 10.2 The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests and the interests of the Company. In the event of a conflict, either perceived or actual, this Disclosure of Interest shall be submitted to the Chairman of the Committee with a copy to the Company Secretary.

## 11. REVISION OF THE TERMS OF REFERENCE

- 11.1 Any revision or amendment to the Terms of Reference, as proposed by the Committee or any third party, shall be presented to the Board for its approval.
- 11.2 Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.



## BOARD OF DIRECTORS



### STANDING, FROM LEFT TO RIGHT:

- **DATO' PUTEH RUKIAH BINTI ABDUL MAJID**  
(Non-Independent Non-Executive Director)
- **DATO' MOHAMMAD ZAINAL BIN SHAARI**  
(Non-Independent Non-Executive Director)

- **TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB**  
(Independent Non-Executive Director)

- **TAN SRI DATO' HARI NARAYANAN A/L GOVINDASAMY**  
(Independent Non-Executive Director)

### SITTING:

- **TAN SRI LEO MOGGIE**  
(Non-Independent Non-Executive Chairman)



**STANDING, FROM LEFT TO RIGHT:**

- **TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG**  
(Senior Independent Non-Executive Director)
- **DATO' FUAD BIN JAAFAR**  
(Independent Non-Executive Director)

- **DATO' ZAINAL ABIDIN BIN PUTIH**  
(Independent Non-Executive Director)
- **NOR ZAKIAH BINTI ABDUL GHANI**  
(Company Secretary)

**SITTING:**

- **DATO' SRI CHE KHALIB BIN MOHAMAD NOH**  
(President/Chief Executive Officer)  
(Non-Independent Executive Director)





## PROFILE OF DIRECTORS

### TAN SRI LEO MOGGIE

Tan Sri Leo Moggie, 68 years of age and a Malaysian, was appointed as Non-Independent Non-Executive Chairman of Tenaga Nasional Berhad on 12 April 2004.

He holds a Masters of Arts in History from University of Otago, New Zealand and a Masters in Business Administration from Pennsylvania State University, USA. He is the Chairman of the Board Nomination and Remuneration Committee and Board Finance and Investment Committee. Tan Sri Leo Moggie sits on the Boards of Digi.Com Berhad and The New Straits Times Press (Malaysia) Berhad.

He held several senior ministerial positions both at the federal and state level prior to his appointment as Chairman of Tenaga Nasional Berhad. Tan Sri Leo Moggie was the former Minister of Energy, Communications and Multimedia (1998-2004), Minister of Works (1989-1995), Minister of Energy, Telecommunications and Posts (1978-1989 and 1995-1998) in the Federal Cabinet and Minister of Local Government (1977-1978) and Minister of Welfare Services (1976-1977) in the State Government of Sarawak.

He began his career as a Civil Servant and held various positions in the Sarawak State Civil Service from 1966 until 1974. He was also a member of Council Negeri Sarawak (1974-1978) and a Member of Parliament (1978-2004).

Tan Sri Leo Moggie attended all the 14 Board Meetings held in the Financial Year. He has never been charged for any offense and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

### CHAIRMAN

*Non-Independent Non-Executive Director*





### **DATO' SRI CHE KHALIB BIN MOHAMAD NOH**

Dato' Sri Che Khalib bin Mohamad Noh, 44 years of age and a Malaysian, was appointed as a Non-Independent Executive Director of Tenaga Nasional Berhad on 1 July 2004.

He is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and a member of the Malaysian Institute of Accountants. He sits on the Board Disciplinary Committee.

Dato' Sri Che Khalib started his career with Messrs Ernst & Young and later joined Bumiputra Merchant Bankers Berhad. Between 1992 and 1999, he served in several companies within Renong Group including Projek Lebuhraya Utara Selatan (PLUS), HBN Management Services Sdn. Bhd., Renong Overseas Corporation Sdn. Bhd. and Marak Unggul Sdn. Bhd., the consortium company responsible for the management of Keretapi Tanah Melayu Berhad. In June 1999, he joined Ranhill Utilities Berhad as the Chief Executive Officer. He was the Managing Director and Chief Executive Officer of KUB Malaysia Berhad prior to his appointment as President/Chief Executive Officer of Tenaga Nasional Berhad.

Prior to joining Tenaga Nasional Berhad, Dato' Seri Che Khalib served as a member of the Board and Executive Committee of Khazanah Nasional Berhad from year 2000 until 2004. He also served as Board member on several of the United Engineers Malaysia Berhad Group of Companies and Bank Industri & Teknologi Malaysia Berhad.

Dato' Sri Che Khalib attended all the 14 Board Meetings held in the Financial Year. He has never been charged for any offense and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

### **PRESIDENT/CHIEF EXECUTIVE OFFICER**

*Non-Independent Executive Director*



## PROFILE OF DIRECTORS (CONT'D.)

### DATO' PUTEH RUKIAH BINTI ABD MAJID

Dato' Puteh Rukiah binti Abd Majid, 56 years of age and a Malaysian, was appointed as Non-Independent Non-Executive Director of Tenaga Nasional Berhad on 13 September 2006.

She is a holder of a Bachelor of Economics (Hons) from Universiti Malaya, Malaysia and Masters (Economy) from Western Michigan University, USA. She is the Chairman of Board Tender Committee and a member of the Board Disciplinary Committee.

She has held various positions in the Government such as Deputy Under Secretary, Minister of Finance (Incorporated), Privatisation and Public Enterprise Division (2000-2004) and as Under Secretary, Investment, Minister of Finance (Incorporated) and Privatisation Division (2004-August 2006). Currently, she is the Deputy Secretary General (Systems & Controls), Ministry of Finance.

She sits on the Boards of Perbadanan Usahawan Nasional Berhad, Perbadanan Aset Air Berhad, Pelaburan Hartanah Berhad and Penerbangan Malaysia Berhad.

Dato' Puteh Rukiah attended all the 14 Board Meetings held in the Financial Year. She has never been charged for any offense and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

*Non-Independent Non-Executive Director*

### DATO' MOHAMMAD ZAINAL BIN SHAARI

Dato' Mohammad Zainal bin Shaari, 46 years of age and a Malaysian, was appointed as Non-Independent Non-Executive Director on 31 March 2007. Dato' Mohammad Zainal is a Fellow of the Institute of Chartered Accountants in England and Wales, and the Association of Chartered Certified Accountants (ACCA) of the United Kingdom. He is also a Member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA).

He serves as member of the Board Audit Committee, Board Tender Committee, Board Finance and Investment Committee and Board Nomination and Remuneration Committee.

He is presently the Executive Director/Chief Operating Officer of Khazanah Nasional Berhad.

He has served in various positions in the private sector including with a public accounting firm in the United Kingdom (1984-1990) and with PricewaterhouseCoopers in year 1990 until 2002. He served a short stint with BinaFikir Sdn. Bhd. before joining Khazanah Nasional Berhad in October 2004.

Dato' Mohammad Zainal attended 10 meetings out of 14 Board Meetings held in the Financial Year. He has never been charged for any offense and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

*Non-Independent Non-Executive Director*





### **TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG**

Tan Sri Dato' Lau Yin Pin, 60 years of age and a Malaysian, is the Senior Independent Non-Executive Director of Tenaga Nasional Berhad. He was appointed to the Board of Tenaga Nasional Berhad on 25 September 1990. He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) since 1979, a Fellow Member of the Chartered Association of Certified Accountants (ACCA), United Kingdom since 1981 and also a graduate of the Institute of Chartered Secretaries and Administration (ICSA), United Kingdom. He obtained the Diploma in Commerce (with Distinction), from Kolej Tunku Abdul Rahman.

He chairs the Board Audit Committee and sits on the Board Tender Committee.

Tan Sri Dato' Lau Yin Pin has served in various capacities in the private sector including as a Public Accountant in Lau & Co. and also a Business and Financial Consultant in Perunding Niaga Sdn. Bhd.

He sits on the Board of YTL Power International Berhad and Media Chinese International Limited.

Tan Sri Dato' Lau Yin Pin attended all the 14 Board Meetings held in the Financial Year. He has never been charged for any offense and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

*Senior Independent Non-Executive Director*

### **TAN SRI DATO' HARI NARAYANAN A/L GOVINDASAMY**

Tan Sri Dato' Hari Narayanan, 59 years of age and a Malaysian, is an Independent Non-Executive Director. He was appointed to the Board of Tenaga Nasional Berhad on 1 March 1995. He holds a Bachelor degree in Electrical and Electronics Engineering from the University of Northumbria, England.

He is a member of the Board Audit Committee and Board Nomination and Remuneration Committee.

He has vast experience in the field of electrical and electronics engineering and has held key positions at InchCape Berhad and Tamco Cutler-Hammer Sdn. Bhd. He is currently the Chairman of Noblemax Resources Sdn. Bhd. and Deputy Chairman in Emrail Sdn. Bhd.

Tan Sri Dato' Hari Narayanan's directorships in other public companies are S P Setia Berhad and Puncak Niaga Holdings Berhad.

Tan Sri Dato' Hari Narayanan attended 13 out of 14 Board Meetings held in the Financial Year. He has never been charged for any offense and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

*Independent Non-Executive Director*





## PROFILE OF DIRECTORS (CONT'D.)

### DATO' ZAINAL ABIDIN BIN PUTIH

Dato' Zainal Abidin bin Putih, 63 years of age and a Malaysian was appointed as Independent Non-Executive Director of Tenaga Nasional Berhad on 1 May 2003. He serves as a member of the Board Audit Committee and also Board Finance and Investment Committee.

He is a qualified Chartered Accountant from the England and Wales Institute. He has extensive experience in Public Accounting Practice and has held various positions such as Partner, Executive Director, Country Managing Partner and Chairman in the firm of Hanafiah Raslan & Mohamad which merged with Ernst & Young in year 2002.

Presently, he is the Chairman of Mobile Money International Sdn. Bhd. and a Trustee of IJN Foundation. He was the past Chairman of the Malaysian Accounting Standards Board (MASB), Mentakab Rubber Company Berhad, Pengurusan Danaharta Nasional Berhad, a past President of Malaysian Institute of Certified Public Accountant, a past member of Multimedia & Communication Commission of Malaysia and past Advisor to Ernst & Young Malaysia.

He sits on the Boards of Bumiputra-Commerce Holdings Berhad, CIMB Investment Bank Berhad, CIMB Bank Berhad, ESSO Malaysia Berhad and Dutch Lady Milk Industries Berhad.

Dato' Zainal Abidin attended 12 meetings out of 14 Board Meetings held in the Financial Year. He has never been charged for any offense and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

*Independent Non-Executive Director*

### DATO' FUAD BIN JAAFAR

Dato' Fuad bin Jaafar, 66 years of age and a Malaysian, was appointed as Independent Non-Executive Director of Tenaga Nasional Berhad on 15 March 2007. He is a holder of a Diploma in Technology from Brighton University, United Kingdom.

He sits on the Board Tender Committee, Board Disciplinary Committee and Board Nomination and Remuneration Committee.

He has served in various capacities during his tenure with Tenaga Nasional Berhad holding positions such as Assistant Distribution Engineer, Senior District Manager, Construction Engineer, Assistant Senior Construction Engineer, Senior Construction Engineer, Deputy Chief Engineer/Assistant General Manager and Deputy General Manager. In January 1994, Dato' Fuad became the General Manager for Transmission Division and later became the Senior General Manager for Energy Supply. On 4 September 1997, he was appointed as TNB's Chief Operating Officer and Executive Director and subsequently on 16 October 2000, he was appointed as the President/Chief Executive Officer of Tenaga Nasional Berhad.

Dato' Fuad attended 13 out of 14 Board Meetings held in the Financial Year. He has never been charged for any offense and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

*Independent Non-Executive Director*





#### **TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB**

Tan Sri Dato' Seri Siti Norma binti Yaakob, 69 years of age and a Malaysian, was appointed as Independent Non-Executive Director of Tenaga Nasional Berhad on 12 September 2008. She graduated as a Barrister-at-law from Gray's Inn, London. She also holds a Certificate in Public International Law in Post-Finals Course, Council of Legal Education, London.

She chairs the Board Disciplinary Committee and sits on the Board Nomination and Remuneration Committee and Board Finance and Investment Committee.

She has held various senior positions in the Legal Service of Malaysia holding such positions as Senior Assistant Registrar, President of Sessions Court, Senior Federal Counsel of Attorney General's Chambers, Deputy Public Trustee, Malaysia and Chief Registrar of Federal Court, Malaysia. She was appointed a Judge of the High Court of Malaya (1983-1994), Judge, Court of Appeal, Malaysia (1994-2000). Effective 1 January 2001, she was made a Judge of the Federal Court of Malaysia and subsequently on 8 February 2005 she was elevated as Chief Judge of Malaya and held that position until 5 January 2007.

She currently sits on the Boards of KAF Investment Bank Berhad, RAM Holdings Berhad, RAM Rating Services Berhad and RAM Rating (Lanka) Limited.

Tan Sri Dato' Seri Siti Norma attended 11 meetings out of 13 Board Meetings held in the Financial Year. She has never been charged for any offense and has no family relationship with any Director or Major Shareholder of the Company nor any conflict of interest with the Company.

*Independent Non-Executive Director*



## GROUP EXECUTIVE COUNCIL COMMITTEE - GECC

The Group Executive Council Committee is responsible for ensuring that operations of the Company are aligned to the Company's mission and vision and implemented in accordance with the Group's policies and strategies. It is the highest executive entity in the Group, comprising the President/Chief Executive Officer as the Chairman, the Chief Financial Officer/Vice President (Group Finance) and three Vice Presidents of the Company's core businesses (namely Generation, Transmission and Distribution).

The Committee is also responsible to monitor and oversee that the activities and overall performance of the Group are implemented in line with the Company's initiatives and policies. These include the appointments of Members of the respective Group Management Committees and promotions of the executives within the Company.

The Committee held eight (8) meetings during the Financial Year under review.



### Composition:-

- (1) **DATO' SRI CHE KHALIB BIN MOHAMAD NOH**  
President/Chief Executive Officer
- (2) **DATUK WIRA MD. SIDEK BIN AHMAD**  
*(former Senior Vice President, Operations & Technical  
retired w.e.f 1 September 2009)*
- (3) **DATO' ABDUL RAZAK BIN ABDUL MAJID**  
*(former Senior Vice President, Corporate Affairs,  
retired w.e.f 1 September 2009)*
- (4) **MOHAMED RAFIQUE MERICAN BIN MOHD WAHIDUDDIN MERICAN**  
Chief Financial Officer/Vice President, Group Finance

- (5) **IR. MOHD NAZRI BIN SHAHRUDDIN**  
Vice President, Generation
- (6) **DATO' IR. AB'LLAH BIN HAJI MOHD SALLEH**  
Vice President, Transmission
- (7) **IR. HAJI AZMAN BIN MOHD**  
Vice President, Distribution

### Not in the picture:-

- DATO' IZZADDIN BIN IDRIS**  
*(former Chief Financial Officer/Senior Vice President,  
Group Finance, resigned w.e.f 6 July 2009)*



## ENERGY SUPPLY COMMITTEE – ESC



The Energy Supply Committee is the highest management forum having the authority to endorse and approve all power system development plans and proposals for the Company in Peninsular Malaysia, prior to submission to TNB Board of Directors. The Committee also makes decisions in respect of major operational issues affecting the Company's core business as well as decisions related to the expedition of the on-going generation, transmission and primary distribution development projects in Peninsular Malaysia.

The Committee held three (3) meetings during the Financial Year under review.

### Composition:-

- (1) **DATO' SRI CHE KHALIB BIN MOHAMAD NOH**  
President/Chief Executive Officer
- (2) **DATUK WIRA MD. SIDEK BIN AHMAD**  
*(former Senior Vice President, Operations & Technical, retired w.e.f 1 September 2009)*
- (3) **DATO' ABDUL RAZAK BIN ABDUL MAJID**  
*(former Senior Vice President, Corporate Affairs, retired w.e.f 1 September 2009)*
- (4) **IR. MOHD NAZRI BIN SHAHRUDDIN**  
Vice President, Generation
- (5) **DATO' IR. AB'LLAH BIN HAJI MOHD SALLEH**  
Vice President, Transmission

- (6) **IR. HAJI AZMAN BIN MOHD**  
Vice President, Distribution  
*(appointed w.e.f 14 November 2008)*
- (7) **ROSLINA BINTI ZAINAL**  
Vice President, Planning  
*(appointed w.e.f 1 April 2009)*

### Not in the picture:-

- DATO' IR. AISHAH BINTI DATO' HAJI ABDUL RAUF**  
*(former Vice President, Distribution, retired w.e.f 14 November 2008)*
- ZAINAB BINTI ABDULLAH**  
*(former Vice President, Planning, retired w.e.f 31 March 2009)*





## GROUP EXECUTIVE MANAGEMENT COMMITTEE - GEMC

In the day-to-day running of the Company, the President/Chief Executive Officer is supported by the Group Executive Management Committee that is responsible for the Group's financial and operational management, strategic planning, resource management and risk assessment. Its objective is to ensure that the Company's obligations to its shareholders and other stakeholders are understood and met.

It serves as a forum for the Senior Management from across the Divisions to deliberate and monitor the achievement of their Key Performance Indicators (KPI) and resolve pertinent issues relating to technical operations matters mainly from the core business areas of the Company i.e. generation, transmission and distribution.

The Committee generally meets on a monthly basis and additionally when necessary. During the Financial Year under review, the Committee held 12 meetings.



### Composition:-

- |  |  |  |
|--|--|--|
| <p>(1) <b>DATO' SRI CHE KHALIB BIN MOHAMAD NOH</b><br/>President/Chief Executive Officer</p> <p>(2) <b>DATUK WIRA MD. SIDEK BIN AHMAD</b><br/><i>(former Senior Vice President, Operations &amp; Technical, retired w.e.f 1 September 2009)</i></p> <p>(3) <b>DATO' ABDUL RAZAK BIN ABDUL MAJID</b><br/><i>(former Senior Vice President, Corporate Affairs, retired w.e.f 1 September 2009)</i></p> <p>(4) <b>MOHAMED RAFIQUE MERICAN BIN MOHD WAHIDUDDIN MERICAN</b><br/>Chief Financial Officer/Vice President, Group Finance<br/><i>(appointed w.e.f 17 August 2009)</i></p> | <p>(5) <b>IR. MOHD NAZRI BIN SHAHRUDDIN</b><br/>Vice President, Generation</p> <p>(6) <b>DATO' IR. AB'LLAH BIN HAJI MOHD SALLEH</b><br/>Vice President, Transmission</p> <p>(7) <b>IR. HAJI AZMAN BIN MOHD</b><br/>Vice President, Distribution<br/><i>(appointed w.e.f 14 November 2008)</i></p> <p>(8) <b>MUHAMMAD RAZIF BIN ABDUL RAHMAN</b><br/>Vice President, Human Resource<br/><i>(appointed w.e.f 24 December 2008)</i></p> | <p>(9) <b>ROSLINA BINTI ZAINAL</b><br/>Vice President, Planning<br/><i>(appointed w.e.f 1 April 2009)</i></p> <p>(10) <b>DATO' RAZALI BIN AWANG</b><br/>Chief Information Officer</p> <p>(11) <b>NOR AZMI BIN RAMLI</b><br/>Chief Procurement Officer</p> <p>(12) <b>MD. JAILANI BIN ABAS</b><br/>Senior General Manager, Corporate Services</p> |
|--|--|--|



*Not in the picture:-*

**DATO' IR. AISHAH BINTI DATO' HAJI ABDUL RAUF**

*(former Vice President, Distribution,  
retired w.e.f 14 November 2008)*

**DATO' KAMARUZZAMAN BIN JUSOH**

*(former Vice President, Human Resource,  
retired w.e.f 24 December 2008)*

**DATO' NIK IBRAHIM BIN NIK MOHAMED**

*(former Vice President, Investment Management,  
retired w.e.f 26 February 2009)*

**ZAINAB BINTI ABDULLAH**

*(former Vice President, Planning,  
retired w.e.f 31 March 2009)*

**DATO' IZZADDIN BIN IDRIS**

*(former Chief Financial Officer/Senior Vice President,  
Group Finance, resigned w.e.f 6 July 2009)*



## CORPORATE SOCIAL RESPONSIBILITY



Corporate social responsibility (*CSR, also known as corporate responsibility*) is a concept under which organisations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organisations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

As one of the Nation's leading GLCs, TNB is committed to undertaking CSR best practices that impact positively to all our stakeholders, be they our employees, customers, partners or the communities and the environment we operate in, and above all the nation-building agenda. The far reaching impact of TNB's CSR policy was acknowledged by the Government and was used as a benchmark for the pilot study on CSR for its Silver Book initiative.

As the leading power utility, TNB's integral role to deliver electricity to the public efficiently and at the lowest rate possible is by far the single most important CSR activity it has undertaken. The Company recognises the need and relevance of the Government policy for the country's ongoing development and the various initiatives we have undertaken to deliver safe, reliable and secure electricity to customers for their private and economic needs, are testament to our commitment to ensure society will gain and benefit from these developments. With this in mind, TNB strongly supports government driven



policies and initiatives such as those enshrined in the 9th Malaysia Plan and it aims to continue powering the country's vision of becoming a fully developed nation by the year 2020.

The need to support the Government has been translated into the Company's battle cry of "Powering the Nation", which sets the tone for our CSR activities. During the period under review, TNB continued to forge ahead with its CSR initiatives in the various areas, touching the lives of many while at the same time creating sustainable values in its relentless pursuit of business excellence.

### POWERING COMMUNITIES

This is in consonance with TNB's philosophy of giving back to the community by providing philanthropic assistance to the deserving and needy as well as implementing programmes that create community wellness and better quality of life.

#### Baiti Jannati Programme

Baiti Jannati programme which means 'My House, My Heaven' ('Rumahku Syurgaku') is one of TNB's CSR initiatives to help the hardcore poor and underprivileged citizens nationwide by undertaking repair of their dilapidated houses thus providing them with decent and comfortable dwellings. TNB has established a guideline for implementing this programme and has accorded priority to senior citizens, single parents, the underprivileged and the disabled. Cooperation from local residents, NGOs and registered contractors is an important criteria for the successful implementation of this programme.

Since its roll out in 2008, 38 houses have been repaired at a cost of RM500,000.00. Besides repairing the houses, TNB also provided basic amenities such as electricity, water and proper sanitation as well as providing furniture, basic food stuff and support for their children's education.



#### Electricity Safety Awareness Campaign

Electricity Safety Awareness Campaign is a programme designed to disseminate information and foster a positive awareness and better knowledge on electricity safety amongst school teachers and all members of society. It also aims to reduce electrical accidents as well as prevent activities that would disrupt TNB's operating systems. School teachers were identified as the target group for this campaign as it is believed that they can play an important role in spreading awareness among the students on the dangers of misuse of electricity and the proper way to handle electrical appliances.

The campaign was conducted through half day seminars with three main modules that provide information related to basic electricity safety, safety for electrical domestic installations; and safety at or near TNB's electricity installations. TNB had been working closely with State Education Departments to ensure the success of this campaign. During the period under review, 2,112 teachers throughout Malaysia had benefitted from this program.

#### Community Leaders Outreach Programme (CLOP)

Community Leaders Outreach Programme or better known as CLOP is one of TNB's CSR programmes inspired by TNB's President/Chief Executive Officer in early 2005 to enhance the existing platform to communicate with customers and the local community. Its main objective is to obtain feedback on the quality of services provided by TNB and provide information on company policies and services to community leaders and the community at large.



## CORPORATE SOCIAL RESPONSIBILITY (CONT'D.)

The programme was conducted through dialogue sessions where TNB top management and local management served as panelists. It allowed community leaders as well as heads of political parties at the district level, heads of local Government departments, heads of villages, and stakeholders to engage in discussions on specific issues on TNB services, complaints, enquiries and ideas. The feedback is used as an indicator to improve services. In conjunction with the programme, TNB had organised exhibitions to disseminate information about the company, its products, services and activities. In FY2008/2009, a cost of RM170,000.00 was incurred in organizing this programme at 21 locations nation wide.

### Rural Electrification Programme

The programme focused on enhancing quality of life through provision of electricity supply to remote and rural areas. This is done through the Rural Area Electricity Supply programme as well as Solar Hybrid electrification projects, which are in line with the Government's initiatives in identifying and utilising renewable energy for alternative sources.

Twenty nine rural electrification projects had been awarded for implementation under the *Akaun Amanah Industri Bekalan Elektrik* (AAIBE) fund for FY2008/2009. Eight projects were completed and 14 are expected to be completed by December 2009.

### Business Tithes

As part of its CSR activities, TNB paid business tithe to religious authorities to all states where it has operations. The distribution of tithe in each of the States is based on the number of poor households in each of those States provided by the *Economic Planning Unit*.

### Sponsorship To Government And NGOs

Each year, TNB pledges its obligation to assist and support welfare and social programmes organized by the Government and NGOs through contributions in kind and in cash.

### Galeri Tenaga

Galeri Tenaga was founded in 2005 to house its corporate collection in a dedicated space that is open to the public for viewing. Began in the 1960s, it is one of the oldest corporate collections of Malaysian art in the country. It comprises over seventy major works of art and stands as an important piece of Malaysia's artistic heritage and a testament to our support of Malaysian art.

Apart from exhibiting its own art collection, Galeri Tenaga's doors are open to provide a supportive and conducive space to help and encourage Malaysian artists wanting to exhibit their art. In the year under review, 2 exhibitions were sponsored and held at the gallery namely, "Aspirasi 09" and "The Lightshow".

### POWERING EDUCATION

TNB believes that education can turn dreams into reality. The Company has a very strong tradition in producing world-class scholars and researchers through its education and scholarship programmes. Among the many beneficiaries are current business leaders in the country who were TNB scholars who had enjoyed the education provided by the Company under its scholarship programmes.

### Universiti Tenaga Nasional (UNITEN)

As an institution of higher learning, UNITEN has an immense and important responsibility in helping the Government produce well-rounded individuals. The University also gives primary focus on research and development activities which encourages and develops the culture of innovation and competition among the academic staff as well as its students. Strategic cooperation between UNITEN and the industrial sector provides access and opportunities for students and academic staff to master knowledge as well as scientific and technical expertise that are relevant to industrial and market place needs.





### Scholarships and Study Loans

TNB through its foundation, Yayasan Tenaga Nasional (YTN) provided scholarships and study loans amounting to RM34.6 million to 2,478 outstanding and deserving students to pursue their tertiary education at local and world-renowned universities abroad. This is a direct contribution towards the development of professional manpower for TNB and the Country. Since its inception in 1993, YTN has provided education sponsorship to more than 8,820 students.

### Pintar Project

PINTAR, an acronym for "Promoting Intelligence, Nurturing Talent & Advocating Responsibility", is a collaborative social responsibility programme initiated by Khazanah Nasional Berhad to foster academic excellence particularly among rural school children. The programme involves the sponsorship of more than 160 primary and secondary schools in the country by government-linked companies (GLC). As a GLC, TNB has pledged its support to the PINTAR Programme by adopting 26 primary schools nationwide. To ensure the successful implementation of this programme, TNB assigned one officer in each state to be its liaison officer and mentor to the adopted schools.

As many as 2,456 Year 6 students of TNB's adopted schools benefit from this programme under which various activities have been lined up towards their academic improvement in the *Ujian Pencapaian Sekolah Rendah* (UPSR). The activities consists of motivational talks for students as well as for their parents, providing tuition classes in Mathematics, Science and English; sponsoring New Straits Times newspapers, support for outdoor activities such as summer camps and team building sessions, as well as religious activities. TNB also organized hockey clinics for the students, which is in line with the PINTAR goals of nurturing talent amongst children. TNB allocates more than RM500,000.00 annually to support this program.



### Jejak Kegemilangan Programme

Under this program, a total of 142 academically-achieving students from rural areas and underprivileged families nationwide were selected for a study visit to Kuala Lumpur, which included a visit to University Tenaga Nasional (UNITEN). This annual programme was held in collaboration with the Ministry of Education to provide exposure and inspire the students to continuously achieve academic excellence.

### Remaja Bestari Camp

Remaja Bestari Camp is essentially an education camp programme held during school holidays for children of TNB employees as well as orphans. It is intended to guide and inspire participating students to perform well in public examinations such as UPSR, PMR and SPM. About 1,300 students attended these annual camps, which were held simultaneously in four zones – North, South, East and Central, with the assistance of local TNB management. The programme implemented since 2001 has an annual budget of RM500,000.00.

### Jelajah Bestari Programme

Forty outstanding students from among the underprivileged and orphans from selected schools received an unprecedented chance to visit the Sultan Mahmud Power Station at Kenyir, Terengganu. This programme gave them exposure to nature at Kenyir Lake and inspired them to seek greater achievements through motivational talks.

### Centre For Special Education Services

TNB continues its commitment to the public by contributing to the Ministry Of Education for the setting up of the "Centre of Special Education Services" in Putrajaya to cater for the educational needs of disabled children. For the financial year under review, YTN increased the donation by RM180,000.00, resulting in total contributions amounting to RM562,000.00 thus far.



## CORPORATE SOCIAL RESPONSIBILITY (CONT'D.)

### POWERING BUSINESS EXCELLENCE

TNB believes that aligning CSR initiatives with its business strategies will bring long term returns. On good initiative is the support it renders to local manufacturers and contractors through the Vendor Development Programme. In addition, consistently maintaining high standards of its businesses and operations by ensuring adequate, safe, reliable and continuous delivery of power supply, providing excellent customer service and inculcating a work culture of high integrity are among its many commitments in powering business excellence.

#### Bumiputera Vendor Development Programme

The Bumiputera Vendor Development Programme (BVDP) established by TNB is a testimony to the company's commitment towards the Government's objectives to create a structured Bumiputera Commercial and Industrial Community (BCIC) comprising a competent group of entrepreneurs in manufacturing, works and value-added services. It is also in line with the aspirations of the country's National Development Policy and Vision 2020.

TNB's BVDP is also part of the Procurement Best Practices initiatives in creating and developing resilient, innovative and competitive vendors in line with "The Red Book – Procurement Guidelines & Best Practices". The effectiveness of the implementation ensures best procurement value to TNB.

#### Rural Street Lighting Programme

Under the Rural Street Lighting programme, the Distribution Division embarked on Phase IV of the programme awarded by the Ministry of Rural and Regional Development (or KKLW – *Kementerian Kemajuan Luar Bandar dan Wilayah*) on 15 August 2008 with a 12-month contract term expiring 14 August 2009. In addition to the existing 98,660 streetlights from Phase I and

Phase II, and 26,408 units of 150W under Phase III, another 4,907 streetlights have been approved by KKLW for installation under Phase IV with a total contract sum of RM2.5 million.

To date, the installation of a total of 129,260 units rural street lighting have been completed throughout Peninsular Malaysia.

#### Special Electrification Projects

##### i. Rural Electrification Project – Solar Hybrid – Pulau Banggi, Kudat, Sabah

The project was awarded to TNB with a total contract amount of RM21 million. The construction site was handed over on 2 April 2007 and was successfully completed on 28 December 2008. It is the biggest solar hybrid project in Malaysia and uses a combination of diesel generator and solar system. It gives 24-hour electricity supply to Pekan Karakit, Kg. Singgah Mata, Kg. Perpaduan, Kg. Batu Putih, Kg. Batu Layar and Kg. Lok Tohog.

##### ii. Electricity Supply Project to Pulau Ketam, Pelabuhan Klang, Selangor

In this project, electricity will be supplied to Pulau Ketam through submarine cables from Port Klang. The submarine cable project with a value of RM85.36 million is funded by *AAIBE & KKLW*. The project is still ongoing and in the current stage of manufacturing of the submarine cables in Nexans factory, Norway. The project is expected to be completed in October 2009.

### Renewable Energy (RE) Development

TNB lends its full support to the Government's Small Renewable Energy Programme (SREP) by helping developers of potential SREP projects to identify suitable points of interconnection with the TNB distribution network, as well as conduct technical studies for the project. TNB also entered into long term RE Power Purchase Agreements (REPPA) with RE proponents.

As at August 2009, TNB has signed eleven REPPAs totaling 54.55 MW. To date TNB is in the process of finalising negotiations to conclude a total of 15 REPPAs with other SREP developers using biogas, biomass and mini hydro as RE resources.





### Energy Efficiency (EE) Programme

TNB has taken a major step in promoting EE awareness by collaborating with the Federation of Malaysian Consumers Associations (FOMCA), a major non-governmental organisation (NGO) in Malaysia. Beginning May 2009, TNB supports the National Energy Efficiency Awareness Campaign (SWITCH!) that is jointly organised by the Ministry of Energy, Green Technology and Water and FOMCA with its main objectives of raising awareness on energy conservation, to promote EE and encourage the use of EE equipment among domestic, commercial and industrial consumers. TNB signed on 18 March 2009 a Memorandum of Agreement with FOMCA and pledged to contribute RM1.5 million to the campaign.

### Wayleave And Land Matters Seminar

This annual programme is conducted specifically for state Land & Mines Officers, District Land Administrators and other relevant Government agencies with the objective of sharing information on the existing legislations governing land use and wayleave. During the period in review, five (5) seminars were conducted with participation from officers of the departments and agencies from the state of Perak, Selangor, Pahang and Johor, and also the office of the Director General of Land & Mines.

### POWERING A GREEN NATION

As a power producer and distributor, TNB's nature of operations requires the Company to take great interest in its environment. As a principle, TNB embraces the notion that any project or development undertaken by TNB must work with and not conflict with the environment it operates in.

### Tree For A Tree Program

TNB cares about the environment and is also sensitive to global warming issues. Therefore, TNB is supportive of initiatives that address these issues. One of the initiatives taken to instill TNB's commitment towards the preservation of the environment was to plant trees in conjunction with World Environment Day. Under this programme, top management and staff planted trees at the Bukit Kiara Forest Reserve area. TNB also contributed RM30,000.00 to the National Landscape Department to fund trees and support this tree planting programme at the national level.

Another initiative taken was to replace a number of the trees that had to be felled in the implementation of transmission projects. In conjunction with 'Love-a-Tree Day', a Nationwide tree planting programme was launched. By the end of the year under review, 600 trees were successfully planted at various locations that included the seashore, parks, orphanages and places of worship.

TNB is also open to the idea of the cultivation of commercial crops inside the transmission lines right-of-way so as to 'green' the vacant area underneath the transmission lines and at the same time reduce undergrowth maintenance and encroachment into the area.







## CORPORATE SOCIAL RESPONSIBILITY (CONT'D.)

### Eco Initiatives

TNB, through its educational institution UNITEN, have been paving the way in facing eco challenges and developing new innovations in the process. In the year under review, UNITEN students and lecturers joined forces to participate in activities that include:

- **SHELL Better World Competition 2009 – Champions**

This project promotes an environmental-friendly and cost-effective product to fish farm entrepreneurs. A SIFE UNITEN member invented an eco-friendly device for aqua applications called ECO-AF. This device is used for fish feeding in ponds, fish cages in lakes and rivers and fish aquariums and can be operated without causing detrimental effects to the environment and does not require electricity to function as the timer is purely established through mechanical components using the readily available flow of water. This product also won several awards in Malaysian Technology and Research and Invention competitions.

- **Perodua Eco-Challenge 2009 -1st runner up**

This Eco-Challenge gave the opportunity for participating teams to perform modifications to the 1.3L MyVi car with the aim to reduce fuel consumption and produce less emission to the environment.

- **Cooling the Planet Challenge - Finalists**

This challenge was an opportunity for young engineers to showcase their skills and demonstrate the roles engineering plays in solving global warming issues. Participating teams competed to present feasible engineering alternatives to reverse the effects of the phenomena. The UNITEN team's project titled 'Carbon Capturing Storage' managed to beat participants in Malaysia and the Asia Pacific by emerging winners in the Asia Pacific regional heats in

December 2008. Not only did the UNITEN team make it to the Institution of Mechanical Engineers (ImechE) finals in London as one of the six shortlisted teams, they were also the first team outside of the United Kingdom to do so.

- **Solar Powered Car Project**

In the year under review, UNITEN completed the design and building of a solar powered car that uses more than 1,800 solar panels and has become the test bed for vehicles using renewable energy so as to reduce dependency on fossil fuels. UNITEN is a participant in the World Solar Challenge in Australia in October 2009 with their solar powered car named "Solar Ranger 1 Malaysia". The event challenges participants to design and build a car capable of crossing the vast and imposing continent of Australia using only sunlight as fuel. The Challenge requires the team to travel a 3,000 km-journey from Darwin in the Northern Territory to Adelaide in South Australia.

### Earth Hour

TNB joined the worldwide Earth Hour campaign that urged people to switch off the lights for one hour, from 8:30 p.m. to 9:30 p.m. The response to this energy conservation initiative by the World Wildlife Fund was overwhelming with an estimated 5 million Malaysians participating in this international action against global warming. For that one hour, TNB estimated a drop in demand by 550 MW.

### Ulu Pangsun Station Conservation Project

The Ulu Pangsun Mini Hydro Station is an icon in the historical context of the growth of the electricity supply industry in the country. Built in 1927, it is the second oldest hydro station in Malaysia and the first in Selangor Darul Ehsan. Although it has ceased operations since 2001, the buildings and infrastructure designed to blend in with the environment makes the overall area

unique. The Ulu Pangsun Lower Station has its special features and benefits to be developed for CSR activities. These include developing a Resource Centre on hydro electricity, an environment research centre, eco-tourism activities and team building. Meanwhile, TNB Research regularly conducts workshops on nature studies for students and the public at the Upper Station.

### Firefly Conservation Project

A project to conserve the unique firefly colony at Kampung Kuantan, Kuala Selangor was jointly undertaken by TNB and the Selangor State Government for five years starting from 2006. In addition to research activities conducted by TNB Research Sdn Bhd, the Company upgraded the centre by providing information boards on fireflies at the mini theatre and jetty area.

Prior to this, the Company had completed the building of four pavilions, a mini theatre and public address system in the existing building; upgrading the jetty, access road and the square, refurbishing the gateway, as well as directional signs to the center at several strategic locations from Kuala Lumpur to Kuala Selangor, Selangor.

With the initiatives undertaken by TNB to upgrade and enhance the area, more and more visitors are drawn to the place, thus providing a sustainable livelihood for the boatmen. Additional initiatives also include sponsoring basic conversational Arabic and Japanese classes for the boatmen to be able to converse with tourists from Arab countries and Japan, who make up the majority of visitors. TNB also organised the annual "Lets Go To School with TNB" programme as a form of financial support for children of the boatmen.



### Bird Sanctuary

A bird sanctuary for migratory birds has emerged at the Sultan Salahuddin Abdul Aziz Power Station at Kapar, Selangor. Strict emission regulations observed by the station allowed its grounds to be the main converging site for birds like plovers, herons, godwit, sandpipers and egrets. This is part of TNB's efforts to living to harmony with Nature.

### TNB Youth Motivation, Education And Environmental Awareness Programme

During the period under review, TNB invited 60 of its employees' children to participate in this program to inculcate environmental awareness among the youth and particularly the preservation of fireflies at Kg. Kuantan, Kuala Selangor.



### POWERING THE WORK FORCE

TNB believes that its employees are its greatest assets. Its CSR initiatives for the employees over the year involved systematic training programmes and career development opportunities to enhance their professionalism as well as to encourage their involvement in volunteerism and extracurricular activities to achieve a good work-life balance.

#### Health Benefits

TNB provides a wide range of health and medical benefits and is committed towards ensuring its employees, retirees and eligible dependents receive the best services in healthcare and medical treatment. The company also provides other medical aids such as wheelchairs, hearing aids and prosthetic limbs. Children of employees are eligible for medical benefits up to the age of 18 years or up to 24 years if they are still pursuing studies at institutions of higher learning.

#### Sports And Recreation Club

A wide range of physical and recreational facilities and social activities are provided through the Kilat Club to enhance employee well-being and morale. During the period under review, there were 65 registered Kilat Clubs in the Country and TNB has spent approximately RM520,000.00 to finance sports and social activities through the Club. TNB also gives a subsidy of RM3.00 monthly to all employees who pay their Kilat Club monthly fees through salary deduction.

TNB also provides other platforms for employees to conduct and participate in social activities through societies such as *Pelitawanis* and *Pakatan/Persatuan Kebajikan Pekerja Islam TNB* (PKPI).

Currently, *Pelitawanis* has a membership of 5,637 employees and activities held in the year under review included financial and in kind contributions to the needy and old folks during major festivals, contribution of school uniforms to children from poor families, their Annual Sports Day at Kelab Kilat, and Raya cookies contribution to the 6,000 TNB staff who worked on the 1st day of Hari Raya Aidilfitri.

Meanwhile, *Pakatan/PKPI* contributed RM10,000.00 to the printing of the Bahasa Malaysia version of the *Al-Qur'an*. They also established the Humanitarian Aid Fund for Palestinians in Gaza with the total collection amounting to RM34,850.99 to fund redevelopment of public amenities, re-opening of crop estates and repair & restoration of civilian houses in Gaza.

#### Kumpulan Wang Khairat Dan Pesara TNB (Death Levy Fund)

*Kumpulan Wang Khairat Pekerja dan Pesara TNB* (KWKPPTNB) was incorporated on 3 June 1969 under the name *Kilat Death Levy Fund* and changed its name to the present one on 4 July 2005. KWKPPTNB was established to manage monetary contribution of funds collected from members to elected beneficiaries of the deceased employee and acts as a means of relief from some of the financial burden of the deceased employee's family.

KWKPPTNB's membership consists of ordinary and life members (those who have been a KWKPPTNB member for at least 15 years at retirement age). During the period under review, there were 12,820 ordinary members and 2,912 life members.



## CORPORATE SOCIAL RESPONSIBILITY (CONT'D.)

### Benefits For Immediate Families

TNB is caring not only for the well-being of its employees but also that of their immediate families. In the period under review, TNB spent nearly RM900,000.00 in the form of monetary contributions to aid widows and orphans. TNB widows received a one-off contribution of RM2,000.00 while TNB orphans received a monthly contribution of RM60 (for children aged 7-12 years old) and RM90 (for children aged 13-17 years old).

During the period, TNB spent approximately RM2.34 million to provide early education assistance such as kindergarten and nursery for children of employees, and charging a minimal rate for tuition classes under Kelas Bimbingan Tenaga.

### Recognition Of Employees Contributions

TNB recognises employees who are committed to the company's cause and dedicated a greater part if not all of their working lives for the company. During the period under review, 4,869 employees from all over the country who with 20, 25, 30 and 35 years of service were awarded the Long Service Award in recognition of their contributions. In addition, TNB also gave recognition to excellence in work performance. Twenty three staff members were identified as model employees and were awarded with the Meritorious Service Award during the period.



TNB also provides a platform for its retirees to organise social activities through Persatuan Bekas Pekerja TNB. During the period under review, RM110,000.00 was spent to conduct various social and recreational activities for the Association.

### Family Day

TNB Family Day is one of the initiatives in the Company's efforts to strengthen relations between the Management and staff and their families in addition to promoting the Company's core values. Various activities were held to enliven the event including games, sports, entertainment, lucky draw and souvenirs. This bi-annual event was organised in all states in Peninsular Malaysia and at the headquarters level.

### Festive Celebrations

TNB has always been a strong proponent of the spirit of "1 Malaysia". One of the main social activities supported by the Company is the celebration of major festivals of the country, namely Hari Raya Aidilfitri, Chinese New Year and Deepavali. It is celebrated nationwide by all state offices and at the headquarters of TNB in a big way through the traditional "open house" concept where Management, staff, stakeholders and other guests come together in the spirit of unity.



## POWERING CHAMPIONS

Sports have always been on TNB's corporate agenda. The Company's high regard for sports lies not only in its social role but more importantly in its role as a catalyst to develop future champions. TNB's active involvement in sports through the years is in line with the Government's aspiration to produce top athletes and for Malaysia to be a top-notch sporting nation and one of the responsibilities of private agencies to promote sports in Malaysia.

### Hockey Programme

TNB has pledged its support for national hockey development by sponsoring RM1 million annually since 2004 to the Malaysian Hockey Federation to implement and organise hockey activities nationwide.

TNB is also the main sponsor of several local leagues such as the TNB Malaysian Hockey League, Junior League and Razak Cup, which is organised by the Malaysian Hockey Federation. The Company is also the main sponsor for the Sultan Azlan Shah Cup, an international tournament which features top hockey teams from around the world.

### Sports Coaching Programme

TNB is the main supporter of the national development of hockey. One of the key initiatives is the hockey clinic development programme which provides coaching sessions to selected students between 12 to 18 years old nationwide. It is conducted by national hockey players who are also TNB staff. This programme was jointly organised with the Malaysian Hockey Federation and state hockey associations. To date, 2,000 new talents had been identified from seven states through this programme.

### Cricket Programme

Besides hockey, TNB is also the main sponsor for cricket in this country. It is actively involved in the development of cricket by officially competing in every tournament both local and international, under the auspices of the Malaysian Cricket Association.





## OTHER SERVICES – PRODUCTIVITY AND QUALITY MANAGEMENT

The Productivity and Quality Management Department (PQM) has been given the responsibility of facilitating the Company's drive towards excellence, through quality and other transformation initiatives. The PQM is made up of two main units namely: Transformation Management Unit (TMU) and Quality Management Unit (QMU).

In the SE10/10 Strategic Programme, PQM facilitates and monitors the successful implementation of twenty-two Key Initiatives by the various Divisions. Monitoring is done via the Initiative Tracking System (ITS). Annual SE10/10 review sessions are also held with the Management. The latest session was held in October 2009.

PQM is also entrusted to coordinate various corporate-wide Quality Management programmes. These include the President's Quality Award (AKP), participative management programmes like ICC, 5S, QCFT and various other Quality Assurance initiatives.

PQM serves as the secretariat for the AKP biennial assessment cycle. A large body of assessors were selected and trained to assess the 62 Business Units in TNB. In addition, PQM also supports relevant Business Units in need of breakthrough quality performance improvement with the right training and consultancy.

The end result can be seen in the significantly improved AKP scores of the various Business Units in TNB. Many have either breached or are close to the 800 mark, the threshold for Quality Excellence.



For many years TNB has sustained an excellent image in the field of Innovation and Creative Circle (ICC) with many TNB teams achieving prestigious awards at national and international levels. PQM supports this program by its training and facilitation services for the various Business Units. Currently, 680 ICC teams, involving 5400 staff, are actively involved in the ICC programme.

The Process Standardisation & Improvement (PSI) is a major backbone that propels TNB towards Business Excellence. The whole company is now ISO 9001-certified. TNB Corporate has successfully obtained ISO 9001:2008 re-certification in March 2009.

PQM is currently aggressively driving the 5S programme corporate-wide. The ultimate aim is to have all Business Units 5S-certified by 2010.

Above and beyond these initiatives, PQM is entrusted to implement Special Change Projects as directed by the President/CEO and TNB Management.

More recently, PQM is mandated to 'export' its expertise via consultancy services beyond TNB.

# OCCUPATIONAL SAFETY AND HEALTH REPORT

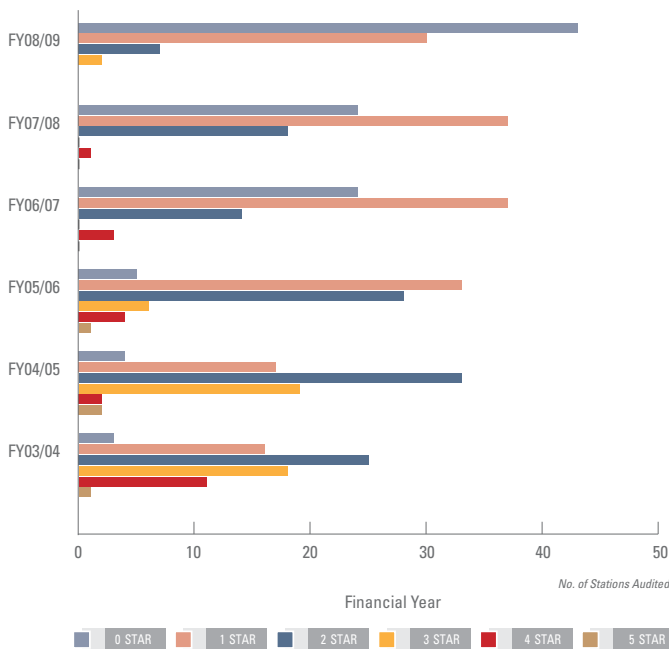
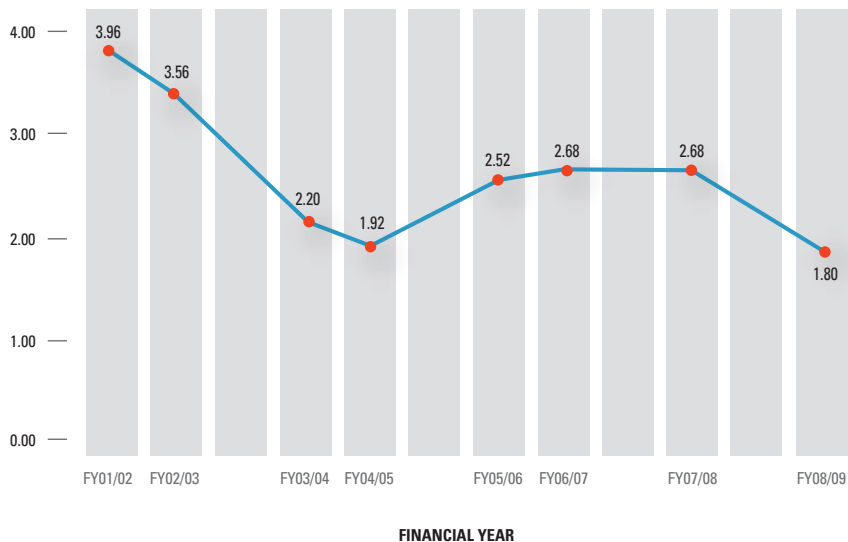
## INTRODUCTION

Occupational Safety and Health (OSH) is rarely questioned if an organisation is operating safely without any accident. However, should one occur, the incident may invite negative reporting that could tarnish the image of the organisation. As a preventive measure against the probability of accidents happening, TNB has been prudent in ensuring that laws relating to OSH are diligently adhered to.

## ACCIDENT STATISTICS

During the year under review, one fatal accident took place despite concerted efforts by all parties to ensure an accident free year. However TNB's overall Accident Rate continued to decline to 2.08 from 2.68 per 1000 employees in previous years.

ACCIDENT RATE/1000 EMPLOYEE



## OSH MANAGEMENT

The "Safety Excellence Management System" (SEMS) introduced since 1993 had heightened awareness and raised the management of occupational safety and health in TNB to a higher level. It was first introduced in the Generation Division, but today the system has been adopted by all divisions and subsidiaries in the Group. SEMS is subjected to annual review to ensure progress in line with the current performance and best practices. It is also benchmarked against the requirements of OHSAS 18001:2007 and MS 1722 in order to gain external and international recognition.

The increase in employee safety and health performance is shown in the level of achievement in all stations under Generation Division, where almost all power stations have obtained 5-Star certification in SEMS Audit. Most 5-Star Stations are OSHAS 18001:2007 or MS 1722 certified. Other Divisions are striving to achieve this standard.

The success of OSH performance through SEMS has inspired a mentee company, Konsortium ABASS Sdn. Bhd. to adopt this system. SEMS was introduced to the company through the Mentor-Mentee Programme, organised by the Department of Occupational Safety and Health (DOSH). Although the programme duration has expired, TNB continued to be invited to conduct annual audit on its installations. The company had attained the 5-Star achievement recognition for the audit conducted this year.



## OCCUPATIONAL SAFETY AND HEALTH REPORT (CONT'D.)

TNB has also established strong relationships with regulatory namely the Department of Occupational Safety and Health (DOSH), the Energy Commission, Fire and Rescue Department and other government agencies. Meetings, discussions and dialogs were held with these organisations to address OSH issues that might arise. In addition, recreational and sporting activities were held to foster goodwill and strengthen good relationships.

### OSH TRAINING

The importance of OSH training to staff of the organisation including the top management needs no further emphasis. In this regard, the second TNB OSH Management Seminar with the theme "OSH IS VITAL FOR BUSINESS SUSTAINABILITY" was held on 25 February 2009. Minister of Human Resources Malaysia, YB Datuk Dr. S. Subramiam delivered the keynote address. Other resource persons included senior management of the GLCs.

The 4th OSH Conference was held on 6-7 May 2009 at the Kilat Club Multipurpose Hall attended by almost 400 participants. Conference papers were presented by both external agencies as well as TNB's own internal resources with the objective sharing experiences and knowledge relating to OSH. The OSH National Symposium was held at the TNB Research Sdn. Bhd., in Kota Bharu and Kuantan for the Eastern Region and at ILSAS for the Central Region as part of continuous education and knowledge sharing on OSH.

Apart from training programmes and courses organised through the Safety School by the OSH and Environment Department, Group Human Resources Division, other divisional OSH units were also actively conducting training for TNB employees to meet the target of having each employee attending at least one day OSH training.

Defensive Driving courses were also conducted, especially for corporate drivers and other drivers in general to help reduce the incidence of traffic accidents.

OSH briefings were also held in conjunction with campaigns carried out by Divisions. This will help increase the level of OSH awareness and to achieve zero fatal accident target.

### OSH PROMOTIONS

In conjunction with the second TNB OSH Top Management seminar, Safety Pledge Card (SPC) was launched by the President/Chief Executive Officer of TNB who set an exemplary precedence by giving his written commitment on the card to include OSH reminder in all his speeches. Safety Pledge Card will be distributed to all employees for their written commitment. TNB will contribute RM1.00 for each card and the collection will be channeled to charities.

OSH was promoted through posters, booklets and brochures circulated to employees. "Safety Watch" and "Safety Alert" bulletins are published monthly and could be viewed at the TNB website. The Divisional OSH Unit also distributes brochures and newsletters for their internal circulation.

Safety Campaigns were organised by all core Divisions. Speakers from the relevant agencies were invited to share their knowledge and experiences. Various activities related to safety were held. In addition, medical examination and blood donation activities were organised and had received great response from local staff.





The Transmission Division, in collaboration with the Corporate Services Department, conducted TNB's Electrical Safety Awareness Campaign for teachers in every state. The campaign which was launched for the first time in 2007 by YB Datuk Seri Hishammuddin Hussein, the then Minister of Education discussed various aspects of electrical safety to school teachers who would in turn educate their students on the safety issues.

TNB Technical Sports, organised by the Distribution Division, featured competition on some of the tasks commonly performed by TNB staff. Participants were evaluated on the pace and efficiency with safety features given the priority.

### OCCUPATIONAL SAFETY AND HEALTH AWARD

TNB Occupational Safety and Health Excellence Award (SEMS) ceremony in recognisance of the outstanding achievement of the power stations was held in conjunction with the TNB 4th OSH Conference. The improved performances of all the divisions were notable.

All TNB power stations also received OSH Excellence Awards for the utility sector from the Malaysian Society of Occupational Safety and Health (MSOSH). The Putrajaya and Chenderoh power stations won the "Grand Award" while seven power stations won Gold Medal (Class I) including TNB Kuala Lumpur, Distribution Division, which participated for the first time. Apart from that, one station won a Gold Medal (Class II) and two others won Silver Medal.

### CONTRACTOR SAFETY

As an organisation, TNB cares for the safety of its contractors and the public. As such it has to enforce the use of NIOSH-TNB Safety Passport (NTSP) on all employees of contractors working in the premises and installations of TNB with effect from January 2009. All contractors'



employees must attend and pass the NTSP course organised by NIOSH to obtain the passport. By enforcing the use of the safety passport, TNB is not only complying with the OSH Act, 1994, but has also ensured that contractors can work in safe environment. To date, almost 14,000 contractors have been trained.

TNB supervisors have also attended the similar courses internally to ensure that those who supervise the contractors, are exposed to the same training.

### EMERGENCY RESPONSE

In safeguarding the continuity of electricity supply, TNB is responsible in ensuring that its operations are always in the state of preparedness. With such awareness, TNB has accorded priority in handling such incidents as black outs, fires, floods and others that could interrupt the supply of electricity. An Emergency Response framework has been formulated in collaboration with the Enterprise Wide Risk Management Department.

Two important documents namely Corporate Emergency Action Plan (CEAP) for TNB system and TNB Non-system respectively were produced covering the three major emergency management core divisions namely Generation, Transmission and Distribution. The Crisis Management Team is headed by Senior Vice President (Operations and Technical).

Annual Emergency Response exercise was conducted by the three core divisions involving more than 80% of the total workforce. Weaknesses in the system were identified and were subject to repeated review by local management after each drill so that any changes in the procedures were addressed at the operational level to ensure the effectiveness of the process. TNB has also taken pro-active steps to ensure that employees are physically and mentally ready to deal with any emergencies. Training sessions were conducted by technical experts in emergency management involving members of the 2008/2009 Emergency Management Team and Emergency Response Team.





## STATEMENT OF ENVIRONMENT

Tenaga Nasional Fully Recognises that Economic Growth, Sustainable Development and Quality of Life Goes Hand in Hand.

We are Committed to Continual Improvement of Environmental Performance whilst Responsibly Providing Safe, Efficient and Reliable Supply of Electricity.

### TNB ENVIRONMENTAL POLICY

- Protect, conserve and improve the environment in all of its operations and decision making.
- Comply with all applicable laws and regulations, establish standards that will lead to continuous improvement of its environment performance.
- Implement an Environmental Management System (EMS) that will ensure all impacts on the environment from its operations are eliminated or minimised.
- Carry out environmental audits are required intervals to ensure compliance with its Corporate Environment commitments, and implement environmental training programs for our employees to develop a high level of competency.
- Promote environmental awareness amongst contractors, the public and other stakeholders and to make available the environmental policy to them.

#### In line with this Policy, TNB shall:

- Protect, conserve and improve the environment in all of its operations and decision making.
- Incorporate environmental management principles in its corporate strategy, planning and implementation.
- Comply with all applicable laws and regulations and voluntarily adopt or establish standards to constantly improve its environmental performance.



- Conduct and support relevant research and development to improve the quality of environment.
- Adopt 3R concept of Reuse, Repair and Recycle.
- Conduct environmental audits and reviews.
- Promote active education programmes amongst TNB employees to enhance environmental awareness.

### A. ENVIRONMENTAL MANAGEMENT PLAN

#### Environmental Monitoring Programme

The Environmental Management Plan was formulated as a licensing requirement under the Environmental Quality Act, 1974 or in compliance with the specific Department of Environment's (DoE) detailed Environment Impact Assessment (EIA) or as a condition for EIA approval for the respective power stations. The programme focused on monitoring air and water quality as well as boundary noise level. In addition, some stations have also conducted ecological monitoring programme as part of the Environmental Monitoring programme.



TNB has diligently installed efficient and environmentally friendly equipment as well as putting in place the Continuous Emission Monitoring System (CEMS) in new power stations.

### **B. ENVIRONMENTAL AUDITS AND MS ISO CERTIFICATION**

All twelve TNB power stations have a complete set of MS ISO 14001 documentations and are currently implementing EMS-based standards.

Annual Environmental Management Audits or EMS-based MS ISO 14001 are conducted at all power stations by auditors of the Generation Risk Management Unit or GRMU of the Generation Division. The EMS reassessment audit is conducted once a year by SIRIM QAS International.

During the period under review, the Transmission Division had also embarked on implementing MS ISO 14001 in its areas of operation. The Division's initial goal is to achieve MS ISO 14001 certification for the Department of Asset Maintenance, Butterworth by the next Financial Year. Subsequently, the MS ISO 14001 certification will be expanded in stages to cover other departments.

### **C. SCHEDULED WASTE DISPOSAL**

TNB's scheduled Waste Management programmes was implemented to comply with the Environmental Quality (Schedule Waste) Regulation 2005. Scheduled waste includes all waste generated periodically that requires disposal by DoE – registered contractors.

The DoE will be notified of all scheduled waste generated which are temporarily stored at the Scheduled Waste Store prior to disposal. Environmental Management Representative (EMR) is responsible for recording, monitoring and managing wastes generated at their respective units.

### **D. RECYCLING PROGRAMME**

The waste recycling and reduction programmes were included in the EMS initiatives within the respective Divisions. Currently, most power stations are implementing this programme in addition to the Environmental Management programmes to minimise wastage and reduce consumption of resources. Some of the stations had also assigned Recycling Centres at strategic location in the station. Staff awareness programmes were continuously conducted through staff monthly gathering.

#### **i. Condition Monitoring Programmes (CMP):**

The Transmission Division has implemented the CMP in its operations. One of the initiatives of CMP involved transformer oil reclamations where used transformer oil is filtered by using the latest technology and subsequently reused in operations.

#### **ii. Recycling old power cables:**

The recycling of old power cables is conducted through the Scrap Committee at each region. The recycling process can take place upon approval by the committee which would appoint a recycling company to handle the scrap materials for further processing.

### **E. CRISIS MANAGEMENT**

Crisis Management in TNB is headed by a Disaster Team, represented by the Emergency Response Team (ERT). The ERT is the main component of TNB Safety Excellence Management System (SEMS) which has been implemented in all Divisions.

SEMS will identify every possible emergency that can take place in the Divisions' business activities. An Emergency Response Plan (ERP) will then be developed to mitigate these emergencies.

All Divisions also conduct an annual ERP exercise involving all staff, and the relevant Government authorities and agencies.

### **F. HALON REPLACEMENT**

TNB has achieved halon free in all operations of the Generation, Transmission and Distribution Divisions.

### **G. CURRENT ISSUES**

- i. **Global Warming:** The electricity industry is facing not only the challenge of dwindling fossil fuel but also its escalating price. The use of fossil fuel for electricity generation has also contributed substantially to air pollution and emission of greenhouse gases. Enforcement of international protocols and the national environmental legislation make it mandatory for TNB to enhance its management initiatives as well as to meet the stringent emission standards. TNB is also seeking and installing the latest technology in the operations of its latest power plant in order to reduce pollution through the emission of such gases as Carbon Monoxide (CO), Carbon Dioxide (CO<sub>2</sub>), Nitrogen Oxides (NO<sub>x</sub>), and Sulphur Dioxide (SO<sub>2</sub>).



## STATEMENT OF ENVIRONMENT (CONT'D.)



### ii. **Clean Development Mechanism (CDM):**

The CDM is an arrangement under the Kyoto Protocol which allows industrialised countries with a greenhouse gas reduction commitment (referred to as 1 countries) to invest in projects that reduce emissions in developing countries such as Malaysia. This mechanism serves as an alternative to the more expensive emission reduction activities in their own countries. The reduction can be measured in Certified Emission Reductions (CERs) which has a commercial value that in turn can be traded for money in the international CER market. As such, CER units accumulated through the CDM projects are a commodity which project developers such as TNB can benefit directly from the extra revenues that can contribute to the project cash flow. Currently, TNB is carrying out CDM-approved activities for the Development

of Hulu Terengganu Hydroelectric project (250 MW) and Ulu Jelai Hydroelectric project (372 MW). The expected environmental benefits from this project through the CDM processes are as follows:

- a. Promoting the use of renewable energy for electricity generation.
- b. Foster the development of renewable energy-related industries.
- c. Reducing the impact on the environment by displacing the electricity generated by using fossil fuels for power generation hence reducing emissions (of gases such as sulphur dioxides, nitrogen oxides and greenhouse gases) and improving the surrounding air quality.

### iii. **Environmental Education and Awareness:**

Each year TNB played host to school children and university students who visited its facilities, especially the power plants. During the visit TNB will demonstrates its environmental management systems and other environment-related activities implemented by the Company. TNB also conducts environmental awareness camps for the youth as our commitment towards producing a Green Nation for future generations.



iv. **Green Technology:** Moving forward, TNB is undertaking preparatory steps and planning in the use of environmentally-benign nuclear energy for electricity generation. For more than half a decade since 1950s', nuclear power plants have proven to be the only option in addressing global warming and climate change-related issues as experienced by many nations including France, Japan and Republic of Korea. The full production chain starting from uranium mining to waste disposal (cradle to grave concept) for nuclear power produces only 1-6 gram of carbon per kWhr, thus making nuclear power essentially a "carbon free" source of energy. With the eventual use of nuclear power, the nation is looking at a possible 24% reduction of carbon emission compared to non-nuclear power generation option. Nuclear power is expected to be a major contributor to reduction in carbon emission under a new regime which would substitute the Kyoto Protocol post 2012. Nuclear confinement strategy for its radioactive wastes is more environmentally friendly than the dispersion strategy of pollutants generated by fossil fuel.

v. **Tree for a Tree Program:** TNB has a commitment to provide reliable power supply to the community. In an effort to fulfil the commitment, the Company continually works to reduce electrical outages and increase the efficiency of the transmission system by upgrading the electricity transmission infrastructure. However, in doing so, many trees have been felled in the course of such development, be it the construction of a new substation or the installation of a transmission tower.

Recognising the importance of a beautiful and green environment, the Transmission Division has launched a Tree for a Tree Programme to replant trees as replacement. Under this programme, Vice President (Transmission) has set a goal that requires all District Managers and Branch Managers to plant a minimum of 35 trees in their districts in such areas as public housing and recreational parks. In conjunction with the Love a Tree Day, a total of 366 trees had been planted at various locations by the Transmission Division. This programme will be implemented in an ongoing basis to show TNB's commitment towards conserving and protecting our environment.





## FINANCIAL STATEMENTS

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195	DIRECTORS' REPORT
200	INCOME STATEMENTS
201	BALANCE SHEETS
203	STATEMENT OF CHANGES IN EQUITY
205	CASH FLOW STATEMENTS
207	NOTES TO THE FINANCIAL STATEMENTS
304	STATEMENT BY DIRECTORS
305	STATUTORY DECLARATION
306	INDEPENDENT AUDITORS' REPORT



## DIRECTORS' REPORT

The Directors have pleasure in submitting their Report with the audited financial statements of the Group and the Company for the financial year ended 31 August 2009.

### PRINCIPAL ACTIVITIES

The Group and the Company are primarily involved in the business of the generation, transmission, distribution and sale of electricity and those tabulated in Note 15 to the financial statements.

There have been no significant changes in these activities during the financial year under review.

### FINANCIAL RESULTS

	Group RM'million	Company RM'million
Profit for the year attributable to		
– Equity holders of the Company	917.9	1,070.7
– Minority interests	(64.9)	0
Profit for the year	853.0	1,070.7

### DIVIDENDS

The dividends paid or declared since 31 August 2008 were as follows:

	RM'million
In respect of the financial year ended 31 August 2008 as shown in the Directors' Report for that financial year:	
Final dividend of 10.0 sen gross per ordinary share, less income tax at 25%, paid on 23 December 2008	325.1
In respect of the financial year ended 31 August 2009:	
Interim dividend of 2.0 sen gross per ordinary share, less income tax at 25% and 2.0 sen per ordinary share, tax exempt, paid on 22 May 2009	151.7

For the financial year ended 31 August 2009, the Directors had on 26 October 2009 recommended the payment of a final dividend of 10.0 sen gross per ordinary share, less income tax at 25% and a tax exempt dividend of 2.3 sen per ordinary share subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. The Books Closure and Payment dates will be announced in due course.



## DIRECTORS' REPORT (CONT'D.)

### 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, 2,536,450 new ordinary shares of RM1.00 each were issued by the Company pursuant to the Employees' Share Option Scheme II ('ESOS II') at exercise prices of RM6.71, RM6.99, RM7.42, RM7.33, RM6.33 and RM5.57 per share.

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

### EMPLOYEES' SHARE OPTION SCHEME ('ESOS')

Options under the ESOS were granted to eligible Directors, employees and retirees of the Group to subscribe for ordinary shares of RM1.00 each in TNB. The first ESOS expired on 11 May 2002.

The Company implemented a new Employees' Share Option Scheme II ('ESOS II') on 8 July 2003 for a period of 10 years. The ESOS II is governed by the by-laws, which were approved by the shareholders at the Extraordinary General Meeting ('EGM') held on 29 May 2003 and amended at the EGM held on 15 December 2005.

The main features and movements during the financial year in the number of options over the shares of the Company are set out in Note 35 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia via a letter dated 10 September 2009 from having to disclose in this Report the name of the persons to whom options have been granted during the year and details of their holdings pursuant to Section 169 (11) of the Companies Act, 1965 except for information on employees who were granted options representing 450,000 ordinary shares and above.

The list of employees of the Company who were granted options representing 450,000 ordinary shares and above under ESOS II are as follows:-

Name	Designation	No. of ordinary shares granted under the options	No. of ordinary shares exercised under the options
Dato' Sri Che Khalib bin Mohamad Noh	President / Chief Executive Officer	1,095,000	0
Datuk Wira Md Sidek bin Ahmad (Retired on 31 August 2009)	Senior Vice President, Operations and Technical	790,000	470,000
Dato' Abdul Razak bin Abdul Majid (Retired on 31 August 2009)	Senior Vice President, Corporate Affairs	825,000	100,000
Dato' Mohd Izzaddin bin Idris (Resigned on 30 June 2009)	Chief Financial Officer / Senior Vice President (Group Finance)	890,000	0



#### EMPLOYEES' SHARE OPTION SCHEME ('ESOS') (CONT'D.)

Name	Designation	No. of ordinary shares granted under the options	No. of ordinary shares exercised under the options
Dato' Ir Aishah binti Dato' Haji Abdul Rauf (Retired on 13 November 2008)	Vice President, Distribution	715,000	177,500
Dato' Haji Nik Ibrahim bin Nik Mohamed (Retired on 25 February 2009)	Vice President, Investment Management	597,500	352,500
Dato' Kamaruzzaman bin Jusoh (Retired on 23 December 2008)	Vice President, Human Resource	614,000	186,500
Dato' Ir. Ab'illah bin Haji Mohd Salleh	Vice President, Transmission	460,000	0

None of the subsidiaries' employees were granted options representing 450,000 ordinary shares and above under ESOS II.

#### DIRECTORS

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

Tan Sri Leo Moggie  
 Dato' Sri Che Khalib bin Mohamad Noh  
 Dato' Puteh Rukiah binti Abd Majid  
 Dato' Mohammad Zainal bin Shaari  
 Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng  
 Tan Sri Dato' Hari Narayanan a/l Govindasamy  
 Dato' Zainal Abidin bin Putih  
 Dato' Fuad bin Jaafar  
 Tan Sri Dato' Seri Siti Norma binti Yaakob

#### DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Directors' remuneration and benefits in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a partner, or with a company in which the Director has a substantial financial interest.





## DIRECTORS' REPORT (CONT'D.)

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares of RM1.00 each			As at 31.8.2009
	As at 1.9.2008	Acquired	Disposed	
Dato' Zainal Abidin bin Putih	1,250	—	—	1,250
Dato' Fuad bin Jaafar	62,500	—	—	62,500
Tan Sri Dato' Seri Norma binti Yaakob	1,250	—	—	1,250

	Options over ordinary shares of RM1.00 each			As at 31.8.2009
	As at 1.9.2008	Granted	Exercised	
Dato' Sri Che Khalib bin Mohamad Noh	915,000	180,000	—	1,095,000

According to the Register of Directors, none of the other Directors held any options over shares in the Company.

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

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.



At the date of this Report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

#### **OTHER STATUTORY INFORMATION**

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors, there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this Report is made.

#### **AUDITORS**

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

Signed on behalf of the Board of Directors, in accordance with their resolution dated 2 November 2009.

**TAN SRI LEO MOGGIE**  
CHAIRMAN

**DATO' SRI CHE KHALIB BIN MOHAMAD NOH**  
PRESIDENT/CHIEF EXECUTIVE OFFICER



# INCOME STATEMENTS

## for the financial year ended 31 August 2009

	Note	Group		Company	
		2009 RM'million	2008 RM'million (Restated)	2009 RM'million	2008 RM'million
Revenue	4	<b>28,785.6</b>	24,755.3	<b>26,743.6</b>	23,069.2
Operating expenses	5	<b>(25,443.9)</b>	(21,508.1)	<b>(24,250.5)</b>	(20,631.4)
Other operating income	7	<b>357.2</b>	603.8	<b>590.7</b>	1,187.4
Operating profit		<b>3,698.9</b>	3,851.0	<b>3,083.8</b>	3,625.2
Foreign exchange (loss)/gain	8	<b>(1,239.2)</b>	34.1	<b>(882.9)</b>	(11.1)
Share of results of associates		<b>33.1</b>	44.9	<b>0</b>	0
Profit before finance cost		<b>2,492.8</b>	3,930.0	<b>2,200.9</b>	3,614.1
Finance income		<b>177.1</b>	191.0	<b>308.3</b>	301.0
Finance cost	9	<b>(1,126.8)</b>	(1,095.8)	<b>(822.5)</b>	(811.1)
Profit before taxation and zakat		<b>1,543.1</b>	3,025.2	<b>1,686.7</b>	3,104.0
Taxation and zakat	10	<b>(690.1)</b>	(424.8)	<b>(616.0)</b>	(440.4)
Profit for the year		<b>853.0</b>	2,600.4	<b>1,070.7</b>	2,663.6
Attributable to:					
Equity holders of the Company		<b>917.9</b>	2,594.0	<b>1,070.7</b>	2,663.6
Minority interests		<b>(64.9)</b>	6.4	<b>0</b>	0
Profit for the year		<b>853.0</b>	2,600.4	<b>1,070.7</b>	2,663.6
Earnings per share		<b>Sen</b>	Sen		
– basic	11(a)	<b>21.18</b>	59.87		
– diluted	11(b)	<b>21.15</b>	59.84		
Dividends per share:				<b>Sen</b>	Sen
Interim dividend (gross)	12			<b>2.0</b>	10.0
Interim dividend (tax exempt)	12			<b>2.0</b>	0
Final dividend (gross)	12			<b>0</b>	10.0
Proposed final dividend (gross)	12			<b>10.0</b>	0
Proposed final dividend (tax exempt)	12			<b>2.3</b>	0

The notes set out on pages 207 to 303 form an integral part of these financial statements.



# BALANCE SHEETS

as at 31 August 2009

	Note	Group		Company	
		2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	58,227.4	57,475.2	48,688.7	47,833.5
Prepaid operating leases	14	833.6	844.1	689.0	692.1
Subsidiaries	15	0	0	3,978.9	4,558.3
Jointly controlled entity	16	7.9	0	7.9	0
Associates	17	297.3	322.5	166.3	171.0
Investments	18	38.0	38.0	38.0	97.4
Long term receivables	19	0	0	525.0	613.3
		<b>59,404.2</b>	58,679.8	<b>54,093.8</b>	53,965.6
<b>CURRENT ASSETS</b>					
Non-current assets held for sale	20	19.6	14.1	19.2	13.5
Inventories	21	1,955.7	2,230.3	1,043.3	1,158.3
Receivables, deposits and prepayments	22	3,774.1	3,452.2	2,494.6	2,292.1
Current tax assets		15.4	14.4	0	0
Amount due from subsidiaries	23	0	0	2,075.9	1,685.7
Amount due from associates		9.2	46.1	4.2	37.8
Short term investments	24	12.6	12.6	12.6	12.6
Marketable securities	25	8.3	8.5	8.3	8.5
Deposits, bank and cash balances	26	6,163.9	5,383.9	5,189.8	4,212.9
		<b>11,958.8</b>	11,162.1	<b>10,847.9</b>	9,421.4
<b>CURRENT LIABILITIES</b>					
Payables	27	5,604.0	5,187.4	3,952.6	3,734.3
Amount due to subsidiaries	23	0	0	1,126.5	1,192.9
Amount due to associates		294.0	346.8	294.0	345.2
Current taxation		206.9	69.4	193.9	59.1
Short term borrowings	28	1,157.9	1,058.3	401.8	400.9
		<b>7,262.8</b>	6,661.9	<b>5,968.8</b>	5,732.4
<b>NET CURRENT ASSETS</b>		<b>4,696.0</b>	4,500.2	<b>4,879.1</b>	3,689.0
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>64,100.2</b>	63,180.0	<b>58,972.9</b>	57,654.6

The notes set out on pages 207 to 303 form an integral part of these financial statements.



## BALANCE SHEETS (CONT'D.)

as at 31 August 2009

	Note	Group		Company	
		2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	29	(21,458.1)	(21,682.1)	(14,772.4)	(14,845.9)
Amount due to subsidiaries	23	0	0	(3,525.8)	(3,525.8)
Consumer deposits	30	(2,717.3)	(2,551.9)	(2,558.0)	(2,401.1)
Employee benefits	31	(3,470.6)	(3,124.8)	(3,321.7)	(2,999.1)
Other liabilities		(235.5)	(258.9)	(52.7)	(56.8)
Deferred taxation	32	(6,640.4)	(6,337.4)	(5,745.1)	(5,499.3)
Deferred income	33	(2,952.2)	(2,899.4)	(2,617.1)	(2,580.8)
Government development grants	34	(579.8)	(563.6)	0	0
		(38,053.9)	(37,418.1)	(32,592.8)	(31,908.8)
<b>TOTAL NET ASSETS</b>		<b>26,046.3</b>	25,761.9	<b>26,380.1</b>	25,745.8
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>					
Share capital	35	4,337.0	4,334.5	4,337.0	4,334.5
Share premium	36	5,271.5	5,258.8	5,271.5	5,258.8
Revaluation and other reserves	37	593.0	718.2	989.1	981.7
Retained profits	38	15,804.6	15,345.7	15,782.5	15,170.8
		26,006.1	25,657.2	26,380.1	25,745.8
<b>MINORITY INTERESTS</b>		<b>40.2</b>	104.7	<b>0</b>	0
<b>TOTAL EQUITY</b>		<b>26,046.3</b>	25,761.9	<b>26,380.1</b>	25,745.8
		<b>Sen</b>	Sen		
<b>NET ASSETS PER SHARE</b>		<b>599.6</b>	591.9		

The notes set out on pages 207 to 303 form an integral part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY

### for the financial year ended 31 August 2009

	Note	Attributable to equity holders of the Company					Minority interests RM'million	Total equity RM'million
		Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Employees' Share Option Scheme reserve RM'million	Revaluation and other reserves RM'million	Retained profits RM'million		
<b>Group</b>								
At 1 September 2008		4,334.5	5,258.8	62.8	655.4	15,345.7	104.7	25,761.9
Currency translation differences		0	0	0	(133.7)	0	0	(133.7)
Realisation of revaluation reserve	37	0	0	0	(17.8)	17.8	0	0
Income and expense recognised directly in equity		0	0	0	(151.5)	17.8	0	(133.7)
Divestment of a subsidiary		0	0	0	0	0	0.4	0.4
Profit for the year		0	0	0	0	917.9	(64.9)	853.0
Total recognised income and expense for the year		0	0	0	(151.5)	935.7	(64.5)	719.7
Dividends paid for the year ended								
– 31.08.2008	12	0	0	0	0	(325.1)	0	(325.1)
– 31.08.2009	12	0	0	0	0	(151.7)	0	(151.7)
Employees' Share Option Scheme								
– options granted		0	0	26.3	0	0	0	26.3
Issuance of share capital								
– share options	35, 36	2.5	12.7	0	0	0	0	15.2
At 31 August 2009		4,337.0	5,271.5	89.1	503.9	15,804.6	40.2	26,046.3
At 1 September 2007		4,331.7	5,242.0	35.7	859.2	13,530.0	98.3	24,096.9
Currency translation differences		0	0	0	(138.8)	0	0	(138.8)
Realisation of revaluation reserve	37	0	0	0	(65.0)	65.0	0	0
Income and expense recognised directly in equity		0	0	0	(203.8)	65.0	0	(138.8)
Profit for the year		0	0	0	0	2,594.0	6.4	2,600.4
Total recognised income and expense for the year		0	0	0	(203.8)	2,659.0	6.4	2,461.6
Dividends paid for the year ended								
– 31.08.2007	12	0	0	0	0	(522.6)	0	(522.6)
– 31.08.2008	12	0	0	0	0	(320.7)	0	(320.7)
Employees' Share Option Scheme								
– options granted		0	0	27.1	0	0	0	27.1
Issuance of share capital								
– share options, GEB and CRIS	35, 36	2.8	16.8	0	0	0	0	19.6
At 31 August 2008		4,334.5	5,258.8	62.8	655.4	15,345.7	104.7	25,761.9

The notes set out on pages 207 to 303 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY (CONT'D.)

for the financial year ended 31 August 2009

Note	Non-distributable				Distributable		Total equity RM'million
	Ordinary shares of RM1.00 each RM'million	Share premium RM'million	Employees' Share Option Scheme reserve RM'million	Revaluation and other reserves RM'million	Retained profits RM'million		
<b>Company</b>							
At 1 September 2008	4,334.5	5,258.8	56.2	925.5	15,170.8	25,745.8	
Realisation of revaluation reserve	37	0	0	(17.8)	17.8	0	
Income and expense recognised directly in equity	0	0	0	(17.8)	17.8	0	
Profit for the year	0	0	0	0	1,070.7	1,070.7	
Total recognised income and expense for the year	0	0	0	(17.8)	1,088.5	1,070.7	
Dividends paid for the year ended							
– 31.08.2008	12	0	0	0	(325.1)	(325.1)	
– 31.08.2009	12	0	0	0	(151.7)	(151.7)	
Employees' Share Option Scheme							
– options granted		0	25.2	0	0	25.2	
Issuance of share capital							
– share options	35, 36	2.5	12.7	0	0	15.2	
At 31 August 2009	4,337.0	5,271.5	81.4	907.7	15,782.5	26,380.1	
At 1 September 2007	4,331.7	5,242.0	30.8	990.5	13,285.5	23,880.5	
Realisation of revaluation reserve	37	0	0	(65.0)	65.0	0	
Income and expense recognised directly in equity	0	0	0	(65.0)	65.0	0	
Profit for the year	0	0	0	0	2,663.6	2,663.6	
Total recognised income and expense for the year	0	0	0	(65.0)	2,728.6	2,663.6	
Dividends paid for the year ended							
– 31.08.2007	12	0	0	0	(522.6)	(522.6)	
– 31.08.2008	12	0	0	0	(320.7)	(320.7)	
Employees' Share Option Scheme							
– options granted		0	25.4	0	0	25.4	
Issuance of share capital							
– share options, GEB and CRIS	35, 36	2.8	16.8	0	0	19.6	
At 31 August 2008	4,334.5	5,258.8	56.2	925.5	15,170.8	25,745.8	

The notes set out on pages 207 to 303 form an integral part of these financial statements.



# CASH FLOW STATEMENTS

## for the financial year ended 31 August 2009

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit for the year	853.0	2,600.4	1,070.7	2,663.6
Adjustments for:				
Taxation and zakat	690.1	424.8	616.0	440.4
Depreciation	3,537.7	3,528.7	2,899.4	2,860.8
Amortisation of prepaid operating leases	23.8	26.6	16.4	19.2
Provision for employee benefits	697.6	682.8	673.7	646.0
Provision for share options	26.3	27.1	25.2	25.4
Translation loss/(gain)	1,177.8	(53.2)	827.0	4.8
Release of deferred income	(356.4)	(345.1)	(317.2)	(307.6)
Gain on disposal of property, plant and equipment	(0.3)	(9.8)	(0.1)	(9.7)
Gain on disposal of non-current assets held for sale	(26.9)	(238.6)	(27.1)	(238.6)
Gain on disposal of prepaid operating leases	(3.9)	(1.3)	(3.9)	(1.3)
Gain on disposal of redemption of RPS (subsidiaries)	0	0	(230.8)	0
Share of results of associates	(33.1)	(44.9)	0	0
Dividend income	0	(4.1)	(54.1)	(671.9)
Interest income	(177.1)	(191.0)	(308.3)	(301.0)
Interest on borrowings	996.8	975.6	699.8	698.9
Property, plant and equipment written off	12.9	45.3	6.6	29.9
Release of Government development grants	(44.6)	(56.9)	0	0
Allowance for doubtful debts	76.7	33.5	75.5	26.5
(Write-back) of allowance for doubtful debts	(8.1)	(32.5)	(1.2)	(26.2)
Allowance for diminution in value of subsidiaries	0	0	42.9	0
Allowance for diminution in value of amount due from subsidiaries	0	0	(236.9)	(68.2)
Allowance for diminution in value of marketable securities	0.2	2.1	0.2	2.1
Allowance for diminution in value of long term investment	0	0	59.4	0
(Write-back)/allowance for inventory obsolescence	(6.9)	0.2	(8.3)	(0.9)
Inventories written off	21.5	23.5	21.3	23.2
	<b>7,457.1</b>	7,393.2	<b>5,846.2</b>	5,815.4
Inventories	253.1	(484.4)	101.9	(65.2)
Receivables	(489.3)	(473.9)	(252.0)	(86.2)
Payables	231.9	906.3	143.9	514.1
Amount due from/to subsidiaries	0	0	(46.6)	(612.5)
Amount due from/to associates	(15.9)	119.9	(17.6)	117.5
Cash generated from operations	7,436.9	7,461.1	5,775.8	5,683.1
Employee benefits paid	(351.8)	(275.4)	(351.1)	(274.3)
Consumer contributions received	409.2	441.0	353.5	383.7
Consumer deposits received	165.4	232.4	156.9	215.1
Taxation and zakat paid	(250.4)	(519.0)	(235.4)	(499.5)
Taxation refund received	0	1.4	0	0
Net cash flow from operating activities	<b>7,409.3</b>	7,341.5	<b>5,699.7</b>	5,508.1

The notes set out on pages 207 to 303 form an integral part of these financial statements.



## CASH FLOW STATEMENTS (CONT'D.)

for the financial year ended 31 August 2009

	Group		Company		
	Note	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additional investment in associates		(0.2)	(51.7)	(0.2)	(51.7)
Additional investment in joint venture		(7.9)	0	(7.9)	0
Proceeds from redemption of unsecured loan notes in a subsidiary		0	0	12.0	22.8
Proceeds from redemption of redeemable preference shares in a subsidiary		0	0	755.2	0
Proceeds from redemption of unsecured loan notes in an associate		4.9	5.7	4.9	5.7
Proceeds from redemption of redeemable preference shares in an associate		0	0.8	0	0.8
Dividend income received		54.0	3.6	54.1	542.9
Interest income received		175.8	296.9	145.8	269.0
Purchase of property, plant and equipment		(4,128.4)	(4,607.4)	(3,575.1)	(4,137.6)
Payments for prepaid operating leases		0	(0.1)	0	(0.1)
Proceeds from disposal of property, plant and equipment		3.0	11.5	2.5	10.4
Proceeds from disposal of non-current assets held for sale		60.7	302.4	60.7	302.4
Proceeds from disposal of prepaid operating leases		5.8	1.8	5.8	1.8
Net cash flow from investing activities		(3,832.3)	(4,036.5)	(2,542.2)	(3,033.6)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Government development grants received		60.8	0	0	0
Proceeds from issuance of shares		15.2	19.6	15.2	19.6
Proceeds from long term borrowings		352.2	655.4	289.0	375.4
Repayments of long term borrowings		(1,631.4)	(1,899.9)	(1,178.2)	(1,431.0)
Interest paid		(1,188.8)	(1,225.1)	(829.8)	(876.6)
Dividends paid to shareholders		(476.8)	(843.3)	(476.8)	(843.3)
Proceeds from short term borrowings		240.0	160.4	0	0
Repayments of short term borrowings		(165.3)	(67.4)	0	(30.0)
Net cash flow from financing activities		(2,794.1)	(3,200.3)	(2,180.6)	(2,785.9)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>782.9</b>	<b>104.7</b>	<b>976.9</b>	<b>(311.4)</b>
<b>EFFECT OF CHANGES IN FOREIGN CURRENCY</b>		<b>(2.9)</b>	<b>(20.1)</b>	<b>0</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>5,383.9</b>	<b>5,299.3</b>	<b>4,212.9</b>	<b>4,524.3</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	26	<b>6,163.9</b>	<b>5,383.9</b>	<b>5,189.8</b>	<b>4,212.9</b>
Cash at bank, held in trust*		(17.9)	(205.9)	0	0
Debt reserve account		(236.7)	(236.2)	0	0
<b>CASH AND CASH EQUIVALENTS AVAILABLE AT END OF THE FINANCIAL YEAR</b>		<b>5,909.3</b>	<b>4,941.8</b>	<b>5,189.8</b>	<b>4,212.9</b>

\* These deposits and cash at bank held in trust are in respect of a grant and deposit given to subsidiaries by the Government of Malaysia for a designated capital project and training fund.

The notes set out on pages 207 to 303 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

31 August 2009

## 1 GENERAL INFORMATION

The Group and the Company are primarily involved in the business of the generation, transmission, distribution and sale of electricity and those tabulated in Note 15 to these financial statements.

There have been no significant changes in these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is 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 the Company have been prepared in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards ('FRS'), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

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 FRS, 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'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 to these financial statements.

- (i) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective

There are no new accounting standards, amendments to published standards and interpretations to existing standards that are effective for the Group's financial year ended 31 August 2009 and applicable to the Group.

- (ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

FRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 September 2009). FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from financial periods beginning on 1 September 2009. The expected number of reportable segments and the manner in which the segments are reported will be consistent with internal management reporting.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (a) Basis of preparation (Cont'd.)

- (ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (Cont'd.)

The following new standards, amendments and improvements to published standards and IC Interpretations will be effective for annual periods beginning on or after 1 January 2010. The Group will apply these standards and IC Interpretations from financial periods beginning 1 September 2010.

FRS 123 "Borrowing Costs" which replaces FRS 123<sub>2004</sub>, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The adoption of this standard is not expected to have a material impact on the Group's and Company's financial statements.

FRS 101 "Presentation of Financial Statements" (revised). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

Amendments to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations" clarify that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of this standard is not expected to have a material impact on the Group's and Company's financial statements.

Amendments to FRS 132, "Financial Instruments: Presentation", and FRS 101 (Amendment), "Presentation of Financial Statements" – "Puttable financial instruments and obligations arising on liquidation". The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. It is not expected to have any impact on the Group's and Company's financial statements.

IC Interpretation 9 "Reassessment of Embedded Derivatives" requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

IC Interpretation 10 "Interim Financial Reporting and Impairment" prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (a) Basis of preparation (Cont'd.)

- (ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (Cont'd.)

IC Interpretation 11 "Group and Treasury Share Transactions" provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.

IC Interpretation 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" provides guidance on assessing the limit in FRS 119 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

The adoption of the above IC Interpretations are not expected to have a material impact on the Group's and Company's financial statements.

- (iii) MASB had issued improvement to standards in September 2009 which are effective for annual periods beginning on or after 1 January 2010.

The improvements to standards which are applicable to the Group are as follows:

FRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" clarifies the disclosures required when accounting for non current assets (or disposal groups) that are classified as held for sale and discontinued operations.

FRS 8 "Operating Segments" clarifies that entities will only need to disclose information about segment assets if that information is regularly reviewed by the chief operating decision maker.

FRS 101 (revised) "Presentation of Financial Statements" widens the scope of the standard to allow current/non-current classification of a derivative and clarifies how to classify the liability component of a convertible instrument.

FRS 107 "Statement of Cash Flows" clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.

FRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" clarifies the use of guidance in the standard.

FRS 110 "Events after the Balance Sheet Date" confirms that dividends are liabilities when the company is obliged to pay.

FRS 116 "Property, Plant & Equipment" and FRS 107 "Statement of Cash Flows" changes how certain entities present the sale of assets held for rental.

FRS 117 "Leases" requires entities with existing leases of land and buildings (combined) to reassess the classification of land as a finance or operating lease.

FRS 118 "Revenue" replaces the term 'direct costs' with 'transaction costs' and clarifies the distinction between when an entity is acting as a 'principal' and an 'agent'.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (a) Basis of preparation (Cont'd.)

- (iii) MASB had issued improvement to standards in September 2009 which are effective for annual periods beginning on or after 1 January 2010. (Cont'd.)

FRS 119 "Employee Benefits" clarifies the terms 'curtailments' and 'negative past service cost', changes the definition of 'return on plan assets' and replacement of term 'fall due'.

FRS 120 "Accounting for Government Grants" accounting for government loans with a below-market rate of interest and changes the terminology.

FRS 123 "Borrowing Costs" changes the definition of borrowing costs.

FRS 127 "Consolidated & Separate Financial Statements" clarifies the accounting for an investment in a subsidiary held for sale.

FRS 128 "Investments in Associates, FRS 7 "Financial Instruments: Disclosure", FRS 132 "Financial Instruments: Disclosure and Presentation", FRS 131 "Interests in Joint Ventures" clarifies the accounting for an impairment on an investment in associate and only certain disclosures are required when investments in associates or interests in jointly controlled entities are accounted for at fair value through profit or loss.

FRS 136 "Impairment of Assets" discloses of estimates used to determine recoverable amount and clarifies that entities must assess their goodwill impairment within cash-generating units at or below the operating segment level.

FRS 138 "Intangible Assets"

- clarifies the term 'as incurred' in relation to capitalised advertising and promotional costs,
- clarifies that the unit of production method of amortisation is allowed,
- clarifies that if two intangible assets which cannot be separated are acquired in a business combination, the entity should recognise them as one asset and measure them using a combined fair value,
- clarifies how to determine the fair value of intangible assets acquired in a business combination.

FRS 140 "Investment Property" changes the accounting for property not yet used as investment property and clarifies the accounting for investment property held under lease.

The adoption of the improvement on the standards above will not have a material impact on the financial statements of the Group.

The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Group and Company:

- FRS 139 "Financial Instruments: Recognition and Measurement" including amendments and improvement to the standard
- FRS 7 "Financial Instruments: Disclosures" including amendments and improvement to the standard



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (a) Basis of preparation (Cont'd.)

- (iv) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and are not relevant to the Group

Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

FRS 4 "Insurance Contracts" exempts entities from disclosing information required under paragraph 30(b) of FRS108 "Accounting Policies, Changes in Accounting Estimates and Errors".

FRS 129 "Financial Reporting in Hyperinflationary Economies" confirms measurement at fair value.

IC Interpretation 13 "Customer Loyalty Programmes" clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the revenue in respect of the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

### (b) Subsidiaries and basis of consolidation

- (i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit and 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.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (b) Subsidiaries and basis of consolidation (Cont'd.)

##### (ii) Basis of consolidation (Cont'd.)

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill (see Note 2(f)). Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit and loss.

Minority interests represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

#### (c) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

#### (d) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities requires unanimous consent of the parties sharing control. The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting.

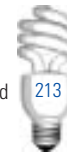
Equity accounting involves recognising in the consolidated income statement and consolidated statement of changes in equity, the Group's share of profits less losses of jointly controlled entities based on the latest audited financial statements or management accounts of the companies concerned. Where necessary, adjustments are made to the results and net assets of jointly controlled entities to ensure consistency of accounting policies with those of the Group. The Group's investment in jointly controlled entities is recorded at cost inclusive of goodwill and adjusted thereafter for accumulated impairment loss and the post acquisition change in the Group's share of net assets of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balance that provides evidence of reduction in net realisable value or an impairment of the asset transferred are recognised in the consolidated income statement.

#### (e) Associates

Associates are enterprises in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2(f)).



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (e) Associates (Cont'd.)

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits on transactions between the Group and the associates are eliminated partially to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

Dilution of gains and losses in associates are recognised in the consolidated income statement.

For incremental interest in an associate, the date of acquisition is date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. The previously acquired stake is stepped up to fair value and the share of profits and equity movements for the previously acquired stake are not recognised since they are embedded in the step up.

### (f) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries, associates and joint ventures at the date of the acquisition.

Capitalised goodwill is tested for impairment at least annually, or if events or circumstances occur indicating that impairment may exist.

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

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the construction or acquisition of the items and bringing them to the location and condition so as to render them operational in the manner intended by the Group. The Group allocates the cost of an item of property, plant and equipment to its significant system and component parts.

The Directors have applied the transitional provisions of International Accounting Standard No. 16 (revised) "Property, Plant and Equipment" as adopted by the Malaysian Accounting Standards Board which allow the freehold land, buildings and civil works to be stated at their previous years' valuations less depreciation.

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

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.





## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (g) Property, plant and equipment and depreciation (Cont'd.)

The cost of major overhaul/inspection is recognised in the asset's carrying amount as a replacement and the remaining carrying amount of the previous major overhaul/inspection is derecognised.

Major spare parts and standby equipment are recognised as assets when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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

Freehold land and capital project-in-progress are not depreciated.

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

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

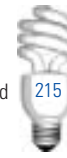
Buildings and civil works	10 to 60 years
Plant and machinery	10 to 40 years
Lines and distribution mains	25 to 35 years
Distribution services	20 years
Meters	15 years
Public lighting	15 to 25 years
Furniture, fittings and office equipment	3 to 10 years
Motor vehicles	5 to 10 years

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount (see Note 2(o)).

#### (h) Prepaid operating leases

The Directors have applied the transitional provisions of FRS No. 117 "Leases", treating the leasehold land as prepaid operating leases which was previously classified within property, plant and equipment and allow the Group to retain the unamortised revalued amount of the previously revalued leasehold land as the surrogate carrying amount of prepaid operating leases and such prepaid operating leases shall be amortised on a straight line basis over the lease term.

Leasehold land is amortised over the remaining period of the respective leases ranging from 5 to 99 years on a straight line basis.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (i) Non-current assets held for sale

The Group shall classify a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The assets classified as non-current assets held for sale will be measured at the lower of its carrying amount and fair value less costs to sell.

No depreciation or amortisation is provided against the assets while it is classified as non-current assets held for sale.

The assets shall be derecognised on disposal and the difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of disposal.

An asset that ceases to be classified as non-current assets held for sale shall be measured at the lower of its carrying amount before the asset was classified as non-current assets held for sale, adjusted for any depreciation, amortisation or revaluations that would be recognised had the asset not be classified as non-current assets held for sale, and its recoverable amount at the date of the subsequent decision not to sell.

### (j) Intangible assets

Expenditure on acquired rights, patents, trademarks and licenses is capitalised and amortised using the straight line method over their estimated useful lives. Intangible assets are not revalued.

### (k) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development.

Capitalised development costs are recognised as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

### (l) Capitalisation of interest

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

### (m) Investments

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the financial year.

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



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (n) Marketable securities and short term investment

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

#### (o) Impairment of assets

Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

#### (p) Deferred income

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

#### (q) Operating leases

Assets leased out as operating leases are included within property, plant and equipment in the balance sheet and they are depreciated over their expected useful lives on a basis consistent with similar assets.

#### (r) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of work-in-progress and finished goods comprise raw materials, direct labour and a proportion of the production overheads. Cost is determined on the weighted average and first-in-first-out basis.

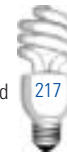
Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

#### (s) Trade receivables

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

#### (t) Trade payables

Trade payables are stated at cost, which is the fair value of the consideration to be paid in the future for the good and services received.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (u) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (v) Share capital

#### (i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The portion of a convertible bond representing the value of the conversion option at the time of issue is included in equity (see Note 2(w) on borrowings). The value of the conversion option is not changed in subsequent periods. Upon conversion of the bond to equity shares, the amount credited to share capital and share premium is the aggregate of the amounts classified within liability and equity at the time of conversion. No gain or loss is recognised. If the bond is redeemed, the conversion option is transferred to retained earnings.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

#### (ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (iii) Dividends to shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are approved.

### (w) Borrowings

Borrowings are initially recognised based on the proceeds received. The costs of issuing debt instruments are expensed as and when incurred.

Interest and dividends on financial instruments deemed as borrowings are reported within finance cost in the income statement.

### (x) Income tax

Current tax expense is determined according to the tax laws of which the Group and Company operates and include all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that 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.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (y) Employee benefits

- (i) Short term employee benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the financial year in which the services are rendered by employees of the Group.

- (ii) Post-employment benefits

The Group has various post-employment benefit schemes which are either defined contribution or defined benefit plans.

##### Defined contribution plans

The Group's contributions to defined contribution plans are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

##### Defined benefit plans

The Group makes contributions to the Company's Retirement Benefit Plan, a defined benefit plan and approved fund independent of the Company's finances. A book provision is also provided by the Company as the contribution rate required to fund the benefits under the said plan is in excess of the Inland Revenue maximum limit. The Group and the Company also provide for a post retirement medical plan for certain employees.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet 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 balance sheet date of Government securities which have currency and terms to maturity approximating the terms of the related liability. The last revaluation was done in February 2007.

The amount of net actuarial gains and losses are credited or charged to the income statement, as the case may be, over the expected average remaining service lives of the participating employees.

- (iii) Share-based compensation

The Group has applied the provision of FRS 2 to all equity instruments granted after 31 December 2004 but not yet vested as at 1 September 2006, the effective date the Group adopted this FRS.

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (y) Employee benefits (Cont'd.)

#### (iii) Share-based compensation (Cont'd.)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### (z) Government development grants

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

### (aa) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

### (ab) Revenue recognition

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

Other operating income earned by the Group and the Company comprises interest and leasing income as well as dividend income. Leasing income is accrued, unless collectability is in doubt. Dividend income is recognised when the shareholders' rights to receive payment is established.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

### (ac) Foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated at exchange rates ruling at the balance sheet date. All exchange differences are dealt with through the income statement.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (ac) Foreign currencies (Cont'd.)

##### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

Foreign currency	2009 RM	2008 RM
1 US Dollar	3.5255	3.3937
100 Japanese Yen	3.7540	3.1250
1 Sterling Pound	5.7434	6.2067
100 Pakistani Rupee	4.2456	4.4500
1 EURO	5.0538	5.0043

#### (ad) Financial instruments

##### (i) Description

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

The Group and the Company are also parties to financial instruments that manage exposure to fluctuations in foreign currency exchange and interest rate. These financial instruments, which mainly comprise foreign currency forward contracts, cross currency swap contracts and interest rate swap contracts, are not recognised in the financial statements. Derivative financial instruments are used in the Group and the Company's risk management of foreign currency and interest rate risk exposure of its financial liabilities.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (ad) Financial instruments (Cont'd.)

- (ii) Financial instruments not recognised on the balance sheet

#### Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on contracts are recognised in the income statement at time of settlement.

#### Cross currency swap contracts

Cross currency swaps are entered into to manage exposure to movements in exchange rates by establishing the currency at which a foreign currency liability will be settled.

The notional principal of these contracts are off balance sheet. Any differential in terms of exchange gains or losses are recognised in the income statement in the same period as the exchange differences on the underlying hedged items.

#### Currency options

Currency options are designed to manage the Group's exposure to protect the Group from movements in foreign currency. The notional principal of the contract is off balance sheet. The premium paid is expensed to the income statement when it is incurred. Gains or losses on early termination of currency options or on repayment of the borrowing are taken to the income statement.

#### Interest rate swap contracts

Interest rate swaps, collars and caps agreements are designed to manage the Group's exposure to protect the Group from movements in interest rates. The notional principal of these contracts are off balance sheet. Any differential to be paid or received on an interest rate swap contract is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are taken to the income statement.

- (iii) Fair value estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group and the Company make certain assumptions and apply the discounted cash flow method to discount future cash flows to determine the fair value of financial instruments. The fair values of financial liabilities are estimated by discounting future cash flows at current market interest rate available to the Group and the Company.

Fair value of publicly traded derivatives and securities is based on quoted market prices at balance sheet date whereas the fair value of foreign currency forward contracts is calculated using spot rates, as published by Reuters, at balance sheet date.

The fair value of cross currency swaps and currency options are calculated as the present value of the estimated future cash flows and/or valuation from the banks.

The carrying amount for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.





## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (ae) Rural electrification and projects under the Malaysia Plan

- (i) Rural electrification projects are capitalised as property, plant and equipment.

The costs of the projects under the Malaysia Plan in the State of Sabah are only capitalised and accounted for as property, plant and equipment upon receipt of formal handover documentation. The corresponding amounts are recorded as Government development grants and such grants are credited to the income statement on a straight line basis over the same period as the expected economic life of the projects.

### 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

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The accounting policy to classify between investment properties and property, plant and equipment requires subjective judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Investment property is a property held to earn rentals or for capital appreciation or both.

Several properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold (or leased out under a finance lease) separately, then these portions would be accounted separately by the Group.

If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### (b) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equate to the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact on the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

- (i) Impairment of Property, Plant and Equipment

The Group assesses 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.



### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

#### (b) Critical accounting estimates and assumptions (Cont'd.)

(i) Impairment of Property, Plant and Equipment (Cont'd.)

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. The assumptions used, results and conclusion of the impairment assessment are stated in the Note 13 to these financial statements.

(ii) Estimated Useful Lives of Property, Plant and Equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(iii) Share-based Payment

Equity settled share-based payment (share options) is measured at fair values at the date they are granted. The assumptions used in the valuation to determine these fair values are stated in Note 35 to these financial statements.

(iv) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business.

(v) Allowance for Receivables

The allowance is established when there is objective evidence that the Group will not be able to collect all amount dues according to the original term of receivables. This is determined based on the ageing profile and collection patterns.

### 4 REVENUE

	Group		Company	
	2009 RM'million	2008 RM'million (Restated)	2009 RM'million	2008 RM'million
Sales – electricity	<b>28,083.8</b>	24,190.1	<b>26,426.4</b>	22,761.6
– goods and services	<b>345.4</b>	220.1	<b>0</b>	0
Release of deferred income (Note 33)	<b>356.4</b>	345.1	<b>317.2</b>	307.6
	<b>28,785.6</b>	24,755.3	<b>26,743.6</b>	23,069.2



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 5 OPERATING EXPENSES

	Group		Company	
	2009 RM'million	2008 RM'million (Restated)	2009 RM'million	2008 RM'million
Energy cost	<b>18,538.2</b>	15,117.6	<b>18,262.0</b>	15,184.6
Transmission cost	<b>1,143.2</b>	1,150.3	<b>1,141.6</b>	1,148.6
Distribution cost	<b>3,404.2</b>	3,123.7	<b>3,398.5</b>	3,118.1
Administrative expenses	<b>1,576.3</b>	1,533.3	<b>883.4</b>	872.4
Other operating expenses	<b>782.0</b>	583.2	<b>565.0</b>	307.7
	<b>25,443.9</b>	21,508.1	<b>24,250.5</b>	20,631.4

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Operating expenses include the following items:				
Directors' remuneration				
– fees	<b>0.9</b>	1.1	<b>0.8</b>	0.9
– other emoluments	<b>1.4</b>	1.2	<b>1.4</b>	1.2
Auditors remuneration – PricewaterhouseCoopers				
– statutory audit fees				
– Malaysia	<b>1.5</b>	1.4	<b>0.7</b>	0.7
– Malaysia's affiliates** #	<b>0</b>	0	<b>0</b>	0
– assurance related fees	<b>0.3</b>	0.3	<b>0.3</b>	0.3
– non-audit fees				
– Malaysia	<b>1.3</b>	0.5	<b>0.9</b>	0.5
– Malaysia's affiliates#	<b>0</b>	0	<b>0</b>	0
Allowance for doubtful debts	<b>76.7</b>	33.5	<b>75.5</b>	26.5
Depreciation	<b>3,537.7</b>	3,528.7	<b>2,899.4</b>	2,860.8
Amortisation of prepaid operating leases	<b>23.8</b>	26.6	<b>16.4</b>	19.2
Rental of land and buildings	<b>56.6</b>	63.4	<b>36.4</b>	39.2
Rental of plant and machinery	<b>14.7</b>	19.2	<b>14.7</b>	19.1
Research and development expenses	<b>23.6</b>	47.1	<b>20.8</b>	46.1
Property, plant and equipment written off	<b>12.9</b>	45.3	<b>6.6</b>	29.9
Inventories written off	<b>21.5</b>	23.5	<b>21.3</b>	23.2
Allowance for diminution in value of marketable securities	<b>0.2</b>	2.1	<b>0.2</b>	2.1



## 5 OPERATING EXPENSES (CONT'D.)

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Allowance for diminution in value of amount due from subsidiaries	0	0	236.9	68.2
Allowance for diminution in value of long term investment	0	0	59.4	0
Write-back of allowance for doubtful debts	(8.1)	(32.5)	(1.2)	(26.2)
(Write-back)/allowance for inventory obsolescence	(6.9)	0.2	(8.3)	(0.9)
Receipt of Government subsidies*	(426.2)	(535.3)	0	0
Staff cost (Note 6)	2,734.0	2,582.8	2,363.3	2,236.5

\* This represents the subsidies that Sabah Electricity Sdn Bhd ('SESB') received for diesel and medium fuel oil from the Government of Malaysia. The total amount credited in the current year was RM426.2 million (2008: RM535.3 million) and it has been offset against energy cost.

\*\* This represents the audit fees for Liberty Power Ltd amounting to RM37,635 (2008: RM37,881).

# PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

The estimated monetary value of benefits-in-kind received by the Directors was RM512,647 (2008: RM256,520) for the Group and the Company.

There was no amount paid and payable to any firm, of which a Director is a partner, for professional services rendered to the Group and the Company (2008: RM458,243).

## 6 STAFF COST

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Wages, salaries and bonuses	1,643.8	1,561.7	1,379.9	1,311.7
Defined contribution retirement plan	178.7	160.0	143.0	129.5
Retirement benefit plan	258.5	246.6	259.1	245.1
Retirement medical plan	439.1	423.0	414.6	400.9
Employees' Share Option Scheme II	26.3	27.1	25.2	25.4
Other employee benefits	187.6	164.4	141.5	123.9
	2,734.0	2,582.8	2,363.3	2,236.5

Details of the retirement benefit and retirement medical plans of the Group and the Company are set out in Note 31 to these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 7 OTHER OPERATING INCOME

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Dividend income from investments in:				
– quoted shares	0	0.5	0	0.5
– unquoted shares	0	3.6	54.1	671.4
Leasing income	5.5	4.5	7.8	4.5
Rental income	7.8	8.4	34.7	31.6
Release of Government development grants (Note 34)	44.6	56.9	0	0
Gain on disposal of property, plant and equipment	0.3	9.8	0.1	9.7
Gain on disposal of prepaid operating leases	3.9	1.3	3.9	1.3
Gain on disposal of non-current assets held for sale	26.9	238.6	27.1	238.6
Gain on redemption of RPS in a subsidiary	0	0	230.8	0
Interest on late payments	71.4	63.1	71.4	63.1
Minimum charges	33.0	34.2	33.0	34.2
Other income	163.8	182.9	127.8	132.5
	<b>357.2</b>	603.8	<b>590.7</b>	1,187.4

### 8 FOREIGN EXCHANGE (LOSS)/GAIN

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Foreign exchange (loss)/gain comprises:				
Translation (loss)/gain – foreign currency denominated term loans	(1,124.9)	83.0	(816.8)	19.1
Translation loss – others	(52.9)	(29.8)	(10.2)	(23.9)
Transaction loss	(61.4)	(19.1)	(55.9)	(6.3)
	<b>(1,239.2)</b>	34.1	<b>(882.9)</b>	(11.1)

**9 FINANCE COST**

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Interest on borrowings	<b>1,264.8</b>	1,278.7	<b>967.8</b>	1,000.7
Less: Amount capitalised into property, plant and equipment	<b>(268.0)</b>	(301.8)	<b>(268.0)</b>	(301.8)
	<b>996.8</b>	976.9	<b>699.8</b>	698.9
Interest on consumer deposits	<b>130.0</b>	118.9	<b>122.7</b>	112.2
	<b>1,126.8</b>	1,095.8	<b>822.5</b>	811.1

**10 TAXATION AND ZAKAT**

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Current tax:				
– Malaysian corporate income tax	<b>377.1</b>	349.8	<b>360.2</b>	453.9
Deferred tax (Note 32)	<b>303.0</b>	63.0	<b>245.8</b>	(25.5)
Real Property Gains Tax	<b>0.2</b>	4.0	<b>0.2</b>	4.0
Tax expense	<b>680.3</b>	416.8	<b>606.2</b>	432.4
Zakat	<b>9.8</b>	8.0	<b>9.8</b>	8.0
	<b>690.1</b>	424.8	<b>616.0</b>	440.4



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 10 TAXATION AND ZAKAT (CONT'D.)

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
The analysis of the tax expense is as follows:				
Current tax:				
Current year	388.6	393.7	375.3	506.1
Over accrual in prior years	(11.5)	(43.9)	(15.1)	(52.2)
	377.1	349.8	360.2	453.9
Deferred tax:				
Origination/(reversal) of temporary differences	303.0	63.0	245.8	(25.5)
Real Property Gains Tax	0.2	4.0	0.2	4.0
	680.3	416.8	606.2	432.4

The explanation of the relationship between tax expense and profit before taxation is as follows:

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Profit before taxation and zakat	1,543.1	3,025.2	1,686.7	3,104.0
Tax calculated at the Malaysian corporate income tax rate of 25% (2008: 26%)	385.7	786.6	421.7	807.1
Tax effects of:				
– change in corporate income tax rate	0	(232.8)	0	(217.1)
– share of results of associates	1.7	2.9	0	0
– income not subject to tax	(177.1)	(175.5)	(157.9)	(141.1)
– expenses not deductible for tax purpose	436.9	45.1	350.0	37.6
– expenses qualifying for double deduction	0	(6.6)	0	(5.9)
Over provision of current tax in prior years	(11.4)	(43.9)	(15.0)	(52.2)
Under provision of deferred tax in prior years	7.4	0	7.2	0
Benefits from previously unrecognised tax losses	(1.6)	(4.6)	0	0
Current year unrecognised temporary differences and unused tax losses	38.6	41.6	0	0
Real Property Gains Tax	0.2	4.0	0.2	4.0
Zakat	9.8	8.0	9.8	8.0
Tax and zakat charge	690.1	424.8	616.0	440.4
Average effective tax rate (%)	44.7	14.0	36.5	14.2



## 11 EARNINGS PER SHARE

### (a) Basic earnings per share

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

	Group	
	2009 RM'million	2008 RM'million
Profit attributable to ordinary equity holders of the Company (RM'million)	917.9	2,594.0
Weighted average number of ordinary shares in issue ('000)	4,334,776	4,333,012
Basic earnings per share (sen)	21.18	59.87

### (b) Diluted earnings per share

	Group	
	2009 RM'million	2008 RM'million
Profit used to determine diluted earnings per share	917.9	2,594.0
Weighted average number of ordinary shares in issue ('000)	4,334,776	4,333,012
Adjustment for share options	5,406	2,172
Weighted average number of ordinary shares for diluted earnings per share	4,340,182	4,335,184
Diluted earnings per share (sen)	21.15	59.84





## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

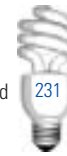
### 12 DIVIDENDS

	Company	
	2009 RM'million	2008 RM'million
Interim dividend of 2.0 sen gross per ordinary share, less income tax at 25% and 2.0 sen per ordinary share, tax exempt (2008: interim dividend of 10.0 sen gross per ordinary share, less income tax at 26%)	<b>151.7</b>	320.7
Proposed: Proposed final dividend of 10.0 sen gross per ordinary share, less income tax at 25% and 2.3 sen per ordinary share, tax exempt (2008: final dividend of 10.0 sen gross per ordinary share, less income tax at 25%)	<b>425.1</b>	325.1
	<b>576.8</b>	645.8

Interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained profits in the financial year.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 August 2009 of 10.0 sen gross per ordinary share, less income tax at 25% and a tax exempt dividend of 2.3 sen per ordinary share will be proposed for shareholders' approval.

In respect of the financial year ended 31 August 2008, a final dividend of 10.0 sen gross per ordinary share, less income tax at 25% was declared and approved by the shareholders in the Annual General Meeting held on 11 December 2008.



### 13 PROPERTY, PLANT AND EQUIPMENT

	As at 1.9.2008 RM'million	Exchange rate adjustment RM'million	Additions RM'million	Disposals RM'million	Transfers/ reclassi- fication RM'million	As at 31.8.2009 RM'million
<b>Group 2009 Cost/valuation</b>						
At 1984 and earlier valuations:						
Buildings and civil works	5.6	0	0	0	0	5.6
	5.6	0	0	0	0	5.6
At 1994 valuation:						
Freehold land	572.5	0	0	(1.7)	(13.7)	557.1
Buildings and civil works	445.2	0	0	(0.3)	(2.5)	442.4
	1,023.3	0	0	(2.0)	(16.2)	1,005.1
At cost:						
Freehold land	368.8	(1.7)	19.5	0	(10.3)	376.3
Buildings and civil works	11,931.6	(0.6)	480.4	(1.4)	(423.8)	11,986.2
	13,323.7	(2.3)	499.9	(3.4)	(450.3)	13,367.6
Plant and machinery	38,335.3	(34.7)	2,716.6	(71.5)	550.8	41,496.5
Lines and distribution mains	25,117.2	0	1,365.7	0	43.8	26,526.7
Distribution services	2,510.3	0	123.5	0	12.6	2,646.4
Meters	1,412.8	0	125.5	0	(2.7)	1,535.6
Public lighting	294.4	0	15.5	0	(0.2)	309.7
Furniture, fittings and office equipment	1,135.4	(0.4)	97.2	(3.4)	(24.6)	1,204.2
Motor vehicles	279.3	(1.7)	15.8	(8.9)	1.2	285.7
	82,408.4	(39.1)	4,959.7	(87.2)	130.6	87,372.4
Capital project-in-progress	6,668.4	(0.2)	4,425.7	0	(5,187.0)	5,906.9
	89,076.8	(39.3)	9,385.4	(87.2)	(5,056.4)	93,279.3

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 13 PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	As at 1.9.2008 RM'million	Charged for the financial year RM'million	Released on disposals/ transfers RM'million	As at 31.8.2009 RM'million
<b>Group</b>				
<b>2009</b>				
<b>Accumulated depreciation</b>				
At 1984 and earlier valuations:				
Buildings and civil works	3.9	0	0	3.9
At 1994 valuation:				
Freehold land	0	0	0	0
Buildings and civil works	203.6	14.8	(1.2)	217.2
	<b>207.5</b>	<b>14.8</b>	<b>(1.2)</b>	<b>221.1</b>
At cost:				
Freehold land	0	0	0	0
Buildings and civil works	3,144.7	84.3	(3.6)	3,225.4
	<b>3,352.2</b>	<b>99.1</b>	<b>(4.8)</b>	<b>3,446.5</b>
Plant and machinery	14,671.6	2,027.4	(60.8)	16,638.2
Lines and distribution mains	9,869.9	1,070.3	0	10,940.2
Distribution services	1,293.1	112.5	0	1,405.6
Meters	696.2	85.6	0	781.8
Public lighting	162.6	14.4	0	177.0
Furniture, fittings and office equipment	908.6	103.1	(12.7)	999.0
Motor vehicles	207.2	25.3	(9.1)	223.4
	<b>31,161.4</b>	<b>3,537.7</b>	<b>(87.4)</b>	<b>34,611.7</b>
Accumulated impairment losses				
Plant and machinery	440.2	0	0	440.2


**13 PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

	As at 1.9.2007 RM'million	Exchange rate adjustment RM'million	Additions RM'million	Disposals RM'million	Transfers/ reclassi- fication RM'million	As at 31.8.2008 RM'million
<b>Group 2008 Cost/valuation</b>						
At 1984 and earlier valuations:						
Buildings and civil works	5.6	0	0	0	0	5.6
	5.6	0	0	0	0	5.6
At 1994 valuation:						
Freehold land	608.6	0	0	(0.6)	(35.5)	572.5
Buildings and civil works	446.0	0	0	(0.8)	0	445.2
	1,060.2	0	0	(1.4)	(35.5)	1,023.3
At cost:						
Freehold land	358.9	(1.9)	15.9	(1.6)	(2.5)	368.8
Buildings and civil works	11,535.0	(1.1)	351.1	(0.9)	47.5	11,931.6
	12,954.1	(3.0)	367.0	(3.9)	9.5	13,323.7
Plant and machinery	36,391.9	(229.9)	2,225.5	(272.6)	220.4	38,335.3
Lines and distribution mains	22,889.2	0	1,874.0	0	354.0	25,117.2
Distribution services	2,350.5	0	154.4	0	5.4	2,510.3
Meters	1,267.0	0	145.7	0	0.1	1,412.8
Public lighting	276.1	0	18.4	0	(0.1)	294.4
Furniture, fittings and office equipment	1,100.7	(1.4)	59.8	(7.6)	(16.1)	1,135.4
Motor vehicles	255.8	0.5	11.3	(5.9)	17.6	279.3
	77,485.3	(233.8)	4,856.1	(290.0)	590.8	82,408.4
Capital project-in- progress	7,306.3	(0.1)	5,034.7	0	(5,672.5)	6,668.4
	84,791.6	(233.9)	9,890.8	(290.0)	(5,081.7)	89,076.8



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 13 PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	As at 1.9.2007 RM'million	Charged for the financial year RM'million	Released on disposals/ transfers RM'million	As at 31.8.2008 RM'million
<b>Group</b>				
<b>2008</b>				
<b>Accumulated depreciation</b>				
At 1984 and earlier valuations:				
Buildings and civil works	3.4	0	0.5	3.9
At 1994 valuation:				
Freehold land	0	0	0	0
Buildings and civil works	190.0	13.9	(0.3)	203.6
	193.4	13.9	0.2	207.5
At cost:				
Freehold land	0	0	0	0
Buildings and civil works	2,823.1	322.9	(1.3)	3,144.7
	3,016.5	336.8	(1.1)	3,352.2
Plant and machinery	13,147.9	1,824.2	(300.5)	14,671.6
Lines and distribution mains	8,832.4	1,037.5	(0)	9,869.9
Distribution services	1,186.1	107.0	0	1,293.1
Meters	616.6	79.6	0	696.2
Public lighting	148.6	14.0	0	162.6
Furniture, fittings and office equipment	814.0	101.4	(6.8)	908.6
Motor vehicles	184.0	28.2	(5.0)	207.2
	27,946.1	3,528.7	(313.4)	31,161.4
Accumulated impairment losses				
Plant and machinery	440.2	0	0	440.2


**13 PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

	As at 1.9.2008 RM'million	Additions RM'million	Disposals RM'million	Transfers/ reclassi- fication RM'million	As at 31.8.2009 RM'million
<b>Company 2009</b>					
<b>Cost/valuation</b>					
At 1994 valuation:					
Freehold land	572.4	0	(1.7)	(13.7)	557.0
Buildings and civil works	445.1	0	(0.3)	(2.5)	442.3
	<b>1,017.5</b>	<b>0</b>	<b>(2.0)</b>	<b>(16.2)</b>	<b>999.3</b>
At cost:					
Freehold land	308.9	19.5	0	(11.9)	316.5
Buildings and civil works	10,356.1	465.2	(1.4)	(427.0)	10,392.9
	<b>11,682.5</b>	<b>484.7</b>	<b>(3.4)</b>	<b>(455.1)</b>	<b>11,708.7</b>
Plant and machinery	27,982.5	2,587.6	(30.9)	372.2	30,911.4
Lines and distribution mains	24,004.8	1,342.6	0	0	25,347.4
Distribution services	2,393.8	121.5	0	0	2,515.3
Meters	1,383.5	120.7	0	(2.7)	1,501.5
Public lighting	294.5	15.5	0	(0.2)	309.8
Furniture, fittings and office equipment	1,010.1	82.0	(0.1)	(34.6)	1,057.4
Motor vehicles	234.4	10.4	(7.6)	(1.8)	235.4
	<b>68,986.1</b>	<b>4,765.0</b>	<b>(42.0)</b>	<b>(122.2)</b>	<b>73,586.9</b>
Capital project-in- progress	6,461.7	3,843.1	0	(4,765.0)	5,539.8
	<b>75,447.8</b>	<b>8,608.1</b>	<b>(42.0)</b>	<b>(4,887.2)</b>	<b>79,126.7</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 13 PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	As at 1.9.2008 RM'million	Charged for the financial year RM'million	Released on disposals/ transfers RM'million	As at 31.8.2009 RM'million
<b>Company 2009</b>				
<b>Accumulated depreciation</b>				
At 1994 valuation:				
Buildings and civil works	203.6	14.8	(1.2)	217.2
	203.6	14.8	(1.2)	217.2
At cost:				
Freehold land	0	0	0	0
Buildings and civil works	2,821.9	22.4	(3.4)	2,840.9
	3,025.5	37.2	(4.6)	3,058.1
Plant and machinery	11,969.9	1,527.2	(45.9)	13,451.2
Lines and distribution mains	9,573.5	1,017.6	0	10,591.1
Distribution services	1,213.1	107.4	0	1,320.5
Meters	683.0	82.8	0	765.8
Public lighting	162.2	14.4	0	176.6
Furniture, fittings and office equipment	816.0	91.1	(16.3)	890.8
Motor vehicles	171.1	21.7	(8.9)	183.9
	27,614.3	2,899.4	(75.7)	30,438.0

**13 PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

	As at 1.9.2007 RM'million	Additions RM'million	Disposals RM'million	Transfers/ reclassi- fication RM'million	As at 31.8.2008 RM'million
<b>Company 2008</b>					
<b>Cost/valuation</b>					
At 1994 valuation:					
Freehold land	608.6	0	(0.6)	(35.6)	572.4
Buildings and civil works	445.9	0	(0.8)	0	445.1
	1,054.5	0	(1.4)	(35.6)	1,017.5
At cost:					
Freehold land	306.3	8.8	0	(6.2)	308.9
Buildings and civil works	10,063.3	295.6	(0.5)	(2.3)	10,356.1
	11,424.1	304.4	(1.9)	(44.1)	11,682.5
Plant and machinery	26,139.4	2,038.8	(181.7)	(14.0)	27,982.5
Lines and distribution mains	22,182.1	1,819.5	0	3.2	24,004.8
Distribution services	2,239.7	154.1	0	0	2,393.8
Meters	1,242.8	140.7	0	0	1,383.5
Public lighting	276.1	18.4	0	0	294.5
Furniture, fittings and office equipment	985.8	39.6	(2.0)	(13.3)	1,010.1
Motor vehicles	211.6	8.3	(3.4)	17.9	234.4
	64,701.6	4,523.8	(189.0)	(50.3)	68,986.1
Capital project-in- progress	6,545.9	4,439.6	0	(4,523.8)	6,461.7
	71,247.5	8,963.4	(189.0)	(4,574.1)	75,447.8





## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 13 PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	As at 1.9.2007 RM'million	Charged for the financial year RM'million	Released on disposals/ transfers RM'million	As at 31.8.2008 RM'million
<b>Company 2008</b>				
<b>Accumulated depreciation</b>				
At 1994 valuation:				
Buildings and civil works	189.9	14.0	(0.3)	203.6
	189.9	14.0	(0.3)	203.6
At cost:				
Freehold land	0	0	0	0
Buildings and civil works	2,559.5	262.6	(0.2)	2,821.9
	2,749.4	276.6	(0.5)	3,025.5
Plant and machinery	10,841.5	1,287.6	(159.2)	11,969.9
Lines and distribution mains	8,585.3	988.2	0	9,573.5
Distribution services	1,110.4	102.7	0	1,213.1
Meters	605.7	77.3	0	683.0
Public lighting	148.3	13.9	0	162.2
Furniture, fittings and office equipment	724.2	90.1	1.7	816.0
Motor vehicles	149.9	24.4	(3.2)	171.1
	24,914.7	2,860.8	(161.2)	27,614.3

**13 PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<b>Net book value</b>				
At 1984 and earlier valuations:				
Buildings and civil works	1.7	1.7	0	0
At 1994 valuation:				
Freehold land	557.1	572.5	557.0	572.4
Buildings and civil works	225.2	241.6	225.1	241.5
	<b>784.0</b>	815.8	<b>782.1</b>	813.9
At cost:				
Freehold land	376.3	368.8	316.5	308.9
Buildings and civil works	8,760.8	8,786.9	7,552.0	7,534.2
Total land and buildings	<b>9,921.1</b>	9,971.5	<b>8,650.6</b>	8,657.0
Plant and machinery	24,418.1	23,223.5	17,460.2	16,012.6
Lines and distribution mains	15,586.5	15,247.3	14,756.3	14,431.3
Distribution services	1,240.8	1,217.2	1,194.8	1,180.7
Meters	753.8	716.6	735.7	700.5
Public lighting	132.7	131.8	133.2	132.3
Furniture, fittings and office equipment	205.2	226.8	166.6	194.1
Motor vehicles	62.3	72.1	51.5	63.3
Capital project-in-progress	<b>52,320.5</b>	50,806.8	<b>43,148.9</b>	41,371.8
	<b>5,906.9</b>	6,668.4	<b>5,539.8</b>	6,461.7
	<b>58,227.4</b>	57,475.2	<b>48,688.7</b>	47,833.5



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 13 PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

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

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Freehold land	50.5	50.6	43.6	43.7
Buildings and civil works	95.5	103.5	95.5	103.5
	<b>146.0</b>	154.1	<b>139.1</b>	147.2

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

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

The title deeds of certain land are in the process of being registered in the name of the Company and certain subsidiaries.

Included in transfers/reclassification in 2009 for the Group and the Company was RM46.9 million being the carrying amount of land and building reclassified as non-current assets held for sale (see Note 20).

Interest capitalised during the financial year in capital project-in-progress amounted to RM268.0 million (2008: RM301.8 million) for the Group and the Company.

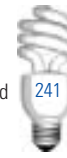
The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation is 6.23% (2008: 5.34%) for the Group and the Company.

#### Impairment test for property, plant and equipment

During the year, two subsidiary companies undertook annual impairment test for property, plant and equipment.

#### (a) TNB Liberty Power Limited

TNB Liberty Power Limited has recognised in prior years, a provision for impairment totalling RM440.2 million. The assessment showed that no further impairment loss is required for the carrying amount of property, plant and equipment assessed, including where realistic variations are applied to key assumptions. The carrying value of the property, plant and equipment at balance sheet date is RM463.8 million (2008: RM520.1 million).



### 13 PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(b) Sabah Electricity Sdn Bhd ('SESB')

SESB undertook an annual test for impairment of its property, plant and equipment represented by cash-generating unit ('CGU') in accordance with Note 3(b). Based on the impairment test, no impairment loss is required for the carrying amount of property, plant and equipment as at 31 August 2009 as its recoverable amount is in excess of its carrying amount. The carrying value of the property, plant and equipment at balance sheet date is RM2,447.6 million (2008: RM2,269.8 million).

(i) Key assumptions used in the value-in-use calculations

The recoverable amount of the property, plant and equipment is determined based on value-in-use calculation. This value-in-use calculation apply a discounted cash flow model using cash flow projections covering a eleven-year period for the property, plant and equipment reflecting the remaining average useful lives of the existing assets. The projections over these periods reflect the subsidiary's expectation of usage, revenue growth, maximum capacity and operating costs of these assets based on past experience and current assessment of electricity demand in Sabah, particularly market growth and industry growth. The value in use calculation also includes the assumption that the subsidiary will receive tariff subsidy from the Federal Government to continue its operations, over the projection period. Tariff is assumed to remain constant over the projection period.

Cash flow projections beyond year eleven are not extrapolated using estimated terminal growth rates. However, the cash flow projections are assumed to be derived from the residual value of the assets equivalent to the expected net book value of the assets depreciated in accordance with the existing depreciation rates.

For purposes of the value-in-use calculation, a discount rate of 5.80% (2008: 6.13%) has been applied. The discount rate reflects the SESB's cost of funds.

(ii) Sensitivity Analysis

Sensitivity analysis show that no impairment loss is required for the carrying amount of property, plant and equipment assessed, including where realistic variations are applied to key assumptions.

### 14 PREPAID OPERATING LEASES

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<b>Cost/Valuation</b>				
As at the beginning of the financial year	<b>1,059.9</b>	1,043.8	<b>855.5</b>	839.6
Additions	<b>0</b>	0.3	<b>0</b>	0.1
Disposals	<b>(2.1)</b>	(0.7)	<b>(2.1)</b>	(0.7)
Reclassified to non-current assets held for sale (Note 20)	<b>(0.5)</b>	(3.0)	<b>(0.5)</b>	(3.0)
Reclassification	<b>15.7</b>	19.5	<b>15.7</b>	19.5
As at the end of the financial year	<b>1,073.0</b>	1,059.9	<b>868.6</b>	855.5



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 14 PREPAID OPERATING LEASES (CONT'D.)

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<b>Accumulated amortisation</b>				
As at the beginning of the financial year	215.8	191.2	163.4	146.2
Charged for the financial year	23.8	26.6	16.4	19.2
Released on disposals	(0.2)	(0.1)	(0.2)	(0.1)
Released on reclassification to non-current assets held for sale (Note 20)	(0.1)	(1.9)	(0.1)	(1.9)
Released on reclassification	0.1	(0)	0.1	(0)
As at the end of the financial year	239.4	215.8	179.6	163.4
Net book value as at the end of the financial year	833.6	844.1	689.0	692.1

Prepaid operating leases were previously classified as leasehold land within property, plant and equipment and comprise long leasehold land and short leasehold land.

Included in the reclassification was RM0.4 million being the carrying amount of prepaid operating lease reclassified as assets held for sale (see Note 20).

The last revaluation of the leasehold land was in 1994.

### 15 SUBSIDIARIES

	Company	
	2009 RM'million	2008 RM'million
Unquoted ordinary shares, at cost	296.7	296.7
Redeemable unsecured loan stocks, at cost	535.5	547.5
Redeemable preference shares, at cost	4,075.7	4,600.2
	4,907.9	5,444.4
Less: Allowance for diminution in value	(929.0)	(886.1)
	3,978.9	4,558.3

Redeemable unsecured loan stocks bear interest at 15.0% (2008: 15.0%) per annum on the outstanding nominal value of the principal and a compounding interest will be charged at 5.0% (2008: 5.0%) per annum on the unpaid interest after the due date.



Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2009	2008		
TNB Janamanjung Sdn Bhd	100%	100%	Operation of power plant and generation of electricity	Malaysia
TNB Power Daharki Ltd*	100%	100%	Investment holding	Mauritius
TNB Fuel Services Sdn Bhd	100%	100%	Purchase and supply of fuel and coal for power generation	Malaysia
TNB Energy Services Sdn Bhd	100%	100%	Generation and supply of various energy sources and provision of 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 for domestic and international ventures	Malaysia
TNB Engineering Corporation Sdn Bhd	100%	100%	Project management and consultancy, engineering works and energy project development services specialising in district cooling and co-generation	Malaysia
TNB Repair and Maintenance Sdn Bhd	100%	100%	Repair, maintenance and testing of power plants	Malaysia
TNB Engineers Sdn Bhd	100%	100%	Providing engineering, procurement and construction services for power related projects	Malaysia
TNB Capital (L) Ltd	100%	100%	Investment holding	Malaysia
Universiti Tenaga Nasional Sdn Bhd	100%	100%	Providing higher education	Malaysia
Malaysia Transformer Manufacturing Sdn Bhd	100%	100%	Manufacturing, selling and repairing of transformers	Malaysia
TNB Coal International Ltd*	100%	100%	Dormant	Mauritius
Power and Energy International (Mauritius) Ltd*	100%	100%	Investment holding	Mauritius

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 15 SUBSIDIARIES (CONT'D.)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2009	2008		
Orion Mission Sdn Bhd	100%	100%	Investment holding	Malaysia
Sabah Electricity Sdn Bhd	80%	80%	Generation, transmission, distribution and sale of electricity in Sabah	Malaysia
Tenaga Switchgear Sdn Bhd	60%	60%	Assemble and manufacture high voltage switchgears	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 and related services	Malaysia
TNB Generation Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Transmission Network Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Distribution Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Risk Management Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Logistics Sdn Bhd	100%	100%	Dormant	Malaysia
TNB - IT Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Workshop Services Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Kekal Sdn Bhd***	0%	100%	Dormant	Malaysia
TNB Metering Services Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Hidro Sdn Bhd	100%	100%	Dormant	Malaysia
Sumber Hidro Management Sdn Bhd**	100%	100%	Dormant	Malaysia



**15 SUBSIDIARIES (CONT'D.)**

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2009	2008		
TNB Kapar Sdn Bhd***	0%	100%	Dormant	Malaysia
TNB Prai Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Paka Sdn Bhd***	0%	100%	Dormant	Malaysia
TNB Properties Sdn Bhd	100%	100%	Dormant	Malaysia
TNB Kulim Generation Sdn Bhd	100%	100%	Dormant	Malaysia
Sepang Power Sdn Bhd	70%	70%	Dormant	Malaysia
<u>Subsidiaries of TNB Engineering Corporation Sdn Bhd</u>				
Bangsar Energy Systems Sdn Bhd	100%	100%	Operating an integrated district cooling system for air conditioning systems of office building	Malaysia
TNEC Construction Sdn Bhd	100%	100%	Construction contractor	Malaysia
TNEC Operations and Maintenance Sdn Bhd	100%	100%	Operations and maintenance of cooling and and power plant	Malaysia
<u>Subsidiary of Power and Energy International (Mauritius) Ltd</u>				
Independent Power International Ltd*	100%	100%	Investment holding	Mauritius
<u>Subsidiary of Bangsar Energy Systems Sdn Bhd</u>				
Selesa Energy Systems Sdn Bhd	70%	70%	Operations and maintenance of cooling plant	Malaysia



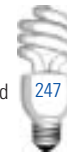


## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 15 SUBSIDIARIES (CONT'D.)

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2009	2008		
<u>Subsidiary of TNEC</u> <u>Operations and</u> <u>Maintenance Sdn Bhd</u>				
Tomest Energy Management Sdn Bhd	51%	51%	Dormant	Malaysia
<u>Subsidiary of TNB</u> <u>Generation Sdn Bhd</u>				
TNNG Power Services Sdn Bhd***	0%	100%	Dormant	Malaysia
<u>Subsidiary of TNB Power</u> <u>Daharki Ltd</u>				
TNB Liberty Power Ltd#	100%	100%	Operation of power plant and generation of electricity	Pakistan
<u>Subsidiary of TNB</u> <u>Properties Sdn Bhd</u>				
TNP Construction Sdn Bhd	100%	100%	Dormant	Malaysia
<u>Subsidiary of TNB</u> <u>Research Sdn Bhd</u>				
Tenaga Microwave Technologies Sdn Bhd*^	0%	70%	Dormant	Malaysia
<u>Subsidiary of University</u> <u>Tenaga Nasional Sdn Bhd</u>				
UNITEN R & D Sdn Bhd	100%	0%	Providing research and development in areas related to engineering, information technology, business, accountancy, liberal studies .	Malaysia
<u>Subsidiaries of TNB Repair</u> <u>and Maintenance Sdn Bhd</u>				
Trichy Power Ltd*	100%	100%	Dormant	India



**15 SUBSIDIARIES (CONT'D.)**

Name of subsidiary	Group's interest		Principal activities	Country of incorporation
	2009	2008		
Trichy Energy Ltd*	100%	100%	Dormant	India
TNB Operations & Maintenance International Ltd	100%	100%	Investment holding	Mauritius
<u>Subsidiary of TNB Operations &amp; Maintenance International Ltd</u>				
Oasis Parade Sdn Bhd	100%	100%	Investment holding	Malaysia
<u>Subsidiary of TNB Ventures Sdn Bhd</u>				
Tenaga Cable Industries Sdn Bhd	76%	76%	Manufacturing and distribution of power and general cables, aluminium rods and related activities	Malaysia
<u>Subsidiary of TNB Coal International Ltd</u>				
Dynamic Acres Sdn Bhd*	100%	100%	Dormant	Malaysia
<u>Subsidiary of Orion Mission Sdn Bhd</u>				
Lahad Datu Holdings Sdn Bhd	100%	100%	Dormant	Malaysia
<u>Subsidiary of Lahad Datu Holdings Sdn Bhd</u>				
Lahad Datu Energy Sdn Bhd	100%	100%	Dormant	Malaysia

\* Not audited by PricewaterhouseCoopers.

# Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

^ Tenaga Microwave Technologies Sdn Bhd was dissolved on 10 April 2009.

\*\* This company is in the process of being wound up.

\*\*\* The companies were dissolved on 6 August 2009.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 16 JOINTLY CONTROLLED ENTITY

	<b>Group</b>	
	<b>2009</b> RM'million	2008 RM'million
Share of net assets of jointly controlled entity	<b>7.9</b>	0

	<b>Company</b>	
	<b>2009</b> RM'million	2008 RM'million
Unquoted ordinary shares, at cost	<b>7.9</b>	0
	<b>7.9</b>	0

The Group's share of revenue, profit, assets and liabilities of jointly controlled entity are as follows:

	<b>2009</b> RM'million	2008 RM'million
Operating expenses	<b>0</b>	0
Loss for the year	<b>0</b>	0
Non-current assets	<b>7.9</b>	0
Current assets	<b>0</b>	0
Current liabilities	<b>0</b>	0
Net assets	<b>7.9</b>	0



## 16 JOINTLY CONTROLLED ENTITY (CONT'D.)

Details of the jointly controlled entities are as follows:

Name of jointly controlled entity	Group's interest		Principal activities	Country of incorporation
	2009	2008		
Seatrac Sdn Bhd (formerly known as Sime Darby Power Link Sdn Bhd)	50%	0%	Construction of overhead lines and submarine cables	Malaysia
TNB Energy Services Sdn Bhd & Eramaz Technology Sdn Bhd JV	51%	51%	As the turnkey contractor to undertake the design, building and commissioning of the system for the supply of electricity in Kalabakan, Sabah awarded by Kementerian Kemajuan Luar Bandar dan Wilayah ("KKLW")	Malaysia

## 17 ASSOCIATES

	Group	
	2009 RM'million	2008 RM'million
Share of net assets of associates	297.3	322.5

	Company	
	2009 RM'million	2008 RM'million
Unquoted shares, at cost	60.4	60.2
Less: Allowance for diminution in value	(9.6)	(9.6)
	50.8	50.6
Redeemable preference shares, at cost	33.2	33.2
Unsecured loan notes	82.3	87.2
	166.3	171.0



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 17 ASSOCIATES (CONT'D.)

The Group's share of revenue, profit, assets and liabilities of associates are as follows:

	2009 RM'million	2008 RM'million
Revenue	330.0	284.2
Profit after taxation	33.1	44.9
Non-current assets	563.7	592.9
Current assets	261.1	302.3
Current liabilities	(89.4)	(96.2)
Non-current liabilities	(438.1)	(476.5)
Net assets	297.3	322.5

Details of the associates are as follows:

Name of associates	Group's interest		Principal activities	Country of incorporation
	2009	2008		
Teknologi Tenaga Perlis Consortium Sdn Bhd	20%	20%	Ownership, operation, maintenance of electricity generating plant	Malaysia
Perusahaan Otomobil Elektrik (Malaysia) Sdn Bhd	20%	20%	Dormant	Malaysia
GB3 Sdn Bhd	20%	20%	Design, develop, construction, operation and maintenance of electricity generating facility	Malaysia
Fibrecomm Network (M) Sdn Bhd	49%	49%	Provision of fibre optic transmission network	Malaysia
Jimah Energy Ventures Holdings Sdn Bhd	20%	20%	Generate electric power and investment holding	Malaysia
FTJ Biopower Sdn Bhd	24.5%	0%	Generation and distribution of electricity using palm empty fruit bunch as its main fuel source.	Malaysia


**17 ASSOCIATES (CONT'D.)**

Details of the associates are as follows:

Name of associates	Group's interest		Principal activities	Country of incorporation
	2009	2008		
<u>Associates of TNB Properties Sdn Bhd</u>				
Contract Development Sdn Bhd (formerly known as HICOM-TNB Properties Sdn Bhd)	0%	40%	Construction contractors	Malaysia
INDERA-TNB Properties Sdn Bhd	40%	40%	Property development and construction	Malaysia
KM Metro-TNB Properties Sdn Bhd	40%	40%	Property development and construction	Malaysia
TNB Properties-JB Citytowers Sdn Bhd	40%	40%	Property development and construction	Malaysia
ZEUS-TNB Properties Sdn Bhd	0%	40%	Property development and construction	Malaysia
<u>Associate of TNB Ventures Sdn Bhd</u>				
Northern Utility Resources Sdn Bhd (Receivers and Managers appointed)	20%	20%	Operation of power plant, generation and supply of electricity	Malaysia
<u>Associate of Independent Power International Ltd</u>				
Malaysian Shoaiba Consortium Sdn Bhd	20%	20%	Investment holding	Malaysia
<u>Associate of Oasis Parade Sdn Bhd</u>				
Saudi-Malaysia Operation and Maintenance Services Company Limited	30%	30%	Investment holding	Saudi Arabia



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 17 ASSOCIATES (CONT'D.)

Details of the associates are as follows:

Name of associates	Group's interest		Principal activities	Country of incorporation
	2009	2008		
<u>Associate of TNB Energy Services Sdn Bhd</u>				
Jana Landfill Sdn Bhd	20%	70%	Generation and distribution of heat and electricity using landfill gas and/or other renewable energy resources in Peninsular Malaysia and/or elsewhere	Malaysia
<u>Associate of TNB Engineering Corporation Sdn Bhd</u>				
Abraj Cooling LLC	49%	0%	Construction of areas cooling stations contracting works	United Arab Emirates

### 18 INVESTMENTS

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Unquoted shares, at cost	39.7	75.7	39.7	75.7
Unquoted unsecured loan stocks, at cost	0	0	59.4	59.4
	39.7	75.7	99.1	135.1
Allowance for diminution in value:				
– unquoted shares	(1.7)	(37.7)	(1.7)	(37.7)
– unquoted unsecured loan stocks	0	0	(59.4)	0
	38.0	38.0	38.0	97.4



## 19 LONG TERM RECEIVABLES

	Company	
	2009 RM'million	2008 RM'million
Amounts due from subsidiaries	525.0	613.3

The amounts due from subsidiaries comprise advances and other receivables from TNB Liberty Power Limited ('TLPL') and TNB Power Daharki Ltd ('TPD') amounting to RM54.9 million (2008: RM52.8 million) and RM470.1 million (2008: RM560.5 million) respectively.

These amounts are unsecured and the Company has given an undertaking to the subsidiaries that the amounts will not be recalled within 12 months from the balance sheet date. The amount due from TLPL is interest free. The amount due from TPD is subject to interest at rates ranging from 3.2% to 7.4% (2008: 4.2% to 8.4%) per annum.

## 20 NON-CURRENT ASSETS HELD FOR SALE

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<b>Cost/Valuation</b>				
Opening as at 1 September	14.7	126.4	14.1	57.2
Amount transferred from property, plant & equipment (Note 13)	49.9	20.4	49.9	20.4
Amount transferred from prepaid operating leases (Note 14)	0.5	3.0	0.5	3.0
Amount transferred to property, plant & equipment (Note 13)	(8.0)	0	(8.0)	0
Amount transferred to prepaid operating leases (Note 14)	(0.1)	0	(0.1)	0
Amount transferred from investment in associates (Note 17)	0	0.6	0	0
Disposals	(35.8)	(135.7)	(35.6)	(66.5)
Closing as at 31 August	21.2	14.7	20.8	14.1





## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 20 NON-CURRENT ASSETS HELD FOR SALE

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<b>Depreciation/Amortisation</b>				
Opening as at 1 September	0.6	1.4	0.6	1.4
Amount transferred from property, plant & equipment (Note 13)	3.0	0	3.0	0
Amount transferred from prepaid operating leases (Note 14)	0.1	1.9	0.1	1.9
Amount transferred to prepaid operating leases (Note 14)	(0.1)	0	(0.1)	0
Disposals	(2.0)	(2.7)	(2.0)	(2.7)
Closing as at 31 August	1.6	0.6	1.6	0.6
<b>Net book amount</b>				
At 31 August	19.6	14.1	19.2	13.5

During the year, the Company entered into several sale and purchase agreements with various parties, for which the disposals are still in progress.

### 21 INVENTORIES

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Raw materials, fuel and consumables	1,880.6	2,133.4	1,043.3	1,158.3
Work-in-progress	64.7	61.0	0	0
Finished goods	10.4	35.9	0	0
	1,955.7	2,230.3	1,043.3	1,158.3



## 22 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Trade receivables	<b>2,954.1</b>	2,501.1	<b>2,131.8</b>	1,702.4
Less: Allowance for doubtful debts	<b>(486.3)</b>	(418.4)	<b>(397.1)</b>	(342.8)
	<b>2,467.8</b>	2,082.7	<b>1,734.7</b>	1,359.6
Rechargeable debtors	<b>73.9</b>	67.6	<b>73.9</b>	58.7
Less: Allowance for doubtful debts	<b>(73.9)</b>	(64.8)	<b>(73.9)</b>	(54.3)
	<b>0</b>	2.8	<b>0</b>	4.4
Staff advances/loans	<b>506.7</b>	566.5	<b>505.0</b>	562.5
Partial payment to contractors	<b>150.6</b>	193.6	<b>55.6</b>	133.8
Deposits and prepayments	<b>133.7</b>	67.3	<b>25.1</b>	24.7
Other receivables	<b>515.3</b>	539.3	<b>174.2</b>	207.1
	<b>1,306.3</b>	1,366.7	<b>759.9</b>	928.1
	<b>3,774.1</b>	3,452.2	<b>2,494.6</b>	2,292.1

The Group's and the Company's credit policy provides trade receivables with a 30 days (2008: 30 days) credit period. The Group has no major significant concentration of credit risk other than business and residential trade receivables due to its diverse customer base. All credit and recovery risks associated with receivables have been provided for in the financial statements.

Included in staff advances/loans are staff housing and car loans amounting to RM441.7 million (2008: RM490.6 million) which are not recoverable within 12 months.

## 23 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amount due from SESB is subject to an interest rate of 6.0% (2008: 6.0%) per annum, is unsecured and has no fixed terms of repayment. Amount due from TNB Coal International Ltd is subject to interest rate of 7.0% (2008: 7.0%) per annum.

Amount due from/(to) all other subsidiaries are unsecured, interest free and have no fixed terms of repayment.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 24 SHORT TERM INVESTMENTS

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Quoted warrants, at cost	12.6	12.6	12.6	12.6
Market value – quoted warrants	23.8	15.0	23.8	15.0

### 25 MARKETABLE SECURITIES

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Quoted in Malaysia, at cost:				
Shares	27.1	27.1	27.1	27.1
Less: Allowance for diminution in value	(18.8)	(18.6)	(18.8)	(18.6)
	8.3	8.5	8.3	8.5
Market value	8.3	8.5	8.3	8.5

### 26 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Cash in hand and at bank	639.3	1,260.8	371.0	463.2
Deposits with licensed banks	5,524.6	4,122.4	4,818.8	3,749.7
Deposits with licensed finance companies	0.0	0.7	0.0	0.0
	6,163.9	5,383.9	5,189.8	4,212.9



## 26 DEPOSITS, BANK AND CASH BALANCES (CONT'D.)

The interest rate per annum of deposits, bank and cash balances that were effective as at balance sheet date were as follows:

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Deposits with licensed banks and finance companies	<b>1.77 – 3.61</b>	3.52 – 3.75	<b>2.07 – 2.48</b>	3.52 – 3.75
Bank balances	<b>0.13 – 1.80</b>	0.13 – 1.50	<b>0.13 – 1.80</b>	0.13 – 0.50

Deposits with licensed banks are held in the short term money market. Deposits have maturity periods ranging from 7 to 94 days (2008: 6 to 448 days) for the Group and the Company.

Deposits of the Group and the Company at the end of the financial year have an average maturity period of 39 days (2008: 31 days).

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Cash and cash equivalents at end of the financial year comprise:				
Cash in hand and at bank	<b>639.3</b>	1,260.8	<b>371.0</b>	463.2
Deposits with licensed banks	<b>5,524.6</b>	4,122.4	<b>4,818.8</b>	3,749.7
Deposits with finance companies	<b>0</b>	0.7	<b>0</b>	0
Cash at bank held in trust*	<b>(17.9)</b>	(205.9)	<b>0</b>	0
Debt reserve account**	<b>(236.7)</b>	(236.2)	<b>0</b>	0
	<b>5,909.3</b>	4,941.8	<b>5,189.8</b>	4,212.9

\* These deposits and cash at bank held in trust are in respect of a grant and deposit given to subsidiaries by the Government of Malaysia for designated capital projects and training funds.

\*\* Debt reserve account relates to deposits placed with licensed financial institution as part of security obligations for bond financing.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 27 PAYABLES

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Trade payables	4,149.7	3,999.7	3,354.9	3,059.6
Accrued interest on borrowings	535.6	506.0	198.2	202.6
Payroll liabilities	201.1	258.3	189.1	241.8
Deposits	21.8	39.7	16.4	35.0
Other payables and accruals	695.8	383.7	194.0	195.3
	<b>5,604.0</b>	5,187.4	<b>3,952.6</b>	3,734.3

Credit terms of trade payables of the Group and the Company vary from 30 to 60 days (2008: 30 to 60 days) depending on the terms of the contracts.

### 28 SHORT TERM BORROWINGS

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Portion of borrowings due within one financial year (Note 29)				
– unsecured	652.8	653.1	401.8	400.9
– secured	264.8	239.9	0	0
	<b>917.6</b>	893.0	<b>401.8</b>	400.9
Short term loans – secured	219.6	140.0	0	0
– unsecured	4.3	5.6	0	0
Bankers' acceptances	16.4	19.7	0	0
	<b>1,157.9</b>	1,058.3	<b>401.8</b>	400.9

The short term borrowings carry interest at rates ranging from 0.75% to 18.00% (2008: 0.75% to 8.25%) per annum for the Group and from 0.75% to 6.40% (2008: 0.75% to 6.40%) for the Company. Included in short term borrowings of the Group are loan stocks held by the Company in a subsidiary company which carries a coupon of 15.00% per annum.

**29 BORROWINGS**

	Note	Group		Company	
		2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Unsecured					
– Term loans	(a)	<b>10,824.1</b>	10,142.2	<b>8,437.1</b>	7,767.8
– Bonds	(b)	<b>6,342.5</b>	6,961.5	<b>5,115.2</b>	5,781.3
– Income Securities	(c)	<b>1,500.0</b>	1,559.2	<b>1,500.0</b>	1,559.2
– Amount due to Cagamas Berhad		<b>121.9</b>	138.5	<b>121.9</b>	138.5
– Redeemable Unsecured Loan Stocks		<b>357.0</b>	365.0	<b>0</b>	0
		<b>19,145.5</b>	19,166.4	<b>15,174.2</b>	15,246.8
Secured					
– Term loans	(a)	<b>774.2</b>	714.7	<b>0</b>	0
– Bonds	(b)	<b>2,456.0</b>	2,694.0	<b>0</b>	0
		<b>22,375.7</b>	22,575.1	<b>15,174.2</b>	15,246.8

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Payable within one year included under short term borrowings (Note 28)	<b>917.6</b>	893.0	<b>401.8</b>	400.9
Repayable after one year:				
After one and up to two years	<b>2,233.6</b>	874.6	<b>1,702.5</b>	361.2
After two and up to five years	<b>4,490.2</b>	6,103.0	<b>2,947.0</b>	4,549.4
After five and up to ten years	<b>5,122.0</b>	5,356.4	<b>1,541.4</b>	1,689.5
After ten and up to twenty years	<b>7,805.7</b>	7,722.0	<b>7,242.7</b>	7,058.0
After twenty and up to thirty years	<b>1,411.2</b>	1,043.1	<b>983.0</b>	628.9
After thirty years	<b>395.4</b>	583.0	<b>355.8</b>	558.9
	<b>21,458.1</b>	21,682.1	<b>14,772.4</b>	14,845.9
	<b>22,375.7</b>	22,575.1	<b>15,174.2</b>	15,246.8



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 29 BORROWINGS (CONT'D.)

	Group	
	2009 RM'million	2008 RM'million
Net book values of property, plant and equipment pledged as security for term loans:		
(i) Machinery and equipment	2,549.4	2,651.4
(ii) Building	773.2	802.5
	<b>3,322.6</b>	3,453.9

The Company's unsecured term loans include RM13.4 million (2008: RM14.7 million) due to the Government of Malaysia and RM4,437.7 million (2008: RM3,571.4 million) guaranteed by the Government of Malaysia.

#### (a) Term loans

Details of term loans with designated derivative financial instruments are as follows:

##### (i) 30-YEAR JPY26.0 BILLION TERM LOAN

On 30 March 2004, TNB Capital (L) Ltd ('TNBCL') entered into a 30-year JPY26.0 billion unsecured loan, paying interests at USD fixed rates. The loan will mature on 13 April 2034. The loan is an amortising loan whose principal is payable in 20 equal annual instalments. The first repayment shall be due on 13 April 2015. The interest is paid semi-annually on 13 April and 13 October each year commencing 13 October 2005. The balance as at 31 August 2009 is RM976.0 million (2008: RM812.5 million).

##### Forward Start JPY call spread

In April 2004, TNBCL entered into Currency Option Agreements with a notional amount of JPY26.0 billion as a hedge on its Term Loan. This transaction enables TNBCL to reduce its exposure to losses that may arise from adverse fluctuation on USD/JPY exchange rates in relation to the above Term Loan.

##### (ii) 5-YEAR JPY11.0 BILLION TERM LOAN

On 13 December 2004, the Company entered into a 5-year JPY11.0 billion unsecured loan, paying floating interest rates. The loan will mature on 4 January 2010. The loan is an amortising loan whose principal amount is payable in 10 equal semi-annual instalments. The first repayment of the loan commenced on 4 July 2005. The translated Ringgit Malaysia of the loan as at 31 August 2009 in accordance with Company's accounting policy is equivalent to RM41.3 million (2008: RM103.1 million).

##### JPY-MYR cross-currency swap ('CCS')

In October 2006, TNB entered into a CCS agreement that entitles TNB to receive a floating interest rate in JPY and to pay a fixed rate of 4.23% in Ringgit Malaysia. The notional principle of the swap is JPY7.7 billion. The effect of this transaction is to fix the interest rate payable on that loan and reduce TNB's exposure to losses that may arise from adverse fluctuation on foreign currency exchange rates and interest rates in relation to the loan.



## 29 BORROWINGS (CONT'D.)

### (a) Term loans (Cont'd.)

#### (iii) 9-YEAR USD503.0 MILLION TERM LOAN (ECA LOAN)

On 30 August 2006, the Company novated the loan to TNB Capital (L) Ltd. ('TNBCL'), a wholly owned subsidiary of TNB. The loan is guaranteed by the Company and recognised as an inter-company loan between the Company and TNBCL. The loan is an amortising loan in which the principal is payable in 17 equal semi-annual instalments and will mature on 28 February 2015. The first repayment of the loan is on 28 February 2007. The balance as at 31 August 2009 is RM1,251.8 million (2008: RM1,405.8 million).

#### Interest Rate Swap ('IRS')

The Company entered into IRS agreements on 10 October 2008 with effective period from 15 October 2008 to 28 February 2015 that entitles it to receive interest at floating rates, and obliges it to pay interest at fixed rate of 3.76% on aggregate notional principal of USD384.6 million.

The effect of this transaction is to effectively fix the interest rate payable on the loan.

### (b) Bonds

Details of bonds with designated derivative financial instrument are as follows:

#### (i) 5-YEAR RM200.0 MILLION CONVERTIBLE INCOME SECURITIES ('CRIS')

On 11 May 2004, the Company issued RM200.0 million 3.05% CRIS.

The holders of the CRIS have the right at any time during the conversion period to convert all or any part of the CRIS into fully paid up ordinary shares of the Company at the conversion price.

On 28 February 2006, the exchange price of the CRIS was adjusted from RM11.47 per share to RM9.18 per share as a result of the bonus issue.

The CRIS has since matured on 8 May 2009.

#### (ii) ISLAMIC DEBT SECURITIES – BAI BITHAMIN AJIL ('BaIDS')

On 28 June 2004, Kapar Energy Ventures Sdn Bhd ('KEV'), a subsidiary of TNB obtained RM3,402.0 million BaIDS to finance the acquisition of Stesen Janaelektrik Sultan Salahuddin Abdul Aziz. The tenure of the BaIDS Facility ranges from 1 to 15 years with a profit rate of between 3.65% and 8.70% per annum.

The BaIDS are secured by the following:

- (i) Charge over KEV's leased land. The charge of the leased land was not effected as at 31 August 2008.
- (ii) Debenture over KEV's assets and properties and assignment of all rights, title interest and benefits under the project documents, the assigned insurances, and the designated accounts to secure the payment and repayment of the total secured amounts.
- (iii) The Priority and Security Sharing Agreement.

The terms of BaIDS require deposits to be placed in the debt reserve account with a licensed bank to meet the debt servicing requirements. The terms of BaIDS also require KEV to maintain certain financial covenants.





## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 29 BORROWINGS (CONT'D.)

(c) Income Securities

Fixed Income Securities ('FIS')

The FIS consists of both redeemable bonds and Redeemable Preference Shares ('RPS'), details of which are as follows:

- (i) 1,500 interest bearing 10-year redeemable unsecured bonds ("Bonds") of an aggregated nominal value of RM999.0 million issued at 100% of nominal value (in denominations of RM999,000.00 each), with detachable coupons representing interest on the Bonds. The Bonds are to be redeemed at par in two tranches with redemption amounts of RM999.0 million and RM499.5 million on 16 August 2011 and 19 September 2011 respectively, and;
- (ii) 1,000 Class A RPS of RM1.00 each, issued at a premium of RM999.00 per share and 500 Class B RPS of RM1.00 each, issued at a premium of RM999.00 per share. Both classes of RPS are redeemable at RM1,000 each at the Company's option at any time on or after 16 August 2010 and 19 September 2010, for Class A and B RPS respectively. If the Class A and B RPS are not redeemed by 16 August 2011 and 19 September 2011 respectively, an additional sum of RM1.0 million on the first tranche and RM0.5 million on the second tranche shall become due and payable under the final Bond Coupon payment for each of the tranches.

With the adoption of the Single Tier Tax System, the Company is now making coupon payments on the FIS instead of dividend. The interest payable under the Bond Coupon is RM94.5 million per annum payable semi-annually.

The FIS are classified as debt instruments and hence are reported as liabilities.

### 30 CONSUMER DEPOSITS

Consumers (with the exception of employees and government departments/agencies) are required to deposit a sum sufficient to cover charges for two months supply of energy as allowed under the regulation of the Licensee Supply (Amendment) Regulations 2002. In default of payment of the deposit within the time specified, the supply to the consumer's installation may be disconnected, subject to certain conditions laid out in the Regulations.

TNB and SESB shall pay a sum equivalent to 5% per annum on the amount of cash deposit as a rebate, on a pro-rated basis, in January every year.

### 31 EMPLOYEE BENEFITS

The movements during the financial year in the amounts recognised in the consolidated balance sheet are as follows:-

	Retirement benefit plan RM'million	Retirement medical plan RM'million	Total RM'million
<b>Group</b>			
At 1 September 2007	1,136.2	1,594.4	2,730.6
Charged to income statement	246.6	423.0	669.6
Contribution and benefits paid	(136.3)	(139.1)	(275.4)
At 31 August 2008	1,246.5	1,878.3	3,124.8
Charged to income statement	258.5	439.1	697.6
Contribution and benefits paid	(181.0)	(170.8)	(351.8)
At 31 August 2009	1,324.0	2,146.6	3,470.6

**31 EMPLOYEE BENEFITS (CONT'D.)**

The amounts recognised in the consolidated balance sheet are analysed as follows:

	<b>Retirement benefit plan RM'million</b>	<b>Retirement medical plan RM'million</b>	<b>Total RM'million</b>
At 31 August 2008			
Present value of obligations	2,211.9	3,185.9	5,397.8
Fair value of plan assets	(615.1)	0	(615.1)
Present value of unfunded obligations	1,596.8	3,185.9	4,782.7
Unrecognised actuarial losses	(62.0)	(0)	(62.0)
Unrecognised past service cost	(294.9)	(1,307.6)	(1,602.5)
Others	6.6	0	6.6
Liability in the balance sheet	<b>1,246.5</b>	<b>1,878.3</b>	<b>3,124.8</b>
At 31 August 2009			
Present value of obligations	<b>2,378.4</b>	<b>3,320.6</b>	<b>5,699.0</b>
Fair value of plan assets	<b>(720.4)</b>	<b>0</b>	<b>(720.4)</b>
Present value of unfunded obligations	<b>1,658.0</b>	<b>3,320.6</b>	<b>4,978.6</b>
Unrecognised actuarial losses	<b>(287.6)</b>	<b>(1,174.0)</b>	<b>(1,461.6)</b>
Unrecognised past service cost	<b>(46.4)</b>	<b>0</b>	<b>(46.4)</b>
Liability in the balance sheet	<b>1,324.0</b>	<b>2,146.6</b>	<b>3,470.6</b>

The expense recognised in the consolidated income statement is analysed as follows:

	<b>Retirement benefit plan RM'million</b>	<b>Retirement medical plan RM'million</b>	<b>Total RM'million</b>
<b>Group</b>			
2008			
Current service cost	133.9	22.1	156.0
Interest cost	130.5	207.1	337.6
Expected return on plan assets	(33.5)	0	(33.5)
Actuarial losses recognised	0	193.8	193.8
Past service cost	15.5	0	15.5
Others	0.2	0	0.2
Total, included in staff costs	<b>246.6</b>	<b>423.0</b>	<b>669.6</b>
Actual return on plan assets	(86.1)	0	(86.1)



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 31 EMPLOYEE BENEFITS (CONT'D.)

	Retirement benefit plan RM'million	Retirement medical plan RM'million	Total RM'million
2009			
Current service cost	133.0	4.8	137.8
Interest cost	141.4	223.9	365.3
Expected return on plan assets	(38.9)	0	(38.9)
Actuarial losses recognised	7.5	209.2	216.7
Past service cost	15.5	0	15.5
Others	0	1.2	1.2
<b>Total, included in staff costs</b>	<b>258.5</b>	<b>439.1</b>	<b>697.6</b>
Actual return on plan assets	(46.2)	0	(46.2)

The charge to income statement was included in the administrative expenses.

The principal actuarial assumptions used in respect of the Group's defined benefit plans were as follows:

	Retirement benefit plan %	Retirement medical plan %
<b>Group</b>		
At 31 August 2008		
Discount rates	6.5	7.1
Expected return on plan assets	6.0	0
Expected rate of salary increases	6.0	0
Medical cost inflation		
– inpatient	N/A	7.0
– outpatient	N/A	5.5
At 31 August 2009		
Discount rates	6.5	7.1
Expected return on plan assets	6.0	0
Expected rate of salary increases	6.0	0
Medical cost inflation		
– inpatient	N/A	7.0
– outpatient	N/A	5.5

**31 EMPLOYEE BENEFITS (CONT'D.)**

The movements during the financial year in the amounts recognised in the Company's balance sheet are as follows:

	<b>Retirement benefit plan RM'million</b>	<b>Retirement medical plan RM'million</b>	<b>Total RM'million</b>
<b>Company</b>			
At 1 September 2007	1,123.6	1,503.8	2,627.4
Charged to income statement	245.1	400.9	646.0
Contributions and benefits paid	(135.3)	(139.0)	(274.3)
At 31 August 2008	1,233.4	1,765.7	2,999.1
Charged to income statement	259.1	414.6	673.7
Contributions and benefits paid	(180.2)	(170.9)	(351.1)
At 31 August 2009	1,312.3	2,009.4	3,321.7

The amounts recognised in the Company's balance sheet are analysed as follows:

	<b>Retirement benefit plan RM'million</b>	<b>Retirement medical plan RM'million</b>	<b>Total RM'million</b>
At 31 August 2008			
Present value of obligations	2,205.2	3,073.3	5,278.5
Fair value of plan assets	(615.1)	0	(615.1)
Present value of unfunded obligations	1,590.1	3,073.3	4,663.4
Unrecognised actuarial losses	(294.8)	(1,307.6)	(1,602.4)
Unrecognised past service cost	(61.9)	0	(61.9)
Liability in the balance sheet	1,233.4	1,765.7	2,999.1
At 31 August 2009			
Present value of obligations	<b>2,361.7</b>	<b>3,183.4</b>	<b>5,545.1</b>
Fair value of plan assets	<b>(717.1)</b>	<b>0</b>	<b>(717.1)</b>
Present value of unfunded obligations	<b>1,644.6</b>	<b>3,183.4</b>	<b>4,828.0</b>
Unrecognised actuarial losses	<b>(285.9)</b>	<b>(1,174.0)</b>	<b>(1,459.9)</b>
Unrecognised past service cost	<b>(46.4)</b>	<b>0</b>	<b>(46.4)</b>
Liability in the balance sheet	<b>1,312.3</b>	<b>2,009.4</b>	<b>3,321.7</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

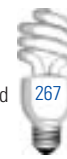
31 August 2009

### 31 EMPLOYEE BENEFITS (CONT'D.)

The expense recognised in the Company's income statement is analysed as follows:

	Retirement benefit plan RM'million	Retirement medical plan RM'million	Total RM'million
<b>Company</b>			
2008			
Current service cost	132.6	0	132.6
Interest cost	130.5	207.1	337.6
Expected return on plan assets	(33.5)	0	(33.5)
Actuarial losses recognised	0	193.8	193.8
Past service cost	15.5	0	15.5
<b>Total, included in staff costs</b>	<b>245.1</b>	<b>400.9</b>	<b>646.0</b>
Actual return on plan assets	86.1	0	86.1
2009			
Current service cost	134.2	0	134.2
Interest cost	140.6	214.5	355.1
Expected return on plan assets	(38.6)	0	(38.6)
Actuarial losses recognised	7.4	200.1	207.5
Past service cost	15.5	0	15.5
<b>Total, included in staff costs</b>	<b>259.1</b>	<b>414.6</b>	<b>673.7</b>
Actual return on plan assets	46.2	0	46.2

The charge to income statement was included in the administrative expenses.



### 31 EMPLOYEE BENEFITS (CONT'D.)

The principal actuarial assumptions used in respect of the Company's defined benefit plans were as follows:

	Retirement benefit plan %	Retirement medical plan %
<b>Company</b>		
At 31 August 2008		
Discount rates	6.5	7.1
Expected return on plan assets	6.0	N/A
Expected rate of salary increases	6.0	N/A
Medical cost inflation		
– inpatient	N/A	8.0
– outpatient	N/A	5.0
At 31 August 2009		
Discount rates	<b>6.5</b>	<b>7.1</b>
Expected return on plan assets	<b>6.0</b>	<b>0</b>
Expected rate of salary increases	<b>6.0</b>	<b>0</b>
Medical cost inflation		
– inpatient	<b>N/A</b>	<b>8.0</b>
– outpatient	<b>N/A</b>	<b>5.0</b>

### 32 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Deferred tax liabilities:				
– subject to corporate income tax	<b>(6,640.4)</b>	(6,337.4)	<b>(5,745.1)</b>	(5,499.3)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 32 DEFERRED TAXATION (CONT'D.)

The movements during the financial year relating to deferred tax are as follows:

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
As at the beginning of the financial year	<b>(6,337.4)</b>	(6,274.4)	<b>(5,499.3)</b>	(5,524.8)
(Charged)/credited to income statement:				
– property, plant and equipment	<b>(401.9)</b>	(99.5)	<b>(332.1)</b>	(13.7)
– unutilised tax losses	<b>12.6</b>	0	<b>0</b>	0
– provision and allowances	<b>86.3</b>	36.5	<b>86.3</b>	39.2
	<b>(303.0)</b>	(63.0)	<b>(245.8)</b>	25.5
As at the end of the financial year	<b>(6,640.4)</b>	(6,337.4)	<b>(5,745.1)</b>	(5,499.3)
Subject to income tax				
Deferred tax assets (before offsetting)				
Provision and allowances	<b>926.5</b>	840.2	<b>924.1</b>	837.8
Unutilised tax losses	<b>14.3</b>	1.7	<b>0</b>	0
Property, plant and equipment	<b>321.6</b>	486.4	<b>0</b>	0
Offsetting	<b>(1,262.4)</b>	(1,328.3)	<b>(924.1)</b>	(837.8)
Deferred tax assets (after offsetting)	<b>0</b>	0	<b>0</b>	0
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	<b>(7,902.8)</b>	(7,665.7)	<b>(6,669.2)</b>	(6,337.1)
Offsetting	<b>1,262.4</b>	1,328.3	<b>924.1</b>	837.8
Deferred tax liabilities (after offsetting)	<b>(6,640.4)</b>	(6,337.4)	<b>(5,745.1)</b>	(5,499.3)



### 32 DEFERRED TAXATION (CONT'D.)

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax assets is recognised in the balance sheet are as follows:

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Deductible temporary differences	1,349.9	1,338.8	0	0
Tax losses	1,327.5	1,184.2	0	0

### 33 DEFERRED INCOME

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
As at the beginning of the financial year	2,899.4	2,803.5	2,580.8	2,504.7
Received during the financial year	409.2	441.0	353.5	383.7
Released to income statement (Note 4)	(356.4)	(345.1)	(317.2)	(307.6)
As at the end of the financial year	2,952.2	2,899.4	2,617.1	2,580.8

### 34 GOVERNMENT DEVELOPMENT GRANTS

	Group	
	2009 RM'million	2008 RM'million
As at the beginning of the financial year	563.6	620.5
Received during the financial year	60.8	0
Released to income statement (Note 7)	(44.6)	(56.9)
As at the end of the financial year	579.8	563.6

The Government development grants are in respect of capital grants received by Sabah Electricity Sdn Bhd for capital projects in the State of Sabah.



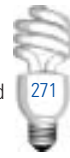


## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 35 SHARE CAPITAL

	Group and Company	
	2009 RM	2008 RM
<u>Authorised:</u>		
Ordinary shares of RM1.00 each	5,000,000,000	5,000,000,000
Special Rights Redeemable Preference Share of RM1.00 each	1	1
Class A Redeemable Preference Shares of RM1.00 each		
As at the beginning/end of the financial year	1,000	1,000
Class B Redeemable Preference Shares of RM1.00 each		
As at the beginning/end of the financial year	500	500
<u>Issued and fully paid:</u>		
Ordinary shares of RM1.00 each	4,337,054,795	4,334,518,345
Special Rights Redeemable Preference Share of RM1.00 each	1	1
Total share capital issued and fully paid as at the end of the financial year	4,337,054,796	4,334,518,346
<u>Movements on issued ordinary shares of RM1.00 each</u>		
As at the beginning of the financial year	4,334,518,345	4,331,709,068
Issuance of ordinary shares of RM1.00 each under the ESOS II	2,536,450	2,573,225
Issuance of ordinary shares of RM1.00 under the Unsecured Convertible Redeemable Income Securities	0	236,052
As at the end of the financial year	4,337,054,795	4,334,518,345



### 35 SHARE CAPITAL (CONT'D.)

#### Employees' Share Option Scheme ('ESOS')

The Company implemented a new Employees' Share Option Scheme II ('ESOS II') on 8 July 2003 for a period of 10 years. The ESOS II is governed by the bye-laws, which were approved by the shareholders at an Extraordinary General Meeting ('EGM') on 29 May 2003 and amended at the EGM held on 15 December 2005.

The main features of ESOS II are as follows:

- (a) The total number of ordinary shares to be issued by the Company under the ESOS II shall not exceed 10% of total issued and paid-up ordinary shares of the Company, such that not more than 50% of the shares available under the ESOS II are allocated, in aggregate, to Directors and senior management.
- (b) Not more than 10% of the shares available under the ESOS II is allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.
- (c) Any employee, including any Executive Director and those categorised as Fixed Term Senior Management, but excluding a Skim A employee (the scheme governing employees who, upon the corporatisation and privatisation of the Lembaga Letrik Negara in 1990, remain employed under the Government's terms and conditions) are eligible to participate in the ESOS II. Employees under the Fixed Term Senior Management are also entitled to the Performance Options based on them meeting prescribed performance targets.
- (d) The option price under the ESOS II is the higher of the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five trading days preceding the date of offer with a 10% discount on the nominal value of the shares, subject always that the discount shall not be applicable to any shares under the Performance Option.
- (e) In the event of any alteration to the capital structure of the Company during the option period which expires on 7 July 2013, such corresponding alterations shall be made in:
  - (i) the number of new shares in relation to the ESOS II so far as unexercised;
  - (ii) the option price; and/or
  - (iii) the method of the exercise of the option.
- (f) Options granted under the ESOS II carry no dividends or voting rights. Upon exercise of the options, shares issued rank pari passu in all respects with the then existing ordinary shares of the Company.
- (g) The persons to whom the options have been granted under the ESOS II have no right to participate in any share issue of any other company within the Group.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 35 SHARE CAPITAL (CONT'D.)

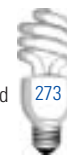
#### Employees' Share Option Scheme ('ESOS') (Cont'd.)

Movements in the number of shares represented by options outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Average exercise price RM/share	Number of shares '000	Average exercise price RM/share	Number of shares '000
Beginning of year	7.50	102,066	7.73	84,031
Granted	5.89	18,926	6.56	21,351
Exercised	6.01	(2,536)	6.80	(2,573)
Expired	8.06	(802)	8.84	(743)
At end of year	7.27	117,654	7.50	102,066

Details relating to the options exercised during the financial year are as follows:

Exercise date	Fair value of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued as at 31.8.2009
September 2008	6.25 – 8.10	6.71/6.99/7.42/7.33/6.33	128,950
May 2009	7.25 – 8.15	6.71/6.33/5.57	123,000
June 2009	7.25 – 7.90	6.71/6.99/6.33/7.33	373,750
July 2009	7.60 – 8.45	6.71/6.99/7.33/6.33/5.57	524,500
August 2009	8.00 – 8.20	6.71/6.99/7.33/6.33/5.57	1,386,250
TOTAL			2,536,450



**35 SHARE CAPITAL (CONT'D.)**

Employees' Share Option Scheme ('ESOS') (Cont'd.)

Share options outstanding at the end of the year have the following expiry dates and exercise price.

Expiry date	Exercise price RM/share	Number of shares	
		2009 '000	2008 '000
07.07.2013	6.71	41,160	41,460
07.07.2013	6.99	5,016	5,061
07.07.2013	7.75	205	205
07.07.2013	7.42	7,119	7,172
07.07.2013	8.39	0	0
07.07.2013	7.80	288	288
07.07.2013	7.33	7,551	7,649
07.07.2013	7.33	3,008	3,011
07.07.2013	9.189	1,306	1,306
07.07.2013	11.07	15,027	15,252
07.07.2013	11.558	13	13
07.07.2013	11.237	34	34
07.07.2013	9.189	90	90
07.07.2013	9.189	1,023	1,023
07.07.2013	10.716	0	41
07.07.2013	6.33	16,967	18,245
07.07.2013	7.33	1,206	1,216
07.07.2013	7.03	52	0
07.07.2013	7.95	18	0
07.07.2013	9.17	43	0
07.07.2013	9.17	246	0
07.07.2013	9.189	37	0
07.07.2013	9.189	80	0
07.07.2013	9.189	691	0
07.07.2013	10.716	90	0
07.07.2013	11.558	37	0
07.07.2013	5.57	15,979	0
07.07.2013	9.189	180	0
07.07.2013	9.189	42	0
07.07.2013	9.189	126	0
07.07.2013	9.17	20	0
		<b>117,654</b>	102,066



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

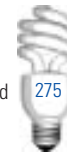
### 35 SHARE CAPITAL (CONT'D.)

#### Employees' Share Option Scheme ('ESOS') (Cont'd.)

The weighted average fair value of options granted during the year was determined using the Trinomial valuation model. The significant inputs into the model were as follows:

Grant date	Share price at grant date RM	Exercise price RM	Option life Years	Expected dividend yield %	Risk free interest rate %	5 year average share price movement %
25.02.2005	8.24	7.75	8	1.14	3.64	21.57
30.03.2005	8.00	7.42	8	1.14	3.33/3.72	22.13
17.07.2005	8.56	7.80	7	1.14	3.40	19.41
24.02.2006	8.70	7.33	7	1.14	3.43/3.63/3.77	24.01
16.04.2006	8.65	7.33	7	1.14	3.55/3.96	18.07
25.09.2006	9.91	9.19	6	1.14	3.86/3.95	18.52
28.03.2007	11.50	11.07	6	1.14	3.48/3.50	17.59
26.07.2007	10.95	11.56	6	1.14	3.48	17.45
24.08.2007	10.29	11.24	6	1.14	3.60	19.92
27.10.2007	9.28	9.19	6	1.14	3.56	17.40
27.12.2007	9.54	9.19/10.72	6	1.14	3.64/3.79	17.47
25.04.2008	6.76	6.33	5	1.14	3.37/3.45	20.32
30.07.2008	8.35	7.33	5	1.14	3.73/3.89	22.42
06.11.2008	6.11	9.189	5	1.14	3.73	23.43
14.11.2008	6.20	9.189	5	1.14	3.60	23.47
19.12.2008	5.97	7.03/7.95/ 9.17/9.189/ 10.716/ 11.558	5	1.14	2.94/3.02	23.45
26.12.2008	6.01	9.17	5	1.14	2.92	23.40
27.03.2009	6.10	5.57	4	1.14	1.98/2.81	23.93
26.06.2009	7.73	9.189/9.17	4	1.14	2.89	23.82
06.07.2009	7.77	9.189	4	1.14	2.92	23.82
15.07.2009	7.92	9.189	4	1.14	3.72	23.79

The charges to income statement arising from share-based payments during the financial year amounted to RM26.3 million (2008: RM27.1 million) for the Group and RM25.2 million (2008: RM25.4 million) for the Company as set out in Note 6 to these financial statements.



### 35 SHARE CAPITAL (CONT'D.)

#### Employees' Share Option Scheme ('ESOS') (Cont'd.)

	<b>31.8.2009</b> <b>RM'000</b>
Ordinary share capital, at par	<b>2,536</b>
Share premium	<b>12,719</b>
Proceeds received on exercise of share options	<b>15,255</b>
Fair value at exercise date of shares issued	<b>20,439</b>

#### Special Rights Redeemable Preference Share ('Special Share')

- (a) The Special Share would enable the Government of Malaysia through the Minister of Finance Incorporated to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policies. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but not to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

The Special Shareholder has the right to appoint any person, but not more than six at any time, to be the Board of Directors of the Company.

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

#### Class A and Class B Redeemable Preference Shares ('RPS')

The main features of the Company's Class A and Class B RPS are as follows:

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

As described in Note 29(c) to these financial statements, these RPS form part of the Company's Fixed Income Securities.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 36 SHARE PREMIUM

	Group and Company	
	2009 RM'million	2008 RM'million
As at the beginning of the financial year	5,258.8	5,242.0
Arising in respect of ordinary shares issued during the financial year	12.7	16.8
As at the end of the financial year	5,271.5	5,258.8

### 37 REVALUATION AND OTHER RESERVES

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<u>Non-distributable</u>				
Revaluation reserve	917.8	935.6	907.7	925.5
Foreign currency translation reserve	(267.3)	(133.6)	0	0
Reserve on consolidation	(146.6)	(146.6)	0	0
Employees' Share Option Scheme reserve	89.1	62.8	81.4	56.2
	593.0	718.2	989.1	981.7

The movements in each category of reserves were as follows:

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<u>Revaluation reserve</u>				
As at the beginning of the financial year	935.6	1,000.6	925.5	990.5
Realisation of revaluation reserve	(17.8)	(65.0)	(17.8)	(65.0)
As at the end of the financial year	917.8	935.6	907.7	925.5
<u>Foreign currency translation reserve</u>				
As at the beginning of the financial year	(133.6)	5.2	0	0
Arising in the financial year	(133.7)	(138.8)	0	0
As at the end of the financial year	(267.3)	(133.6)	0	0

**37 REVALUATION AND OTHER RESERVES (CONT'D.)**

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
<u>Reserve on consolidation</u>				
As at the beginning/end of the financial year	<b>(146.6)</b>	(146.6)	<b>0</b>	0
<u>Employees' Share Option Scheme reserve</u>				
As at the beginning of the financial year	<b>62.8</b>	35.7	<b>56.2</b>	30.8
Arising in the financial year	<b>26.3</b>	27.1	<b>25.2</b>	25.4
As at the end of the financial year	<b>89.1</b>	62.8	<b>81.4</b>	56.2
<u>Total revaluation and other reserves</u>				
As at the beginning of the financial year	<b>718.2</b>	894.9	<b>981.7</b>	1,021.3
Arising in the financial year	<b>(107.4)</b>	(111.7)	<b>25.2</b>	25.4
Realisation of revaluation reserve	<b>(17.8)</b>	(65.0)	<b>(17.8)</b>	(65.0)
As at the end of the financial year	<b>593.0</b>	718.2	<b>989.1</b>	981.7

**38 RETAINED PROFITS**

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 available to frank approximately RM1,374.9 million (2008: RM1,739.0 million) of its retained profits as at 31 August 2009, if paid out as dividends. The remaining profits of RM14,518.5 million (2008: RM13,431.8 million) can be distributed as exempt dividends under the Single Tier Tax system.

In addition, the Company has tax exempt income as at 31 August 2009 arising from the Income Tax (Amendment) Act, 1999, relating to tax on income earned in 1999 being waived and exempt dividend income amounting to approximately RM100.7 million (2008: RM247.3 million) available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to agreement by the Inland Revenue Board.





## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 39 COMMITMENTS

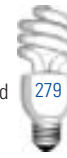
(a) Capital and other commitments for 5 years

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Authorised capital expenditure not provided in the financial statements				
Contracted	531.2	548.0	130.0	284.6
Not contracted	10,752.4	16,352.9	10,252.9	15,964.3
	<b>11,283.6</b>	16,900.9	<b>10,382.9</b>	16,248.9

(b) Non-cancellable operating lease commitments

	Group and Company	
	2009 RM'million	2008 RM'million
Future minimum lease payments		
Not later than one year	11.0	13.3
Later than one year and not later than five years	0	11.0
	<b>11.0</b>	24.3

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



#### 40 CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
Claims by third parties	860.3	1,077.5	588.5	947.1
Trade guarantees and performance bonds	1.0	1.2	0	0
Guarantees given to financial institutions in respect of facilities granted	319.5	307.5	3,794.1	3,739.4
Stamp duties on transfer of assets to a subsidiary <sup>(1)</sup>	108.0	108.0	0	0
Bank guarantee	19.9	0	0	0
Letter of guarantee	32.0	0	0	0
Other contingent liabilities	8.8	5.9	0	0
	<b>1,349.5</b>	1,500.1	<b>4,382.6</b>	4,686.5

Claims by third parties include claims by contractors, consultants, consumers and former employees. These claims are being resolved and the Directors are of the opinion that their outcome will not have a material adverse effect on the financial position of both the Group and the Company.

<sup>(1)</sup> In respect of stamp duties on transfer of assets from Lembaga Letrik Sabah, SESB is in the process of obtaining a vesting order to exempt itself from any potential liability.

#### 41 SIGNIFICANT RELATED PARTY DISCLOSURES

The related party transaction of the Company comprises mainly transactions between the Company and its subsidiaries and associates namely the followings:

##### Subsidiaries

- TNB Janamanjung Sdn Bhd
- TNB Fuel Services Sdn Bhd
- Kapar Energy Ventures Sdn Bhd
- Tenaga Switchgear Sdn Bhd
- Malaysia Transformers Manufacturing Sdn Bhd
- TNB Integrated Learning Solution Sdn Bhd
- TNB Power Daharki Ltd
- Sabah Electricity Sdn Bhd
- TNB Research Sdn Bhd
- TNB Capital Ltd.
- TNB Repair & Maintenance Sdn Bhd
- Tenaga Cable Industries Sdn Bhd
- Universiti Tenaga Nasional Sdn Bhd

##### Associates

- Teknologi Tenaga Perlis Consortium Sdn Bhd
- GB3 Sdn Bhd
- Fibrecomm Network (M) Sdn Bhd
- Jimah Energy Ventures Holdings Sdn Bhd



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

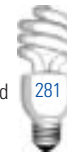
### 41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

All related party transactions were entered into in a normal course of business and at prices available to third parties or at negotiated terms.

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

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
(a) <u>Transactions with subsidiaries</u>				
Income				
– Sales of electricity	0	0	31.5	24.2
– Interest income	0	0	161.9	133.8
– Dividend income	0	0	0.1	658.5
– Rental income	0	0	29.3	25.1
Expenditure				
– Purchases of electricity	0	0	3,652.2	3,443.2
– Training fees	0	0	31.4	0
– Interest expense	0	0	141.9	161.8
Amount due from subsidiaries	0	0	2,600.9	2,299.0
Amount due to subsidiaries	0	0	4,652.3	4,718.7
(b) <u>Transactions with associates</u>				
Income				
– Sales of electricity	7.2	0.3	7.2	0.3
– Interest income	4.3	4.8	4.3	4.8
– Dividend income	54.0	0	54.0	0
– Leasing income	5.5	4.5	5.5	4.5
Expenditure				
– Purchases of electricity	1,969.3	1,306.5	1,969.3	1,306.5
Amount due from associates	9.2	46.1	4.2	46.1
Amount due to associates	294.0	346.8	294.0	346.8

Sales and purchases of electricity to and from associates are aggregated because the transactions are similar in nature and no single transaction is significant enough to warrant separate disclosure.



#### 41 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

	Group		Company	
	2009 RM'million	2008 RM'million	2009 RM'million	2008 RM'million
(c) <u>Key management compensation</u>				
Short term employee benefits				
– Salaries, allowances and bonus	<b>11.8</b>	9.0	<b>10.3</b>	6.1
– Benefits-in-kind	<b>0.6</b>	0.2	<b>0.5</b>	0.2
– Contribution to Employee Provident Fund (EPF)	<b>1.1</b>	1.0	<b>1.0</b>	0.7
– Other staff benefits	<b>0.6</b>	0.5	<b>0.3</b>	0.2
Share-based payment				
– ESOS expense	<b>0.6</b>	2.5	<b>0.5</b>	2.2

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Company or the Group either directly or indirectly.

Whenever exist, related party transactions also includes transaction with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

#### 42 SEGMENTAL REPORTING

As the principal activities of the Group and the Company are the generation, transmission, distribution and sale of electricity, segmental reporting is deemed not necessary.

#### 43 FINANCIAL RISK MANAGEMENT

##### (a) Financial risk management objectives and policies

The main risks arising from the Group's financial assets and liabilities are foreign currency exchange, interest rate, credit, liquidity and cash flow risks.

The Group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group has established risk management policies, guidelines and control procedures to manage its exposure to financial risks. Hedging transactions are determined in the light of commercial commitments; derivative financial instruments are used only to hedge underlying commercial exposures and are not held or sold for speculative purposes.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Financial risk management objectives and policies (Cont'd.)

- Currency risk

The foreign currency exchange risk of the Group arises mainly from borrowings denominated in foreign currencies. The main currency exposures are primarily in United States Dollar and Japanese Yen. The Group also enters into contractual obligation where the payment is denominated in foreign currencies. The main currency exposure is primarily in United States Dollars. The Group also has subsidiaries, associates and branch operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The main currency exposure is primarily in United States Dollar.

- Interest rate risk

The Group has cash and bank balances and deposits placed with creditworthy licensed banks and financial institutions. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group's debt includes bank overdrafts, bank borrowings, bonds and notes. The Group's interest rate risk management objective is to manage the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuations. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile. To obtain this mix, the Group combines cross-currency interest rate swaps, interest rate swaps and options to convert certain long term foreign currency borrowings from variable to fixed rate and vice versa.

- Credit risk

Financial assets that potentially subject the Group to concentrations of credit risk consist primarily of receivables, cash and cash equivalents, marketable securities and financial instruments used in hedging activities.

Due to the nature of the Group's business, customers are mainly segregated into business and residential. The Group has no other major significant concentration of credit risk other than business and residential trade receivables due to its diverse customer base. Credit risk is managed through the application of credit limits and monitoring procedures. Where appropriate, the Group obtained deposits or bank guarantees from the customers.

The Group places its cash and cash equivalents and marketable securities with a number of creditworthy financial institutions. The Group's policy limits the concentration of financial exposure to any single financial institution.

All hedging instruments are executed with creditworthy financial institutions with a view to limit the credit risk exposure of the Group. The Group, however is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but does not expect any counterparties to fail to meet their obligations.

- Liquidity and cash flow risks

In the management of liquidity and cash flow risk, the Group monitors and maintains a level of cash and cash equivalent deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.



**43 FINANCIAL RISK MANAGEMENT (CONT'D.)**

(b) Interest rate risk

Fair value interest rate risk

The Group's exposure to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates are as mentioned in Note 28.

Cash flow interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debt and derivative financial instruments. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile.

The weighted average interest rate of the Company's fixed rate borrowings at balance sheet date was 5.00% (31.8.2008: 5.44%) per annum. After the interest rate swap, the Company's weighted average interest rate at balance sheet date was 4.91% (31.8.2008: 5.49%) per annum.

The tables below summarise the Group and the Company's exposure to interest rate risk. Included in the tables are the Group and the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of repricing or contractual maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative instruments. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

	Effective interest at balance sheet date % per annum	Floating rate RM'million	< 1 year RM'million	1-2 years RM'million	Fixed rate instruments maturing or repriced in				Total interest sensitive RM'million
					2-3 years RM'million	3-4 years RM'million	4-5 years RM'million	> 5 years RM'million	
<b>Group 2009</b>									
<u>Financial assets</u>									
Trade and other receivables	12.75	52.9	255.4	0	0	0	0	0	308.3
Amount due from associates	0	0	4.2	0	0	0	0	0	4.2
Deposits and bank balances	2.32	0	3,642.8	0	0	0	0	0	3,642.8
		52.9	3,902.4	0	0	0	0	0	3,955.3
<b>2008</b>									
<u>Financial assets</u>									
Trade and other receivables	11.00	17.1	281.2	0	0	17.1	267.1	0	582.5
Amount due from associates	0	0	37.8	0	0	0	1.1	0	38.9
Deposits and bank balances	3.53	122.5	2,952.5	0	0	0	0	0	3,075.0
		139.6	3,271.5	0	0	17.1	268.2	0	3,696.4



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest rate risk (Cont'd.)

	Total interest sensitive RM'million	Non interest sensitive RM'million	Balances under Islamic principles RM'million	Total RM'million
<b>Group</b>				
<b>2009</b>				
<u>Financial assets</u>				
Investments	0	50.6	0	50.6
Trade and other receivables	308.3	2,726.2	329.1	3,363.6
Amount due from associates	4.2	5.0	0	9.2
Marketable securities	0	8.3	0	8.3
Deposits and bank balances	3,642.8	551.5	1,969.6	6,163.9
Other assets (amount receivable from swap counterparties)	0	11.6	0	11.6
	<b>3,955.3</b>	<b>3,353.2</b>	<b>2,298.7</b>	<b>9,607.2</b>
<b>2008</b>				
<u>Financial assets</u>				
Investments	0	50.6	0	50.6
Trade and other receivables	582.5	2,513.1	350.9	3,446.5
Amount due from associates	38.9	7.2	0	46.1
Marketable securities	0	8.5	0	8.5
Deposits and bank balances	3,075.0	802.5	1,506.4	5,383.9
Other assets (amount receivable from swap counterparties)	0	0.2	0	0.2
	<b>3,696.4</b>	<b>3,382.1</b>	<b>1,857.3</b>	<b>8,935.8</b>

**43 FINANCIAL RISK MANAGEMENT (CONT'D.)**

(b) Interest rate risk (Cont'd.)

	Effective interest at balance sheet date % per annum	Floating rate RM'million	< 1 year RM'million	1-2 years RM'million	Fixed rate instruments maturing or repriced in				Total interest sensitive RM'million
					2-3 years RM'million	3-4 years RM'million	4-5 years RM'million	> 5 years RM'million	
<b>Company 2009</b>									
<u>Financial assets</u>									
Amount due from subsidiaries	6.89	470.1	1,738.4	54.8	0	0	0	0	2,263.3
Amount due from associates	0	0	4.2	0	0	0	0	0	4.2
Deposits and bank balances	2.32	0	2,982.0	0	0	0	0	0	2,982.0
		470.1	4,724.6	54.8	0	0	0	0	5,249.5
<b>2008</b>									
<u>Financial assets</u>									
Amount due from subsidiaries	6.03	560.5	1,385.1	52.8	0	0	0	0	1,998.4
Amount due from associates	0	0	37.8	0	0	0	0	0	37.8
Deposits and bank balances	3.58	0	2,444.0	0	0	0	0	0	2,444.0
		560.5	3,866.9	52.8	0	0	0	0	4,480.2





## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest rate risk (Cont'd.)

	Total interest sensitive RM'million	Non interest sensitive RM'million	Balances under Islamic principles RM'million	Total RM'million
<b>Company</b>				
<b>2009</b>				
<u>Financial assets</u>				
Investments	0	50.6	0	50.6
Trade and other receivables	0	2,107.4	329.1	2,436.5
Amount due from subsidiaries	2,263.3	337.6	0	2,600.9
Amount due from associates	4.2	0	0	4.2
Marketable securities	0	8.3	0	8.3
Deposits and bank balances	2,982.0	283.1	1,924.7	5,189.8
Other assets (amount receivable from swap counterparties)	0	11.6	0	11.6
	<b>5,249.5</b>	<b>2,798.6</b>	<b>2,253.8</b>	<b>10,301.9</b>
<b>2008</b>				
<u>Financial assets</u>				
Investments	0	110.0	0	110.0
Trade and other receivables	0	1,888.7	350.9	2,239.6
Amount due from subsidiaries	1,998.4	300.6	0	2,299.0
Amount due from associates	37.8	0	0	37.8
Marketable securities	0	8.5	0	8.5
Deposits and bank balances	2,444.0	419.6	1,349.3	4,212.9
Other assets (amount receivable from swap counterparties)	0	0.2	0	0.2
	<b>4,480.2</b>	<b>2,727.6</b>	<b>1,700.2</b>	<b>8,908.0</b>

**43 FINANCIAL RISK MANAGEMENT (CONT'D.)**

(b) Interest rate risk (Cont'd.)

	Effective interest at balance sheet date % per annum	Floating rate RM'million	< 1 year RM'million	1-2 years RM'million	Fixed rate instruments maturing or repriced in				Total interest sensitive RM'million
					2-3 years RM'million	3-4 years RM'million	4-5 years RM'million	> 5 years RM'million	
<b>Group 2009</b>									
<i>Financial liabilities</i>									
Trade and other payables	0	0	410.0	0	0	0	0	0	410.0
Amount due to associates	0	0	294.0	0	0	0	0	0	294.0
Borrowings	5.47	1,356.9	102.8	2,432.2	613.6	250.0	250.0	12,764.1	17,769.6
		1,356.9	806.8	2,432.2	613.6	250.0	250.0	12,764.1	18,473.6
On-balance sheet interest sensitivity gap		(1,304.0)	3,095.6	(2,432.2)	(613.6)	(250.0)	(250.0)	(12,764.1)	(14,518.3)
Off-balance sheet interest sensitivity gap		1,293.1	(34.1)	0	0	0	0	(1,251.8)	7.2
Total interest sensitivity gap		(10.9)	3,061.5	(2,432.2)	(613.6)	(250.0)	(250.0)	(14,015.9)	(14,511.1)



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest rate risk (Cont'd.)

	Effective interest at balance sheet date % per annum	Floating rate RM'million	< 1 year RM'million	1-2 years RM'million	Fixed rate instruments maturing or repriced in		4-5 years RM'million	> 5 years RM'million	Total interest sensitive RM'million
					2-3 years RM'million	3-4 years RM'million			
<b>Group 2008</b>									
<i>Financial liabilities</i>									
Trade and other payables	0	0	484.4	0	0	0	0	0	484.4
Amount due to associates	0	0	349.1	0	0	0	0	601.9	951.0
Borrowings	5.45	1,775.7	61.0	205.5	2,941.0	626.5	250.0	12,036.8	17,896.5
		1,775.7	894.5	205.5	2,941.0	626.5	250.0	12,638.7	19,331.9
On-balance sheet interest sensitivity gap		(1,636.1)	2,377.0	(205.5)	(2,941.0)	(609.4)	18.2	(12,638.7)	(15,635.5)
Off-balance sheet interest sensitivity gap		103.1	0	(102.3)	0	0	0	0	0.8
Total interest sensitivity gap		(1,533.0)	2,377.0	(307.8)	(2,941.0)	(609.4)	18.2	(12,638.7)	(15,634.7)


**43 FINANCIAL RISK MANAGEMENT (CONT'D.)**

(b) Interest rate risk (Cont'd.)

	Total interest sensitive RM'million	Non interest sensitive RM'million	Balances under Islamic principles RM'million	Total RM'million
<b>Group</b>				
<b>2009</b>				
<u>Financial liabilities</u>				
Trade and other payables	410.0	4,183.2	0	4,593.2
Amount due to associate	294.0	0	0	294.0
Borrowings	17,769.6	257.3	4,856.3	22,883.2
Other liabilities (amount payable to swap counterparties)	0	24.2	0	24.2
	<b>18,473.6</b>	<b>4,464.7</b>	<b>4,856.3</b>	<b>27,794.6</b>
On-balance sheet interest sensitivity gap	<b>(14,518.3)</b>	<b>(1,111.5)</b>	<b>(2,557.6)</b>	<b>(18,187.4)</b>
Off-balance sheet interest sensitivity gap	7.2	0	0	7.2
<b>Total interest sensitivity gap</b>	<b>(14,511.1)</b>	<b>(1,111.5)</b>	<b>(2,557.6)</b>	<b>(18,180.2)</b>
<b>2008</b>				
<u>Financial liabilities</u>				
Trade and other payables	484.4	4,196.3	0	4,680.7
Amount due to associate	951.0	(604.2)	0	346.8
Borrowings	17,896.5	272.4	5,077.5	23,246.4
Other liabilities (amount payable to swap counterparties)	0	0.7	0	0.7
	19,331.9	3,865.2	5,077.5	28,274.6
On-balance sheet interest sensitivity gap	(15,635.5)	(483.1)	(3,220.2)	(19,338.8)
Off-balance sheet interest sensitivity gap	0.8	0	0	0.8
<b>Total interest sensitivity gap</b>	<b>(15,634.7)</b>	<b>(483.1)</b>	<b>(3,220.2)</b>	<b>(19,338.0)</b>



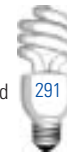
## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest rate risk (Cont'd.)

	Effective interest at balance sheet date % per annum	Floating rate RM'million	< 1 year RM'million	1-2 years RM'million	Fixed rate instruments maturing or repriced in		4-5 years RM'million	> 5 years RM'million	Total interest sensitive RM'million
					2-3 years RM'million	3-4 years RM'million			
<b>Company 2009</b>									
<i>Financial liabilities</i>									
Amount due to associates	0	0	294.0	0	0	0	0	0	294.0
Amount due to subsidiaries	4.49	1,238.3	1,217.7	0	0	0	0	2,196.3	4,652.3
Borrowings	4.96	99.5	102.8	2,432.2	613.6	250.0	250.0	9,276.1	13,024.2
		1,337.8	1,614.5	2,432.2	613.6	250.0	250.0	11,472.4	17,970.5
On-balance sheet interest sensitivity gap		(867.7)	3,110.1	(2,377.4)	(613.6)	(250.0)	(250.0)	(11,472.4)	(12,721.0)
Off-balance sheet interest sensitivity gap		1,293.1	(34.1)	0	0	0	0	(1,251.8)	7.2
Total interest sensitivity gap		425.4	3,076.0	(2,377.4)	(613.6)	(250.0)	(250.0)	(12,724.2)	(12,713.8)


**43 FINANCIAL RISK MANAGEMENT (CONT'D.)**

(b) Interest rate risk (Cont'd.)

	Effective interest at balance sheet date % per annum	Floating rate RM'million	< 1 year RM'million	1-2 years RM'million	Fixed rate instruments maturing or repriced in				Total interest sensitive RM'million
					2-3 years RM'million	3-4 years RM'million	4-5 years RM'million	> 5 years RM'million	
<b>Company 2008</b>									
<i>Financial liabilities</i>									
Amount due to associates	0	0	345.2	0	0	0	0	0	345.2
Amount due to subsidiaries	4.40	1,449.7	1,072.7	0	0	0	0	2,196.3	4,718.7
Borrowings	5.32	196.5	61.0	205.5	2,941.0	626.5	250.0	8,816.3	13,096.8
		1,646.2	1,478.9	205.5	2,941.0	626.5	250.0	11,012.6	18,160.7
On-balance sheet interest sensitivity gap		(1,085.7)	2,388.0	(152.7)	(2,941.0)	(626.5)	(250.0)	(11,012.6)	(13,680.5)
Off-balance sheet interest sensitivity gap		103.1	0	0	(102.3)	0	0	0	0.8
Total interest sensitivity gap		(982.6)	2,388.0	(152.7)	(3,043.3)	(626.5)	(250.0)	(11,012.6)	(13,679.7)



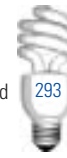
## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest rate risk (Cont'd.)

	Total interest sensitive RM'million	Non interest sensitive RM'million	Balances under Islamic principles RM'million	Total RM'million
<b>Company</b>				
<b>2009</b>				
<u>Financial liabilities</u>				
Trade and other payables	0	3,667.1	0	3,667.1
Borrowings	13,024.2	150.2	2,185.6	15,360.0
Amount due to subsidiaries	4,652.3	0	0	4,652.3
Amount due to associates	294.0	0	0	294.0
Other liabilities (amount payable to swap counterparties)	0	24.2	0	24.2
	<b>17,970.5</b>	<b>3,841.5</b>	<b>2,185.6</b>	<b>23,997.6</b>
On-balance sheet interest sensitivity gap	(12,721.0)	(1,042.9)	68.2	(13,695.7)
Off-balance sheet interest sensitivity gap	7.2	0	0	7.2
<b>Total interest sensitivity gap</b>	<b>(12,713.8)</b>	<b>(1,042.9)</b>	<b>68.2</b>	<b>(13,688.5)</b>
<b>2008</b>				
<u>Financial liabilities</u>				
Trade and other payables	0	3,421.0	0	3,421.0
Borrowings	13,096.8	166.0	2,186.3	15,449.1
Amount due to subsidiaries	4,718.7	0	0	4,718.7
Amount due to associates	345.2	0	0	345.2
Other liabilities (amount payable to swap counterparties)	0	0.7	0	0.7
	<b>18,160.7</b>	<b>3,587.7</b>	<b>2,186.3</b>	<b>23,934.7</b>
On-balance sheet interest sensitivity gap	(13,680.5)	(860.1)	(486.1)	(15,026.7)
Off-balance sheet interest sensitivity gap	0.8	0	0	0.8
<b>Total interest sensitivity gap</b>	<b>(13,679.7)</b>	<b>(860.1)</b>	<b>(486.1)</b>	<b>(15,025.9)</b>



#### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest rate risk (Cont'd.)

The table below summarises the effective weighted average interest rate as at 31 August 2009 and 31 August 2008 by major currencies for each class of financial asset and financial liability.

	USD %	JPY %	EURO %	RM %	Others %
<b>Group</b>					
<b>2009</b>					
<u>Financial assets</u>					
Deposits and bank balances	1.80	0	0	2.32	0
<u>Financial liabilities</u>					
Borrowings	7.84	1.01	0	6.48	0
<b>2008</b>					
<u>Financial assets</u>					
Deposits and bank balances	4.52	0	0	3.53	0
<u>Financial liabilities</u>					
Borrowings	6.61	1.95	3.06	6.60	2.25





## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest rate risk (Cont'd.)

	USD %	JPY %	EURO %	RM %	Others %
<b>Company</b>					
<b>2009</b>					
<u>Financial assets</u>					
Amount due from subsidiaries	3.34	0	0	5.65	0
Trade and other receivables	0	0	0	4.00	0
Deposits and bank balances	1.80	0	0	2.32	0
<u>Financial liabilities</u>					
Amount due to subsidiaries	3.58	4.05	0	0	0
Borrowings	7.45	1.22	0	6.16	0
<b>2008</b>					
<u>Financial assets</u>					
Amount due from subsidiaries	5.21	0	0	5.71	0
Trade and other receivables	0	0	0	4.00	0
Deposits and bank balances	5.25	0	0	3.58	0
<u>Financial liabilities</u>					
Amount due to subsidiaries	4.08	4.05	0	0	0
Borrowings	7.45	1.39	2.50	6.14	0

**43 FINANCIAL RISK MANAGEMENT (CONT'D.)**

## (c) Credit risk

 (i) On balance sheet, commitment and contingencies

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The following tables analyse the Group's and the Company's financial assets by industry concentration as at the balance sheet date.

	Deposits and bank balances (excl. cash) RM'million	Investment in unquoted instruments# RM'million	Trade receivables and other assets RM'million	Inter- company RM'million	Interest receivable from swap counter- parties RM'million	Total on- balance sheet RM'million	Commitment and contingencies RM'million
<b>Group 2009</b>							
Government	0	0	124.8	0	0	124.8	0
Financial Institutions	5,524.6	39.7	7.6	0	11.6	5,583.5	0
Business	0	0	1,745.9	0	0	1,745.9	0
Individuals	0	0	1,113.2	0	0	1,113.2	0
Associates	0	0	0	4.2	0	4.2	0
Subsidiary Companies	0	0	0	0	0	0	3,474.6
Others	0	0	110.6	0	0	110.6	319.5
	<b>5,524.6</b>	<b>39.7</b>	<b>3,102.1</b>	<b>4.2</b>	<b>11.6</b>	<b>8,682.2</b>	<b>3,794.1*</b>
<b>2008</b>							
Government	0	0	84.2	0	0	84.2	0
Financial Institutions	4,414.7	38.0	6.3	0	0.2	4,459.2	0
Business	0	0	1,264.9	0	0	1,264.9	0
Individuals	0	0	923.3	0	0	923.3	0
Associates	0	0	0	37.8	0	37.8	0
Subsidiary Companies	0	0	0	0	0	0	3,431.9
Others	0	0	196.0	0	0	196.0	307.5
	<b>4,414.7</b>	<b>38.0</b>	<b>2,474.7</b>	<b>37.8</b>	<b>0.2</b>	<b>6,965.4</b>	<b>3,739.4*</b>

# This amount excludes equity instruments amounting to RM20.9 million (2008: RM21.1 million), net of allowance.

\* This amount represents the guarantees issued by the Company on the borrowing facilities given.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

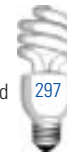
(c) Credit risk

(i) On balance sheet, commitment and contingencies

	Deposits and bank balances (excl. cash) RM'million	Investment in unquoted instruments# RM'million	Trade receivables and other assets RM'million	Inter- company RM'million	Interest receivable from swap counter- parties RM'million	Total on- balance sheet RM'million	Commitment and contingencies RM'million
<b>Company 2009</b>							
Government	0	0	87.5	0	0	87.5	0
Financial Institutions	4,818.8	39.7	7.6	0	11.6	4,877.7	0
Business	0	0	1,286.0	0	0	1,286.0	0
Individuals	0	0	944.9	0	0	944.9	0
Associates	0	0	0	4.2	0	4.2	0
Subsidiaries	0	0	0	2,600.9	0	2,600.9	3,474.6
Others	0	0	110.5	0	0	110.5	319.5
	<b>4,818.8</b>	<b>39.7</b>	<b>2,436.5</b>	<b>2,605.1</b>	<b>11.6</b>	<b>9,911.7</b>	<b>3,794.1*</b>
<b>2008</b>							
Government	0	0	84.2	0	0	84.2	0
Financial Institutions	3,750.1	38.0	6.3	0	0.2	3,794.6	0
Business	0	0	1,049.8	0	0	1,049.8	0
Individuals	0	0	903.3	0	0	903.3	0
Associates	0	0	0	37.8	0	37.8	0
Subsidiaries	0	0	0	2,299.0	0	2,299.0	3,431.9
Others	0	0	196.0	0	0	196.0	307.5
	<b>3,750.1</b>	<b>38.0</b>	<b>2,239.6</b>	<b>2,336.8</b>	<b>0.2</b>	<b>8,364.7</b>	<b>3,739.4*</b>

# This amount excludes equity instruments amounting to RM20.9 million (2008: RM21.1 million), net of allowance.

\* This amount represents the guarantees issued by the Company on the borrowing facilities given.



**43 FINANCIAL RISK MANAGEMENT (CONT'D.)**

(c) Credit risk

(ii) Off balance sheet

The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination. The following table summarises the favourable fair values of the contracts, indicating the credit risk exposure.

	Group		Company	
	Contract or notional principal amount RM'million	Favourable net fair value RM'million	Contract or notional principal amount RM'million	Favourable net fair value RM'million
<b>2009</b>				
Cross currency interest rate swap	34.1	6.8	34.1	6.8
Currency option	976.0	21.2	0	0
Interest rate swap	1,251.8	(59.3)	1,251.8	(59.3)
	<b>2,261.9</b>	<b>(31.3)</b>	<b>1,285.9</b>	<b>(52.5)</b>
<b>2008</b>				
Cross currency interest rate swap	103.1	0	103.1	0
Currency option	0	0	0	0
Interest rate swap	0	0	0	0
	103.1	0	103.1	0

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Foreign exchange risk

The currency exposure of financial assets and financial liabilities of the Group and the Company that are not denominated in the functional currency of the respective companies is set out below.

	USD RM'million	JPY RM'million	EURO RM'million	Others RM'million
<b>Group</b>				
<b>2009</b>				
<u>Financial assets</u>				
Receivables, deposits and prepayments	0.6	0	11.3	0
Deposits and bank balances	116.1	3.4	0	16.4
Other assets	11.5	0.1	0	0
	<b>128.2</b>	<b>3.5</b>	<b>11.3</b>	<b>16.4</b>
<u>Financial liabilities</u>				
Payables				
– external	17.5	0	1.6	0.4
Borrowings	5,502.4	5,480.3	0	0
Other liabilities (interest payable to swap counterparties)	23.9	0.2	0	0
	<b>5,543.8</b>	<b>5,480.5</b>	<b>1.6</b>	<b>0.4</b>
<b>2008</b>				
<u>Financial assets</u>				
Receivables, deposits and prepayments	21.2	0	0.9	0
Deposits and bank balances	124.4	63.2	0	57.1
Other assets (interest receivable from swap counterparties)	0	0.2	0	0
	<b>145.6</b>	<b>63.4</b>	<b>0.9</b>	<b>57.1</b>
<u>Financial liabilities</u>				
Payables				
– external	75.2	0	0.5	0
Borrowings	6,310.7	4,506.1	1.8	0
	<b>6,385.9</b>	<b>4,506.1</b>	<b>2.3</b>	<b>0</b>

**43 FINANCIAL RISK MANAGEMENT (CONT'D.)**

(d) Foreign exchange risk (Cont'd.)

	USD RM'million	JPY RM'million	EURO RM'million	Others RM'million
<b>Company</b>				
<b>2009</b>				
<u>Financial assets</u>				
Amount due from subsidiaries	1,329.5	0	0	0.3
Deposits and bank balances	0.4	6.7	0	0
Other assets (interest receivable from swap counterparties)	11.5	0.1	0	0
	<b>1,341.4</b>	<b>6.8</b>	<b>0</b>	<b>0.3</b>
<u>Financial liabilities</u>				
Amount due to subsidiaries	2,689.6	885.6	0	0
Borrowings	3,023.4	4,465.6	0	0
Other liabilities (interest payable to swap counterparties)	23.9	0.2	0	0
	<b>5,736.9</b>	<b>5,351.4</b>	<b>0</b>	<b>0</b>
<b>2008</b>				
<u>Financial assets</u>				
Amount due from subsidiaries	1,380.9	0	0	0.3
Deposits and bank balances	0	63.2	0	0
Other assets (interest receivable from swap counterparties)	0	0.2	0	0
	1,380.9	63.4	0	0.3
<u>Financial liabilities</u>				
Amount due to subsidiaries	2,901.1	885.6	0	0
Borrowings	3,724.6	3,657.9	1.8	0
	6,625.7	4,543.5	1.8	0



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(e) Fair value

The fair value of a financial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale. Quoted market prices, when available, are used as the measure of fair values. However, for a significant portion of the Group's and the Company's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using the net present value or other valuation techniques. The above techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

The face values for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

(i) On balance sheet

The carrying amounts of financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values except as set out below.

	Group		Company	
	Carrying amount RM'million	Fair value RM'million	Carrying amount RM'million	Fair value RM'million
<b>2009</b>				
<u>Financial assets</u>				
Investments	0	0	0	0
Long term receivables	0	0	525.0	523.0
Receivables, deposits and prepayments	91.5	51.6	0	0
<u>Financial liabilities</u>				
Payables	39.2	0	0	0
Borrowings	22,883.2	23,160.0	15,360.0	15,614.8
Amount due to subsidiaries (non-current)	0	0	3,525.8	3,812.5



#### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(e) Fair value (Cont'd.)

(i) On balance sheet (Cont'd.)

	Group		Company	
	Carrying amount RM'million	Fair value RM'million	Carrying amount RM'million	Fair value RM'million
2008				
<u>Financial assets</u>				
Investments	0.1	0	0	0
Long term receivables	0	0	613.3	611.3
Receivables, deposits and prepayments	44.2	15.6	0	0
<u>Financial liabilities</u>				
Payables	734.1	0	0	0
Borrowings	23,231.0	23,808.7	15,449.1	15,514.8
Amount due to subsidiaries (non-current)	0	0	3,525.8	3,499.0

##### Financial assets

The fair value of long term receivables is lower than carrying amount at balance sheet date as the Company gives its subsidiaries advances at below current market rate. The Directors consider the carrying amount fully recoverable as they do not intend to realise the financial assets via exchange with another counterparty.

##### Financial liabilities

The fair value of quoted bonds has been estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values have been estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity. For unquoted borrowings with floating interest rate, the carrying values are generally reasonable estimates of their fair values.

The method by which fair value information was determined and any significant assumptions made in its application are as follows:

- quoted shares and marketable securities – quoted market prices at balance sheet date
- loans to subsidiaries, amount due from subsidiaries and staff loans – future contractual cash flows discounted using dealer quotes of interest rates for similar loans
- bank overdrafts, cash and cash equivalents, receivables and payables with a maturity period of less than one year (all of which were subject to normal credit terms) – carrying value at balance sheet date





## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

31 August 2009

### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(e) Fair value (Cont'd.)

(i) On balance sheet (Cont'd.)

Financial liabilities (Cont'd.)

- borrowings other than bank overdraft – future contractual cash flows discounted at current market interest rates available for similar financial instruments
- financial guarantees given to third parties – quotation from bankers in respect of the amount required to settle the contingent obligations at the balance sheet date
- forward foreign exchange contracts – difference between the spot exchange rates and the contracted forward exchange rates at balance sheet date, applied to the contracted sum
- interest rate swaps – present value of estimated future cash flows calculated using forward rates

(ii) Off balance sheet

The financial derivative instruments are used to hedge foreign exchange and interest rate risks associated with certain long term foreign currency borrowings. The contract notional principal amounts of the derivative and the corresponding fair value adjustments are analysed as below.

Fair values of financial derivative instruments are the present values of their future cash flows and are arrived at based on valuations carried out by the Company's bankers. Favourable fair value indicates amount receivable by the Company if the contracts are terminated as at 31 August 2009 or vice versa.

	<b>Contract or notional principal amount RM'million</b>	<b>Favourable net fair value RM'million</b>	<b>Unfavourable net fair value RM'million</b>
<b>Group 2009</b>			
Interest rate swaps	1,251.8	0	(59.3)
Cross currency interest rate swap	34.1	6.8	0
Currency option	976.0	21.2	0
Corporate guarantee given to financial institutions in respect of facilities granted to subsidiaries	0	0	0
	<b>2,261.9</b>	<b>28.0</b>	<b>(59.3)</b>
<b>2008</b>			
Interest rate swaps	0	0	0
Cross currency interest rate swap	103.1	0	(0.4)
Currency option	812.5	0	(0.9)
Corporate guarantee given to financial institutions in respect of facilities granted to subsidiaries	0	0	0
	915.6	0	(1.3)



#### 43 FINANCIAL RISK MANAGEMENT (CONT'D.)

(e) Fair value (Cont'd.)

(ii) Off balance sheet (Cont'd.)

	Contract or notional principal amount RM'million	Favourable net fair value RM'million	Unfavourable net fair value RM'million
<b>Company 2009</b>			
Corporate guarantee given to financial institutions in respect of facilities granted to subsidiaries	3,794.1	0	(357.4)
Cross currency interest rate swap	34.1	6.8	0
Interest rate swap	1,251.8	0	(59.3)
	<b>5,080.0</b>	<b>6.8</b>	<b>(416.7)</b>
<b>2008</b>			
Corporate guarantee given to financial institutions in respect of facilities granted to subsidiaries	3,739.4	0	(124.7)
Cross currency interest rate swap	103.1	0	(0.4)
	3,842.5	0	(125.1)

#### 44 COMPARATIVES

During the financial year, the Group reassessed the presentation of revenue and margin earned from sale of coal by TNB Fuel Sdn Bhd, which were presented as trading revenue and expense. The financial statements have been restated to reflect the operating activity of TNB Fuel Sdn Bhd as an agent in purchasing coal for power generation.

	Note	As previously stated RM'million	Reclassification RM'million	As restated RM'million
Income statement for the financial year ended 31 August 2008				
Revenue	4	25,750.6	(995.3)	24,755.3
Operating expenses	5	(22,503.4)	995.3	(21,508.1)

In the previous financial year, the other operating income was reported inclusive of finance income. During the current year, finance income has been separately presented on the income statements. The comparative has been changed to reflect current year presentation.

#### 45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 2 November 2009.



## STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Leo Moggie and Dato' Sri Che Khalib bin Mohamad Noh, two of the Directors of Tenaga Nasional Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 200 to 303 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 August 2009 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors, in accordance with their resolution dated 2 November 2009.

**TAN SRI LEO MOGGIE**  
CHAIRMAN

**DATO' SRI CHE KHALIB BIN MOHAMAD NOH**  
PRESIDENT/CHIEF EXECUTIVE OFFICER



# STATUTORY DECLARATION

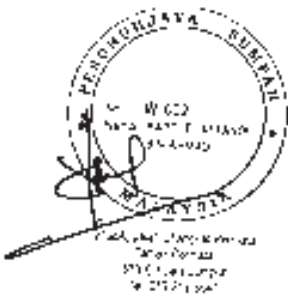
pursuant to Section 169(16) of the Companies Act, 1965

I, Mohamed Rafique Merican bin Mohd Wahiduddin Merican, the person primarily responsible for the financial management of Tenaga Nasional Berhad, do solemnly and sincerely declare that the financial statements set out on pages 200 to 303 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.

A handwritten signature in black ink, appearing to read 'M. Rafique Merican'.

**MOHAMED RAFIQUE MERICAN  
BIN MOHD WAHIDUDDIN MERICAN**

Subscribed and solemnly declared by the above named Mohamed Rafique Merican bin Mohd Wahiduddin Merican at Kuala Lumpur, Malaysia on 2 November 2009, before me.



**KAPT (B) AFFANDI BIN AHMAD  
COMMISSIONER FOR OATHS**



# INDEPENDENT AUDITORS' REPORT

to the Members of Tenaga Nasional Berhad (Company No. 200866-W) (Incorporated in Malaysia)



PricewaterhouseCoopers (AF 1146)  
Chartered Accountants  
Level 10, 1 Sentral  
Jalan Travers, Kuala Lumpur Sentral  
P O Box 10192  
50706 Kuala Lumpur, Malaysia  
Telephone +60 3 2173 1188  
Facsimile +60 3 2173 1288  
www.pwc.com

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tenaga Nasional Berhad, which comprise the balance sheets as at 31 August 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 200 to 303.

### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 August 2009 and of their financial performance and cash flows for the year then ended.



## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 15 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any material qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS**  
(No. AF: 1146)  
CHARTERED ACCOUNTANTS

**THAYAPARAN A/L S. SANGARAPILLAI**  
(No. 2085/09/10 (J))  
CHARTERED ACCOUNTANT

Kuala Lumpur  
2 November 2009



## ANALYSIS OF SHAREHOLDINGS

as at 26 October 2009

### SHARE CAPITAL

Authorised Share Capital	5,000,000,000 ordinary shares of RM1.00 per share, 1 (One) Special Rights Redeemable Preference Share of RM1.00 per share, 1,000 Class A Redeemable Preference Share of RM1.00 per share, 500 Class B Redeemable Preference Share of RM1.00 per share.
Issued and Fully Paid-Up Share Capital	4,338,306,945 ordinary shares of RM1.00 per share, 1 (One) Special Rights Redeemable Preference Share of RM1.00 per share, 1,000 Class A Redeemable Preference Share of RM1.00 per share, 500 Class B Redeemable Preference Share of RM1.00 per share.
Voting Right	One voting right for one ordinary share

### ANALYSIS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF ORDINARY SHARES	% OF ISSUED SHARE CAPITAL
LESS THAN 100	1,016	3.06	28,014	0.00
100 – 1,000	7,551	22.74	5,754,210	0.13
1,001 – 10,000	22,114	66.58	58,982,348	1.36
10,001 – 100,000	1,800	5.42	48,914,778	1.13
100,001 TO LESS THAN 5% OF ISSUED SHARES	729	2.19	1,587,590,320	36.60
5% AND ABOVE OF ISSUED SHARES	3	0.01	2,637,037,275	60.78
<b>TOTAL</b>	<b>33,213</b>	<b>100.00</b>	<b>4,338,306,945</b>	<b>100.00</b>

### DIRECTORS' SHAREHOLDINGS

NO.	NAME OF DIRECTORS	NO. OF SHARES	
		DIRECT/INDIRECT INTEREST	%
1	TAN SRI LEO MOGGIE	—	—
2	DATO' SRI CHE KHALIB BIN MOHAMAD NOH	—	—
3	DATO' PUTEH RUKIAH BINTI ABD MAJID	—	—
4	DATO' MOHAMMAD ZAINAL BIN SHAARI	—	—
5	TAN SRI DATO' LAU YIN PIN @ LAU YEN BENG	—	—
6	TAN SRI DATO' HARI NARAYANAN A/L GOVINDASAMY	—	—
7	DATO' ZAINAL ABIDIN BIN PUTIH	1,250	0.00
8	DATO' FUAD BIN JAAFAR	62,500	0.00
9	TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB	1,250	0.00



### SUBSTANTIAL SHAREHOLDERS

NO.	NAME OF SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	%
1	KHAZANAH NASIONAL BERHAD	1,638,474,689	37.77
2	EMPLOYEES PROVIDENT FUND BOARD – 597,822,486 shares held in its own name – 1,500,000 shares held in its own name – 14,400,800 shares held through SBB Nominees (Tempatan) Sdn Bhd – 15,648,000 shares held through Alliancegroup Nominees (Tempatan) Sdn Bhd – 3,050,000 shares held through Alliancegroup Nominees (Tempatan) Sdn Bhd – 7,418,700 shares held through Am Nominees (Tempatan) Sdn Bhd – 950,000 shares held through Citigroup Nominees (Tempatan) Sdn Bhd – 1,046,000 shares held through Citigroup Nominees (Tempatan) Sdn Bhd – 1,229,400 shares held through Citigroup Nominees (Tempatan) Sdn Bhd – 636,200 shares held through DB (Malaysia) Nominee (Tempatan) Sendirian Berhad – 27,698,850 shares held through HSBC Nominees (Tempatan) Sdn Bhd – 625,000 shares held through Mayban Nominees (Tempatan) Sdn Bhd – 2,339,600 shares held through Mayban Nominees (Tempatan) Sdn Bhd – 4,500,000 shares held through Mayban Nominees (Tempatan) Sdn Bhd – 5,900,000 shares held through RHB Nominees (Tempatan) Sdn Bhd	684,765,036	15.78
3	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD SKIM AMANAH SAHAM BUMIPUTERA	400,740,100	9.24

### 30 LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1	KHAZANAH NASIONAL BERHAD	1,638,474,689	37.77
2	EMPLOYEES PROVIDENT FUND BOARD	597,822,486	13.78
3	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD SKIM AMANAH SAHAM BUMIPUTERA	400,740,100	9.24
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	129,474,900	2.98
5	LEMBAGA TABUNG HAJI	120,861,175	2.79
6	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM MALAYSIA	94,815,200	2.19
7	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM WAWASAN 2020	80,240,400	1.85
8	VALUECAP SDN BHD	69,536,800	1.60
9	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	40,962,500	0.94
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PRUDENTIAL FUND MANAGEMENT BERHAD	33,095,075	0.76
11	PERMODALAN NASIONAL BERHAD	31,902,375	0.74





## ANALYSIS OF SHAREHOLDINGS (CONT'D.)

as at 26 October 2009

### 30 LARGEST SHAREHOLDERS (CONT'D.)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
12	HSBC NOMINEES (TEMPATAN) SDN BHD NOMURA ASSET MGMT MALAYSIA FOR EMPLOYEES PROVIDENT FUND	27,698,850	0.64
13	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM DIDIK	27,583,650	0.64
14	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AS 1MALAYSIA	23,000,000	0.53
15	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	20,114,430	0.46
16	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC DIVIDEND FUND	19,448,200	0.45
17	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	18,659,200	0.43
18	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	18,518,446	0.43
19	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND NB37 FOR JANUS CONTRARIAN FUND	17,787,345	0.41
20	CARTABAN NOMINEES (TEMPATAN) SDN BHD PETROLIAM NASIONAL BERHAD (STRATEGIC INV)	17,390,900	0.40
21	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)	16,437,815	0.38
22	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	15,648,000	0.36
23	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	15,601,300	0.36
24	PERTUBUHAN KESELAMATAN SOSIAL	15,287,400	0.35
25	SBB NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD	14,400,800	0.33
26	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (BVI)	13,500,000	0.31
27	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	13,163,900	0.30
28	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET FOR ISHARES, INC.	12,835,250	0.29
29	LEMBAGA TABUNG ANGKATAN TENTERA	11,944,000	0.28
30	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC EQUITY FUND	11,583,750	0.27
	<b>TOTAL</b>	<b>3,568,528,936</b>	<b>82.26</b>



# PROPERTY LIST

- Generation

Nature of Functional Activity	LAND									BUILDINGS			DESCRIPTION	
	Leasehold			Freehold			Total No. of Lots (1+4)	Total Area (sq M) (2+5)	Total NBV (RM'000) (3+6)	No. (10)	Built-Up Area (sq M) (11)	Total NBV (RM'000) (12)		
Generation	No. of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No. of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)								
<b>Location</b>														
Perlis	—	—	—	2	1,499	52	2	1,499	52	—	—	—		
Kedah	2	1,676	26	6	22,280	6,047	8	23,956	6,073	21	2,493	5,526		
Pulau Pinang	2	163,325	25,894	2	62,125	941	4	225,450	26,835	8	10,258	145,838		
Perak	8	129,517	117,872	10	1,684,595	64,300	18	1,814,112	182,172	117	80,378	548,115		
Selangor	5	16,876,341	119,421	4	514,707	25,451	9	17,391,048	144,872	40	11,688	862,697		
Wilayah Persekutuan	—	—	—	—	—	—	—	—	—	11	150	6,984	Power Stations, Rural Power Stations, Mini Hydros, Stores, Office Buildings, Jetties and Dams	
Putrajaya/ Cyberjaya	—	—	—	—	—	—	—	—	—	—	—	—		
N. Sembilan	4	170,812	3,986	1	13,550	1,657	5	184,362	5,643	30	3,257	319,802		
Melaka	—	—	—	—	—	—	—	—	—	—	—	—		
Johor	3	89,012	12,690	2	167,515	13,923	5	256,527	26,613	25	9,850	66,421		
Pahang	47	230,588	234	58	98,742	8,616	105	329,330	8,850	142	2,755	151,134		
Terengganu	45	239,386	16,057	48	28,817	13,938	93	268,203	29,995	91	12,316	166,213		
Kelantan	75	76,498	532	39	56,539	1,348	114	133,037	1,880	94	4,444	813,586		
Sabah	23	5,462,413	6,247	18	4,017,445	5,769	41	9,479,858	12,016	49	11,000	177,958		
Pakistan	—	—	—	1	828,486	2,324	1	828,486	2,324	3	12,713	1,162		
<b>TOTAL</b>	<b>214</b>	<b>23,439,568</b>	<b>302,959</b>	<b>191</b>	<b>7,496,300</b>	<b>144,366</b>	<b>405</b>	<b>30,935,868</b>	<b>447,325</b>	<b>631</b>	<b>161,302</b>	<b>3,265,436</b>		

Note: NBV – Net Book Value



## PROPERTY LIST (CONT'D.)

### - Transmission

Nature of Functional Activity	LAND									BUILDINGS			DESCRIPTION	
	Leasehold			Freehold			Total No. of Lots (1+4)	Total Area (sq M) (2+5)	Total NBV (RM'000) (3+6)	No. (10)	Built-Up Area (sq M) (11)	Total NBV (RM'000) (12)		
Transmission	No. of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No. of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)								
<b>Location</b>														
Perlis	4	110,024	1,008	2	15,860	474	6	125,884	1,482	16	3,145	62,272		
Kedah	11	440,017	3,336	181	71,451	2,517	192	511,468	5,853	71	7,694	176,910		
Pulau Pinang	15	1,311,447	7,951	36	114,908	4,739	51	1,426,355	12,690	46	3,653	166,550		
Perak	11	157,193	1,514	69	35,677	12,595	80	192,870	14,109	55	8,146	242,307		
Selangor	22	257,523	31,508	44	92,713	105,487	66	350,236	136,995	124	13,673	698,177		
Wilayah Persekutuan	11	183,206	12,290	205	100,501	16,031	216	283,707	28,321	67	23,446	381,086		
Putrajaya / Cyberjaya	—	—	—	—	—	—	—	—	—	—	—	—	Main Intake Substations	
N. Sembilan	13	688,904	6,559	18	278,449	5,922	31	967,353	12,481	70	3,836	182,695		
Melaka	6	59,717	4,776	98	191,693	19,268	104	251,410	24,044	53	7,167	90,619		
Johor	37	554,552	22,527	37	64,522	13,999	74	619,074	36,526	143	9,027	688,254		
Pahang	11	86,487	2,237	17	172,385	4,323	28	258,872	6,560	77	2,934	176,040		
Terengganu	5	170,622	3,291	11	—	210	16	170,622	3,501	42	3,544	68,827		
Kelantan	5	95,628	2,741	168	176,029	5,058	173	271,657	7,799	36	5,551	65,985		
Sabah	3	30,904	1,354	1	14,165	134	4	45,069	1,488	19	3,600	74,850		
<b>TOTAL</b>	<b>154</b>	<b>4,146,224</b>	<b>101,092</b>	<b>887</b>	<b>1,328,353</b>	<b>190,757</b>	<b>1,041</b>	<b>5,474,577</b>	<b>291,849</b>	<b>819</b>	<b>95,416</b>	<b>3,074,572</b>		

Note: NBV – Net Book Value

## – Distribution

Nature of Functional Activity	LAND									BUILDINGS			DESCRIPTION	
	Leasehold			Freehold			Total No. of Lots (1+4)	Total Area (sq M) (2+5)	Total NBV (RM'000) (3+6)	No. (10)	Built-Up Area (sq M) (11)	Total NBV (RM'000) (12)		
Distribution	No. of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No. of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)								
<b>Location</b>														
Perlis	37	16,378	762	42	71,964	880	79	88,342	1,642	52	1,200	4,906		
Kedah	159	363,083	9,530	309	428,369	25,842	468	791,452	35,372	214	46,250	39,078		
Pulau Pinang	106	155,457	5,636	363	44,985	20,108	469	200,442	25,744	173	10,427	23,769		
Perak	538	562,810	9,739	253	542,618	8,069	791	1,105,428	17,808	367	11,088	60,699		
Selangor	398	315,576	44,689	548	378,491	74,751	946	694,067	119,440	802	121,096	190,856		
Wilayah Persekutuan	176	122,882	43,159	176	81,554	4,616	352	204,436	47,775	294	15,329	329,166		
Putrajaya / Cyberjaya	—	—	68	3	549	679	3	549	747	59	7,962	33,313	Distribution Substations	
N. Sembilan	246	108,319	2,788	145	40,689	2,404	391	149,008	5,192	123	6,872	6,162		
Melaka	198	63,081	3,937	211	67,720	24,132	409	130,801	28,069	156	54,007	6,651		
Johor	587	463,947	18,342	630	364,895	35,048	1,217	828,842	53,390	464	15,860	41,451		
Pahang	203	153,181	6,790	176	86,734	22	379	239,915	6,812	152	9,801	28,700		
Terengganu	188	639,980	2,651	58	40,214	1,088	246	680,194	3,739	119	4,508	17,550		
Kelantan	174	516,547	3,535	183	213,187	7,134	357	729,734	10,669	139	67,062	14,372		
Sabah	52	645,935	3,419	37	173,243	1,881	89	819,178	5,300	322	84,500	30,826		
<b>TOTAL</b>	<b>3,062</b>	<b>4,127,176</b>	<b>155,045</b>	<b>3,134</b>	<b>2,534,663</b>	<b>206,654</b>	<b>6,196</b>	<b>6,661,839</b>	<b>361,699</b>	<b>3,436</b>	<b>448,000</b>	<b>827,499</b>		

Note: NBV – Net Book Value

## PROPERTY LIST (CONT'D.)

– Residential and Others

Nature of Functional Activity	LAND									BUILDINGS			DESCRIPTION	
	Leasehold			Freehold			Total No. of Lots (1+4)	Total Area (sq M) (2+5)	Total NBV (RM'000) (3+6)	No. (10)	Built-Up Area (sq M) (11)	Total NBV (RM'000) (12)		
Residential and Others	No. of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No. of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)								
<b>Location</b>														
Perlis	1	1,037	315	6	50,816	1,987	7	51,853	2,302	13	6,151	5,937		
Kedah	5	43,983	2,437	29	259,202	22,711	34	303,185	25,148	42	39,168	23,872		
Pulau Pinang	8	26,829	5,180	23	256,968	28,168	31	283,797	33,348	54	13,628	131,231		
Perak	38	78,110	3,042	53	1,074,710	28,544	91	1,152,820	31,586	117	134,749	61,750		
Selangor	36	33,009,908	155,312	49	1,764,430	137,897	85	34,774,338	293,209	329	90,263	1,012,875		
Wilayah Persekutuan	3	18,757	6,959	11	79,918	74,101	14	98,675	81,060	125	136,326	149,428	Residential Houses, Apartments, Holiday Bungalows, Office Buildings, Main Store, Warehouse and Workshop	
Putrajaya / Cyberjaya	—	—	—	—	—	—	—	—	—	—	—	—		
N. Sembilan	10	113,329	1,970	28	359,906	29,597	38	473,235	31,567	71	132,894	57,487		
Melaka	6	535,762	9,804	20	142,288	9,582	26	678,050	19,386	31	28,635	14,372		
Johor	23	384,439	35,328	49	773,793	22,953	72	1,158,232	58,281	119	76,373	63,863		
Pahang	23	760,444	15,275	24	67,598	7,332	47	828,042	22,607	183	76,822	159,667		
Terengganu	25	3,306,420	28,778	4	1,922	2,362	29	3,308,342	31,140	52	47,434	63,353		
Kelantan	11	229,863	7,153	22	87,845	5,822	33	317,708	12,975	54	322,636	58,361		
Sabah	5	122,369	2,983	5	140,207	20,681	10	262,576	23,664	12	33,500	17,751		
<b>TOTAL</b>	<b>194</b>	<b>38,631,250</b>	<b>274,536</b>	<b>323</b>	<b>5,087,324</b>	<b>391,737</b>	<b>517</b>	<b>43,718,574</b>	<b>666,273</b>	<b>1,202</b>	<b>1,138,579</b>	<b>1,819,947</b>		

Note: NBV – Net Book Value



# PROXY FORM

Number of Ordinary Share(s) held	
CDS Account No.:	

I/We, ..... NRIC No./Passport No./Co. No. ....  
 (FULL NAME IN CAPITAL LETTERS)

of ..... being a Member/Members of Tenaga Nasional Berhad,  
 (ADDRESS)

hereby appoint:-

	Name/NRIC No.	No. of shares	Percentage (%)	
Proxy 1	.....	.....	.....	or failing him/her
Proxy 2	.....	.....	.....	or failing him/her
		TOTAL	.....	

the Chairman of the Meeting, as my/our proxy, to vote for me/us, and on my/our behalf at THE NINETEENTH ANNUAL GENERAL MEETING of TENAGA NASIONAL BERHAD to be held at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur on **Tuesday, 15 December 2009**, at **10.00 a.m.** and/or at any adjournment thereof.

My/Our proxy is to vote as indicate below:

			For	Against
1.	RESOLUTION 1	To receive the Audited Financial Statements for the Financial Year ended 31 August 2009		
2.	RESOLUTION 2	Declaration of Dividend		
3.	RESOLUTION 3	Payment of Directors' Fees		
4.	RESOLUTION 4	Re-election of Dato' Puteh Rukiah binti Abd Majid pursuant to Article 135		
5.	RESOLUTION 5	Re-election of Tan Sri Dato' Lau Yin Pin @ Lau Yen Beng pursuant to Article 135		
6.	RESOLUTION 6	Re-election of Dato' Mohammad Zainal bin Shaari pursuant to Article 135		
7.	RESOLUTION 7	Re-appointment of Messrs PricewaterhouseCoopers as the Company's Auditors		
	<b>SPECIAL BUSINESS</b>			
8.	RESOLUTION 8	Issuance of Shares Pursuant to Employees' Share Option Scheme II (ESOS II)		
9.	RESOLUTION 9	Proposed Renewal of Share Buy-Back Authority		

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

Dated: ..... December 2009.

Signature of Shareholder(s) or Common Seal

**NOTES:**

- Any member entitled to attend and vote at this Meeting of the Company is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy/proxies is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
- A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Article 107(6) of the Company's Articles of Association.
- The instrument appointing a proxy/proxies must be deposited at Symphony Share Registrars Sdn. Bhd., Level 26, Menara Multi-Purpose, Capital Square, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the time set for the Meeting.

**Symphony Share Registrars Sdn. Bhd.**

Level 26, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur

STAMP