

BETTER ENVIRONMENT. BRIGHTER FUTURE.

ANNUAL REPORT 2015

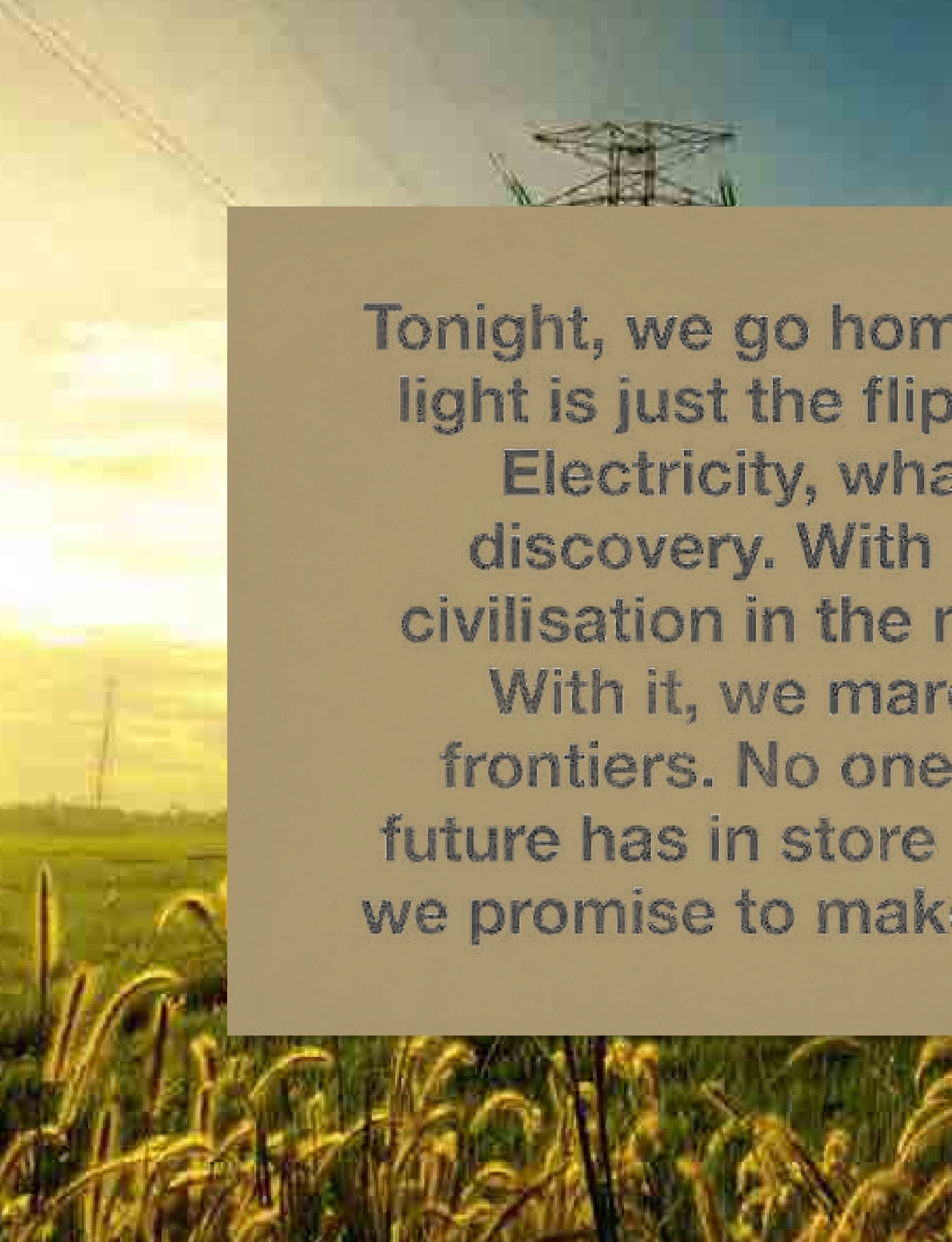


**TENAGA
NASIONAL**

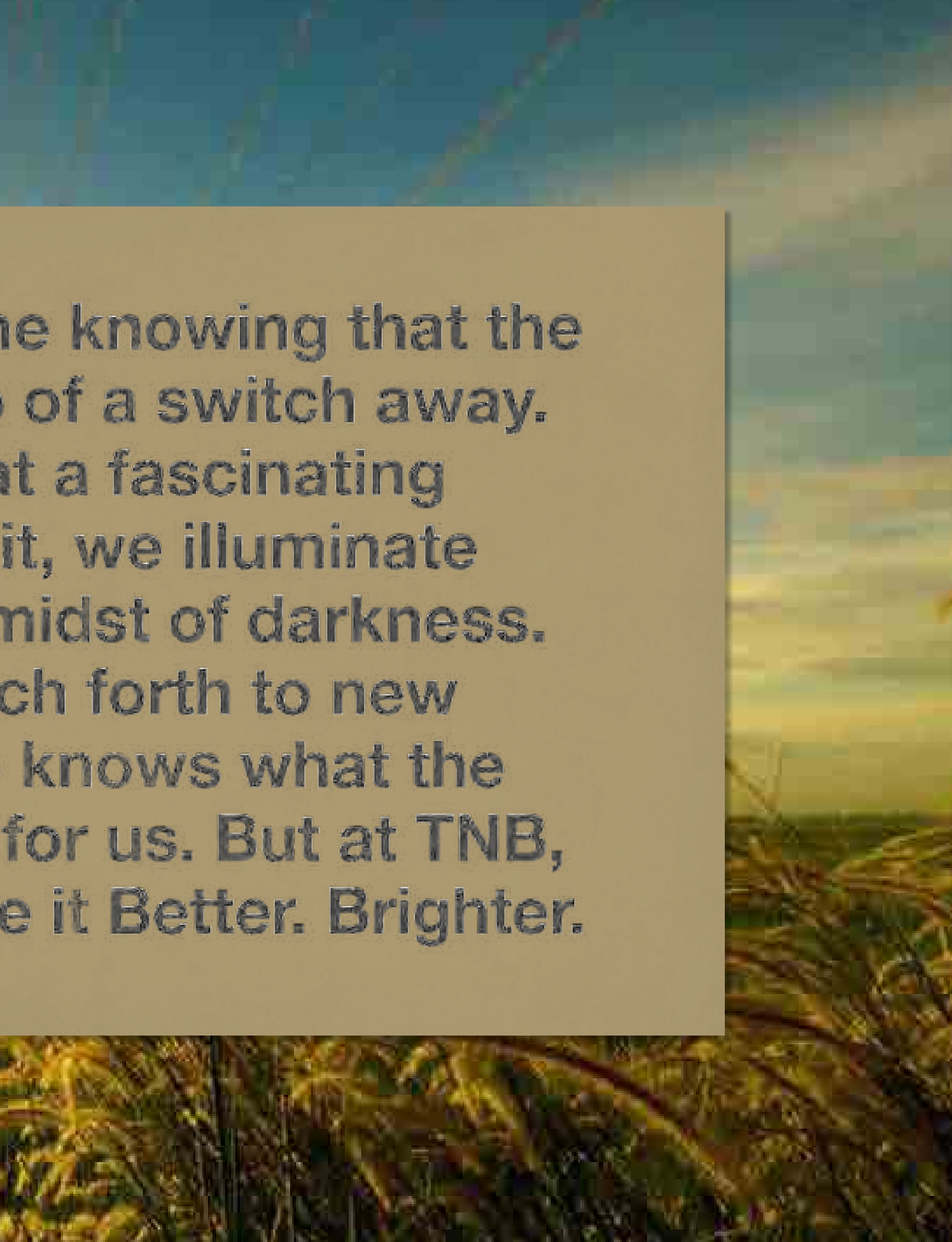





WHERE
THERE'S
LIGHT,
THERE'S
HOPE

The background image shows a sunset over a field. The sun is low on the horizon, creating a warm, golden glow. In the foreground, there are tall, thin stalks of grass or reeds. In the middle ground, there are several power lines and a transmission tower. The sky is a mix of orange, yellow, and blue.

Tonight, we go home
light is just the flip
Electricity, what
discovery. With
civilisation in the n
With it, we marc
frontiers. No one
future has in store
we promise to make



ne knowing that the
of a switch away.
at a fascinating
it, we illuminate
midst of darkness.
ch forth to new
knows what the
for us. But at TNB,
e it Better. Brighter.

A photograph of a sunset over a field. The sun is low on the horizon, casting a warm, golden glow across the sky and the field. In the background, there are power lines and a transmission tower. The foreground is filled with tall, golden-brown grasses. A dark grey rectangular box is overlaid on the right side of the image, containing white text.

KEEPING THE
LIGHTS ON,
TONIGHT
AND
TOMORROW

Kuala Lumpur, **MALAYSIA**

Download the
i-Tenaga app at
Google Play or App
Store and scan this
page to see how
TNB lights up the
whole city.



WHAT IS i-TENAGA?

i-Tenaga is a feature within the TNB Mobile App. It combines image recognition and Augmented Reality (AR) technology to deliver messages that go beyond print. i-Tenaga this page to find out how you can get the most out of this amazing technology.



1 / **Get It**

Get the TNB Mobile App from the App Store or Google Play.



2 / **Load it**

Launch the app and tap the i-Tenaga icon.



3 / **Shoot It**

Place device over i-Tenaga article.



4 / **Hit It**

Get access to more contents from i-Tenaga.



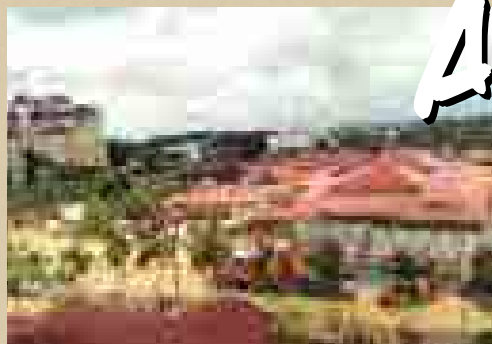
**WE'VE
BEEN
CONTINUALLY
GIVING
BACK TO
COMMUNITIES**



At TNB, our communities lie at the heart of what we do. Our business has taken us around the country, and we know that for some Malaysians, a house that they can call home is but a dream.

For this reason, we are proud to continue our Baiti Jannati and Projek Mesra Rakyat programmes, which turn dilapidated houses into safe, comfortable homes equipped with basic amenities such as electricity, water and sanitation. To date, we have transformed the lives of 287 families through the two programmes, with priority given to senior citizens, single parents and the disabled.





THERE FOR ALL MALAYSIANS, ALWAYS

Amid the flooding in the East Coast of Peninsular Malaysia that rocked the Nation last year, TNB leveraged our presence throughout the country to provide aid to flood victims. From mobilising our resources to bring much needed aid to affected areas and collecting donations, to post-flood relief efforts, we ensured that we were there for our fellow Malaysians, every step of the way.



Minister of Energy, Green Technology and Water, Datuk Seri Panglima Dr. Maximus Ongkili and TNB's Vice President, Distribution, Datuk Ir. Baharin bin Din, visiting flood victims





NURTURING

FUTURE



TALENTS

As the future of our Nation, the welfare of schoolchildren and young talents hold a special place in our heart.

To aid the educational development of our youth, Universiti Tenaga Nasional (UNITEN) offers foundation, undergraduate and post-graduate studies in engineering, IT, business and accounting.

Through our foundation, Yayasan Tenaga Nasional (YTN), we also provide scholarships, financial aid and other programmes to support students to achieve academic excellence. For FY2014/2015, 2,214 outstanding students have benefitted from YTN sponsorship totalling RM49.04 million.





Connecting Pulau Tuba to the main power grid, **LANGKAWI**





PROMISING TO SERVE

With our foremost goal of making the world Better. Brighter., we try to go above and beyond to provide people with access to electricity.

Together with the Ministry of Rural and Regional Development and the Malaysian Electricity Supply Industries Trust Account (AAIBE), we implement the Rural Electrification Programme (BELB - Bekalan Elektrik Luar Bandar), giving light to houses in villages and remote areas.

In FY2015, we connected 1,001 houses with electricity supply, in Langkawi, Kedah; Gua Musang; Kelantan; and Sg. Siput, Perak. In doing our utmost to light up the lives of all Malaysians, we also provide electricity through generators, solar hybrid systems or other forms of renewable energy where connection to the grid is not viable.

As part of our efforts to serve our customer, we have in 2013 embarked on a project to provide electricity to the residents of Pulau Tuba, near Langkawi. This initiative effectively replaced the diesel generators previously powering the island with a more stable and reliable supply of electricity by connecting Pulau Tuba with the main grid via 4.5km of undersea cables.



PAINTING THE NATION GREEN

As an organisation that is mindful of the legacy we leave for future generations, our efforts to reduce our carbon footprint are important to us.

In this regard, we see our annual “Tree for a Tree” programme as a jewel in our crown, helping to preserve the environment for years to come by replacing each tree felled in the course of our operations. We have planted more than 4,500 trees since embarking on this programme in 2009, with over 1,000 seedlings planted in FY2014/2015.

Our Firefly Conservation Project, conducted jointly with the Kuala Selangor District Council, is another source of pride for us. In addition to preserving the firefly eco-system, which attracts thousands of nature-lovers to the Kg. Kuantan riverbank, our involvement also contributes to the development of the socio-economic landscape in Kuala Selangor.

Our work at the Kapar Power Station in Kuala Selangor has also brought us closer to nature, with the site emerging as a haven for migratory birds. Every February, thousands of shorebirds arrive to the site from the far reaches of Alaska, Siberia, China and Mongolia, attracted to the three ash ponds we built to help keep the environment clean.



TNB Firefly Conservation Programme, Kg. Kuantan, Kuala Selangor



TNB employees lending a hand in our "Tree for a Tree" programme





The construction of the Puah and Tembat dams close to the area have not compromised the natural habitat and its surrounding environment



INJECTING ENERGY INTO SPORTS

In line with one of our main objectives to identify and nurture sporting talent, TNB also organises Hockey Coaching Clinics and hosts Inter-School Hockey Tournaments at our Sports Complex.

We are also proud of our relationship with schools through the various state hockey associations to provide advanced coaching to secondary school students keen on the sport as we seek to nurture national hockey players. Additionally, through our collaboration with Sekolah Sukan Tengku Mahkota Ismail (SSTMI) Bandar Penawar, we have coached hockey talent with an eye on absorbing selected players into our own TNB hockey team. It has heartened us to support SSTMI in winning the Malaysia Junior Hockey League in four consecutive years.

To encourage our staff to lead healthy lives, we have implemented our Total Wellness Programme, which we believe benefits not only their health, but also their work performance.




Powering Champions





EMPOWERING OUR PEOPLE

As one of Malaysia's oldest and most respected organisations, TNB employs over 35,000 people who help us serve our customers to the farthest reaches of the country every day. We appreciate each of their contributions to the growth of our business, and in turn, we strive to provide them with a conducive work environment that fulfils their ambitions.



Powering The Workforce

**TNB believes in creating
world-class value in our
people, products and
services.**



The spirit of 1Malaysia lights brightly at TNB.

We continuously foster this spirit of unity through our annual Hari Raya Aidilfitri, Chinese New Year and Deepavali celebrations, hosting open days at our headquarter and all state offices, bringing together Management, employees, stakeholders and other guests.

Our employees are also proud to put their national spirit on display and regularly participate in the country's National Day celebrations.



Powering Unity

UNITED
WE
STAND
TALL





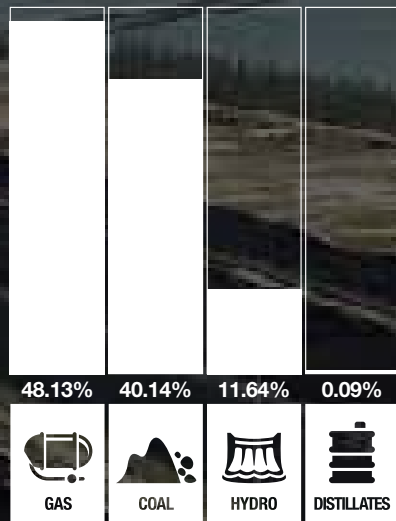
Manjung Unit IV (1x1,010MW) Coal-Fired Power Plant, Manjung, **PERAK**



GENERATION

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

GENERATION FUEL MIX



TOTAL GENERATING CAPACITY

10,818MW



COMPRISING OF:

THERMAL
5,827MW

TNB JANAMANJUNG
3,080MW

HYDRO
1,911MW (INCLUDES MINI HYDROS)



PEAK DEMAND FOR ELECTRICITY IN PENINSULAR MALAYSIA

16,822MW

(APRIL 2015)

2014: 16,901MW



Monopole Tower 132kV, Pulau Besar, MELAKA



TRANSMISSION

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

**ZERO
MAJOR
DISTURBANCE**



**SYSTEM
MINUTES**

0.77

**A WORLD-CLASS
STANDARD**



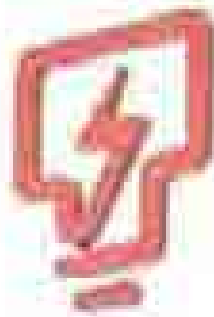
**SYSTEM
AVAILABILITY**

99.73%



**LOW
TRANSMISSION LOSS**

1.47%



**TENAGA
NASIONAL**



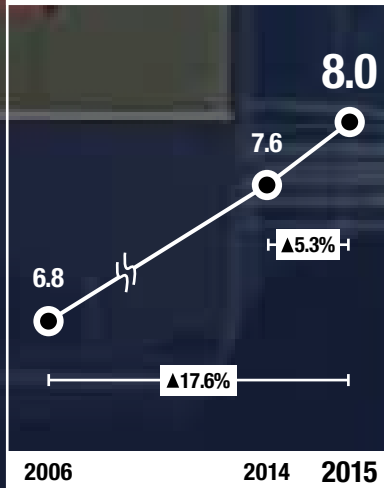
← Training Room
Smart Energy
Room (1-3)
Customer Service
→



DISTRIBUTION

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

CUSTOMER SATISFACTION INDEX



LIGHTING APPROXIMATELY

8.9 MILLION

CUSTOMERS IN PENINSULAR MALAYSIA, SABAH AND LABUAN



ELECTRIFICATION

99.8% PENINSULAR MALAYSIA

95.0% SABAH



SAIDI

2015: **49.7**

MIN/CUST/YEAR

2014: 55.0 MIN/CUST/YEAR

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

our vision

**We Are Committed
To Excellence In
Our Products And
Services**

our mission

NO. OF
EMPLOYEES

35,975
PEOPLE

TNB: 29,602
GROUP: 35,975



ASSETS
FIGURE

RM 117.1
BILLION

IN ASSETS



INSTALLED
CAPACITY

TOTAL INSTALLED CAPACITY:
10,818 MW

COMPRISING OF:
THERMAL = 5,827 MW
TNB JANAMANJUNG = 3,080 MW
HYDRO = 1,911 MW



FACTS AT A GLANCE

CUSTOMER
BASE

APPROXIMATELY
8.9
MILLION

CUSTOMERS IN
PENINSULAR MALAYSIA,
SABAH AND LABUAN

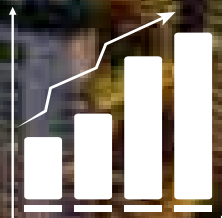


REVENUE
GROWTH

1.2%

SALES OF ELECTRICITY
PENINSULAR* AT 8.4%
SESB AT 9.0%

* Excludes Imbalance Cost Pass-Through



CAPEX

RM 10.8
BILLION

POWER PLANTS
AND SYSTEM
IMPROVEMENTS

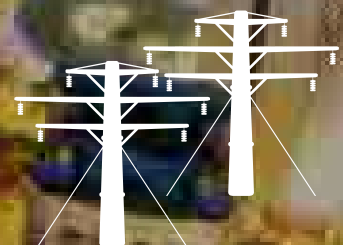


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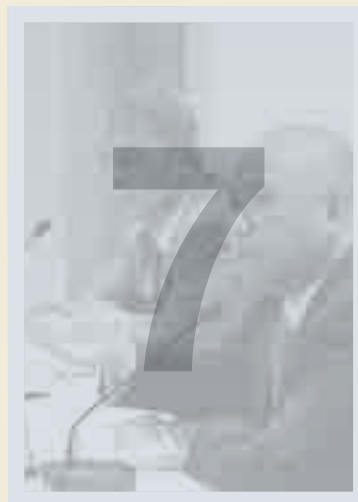
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ABOUT THIS REPORT



Download the Annual Report

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TENAGA NASIONAL BHD (TNB) VIEWS ITS RESPONSIBILITY TO PROVIDE CLEAR, ACCURATE AND TRANSPARENT INFORMATION ABOUT OUR PRIMARY AND ANCILLARY BUSINESS ACTIVITIES VERY SERIOUSLY. THIS INCLUDES PROVIDING BALANCED AND OBJECTIVE DISCLOSURE ABOUT THE WAY OUR OPERATIONS IMPACT SUSTAINABILITY CONSIDERATIONS IN THE AREAS OF THE ECONOMY, THE ENVIRONMENT AND SOCIETY (EES), AS WELL AS INITIATIVES UNDERTAKEN TO REDUCE OUR ENVIRONMENTAL FOOTPRINT. WE ALSO IDENTIFY CHALLENGES AND RISKS THAT MAY AFFECT OUR LONG-TERM PROSPECTS AND HOW WE HAVE ADAPTED OUR STRATEGY BEST PREPARED FOR THE FUTURE.

This report strives to adopt best reporting practices for the industry and is guided by international standards such as the Integrated Reporting framework or the Global Reporting Initiative (GRI). While we will be making the necessary changes to formally comply with these frameworks in the future, this edition of our annual report already contains key elements drawn from these guides. Our future reports will also comply with the new sustainability disclosure requirements issued by the Malaysian Stock Exchange Bursa Malaysia Securities Berhad in October 2015.

For this report, we have identified the key long-term challenges faced by TNB, which include ensuring power supply continues to keep pace with increasing demand. As power generators, our ability to fulfil our role depends on limited resources such as fuel supply as well as the capacity of our existing infrastructure. We are committed to the expansion of our infrastructure and optimising the procurement of fuel supply while simultaneously managing the potential sustainability impact of these activities.

Finally, our annual report also provides detailed information about our Corporate Responsibility (CR) activities that have been designed to make TNB a value-adding organisation within the country. Our hope is that our CR initiatives have made a positive impact in the societies which we serve and that they will contribute to the sustainability of our business, communities and the environment.

NOTICE OF THE 25TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY-FIFTH ANNUAL GENERAL MEETING (“25TH AGM”) OF TENAGA NASIONAL BERHAD (“TNB” OR “THE COMPANY”) WILL BE HELD ON MONDAY, 14 DECEMBER 2015, AT 10.00 A.M. AT DEWAN SERBAGUNA, KOMPLEKS SUKAN TNB, JALAN PANTAI BARU, 59200 KUALA LUMPUR TO TRANSACT THE FOLLOWING BUSINESSES:

AGENDA

AS ORDINARY BUSINESS:

- To receive the Audited Financial Statements for the Financial Year ended 31 August 2015 together with the Reports of the Directors and Auditors thereon.

**(Please refer to Note (i) of the
Explanatory Notes on Ordinary Businesses)**

- To approve the declaration of a final single-tier dividend of 19.0 sen per ordinary share for the Financial Year ended 31 August 2015.

Ordinary Resolution 1

- To approve the payment of Directors’ fees of RM2,278,571.42 for the Financial Year ended 31 August 2015.

Ordinary Resolution 2

- To re-elect Tan Sri Dato’ Seri Chor Chee Heung who was appointed to the Board during the year and retires in accordance with Article 133 of the Company’s Articles of Association.

Ordinary Resolution 3

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

(i) Datuk Seri Ir. Azman bin Mohd;

Ordinary Resolution 4

(ii) Datuk Nozirah binti Bahari.

Ordinary Resolution 5

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

(i) “THAT Tan Sri Leo Moggie who retires in accordance with Section 129(6) of the Companies Act, 1965 (“Act”) be and is hereby re-appointed as Company Director to hold office until the conclusion of the next Annual General Meeting (“AGM”).”

Ordinary Resolution 6

(ii) “THAT Tan Sri Dato’ Seri Siti Norma binti Yaakob who retires in accordance with Section 129(6) of the Act be and is hereby re-appointed as Company Director to hold office until the conclusion of the next AGM.”

Ordinary Resolution 7

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

Ordinary Resolution 8

AS SPECIAL BUSINESS:

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

- Specific authority for the Directors to issue shares pursuant to the Long Term Incentive Plan for the Eligible Employees of TNB and Its Subsidiaries and Executive Directors of TNB (“LTIP”).

“THAT pursuant to the LTIP as approved at the Extraordinary General Meeting (“EGM”) of the Company held on 18 December 2014, approval be and is hereby given to the Directors to allot and issue from time to time such number of new ordinary shares of RM1.00 each in TNB (“TNB Shares”) as may be required to be issued to the Selected Employees who have accepted the grant (“Grants”) pursuant to the vesting of the Grants under the LTIP, provided always that the total number of new TNB Shares to be allotted and issued shall not in aggregate exceed 10% of the issued and paid-up ordinary share capital of TNB (excluding treasury shares) at any point in time during the duration of the LTIP and that such new TNB Shares shall, upon allotment and issuance, rank equally in all respects with the then existing issued TNB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other distributions, for which the entitlement date is prior to the date on which the new TNB Shares are credited into the central depository system accounts of the respective Selected Employees who have accepted the Grants, upon vesting of their Grants under the LTIP.”

Ordinary Resolution 9

- Proposed Grant and Allotment of Shares to Datuk Seri Ir. Azman bin Mohd.

“THAT the Board be and is hereby authorised at any time and from time to time, to cause or procure the offering and the allocation to Datuk Seri Ir. Azman bin Mohd, the President/Chief Executive Officer of the Company, of up to 3,900,000 TNB Shares under the LTIP as they shall deem fit, which will be vested to him at a future date, subject always to such terms and conditions of the By-Laws of the LTIP.”

“AND THAT the Board be and is hereby authorised to allot and issue new TNB shares pursuant to the LTIP to him from time to time pursuant to the vesting of his Grant.”

Ordinary Resolution 10

NOTICE OF THE 25TH ANNUAL GENERAL MEETING

10. Proposed Continuation in Office as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012:

“THAT Dato’ Zainal Abidin bin Putih who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby authorised to continue to act as an Independent Non-Executive Director of the Company to hold office for the next three (3) years until the conclusion of the AGM 2018.”

Ordinary Resolution 11

11. Proposed renewal of authority for the purchase by the Company of its own shares:

“THAT subject to compliance with the Act, the Company’s Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) and all other applicable laws, guidelines, rules and regulations for the time being in force or as may be amended from time to time, and the approvals from all relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company’s issued and paid-up share capital through Bursa Malaysia Securities Berhad (“BMSB”) upon such terms and conditions as the Directors of the Company (“Board”) may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total issued and paid-up share capital of the Company (“Proposed Share Buy-Back”);
- (ii) the maximum amount of funds to be utilised for the purpose of the Proposed Share Buy-Back shall not exceed the Company’s aggregate retained profits and/or share premium account at the time of purchase be allocated by the Company for the Proposed Share Buy-Back;
- (iii) the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:
 - (a) the conclusion of the next AGM of the Company at which time the authority shall lapse unless by an ordinary resolution passed by the shareholders of the Company in a general meeting, the authority is renewed either unconditionally or subject to conditions;
 - (b) the expiry of the period within which the next AGM of the Company is required by law to be held;
 - (c) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier.”

“AND THAT authority be and is hereby given to the Board to decide in its discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares or to cancel them or a combination of both and/or to resell them on BMSB and/or to distribute them as share dividends.”

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

Ordinary Resolution 12

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

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 25th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. (“Bursa Depository”) in accordance with Article 87(B)(1) of the Company’s Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 (“SICDA”) to issue a General Meeting Record of Depositors (“ROD”) as at 7 December 2015. Only a depositor whose name appears on the ROD as at 7 December 2015 shall be entitled to attend the said Meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Members at the 25th AGM to be held on 14 December 2015, a final single-tier dividend of 19.0 sen per ordinary share for the Financial Year ended 31 August 2015 will be paid on 31 December 2015 to Depositors whose names appear in the ROD on 17 December 2015.

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

- (a) shares transferred into the Depositor’s securities account before 4.00 p.m. on 17 December 2015 in respect of ordinary transfers; and
- (b) shares bought on BMSB on a cum entitlement basis according to the Rules of the BMSB.

BY ORDER OF THE BOARD

NORAZNI BINTI MOHD ISA

(LS 0009635)
Company Secretary

Kuala Lumpur
20 November 2015

NOTICE OF THE 25TH ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

(i) **Agenda No. 1** is meant for discussion only as the provision of Section 169(1) of the Act does not require shareholders' approval for the Audited Financial Statements. As such, it is not put forward for voting.

(ii) **Ordinary Resolution 3 – Proposed Re-election of Director**

The Board and Board Nomination and Remuneration Committee ("BNRC") have conducted an assessment on the independence of all Independent Directors including Tan Sri Dato' Seri Chor Chee Heung and are satisfied that he has complied with the independence criteria as required by the MMLR and continues to bring independent and objective judgment to the Board deliberations.

(iii) **Ordinary Resolution 7 – Proposed Re-appointment of Director in accordance with Section 129(6) of the Act**

The Board and BNRC have conducted an assessment on the independence of all Independent Directors including Tan Sri Dato' Seri Siti Norma binti Yaakob and are satisfied that she has complied with the independence criteria as required by the MMLR and with the skills, competency, contribution and independent judgment that she brings to the Board. She demonstrated that she is independent of management and free from any business or other relationship of which could interfere with the exercise or the ability to act in the best interest of the Company.

The Board and BNRC have also considered the evaluation of Tan Sri Dato' Seri Siti Norma binti Yaakob and Tan Sri Dato' Seri Chor Chee Heung and agree that they have met the Board's expectation in terms of experience, expertise, integrity, competency and time commitment by continuously performing their duties diligently as Directors of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESSES:

(i) **Ordinary Resolution 9 – Specific Authority for the Directors to Issue Shares pursuant to the LTIP**

The proposed Ordinary Resolution, if passed, is to empower the Directors to issue shares in the Company at any time and in accordance with the terms and conditions of the LTIP, which was approved at the EGM of the Company held on 18 December 2014.

(ii) **Ordinary Resolution 10 – Proposed Grant and Allotment of Shares to Datuk Seri Ir. Azman bin Mohd**

The proposed Ordinary Resolution, if passed, is to empower the Directors at any time and from time to time to cause or procure the offering and the allocation to Datuk Seri Ir. Azman bin Mohd, the President/Chief Executive Officer of the Company, of up to 3,900,000 TNB Shares as they shall deem fit, which will be vested

to him at a future date, subject always to such terms and conditions of the By-Laws of the LTIP, which was approved at the EGM of the Company held on 18 December 2014.

(iii) **Ordinary Resolution 11 – Proposed Continuation in Office as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012**

For the Financial Year ended 31 August 2015, the Board and the BNRC have assessed the independence of Dato' Zainal Abidin bin Putih, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommend for Dato' Zainal Abidin bin Putih to continue to act as Independent Non-Executive Director of the Company to hold office for the next three (3) years until the conclusion of the AGM 2018 based on the following justifications:

- (a) the criteria of the definition of an Independent Director as stated in the MMLR has been fulfilled;
- (b) his vast experience and expertise enables the Board to discharge its duties effectively and in a competent manner;
- (c) he has exercised due care diligence during his tenure in the best interest of the Company by providing independent view to the deliberations and decision makings of the Board and the respective Board Committees of which he is involved in;
- (d) he understands the Company's business operations and the electricity industry that allows him to participate actively during the deliberations/discussions of the Board and respective Board Committees meetings;
- (e) he has proven to be a reliable Independent Director with his professionalism aptitude and outlook of business perspective, devoted sufficient time and attention to his professional obligations for informed and balance decision making.

(iv) **Ordinary Resolution 12 – Proposed Renewal of Share Buy-Back Authority**

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

Information on the Proposed Renewal of Share Buy-Back Authority is set out in the Statement to Shareholders dated 20 November 2015 dispatched together with the 2015 Annual Report.

NOTICE OF THE 25TH ANNUAL GENERAL MEETING

Additional Information on Ordinary Resolutions 3 to 7 and 11

Additional Information on the particulars of the retiring Directors, as required under Appendix 8A of the MMLR is detailed out in the Statement Accompanying Notice of 25th AGM in the Annual Report.

NOTES:

1. Only members registered in the ROD as at 7 December 2015 shall be eligible to attend the AGM or appoint proxy to attend and vote on their behalf.
2. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that, where a member is an authorised nominee as defined in accordance with the provisions of the SICDA, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
5. The instrument appointing a proxy/Proxy Form shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy/Proxy Form is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
6. A corporation which is a member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting in accordance with Article 107(6) of the Company's Articles of Association.
7. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the Meeting or **no later than 12 December 2015 at 10.00 a.m.**
8. Every question submitted to any general meeting shall be decided in the first instance by a show of hands by members present and being entitled to vote at the general meeting and in the case of an equality of votes the Chairman (unless he is not the Chairman of the Board of Directors) shall, both on a show of hands by members present and being entitled to vote at the general meeting and at a poll, have a casting vote in addition to the vote or votes to which he may be entitled as a member.
9. At any general meeting unless a poll is demanded by the Chairman or by at least five (5) members present in person or proxy and being entitled to vote at the general meeting or attorney or by any member or members holding or representing by proxy or power of attorney not less than one-tenth (1/10) of the issued share capital of the Company and entitled to vote in respect thereof, a declaration by the Chairman that a resolution has been carried or carried unanimously or carried by a particular majority or lost, or not carried by a particular majority or lost and an entry to that effect in the minutes of the proceedings of the Meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes given for or against such resolution.
10. The demand for a poll may be withdrawn. Unless a poll be so demanded, it shall be taken in such manner and at such time and place as the Chairman of the Meeting directs and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.
11. A poll demanded on the election of a Chairman of a meeting and a poll demanded on a question of adjournment shall be taken at the Meeting without adjournment. In the case of any dispute as to the admission or rejection of a vote the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.
12. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the business on which a poll has been demanded.

Registration of Members/Proxies

Registration of members/proxies attending the Meeting will be from 7.00 a.m. on the day of the Meeting. Members/proxies are required to produce identification documents for registration.

STATEMENT ACCOMPANYING NOTICE OF THE 25TH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

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

- (i) Tan Sri Dato' Seri Chor Chee Heung

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

- (i) Datuk Seri Ir. Azman bin Mohd
- (ii) Datuk Nozirah binti Bahari

The Directors who are standing for re-appointment in accordance with Section 129(6) of the Companies Act, 1965:

- (i) Tan Sri Leo Moggie
- (ii) Tan Sri Dato' Seri Siti Norma binti Yaakob

The Director who is standing for continuation in office as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012:

- (i) Dato' Zainal Abidin bin Putih

The profiles of the above Directors are set out in the Profile of Directors on pages 81 to 90 of this Annual Report. The details of their shareholdings in the Company or its subsidiaries (if any) are set out in the Directors' Report on page 150 of the Audited Financial Statements of this Annual Report.

FINANCIAL CALENDAR

YEAR
2015

ANNOUNCEMENT OF QUARTERLY RESULTS

22 January 2015

Unaudited consolidated results for the first (1st) quarter ended 30 November 2014

27 April 2015

Unaudited consolidated results for the second (2nd) quarter ended 28 February 2015

30 July 2015

Unaudited consolidated results for the third (3rd) quarter ended 31 May 2015

29 October 2015

Audited consolidated results for the fourth (4th) quarter and Financial Year ended 31 August 2015

DIVIDEND

Notice of Book Closure – 30 April 2015

Entitlement Date – 20 May 2015

Payment Date – 29 May 2015

Interim Single-Tier Dividend of 10.0 sen per ordinary share for the Financial Year ending 31 August 2015

ANNUAL GENERAL MEETING

20 November 2015

Notice of 25th Annual General Meeting and Issuance of Annual Report for the Financial Year ended 31 August 2015

14 December 2015

25th Annual General Meeting

YEAR
2014

DIVIDEND

Notice of Book Closure – 20 November 2014

Entitlement Date – 19 December 2014

Payment Date – 31 December 2014

Final Single-Tier Dividend of 19.0 sen per ordinary share for the Financial Year ended 31 August 2014

ANNUAL GENERAL MEETING & EXTRAORDINARY GENERAL MEETING

21 November 2014

Notice of 24th Annual General Meeting and Issuance of Annual Report for the Financial Year ended 31 August 2014

Notice of Extraordinary General Meeting for the proposed establishment of a Long Term Incentive Plan for the Eligible Employees of TNB and Its Subsidiaries and Executive Directors of TNB

18 December 2014

24th Annual General Meeting
Extraordinary General Meeting

INVESTOR RELATIONS

TNB WELCOMES YEAR 2015 WITH THE COMMENCEMENT OF INCENTIVE BASED REGULATION (IBR) FIRST REGULATORY PERIOD.

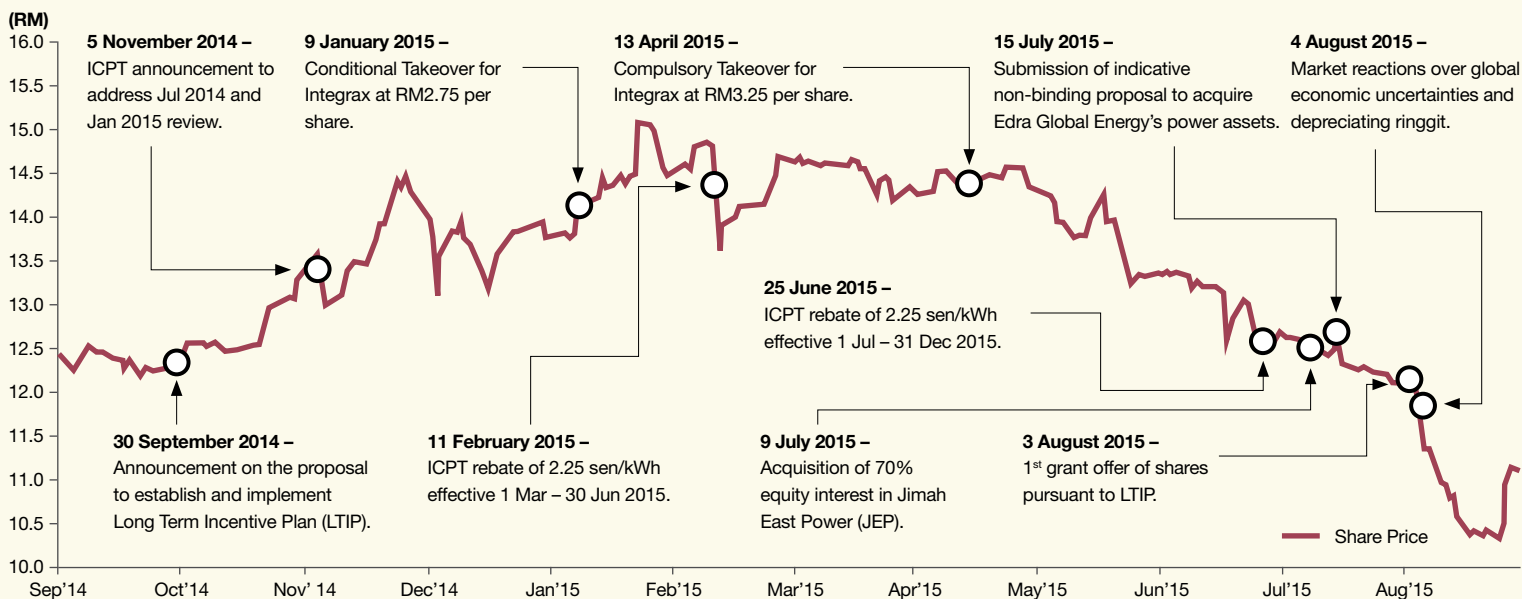
The IBR prominently signified the success of the Malaysian Electricity Supply Industry (MESI) transformation initiatives. The IBR framework was specifically designed to drive efficiency, reduce costs and improve service levels of the electricity industry regulated business entities. This is in line with TNB's unwavering commitment towards quality and our pledge to better serve our customers.

The implementation of Imbalance Cost Pass-Through (ICPT) mechanism under the IBR became the main headline of the year. The ICPT, as stipulated in the Regulatory Implementation Guidelines (RIGs), effectively insulates TNB from any variability in fuel prices both coal and gas. It ensures that all actual costs of procuring electricity will flow through to the customers via the electricity tariff. Financial Year 2015 Financial Statements have fully recognised the impact of ICPT adjustments.

Despite the positive impacts from IBR and ICPT to TNB, Financial Year 2015 brought many challenges to the Group, mainly stemmed from the global economic uncertainties and ringgit depreciation. Whilst actively managing these challenges, TNB at the same time recognised underlying opportunities made available in the market that fit with the Group's business model and investment policy. These opportunities were then diligently assessed and some translated into successful acquisitions, that in all positively expand the Group's business portfolio and enhance total shareholders value.

Throughout the year, TNB's proactive engagements with the financial community had enabled it to disseminate critical information pertaining to the Group in an accurate, consistent, transparent and timely manner; towards facilitating informed decision made by our shareholders and prospective investors.

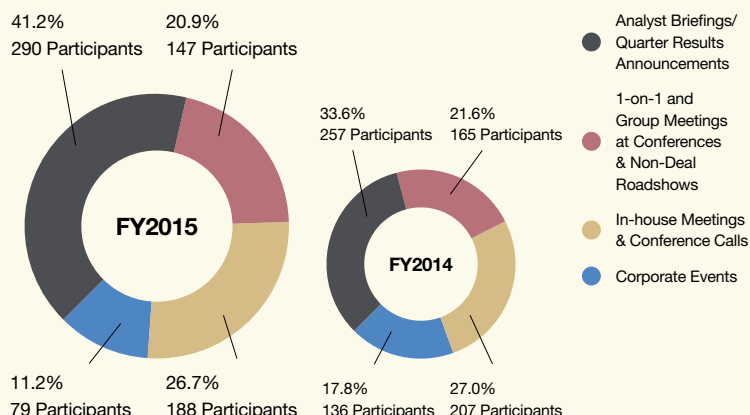
SIGNIFICANT EVENTS



ENGAGEMENT ACTIVITIES

Through our Investor Relations (IR) platforms, TNB maintained an open channel of communication with the financial community in order to provide in-depth information on the Group's financial and operational performances, together with outlook on our business strategies and directions. With various significant events that took place during the year, TNB interacted actively with both local and foreign based analysts and fund managers in order to allow them to make the best investment decision possible under the current circumstances.

Engagement Activities in FY2015



INVESTOR RELATIONS

Financial Year 2015 IR Annual Programme

The IR Annual Programme approved at the beginning of Financial Year 2015 focused on effective shareholders engagements globally, through various events that included conferences as well as non-deal roadshows in collaboration with selected research houses, locally and internationally. Encouraging participation from the financial community in these events indicated sustained interests towards the Group and investors' confidence on TNB's fundamentals.

| FINANCIAL & IR CALENDAR FY2015 | | 10 September 2014 |
|-----------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------|
| | | Site Visit Airport Cooling Energy Supply (ACES) KLIA2 |
| 31 October 2014 | 18-19 November 2014 | 18 December 2014 |
| 4 th Quarter FY2014 Analyst Briefing | Daiwa Investment Conference, Hong Kong | 24 th Annual General Meeting |
| 22 January 2015 | 4-6 February 2015 | 13 February 2015 |
| 1 st Quarter FY2015 Analyst Briefing | Maybank NDR, Singapore | Briefing on ICPT Review |
| 3-5 March 2015 | 11-13 March 2015 | 27 April 2015 |
| 9 th Annual Daiwa Investment Conference, Tokyo | CLSA Asean Forum, Bangkok | 2 nd Quarter FY2015 Analyst Briefing |
| 18-20 May 2015 | 30 July 2015 | 17-21 August 2015 |
| Deutsche Bank Access Asia Conference, Singapore | 3 rd Quarter FY2015 Analyst Briefing | Macquarie NDR Frankfurt, Paris, London |

RELATIONSHIP BUILDING WITH FINANCIAL COMMUNITY

Our corporate website has a dedicated section on Investor Relations which provides current and historical information relevant to the financial community, amongst others – Bursa Malaysia Announcements, Changes in Shareholdings, Press Release, Newsclips and Conference Materials. In addition, any queries, request for meetings, clarification on matters related to TNB IR can be directed to tenaga_ird@tnb.com.my.

As part of TNB's effort for continuous improvement, we welcome feedback on our IR initiatives and services provided through our bi-annual IR survey.

ANALYST COVERAGE

TNB increased coverage by the core analysts from local and foreign sell-side equity research houses reflected the sustained financial community interests on TNB. As at August 2015, there were 27 research houses keeping the stock under coverage with 21 of them on a BUY call, which denotes strong support towards TNB. The lists of research houses are as follows:

| | | |
|--------------------------|---------------------------------------|-------------------------|
| Affin Hwang Capital | Deutsche Bank | Merrill Lynch |
| Alliance DBS Research | HongLeong Investment Bank Research | MIDF Research |
| Am Research | HSBC Global Research | Morgan Stanley Research |
| BIMB Securities Research | JP Morgan | Nomura Research |
| BNP Paribas | KAF – Seagroatt & Campbell Securities | UOB Kay Hian |
| CIMB | Macquarie Research | Public Invest Research |
| Citi Research | M & A Securities | RHB |
| CLSA | Maybank IB Research | TA Securities |
| Credit Suisse | Kenanga | UBS Global Research |

CREDIT RATING

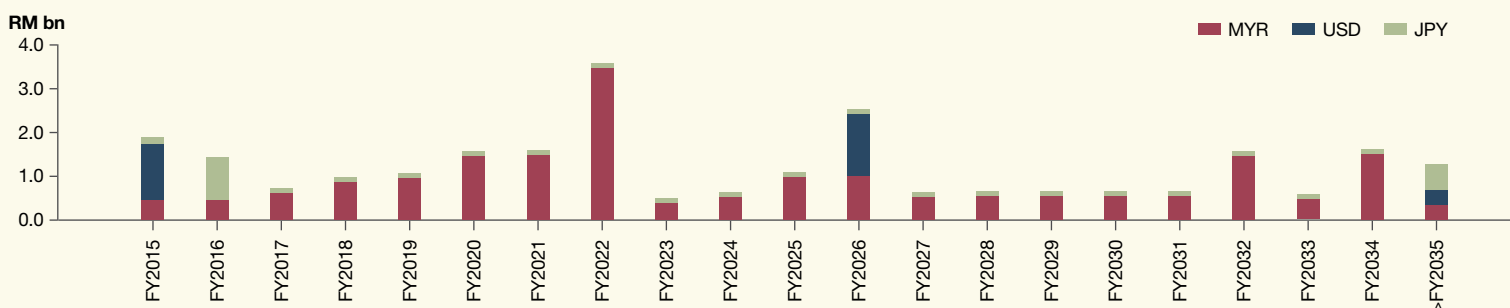
Continuous engagement with the Credit Rating agencies ensures accurate and fair ratings being designated to TNB. The year under review saw IR active engagement with four rating agencies; locally and internationally. In December 2014, Moody's upgraded TNB from Baa1 to A3 to reflect TNB's dominant market position in MESI and favourable regulatory environment following the implementation of the IBR.

| Local Rating Agency | | International Rating Agency | |
|--------------------------------------------|-----------------------------|------------------------------------------|----------------|
| Issuer Rating | | Issuer Rating | |
| RAM Ratings Services Berhad (RAM) | AAA Stable | Standard & Poor's Ratings Services (S&P) | BBB+ Stable |
| Malaysian Rating Corporation Berhad (MARC) | AAA _{ID} Stable | Moody's Investors Service (Moody's) | A3 Positive |

INVESTOR RELATIONS

DEBT MATURITY PROFILE

The Group has always maintained prudent debt management with regards to our debt facilities, as illustrated by the following Group Debt Maturity Profile. During the year under review, the Group had settled the US Dollar bonds matured on 5th May 2015.

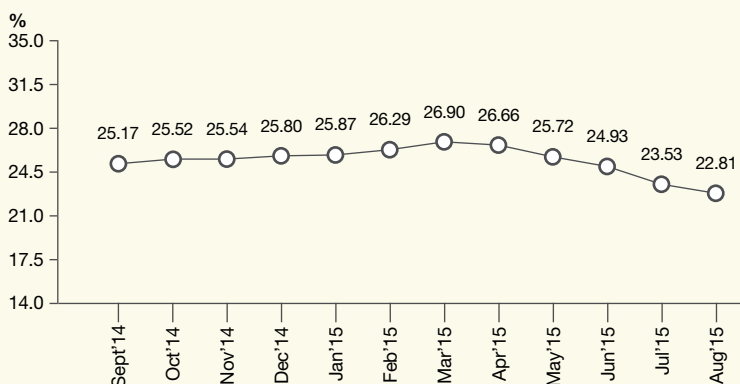


SHAREHOLDER BASE

Performance of Shares

TNB's market capitalisation as at 28 August 2015 stood at RM63.1 billion, ranking it as the third largest corporations listed on the Main Market of Bursa Malaysia. TNB's shareholders are Government agencies, corporations, institutional and private shareholders. On top of this, foreign shareholdings as at 28 August 2015 stood at 22.81%.

Foreign Shareholding



COMMITMENT TO LONG-TERM VALUE FOR SHAREHOLDERS – Dividend

TNB's commitment to its shareholders is further reiterated through the Group's Dividend Policy, which plans to provide stable and sustainable dividends to shareholders while maintaining an efficient capital structure and ensuring sufficient funding for future growth.

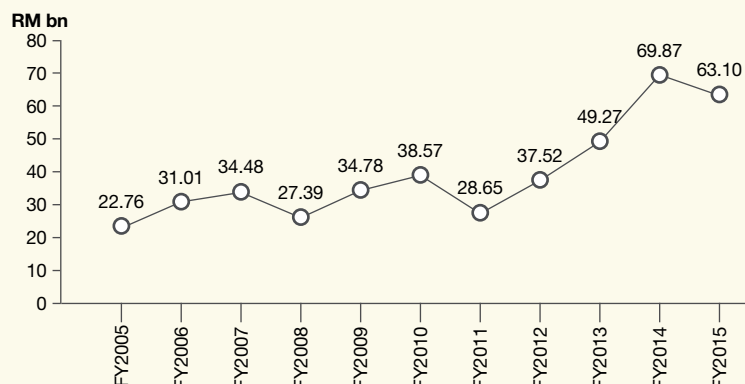
TNB is committed to pay out dividend based on our Dividend Policy whereby:

Dividend is paid out based on **40%-60% of its Company's Annual Free Cashflow** [Cashflow from Operations less Normalised Capex* and Interest Servicing]

* excludes capital expenditure for new generation planting up projects

| | Dividends Per Share | Earnings Per Share | Market Capitalisation |
|--------|---------------------|--------------------|-----------------------|
| FY2015 | 29.00 sen | 108.41 sen | RM63.1 bn |
| FY2014 | 29.00 sen | 114.59 sen | RM69.9 bn |

Market Capitalisation

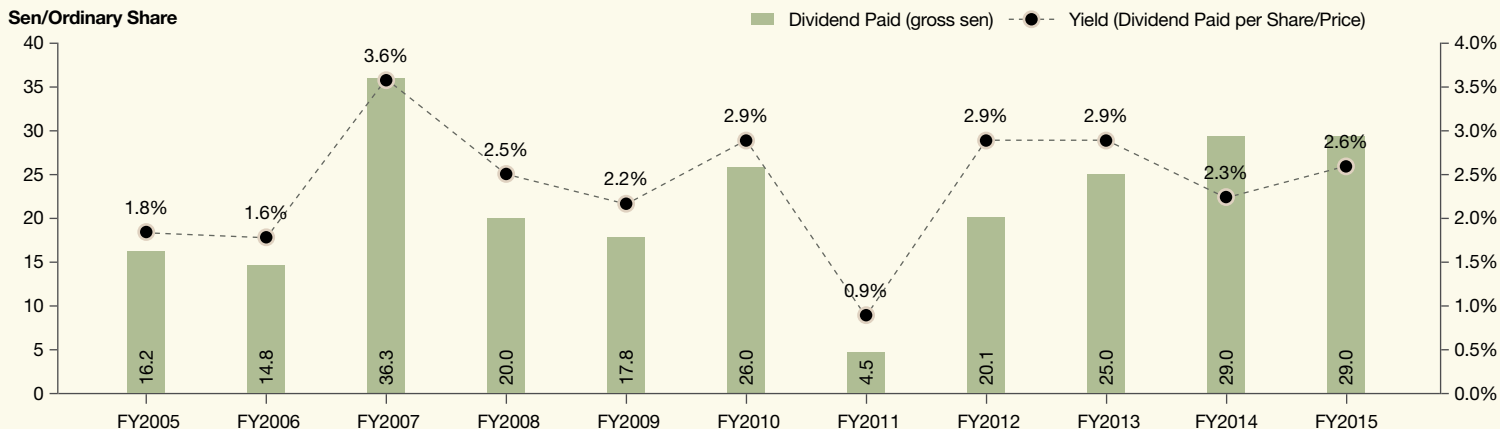


TNB has been rewarding its shareholders with cash returns on a regular basis through the declaration of interim dividend and final dividend in each financial year. In Financial Year 2015, the details of the dividends are:

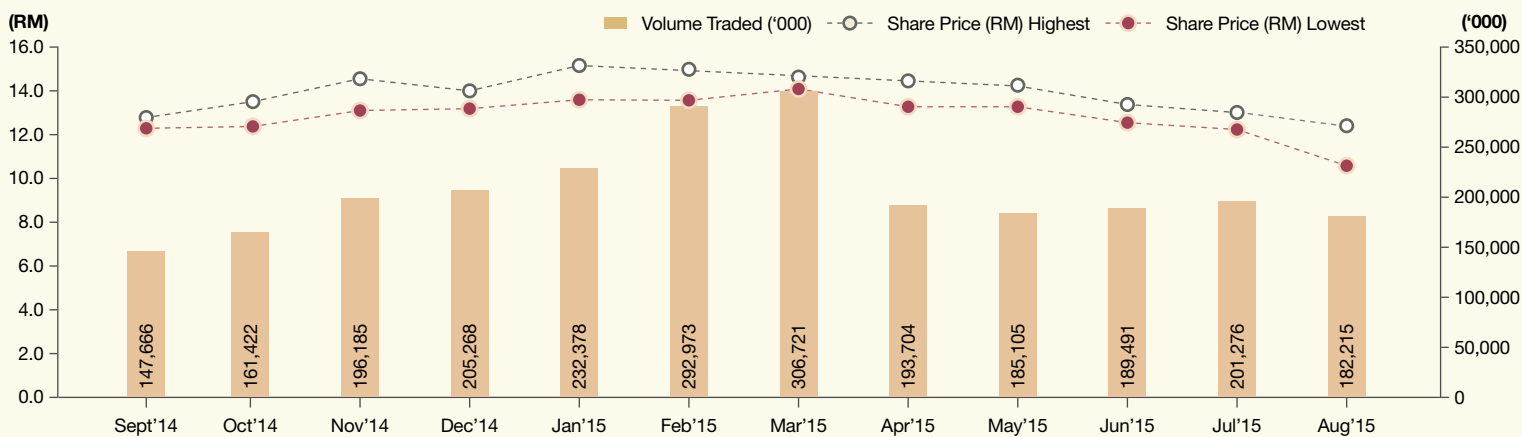
- A single-tier interim dividend of 10.0 sen per ordinary share amounting to RM564.4 million (paid in May 2015); and
- A proposed single-tier final dividend of 19.0 sen per ordinary share subject to shareholders' approval.

The total dividend payout of 29.0 sen per ordinary share represents a dividend yield of 2.6% based on the closing price of RM11.18 as at end August 2015. For the year under review, the total dividend payout of RM1,072.3 million represents 49.2% of the Company's free cash flow.

INVESTOR RELATIONS

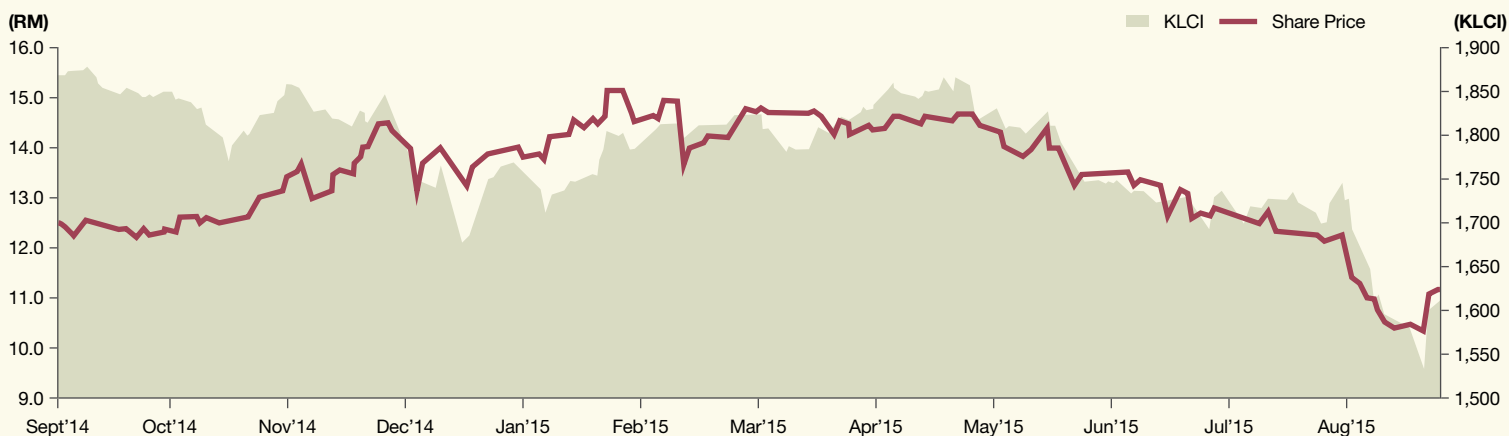


TNB Share Price Movement And Monthly Volume Traded



| | Sept'14 | Oct'14 | Nov'14 | Dec'14 | Jan'15 | Feb'15 | Mar'15 | Apr'15 | May'15 | Jun'15 | Jul'15 | Aug'15 |
|--------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Share Price (RM) Highest | 12.54 | 13.36 | 14.52 | 14.06 | 15.10 | 14.88 | 14.72 | 14.60 | 14.30 | 13.40 | 12.74 | 12.24 |
| Share Price (RM) Lowest | 12.20 | 12.32 | 13.00 | 13.10 | 13.76 | 13.64 | 14.20 | 13.24 | 13.24 | 12.56 | 12.12 | 10.36 |

TNB Share Price Performance vs. FBM KLCI (Sept 2014 – Aug 2015)





Tan Sri Leo Moggie
Chairman

CHAIRMAN'S LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

I AM PLEASED TO PRESENT TO YOU TENAGA NASIONAL BERHAD'S (TNB) ANNUAL REPORT 2015.

THE MALAYSIAN POWER INDUSTRY ARRIVED AT AN IMPORTANT MILESTONE THIS PAST YEAR. AT THE START OF 2015, THE INCENTIVE-BASED REGULATION (IBR) FRAMEWORK COMPLETED ITS FIRST FULL YEAR OF IMPLEMENTATION. THIS FOLLOWED THE GOVERNMENT'S INTRODUCTION OF THE MALAYSIAN ELECTRICITY SUPPLY INDUSTRY (MESI) REFORM PROGRAMME IN 2009.

The IBR framework, which has resulted in the implementation of the Imbalance Cost Pass-Through (ICPT) mechanism, is now well into its second year. We, at TNB, have since been able to fully take stock of the developments within our industry, and are pleased to report positive results thus far.

You will recall that under the IBR, Suruhanjaya Tenaga (ST or the Energy Commission) has been tasked with monitoring the technical, financial and operational performance of our Single Buyer, System Operator, Transmission and Distribution Divisions. Under the ICPT, fuel and other generation costs will be reviewed every six months to reflect changes in actual fuel costs and actual generation-specific costs against a benchmark forecast cost incorporated in the base tariff.

While this new landscape has presented our Company with increased competition and regulatory oversight, we welcome the increased transparency in the industry. We are confident of accomplishing continued and sustainable growth and creating shareholder value. This will be achieved both by maintaining our position as the dominant player in Malaysia's electricity industry as well as by capitalising on growth opportunities in foreign markets.

Ensuring Shareholder Returns

TNB's results for the financial year ended 31 August 2015 (FY2015) illustrate our continued focus on ensuring shareholder returns and exercising prudence in our financial management:-

| | YoY | FY2015 | FY2014 |
|--------------------|--------|--------------------|--------------------|
| Revenue | +1.2% | RM43,286.8 million | RM42,792.4 million |
| Operating Expenses | -2.2% | RM35,483.4 million | RM36,265.1 million |
| EBITDA Margin | +14.2% | 32.2% | 28.2% |

Additionally, our Company has seen limited impact from the depreciation of the ringgit this past year. We are fortunate that our exposure to foreign funds is relatively low. As at the end of FY2015, TNB's foreign currency denominated loans accounted for 22% of TNB's total borrowings, which is lower than the debt currency split limit of 25% set internally. We wish to highlight that this limit was set to protect TNB's profit from material adverse movements due to changes in foreign exchange rates. We have also been borrowing in ringgit as part of our initiative to mitigate risk on exposure to foreign currencies.

Furthermore, the impact of currency movements on the costs of our fuel components has been mitigated in part by the implementation of the ICPT. Via the ICPT, any variance in fuel prices within a six-month period due to the exchange rate will be passed through during the tariff review in the following six-month period.

On behalf of the Board, I would like to stress that your expectations on TNB's financial performance are of paramount importance. We will continuously ensure that TNB remains financially sound and its balance sheet robust so as to achieve long-term sustainability and realise its potential for future growth.

TNB is committed to pay out dividend based on our Dividend Policy of a 40-60% payout of our annual net cash flow after interest servicing and normalised capital expenditure.

Unlocking Future Growth Potential

With your support, we have developed concrete plans to leverage our 66 years of industry expertise to ensure TNB remains the dominant electricity company in Malaysia. We aim to maintain this trajectory for years to come and continue contributing to the development of our country even as the Malaysian market matures. To this end, we have put in place the necessary governance measures to ensure shareholders' interests are protected and enhanced.

CHAIRMAN'S LETTER TO SHAREHOLDERS



Tan Sri Leo Moggie explaining to young visitors details of a solar car built by UNITEN students

Nurturing Sustainable Growth

In exercising Corporate Responsibility, we seek not only to give back to the community, but also to instil pride in your participation in our Company's ownership.

As a utility firm, we remain sensitive to the impact of our business on the environment. In fostering a sustainable future for our Company as well as for the community, we have adopted a robust governance structure and environmental policy as part of our daily activities. Among efforts that we take most pride in is our "Tree for a Tree" programme, in which we plant new trees for each tree felled in the course of our operations. During the year, we planted more than 1,000 seedlings, and have planted over 4,500 trees since we introduced the programme in 2009.

In view of our environmental concerns and expectations on the future industry landscape, renewable energy (RE) is another area we are paying close attention to. In this respect, we are currently responsible for signing Renewable Energy Purchase Agreements with RE producers and for the administration of the Feed-in Tariff, which funds the supply of RE onto the National Grid. We are, however, conscious that the current level of RE technology and associated costs may not yet allow for rapid expansion of the sector at this time.

Acknowledgements

On behalf of the Board of Directors, I would like to take this opportunity to express our appreciation to the Government and regulatory bodies, in particular the Ministry of Energy, Green Technology and Water as well as the Energy Commission for their guidance. We also extend our utmost gratitude to you, our shareholders, for your unwavering support, as well as to our suppliers, contractors and vendors for their role in ensuring continuous delivery of their respective contractual obligations.

I would also like to acknowledge the contributions of the TNB Management Team, led by Datuk Seri Ir. Azman bin Mohd, and the entire workforce in achieving operational excellence. To my esteemed colleagues on the Board of Directors, I offer a note of personal thanks for their cooperation and joint stewardship in overseeing our Company.

Tan Sri Leo Moggie
Chairman





Datuk Seri Ir. Azman Bin Mohd
President/Chief Executive Officer

CEO'S STRATEGIC & OPERATIONAL REVIEW

TO THE VALUED SHAREHOLDERS OF TENAGA NASIONAL BERHAD:

I AM DELIGHTED TO SHARE THAT YOUR COMPANY ACHIEVED YET ANOTHER OUTSTANDING PERFORMANCE IN THE FINANCIAL YEAR 2015 (FY2015).

| | | | | | |
|-------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------|
| Sales of Electricity RM43,457.6 mil YoY +8.1% | Fuel Cost RM16,272.1 mil YoY -9.6% | Operating Profit RM8,627.6 mil YoY +20.1% | Return on Assets 6.6% YoY +6.5% | Return on Shareholders' Equity 16.3% YoY +3.2% | Gearing 34.2% YoY -7.3% |
|-------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------|

TNB's financial performance during the year demonstrates your company's ability to deliver sustained, stable earnings. This has been guided by our mission of "Making our World Better. Brighter.", a plan that is anchored on cementing the long-term sustainability of your company. At the same time, I am confident of TNB's prospects for future growth and more importantly, of its potential to provide you with greater shareholder value through our aspiration of becoming a Domestic and Regional Champion (DRC).

Building Value in Your Shareholdings

Last year, we saw the implementation of the Incentive-Based Regulation (IBR) framework and the Imbalance Cost Pass Through (ICPT) mechanism. I am pleased to note that the IBR has helped achieve steady returns for your company, while the ICPT will strengthen its resilience. In the year under review, the implementation of the ICPT allowed us to recover the additional cost of RM280 million due to the Malaysian Government's decision to increase domestic gas prices to the power sector beginning 1 July 2015. We are confident that continued ICPT implementation in the future will ensure stability in our sector, as we expect the Malaysian Government to continue to rationalise the subsidised domestic gas prices.

Going forward, achieving sustainable and continued growth for your company will lie in expansion, both domestic and foreign. Rest assured, any acquisition of assets will hold firmly to the objective of maximising shareholder value.

With your interests at heart, we will exercise impeccable standards of transparency and governance when evaluating prospective acquisitions. Commercial considerations will be emphasised above all. It is also vital to us that we only enter into ventures close to the electricity business which we know best.

The year in review introduced bountiful opportunities for the acquisition of assets aligned with our growth aspirations. We are optimistic of the value these opportunities will inject into your shareholdings by contributing to continued stable earnings going forward and ensuring your company's long-term sustainability.

Domestically, we have seen a few assets on offer which we believe are part of our core business and present opportunities to build on your company's intrinsic value. These include our takeover of the development of the 2,000MW coal-fired power plant in Jimah, Negeri Sembilan, known as Project 3B. This project will represent another step in the renewal of our domestic generation fleet, complementing amongst others, the Manjung Unit IV 1,010MW coal-fired power plant recently commissioned in April 2015 and the Prai 1,071MW gas-fired power plant which is scheduled to be completed in January 2016. All in all, we are excited at the prospect of having about 5,500MW of new generation capacity added to our fleet between 2015 and 2019.

We are also exploring several opportunities for expansion beyond our shores, especially those within the emerging economies. This is in line with our DRC aspiration of adding 5,000MW of regional capacity onto our asset list.

These capacity-building efforts, coupled with TNB's strong fundamentals, have made your company well-placed to capitalise on growth opportunities and expand further. In upholding our responsibility in protecting and preserving the environment, as well as in practising accountability towards all our stakeholders, we also remain committed to growing our Renewable Energy (RE) portfolio. This is also in line with the Government's plans to focus on green growth under the 11th Malaysia Plan, which has outlined initiatives including promoting RE to achieve sustainable and resilient socio-economic development.

It is my hope that you share in my enthusiasm for your company's prospects, which I believe are very bright indeed. Its performance this past year illustrates that we are on track with our plans of transforming into a DRC and Making our World Better. Brighter. This will require intensive efforts in enhancing our human resource capabilities and ensuring the needs of our customers remain at the forefront of our activities.

CEO'S STRATEGIC & OPERATIONAL REVIEW



Datuk Seri Ir. Azman bin Mohd addressing employees during the monthly assembly

Investing in Our Employees

We are proud of our employees and believe that we have now built one of the best teams to achieve our growth target. Nonetheless, going forward, we will require a greater number of capable leaders to meet our growth aspirations. This will ensure we are fully prepared to harness the opportunities that are upon us, both at home and abroad. It is also imperative that we spare no effort in enriching our human resource capabilities lest we run the risk of missing out on valuable opportunities to grow.

In view of this, we are going to great lengths to invest in our employees, with enhancements being instituted at a rapid pace. This will also be crucial to catalyse the cultural shift needed among our employees in line with the perspective of a growing organisation.

During the year in review, we embarked on an aggressive Leadership Development Programme to discover, develop and deploy leaders in our organisation, put in place a Leadership Development Centre and launched a Leadership Drive to identify employees who possess the potential to lead your Company to new horizons.

As part of the Leadership Development Programme, talent will be honed and developed through targeted intervention plans. These include the provision of Master of Business Administration (MBA) scholarships, leadership development courses or participation in exchange programmes with external partner companies and Government agencies. Selected individuals will also be sent on assignments to our subsidiaries in domestic and foreign operations, with postings to be rotated every three years.

We are also focused on fostering technical talent to help support our aspirations for growth. This is cultivated through industrial-grade technical training and certifications supported by our subsidiary, TNB Integrated Learning Solution Sdn. Bhd. (ILSAS). ILSAS not only provides its services in-house but also to external customers such as technical personnel from both Malaysian and international utilities.

We believe that these efforts will not only build our own talent pipeline and aid in succession planning, but also contribute to the pool of leaders for other Malaysian companies. As one of Malaysia's largest companies, we see value in lending our resources to develop our country's talent pool and believe we bear a responsibility to remain driven towards this cause.

CEO'S STRATEGIC & OPERATIONAL REVIEW

Our philosophy on leadership is that it is present at all levels, not just in top management but also on the frontlines. This is why we have identified the need to educate and train our employees as leaders even in their current ranks. To this end, our Leadership Development Centre will help us to identify certain jobs as leadership positions.

We have also completed the design phase of our Value Unlocking Programme (VUP) as part of Key Result Area 5: Transforming Our People and Leadership under our 1TNB Transformation Programme (1TTP). Anchored on creating a vibrant workforce and igniting a productivity revolution, the VUP aims to unlock three types of value: People, Financial and Customer.

Through the VUP, we are implementing best practices which will add value to our operations. It will also make your company leaner and fitter, placing it on firmer footing to pursue the opportunities presented to us and protect our existing business. Further details on the VUP are available on pages 48.

In addition to focusing on employee development, the well-being of our employees is also important to us. Nationwide, we have invested in acquiring office space and are building staff quarters to refresh our premises as well as to meet the needs of a growing organisation. In embracing the diversity of our workforce, we have also set up childcare centres to cater not only to existing parents, but also those who are planning to start families while building their career with us.

The health of our employees is also critical to us. In advocating a healthier lifestyle for our staff, we have invested in gyms and introduced our Total Wellness Programme. Additionally, we have invested in corporate retreats for our staff to use either for work-related purposes or personal recreation. We believe that our staff are our best assets and that investing in them will spur improved productivity and performance for the company.

I am pleased to report that the efforts expended in enhancing our human resources have already created a tremendous impact on staff performance. This has been reflected in our Employee Engagement Index, in which we scored 85% in 2014, placing us in the top quartile among companies in the Asia-Pacific region.

Serving our Customers

As Malaysia's only utility company, our customers lie at the heart of what we do. Under the 1TTP, we have introduced a number of groundbreaking initiatives aimed at enhancing the customer experience. These include reducing the processing time of supply applications to enable a seven-day connection period and introducing online supply application to provide convenience to our customers. We have also improved our branch format to reduce customer waiting times, in addition to extending our operating hours through kiosk system to allow us to serve more customers on a daily basis.

Furthermore, we have introduced on-the-spot returns for our customers' deposits, reducing the need for them to return to our



CEO receiving an award from the Prime Minister, Dato' Sri Mohd. Najib bin Tun Haji Abdul Razak during the GLC Open Day



Datuk Seri Ir. Azman bin Mohd, Tan Sri Leo Moggie and Fazlur Rahman bin Zainuddin presenting the financial results

branch. Additionally, our customers can now contact our new full-fledged contact centre which has been enabled to respond to multiple inquiries, from breakdown reports to billing inquiries.

In another pioneering effort, during the year we commenced providing Home Energy Reports to selected residential customers under a trial programme. The initiative, which is the first of its kind among electricity companies in Southeast Asia, will allow our customers to better manage their energy consumption.

I am delighted to share that these efforts have been met with a positive response, propelling our Customer Satisfaction Index to a record 8.0. Only a few utilities in the world have been able to achieve this feat. As our valued shareholders, you can take pride in the knowledge that this puts your company in the top quartile of the world's utility companies in terms of customer satisfaction.

CEO'S STRATEGIC & OPERATIONAL REVIEW

Corporate Responsibility

Our Corporate Responsibility (CR) efforts play a vital role in ensuring the sustainability not only of our business, but also of the communities we serve and the environment. I am proud to note that our CR initiatives are undertaken as part of our daily operations, guided by our Better. Brighter. aspirations.

In FY2015, we continued with a number of CR initiatives that have already been in place for several years, reflecting our commitment to sustainability. Under our Rural Electrification Programme, undertaken jointly with the Ministry of Rural and Regional Development (KKLW) and the Malaysian Electricity Supply Industries Trust Account (AAIBE) under the Ministry of Energy, Green Technology and Water (KeTTHA), we completed three projects, providing electricity to 767 houses in Kedah and Terengganu.

Among efforts that we take most pride in is our Janamanjung Fellowship Ride (JMFR), a cycling event which we have organised annually for the past eight years. Aimed at raising the public's awareness about the clean coal technology used at our Sultan Azlan Shah Power Station in Manjung, Perak, the JMFR flags off in the vicinity of the power plant near the coal yard to showcase TNB's environmentally-friendly practices.

We are also pleased that the JMFR has helped to boost tourism and socio-economic development in Manjung and the surrounding areas of Lumut and Sitiawan. During JMFR 2015, 1,500 cyclists from all over the world, including Singapore and the United States, participated in the event.

I would also like to highlight that our Firefly Conservation Project, a joint effort between TNB and the Selangor State Government to preserve the firefly habitat in Kg. Kuantan, Kuala Selangor, has gained a number of awards and recognitions, including the Gold Award at the 7th Global CSR Summit & Awards Asia 2015, Jakarta.

As TNB's shareholders, I am confident that you will take pride in your company's efforts to contribute to the socio-economic development of our country, as well as to preserve the environment for future generations. For further information on TNB's CR activities in FY2015, please refer to page 133.

Acknowledgements

I would like to take this opportunity to thank the Board of Directors for lending their wisdom and support to the Management Team, ensuring your company remains in good stead to reap further gains.

I am also ever grateful to our employees who have been crucial in our transformative journey towards becoming a DRC. We have undergone rapid change in the past year, and I have been proud to observe our people rising to the challenge of elevating your company's standing at home and abroad.

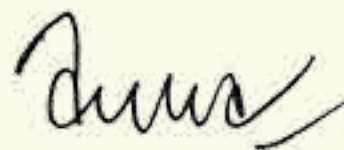
I would also like to extend our thanks to the Government and its agencies, in particular the Ministry of Energy, Green Technology and Water, the Energy Commission and the Economic Planning Unit for their contributions towards the development of the electricity industry. Their contributions have been vital in instituting the reforms needed to ensure the sustainability of our industry.

Our deepest gratitude is owed to you, as our shareholders, for your continued trust and support in our activities. We believe that your company's fundamentals have never been better, as proven by our financial performance this year. While our share price has fallen victim to market sentiment in recent times, we believe this is a poor reflection of your company's intrinsic value.

We can empathise with your disappointment with the share price performance, but we assure you that your company's fundamentals are as robust as ever. We are confident that your company is poised to strengthen even further. I would also like to reiterate that while we focus on the expansion of our business, your interests as shareholders will remain our chief priority.

Finally, I would like to thank our customers, business partners and other stakeholders, without whom TNB would not be the company it is today.

I am eager to continue on this exciting new journey with your company and look forward to participating in its efforts to illuminate a world that is Better. Brighter.



Datuk Seri Ir. Azman Bin Mohd
President/Chief Executive Officer



Malaysians nationwide are now accustomed to the comforts that electricity can provide. We do all this to better lives for a brighter tomorrow



TNB's mission of Making our World Better. Brighter. represents the guiding light in our efforts of ensuring the sustainability of our business. This strategy is anchored on our focus on achieving stable earnings and unlocking future growth to continue to deliver shareholder value, both in Malaysia and regionally.

Better. Brighter.

In recent years, TNB has made Better. Brighter. as our clarion call in realising our ambitions for our company. This involves not only keeping the lights on for our existing customers and providing electricity in new markets, but also leveraging cleaner technology that will protect and preserve our environment. Achieving this will require us to build our capacity and capabilities to the extent that is befitting of an organisation contributes to a world that is Better. Brighter.

Becoming a Domestic and Regional Champion

Our experience and expertise in Malaysia has demonstrated our ability to reap sustained and stable profits from our domestic business.

While Malaysia will remain a core segment of our operations, we will also seek opportunities around the region, where electricity growth has yet to peak. We aim to achieve this by leveraging the experience we have gained at home while ensuring that any expansion is warranted commercially and will serve to protect and enhance shareholder interests.

Our Vision

TO BE AMONG THE LEADING CORPORATIONS IN ENERGY AND RELATED BUSINESS GLOBALLY

Our Strategy

DOMESTIC & REGIONAL CHAMPION



| | Strategy | Top Priorities | Target Metrics | |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
|  | Enabling a Stable Regulatory Environment | <ul style="list-style-type: none"> Deliver equitable regulatory earnings and value Minimise regulatory risks | <ul style="list-style-type: none"> Return on Assets Generation Market Share | <i>p.38-39</i> |
|  | Exceeding Customer Expectations | <ul style="list-style-type: none"> Customer service New products and services | <ul style="list-style-type: none"> Product and service quality scores Customer loyalty and retention | <i>p.40-41</i> |
|  | Driving Operational Excellence and Cost Efficiencies | <ul style="list-style-type: none"> Improve operational performances Optimise cost efficiency | <ul style="list-style-type: none"> Availability performance metrics Reliability performance metrics Cost per unit | <i>p.42-45</i> |
|  | Growing Profitable Business | <ul style="list-style-type: none"> Improve non-regulated business performance and earnings | <ul style="list-style-type: none"> Non-regulated revenue | <i>p.46-47</i> |
|  | Transforming Our People and Leadership | <ul style="list-style-type: none"> Workforce engagement Talent sourcing and development Talent diversity | <ul style="list-style-type: none"> Employee engagement scores Internal talent development | <i>p.48-49</i> |

STRATEGIC REVIEW

TNB'S STRATEGY OF ACHIEVING THE GROUP'S VISION OF BECOMING AMONGST THE LEADING CORPORATIONS IN THE ENERGY AND RELATED BUSINESSES GLOBALLY IS CENTRED ON FIVE KEY FOCUS AREAS: ENABLING A STABLE REGULATORY ENVIRONMENT, EXCEEDING CUSTOMER EXPECTATIONS, DRIVING OPERATIONAL EXCELLENCE AND COST EFFICIENCIES, GROWING PROFITABLE BUSINESS, AND TRANSFORMING OUR PEOPLE AND LEADERSHIP.



Enabling a Stable Regulatory Environment

As one of the larger stakeholders of the Malaysian Electricity Supply Industry (MESI), we have always championed a fair regulatory environment for all stakeholders. We believe that the recently implemented Incentive Based Regulation (IBR) and the Imbalance Cost Past Through (ICPT) mechanism are in line with the creation of such an environment. The implementation of the IBR has ensured that utilities will be allowed to achieve an equitable return on their assets, provided that they are able to meet both the performance and efficiency levels required by regulators. Furthermore, the ICPT mechanism has helped mitigate shocks from fluctuating global fuel prices through regularly scheduled ICPT adjustments in line with any market movements. We are of the view that the implementation of both the IBR and ICPT marks a turning point in MESI history.

We will continue to support and champion a stable and fair regulatory environment for all stakeholders of MESI, given the importance of MESI in the continued development of this fair nation.

Exceeding Customer Expectations

At TNB, we always put our customers first in whatever we do. Key to this has been our ability to satisfy our customers by providing quality, reliable and efficient electricity services at fair and reasonable costs. Throughout the years, TNB has progressively increased investments in our customer service capabilities. We will continue do so as we look to transform our customer journey by taking up enterprise-scale digitisation and development of new products and services offerings. Along with collections transformation, these three elements will form the core focus areas for us to continue our push to exceed our customers' expectations.

Driving Operational Excellence & Cost Efficiencies

We are a 66-year-old "technical" company. The focus on being operationally excellent and efficient has always been part of our corporate identity, and is something that we never take for granted.

As such, our operational capability is continuously adapted and operation performances streamlined to increase cost efficiencies and ensure performance targets are met. Whilst we continue to focus on the key value chains of our business, namely Generation, Transmission and Distribution, we have also added a fourth focus area: Optimisation of support functions. We believe that moving forward, corporate optimisation of certain key support functions will unlock resources which can be invested in growing new markets and service improvements.

Growing Profitable Business

In order to achieve our aspiration to be "Domestic and Regional Champion" (DRC), it is imperative that we outperform market growth and look to enhance our profitability. We will focus on strengthening our positions in our core market whilst growing our service offerings to cater to customers across the value chain and increasing sales in emerging markets. Acquisitions will form an integral part of our growth strategy. We will also focus on growing the unregulated business segment, both domestically and in global emerging markets, developing our renewable energy portfolio and energy-related services and the cost and complexity in our existing subsidiaries.

Transforming Our People and Leadership

Our dedicated people are the driving force behind our achievements. Critical in sustaining our growth moving forward is the ability to attract and develop high quality leaders. We are ambitious in our goal of becoming a DRC, and require leaders who are just as ambitious and can help us attain our targets. Equally important is the need to ensure sustainable development of current and future generations of technical and functional talents who will play a decisive role in the successful execution of our strategies. The implementation of an organisation renewal exercise will further ensure identification and repositioning of various critical roles and functions whilst optimising our current workforce.



A majestic view of TNB team stringing the lines of the Monopole Tower, Pulau Besar, MELAKA

STRATEGIC REVIEW

ENABLING A STABLE REGULATORY ENVIRONMENT

Malaysia's electricity industry arrived at an important juncture in recent years, characterised by changes in the regulatory environment and a shift towards greater environmental awareness in supplying electricity. TNB is focused on enabling a stable regulatory environment in the face of the shifting landscape to ensure the equitability of the industry for all its stakeholders.

Incentive Based Regulation

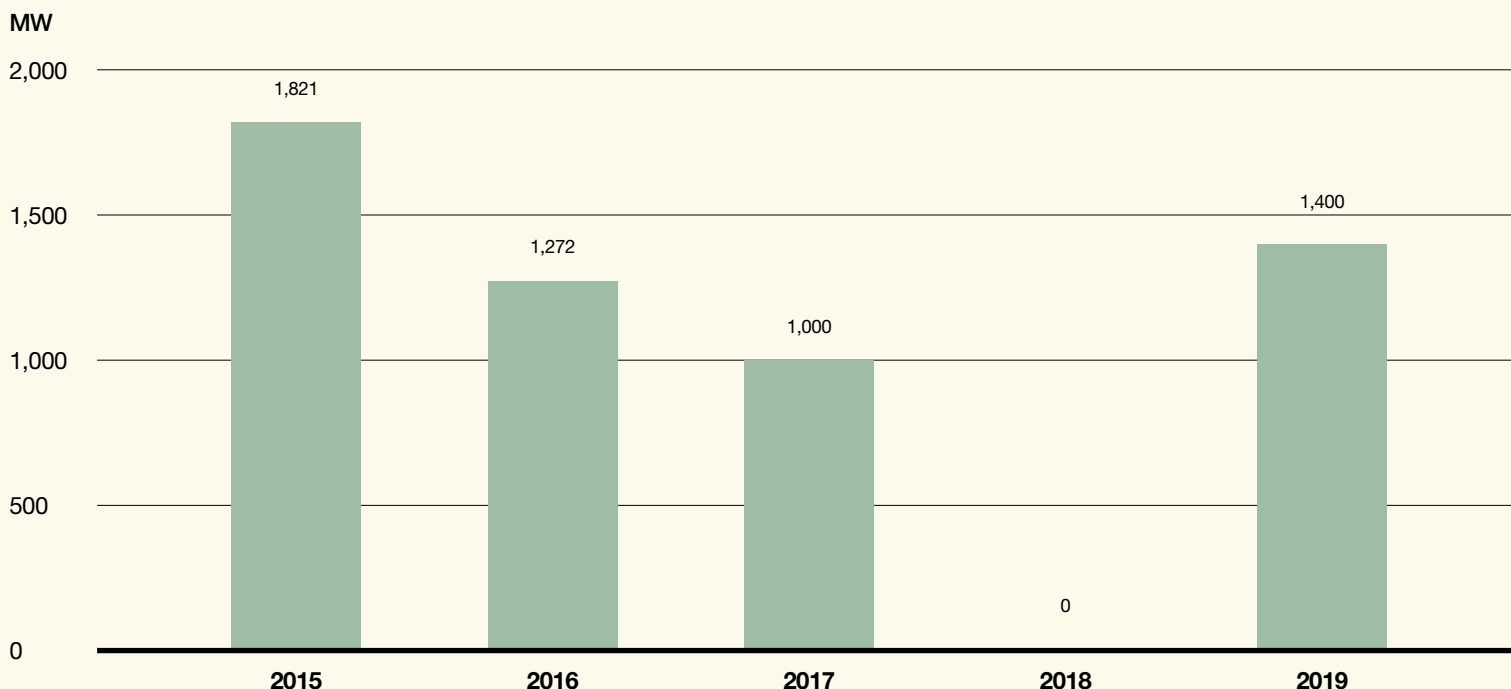
Following the introduction of the IBR framework on 1 January 2014, there was a need for TNB to transition towards this new mechanism. We also played an active role in the base tariff review and implementation of the ICPT. With the start of the IBR, the Base Tariff for customers in Peninsular Malaysia was set at an average selling price of 38.53 sen/kWh.

The first ICPT pass-through was implemented for the period 1 March 2015 – 30 June 2015, where a rebate of 2.25 sen/kWh¹ was announced in line with the overall reduction in generation costs. The second ICPT pass-through was implemented for the period of 1 July 2015 – 31 December 2015, where a decision was taken to maintain the rebate of 2.25 sen/kWh from the earlier period in line with the continued reduction in fuel and generation costs.

At the same time the second ICPT pass-through was announced, the government decided that the regulated gas price was to be increased by RM1.50/mmbtu to RM16.70/mmbtu applicable for gas consumption below 1,000 mmscfd, in line with its drive to rationalise gas subsidies. The impact of this gas price increase has been offset by a combination of the net savings on fuel and generation costs highlighted above and the use of savings accumulated from renegotiated power purchase agreements (PPAs) with first-generation Independent Power Producers (IPPs).

TNB believes an equitable regulatory environment to all stakeholders is key in ensuring security of supply, quality of service and fair end-user tariffs. TNB should remain neutral against any movements in fuel prices whilst delivering sustainable returns to our shareholders.

TNB New Capacity Plant Up



¹ Applicable to all consumers, except domestic consumers with monthly consumption of 300kWh and below.

STRATEGIC REVIEW



The Prime Minister, Dato' Sri Mohd. Najib bin Tun Haji Abdul Razak visits the TNB booth at the GLC Open Day 2015

Ensuring Electricity Security

In line with the Malaysian government's Green Agenda, TNB has formulated and embarked on numerous programmes designed to promote environmental awareness and to reduce our carbon footprint. These include the implementation of the Smart Meter and the Home Energy Report pilot projects.

TNB is committed to ensuring we remain supportive of the Malaysian government's ambition of a sustainable nation and its targets to reduce Greenhouse Gas emission intensity by 40% from the 2005 level by 2020, as outlined in the 11th Malaysia Plan. We are also keen to participate in the upcoming Competitive Bidding exercise by Suruhanjaya Tenaga (ST) for new renewable generation capacity, not only to ensure an uninterrupted supply of electricity to meet our nation's growing capacity but also to promote a sustainable future for Malaysia.

Over the period of 2015 to 2019, ST has approved for TNB to plant up 5,500MW of new conventional capacity. These new capacity is with the aim of replacing old and inefficient capacities as well as in preparation for the forecasted demand growth over the period. Upon completion of these new capacities, we would be in a position to better ensure the domestic electricity security through this increase in system capacity, efficiency and reliability.

To ensure electricity supply security, ST has also awarded new generation capacity to various IPPs, including IPPs that are owned by TNB. The chart below shows the years when the 5,493MW new generation capacity captured by TNB will be in commercial operation.

STRATEGIC REVIEW

EXCEEDING CUSTOMER EXPECTATIONS

We believe that the significance of the customer experience will continue to grow as purchasing behaviour changes. We are also of the view that the customer experience often begins even before the actual customer relationship is established. In continuing with our initiatives to further improve the customer experience, we have successfully maintained the upward trend in our customers' satisfaction towards our services. This has been reflected in a better Customer Satisfaction Index (CSI) score of 8.0 in FY2015, which rose from 7.6 in FY2014. While we have continued to improve the way we serve our customers, we will not rest on our laurels, and in moving forward we plan to further improve our service quality and create a seamless customer experience through three main focus areas as follows:

Implementation on End to End Digitisation (Edge)

In this era of the Internet and digitisation, all customers want is simplicity while demanding the best customer service. Almost all our customers use a smartphone or other mobile device which connects them to the Internet, anywhere and at any time. From our perspective, we have used advances in technology to give us an advantage in delivering quality and cost improvements in our service. To this end, we have implemented end-to-end digitisation to minimise costs in serving our customers and provide a seamless experience across digital channels while at the same time delivering faster service.

The introduction of our multi-service counters has provided options for our customers to pay their bills at our Kedai Tenaga outlets, which in turn has improved the Average Waiting Time (AWT). In addition, a total of 98 payment kiosks have been placed at TNB Customer Service Centres around Peninsular Malaysia to date. These kiosks allow our customers to carry out transactions with TNB during and after standard office hours. In a further effort to digitise our processes, we have introduced paperless billing through our e-mail billing service, and online services for Closing of Account (COA), New Connection (NC), Change of Tenancy (COT) and Rewiring requests. We have also implemented our Express Electricity Supply initiative which connects customers with electricity supply within seven working days of their

application, against 16 working days previously. All these are amongst the many initiatives that we in the midst of implementing to transform the entire customer experience.

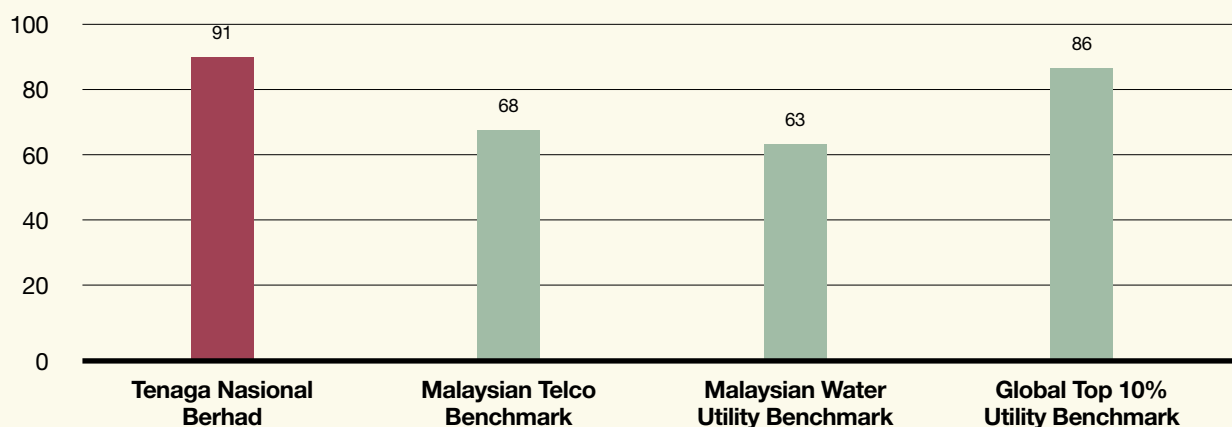
Value Adding Our Services

We fully understand that some of our customers are looking for our assistance to provide services beyond basic electricity supply. To this end, we are embarking on initiatives to assess the following potential areas in which we can add value to our services:

- i. Electrification of ports
- ii. Energy efficiency services
- iii. Energy service contract
- iv. Back up generation
- v. Provide a platform for consulting service contract bidding
- vi. Equipment installation
- vii. Smart home solutions
- viii. Smart energy management

We are keen to provide services and consultation on renewable energy and other energy efficiency solutions to customers to help them achieve efficient energy consumption. As an initial step, we have introduced the Home Energy Calculator (HEC) to empower customers to self-audit their

Customer Satisfaction (TRI*M Index 2015)



The TRI*M Index is an international index used to measure the level of customer satisfaction and retention benchmarked against utilities globally

STRATEGIC REVIEW



Launch of Tenaga Hub by Minister of Energy, Green Technology, and Water, Datuk Seri Panglima Dr. Maximus Ongkili, seen here accompanied by TNB VP of Distribution Datuk Ir. Baharin Din

electricity consumption according to the type of electrical appliance, wattage and time of usage in a day. In addition, in August 2015 we embarked on the Home Energy Report (HER) pilot programme, making us the first utility in Southeast Asia to unveil a programme of this kind. The programme provides more than 200,000 customers with free personalised HERs and access to a new online portal to show customers' energy use in a helpful context. The portal will also highlight energy-saving tips tailored to the customer based on their electricity usage.

Improving Collections

In an effort to better understand our customers, we are studying the development of an analytics engine which would improve our current revenue collection through a structured method that will be able to reduce non-technical losses and cost of collection. High-risk clients are one of contributors to our non-technical losses. Through the structured method we are currently developing, we aim to identify high-risk customers before possible delinquent actions and initiate appropriate preventive actions based on customer segmentation identified through our analytics engine.



IMPROVED ELECTRICITY SUPPLY CONNECTION

STRATEGIC REVIEW

DRIVING OPERATIONAL EXCELLENCE & COST EFFICIENCIES

We see operational excellence and cost efficiencies as the prerequisite to ensuring sustainable profitability and growth. As a 66 year-old utility, we believe that we are capable of leveraging our experience in the electricity industry to further increase our efficiency and performance.

We look to increase our operational excellence by focusing on and enhancing key value chains, Generation, Transmission and Distribution activities by targeting capital optimisation and efficiency improvement within our operations and administration.

Operational Excellence

We continue to push for better operational availability and reliability throughout our key value chains. In the Generation sector, we have embarked on a performance improvement programme designed to significantly enhance the technical and financial performance of our plants against global benchmarks.

This has already resulted in improvements in plant availability, efficiency, inventory and maintenance cost optimisation within three plants in which we have piloted this programme. We expect to complete rolling out this programme for all our remaining eight plants by 2016. This exercise is targeted to create a clear impact on our earnings as we seek to maximise the gains from our existing PPA/SLAs.

In 2015, we have seen improvements in our generation assets Equivalent Availability Factor (EAF) up from 85.51% last year to 88.76% this year. We have also recorded year-on-year improvement in reliability, as measured, by our Equivalent Unplanned Outage Factors (EUOF) score of 3.85%, improvement from last year's score of 7.09%. We expect to see continued performance improvements in the future as we complete the implementation of our performance improvement programme.

The IBR regime has resulted in regulation on the returns from our Transmission and Distribution businesses. The regulator has approved the level of performance, cost and return that is allowed for TNB over the current regulatory period (2015-2017). Therefore, the focus for TNB with regard to our Transmission and Distribution activities is to optimise both our capital and operational costs as well as to improve our operational performances in line with the figures set under the IBR.

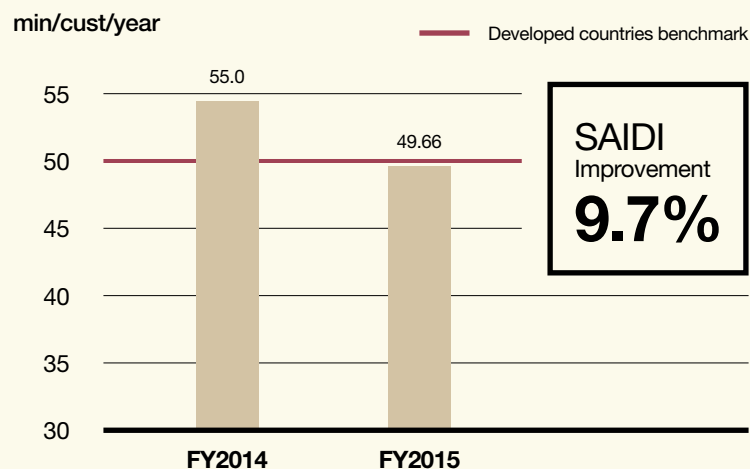
In 2015, we continue to see world-class reliability performances, as shown by the 0.77 System Minutes² on our transmission grid, well below the threshold of 2 System Minutes set under the IBR by our regulator. In addition, we have seen Zero Major Disturbances for the

10th consecutive year as well as Zero Tripping With Load Loss³ for the seventh consecutive year. These achievements are a result of continuous focus by Transmission division since 2010 to improve network performances through the implementation of asset assessment and diagnostic initiatives and enhanced automation of the transmission grid.

Similarly, our distribution network also has seen continued improvement in reliability performances, as illustrated by our System Average Interruption Duration Index (SAIDI) of 49.66 minutes per customer per year in 2015. This represents an improvement of 9.7% and puts our distribution network on par with utilities in developed countries such as Australia and the UK.

We are delighted to note that the world-class operational performances of our transmission grid and distribution network have been delivered in tandem with a lower repair and maintenance expenditure than that allocated by the regulator under the current IBR period.

System Average Interruption Duration Index (SAIDI)



² System Minutes measure the severity of each system disturbance and calculated in terms of unsupplied energy to customers, divided over the highest maximum demand in a particular year.

³ For the 500kV and 275kV network.



Skilled TNB men at work, from plant repairs and maintenance, to testing and diagnostics

STRATEGIC REVIEW

Capital Efficiencies

TNB has commenced efforts to optimise its capital expenditure, especially those activities that come under the ambit of the IBR, i.e. Transmission and Distribution. In addition to Transmission and Distribution division-led measures to streamline and optimise their capital expenditure, our other business areas are also striving to optimise capital expenditure to release resources that can be used to spur investment in new growth activities. We would like to reassure you that these capital optimisation is conducted without compromising on the quality and security of the electricity supply. As of FY2015, early indications are that some of these measures are showing promising savings in capital expenditure.

Efficient Support Services and Administration

Efficiency within support functions and administration is driven by items including shared service centres for functions such as finance, IT, HR and procurement. In recognising it, TNB has embarked on an organisation renewal programme, the Value Unlocking Programme (VUP) this year, which will be introduced in stages with the first phase expected to be completed by 2018. To ensure optimal results from the VUP, we will need to develop efficient and shared processes to further support the programme.

FY2015 GENERATION PLANT RELIABILITY

3.85%

Equivalent Unplanned Outage Factors

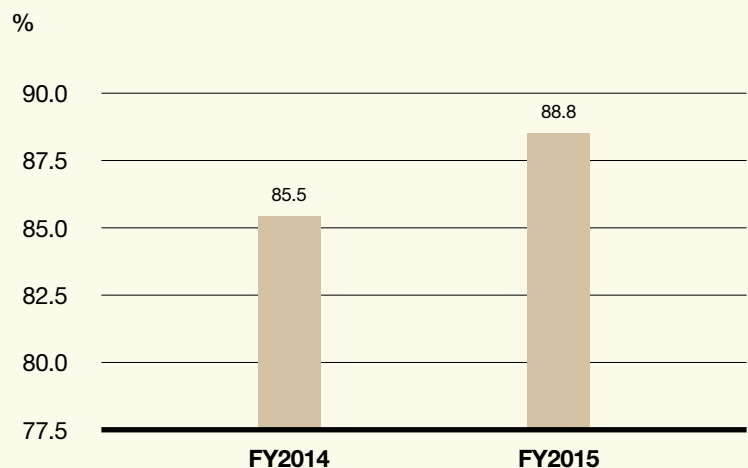
Digitisation of the Grid

As we seek to improve our performance and productivity, we are pushing ahead with various digitisation and automation initiatives throughout our value chain, such as:

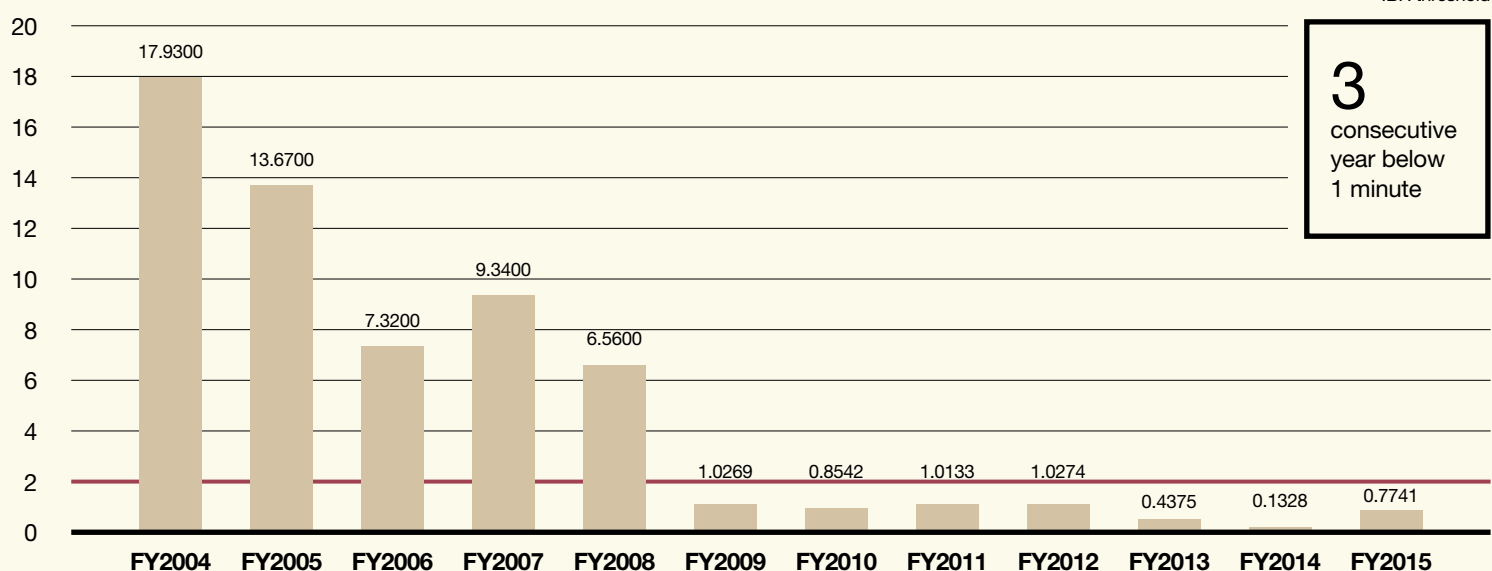
1. Generation Asset Performance Management System (APMS)
2. Intelligent Predictive and Diagnostic Monitoring System (IIDM)
3. Wide Area Intelligent System (WAIS)
4. Wide Area Situational Awareness & Predictive Stability Control (WAMPAC)
5. Billing & Customer Relation Management (BCRM)
6. Distribution Automation (DA)

We are confident that these initiatives, in addition to other efforts to digitise the grid, will help us to continue to improve our operational excellence while enhancing cost efficiency.

Equivalent Availability Factor



System Minutes



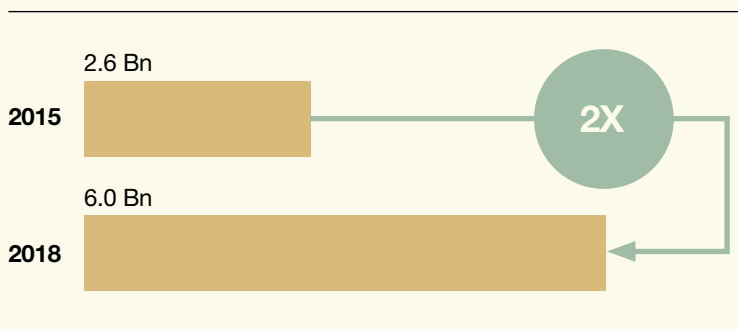


Puah Reservoir at Hulu Terengganu, **TERENGGANU**

STRATEGIC REVIEW

GROWING PROFITABLE BUSINESS

While we have continued to achieve profitability in our core business, we remain driven to achieve further growth. We believe much of our future growth will be derived from capitalising on opportunities in the region surrounding Malaysia and strengthening of our presence in Asia and Middle East in the power-related business. Our non-regulated revenue from these opportunities are targeted to increase twofold to RM6 billion by 2018.



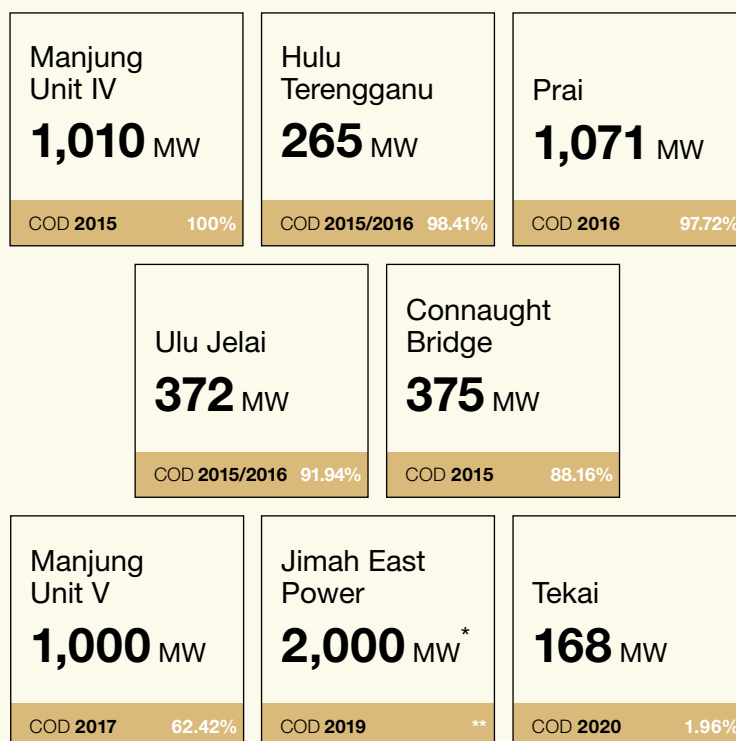
In view of this, we have defined our growth strategies which include growing our subsidiaries, expanding our international hubs in Asia and Middle East and also monetising our strategic assets to bring in more value to the shareholders.

Our subsidiaries play an integral role in growing our non-regulated revenue through enhanced products and services and expansion into new market segments, both domestically and internationally. With the recent acquisition of a 97.53% interest in Integrax Berhad in April this year, we are positioning ourselves as a port infrastructure service provider, thus strengthening our portfolio in the energy-related business while mitigating potential risks in coal handling which may cause disruptions in electricity generation and affect the country.

Sabah Electricity Sdn. Bhd. (SESB) recorded an improved financial performance in FY2015, reporting a profit after tax of RM98.605 million on the back of better operational performance. This was contributed by a continued decline in its Unplanned Outage Rate (UOR), which reduced significantly to 7.7% in FY2015 from 15.7% in FY2014. The UOR has also decreased steadily on an annual basis from a five-year peak of 17.9% in FY2011.

SESB's profitability is also attributable to an improvement in its Transmission System Minutes, which reduced to 98.77 system minutes in FY2015 from 167.93 system minutes in FY2014. Finally, SESB's Distribution Breakdown SAIDI performance also continued to record a marked improvement from FY2014 to FY2015, decreasing to 192.06 minutes/customer/year from 205.69 minutes/customer/year in FY2014 due to a 5% reduction in the number of breakdowns.

In the year under review, sales of electricity for SESB grew to RM1.68 billion from RM1.57 billion in FY2014. The slower-than-expected growth was due to marginal growth in load demand of 4.5%, coupled with the impact of the new tariff which came into effect in January 2014.



* 70% TNB

** Financial close is expected to be achieved by January 2016



STRATEGIC REVIEW



TNB REMACO has been operating the Shuaiba power and distillation plant owned by Kuwait's Ministry of Electricity & Water since 2013

SESB is currently in the midst of reducing its dependency on fuel subsidies from the government and during the year, continued to do so through lower usage of diesel. This followed the decommissioning of several old power plants.

Securing New Generation Capacity

On the local front, we continue to make progress in on-going capacity plant ups in line with our efforts to meet the country's growing capacity needs.

We are pleased to announce that in July 2015 we successfully acquired 70% equity in 2 x 1,000MW Track 3B: Jimah East Power Project from 1Malaysia Development Bhd. (1MDB). The project will be financed through the issuance of Sukuk Murabahah and financial close is expected to be achieved by January 2016. We are also pleased to share that the supplemental agreement for the initial PPA for the project was signed on 26 August 2015. The project has recommenced upon the successful acquisition and with TNB's strength and experience, we are confident that the target commercial operation date in 2019 could be achieved.

Regional Expansion

Regionally, we are engaging relevant stakeholders on the commercial agreements for a 600MW Sumatra-Peninsular Malaysia High Voltage Direct Current (HVDC) Interconnection Project with Indonesia's national utility, Perusahaan Listrik Negara (PLN). The project will allow import/

export of up to 600MW through the HVDC-link across the Straits of Melaka via the local stations in Teluk Gong, Melaka and Perawang in Riau, Sumatra.

Among other ASEAN opportunities we are also actively pursuing is the ASEAN Power Grid (APG). An ASEAN power grid connectivity has been the ambition of all ASEAN member countries. TNB and the Malaysian government, with the support of KeTTHA, view the strategic nature of the APG as a means to diversify energy sources and security measures. The ASEAN region, gifted with an abundance of natural resources, could derive significant benefits through cross border trading and energy exchange. The ultimate goal is to realise the completion of a trans-national HVDC interconnection.

The APG integration is gradually taking shape, although it continues to face challenges including harmonisation of technical standards covering the areas of planning; data acquisition, communication and supervision; operation and maintenance. Nonetheless, TNB is geared towards the realisation of this plan, and has commenced upgrading our National Grid system to ensure we will be ready for this integration.

Internationally, we are casting our eyes to various countries whose demand for electricity still outstrips supply. We believe that as domestic electricity demand growth begins to slow, we will need to expand our market to include emerging countries to continue our growth as a Regional Champion.

STRATEGIC REVIEW

TRANSFORMING OUR PEOPLE AND LEADERSHIP

We believe that organisational readiness and capabilities will be the key success driver in achieving our aspirations to become a Domestic and Regional Champion. Therefore, transforming our people and leadership represents the foundation for delivering the outcomes outlined within our four other strategic focus areas.

Building Leadership at All Levels

Our commitment to develop our employees is translated into significant investments made in their Learning and Development. On average, TNB invests more than 2% of our annual profit amounting to RM5,000 per employee on experiential learning, leadership development and technical competency programmes for our employees. Most of these development programmes are organised and conducted in-house at our three industry-grade development institutions: TNB Leadership Development Centre (LDC), TNB Integrated Learning Solution (ILSAS), and University Tenaga Nasional (UNITEN).

In light of our current focus on growth, there is an urgency to ensure that we have a continuous pool of able leaders. To ensure this, we have embarked on the following leadership enhancement programmes:

- Identification of business and entrepreneurial leadership talents through a nationwide Leadership Drive programme which cuts across all employee levels. This programme will be conducted continuously every year to complement the current managerial and technical talent identification programme that is already in place.
- Assignment of our talents through a “Tour of Duty” programme which deploys talents to mission-specific roles across the company. Throughout the deployment, these talents will have access to existing business and functional leaders who are able to provide guidance and coaching.
- In TNB we believe in ensuring everyone is able to fulfil their potential. To drive this, we have implemented Upward Mobility Programmes for non-executives from various trades and backgrounds to improve their current trade skills, switch trade fields and even upgrade themselves with a formal education qualification.

Value Unlocking Programme (VUP)

The VUP is aimed at renewing our business models and organisational design towards delivering business growth. The initiative is anchored on unlocking the value of our people in driving performance and growth, unlocking our customer value through enhanced customer service and new service offerings and unlocking financial value through an efficient working environment capital structure.

Through this initiative we hope to provide our employees with:

- Purposeful career paths and positions based on their strengths and TNB's business strategy
- Empowerment to achieve results through streamlined, efficient and simplified processes, and
- Opportunities and autonomy to be more entrepreneurial in new businesses resulting from our focus on business growth.

The VUP was initiated this year and is expected to be rolled out to all divisions and business areas by 2018.

Advocating Safety at the Workplace

In ensuring the well-being of our employees, we have implemented a rigorous Occupational Safety and Health (OSH) policy which provides the necessary training and protection to workers who encounter hazards in the workplace. This reflects the philosophy of top Management of recognising safety as part of TNB's DNA and core values, and is adopted by all our employees. Further demonstrating this commitment, the Organisational Safety, Health and Environment (OSHE) department has been elevated to report directly to the CEO's office.

Becoming an Employer of Choice

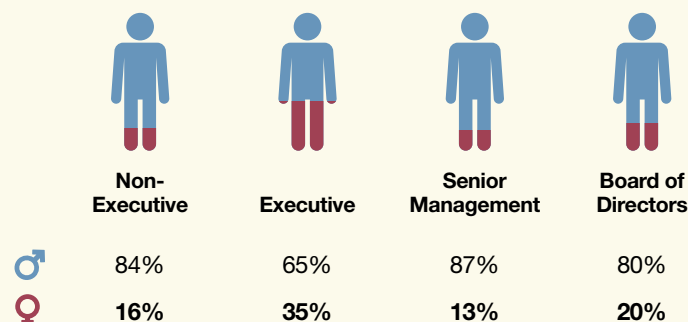
We are committed to grooming our people into fulfilling their potential. To this end, we offer a diverse, supportive environment which enables the personal and professional growth of our employees.

We pride ourselves as being the best place to develop careers to the fullest and engage in meaningful work that makes a positive impact on local communities, our Nation and the rest of the world. Through our continuous efforts to improve our human resources, we received the Best Employer Branding Award 2015 – Malaysia from the Employer Branding Institute.

As a company with 66 years' experience in the electrical energy industry, we are involved in every step of the energy story, from source to supply. We also pride ourselves as a key force in leading and shaping change in the energy industry. By leveraging core values such as collaboration, mutual respect, integrity and passion, we are committed to empowering our employees to continue to strive for excellence and meet our aspirations to become a regional champion for a Better. Brighter. world.

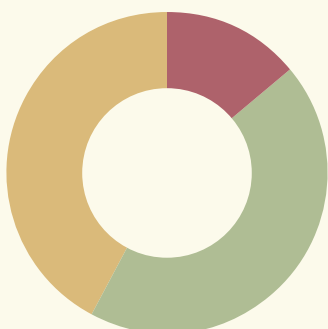
Gender distribution 2015

as at 31 August 2015



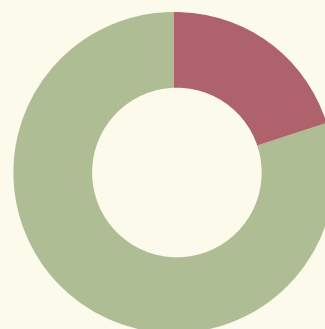


Employees by Demographic 2015



TNB Workforce by Generation

- Baby Boomers 14%
- Generation X 44%
- Generation Y 42%



TNB Workforce by Level

- Executive 20%
- Non-Executive 80%

OPERATIONS SCORECARD

| | FY2015 | FY2014 | FY2013 | FY2012 | FY2011 |
|--------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Enabling Regulatory Environment | | | | | |
| Return on asset | 6.6% | 6.2% | 5.6% | 4.5% | 4.1% |
| Generation market share | 48% | 47% | 48% | 48% | 48% |
| Exceeding Customer Expectations | | | | | |
| Customer satisfaction index ¹ | 8.0 | 7.6 | 7.5 | 7.2 | 7.0 |
| Brand perception index ² | 76% | 75% | - | - | - |
| Driving Operation Excellence and Cost Efficiencies | | | | | |
| Cost per unit | 35.1sen/kWh | 36.3sen/kWh | 31.0sen/kWh | 31.9sen/kWh | 30.9sen/kWh |
| Equivalent availability factor | 88.76% | 85.51% | 88.09% | 88.68% | 86.77% |
| Equivalent unplanned outage factor | 3.85% | 7.09% | 6.22% | 3.55% | 7.10% |
| Transmission system minutes | 0.77 minute | 0.13 minute | 0.44 minute | 1.03 minute | 1.01 minute |
| System average interruption duration index (SAIDI) minutes/customer/year | 49.66 | 55.00 | 64.20 | 62.32 | 78.90 |
| Transmission losses | 1.47% | 1.63% | 1.69% | 1.67% | 2.18% |
| Distribution losses | 6.21% | 6.52% | 6.66% | 6.58% | 6.79% |
| Growing Profitable Business | | | | | |
| Non regulated revenue | RM2.6b | RM2.5b | RM2.2b | RM2.3b | RM1.9b |
| Transforming People and Leadership | | | | | |
| Employee engagement score ³ | 85% | 85% | 83% | 83% | - |

¹ Prior to 2012, TNB conducts its customer satisfaction survey biannually. The score for FY2011 and FY2010 is based on survey conducted in FY2010

² TNB did not conduct any brand perception survey prior to FY2014

³ TNB conducts its employee engagement survey biannually. The score for both FY2015 and FY2014 is based on survey conducted in FY2014



KEY HIGHLIGHTS

2.2%

Unit Demand Growth
2.5% in FY2014

(2.2%)

Operating Expenses
Increase/(Decrease)
13.9% in FY2014

USD66.0 /mt

Average Coal Price
USD75.4/mt in FY2014

RM6,118.4 million

Net Profit Attributable to Owners of the Company
RM6,467.0 million in FY2014

1.2%

Revenue Growth
(Sales of Electricity: Peninsula at
8.4%² and SESB at 9.0%)

32.2%

EBITDA Margin
28.2% in FY2014

6.6%

ROA¹
6.2% in FY2014

RM10.8 billion

CAPEX
RM10.0 billion in FY2014

¹ Based on adjusted net profit

² Excludes Imbalance Cost Pass-Through

KEY FINANCIAL HIGHLIGHTS

| | Group | | Company | |
|------------------------------------------------------------|-----------|-----------|----------|----------|
| | 2014 | 2015 | 2014 | 2015 |
| PROFITABILITY (RM Million) | | | | |
| Revenue | 42,792.4 | 43,286.8 | 39,800.6 | 40,252.0 |
| Operating profit | 7,181.0 | 8,627.6 | 6,893.2 | 8,380.7 |
| Profit before taxation and <i>zakat</i> | 7,114.7 | 7,133.7 | 6,571.0 | 6,580.5 |
| Net profit attributable to owners of the Company | 6,467.0 | 6,118.4 | 5,968.7 | 5,618.9 |
| KEY BALANCE SHEET DATA (RM Million) | | | | |
| Property, plant and equipment | 83,045.1 | 90,300.3 | 71,002.6 | 73,114.4 |
| Total assets | 110,665.4 | 117,135.0 | 94,554.7 | 98,779.4 |
| Total borrowings | 25,456.0 | 24,698.9 | 9,164.5 | 10,444.0 |
| Total liabilities | 67,206.2 | 69,668.1 | 55,709.6 | 56,045.0 |
| Share capital | 5,643.6 | 5,643.6 | 5,643.6 | 5,643.6 |
| Shareholders' equity | 43,222.0 | 47,208.0 | 38,845.1 | 42,734.4 |
| SHARE INFORMATION | | | | |
| Per share (sen) | | | | |
| Basic earnings | 114.59 | 108.41 | | |
| Diluted earnings | 114.59 | 108.41 | | |
| Dividend (sen): | | | | |
| – Interim | 10.00 | 10.00 | | |
| – Final | 19.00 | 19.00 | | |
| Net assets per share attributable to owners of the Company | 765.9 | 836.5 | | |
| FINANCIAL RATIOS | | | | |
| Return on assets (%) | 6.2 | 6.6 | | |
| EBITDA margin (%) | 28.2 | 32.2 | | |
| Debt-equity (net of cash) ratio | 0.32 | 0.33 | | |

FIVE-YEAR GROUP FINANCIAL SUMMARY

| YEAR ENDED 31 AUGUST | 2011 (Restated) | 2012 (Restated) | Group 2013 (Restated) | 2014 | 2015 |
|--------------------------------------------------------|--------------------|--------------------|-----------------------------|-----------|-----------|
| OPERATING RESULTS (RM MILLION)¹ | | | | | |
| Revenue | 32,241.2 | 35,848.4 | 37,130.7 | 42,792.4 | 43,286.8 |
| Operating Profit | 1,816.8 | 6,680.8 | 5,906.9 | 7,181.0 | 8,627.6 |
| Profit before taxation and zakat | 1,156.7 | 5,821.1 | 5,925.1 | 7,114.7 | 7,133.7 |
| Net profit attributable to owners of the Company | 965.4 | 4,410.5 | 5,356.2 | 6,467.0 | 6,118.4 |
| KEY BALANCE SHEET DATA (RM MILLION)² | | | | | |
| Property, plant and equipment | 61,861.4 | 64,769.9 | 75,460.5 | 83,045.1 | 90,300.3 |
| Total assets | 79,064.3 | 88,469.1 | 99,999.3 | 110,665.4 | 117,135.0 |
| Total borrowings | 19,054.1 | 23,071.8 | 22,888.4 | 25,456.0 | 24,698.9 |
| Total liabilities | 48,286.4 | 53,311.8 | 62,028.6 | 67,206.2 | 69,668.1 |
| Share capital | 5,456.6 | 5,501.6 | 5,643.6 | 5,643.6 | 5,643.6 |
| Shareholders' equity | 30,547.3 | 34,897.7 | 37,693.1 | 43,222.0 | 47,208.0 |
| SHARE INFORMATION | | | | | |
| Per share (sen) | | | | | |
| Basic earnings | 17.71 | 80.71 | 96.13 | 114.59 | 108.41 |
| Diluted earnings | 17.67 | 80.51 | 95.96 | 114.59 | 108.41 |
| Gross dividend | 4.50 | 20.09 | 25.00 | 29.00 | 29.00 |
| Net Assets | 559.80 | 634.3 | 667.9 | 765.9 | 836.5 |
| Share price as @ 31 August (RM) | 5.25 | 6.84 | 8.73 | 12.38 | 11.18 |
| FINANCIAL RATIOS³ | | | | | |
| Return on assets (%) | 4.1 | 4.5 | 5.6 | 6.2 | 6.6 |
| Return on shareholders' equity (%) | 10.1 | 11.4 | 14.7 | 15.8 | 16.3 |
| Gearing (%) | 38.2 | 39.6 | 37.6 | 36.9 | 34.2 |
| EBITDA margin (%) | 23.3 | 25.9 | 28.1 | 28.2 | 32.2 |
| Effective weighted average cost of funds (%) | 5.1 | 4.9 | 4.7 | 4.9 | 4.8 |
| Interest coverage (%) | 8.5 | 11.3 | 11.7 | 13.8 | 14.7 |
| Currency mix (RM:Foreign) | 56:44 | 65:35 | 71:29 | 77:23 | 78:22 |
| Debt-equity (net of cash) ratio ⁴ | 0.47 | 0.41 | 0.35 | 0.32 | 0.33 |

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

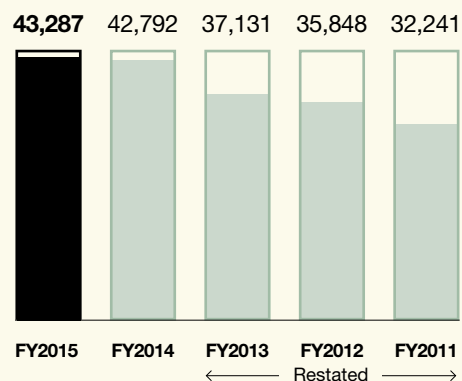
² Balances prior to 1 September 2011 have not been restated for the Amendments to MFRS 119 which was early adopted in FY2013
Balances prior to 1 September 2012 have not been restated for the Amendments to MFRS 10 and MFRS 116 which were adopted during the financial year

³ Based on adjusted net profit; FY2011 and FY2012 – after adjusting for Fuel Cost Compensation in respective periods

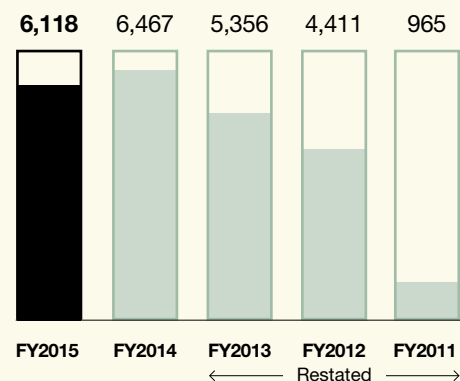
⁴ Cash for FY2014 & FY2015 includes financial assets at fair value through profit or loss

FIVE-YEAR GROUP GROWTH SUMMARY

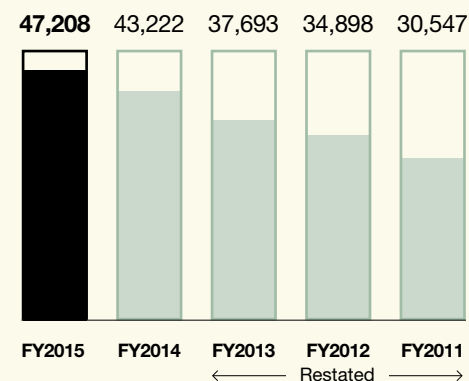
REVENUE (RM MILLION)



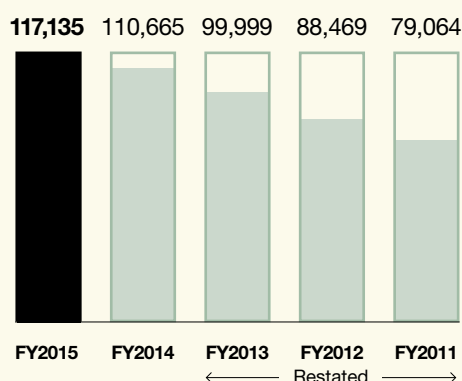
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM MILLION)



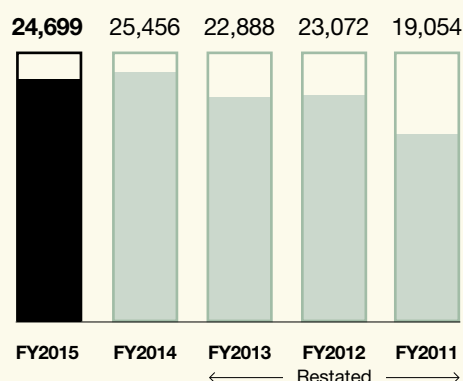
SHAREHOLDERS' EQUITY (RM MILLION)



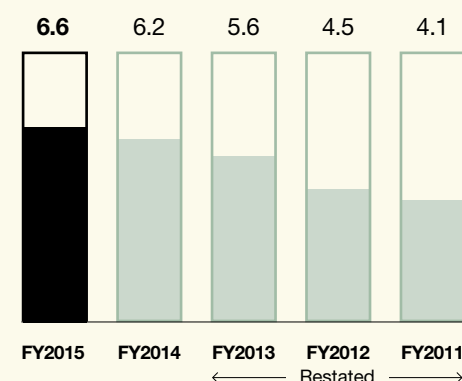
TOTAL ASSETS (RM MILLION)



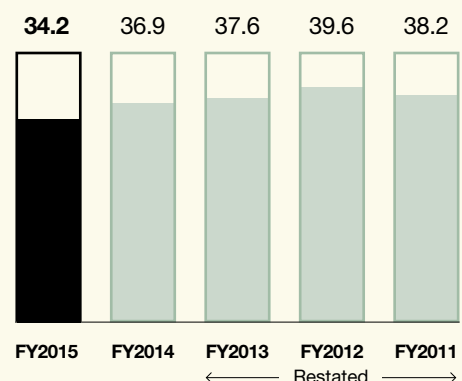
TOTAL BORROWINGS (RM MILLION)



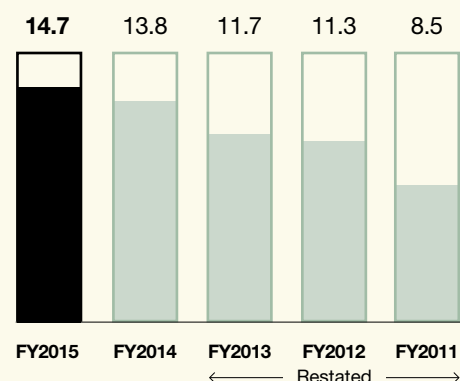
RETURN ON ASSETS* (%)



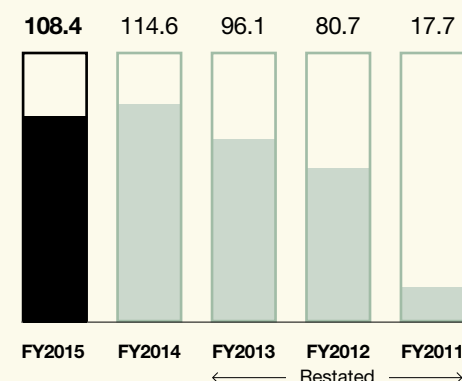
GEARING (%)



INTEREST COVERAGE (%)



BASIC EPS (SEN)



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

2

CORPORATE FRAMEWORK

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ABOUT US



**THE LARGEST ELECTRICITY UTILITY
IN MALAYSIA
WITH AN ASSET BASE TOTALLING
RM117.1 BILLION**

Tenaga Nasional Berhad (TNB) is the largest electricity utility in Malaysia and one of the largest in the region, with an asset base totalling RM117.1 billion. With a history spanning 66 years, TNB is also the most experienced energy player in the country, responsible for keeping the lights on for all residents of Peninsular Malaysia, Sabah and Labuan.

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

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

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

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

To safeguard the sustainability of our operations, we believe in adding value for all our stakeholders. We invest in the professional development of our 35,975 employees while supporting them to achieve a healthy work-life balance. We are guided by policies and best practices in our dealings with vendors, business associates and the investment community. We actively engage with the Government and its agencies to ensure the smooth evolution of the Malaysian Electricity Supply Industry (MESI). We also integrate ourselves fully into the communities where we have a presence via educational and other socially empowering activities.

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

TNB has been a key contributor to the Nation's social and economic development over the years. We are committed to maintaining our position as Malaysia's leading electricity provider, even as we transform into a more efficient and effective organisation that is able to create a Better. Brighter. future for the Nation and its people.

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI LEO MOGGIE

Chairman
Non-Independent Non-Executive Director

DATUK SERI IR. AZMAN BIN MOHD

President/Chief Executive Officer
Non-Independent Executive Director

DATUK NOZIRAH BINTI BAHARI

Non-Independent Non-Executive Director

AHMAD FAROUK BIN MOHAMED

Non-Independent Non-Executive Director

DATO' ZAINAL ABIDIN BIN PUTIH

Senior Independent Non-Executive Director

TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB

Independent Non-Executive Director

DATO' ABD MANAF BIN HASHIM

Independent Non-Executive Director

SAKTHIVEL A/L ALAGAPPAN

Independent Non-Executive Director

DATUK WIRA IR. MD SIDEK BIN AHMAD

Independent Non-Executive Director

TAN SRI DATO' SERI CHOR CHEE HEUNG

Independent Non-Executive Director
(Appointed w.e.f. 4 February 2015)

DATUK CHUNG HON CHEONG

Independent Non-Executive Director
(Resigned w.e.f. 2 February 2015)

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Zainal Abidin bin Putih

Email : cosec@tnb.com.my

COMPANY SECRETARY

Norazni binti Mohd Isa (LS 0009635)

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.

(378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Telephone : 603-7841 8000
Facsimile : 603-7841 8151

DIVIDEND SERVICE PROVIDER

Bursa Malaysia Depository Sdn. Bhd.

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

PRINCIPAL BANKERS

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

EXTERNAL AUDITORS

Messrs PricewaterhouseCoopers

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

REGISTERED OFFICE AND HEAD OFFICE

Tenaga Nasional Berhad (200866-W)

Pejabat Setiausaha Syarikat, Tingkat 2
Ibu Pejabat Tenaga Nasional Berhad
No. 129, Jalan Bangsar
59200 Kuala Lumpur
Malaysia
Telephone : 603-2296 5566
Facsimile : 603-2283 3686
Website : www.tnb.com.my
TNB CareLine : 1-5454
One Stop Engagement Centre :
1-300-88-5454
Whistle Blowing Information System :
wbis.tnb.com.my
Toll Free : 1-800-888-862

INVESTOR RELATIONS

Investor Relations Department

Tingkat 4
Ibu Pejabat Tenaga Nasional Berhad
No. 129, Jalan Bangsar
59200 Kuala Lumpur
Malaysia
Telephone : 603-2296 6077
Facsimile : 603-2284 0095
Email : tenaga_ird@tnb.com.my

STOCK EXCHANGE LISTING

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

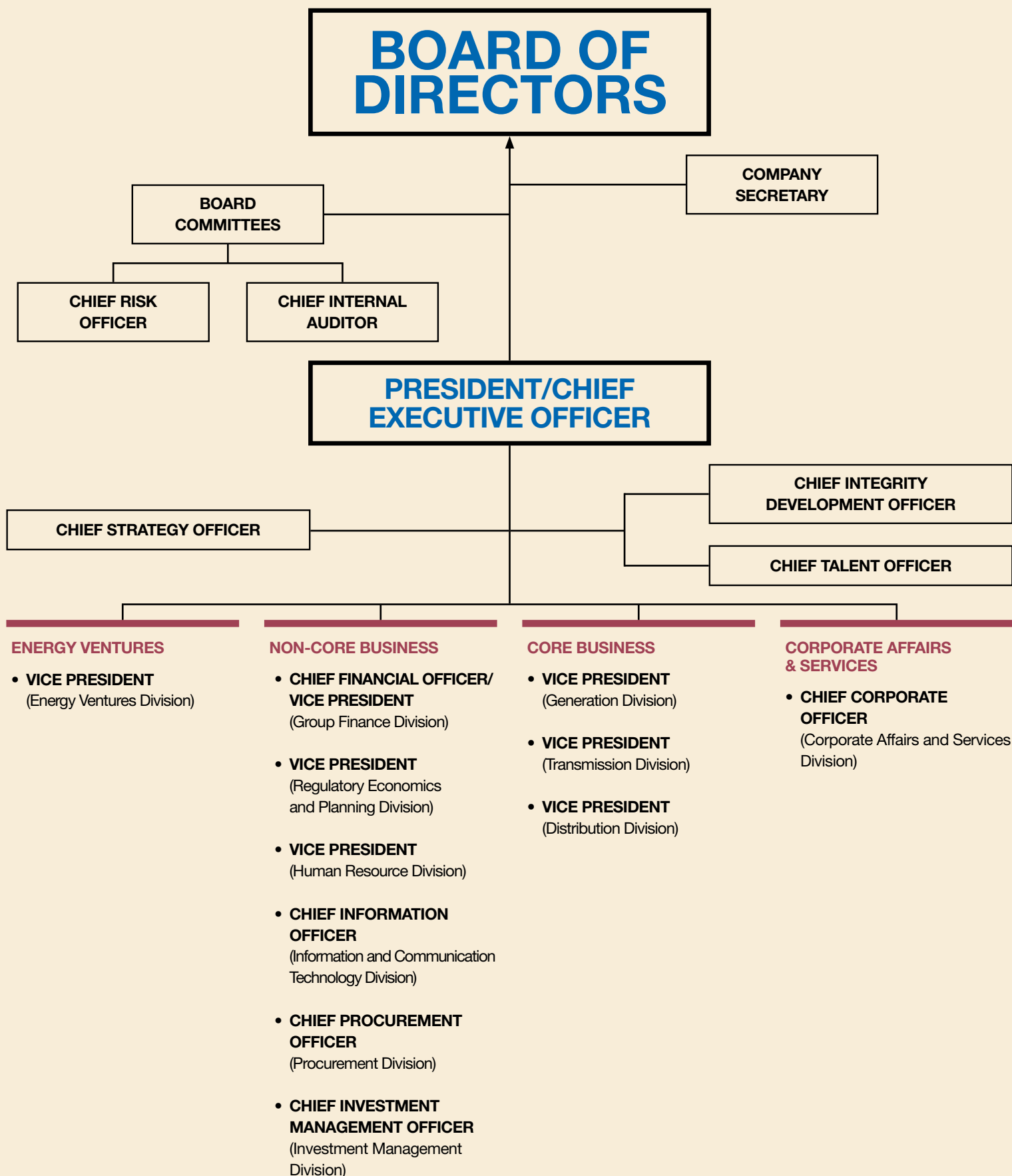
RATINGS

| | |
|-------------------------------------|-------------------|
| Moody's | A3 |
| Standard & Poor's | BBB+ |
| Rating Agency Malaysia | AAA |
| Malaysian Rating Corporation Berhad | AAA |
| - Corporate Debt Ratings | AAA |
| - Islamic Debt Ratings | AAA _{ID} |

AMERICAN DEPOSITORY RECEIPTS PROGRAMME (ADR)

ADR Level 1

ORGANISATIONAL STRUCTURE

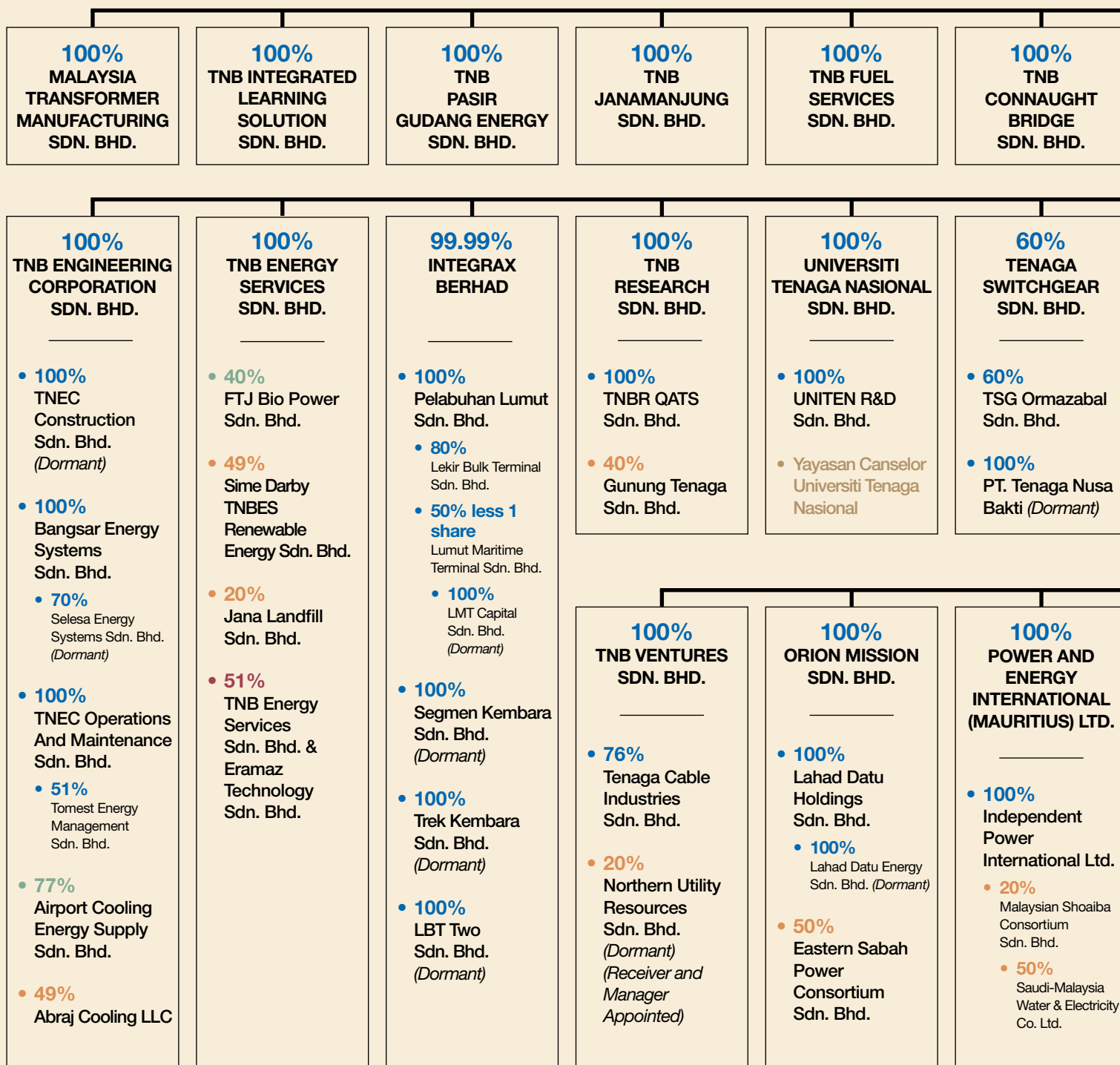


GROUP CORPORATE STRUCTURE



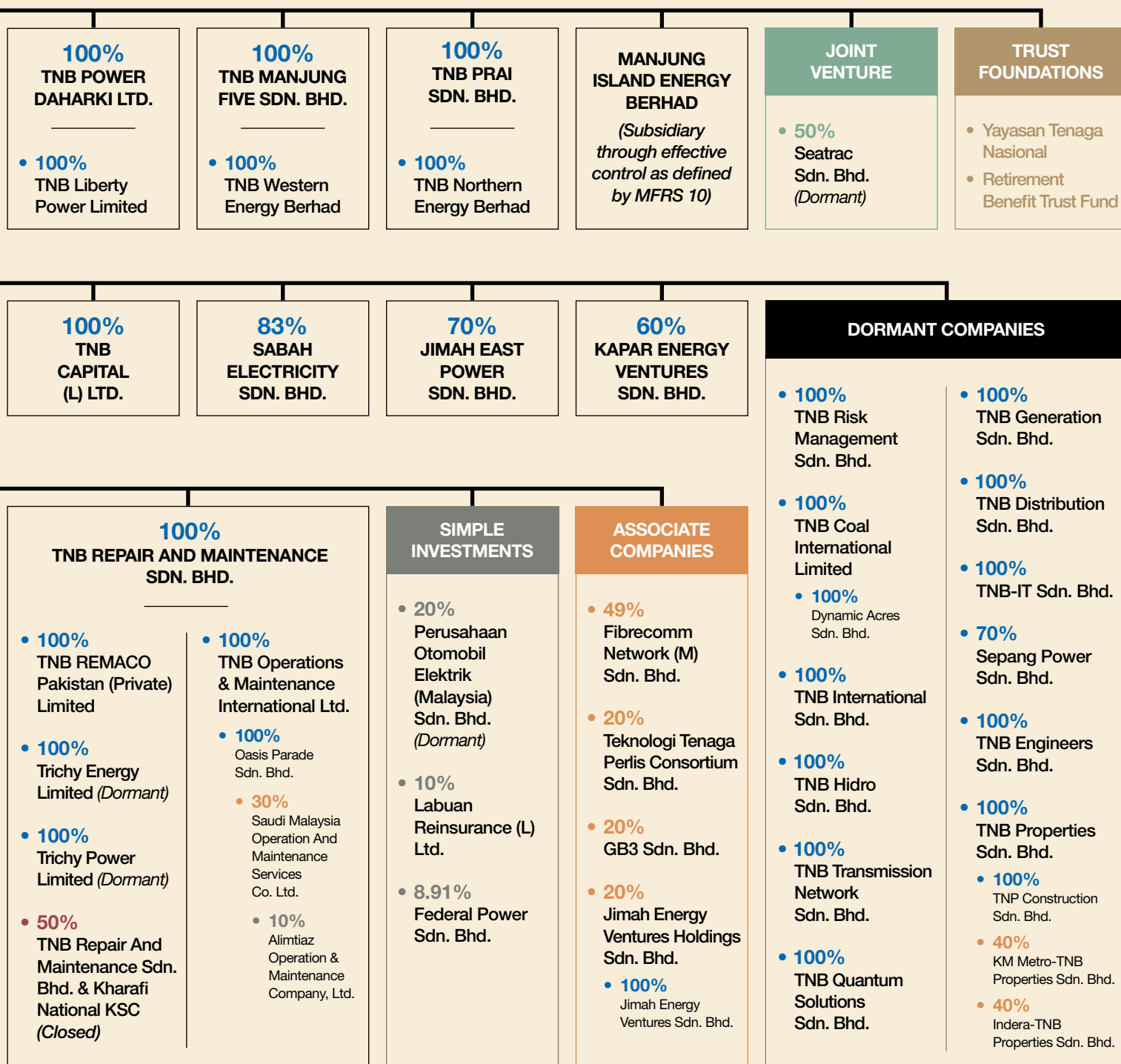
**TENAGA
NASIONAL BERHAD**
(200866-W)

GROUP OF COMPANIES



The above information is as at 23 October 2015

GROUP CORPORATE STRUCTURE



● Subsidiaries

● Joint Ventures

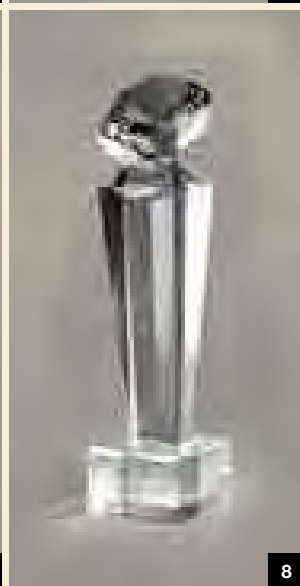
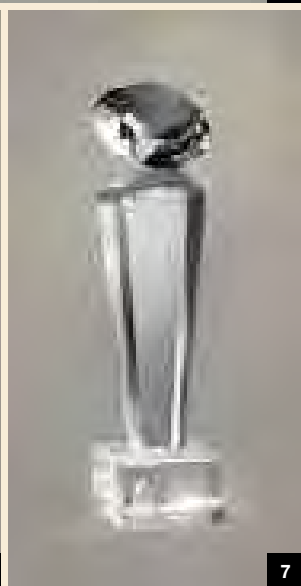
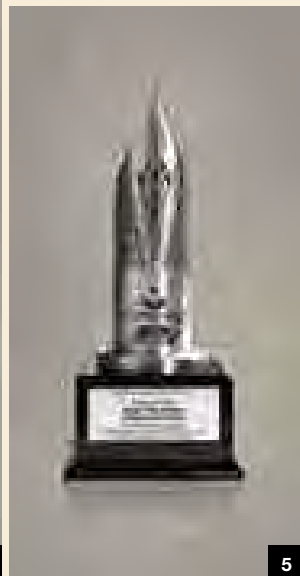
● Associate Companies

● Joint Operations

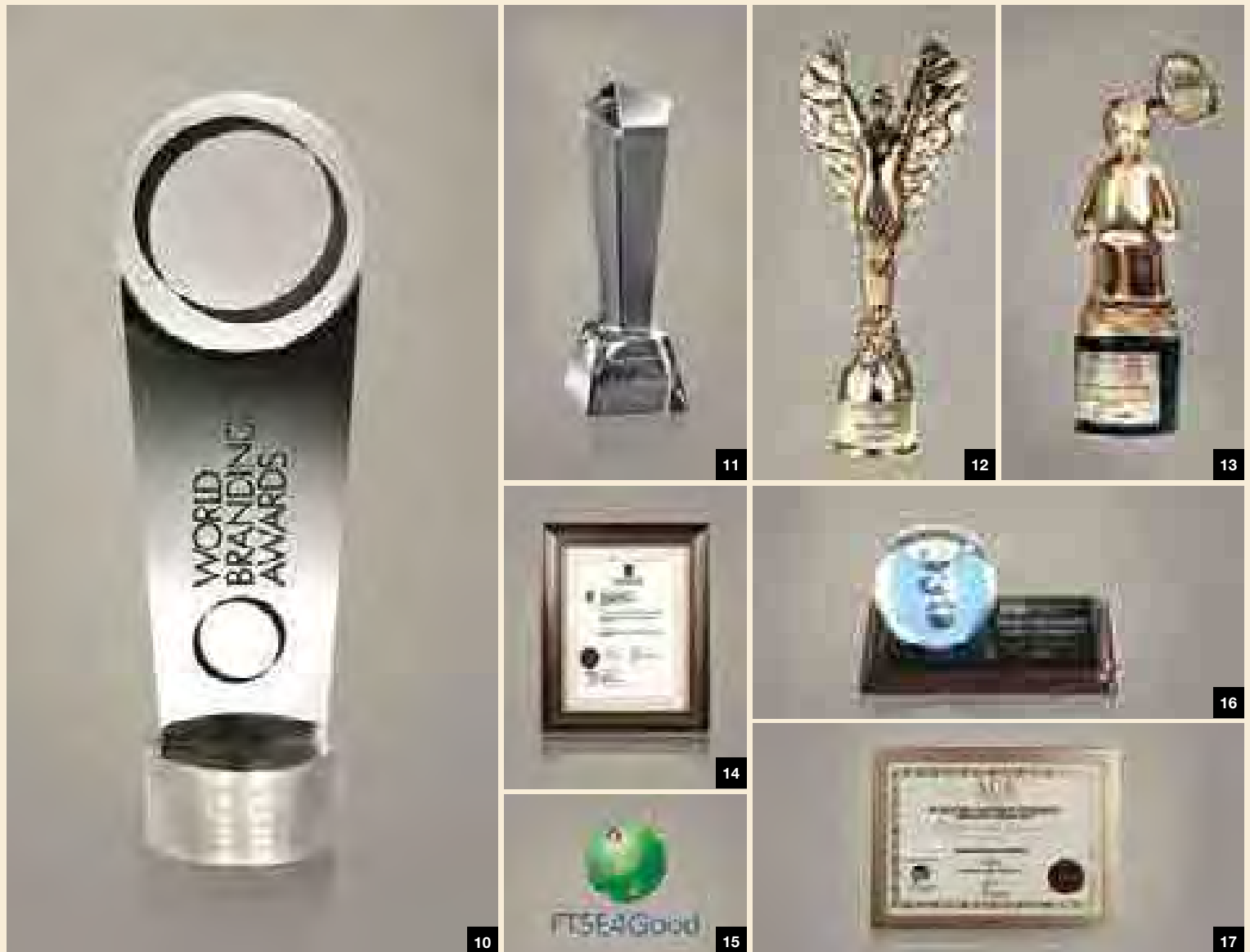
● Trust Foundations

● Simple Investments

AWARDS & RECOGNITIONS



AWARDS & RECOGNITIONS



- | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1 Contact Centre Association of Singapore (CCAS) Contact Centre Award 2014, Best Customer Experience Delivered (Silver)</p> <p>2 Malaysia Best Employer Brand Awards 2015</p> <p>3 The Golden Globe Tigers Summit Awards 2015, for Excellence in HR Leadership</p> <p>4 The IEM Award for Contribution to Engineering Industry in Malaysia – Utility</p> <p>5 <i>Anugerah Buku Negara 2014, Anugerah Perdana, Kategori Tajaan Korporat (Pemuliharaan Alam Sekitar)</i></p> <p>6 7th Annual Global CSR Summit & Awards 2015, CSR Leadership Award (Silver)</p> <p>7 7th Annual Global CSR Summit & Awards 2015, Best Environmental Excellence Award (Gold)</p> | <p>8 7th Annual Global CSR Summit & Awards 2015, Excellence in Provision of Literacy & Education Award (Gold)</p> <p>9 Asia Geospatial Award, Implementation of Smartview for Outage Management in TNB Distribution</p> <p>10 World Branding Awards – Brand of the Year, Power – Malaysia</p> <p>11 Platts Top 250 Global Energy Company Rankings, #13 Overall in Asia 2014</p> <p>12 The Brandlaureate Awards for Transformational Corporate Leader Brand Icon Leadership Award</p> <p>13 Malaysia Social Media Week 2015 Social Media Excellence Awards, Corporate Social Responsibility on Public Awareness</p> | <p>14 SIRIM QAS Certificate, ISO 22301:2012 Societal Security – Business Continuity Management Systems Certification (TNB Janamanjung Sdn Bhd)</p> <p>15 FTSE4Good Bursa Malaysia Index – In recognition of TNB's good Environmental, Social & Governance (ESG) practises</p> <p>16 Edison Electric Institute, Asian Utility Award 2014, Large Capitalization (Gold Performance)</p> <p>17 Association of Customer Experience Industry of Malaysia (ACE) 15th National Customer Experience Industry Award 2014, Best Contact Centre (3rd Place) – Utilities</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

MEDIA HIGHLIGHTS

[SOCIAL MEDIA, TV & PRINT]

SOCIAL MEDIA



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MEDIA HIGHLIGHTS
[SOCIAL MEDIA, TV & PRINT]

TV

Left to right - Top row: *Better. Brighter.* | *Where There's Light, There's Hope* – Deepavali | *Let's Share The Celebrations* – Chinese New Year
- Bottom row: *Sinar Baru* – Hari Raya Aidilfitri | *Towards a Better. Brighter. Future* – National Day | *Leadership Drive*

PRINT

MEDIA HIGHLIGHTS
[SOCIAL MEDIA, TV & PRINT]

PRINT

SEPTEMBER 2014

Bina loji tenaga RM6b di Bangladesh

The clipping features a large headline and several columns of text. At the bottom, there is a logo for 'Tenaga Nasional Berhad' and a small image of a power plant.

OCTOBER 2014

Cutting costs with renewable energy

The clipping includes a headline, a sub-headline, and several columns of text. It features two images: a photograph of a large dam or power plant structure and a circular infographic with green and blue segments.

NOVEMBER 2014

TNB martabatkan usahawan bumiputera

The clipping features a large headline and a photograph of a man in a suit sitting at a desk. The text is arranged in columns around the image.

DECEMBER 2014

RM18m on electricity rebate for Kelantan poor

The clipping includes a headline, a sub-headline, and several columns of text. It features a photograph of a person's face, partially obscured by a diagonal line.

MEDIA HIGHLIGHTS
[SOCIAL MEDIA, TV & PRINT]

PRINT

JANUARY 2015

TNB komited pulih bekalan elektrik

Tugas getir TNB pulihkan bekalan elektrik

TNB catat untung sebelum covid RM2.62b

FEBRUARY 2015

TNB restores 99% supply in Kelantan

TNB berjaya hentikan kepimpinan pelayar

Remaining villages to have generators while substations being repaired

MEDIA HIGHLIGHTS

[SOCIAL MEDIA, TV & PRINT]

PRINT

MARCH 2015



APRIL 2015



MEDIA HIGHLIGHTS
[SOCIAL MEDIA, TV & PRINT]

PRINT

MAY 2015

CUSTOMERS IMPRESSED WITH NEW CONCEPT

KEPUASAN PELANGGAN TERHADAP KONSEP BARU

Tenaga Nasional Berhad (TNB) telah memperkenalkan konsep baru kepada pelanggan-pelanggan kami. Konsep ini adalah...



Thunderbolts: Mera membingkai juara hoki generasi baharu

Kejuaraan hoki antarabangsa Thunderbolts telah berakhir dengan kemenangan cemerlang oleh skuad kebangsaan...




JUNE 2015

Bright plans for the future



THE KEMERDEGAAN BERKUALITI SOKONG HOKI

Hokis kebangsaan telah menunjukkan prestasi yang cemerlang dalam kejohanan antarabangsa...



GENERATING POWER ACROSS BORDERS

Tenaga Nasional Berhad telah memperluas operasi kami ke luar negara, menghasilkan tenaga elektrik...



MEDIA HIGHLIGHTS
[SOCIAL MEDIA, TV & PRINT]

PRINT

JULY 2015

TNB's 3Q15 net profit halved on higher tariff rebate

TNB reports lower net profit of RM789.4m compared to RM1.2b in previous quarter

by **RAVINDRAN BAWAN**

TENAGA Nasional Berhad (TNB) saw a sharp decline in net profit for the third quarter ended May 31, 2015 (3Q15), to RM789.4 million from RM1.2 billion a year earlier, due to a slash in higher tariff rebate.

The 3Q15 fall in net profit was accompanied with a 1.8% rise in revenue from RM11.7 billion in 3Q14 to RM11.95 bil-



TNB says it remains cautious on the group's prospects for FY15
associated to RM1.87 billion, recorded an increase of 2.4% as

pared to RM1.2 billion in the preceding quarter (3Q14) due to the impact of the tariff rebate.

Going forward, TNB said it remains cautious on the group's prospects for the financial year ending Aug 31, 2015 (FY15).

"The board of directors took note of the Singapore statement regarding policy statement dated July 9, 2015, which may pose risk from an investment risk to global growth and financial conditions, which may have implications on our revenues, stability and the prospects of the Malaysian economy."

Pengurusan alam sekitar terhadap pembinaan Empangan Puchong, Empangan Jambak

Empangan Puchong dan Empangan Jambak akan dibina dengan menggunakan teknologi terkini untuk memastikan keselamatan dan keberkesanan projek. Projek ini juga akan memastikan alam sekitar terjaga dengan baik. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik.

Pengurusan alam sekitar adalah aspek yang penting dalam projek pembinaan Empangan Puchong dan Empangan Jambak. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik.

Projek pembinaan Empangan Puchong dan Empangan Jambak akan dilaksanakan dengan menggunakan teknologi terkini untuk memastikan keselamatan dan keberkesanan projek. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik.



Untung bersih TNB naik RM5.25 bilion

Untung bersih TNB meningkat RM5.25 bilion kepada RM1.87 bilion pada suku ketiga tahun 2015. Peningkatan ini disebabkan oleh peningkatan pendapatan operasi dan pengurangan beban. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik.



TNB mengumumkan pendapatan
Peningkatan ini disebabkan oleh peningkatan pendapatan operasi dan pengurangan beban. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik.

Empangan Puchong dan Empangan Jambak akan dibina dengan menggunakan teknologi terkini untuk memastikan keselamatan dan keberkesanan projek. Pihak berkuasa yang bertanggungjawab akan memantau setiap aspek projek ini untuk memastikan alam sekitar terjaga dengan baik.

MEDIA HIGHLIGHTS

[SOCIAL MEDIA, TV & PRINT]

PRINT

AUGUST 2015

Kecekapan tenaga jadi amalan

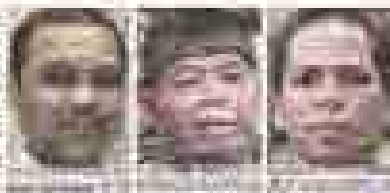


Transformasi TNB seiring permodenan



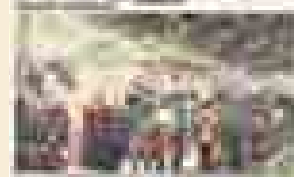
ULU JILAI DAM BOON FOR DISTRICT

ULU JILAI DAM BOON FOR DISTRICT
The Ulu Jilai Dam project is expected to bring significant benefits to the district, including improved water supply and flood control. The project is a key component of the national water supply program.



Energy industry leads growth in the country

Energy industry leads growth in the country
The energy sector is a key driver of economic growth in the country, with significant investments in infrastructure and technology. The industry is expected to continue to expand in the coming years.



HANDS-ON LEARNING FROM INDUSTRY LEADER

HANDS-ON LEARNING FROM INDUSTRY LEADER
Industry leaders are providing hands-on learning opportunities for students and professionals, fostering innovation and skill development. This collaborative approach is essential for staying competitive in a rapidly changing market.



3

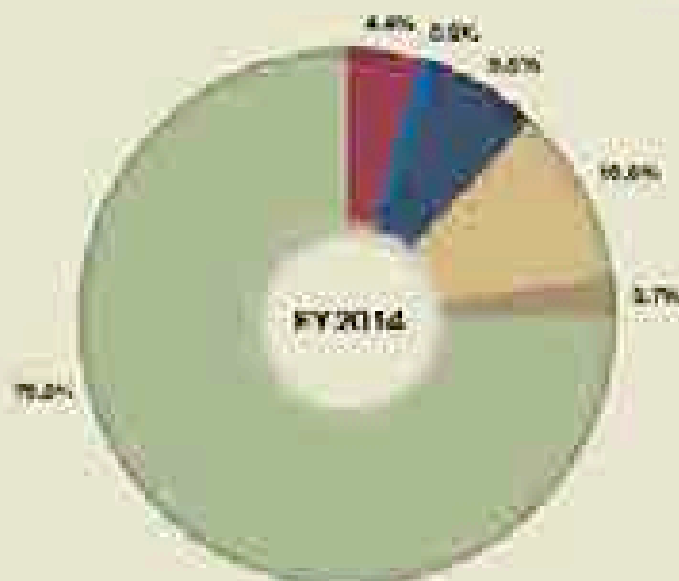
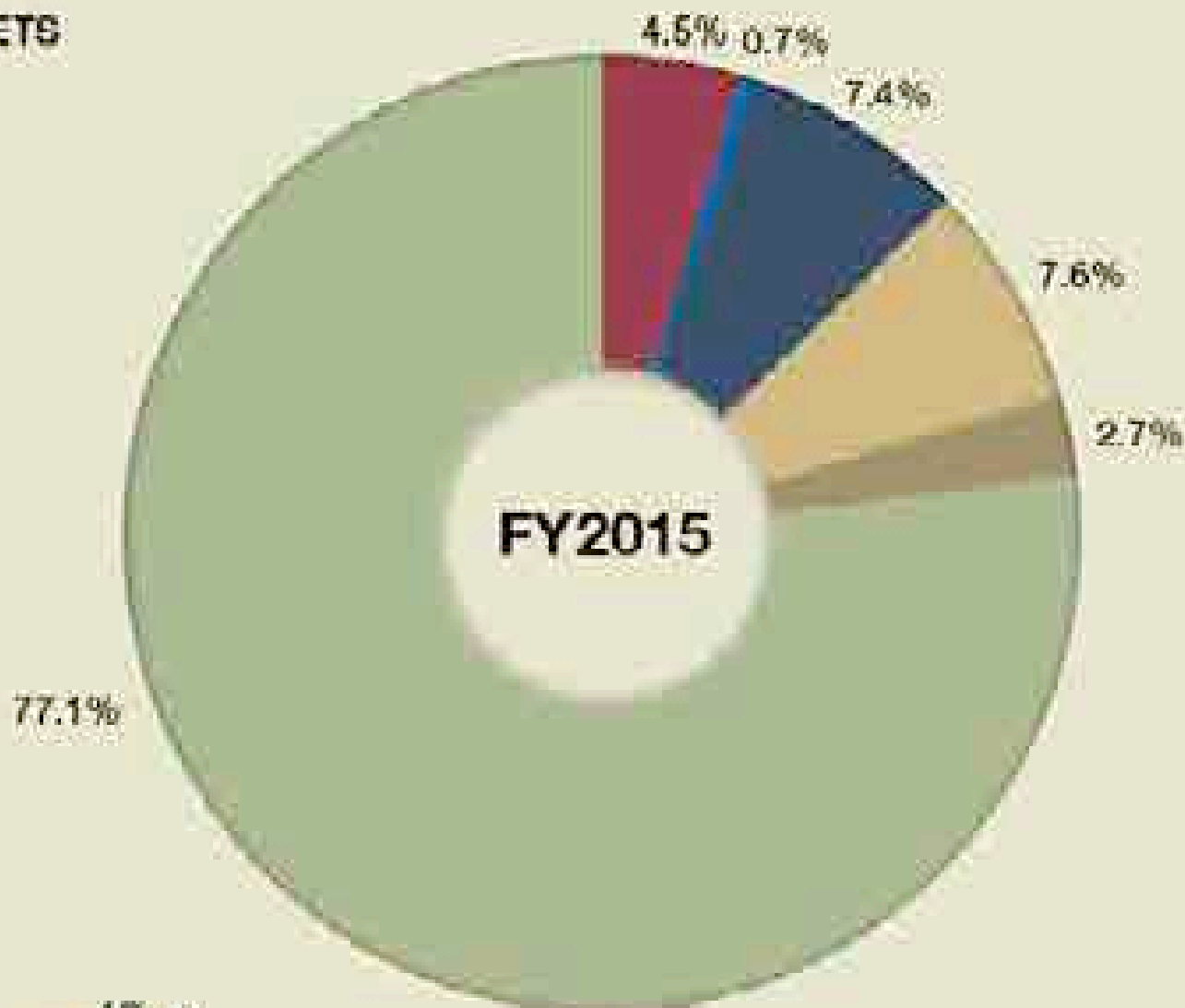
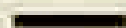
PERFORMANCE REVIEW

- 73 Simplified Group Statement of Financial Position
- 75 Group Quarterly Financial Performance
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- 77 Distribution of Value Added
- 78 FY2015 Core Revenue
- 79 Operational Statistics



SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS
(RM Million)

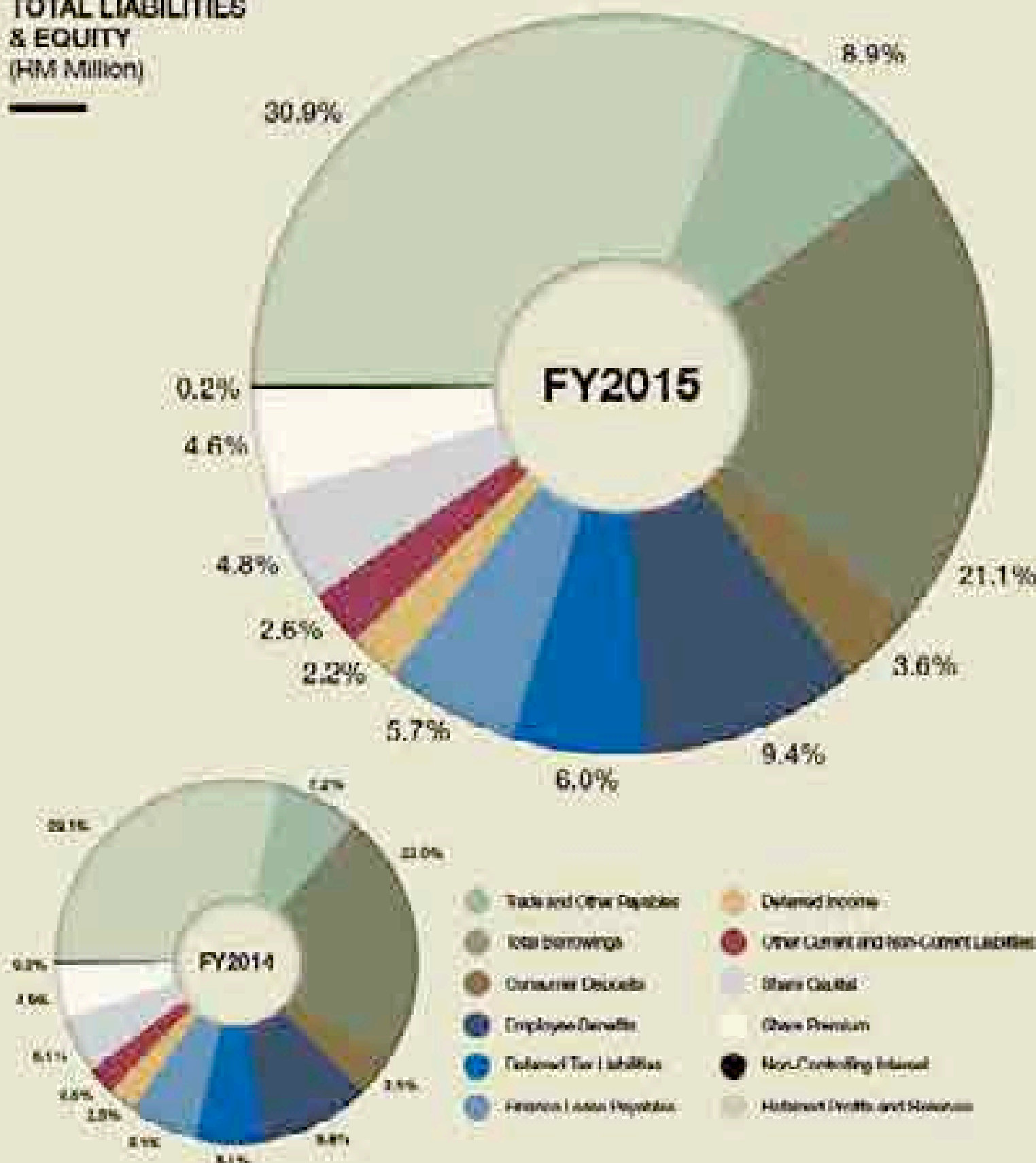


- Property, Plant and Equipment
- Prepaid Operating Lease
- Inventory
- Trucks and Other Facilities
- Cash and Cash Equivalents
- Other Assets

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL LIABILITIES & EQUITY (HM Million)

—



- Trade and Other Payables
- Total Borrowings
- Consumer Deposits
- Employee Benefits
- Taxation/Tax Liabilities
- Financial Lease Liabilities
- Deferred Income
- Other Current and Non-Current Liabilities
- Share Capital
- Share Premium
- Non-Controlling Interest
- Retained Profits and Reserves

GROUP QUARTERLY FINANCIAL PERFORMANCE

FY2015

| In RM Million | 1QFY'15 | 2QFY'15 | 3QFY'15 | 4QFY'15 |
|--------------------------------------------------|----------|----------|---------|----------|
| Revenue | 11,027.1 | 10,610.0 | 9,905.7 | 11,744.0 |
| Operating profit | 2,744.8 | 2,775.4 | 888.5 | 2,218.9 |
| Profit before taxation and <i>zakat</i> | 2,620.8 | 2,365.5 | 734.9 | 1,412.5 |
| Net profit attributable to owners of the Company | 2,351.9 | 2,156.2 | 789.4 | 820.9 |
| Basic earnings per share (sen) | 41.67 | 38.21 | 13.99 | 14.55 |

FY2014

| In RM Million | 1QFY'14 (Restated) | 2QFY'14 (Restated) | 3QFY'14 (Restated) | 4QFY'14 |
|--------------------------------------------------|-----------------------|-----------------------|-----------------------|----------|
| Revenue | 9,572.4 | 9,996.7 | 11,499.9 | 11,723.4 |
| Operating profit | 1,517.5 | 1,502.3 | 1,883.2 | 2,278.0 |
| Profit before taxation and <i>zakat</i> | 1,616.6 | 1,318.2 | 1,870.1 | 2,309.8 |
| Net profit attributable to owners of the Company | 1,750.3 | 1,733.9 | 1,626.9 | 1,355.9 |
| Basic earnings per share (sen) | 31.01 | 30.72 | 28.83 | 24.03 |

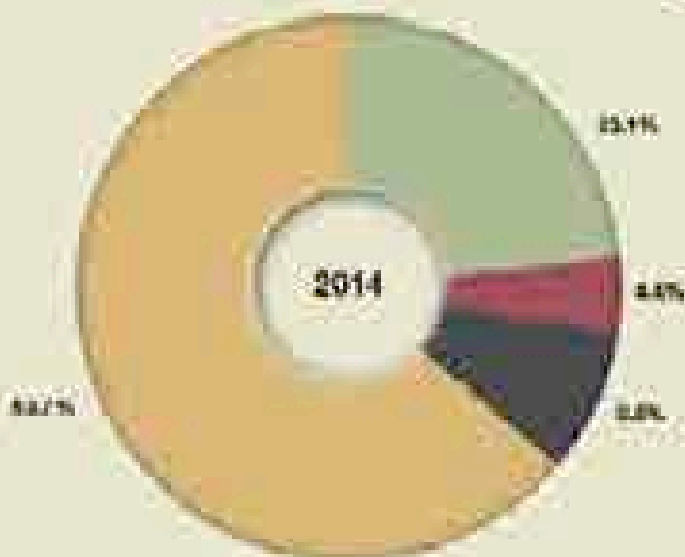
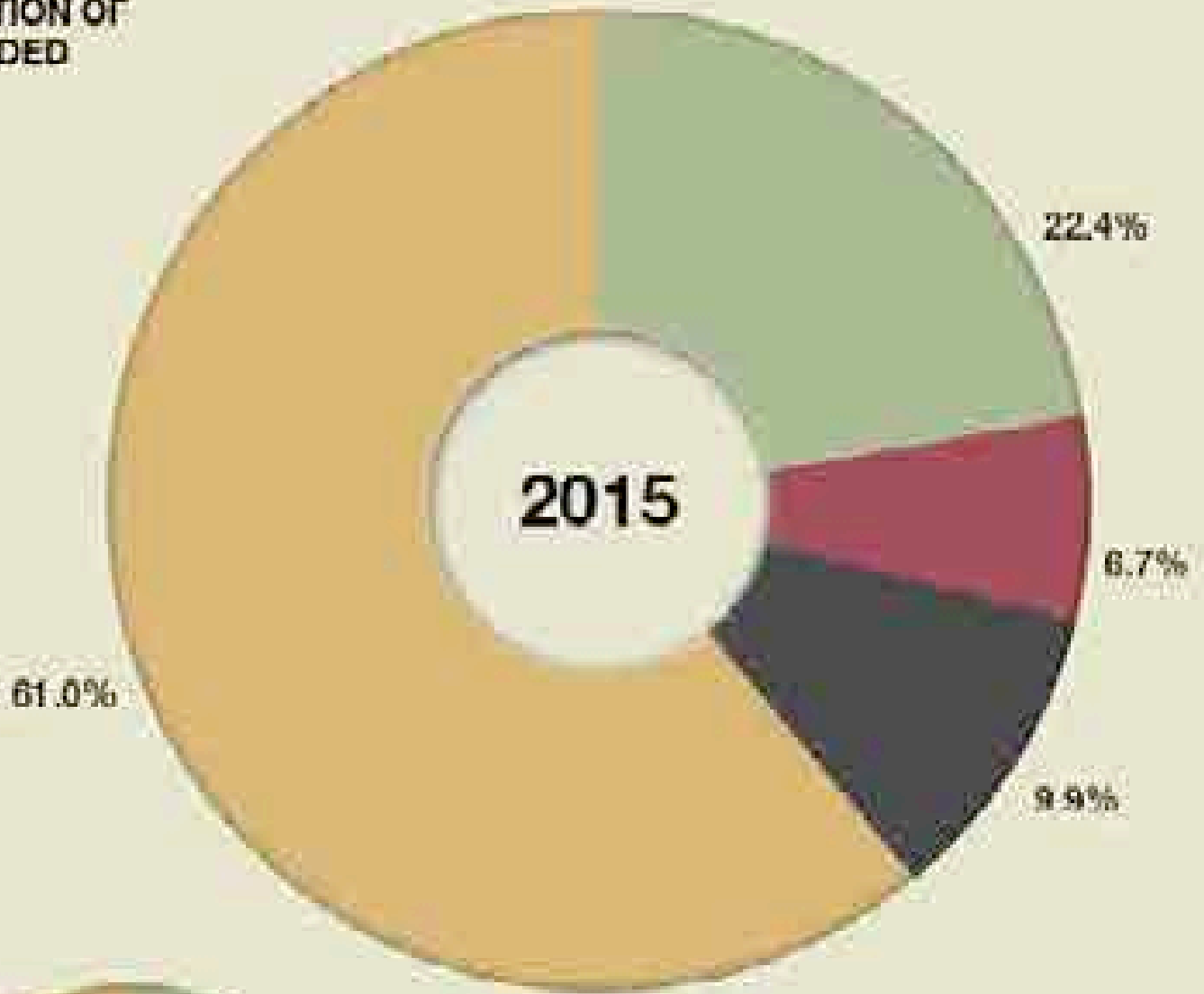
STATEMENT OF VALUE ADDED

Value added is a measure of wealth created by the TNB Group. The statement of value added shows the total wealth created and its distribution to stakeholders, including the Government, with the balance retained in the Group for reinvestment and future expansion of the Group's business.

| | 2014 RM million | 2015 RM million |
|-------------------------------------------------------------------------|--------------------|--------------------|
| VALUE ADDED | | |
| Revenue | 42,792.40 | 43,286.80 |
| Operating expenses excluding staff costs, depreciation and amortisation | (27,784.80) | (26,593.00) |
| Other operating income | 653.70 | 824.20 |
| Finance income | 256.70 | 282.20 |
| Finance cost | (874.60) | (944.90) |
| Foreign exchange gain/(loss) on borrowings | 448.90 | (932.30) |
| Share of results of associates and joint ventures | 102.70 | 101.10 |
| Value added available for distribution | 15,595.00 | 16,024.10 |
| DISTRIBUTION | | |
| To employees: | | |
| Employment cost | 3,607.80 | 3,596.20 |
| To the Government: | | |
| Taxation and <i>zakat</i> | 687.90 | 1,072.80 |
| To shareholders: | | |
| Dividends | 1,410.90 | 1,636.70 |
| Non-controlling interest | (40.20) | (57.50) |
| To reinvest to the Group: | | |
| Depreciation and amortisation | 4,872.50 | 5,294.20 |
| Retained profits | 5,056.10 | 4,481.70 |
| Total distributed | 15,595.00 | 16,024.10 |

DISTRIBUTION OF VALUE ADDED

DISTRIBUTION OF VALUE ADDED

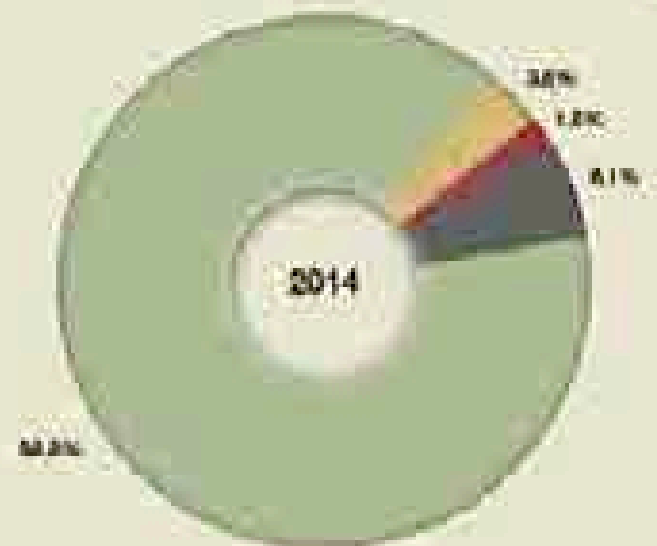
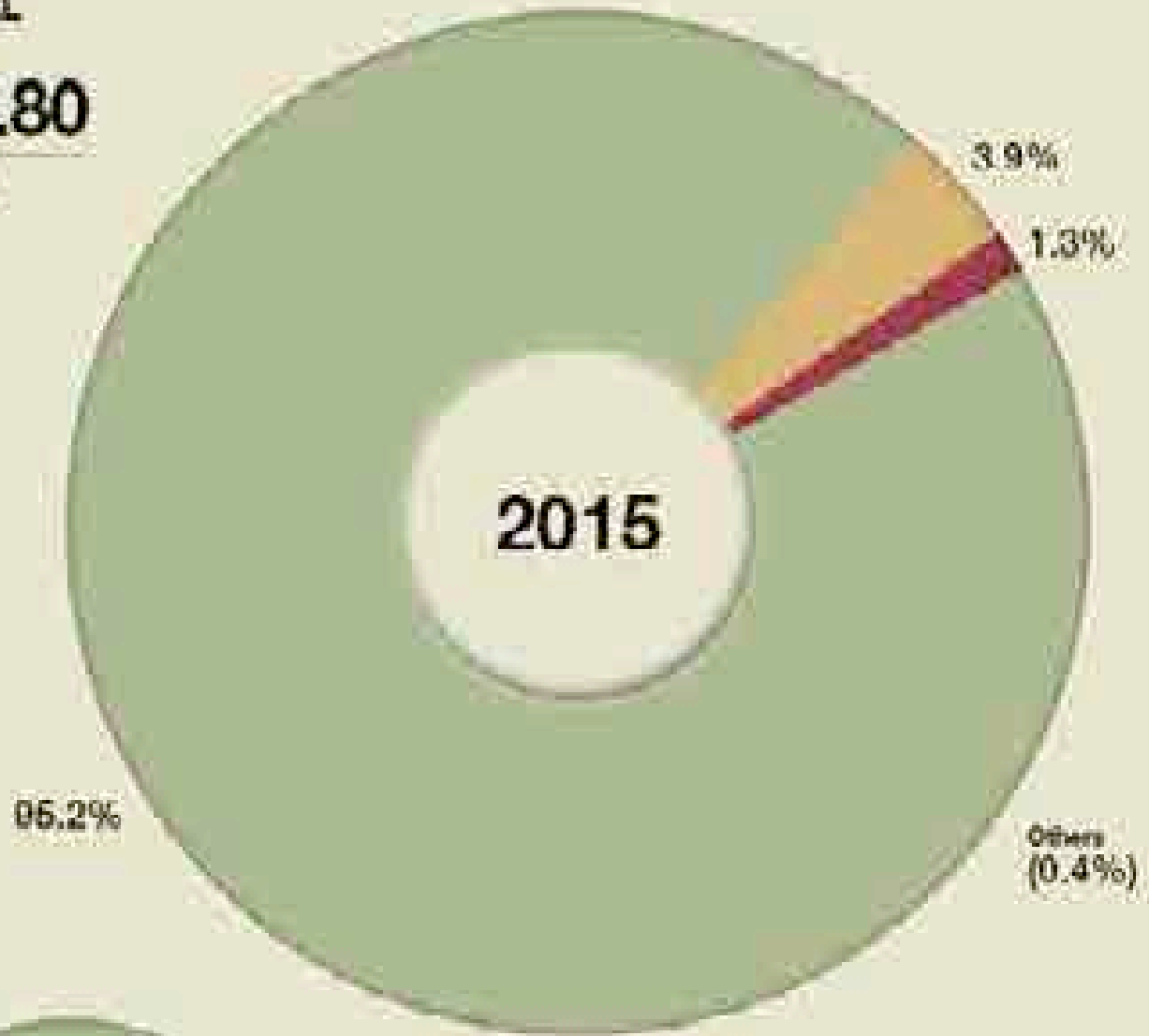
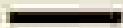


- To Employees: Employment Costs
- To the Government & Swedish and Other
- To Shareholders: Dividends and Non-Controlling Interest
- To Finance: To the Group: Depreciation, Amortisation and Retained Profits

FY2015 CORE REVENUE

FY2015 TOTAL
(RM Million)
43,286.80

40,760.40 for FY2014



- Inpatient Services
- SDOH
- LPL
- Others

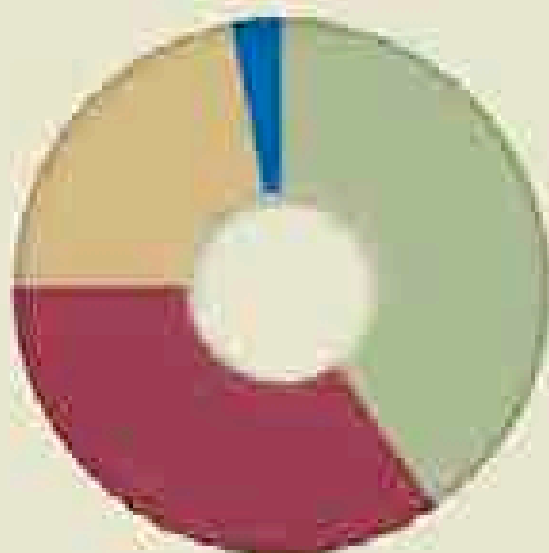
* Other Source: DSHS's Operating Lease, ACCUED REVENUE, UNCLD & SERVICE, CATERING Income & Tobacco Cost Pass-Through

OPERATIONAL STATISTICS



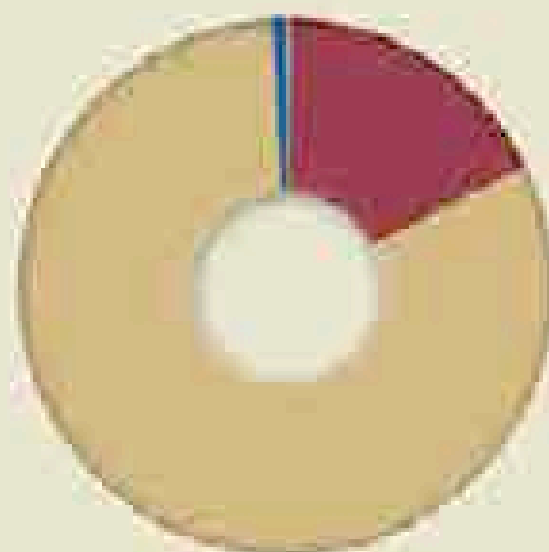
SALES OF ELECTRICITY
(Group/1M Million)

- 26.12% Industrial
- 40.09% Commercial
- 18.89% Domestic
- 14.90% Other



SALES OF ELECTRICITY
(Group/100M)

- 44.90% Industrial
- 34.60% Commercial
- 18.00% Domestic
- 2.50% Other



NUMBER OF CUSTOMERS BY CLASSIFICATION
(Group/NOG)

- 0.38% Industrial
- 17.20% Commercial
- 81.70% Domestic
- 0.72% Other

* Other includes start-ups, opening lines, Armed Forces, Goods & Services, Defence, Police & Institute of Civil Service.

4

LEADERSHIP

- 81 Profile of Directors
- 91 Profile of Company Secretary
- 92 Management Team



PROFILE OF DIRECTORS



TAN SRI LEO MOGGIE

Aged 74, Malaysian

Chairman

Non-Independent Non-Executive Director

Date Appointed to the Board:

12 April 2004

Years of Directorship:

11 years

Date of Last Re-appointment:

18 December 2014 (*pursuant to Section 129(6) of the Companies Act, 1965*)

Number of Board Meetings Attended in the Financial Year:

18/21

Qualifications:

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

Membership of Board Committee:

- Board Finance and Investment Committee (Chairman)

Present Directorship of Public Companies:

- ACE Jerneh Insurance Berhad

Skills, Experience and Expertise:

Tan Sri Leo Moggie is a prominent and well respected figure in the utility industry in Malaysia. Prior to his appointment as Chairman of Tenaga Nasional Berhad, he has had a remarkable career with the Government of Malaysia where he held several senior ministerial positions at both Federal and State level for more than 28 years since 1976. His positions included as Minister of Energy, Communications and Multimedia (1998-2004), Minister of Works (1989-1995), Minister

of Energy, Telecommunications and Posts (1978-1989 and 1995-1998), Minister of Local Government (1977-1978), Minister of Welfare Services in the State Government of Sarawak (1976-1977). He was also elected as Member of Sarawak State Council (1974-1978) and a Member of Parliament (1974-2004). He is also the Chairman of several companies within TNB Group.

PROFILE OF DIRECTORS



DATUK SERI IR. AZMAN BIN MOHD

*Aged 58, Malaysian
President/Chief Executive Officer
Non-Independent Executive Director*

Date Appointed to the Board:

15 April 2010

Years of Directorship:

Five (5) years

Date of Last Re-election:

18 December 2012

**Number of Board Meetings Attended
in the Financial Year:**

20/21

Qualifications:

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

Membership of Board Committee:

Attends Board Committees Meetings
(By Invitation)

Present Directorship of Public Companies:

- Integrax Berhad

Skills, Experience and Expertise:

Datuk Seri Ir. Azman bin Mohd was appointed as the President/Chief Executive Officer of Tenaga Nasional Berhad on 1 July 2012. Prior to that, he has served the Company in various technical and engineering capacities mainly within the Distribution Division, one of the Company's core business division. He was the Executive Director/Chief Operating Officer of TNB from 15 April 2010 until 30 June 2012.

Prior to that, he served as the Vice President, Distribution from 14 November 2008 until 14 April 2010. He has held various positions in the Division since 1979, including as Senior General Manager, General Manager, Assistant General Manager, Area Manager, District Manager and started off as Assistant District Engineer. He also holds a number of directorships within TNB Group of Companies.

PROFILE OF DIRECTORS



DATUK NOZIRAH BINTI BAHARI

Aged 59, Malaysian

Non-Independent Non-Executive Director

Date Appointed to the Board:

28 June 2011

Years of Directorship:

Four (4) years

Date of Last Re-election:

19 December 2013

Number of Board Meetings Attended in the Financial Year:

17/21

Qualifications:

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

Membership of Board Committees:

- Board Tender Committee (Chairman)
- Board Risk Committee

Present Directorships of Public Companies:

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

Skills, Experience and Expertise:

Datuk Nozirah binti Bahari began her career in the Malaysian Civil Service in 1981 as Assistant Secretary, Finance Division in the Ministry of Finance before being appointed to her current position as Deputy Secretary General (Management). Among other key positions she has held in the Ministry of Finance prior to her current position were Director

of Budget Management Division (2011), Under Secretary and Deputy Under Secretary, Loan Management, Financial Market and Actuary Division (2005-2011) as well as Deputy Under Secretary, Procurement and Supplies Division (2002-2004).

PROFILE OF DIRECTORS



AHMAD FAROUK BIN MOHAMED

*Aged 42, Malaysian
Non-Independent Non-Executive Director*

Date Appointed to the Board:

26 June 2014

Year of Directorship:

One (1) year

Date of Last Re-election:

18 December 2014

**Number of Board Meetings Attended
in the Financial Year:**

19/21

Qualifications:

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

Membership of Board Committees:

- Board Tender Committee
- Board Nomination and Remuneration Committee
- Board Long Term Incentive Plan Committee
- Board Disciplinary Committee

Present Directorships of Public Companies:

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

Skills, Experience and Expertise:

Ahmad Farouk bin Mohamed joined Khazanah Nasional Berhad in early 2006 and he is currently the Executive Director, Investment. Prior to that, he was the Executive Director/Head of Strategic Management Unit in the Managing Director's Office (2009-2012). He began his

career in risk analysis in London and before joining Khazanah Nasional Berhad, Ahmad Farouk was an Associate Director at Bina Fikir Sdn. Bhd. (2004-2006), and served as a Consultant in Risk, Finance and Insurance Practice at Mercer Zainal Consulting Sdn. Bhd. (1997-2004).

PROFILE OF DIRECTORS



DATO' ZAINAL ABIDIN BIN PUTIH

*Aged 69, Malaysian
Senior Independent Non-Executive Director*

Date Appointed to the Board:

1 May 2003

Years of Directorship:

12 years

Date of Last Re-election:

18 December 2014

**Number of Board Meetings Attended
in the Financial Year:**

18/21

Qualification:

- Chartered Accountant of the England and Wales Institute

Membership of Board Committees:

- Board Audit Committee (Chairman)
- Board Finance and Investment Committee
- Board Risk Committee

Present Directorships of Public Companies:

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

Skills, Experience and Expertise:

Dato' Zainal Abidin bin Putih possesses extensive experience in public accounting and audit practices. He was a Partner, Executive Director, Country Managing Partner and Chairman in the Firm of Hanafiah Raslan & Mohamad, which merged with Ernst & Young in 2002. Dato' Zainal Abidin was the former Chairman of Mentakab Rubber Company Berhad, Pengurusan Danaharta Nasional Berhad and Malaysian Accounting Standards Board. He was also the former President of Malaysian Institute of Certified Public Accountants, former member of Malaysian Communications and Multimedia

Commission and a former Advisor to Messrs Ernst & Young Malaysia. At present, he serves as the Chairman of CIMB Bank Berhad, Dutch Lady Milk Industries Berhad and Land & General Berhad. He also holds directorships in a number of private companies including as Chairman of Mobile Money International Sdn. Bhd. and Touch 'n Go Sdn. Bhd. Dato' Zainal Abidin is also a Trustee of the National Heart Institute Foundation, the Perdana Leadership Foundation and MACPA Educational Trust Fund as well as a member of Perbadanan Putrajaya.

PROFILE OF DIRECTORS



TAN SRI DATO' SERI SITI NORMA BINTI YAAKOB

*Aged 75, Malaysian
Independent Non-Executive Director*

Date Appointed to the Board:

12 September 2008

Years of Directorship:

Seven (7) years

Date of Last Re-appointment:

18 December 2014 (*pursuant to Section 129(6) of the Companies Act, 1965*)

Number of Board Meetings Attended in the Financial Year:

19/21

Qualifications:

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

Membership of Board Committees:

- Board Nomination and Remuneration Committee (Chairman)
- Board Long Term Incentive Plan Committee (Chairman)
- Board Disciplinary Committee (Chairman)
- Board Finance and Investment Committee

Present Directorships of Public Companies:

- RAM Holdings Berhad
- RAM Rating Services Berhad

Skills, Experience and Expertise:

Tan Sri Dato' Seri Siti Norma binti Yaakob is a respected member in the international legal community with extensive experience in legal and judicial services and had served a long stint for the Legal Services of Malaysia in various significant positions. She retired in January 2007 after 43 years of exemplary services. Prior to her retirement, she was the Chief Judge of Malaya since 8 February 2005. Among other senior positions she held during her tenure were the Judge of Federal Court, Malaysia (2001-2005), Judge of Court of Appeal, Malaysia (1994-

2000) and Judge of High Court, Malaya (1983-1994). A number of other positions she has held from 1963 to 1983 were Chief Registrar of Federal Court, President of Sessions Court, Deputy Public Trustee, Senior Federal Counsel of the Attorney General's Chambers and Senior Assistant Registrar of High Court. Most recent, she sits on the Board of Bank Negara Malaysia. Tan Sri Dato' Seri Siti Norma is also currently the Chairman of Malaysia Competition Commission.

PROFILE OF DIRECTORS



DATO' ABD MANAF BIN HASHIM

*Aged 59, Malaysian
Independent Non-Executive Director*

Date Appointed to the Board:

1 February 2010

Years of Directorship:

Five (5) years

Date of Last Re-election:

18 December 2014

Number of Board Meetings Attended in the Financial Year:

20/21

Qualifications:

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

Membership of Board Committees:

- Board Risk Committee (Chairman)
- Board Audit Committee
- Board Tender Committee
- Board Nomination and Remuneration Committee
- Board Long Term Incentive Plan Committee

Present Directorship of Public Companies:

- Integrax Berhad

Skills, Experience and Expertise:

Dato' Abd Manaf bin Hashim is presently a member of the Suruhanjaya Perkhidmatan Awam Negeri Perak since 2009 and serves as Chairman in several private companies that involve in the constructions, telecommunications and solar hybrid sectors since 1993. Prior to that,

he has held various positions in Shapadu Decloedt Dredging Sdn. Bhd. (1990-1992), Industrial Boilers and Allied Equipment (IBAE) (1984-1986), Hakasa Sdn. Bhd. (1983-1984) and Asie Sdn. Bhd. (1982-1983). Dato' Abd Manaf is currently a member of Perak State Assembly.

PROFILE OF DIRECTORS



SAKTHIVEL A/L ALAGAPPAN

*Aged 45, Malaysian
Independent Non-Executive Director*

Date Appointed to the Board:

1 February 2014

Year of Directorship:

One (1) year

Date of Last Re-election:

18 December 2014

**Number of Board Meetings Attended
in the Financial Year:**

20/21

Qualification:

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

Membership of Board Committees:

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

Present Directorship of Public Companies:

- Nil

Skills, Experience and Expertise:

Sakthivel a/l Alagappan is currently a Director of Abseiling Technologies Sdn. Bhd. and Cerdik Sakti Sdn. Bhd. Prior to that he was a working partner of Key Founder Limited and Guangzhou Howay Chemical Technology Co. Ltd. He began his career in 1996

as Production Engineer in Matsushita Sdn. Bhd. He was also former Director of Superindex Leather Sdn. Bhd. (2000) and M-Leather Camp Sdn. Bhd. (1998).

PROFILE OF DIRECTORS



DATUK WIRA IR. MD SIDEK BIN AHMAD

*Aged 63, Malaysian
Independent Non-Executive Director*

Date Appointed to the Board:

1 March 2014

Year of Directorship:

One (1) year

Date of Last Re-election:

18 December 2014

**Number of Board Meetings Attended
in the Financial Year:**

18/21

Qualifications:

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

Membership of Board Committees:

- Board Tender Committee
- Board Nomination and Remuneration Committee
- Board Risk Committee
- Board Long Term Incentive Plan Committee

Present Directorship of Public Companies:

- Nil

Skills, Experience and Expertise:

Datuk Wira Ir. Md Sidek bin Ahmad began his career in 1975, where he had served TNB for more than 30 years in various technical and engineering key positions. He was appointed as Senior Vice President (Operations and Technical) of TNB until his retirement (2007-2009). Prior to that, he was the Senior Vice President (Operations) (2004-2007) and Vice President (Corporate Services, Planning and Development) (2002-2004). A number of other positions he held during his tenure in TNB were Managing Director of TNB Distribution Sdn. Bhd., Vice

President (Customer Services Department), Chief Engineer (Planning and Development), Lembaga Letrik Sabah, Deputy Regional Manager and Regional Manager. With his vast experience in engineering, he is currently the Chairman of Engineering Accreditation Council and Engineering Technologist Accreditation Council Malaysia, a Board Member of Board of Engineers Malaysia and Co-Chairman of National Monitoring Committee for Engineering Services. He also holds several directorships within TNB Group of Companies.

PROFILE OF DIRECTORS



TAN SRI DATO' SERI CHOR CHEE HEUNG

*Aged 60, Malaysian
Independent Non-Executive Director*

Date Appointed to the Board:

4 February 2015

Year of Directorship:

Not more than one (1) year

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

10/13

Qualifications:

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

Membership of Board Committees:

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

Present Directorship of Public Companies:

- Nil

Skills, Experience and Expertise:

Tan Sri Dato' Seri Chor Chee Heung has had a distinguished career with the Government of Malaysia where he held several senior ministerial positions since 2000, of which he was the Minister of Housing and Local Government (2010-2013) and a Member of Parliament (1990-2013). Prior to that, he served as the Deputy Minister of Home Affairs and Deputy Finance Minister (2004-2009) as well as Parliamentary Secretary for Ministry of Transport (1995-2000). Before entering the political arena, Tan Sri Dato' Seri Chor Chee Heung practiced law since

1981 until 1995. His other achievements were being the Chairman of Commonwealth Parliamentary Association, Malaysian Parliament (2000-2002) and a Permanent Member of Asean Inter Parliamentary Organisation Conference Representing Malaysian Parliament (1990-2000). Tan Sri Dato' Seri Chor Chee Heung is currently the Chairman of Maxim Holdings Sdn. Bhd. and also the Advisor of Melati Ehsan Berhad Group of Companies.

Additional information of the Board:

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

PROFILE OF COMPANY SECRETARY



NORAZNI BINTI MOHD ISA

*Aged 52, Malaysian
Company Secretary*

Qualifications:

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

Skills, Experience and Expertise:

Norazni binti Mohd Isa has served for more than 25 years in TNB, with vast experience in tender and contract management where she held various positions within TNB. Prior to her appointment as the Company Secretary, she was the Deputy Company Secretary and thereafter the Joint Company Secretary (2011-2012). Previous positions she has held before assuming her current role were the Head of Tender Management

Unit, Procurement Division (2006-2011), Manager of Licensing and Compliance Unit, Corporate Communications Department (2003-2006), Manager of Contract Management, Procurement Division (2002-2003) and Legal Executive in Legal Services Department, Company Secretary's Office (1990-2001). Currently, Norazni also sits on the respective Boards of TNB Group of Companies.

MANAGEMENT TEAM

Entrusted with the
Responsibility of
Ensuring that the Group's
Operations are Aligned
with its Vision and Mission
as well as Ensuring that
they are Implemented
in Accordance with the
Group's Policies and
Strategies

A portrait of Datuk Seri Ir. Azman Bin Mohd, a middle-aged man with short grey hair, wearing a dark suit jacket over a light-colored shirt. He is standing outdoors with a blurred background of greenery and a building.

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

MANAGEMENT TEAM



**FAZLUR RAHMAN
BIN ZAINUDDIN**
*Chief Financial Officer/
Vice President, Group
Finance*



**NOR AZMAN
BIN MUFTI**
*Vice President,
Energy Ventures*



**DATUK ZAINUDIN
BIN IBRAHIM**
*Vice President,
Generation*



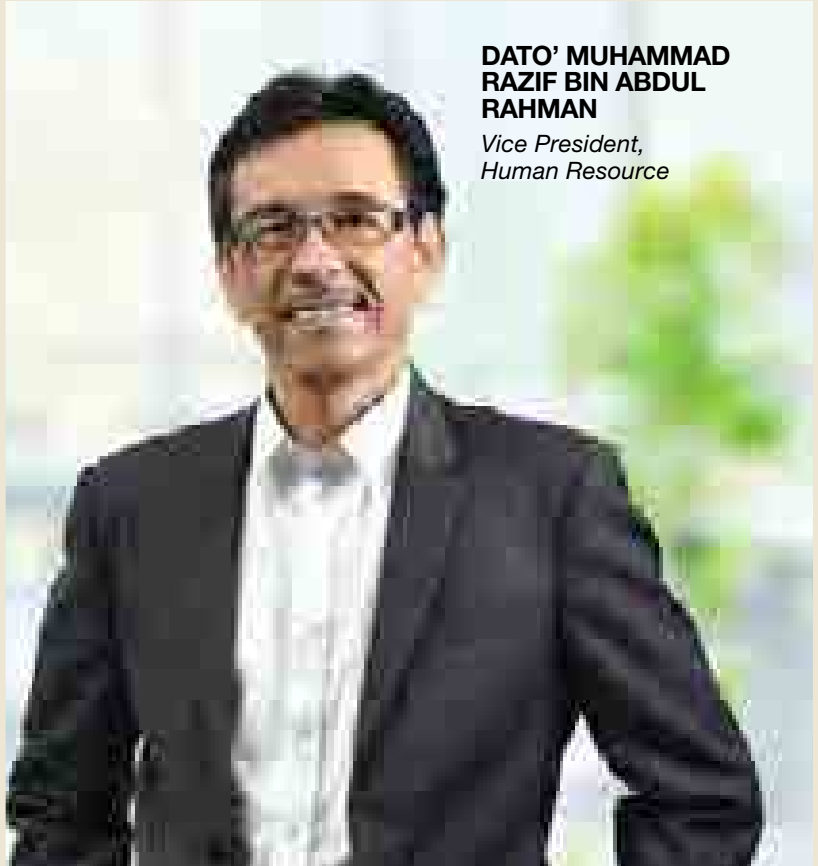
**DATUK ROZIMI
BIN REMELI**
*Vice President,
Transmission*

MANAGEMENT TEAM

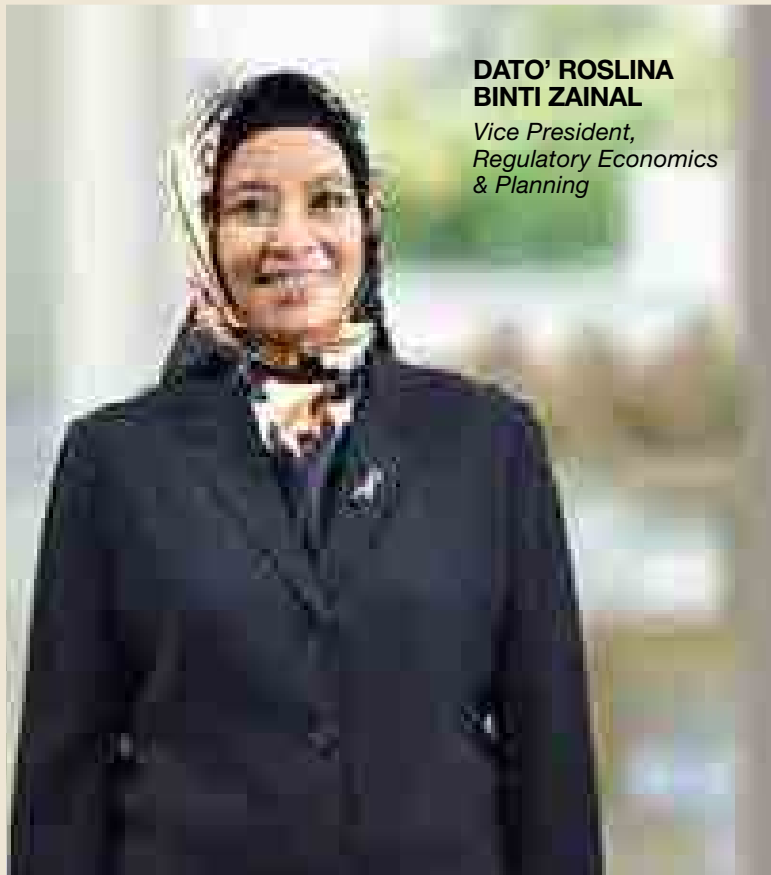
DATUK IR. BAHARIN BIN DIN
*Vice President,
Distribution*



DATO' MUHAMMAD RAZIF BIN ABDUL RAHMAN
*Vice President,
Human Resource*



DATO' ROSLINA BINTI ZAINAL
*Vice President,
Regulatory Economics
& Planning*



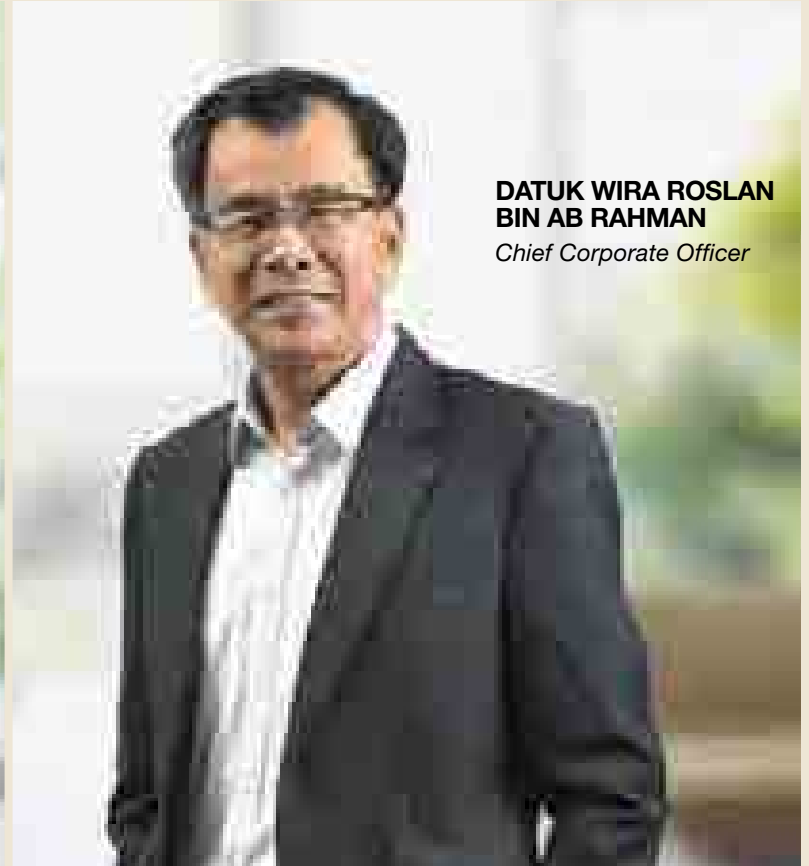
IR. SYED ABU HANIFAH BIN SYED ALWI
*Chief Procurement
Officer*



MANAGEMENT TEAM



**FAZIL BIN
IBRAHIM**
*Chief Information
Officer*



**DATUK WIRA ROSLAN
BIN AB RAHMAN**
Chief Corporate Officer



**NAZMI BIN
OTHMAN**
*Chief Investment
Management Officer*



**NORAZNI BINTI
MOHD ISA**
Company Secretary



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ACCOUNTABILITY

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STATEMENT OF CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS OF TENAGA NASIONAL BERHAD (THE BOARD) IS CONSCIOUS THAT BEST PRACTICE IN THE AREA OF CORPORATE GOVERNANCE IS CONTINUOUSLY EVOLVING AND WILL THEREFORE CONTINUE TO ANTICIPATE AND RESPOND TO FURTHER CORPORATE GOVERNANCE DEVELOPMENTS.

This Statement of Corporate Governance outlines the key governance principles and practices of Tenaga Nasional Berhad (TNB or the Company) which are reviewed regularly and revised as appropriate to reflect the changes in the relevant regulations and developments in corporate governance.

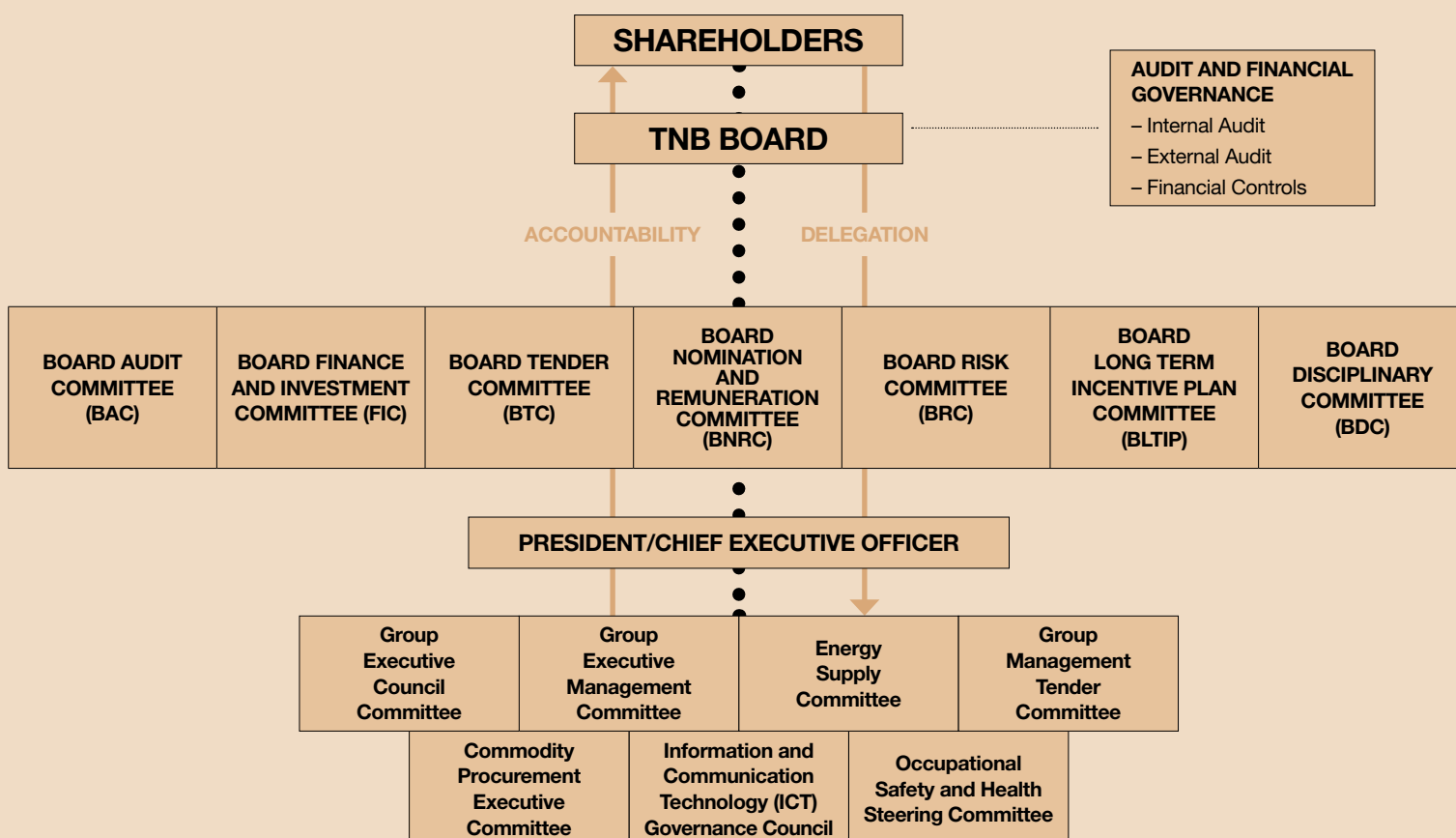
The Board adopts a corporate governance framework comprising principles and policies consistent with the Malaysian Code on Corporate Governance 2012 (MCCG 2012), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), the Corporate Governance Guide: Towards Board Excellence by Bursa

Malaysia Securities Berhad and the Green Book: Enhancing Board Effectiveness by the Putrajaya Committee on Government-Linked Companies High Performance.

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

TNB's Corporate Governance Framework is best demonstrated as below.

CORPORATE GOVERNANCE FRAMEWORK



STATEMENT OF CORPORATE GOVERNANCE

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Principle 1 of the MCCG 2012

Board of Directors

The Company's Articles of Association provides that its business and affairs are to be managed by or under the direction of the Board. The Board is guided by its Board Charter which sets out the Board's roles, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of TNB's operational activities is delegated to the President/Chief Executive Officer who is accountable to the Board. The Board Charter and the delegation of Board authority to the President/Chief Executive Officer are reviewed as and when the need arises.

In addition to matters required by law to be approved by the Board, the schedule of matters reserved for the Board's ultimate decision include, amongst others, the strategic plans/initiatives, annual business plan including budget of the Group, dividend policy, expenditure of significant amounts, leadership selection, succession and remuneration planning, Board performance and composition, financial performance and reporting, investment/acquisition/disposal of company/assets and corporate responsibility of the Company. The Board may alter the matters reserved for its decision, subject to the limitations imposed by the Company's Articles of Association and law.

The Board assumes the following roles/responsibilities:

(i) Reviewing and adopting a strategic plan for the Company

The Board plays a pivotal role in reviewing strategic direction and approving corporate strategic initiatives developed by the Management. The Board deliberates annually the Company's strategic and business plan as proposed by the Management including the annual capital and revenue budget for the ensuing year as well as the Key Performance Indicators (KPIs). This will ensure that the KPIs correspond with the Company's annual strategic and business plan. The Board reviews and constructively challenges the Management's views/assumptions in ensuring the best decisions are made after having considered all relevant aspects.

A separate and informal session between the Board and Top Management known as the Board Breakout Session (BBO) is held to discuss in depth and exchange views on the Company's strategic issues/challenges. During the Financial Year under review, two (2) BBOs were held on 9 April 2015 and 27 May 2015 whereby selected Divisions presented their respective strategic plans/initiatives and achievements.

Half-year reviews of the business plan as well as of the budget were conducted whereby comparison of approved targets against the Company's actual performance was made.

Based on the annual evaluation for the Financial Year under review the Board collectively concurs that it has reviewed the Company's strategic and financial plan as well as monitored its implementation including the setting of suitable KPIs in achieving the Company's objectives.

(ii) Overseeing the conduct of the Company's business

The President/Chief Executive Officer holds the management responsibility of the day-to-day running of the Company and for the implementation of Group strategies and policies as agreed by the Board. In doing so he is well supported by the established Management Committees of various functions.

The performance of Management is measured through quarterly reports on financial performance of the Company as well as of the Group. The Board, on a continuous basis, is well informed of the ongoing progress of the Company's strategic initiatives and critical operational issues as well as the Group's performance based on approved KPIs.

(iii) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The BRC assists the Board in overseeing the establishment, implementation and effectiveness of the Group's risk management system. The BRC on behalf of the Board also approves the risk management policies/practices and reviews periodic reports on risk management and makes relevant recommendations to the Board for its approval. Details of the BRC and the risk management framework are set out in the BRC Report and Statement on Risk Management and Internal Control of this Annual Report.

Based on the annual evaluation for the Financial Year under review the Board collectively agrees that it has discharged its roles in identifying principal risks and in ensuring that an adequate risk management framework is in place within the Group to effectively monitor and manage the risks of the Group's operational businesses.

(iv) Succession planning

The Board through the BNRC is obliged to review potential candidates for Top Management positions as well as fix their remuneration. The BNRC formulates the nomination, selection and succession policies for the Group. At the BBO on 9 April 2015 the Board deliberated on TNB's Leadership Development and Succession Management. Moving forward TNB has embarked on two (2) major initiatives namely TNB Talent Management enhancement to drive business results while increasing talents' value and the Leadership Drive approach to attract, develop and retain potential talents to discover Growth Leaders.

STATEMENT OF CORPORATE GOVERNANCE

The Board is satisfied that the BNRC has efficiently discharged its duty pertaining to the nomination, remuneration and succession management function as set out in its Terms of Reference (TOR).

The BNRC also on an annual basis evaluates the performance of the President/Chief Executive Officer and the Top Management, whose remuneration is directly linked to their respective KPIs. The President/Chief Executive Officer's remuneration package is reviewed by the BNRC to reflect the contributions made towards the Group's achievements for the year and it subsequently submits views/recommendations to the Board for its decision/approval.

Based on the annual evaluation for the Financial Year under review the Board collectively concurs that the succession planning has been appropriately developed for the President/Chief Executive Officer and Top Management as well as for the Company's future leaders.

- (v) Overseeing the development and implementation of a shareholder communications policy for the Company

TNB continuously maintains its commitment to pursuing the highest standards of corporate disclosure through the dissemination of accurate, consistent, transparent and timely information to its stakeholders. TNB's Investor Relations (IR) Policy acts as the guiding principle for IR functions, assisting effective communication between the Management and the financial community, locally or abroad.

Based on the annual evaluation for the Financial Year under review the Board collectively agrees that the IR programmes have been conducted successfully by the Management. Concise details on TNB's IR functions and its activities for the Financial Year are provided in this Statement of Corporate Governance under the Principle 8: Strengthen Relationship between the Company and Shareholders.

- (vi) Reviewing the adequacy and the integrity of the Management information and internal control system of the Company

The Board is entrusted with the responsibility of ensuring that a sound reporting framework of internal controls and regulatory compliance is in place throughout the Company. Based on the annual evaluation for the Financial Year under review the Board collectively concurs that it has discharged its roles through the BRC/BAC whereby regular meetings were held in reviewing the effectiveness of the Company's internal control system.

Details of the Company's internal control system and its effectiveness are provided in the Statement on Risk Management and Internal Control in this Annual Report.

The Limits of Authority outlines principles to govern decision-making within the Group, including appropriate escalation and reporting to the Board. The Board has also delegated to the President/Chief Executive Officer, and through the President/Chief Executive Officer to other Executives, responsibility for the day-to-day management of the Company. The Limits of Authority encompasses both monetary and non-monetary limits of authority for recommending and approving its operational and Management decision-making activities prior to their execution. These delegations balance effective oversight with appropriate empowerment and accountability of Management.

The roles and responsibilities of the Non-Executive Chairman and the President/Chief Executive Officer are separated and clearly defined. This segregation ensures a healthy balance of power for independent decision-making and greater capacity for Management supervision by the Board.

Chairman

The Chairman, Tan Sri Leo Moggie, continues to lead and guide the Board in ensuring that it strives to maintain the highest governance standards.

He is responsible for facilitating the effective contribution of the Non-Executive Directors, who are to receive accurate, timely and clear information so that they may effectively discharge their roles and responsibilities. He serves as the primary link between the Board and the Company and is also responsible for fostering constructive relations between the President/Chief Executive Officer and Non-Executive Directors to ensure effective and appropriate communication with the shareholders.

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

The Board has concluded that his other commitments do not prevent him from devoting sufficient time to perform his role effectively.

President/Chief Executive Officer

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

The Top Management is led by the President/Chief Executive Officer and together, they are responsible for ensuring that high quality information is provided to the Board on the Group's financial and strategic performance.

STATEMENT OF CORPORATE GOVERNANCE

Board Composition

The TNB Board currently consists of 10 members, one (1) Executive Director and nine (9) Non-Executive Directors, of whom six (6) are Independent Directors. The Independent Directors make up more than half of the Board, as recommended by the MCCG 2012, while their number exceeds the minimum as prescribed by the MMLR. These Directors are considered by the Board to be independent of Management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement.

The Board may appoint a new Director either to fill a casual vacancy or to add to the existing Directors while the Minister of Finance Incorporated (MoF Inc), being the Special Shareholder, has the right to appoint up to six (6) Directors. The Company's Articles of Association provides that the Company is not to have more than 12 Directors, nor less than two (2) Directors.

The Board believes there should be significant representation by Directors who are capable and willing to make decisions in the best interest of the shareholders, free from interests or influences which conflict with that duty, and who moreover are independent of Management.

The details of each Director in office at the date of the Annual Report, shown on pages 81 to 90, indicate their breadth of business, financial, public service, administration, engineering and law experience and expertise. This gives the Board the range of skills, knowledge, experience and expertise essential to govern the Company, including an understanding of its business operation and the challenges it faces. The President/Chief Executive Officer brings an additional perspective to the Board through an in-depth understanding and knowledge of TNB's business which is invaluable to the Board.

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

Re-election and Re-appointment of Directors

The Company's Articles of Association states that one-third (1/3) of the Directors shall retire from office by rotation at each Annual General Meeting (AGM), and all Directors shall retire from office at least once every three (3) years but shall be eligible, and may offer themselves, for re-election. The Company's Articles of Association also provides that the Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill up a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not at any time exceed the number fixed in accordance with these regulations. Any Director so appointed shall hold office only until the next following AGM and shall then be eligible for re-election.

At the forthcoming AGM, with his appointment to the Board with effect from 4 February 2015, Tan Sri Dato' Seri Chor Chee Heung, who is retiring in accordance with Article 133 of the Company's Articles of Association and being eligible, has offered himself for re-election.

Datuk Seri Ir. Azman bin Mohd and Datuk Nozirah binti Bahari, both being Directors who are retiring by rotation in accordance with Article 135 of the Company's Articles of Association, and being eligible, have also offered themselves for re-election.

The provision of Section 129 of the Companies Act, 1965 provides that a Director who is of or over the age of 70 shall retire at the AGM and may be re-appointed subject to approval by a majority of not less than three-fourth (3/4) of such Members of the Company being entitled to vote in person or where proxies are allowed, by proxy at the AGM of the Company, to hold office until the next AGM.

Tan Sri Leo Moggie and Tan Sri Dato' Seri Siti Norma binti Yaakob, who are retiring in accordance with Section 129(6) of the Companies Act, 1965, will be seeking their re-appointment as Company Directors to hold office until the conclusion of the next AGM.

Recommendation 3.3 of the MCCG 2012 stipulates that an Independent Director may remain as Independent Director after serving a cumulative term of nine (9) years provided that the Board recommends this upon concrete justification and seeks shareholders' approval in a general meeting.

Dato' Zainal Abidin bin Putih, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, will be seeking shareholders' approval for his continuation in office and to hold office for the next three (3) years until the conclusion of the AGM 2018.

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

Based on the annual independence assessment of all Independent Directors including Tan Sri Dato' Seri Chor Chee Heung, Tan Sri Dato' Seri Siti Norma binti Yaakob and Dato' Zainal Abidin bin Putih, the Board/BNRC are satisfied that these Independent Directors have complied with the independence criteria as prescribed by the MMLR and continue to bring independent and objective judgement to the Board deliberations.

STATEMENT OF CORPORATE GOVERNANCE

Having considered these criteria, which include professionalism, breadth of experience/expertise, material relationship, competency and time commitment to perform their duties, through its annual evaluation, the Board/BNRC are satisfied that the Directors who are standing for their re-election, re-appointment and continuation in office at AGM 2015 have met the Board's expectations by continuously performing their duties diligently as Directors of the Company.

The Board therefore unanimously resolves to recommend the re-election, re-appointment and continuation in office of each respective Director who is standing for re-election, re-appointment and continuation in office at AGM 2015.

Details of those Directors standing for re-election, re-appointment and continuation in office at the forthcoming 25th AGM are contained in the Statement Accompanying Notice of AGM.

Board Committees

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

The Board Committees operate principally in a review or advisory capacity, except in cases where powers and authorisation are specifically conferred on a Committee by the Board.

Following the approval given by the shareholders at the Extraordinary General Meeting held on 18 December 2014 on the establishment of Long Term Incentive Plan (LTIP) for eligible employees of TNB and its Subsidiaries and Executive Directors of TNB, a dedicated Board Committee, the Board Long Term Incentive Plan Committee (BLTIP), was set up by the Board on 22 January 2015 specifically to administer TNB's LTIP function and decide on all matters relating to the LTIP as governed by the LTIP By-Laws including, inter alia, the determination of eligibility, grant level, terms of acceptance of offers, terms of vesting of shares, performance conditions and any other terms and conditions imposed at the discretion of the BLTIP.

Its members comprise the existing BNRC Members and are led by the BNRC Chairman herself, Tan Sri Dato' Seri Siti Norma binti Yaakob. The BLTIP met once during the Financial Year.

In addition to the above, the Board currently has seven (7) principal Board Committees, each of which is governed by clearly defined and documented Terms of Reference (TOR), which are reviewed from time to time, as the need arises, to ensure they remain relevant and are up to date.

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

- (i) Board Audit Committee
- (ii) Board Finance and Investment Committee
- (iii) Board Tender Committee
- (iv) Board Nomination and Remuneration Committee
- (v) Board Risk Committee
- (vi) Board Long Term Incentive Plan Committee
- (vii) Board Disciplinary Committee.

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

All deliberations and recommendations have to be minuted and approved by each Committee and confirmed by the Chairman of each Committee at its respective Board Committee meetings.

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

Based on the annual evaluation of each standing Committee for this Financial Year, the Board unanimously resolves that each Committee has discharged its roles and responsibilities effectively as guided by its respective TOR.

STATEMENT OF CORPORATE GOVERNANCE

Concise details of the respective Board Committees as at the date of the Annual Report are as follows:

| Committee | Current Membership | Composition | Key Roles And Responsibilities |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BAC | <p><u>Chairman:</u> Dato' Zainal Abidin bin Putih</p> <p><u>Members:</u> Dato' Abd Manaf bin Hashim Sakthivel a/l Alagappan Tan Sri Dato' Seri Chor Chee Heung (Appointed w.e.f. 3 March 2015)</p> | <p>Consists exclusively of Independent Non-Executive Directors.</p> <p>The Chairman is the Senior Independent Non-Executive Director.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p> <p>Meets at least once a month.</p> | <p>To oversee the integrity of the financial statements in compliance with legal and regulatory requirements and applicable accounting standards.</p> <p>To assess the effectiveness of the Group's internal control framework as well as internal and external audit functions.</p> <p>The BAC's TOR is available on pages 129 to 131 of this Annual Report.</p> |
| FIC | <p><u>Chairman:</u> Tan Sri Leo Moggie</p> <p><u>Members:</u> Dato' Zainal Abidin bin Putih Tan Sri Dato' Seri Siti Norma binti Yaakob Sakthivel a/l Alagappan Tan Sri Dato' Seri Chor Chee Heung (Appointed w.e.f. 3 March 2015)</p> | <p>Consists exclusively of Non-Executive Directors, the majority of whom being Independent Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p> | <p>To assist the Board in relation to the management of the Group's financial and investment activities as well as in evaluating corporate proposals.</p> |
| BTC | <p><u>Chairman:</u> Datuk Nozilah binti Bahari</p> <p><u>Members:</u> Ahmad Farouk bin Mohamed Dato' Abd Manaf bin Hashim Datuk Wira Ir. Md Sidek bin Ahmad</p> | <p>Consists exclusively of Non-Executive Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p> <p>Meets at least once a month.</p> | <p>To establish the framework of TNB's Procurement Policy and Procedures.</p> <p>To advise the Board regarding the details and implementation of TNB's Procurement Policy and Procedures framework.</p> <p>To assist the Board in regulating the compliance of Senior Management and Executive Director with TNB's Procurement Policy and Procedures.</p> <p>To ensure TNB complies with the applicable laws, regulations, rules and guidelines to achieve best practices in its procurement of equipment, materials, work and services.</p> |

STATEMENT OF CORPORATE GOVERNANCE

| Committee | Current Membership | Composition | Key Roles And Responsibilities |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BNRC | <p><u>Chairman:</u> Tan Sri Dato' Seri Siti Norma binti Yaakob</p> <p><u>Members:</u> Ahmad Farouk bin Mohamed</p> <p>Dato' Abd Manaf bin Hashim</p> <p>Datuk Wira Ir. Md Sidek bin Ahmad</p> | <p>Consists exclusively of Non-Executive Directors, the majority of whom being Independent Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p> | <p>To identify and recommend new nominees to the Board, Board Committees and Board of TNB's Group of Companies.</p> <p>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.</p> <p>To implement the process formulated by the Board to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director.</p> <p>To determine and recommend to the Board the remuneration packages of Non-Executive Directors/Executive Director/Top Management.</p> |
| BRC | <p><u>Chairman:</u> Dato' Abd Manaf bin Hashim (Appointed w.e.f. 2 February 2015)</p> <p><u>Members:</u> Datuk Nozirah binti Bahari</p> <p>Dato' Zainal Abidin bin Putih</p> <p>Datuk Wira Ir. Md Sidek bin Ahmad</p> | <p>Consists exclusively of Non-Executive Directors, the majority of whom being Independent Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p> | <p>To identify principal risks and ensure the implementation of appropriate systems to manage risks.</p> <p>To oversee the establishment and implementation of the risk management system, the effectiveness of which is to be reviewed at least annually and includes reviewing the risk management policies and practices approved by the Group Executive Management Committee.</p> <p>To approve the risk management policies and practices on behalf of the Board and review periodic reports on risk management and recommendations that will be presented to the Board.</p> |
| BLTIP (Established w.e.f. 22 January 2015) | <p><u>Chairman:</u> Tan Sri Dato' Seri Siti Norma binti Yaakob</p> <p><u>Members:</u> Ahmad Farouk bin Mohamed</p> <p>Dato' Abd Manaf bin Hashim</p> <p>Datuk Wira Ir. Md Sidek bin Ahmad</p> | <p>Consists exclusively of Non-Executive Directors, the majority of whom being Independent Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p> | <p>To oversee the administration of the TNB LTIP and the shares granted under it (LTIP Shares) subject to the By-Laws.</p> <p>To approve and determine the manner in which the LTIP Shares are granted to and subsequently vested to the selected employees who have accepted their respective grants in accordance with the By-Laws, including inter alia, the determination of eligibility, grant level, terms of acceptance of offers, terms of vesting of shares, performance conditions and any other terms and conditions imposed at the discretion of the LTIP.</p> |

STATEMENT OF CORPORATE GOVERNANCE

| Committee | Current Membership | Composition | Key Roles And Responsibilities |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BDC | <p><u>Chairman:</u> Tan Sri Dato' Seri Siti Norma binti Yaakob</p> <p><u>Members:</u> Ahmad Farouk bin Mohamed</p> <p>Sakthivel a/l Alagappan</p> <p>Tan Sri Dato' Seri Chor Chee Heung (Appointed w.e.f. 3 March 2015)</p> | <p>Consists exclusively of Non-Executive Directors, the majority of whom being Independent Directors.</p> <p>Consists of not less than three (3) Directors.</p> <p>All Members have relevant qualifications and experience.</p> | <p>To manage disciplinary issues and actions with regard to employees' misconduct except for the hearing of appeal of executives of grade M15 and above or equivalent grade with regard to disciplinary cases, for which the power lies with the Board.</p> <p>To establish new disciplinary procedures or amend existing procedures whenever applicable, subject to the Board's approval.</p> |

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

Board Meetings

The Board schedules monthly meetings, while additional meetings are held as necessary to discuss specific issues that require deliberation in between the scheduled meetings. The Board held 21 Board meetings during the Financial Year under review.

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

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

The agenda of Board meetings is drawn up after consultation between the Chairman, President/Chief Executive Officer and Company Secretary at the pre-Board meetings, after which copies of the agenda and Board papers are circulated to Board Members electronically and in hard copies at least three (3) working days prior to the meeting. This permits prior review by the Directors and, if necessary, the acquisition of further information for deliberation at the meeting to support informed decision-making. Any Director may request matters to be included in the agenda.

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

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

The Board and Board Committees meetings are also held at various business operating units or sites of new projects to allow the Board to better assess progress made and note any other important issue raised. During the Financial Year under review, the Board/respective Board Committees visited the following business operations/ongoing projects of the Company:

- (a) Site Visit to Tanjung Sambar Main Switching Station, Pulau Langkawi, Kedah
- (b) Site Visit to Lok Kawi Main Intake Substation, Sabah
- (c) Site Visit to Pulau Besar Project, Melaka.

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

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

STATEMENT OF CORPORATE GOVERNANCE

Details of Directors' attendance at Board and Board Committees meetings for the Financial Year ended 31 August 2015:

| Name of Director | BOD | | BAC | | FIC | | BTC | | BNRC | | BRC | | BLTIP | | BDC | |
|-------------------------------------------------|------------------|----|------------------|-----|------------------|-----|------------------|----|------------------|-----|------------------|-----------------|------------|-----------------|------------|---|
| | Attendance | % | Attendance | % | Attendance | % | Attendance | % | Attendance | % | Attendance | % | Attendance | % | Attendance | % |
| Tan Sri Leo Moggie | 18 (Chairman) | 86 | - | - | 11 (Chairman) | 100 | - | - | - | - | - | - | - | - | - | - |
| Datuk Seri Ir. Azman bin Mohd | 20 | 95 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Datuk Nozilah binti Bahari | 17 | 81 | - | - | - | 100 | 12 (Chairman) | 67 | - | 8 | 67 | - | - | - | - | - |
| Ahmad Farouk bin Mohamed | 19 | 90 | - | - | - | 64 | 8 | - | 6 | 60 | - | 1 | 100 | 1 | 50 | - |
| Dato' Zainal Abidin bin Puthi | 18 | 86 | 16 (Chairman) | 100 | 7 | 64 | - | - | - | 9 | 75 | - | - | - | - | - |
| Tan Sri Dato' Seri Siti Norma binti Yaakob | 19 | 90 | - | - | 11 | 100 | - | - | 10 (Chairman) | 100 | - | 1 (Chairman) | 100 | 2 (Chairman) | 100 | - |
| Dato' Abd Manaf bin Hashim ¹ | 20 | 95 | 14 | 88 | - | - | 11 | 92 | 9 | 90 | 12 (Chairman) | 1 | 100 | - | - | - |
| Sakthivel a/ Alagappan | 20 | 95 | 16 | 100 | 11 | 100 | - | - | - | - | - | - | - | 2 | 100 | - |
| Datuk Wira Ir. Md Sidek bin Ahmad | 18 | 86 | - | - | - | - | 11 | 92 | 10 | 100 | 11 | 1 | 100 | - | - | - |
| Tan Sri Dato' Seri Chor Chee Heung ² | [^] 10 | 77 | [^] 9 | 90 | [^] 6 | 86 | - | - | - | - | - | - | - | [^] 1 | 100 | - |
| Datuk Chung Hon Cheong ³ | *7 | 88 | *5 | 100 | *2 | 67 | - | - | - | - | *3 | 100 | - | *1 | 100 | - |
| Number of Meetings held in FY2015 | 21 | | 16 | | 11 | | 12 | | 10 | | 12 | | 1 | | 2 | |

Notes:

- ¹ Appointed as Chairman of the BRC w.e.f. 2 February 2015
 - ² Appointed as Board Member and Member of the BAC, FIC & BDC w.e.f. 4 February 2015 and 3 March 2015 respectively
 - ³ Resigned as Board Member w.e.f. 2 February 2015
- * Reflects the number of meetings during the time the Director held office/was a Member of Committee
[^] Reflects the number of meetings since his respective appointments

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

STATEMENT OF CORPORATE GOVERNANCE

Code of Ethics

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

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

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

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

TNB's Procurement Code of Conduct guides TNB's Directors and employees as well as all existing and potential suppliers/contractors including their directors and employees. TNB believes that all suppliers/contractors relationships should be based on principles of good governance such as integrity, accountability, fairness and a no-tolerance rule towards bribery and corruption. These principles are enforced in the Procurement Code of Conduct which is constantly revised to capture changes in regulations, reputational demands and business.

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

Indemnification of Directors and Officers

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

Supply of Information and Access to Advice

The Board receives accurate, timely and clear information so that it may effectively discharge its duties and responsibilities. Thus, it has separate and independent access to information to assist it with its

deliberations, including the opportunity to request supplementary or explanatory information from Management. The Management provides information to the Board on an ongoing basis to allow the Board to effectively discharge its responsibilities.

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

The BBO is conducted by the Company Secretary's Office as and when the need arises and is a platform for the Board and Management to deliberate and exchange views as well as opinions in formulating strategic plans and to chart the direction of the Group including the reporting of its progress. During the Financial Year under review, two (2) BBOs were held on 9 April 2015 and 27 May 2015 respectively including the reporting of its progress.

Company Secretary

The Board is assisted by the Company Secretary who is under the direction of the Chairman to facilitate good information flows within the Board and its Committees and between the Top Management and the Non-Executive Directors, including the induction of new Directors and the ongoing professional development of all Directors.

The Company Secretary is responsible for monitoring compliance with the Board procedures and for advising the Board through the Chairman on all governance matters. All Directors have direct access to the advice and services of the Company Secretary, whose appointment and removal is a matter reserved for the Board.

The Company Secretary's profile is set out on page 91 of this Annual Report.

Board Charter

The Board Charter acts as the source of reference for the Board of its duties and responsibilities in setting the overall direction and control of the Company, besides assisting the Board in assessing its own performance. The Board reviews its Charter as and when the need arises to keep it up to date with changes in regulations and best practices thus ensuring its effectiveness and relevance to the Board's objectives. It is available on the Company's website at www.tnb.com.my.

STRENGTHEN COMPOSITION

Principle 2 of the MCCG 2012

The Board through the BNRC assesses and makes recommendations to the Board regarding the Board's composition and remuneration as well as on the selection and appointment of high-calibre Directors who are able to meet the Company's present and future needs.

STATEMENT OF CORPORATE GOVERNANCE

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

During the Financial Year under review, the BNRC held ten (10) meetings and its key activities included the following:

- (i) reviewing and assessing the annual performance and effectiveness of the Board and the Board Committees as a whole;
- (ii) reviewing and assessing the annual independence assessment of the Independent Directors;
- (iii) reviewing and assessing the performance and composition of the Board Committees;
- (iv) reviewing and assessing the performance and making recommendations to the Board regarding the Directors who are seeking re-election, re-appointment and continuation in office at the AGM;
- (v) assessing and recommending to the Board nominees for appointment as Directors and Members of the Board Committees;
- (vi) overseeing the appointment, succession planning and performance evaluation of the Top Management;
- (vii) assessing and recommending to the Board the renewal of service contracts of Top Management;
- (viii) considering the establishment of the LTIP for eligible employees of TNB and its Subsidiaries and Executive Directors of TNB as well as the formation of the BLTIP;
- (x) assessing and recommending to the Board the appointment of Top Management to the Boards of TNB's Group of Companies.

The Board, assisted by the BNRC, is responsible for developing plans to identify the necessary and desirable competencies and skills of Directors and succession plans to ensure there is an appropriate dynamic of skills, experience, expertise and diversity on the Board.

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

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

In addition, the Board is conscious of the need to ensure proper processes are in place to deal with succession issues at Board level. There is a thorough process for the selection, nomination and appointment of suitable candidates to TNB Board.

Prior to the submission of its recommendations to the Board on the selection/appointment of Directors, the BNRC shall consider the following criteria in search of the suitable candidates:

- (i) personal integrity/reputation
- (ii) relevant educational background
- (iii) skills, knowledge, experience, expertise in line with the Company's strategy/business operation/industry
- (iv) diversity in terms of age, gender and background
- (v) current directorships of companies held
- (vi) director's independence
- (vii) existing commitments
- (viii) potential conflict of interest/risk.

The BNRC also makes necessary checks prior to the appointment of a Director, which includes checks as to the individual's character and bankruptcy history. Having considered all aspects, the BNRC shall then submit its recommendations to the Board for its approval.

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

Board Performance Evaluation

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

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

Completed questionnaires and the responses of each Director as well as the findings of the evaluation are collated into a report. The report on the Board's and its Committees' performance are provided to all Directors. These findings are deliberated by the BNRC and subsequently by the Board and the key issues arising from the evaluation are identified for further action. This annual evaluation has produced significant improvements in the Board's processes and overall efficiency.

STATEMENT OF CORPORATE GOVERNANCE

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

Having considered the annual evaluation for the Financial Year under review, the Board is of the opinion that the Directors and respective Board Committees as a whole have remained highly effective of which both performances have consistently met high performance standards and all expectations. This indicates that the Directors and respective principal Board Committee Members have continuously remained highly effective and have fulfilled their responsibilities as Members of the Board and Board Committees.

In conclusion, the Board and Board Committees are satisfied of their existing number and composition and are of the view that, with the current mix of skills, knowledge, experience and strength of the existing as well as the newly appointed Director, the Board and respective Board Committees as a whole are able to discharge their duties effectively.

With respect to gender diversity, the Board acknowledges and strongly supports the need to enhance board diversity as it is critical to the efficient functioning of the Board and good governance. In addition, the Board believes that the appointment of the existing Directors was guided by their skills, experience, competency and wealth of knowledge while taking into consideration gender diversity.

Currently two (2) women Directors sit on the Board, namely Tan Sri Dato' Seri Siti Norma binti Yaakob and Datuk Nozirah binti Bahari. Consistent with the approach of having women representation at the Board level, a number of women candidates selected from among the Top Management were appointed by the Board to sit on the Boards of its Group of Companies.

Directors' Remuneration Framework

The Board, with the assistance of the BNRC, reviews the overall remuneration policy of the Non-Executive Directors, Executive Director and Top Management to attract, retain and motivate executives and Directors who will create sustainable value and returns for the Company's members and other stakeholders. There is a clear distinction between the remuneration structure of the Non-Executive Directors and that of the Executive Director and the Top Management.

The policy for Directors' remuneration is to provide a competitive package that is able to attract and retain Directors of calibre, thus acquiring the leadership skills and experience required. The policy also ensures that the remuneration package is commensurate with the Director's responsibilities, expertise and complexity of the Company's current activities while being aligned with the Company's business strategy and long-term objectives for the effective management and operations of the Group, besides market competitiveness.

Executive Director

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

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

Non-Executive Directors

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

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

STATEMENT OF CORPORATE GOVERNANCE

Details of each Director's remuneration for the Financial Year ended 31 August 2015:

| Name of Directors | Director's Fees | | | Meeting Allowances | | | Benefits-in-Kind | | | | | Total (RM) |
|-----------------------------------------------------------------------|-------------------------------------|---------------------|-------------------|--------------------|-------------------|---------------------|---------------------------------|------------------------|------------------|-------------------|-----------------|---------------------|
| | (i) Salary Contribution to EPF (RM) | Company (RM) | Subsidiaries (RM) | Company (RM) | Subsidiaries (RM) | Bonus (RM) | (i) Management Allowance (RM) | (i) Car Allowance (RM) | Utilities (RM) | Others (RM) | Subsidiary (RM) | |
| Executive Director | | | | | | | | | | | | |
| Datuk Seri Ir. Azman bin Mohd* | (i) 1,680,000.00 (ii) 659,832.00 | - | - | - | - | 1,680,000.00 | (i) 108,000.00 (ii) 4,800.00 | - | - | 145,359.99 | - | - |
| | 2,339,832.00 | - | - | - | - | 1,680,000.00 | 112,800.00 | - | - | 145,359.99 | - | 4,277,991.99 |
| Non-Executive Directors | | | | | | | | | | | | |
| Tan Sri Leo Moggie | - | 360,000.00 | 336,000.00 | 72,000.00 | 46,800.00 | - | - | - | 7,537.00 | 14,153.42 | - | 836,490.42 |
| Datuk Nozrah binti Bahari | - | 240,000.00 | - | 74,000.00 | - | - | - | - | - | 35,316.38 | - | 349,316.38 |
| Ahmad Farouk bin Mohamed** | - | 240,000.00 | - | 66,000.00 | - | - | - | - | - | - | - | 306,000.00 |
| Dato' Zainal Abidin bin Puteh | - | 240,000.00 | - | 97,000.00 | - | - | - | - | 18,175.45 | 3,817.95 | - | 358,993.40 |
| Tan Sri Dato' Seri Siti Norma binti Yaakob | - | 240,000.00 | - | 86,000.00 | - | - | - | - | 6,586.45 | 18,000.00 | - | 350,586.45 |
| Dato' Abd Manaf bin Hashim | - | 240,000.00 | - | 119,000.00 | - | - | - | - | 3,360.67 | 13,210.80 | - | 375,571.47 |
| Sakthivel a/ Alagappan | - | 240,000.00 | - | 87,500.00 | - | - | - | - | 8,090.80 | 15,180.25 | - | 350,771.05 |
| Datuk Wira Ir. Md Sidek bin Ahmad | - | 240,000.00 | 36,000.00 | 89,500.00 | 11,200.00 | - | - | - | 11,991.05 | 24,166.49 | - | 412,857.54 |
| Tan Sri Dato' Seri Chor Chee Heung (Appointed w.e.f. 4 February 2015) | - | 137,857.14 | - | 44,000.00 | - | - | - | - | 3,898.95 | 2,475.95 | - | 188,232.04 |
| Datuk Chung Hon Cheong (Resigned w.e.f. 2 February 2015) | - | 100,714.28 | - | 36,000.00 | - | - | - | - | 13,901.60 | 219,768.00 | - | 370,383.88 |
| Total | 2,339,832.00 | 2,278,571.42 | 372,000.00 | 771,000.00 | 58,000.00 | 1,680,000.00 | 112,800.00 | 112,800.00 | 73,541.97 | 491,449.23 | 0.00 | 8,177,194.62 |

* The Director's remuneration for Datuk Seri Ir. Azman bin Mohd is included under the staff cost as per Note 6 in the Audited Financial Statements.

** Inclusive of RM240,000.00 and RM66,000.00 paid to Khazanah Nasional Berhad, in respect of Director's Fee and Meeting Allowances provided for Ahmad Farouk bin Mohamed.

STATEMENT OF CORPORATE GOVERNANCE

REINFORCE INDEPENDENCE

Principle 3 of the MCCG 2012

TNB's Board currently consists of six (6) Independent Non-Executive Directors. The Independent Directors fulfill the criteria of independence as prescribed under Paragraph 1.01 of the MMLR. The Independent Non-Executive Directors are persons of high calibre and integrity, who collectively provide skills and competencies to ensure the effectiveness of the Board.

The Board recognises the importance of independent judgement and constructive debate on all matters under consideration. Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationship and who are willing to express their opinions at the Board meetings, free of concern about their position or the position of any third party. This mitigates risks arising from conflicts of interest or undue influence from interested parties.

Independence Assessment of Independent Directors

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

The Board has considered the independence of each Independent Non-Executive Director in office as at the date of the Annual Report and has concluded that the independence criteria as set out in the MMLR have been met by each Independent Non-Executive Director. The Board is generally satisfied that each Independent Non-Executive Director remains independent in character and judgement and is free from relationships or circumstances which are likely to affect or could appear to affect the Director's judgement.

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

- (a) is a major shareholder of the Company or an officer of, or otherwise associated directly with, a major shareholder of the Company;
- (b) is employed, or has previously been employed within the last two (2) years in an executive capacity by the Company;
- (c) has been engaged as an adviser by the Company or is presently a partner, director (except an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company; or
- (d) has engaged in any transaction with the Company or is presently a partner, director or major shareholder, as the case may be, of a firm or corporation which has engaged in any transaction with the Company.

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

As such, based on the independence assessment and the annual evaluation, the BNRC has recommended to the Board that Dato' Zainal Abidin bin Putih be retained as Independent Director of the Company as he has met the criteria of independence as required by the MMLR and he has remained highly effective and fulfilled his responsibilities as a Member of the Board as well as of Board Committees.

He has served the Company for a cumulative period of over nine (9) years since 1 May 2003. The Board is of the view that throughout his tenure Dato' Zainal Abidin bin Putih has made significant contributions to the general work of the Board as the Chairman of the BAC, where he has demonstrated an excellent stewardship, as well as by being a Member of the FIC and the BRC.

The Board believes that his deep knowledge of the Company's business and the industry, and his broad international business experience and professionalism will continue to add value to the Board.

The Board unanimously agrees that Dato' Zainal Abidin bin Putih continues to demonstrate the attributes of an Independent Director and further concurs that his length of service will not materially interfere with his capability to exercise independent judgement or to act in the best interest of the Company.

The Board further resolves that the independence of Dato' Zainal Abidin bin Putih for his continuation in office will be reviewed and the shareholders' approval will be sought upon expiration of three (3) years.

At the forthcoming AGM, the Board recommends and seeks the shareholders' mandate to retain Dato' Zainal Abidin bin Putih as an Independent Director of the Company and for him to hold office for the next three (3) years until the conclusion of the AGM 2018.

The BNRC shall assess the independence of Independent Non-Executive Directors annually. The independence status of Independent Non-Executive Directors standing for re-election, re-appointment and continuation in office is disclosed in the Notice of 25th AGM.

STATEMENT OF CORPORATE GOVERNANCE

Senior Independent Non-Executive Director

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

He also provides a sounding board for the Chairman and serves as an intermediary for the other Directors, if necessary. Dato' Zainal Abidin bin Putih may be emailed at: cosec@tnb.com.my.

Conflicts of Interest

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

FOSTER COMMITMENT

Principle 4 of the MCCG 2012

Commitment by the Board

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

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

In addition, all Board Members have complied with the MMLR that all Directors attended not less than 50% of the Board Meetings held during the Financial Year. This demonstrates that they have devoted sufficient time and commitment to carrying out their responsibilities.

Continuing Development Programme for Directors

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

The Board continuously evaluates and determines the training needs of the Directors to build their knowledge, thus ensuring they remain up to date with development of the business and industry that the Company operates in that affect their roles and responsibilities.

Induction Programme

Newly appointed Directors receive appropriate induction and training regarding the Company's business, corporate governance and reporting procedures and are updated on such matters on a continuous basis. In addition, the Directors are advised with respect to policies and procedures of the Board and Board Committees meetings and the rights and responsibilities of Directors.

Newly appointed Directors are provided with comprehensive information pack containing the Board Charter, the Non-Executive Directors' Handbook, the Company's Memorandum and Articles of Association, relevant Acts, the latest Annual Report, TNB's Procurement Policy and Procedures, Procurement Code of Conduct and Code of Ethics in order to facilitate the Directors in discharging their duties.

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

During the Financial Year under review, Tan Sri Dato' Seri Chor Chee Heung, who was appointed on 4 February 2015, has successfully attended his Mandatory Accreditation Programme (MAP) on 4 and 5 March 2015 which is within the stipulated period of four (4) months from his appointment date as prescribed by the MMLR. The rest of the Board Members have completed their MAPs accordingly. There were also special sessions held between Tan Sri Dato' Seri Chor Chee Heung and the respective Top Management to better assist him in understanding the Company's core business and its whole operation.

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

The Company Secretary's Office facilitates the Board in organising internal and external programmes, training sessions, briefings, workshops and seminars that are relevant to the Directors. These include the annual Board Development Programme (BDP) which is organised internally as part of TNB's Board Continuing Development Programme. The 2015 BDP was held on 28 July 2015. A speaker from Bank Negara Malaysia, Encik Fraziali bin Ismail, a Director of Economics Department was invited and presented a topic entitled *Current Economic Conditions and Issues and Challenges Going Forward in Malaysia and the Global Economy*.

STATEMENT OF CORPORATE GOVERNANCE

For this Financial Year, the Board also attended conference/training programmes in areas such as economics, regulatory developments, risk management, finance, tax and investment as well as industry-related programmes, facilitated by local and international training providers.

The list of conferences/training programmes attended by the Directors during the Financial Year under review is as follows:

| Name of Directors | Conference/Training Programme Attended |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tan Sri Leo Moggie | TNB 2015 BDP, 28 July 2015 Lead The Change – Getting Women on Boards, 8 May 2015 International Energy Week 2015 Conference, 27 – 28 January 2015 Khazanah Global Lectures – An Evening with Boris Johnson, Mayor of London, 2 December 2014 28 th Sultan Azlan Shah Law Lecture by The Right Honourable Lord Carnwath of Notting Hill, Justice of the Supreme Court of the United Kingdom on Environment Law in a Global Society, 9 October 2014 |
| Datuk Seri Ir. Azman bin Mohd | TNB 2015 BDP, 28 July 2015 Lead The Change – Getting Women on Boards, 8 May 2015 Invest Malaysia 2015, ASEAN's Multinational Marketplace, 23 April 2015 ASEAN Capital Market CEO Summit 2015, 12 February 2015 Khazanah Global Lectures – An Evening with Boris Johnson, Mayor of London, 2 December 2014 Leadership Development Circle, 9 October 2014 Khazanah Megatrends Forum 2014 – Scaling The Efficiency Frontier, Institutions, Innovation, Inclusion, 30 September 2014 |
| Datuk Nozirah binti Bahari | 1 ASEAN Entrepreneurship Summit 2015, 21 March 2015 Khazanah Global Lectures – An Evening with Boris Johnson, Mayor of London, 2 December 2014 Persidangan Dwitahunan Commonwealth Association for Public Administration and Management 2014, 20 – 23 October 2014 International Seminar On Goods and Services Tax 2014, 14 September 2014 |
| Ahmad Farouk bin Mohamed | TNB 2015 BDP, 28 July 2015 |
| Dato' Zainal Abidin bin Putih | Invest Malaysia 2015, ASEAN's Multinational Marketplace, 23 April 2015 All Energy Australia Exhibition & Conference 2014, 15 October 2014 Khazanah Megatrends Forum 2014 – Scaling The Efficiency Frontier, Institutions, Innovation, Inclusion, 29 September 2014 Board Risk Intelligence – Risk Governance into Practice, 3 – 4 September 2014 |

STATEMENT OF CORPORATE GOVERNANCE

| Name of Directors | Conference/Training Programme Attended |
|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tan Sri Dato' Seri Siti Norma binti Yaakob | TNB 2015 BDP, 28 July 2015 ASEAN Antitrust – The Future of Competition Law & Policy in the ASEAN Countries (as a Panelist), 23 April 2015 International Bar Association (IBA) 2014 Annual Conference on the Working Session on Asian Enforcers Roundtable (as a Panelist), 19 – 22 October 2014 International Seminar On Goods and Services Tax 2014, 15 September 2014 8 th Seoul International Competition Forum, Seoul, Korea, 4 September 2014 |
| Dato' Abd Manaf bin Hashim | Khazanah Megatrends Forum 2015 – Harnessing Creative Disruption, Unlocking the Power of Inclusive Innovation, 5 – 6 October 2015 TNB 2015 BDP, 28 July 2015 |
| Sakthivel a/l Alagappan | TNB 2015 BDP, 28 July 2015 |
| Datuk Wira Ir. Md Sidek bin Ahmad | AORC-CIGRE Technical Meeting 2015 – Towards An Integrated & Interconnected Transmission Power Grid: Challenges & Opportunities, 16 – 21 August 2015 TNB 2015 BDP, 28 July 2015 20 th Conference of the Electric Power Supply Industry 2014, 26 – 30 October 2014 |
| Tan Sri Dato' Seri Chor Chee Heung (Appointed w.e.f. 4 February 2015) | TNB 2015 BDP, 28 July 2015 Mandatory Accreditation Programme for Directors of Public Listed Companies, 4 – 5 March 2015 |

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Principle 5 of the MCCG 2012

Financial Reporting

The Board aims to provide a clear, balanced and comprehensive assessment of the Group's financial performance and prospects via the quarterly financial reports, audited financial statements, annual reports and other reports or statements to shareholders, investors and relevant regulatory authorities as well as through material disclosure made in accordance with the MMLR.

The Board is assisted by the BAC in overseeing the integrity of the Group's financial reporting and, as part of this role, the operation of the financial reporting processes. The processes are aimed at providing assurance that the financial statements and related notes are completed in accordance with applicable legal requirements and accounting standards and give a true and fair view of the Group's financial position.

Relationship with External Auditors

The Board maintains a transparent and professional relationship with the External Auditors and the BAC makes recommendations to the Board in relation to the appointment or removal of the External Auditors, the approval of their remuneration and the terms of their engagement.

As underlined by its TOR, the BAC shall meet the External and Internal Auditors or both at least twice a year to discuss issues arising out of audit and any matters that the auditors wish to discuss in the absence of the Management.

For the Financial Year under review, two (2) sessions between the BAC and the External Auditors in the absence of Management were held for greater exchange of views and opinions between both parties in relation to financial reporting.

The BAC assists the Board to assess whether the independence of the External Auditors has been maintained, having regard to any non-audit related services.

STATEMENT OF CORPORATE GOVERNANCE

The BAC has considered the provision of non-audit fees by the External Auditors during the Financial Year and has concluded that the provision of these fees does not compromise the External Auditors' independence or objectivity as the amount of the fees paid is not significant as compared to the total fees paid to the External Auditors.

Being satisfied with the External Auditors' performance, the Board recommends their re-appointment, upon which the shareholders' approval will be sought at the AGM.

RECOGNISE AND MANAGE RISKS

Principle 6 of the MCCG 2012

Internal Control

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

The Management is responsible for promoting and applying the Risk Management Policy. This responsibility involves identifying and assessing business and operational risks, developing and implementing appropriate risk mitigation strategies, monitoring the effectiveness of risk controls and reporting on risk management capability and performance.

Every organisational unit has a risk management section within its annual business plan and these plans are discussed at regular performance reviews.

The Risk Management Department is responsible for the Company's risk management process, development of risk management capability and for providing risk management reports to the executive team and the BRC on the corporate risk profile and the Group's risk management process.

The Group's inherent system of internal control and risk management framework are designed to manage, rather than eliminate, the risk of failure to achieve the Company's corporate objectives, as well as to safeguard shareholders' investments and the Company's assets. Details of the Company's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control and the BRC Report on pages 118 to 124 of this Annual Report.

Internal Audit Function

Internal Audit is independent of both business management and of the activities under its review. Internal Audit is responsible for providing assurance that the design and operation of the Group's risk management and internal control system is effective.

The Group Internal Audit Department carries out TNB's internal audit function. Lead by the Group Internal Auditor, the Group Internal Audit Department reports functionally to the BAC, thereafter to the Board and administratively to the President/Chief Executive Officer.

The BAC oversees and monitors the Group Internal Audit Department's activities and reviews its performance. It approves the annual audit programme and receives reports from the Group Internal Audit Department concerning the effectiveness of risk management and internal control. The Group Internal Audit Department also conducts regular reviews and appraisals of the effectiveness of the governance, risk management and internal control processes within the Company.

TNB's Group Internal Audit Department supports the Board through the BAC to facilitate the discharging of its responsibilities in maintaining a sound system of internal control to safeguard shareholders' investments, the interests of stakeholders and the Group's assets.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Principle 7 of the MCCG 2012

Corporate Disclosure Policy

TNB is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by TNB.

TNB's commitment to providing the market with timely and balanced disclosure is embodied in TNB's Corporate Disclosure Policy. The Corporate Disclosure Policy, as well as associated guidelines, reinforce TNB's commitment to continuous disclosure and outline Management's accountabilities and the processes to be followed in ensuring compliance.

TNB's practice is to release all price-sensitive information to Bursa Malaysia Securities Berhad in a timely manner as required under the MMLR and to the market and community generally through TNB's media releases, website and other appropriate channels.

STATEMENT OF CORPORATE GOVERNANCE

For disclosure purposes, price-sensitive information is information that a reasonable person would expect to have a material effect on the price or value of TNB's securities. The Company Secretary is responsible for reviewing proposed disclosures and making decisions in relation to the information that can or should be disclosed to the market. Each Division in TNB is required to inform the Company Secretary of any potential price-sensitive information concerning TNB as soon as this becomes known.

Leveraging on Information Technology for Effective Dissemination of Information

TNB employs a wide range of communication approaches such as direct communication and publication of all relevant Group information on its website at www.tnb.com.my.

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

Insider Trading

The Directors and Top Management of TNB are prohibited from trading in securities or any kind of price-sensitive information and knowledge which have not been publicly announced in accordance with the MMLR and relevant provisions of the Capital Markets & Services Act 2007. Notices on the closed period for trading in TNB's securities are circulated to Directors and Top Management who are deemed to be privy to any price-sensitive information and knowledge, in advance of the closed period where applicable.

STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

Principle 8 of the MCCG 2012

The Board recognises that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investments. Similarly, prospective new investors are entitled to be able to make informed investment decisions.

The Board encourages effective communication with the Company's shareholders by requiring:

- the disclosure of full and timely information about TNB's activities in accordance with the disclosure requirements of the MMLR;
- all information release to the market to be placed on TNB's website promptly following the release;
- all announcements to Bursa Malaysia Securities Berhad to be immediately made available on the website;
- all disclosures including notices of meetings and other shareholders' communication to be drafted clearly and concisely.

TNB recognises the importance of shareholders' participation in general meetings and encourages such participation. The shareholders are encouraged to attend the AGMs and to use the opportunity to ask questions and vote on important matters affecting the Group, including the election of Directors, the receipt of the Audited Financial Statements and the advisory vote on the remuneration report.

The outcomes of voting on the proposed resolutions are disclosed to the market and posted on the Company's website after the AGM. The External Auditors attend the AGM to answer shareholders' questions on the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditors in the audit process.

TNB further encourages shareholders to access the Annual Report online to complement the Group's commitment to the environment, as well as to achieve greater cost efficiencies. Nevertheless, the shareholders are still provided with the Annual Report in CD-ROM format together with a summarised version of the Financial Statements, Notice of AGM and Form of Proxy.

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

The Board and Top Management also encourage constructive engagement with the shareholders on the Company's performance, corporate governance practices throughout the Company and other matters affecting the shareholders' interests. This will assist the shareholders in evaluating the Company and facilitate the considered use of their votes.

STATEMENT OF CORPORATE GOVERNANCE

Investor Relations Activities

TNB aspires towards the highest standards of corporate governance in supporting long-term value creation. This is done through an open and non-discriminatory communication approach with the shareholders and the financial community. To this end, TNB has developed an IR Policy to ensure accurate and relevant information is disseminated in a timely manner to help investors make informed investment decisions.

Various channels of communication are optimised to provide shareholders and investors with a balanced and comprehensive view of the Group's performance:

- **Quarterly and Full Year Financial Results Announcements**
- **Analysts' Briefing Presentations**
- **One-on-one and Group Meetings at IR Conferences and Roadshows**
- **Site Visits**
- **In-house Meetings and Special Briefings.**

Engagement activities carried out during the Financial Year under review can be referred to page 20 of this Annual Report.

Whistleblowing Procedure

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

The objectives of the Whistleblowing Procedure are as follows:

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

Complaints can be channelled online via <http://wbis.tnb.com.my> or by calling the toll-free line at 1-800-888-862.

RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL YEAR UNDER REVIEW

(Pursuant to paragraph 15.26(a) of the MMLR)

The Board is fully accountable for ensuring the Audited Financial Statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the state of affairs of the Group and of the profit or loss and cash flow as at the end of the accounting period.

In preparing the Audited Financial Statements, the Directors are satisfied that the applicable approved accounting standards in Malaysia have been complied with and reasonable and prudent judgements and estimates have been made. The Audited Financial Statements are also prepared on a going concern basis as the Board has a reasonable expectation, after having made enquiries, that the Group has adequate resources to continue its operational existence for the foreseeable future.

ADDITIONAL COMPLIANCE STATEMENT

(1) Utilisation of Proceeds Raised from Any Corporate Proposal

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

(2) Share Buy-Back for the Financial Year

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

(3) Options or Convertible Securities Exercised

Following the implementation of the LTIP with effect from 30 April 2015, TNB on 3 August 2015 made its 1st Grant Offer of ordinary shares of RM1.00 each in TNB (TNB shares) comprising the Restricted Share (RS) Grant and Performance Share (PS) Grant to eligible employees of TNB and its Subsidiaries and Executive Directors of TNB.

The details of the 1st Grant Offer are set out in the table below:

| No. | Description of 1 st Grant Offer | RS | PS |
|-----|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 1. | Date of 1 st Grant Offer | 3 August 2015 | |
| 2. | Grant price | Not applicable as the TNB Shares will be awarded upon vesting to the eligible employees without any cash consideration, upon achieving the applicable performance measurements. | |

STATEMENT OF CORPORATE GOVERNANCE

| No. | Description of 1 st Grant Offer | RS | PS |
|-----|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | Number of TNB shares offered to the eligible employees under the LTIP: | | |
| | (i) President/ Chief Executive Officer/Executive Director | 48,400 | Up to 218,400 |
| | (ii) Other eligible employees | 23,912,400 | Up to 3,936,200 |
| | Total: | 23,960,800 | Up to 4,154,600 |
| 4. | Closing market price of TNB shares on the date of 1 st Grant Offer | RM12.24 | RM12.24 |
| 5. | Vesting period of 1 st Grant Offer | One-third (1/3) annually from the date of 1 st Grant over three (3) years, with the first vesting commencing on 3 August 2016 or such other date to be determined by BLTIP. | Over three (3) years from the date of 1 st Grant, with vesting commencing on 3 August 2018 or such other date to be determined by BLTIP. |

(4) American Depository Receipts (ADR)

In January 1994, TNB had launched Level 1 American Depository Receipts (ADR) in New York, U.S.A. The custodian bank for TNB's ADR programme is Malayan Banking Berhad with Bank of New York Mellon, U.S.A. is the depository bank. The ADR is traded over the counter with each ADR carries an equivalent of four (4) underlying TNB shares. As at 31 August 2015, a total of 12,214,164 ordinary shares were held through ADR, representing less than 1% of the total issued and paid-up capital of the 5,643,611,171 shares of TNB.

(5) Imposition of Sanctions and/or Penalties

Neither the Company nor any of its subsidiaries, Directors or Management was imposed with any sanction and/or penalty by the relevant regulatory bodies during the Financial Year under review.

(6) Non-Audit Fees

The Group's Non-Audit fees payable to the External Auditors, Messrs PricewaterhouseCoopers, and its affiliates for the Financial Year under review amounted to RM3.4 million.

(7) Variation in Results

The Group did not issue any profit forecast for the Financial Year under review.

(8) Profit Guarantee

The Group did not issue any profit guarantee for the Financial Year under review.

(9) Material Contracts

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

(10) Related Party Transactions

The Group has established appropriate procedures to ensure it complies with the MMLR with regards to related party transactions. All related party transactions are reviewed by the Group Internal Audit Department, following which a Group-Wide Report is submitted to the BAC on a quarterly basis for monitoring purposes.

The Group did not seek any mandate of its shareholders pertaining to related party transactions during the Financial Year under review.

STATEMENT ON COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF PRINCIPLES AND ADOPTION OF BEST PRACTICES LAID DOWN IN THE MALAYSIAN CODE OF CORPORATE GOVERNANCE 2012 (Pursuant to paragraph 15.25 of the MMLR)

The Board has reviewed, deliberated and approved this Statement. The Board is pleased to report to its shareholders that to the best of its knowledge the Company has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCCG 2012 and all other applicable laws.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 October 2015.



DATO' ZAINAL ABIDIN BIN PUTIH
Senior Independent Non-Executive Director

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

THE BOARD OF DIRECTORS (BOARD) IS COMMITTED TO MAINTAIN A SOUND RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM THROUGH CONSISTENT IMPLEMENTATION, REVIEW AND TESTING OF ITS EFFECTIVENESS TO ENSURE THAT THE FRAMEWORK AND SYSTEM IS VIABLE AND ROBUST.

THIS STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL IS PREPARED PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD AND PRINCIPLE 6 OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012, WITH GUIDANCE FROM THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL – GUIDELINES FOR DIRECTORS OF LISTED ISSUERS.

BOARD RESPONSIBILITY

The Board has oversight responsibility regarding risk and control in the Group and plays a critical role in setting the tone towards effective risk management and internal control. Its governance responsibilities include embedding risk management as an integral part of the Group's activities and processes, and assessing whether the established framework, processes and responsibilities provide reasonable assurance that risks are managed within tolerable ranges.

The framework has been set in place by the Board for identifying, evaluating and managing key risks faced by the Group except for associated companies and joint ventures which are not under the control of the Group.

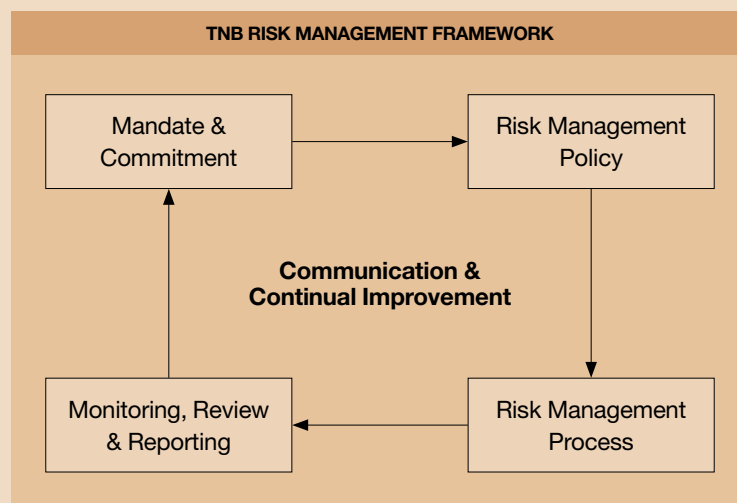
The risk management and internal control system is designed to manage rather than eliminate risk that may impede the attainment of the Group's business objectives. Thus, the system only provides reasonable but not absolute assurance against material misstatement, loss or fraud.

For the year under review, the Board had reviewed the adequacy and effectiveness of the Group's risk management and internal control systems through the various policies, processes and activities disclosed in this statement.

RISK MANAGEMENT

The TNB risk management objective is to integrate risk management best practices, in accordance to international standards, into the culture, processes and structures of the Group for informed decision-making to achieve business objectives.

The Group has established a Risk Management Framework that is aligned to ISO 31000:2009 Risk Management – Principles and Guidelines. The framework provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Group.



Mandate and Commitment

The establishment of the Board Risk Committee (BRC) reaffirms the Board's commitment to safeguard stakeholders' interests and the Group's assets. On behalf of the Board, the BRC reviews the effectiveness of enterprise risk management in the Group based on the integration and continual improvement of risk management in the dynamic environment the Group operates in.

The BRC is assisted by Management through the Heads of Division chaired by the President/Chief Executive Officer, the Group Risk Management Working Committee chaired by the Chief Risk Officer, and the Risk Management Department to ensure effective implementation of risk management.

In the year under review, a Top Management Risk Forum, attended by members of the BRC and TNB Management, was held to cascade the tone from the top regarding the importance of integrated risk management in organisational processes for informed decision making. Internal and external case studies with clear lessons learnt were presented to communicate the significance of balancing risk and controls to achieve business objectives and ensure business continuity.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Policy

The TNB Risk Management Policy is a statement of the overall intention and direction of TNB on risk management. It is defined, reviewed and endorsed by Management and approved by the Board Risk Committee.

The policy describes the commitment of the Group to identify and assess risks in alignment to business objectives, integrate risk management in all decision-making processes, anticipate potential risks in response to changes in the internal and external environments and ensure that risk information is communicated through a clear and robust monitoring and reporting structure.

The policy places emphasis on the role of all TNB employees, who are responsible and accountable to manage risks related to their actions and decisions by taking all reasonable care to minimise loss, maximise opportunity and ensure TNB's reputation is upheld.

Risk Management Process

The TNB Risk Management Process describes the step-by-step process of risk assessment (risk identification, risk analysis and risk evaluation) and risk treatment in the context of the internal and external environments. This process is applied throughout the Group, whereby key risks preventing the achievement of business objectives are identified, mitigated, regularly reviewed and communicated to the Board, Management and employees.

As a result, the TNB strategic risk profile was developed, reflecting the key risks preventing the Group from achieving its strategic and long-term objectives. These risks were reviewed in the year under review, taking into consideration the changes in the organisation and internal and external environments. As a result of the review, cyber threat has been identified as a strategic risk in addition to the existing strategic risks.

Risk assessments are also carried out before resources are committed to new projects and initiatives as well as identifying its impact on current operations and business objectives. These risk assessments for proposed projects or initiatives are reported and tabled to the approving management and board committees. In line with the TNB Investment Strategy and Policy, Risk Management Department had reviewed eight investment proposals applying the risk management process and specific investment risk assessment criteria for investment proposals to be tabled to the BRC.

The Risk Management Department is the custodian of the TNB Risk Management Process and plays its role in reviewing, training and communicating the process for group-wide implementation. An internal circular has been issued, describing the key roles and responsibilities of management, TNB divisions, departments and subsidiaries, the Chief Risk Officer and the Risk Management Department as well as risk owners and risk managers in managing, reviewing and communicating risks in their respective areas of responsibility.

Monitoring, Review and Reporting

The Group strategic and operational risk profiles are monitored through the TNB Risk Information System (TRIS), an online real-time tool and database for risk management in the Group. A TRIS helpdesk is managed by the Risk Management Department, handling queries and requests related to the system.

In the year under review, triggering and "breaking" points of key indicators of several divisions were reported to the BRC. Information for this risk dashboard is collated and reported on a quarterly basis by the Risk Management Department.

The Group's operational risk profiles were reviewed and reported on a half-yearly basis and deliberated at the Group Risk Management Working Committee (GRMWC). Emerging issues and risks are also deliberated in the quarterly GRMWC meetings and further action is taken by relevant divisions, departments and subsidiaries.

At the divisions, departments and subsidiaries level, operational risk profiles are deliberated in its respective divisional risk management committees and/or management committees, addressing key operational risks and identifying appropriate mitigating action as well as assessing effectiveness of control measures.

Risk Management Department assessed the risk maturity of 16 departments across the company in the year under review. Four areas were assessed for its maturity based on predetermined criteria; namely, Risk Infrastructure, Risk Methodology, Risk Culture and Communication, and Risk Management Effectiveness. The maturity assessments highlight the strengths and opportunities for greater integration of risk management in daily operations. The respective departments and divisional risk managers are responsible to consider the recommended improvements and implement relevant measures to strengthen its risk management and inculcate the risk management culture.

Communication and Continual Improvement

Each division, department and subsidiary is responsible to communicate clearly and regularly with internal and external stakeholders with accurate risk information utilising cost-effective communication channels and to develop and implement strategies to improve its risk management maturity alongside all other aspects of its organisational processes.

In the year under review, the tone from the top regarding risk management and internal control was cascaded to middle management and subsidiaries through a TNB Risk Conference. In addition, a TNB Fraud Risk Forum was organised to highlight to senior and middle management the relevant global laws regarding corruption and bribery and understand the corporate and personal penalties that may result from non-compliance as well as practical ways to mitigate potential fraud risks.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

23 insurance awareness sessions were conducted by the Risk Management Department to relevant parties within the Group to highlight the importance of risk management with respect to insurance and to increase understanding on the mechanism of risk transfer through insurance.

Significant and relevant elements of the Group's risk management and internal control system was also communicated to the insurance market in the year under review through quarterly engagement meetings. The objective of these meetings is to enhance the understanding and appreciation by the insurance market of the Group's operations and risk management practices.

In addition, 15 risk surveys on power stations and main intake substations were carried out to assess the effectiveness of its risk management and controls for continual improvement. The respective division is responsible to review the recommendations and implement relevant preventive and/or correction action.

INTERNAL CONTROL

The Board is committed to enhance and maintain an internal control system that responds appropriately to risks to achieve the Group's objectives. The internal control framework is structured in such a manner that it provides reasonable assurance that the likelihood of an event with significant adverse impact on business objectives is managed at an acceptable level. This is achieved through a combination of preventive, detective and corrective measures.

Board and Management Committees

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

Board Committees

- Audit Committee
- Finance & Investment Committee
- Tender Committee
- Nomination & Remuneration Committee
- Risk Committee
- Long Term Incentive Plan Committee
- Disciplinary Committee

Management Committees

- Group Executive Council Committee
- Group Executive Management Committee
- Group Management Tender Committee
- Energy Supply Committee
- Investment Executive Committee
- Commodity Procurement Executive Committee
- Information & Communication Technology Governance Council
- Incentive Based Regulation Council

Organisation Structure

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

Group Policies and Procedures

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

- TNB Code of Ethics
- TNB Confidentiality Policy
- TNB Limits of Authority
- TNB Procurement Policy and Procedures
- TNB Disciplinary Procedures
- TNB ICT Codes of Practice and Guidelines
- TNB Safety & Health Policy
- TNB Environmental Policy
- TNB Whistle-Blowing Policy
- TNB Risk Management Policy
- TNB Group Financial Policies and Procedures
- TNB Group Human Resource circulars and guidelines
- TNB Communication Policy

TNB Key Result Areas

In view of the TNB 20-Year Strategic Plan, the Strategic Management and Performance Department launched the 1TNB Transformation Programme, which is a comprehensive and dynamic transformation strategy designed to achieve the Group's aspiration of "Domestic and Regional Champion" by the year 2025 through six Key Result Areas (KRAs):

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

These six KRAs have been approved by the Board to achieve business growth by leveraging the Group's strengths, business opportunities and overcome potential challenges to create and protect value to stakeholders.

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

Human Resource Management and Development

Job descriptions and responsibilities of approved job positions are clearly defined, up-to-date and communicated to employees through the TNB Job Description Online system. Manpower requirement planning is carried out, led by the Group Human Resource division, mirroring the budget planning cycle with the aim to optimise staffing levels and increase productivity. Employee training needs are regularly assessed and various programs are in place to address competency gaps.

In the year under review, a group-wide initiative of KRA5 – Transform Organisation was launched, which is the Value Unlocking Programme. The current operating model is renewed to unlock three sources of value, which are People, Customer and Financial. The aim of the programme is to create a vibrant and productive organisation by focusing on clear separations between strategic and transactional activities, operational efficiency and transforming human resource to achieve the objectives of the 1TNB Transformation Programme.

Whistle Blowing

Various channels are available for TNB employees to report any non-compliance to the TNB Code of Ethics or any unlawful activity. The available channels include filling up the appropriate form or writing directly to the Head of Internal Affairs Department, utilizing the dedicated email address or submitting a report through the TNB Whistle Blowing Information System. The Group is committed to manage and investigate all reports, treating each with utmost confidentiality.

Financial and Operational Control Framework

TNB Group Financial Policies and Procedures (GFPP) serves as a compulsory source of reference for the Group in conducting its operations to manage associated risks. The Group has acted in accordance with generally accepted accounting principles and the Malaysian Financial Reporting Standards. Periodic reviews of actual performance versus budgets, targets, and performance in prior periods for key functions and major initiatives are carried out and appropriate mitigating and follow-up action are taken.

In the year under review, enhancements were made to the Regulatory Accounting and Reporting Framework to meet the reporting requirements under the Incentive Based Regulation (IBR) by automating the extraction of financial data that has reduced the risk of data integrity and increased regulatory compliance via timely submission of reports. In addition, a Treasury Management Transformation programme was launched to streamline, integrate, automate and standardise processes, workflows and systems to achieve efficient treasury and banking systems and processes, effective liquidity management and idle cash utilisation for enhanced financial control and risk management.

The Board Audit Committee (BAC) reviews the Group's quarterly financial performance together with management, and these are subsequently reported to the Board. The quarterly reviews enable the BAC to deliberate and assess the Group's financial results and operational performance. Group Monthly Management Reports, which serve as a monitoring tool, are also circulated to the Board and Management to provide information on key financial results, operational performance indicators and variances.

The procedures for critical functions and key activities are documented, communicated to employees and periodically reviewed. The Group has formalised its Quality Management System (QMS) using the requirements of QMS MS ISO 9001:2008 as a guide and has consistently maintained its certification since 2005. Relevant divisions, departments and subsidiary have also been consistently maintaining its certification in ISO 14001, ISO 27001, OHSAS 18001 and PAS-55.

Management Information Systems

The Board recognises the importance of leveraging on information and communication technology to promote effective and efficient business operations, timely and accurate communication with stakeholders, and enhance the Group's performance in the long term.

The key information systems utilised by the Group for that purpose are:

- Enterprise Resource Management System (ERMS)
- Enterprise Human Resources Management System (EHRMS)
- Corporate Geospatial Information System (CGIS)
- Supervisory Control and Data Acquisition System (SCADA)
- TNB Outage Management Systems (TOMS)
- eCustomer Information & Billing System (eCIBS)
- Remote Meter Reading (RMR)
- Employee Self Service (ESS)

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Procurement Transformation Programme

The Procurement Division embarked on a Procurement Transformation Programme in the year under review with the objectives of transforming the overall procurement function to create value and support the Group's aspiration for growth. The programme aims to raise the overall capability and execution excellence in the procurement function to capture sustainable benefits over time. The initiatives under this programme focuses on four main work streams, which are the Procurement Operating Model, Procurement Control Tower, Value Enablement and Capability Development.

Business Continuity Management

At the corporate level, the TNB Corporate Emergency Response Plan (CERP) has been in place since 2007 to mobilise a coordinated and prompt response to a national emergency affecting the Group to ensure the continuity of critical functions and services. A CERP Steering Committee, chaired by the appointed TNB Crisis Commander with membership from operating divisions, meets on a quarterly basis to provide direction and guidance to increase the preparedness of the Group in the event of a national crisis.

In the year under review, four CERP communication drills and one full-scaled CERP drill were carried out. Relevant improvements and recommendations identified in the post-mortem reports were implemented to increase the resiliency of the plan and promptness of response.

Customer Feedback

Customer feedback is regularly collated and analysed with appropriate follow-up action. The TNB One Stop Engagement Centre offers a single point of contact to respond to customer enquiries and feedback on billing and account related matters. A variety of channels utilising online infrastructure and social media is made available for customers to submit queries or report problems.

Group Internal Audit (GIA)

The Group Internal Audit (GIA) was set up to provide an independent and objective assurance on the effectiveness of governance, risk management and internal control systems. GIA reports functionally to the Board through the BAC. The suitability, appointment and performance of the Head of Internal Audit is appraised and approved by the BAC. GIA activities are guided by an Internal Audit Charter which is approved by the BAC and aligned with the International Professional Practice Framework (IPPF) issued by the Institute of Internal Auditors.

Assurance is given through regular reviews on the existence, adequacy, effectiveness and efficiency of governance, risk management and internal controls processes established by the Group in managing their strategic and operational risks. In performing a review, GIA refers to internal control frameworks and guidance provided by The Committee of Sponsoring Organisations of the Treadway Commission (COSO) and Control Objectives for Information and related Technology (COBIT). GIA recommends improvement opportunities for areas with internal control lapses and performs follow-up audits on corrective actions to ensure closure.

Ad-hoc appraisals and investigations were also conducted as requested by Management and the Board. For areas where technical expertise is required, technical experts were also engaged to assist GIA.

The BAC deliberates regularly on audit reports that contain improvement opportunities, audit findings, management response and corrective actions in areas with significant risks and internal control deficiencies. A status of completion of corrective actions and the achievement is rated and deliberated by the BAC. These provide the BAC an overall oversight of the state of internal controls to enable the BAC to discharge their duties and responsibilities.

CONCLUSION

The Board has obtained assurances from the President/Chief Executive Officer and the Chief Financial Officer/Vice President (Group Finance) that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this statement for inclusion into the annual report, is adequate and effective to safeguard shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is made in accordance with the resolution of the Board of Directors dated 28 September 2015.

BOARD RISK COMMITTEE REPORT

THE BOARD RISK COMMITTEE (BRC) WAS ESTABLISHED ON 5 JUNE 2013 BY THE BOARD OF DIRECTORS (BOARD) TO ASSIST THE BOARD TO CARRY OUT ITS RESPONSIBILITIES. THE BOARD, THROUGH THE BRC, IS ULTIMATELY RESPONSIBLE FOR THE IDENTIFICATION OF THE GROUP'S RISKS AND IMPLEMENTING APPROPRIATE SYSTEMS AND PROCESSES TO MANAGE THESE, IN LINE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 AND MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD.

MEMBERSHIP AND MEETINGS

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

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

| No. | Key Event | Status of Directorship | Independent | No. of Meetings Attended |
|-----|---------------------------------------------------------------------------------------|------------------------|-----------------------------|--------------------------|
| 1. | Dato' Abd Manaf bin Hashim <i>Chairman (Appointed as Chairman w.e.f. 2.2.2015)</i> | Non-Executive Director | Yes | 12/12 |
| 2. | Dato' Zainal Abidin bin Putih | Non-Executive Director | Yes (Senior Independent) | 9/12 |
| 3. | Datuk Nozirah binti Bahari | Non-Executive Director | No | 8/12 |
| 4. | Datuk Wira Ir. Md. Sidek bin Ahmad | Non-Executive Director | Yes | 11/12 |
| 5. | Datuk Chung Hon Cheong <i>Chairman (Resigned w.e.f. 2.2.2015)</i> | Non-Executive Director | Yes | 3/3 |

In the year under review, 12 BRC meetings were held. The Chief Risk Officer and Company Secretary, who is also secretary to the BRC, attended the meetings. Other attendees, internal or external, were invited to deliberate on matters within their purview. Action sheets were issued by the Company Secretary on the decisions made and action required. These were circulated to Management for their further action.

PURPOSE

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

ROLES AND RESPONSIBILITIES

The BRC is:

- a) Unreservedly committed to monitoring the establishment and implementation of a risk management system, and to reviewing its effectiveness at least annually, including the risk management policies and practices endorsed by Management;
- b) Accountable to approve the risk management policies and practices on behalf of the Board and review periodic reports on risk management and recommendations that will be presented to the Board;
- c) Essentially well-versed on risk management matters to present periodic summarised information on the TNB risk assessment methodology. It has the authority to direct special investigations, on behalf of the Board, into significant risk management activities as and when necessary;
- d) Responsible to review the adequacy of and to provide independent assurance to the Board of the effectiveness of risk management functions in the Group;
- e) To ensure that the principles and requirements of managing risk are consistently adopted throughout the Group; and,
- f) To deliberate the Group's strategic risks as well as key operating risks and/or risk issues highlighted by Management.

BOARD RISK COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE BOARD RISK COMMITTEE

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

- Reviewed the Statement of Risk Management and Internal Control, which summarised the risk management practices and internal controls implemented by Management. Assurances from the President/Chief Executive Officer and the Chief Financial Officer/Vice President (Group Finance) were provided to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.
- Reviewed key operational risks that are aligned to the Group strategic risks and deliberated the key controls taken to manage the risks as well as recommended further mitigating action to strengthen the management of existing and emerging risks.
- Considered and deliberated the stress tests tabled by several operating divisions and the quarterly updates collated and presented by the Risk Management Department.
- Reviewed reports on risk incidents occurred in the financial year and deliberated the adequacy and effectiveness of preventive and corrective action taken.
- Deliberated the results of directed special investigations and studies and reviewed the effectiveness of relevant mitigating action proposed and/or taken.
- Reviewed the risk profiles and mitigation plans for proposed overseas ventures and recommended further action and/or study to ensure the feasibility and commerciality of the ventures in meeting the Group's strategic objectives.
- Reviewed the Group's insurance programmes and recommended improvements to ensure that an adequate and effective risk transfer mechanism is in place to protect the interests of the Group.
- Cascaded the tone from the top regarding the importance of integrated risk management in organisational processes for informed decision making through a TNB Top Management Risk Forum.

RISK MANAGEMENT DEPARTMENT

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

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

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

In the year under review, RMD assessed the risk maturity of 16 departments across the company and 8 risk management training sessions were held at TNB's training subsidiary, TNB Integrated Learning Solution Sdn. Bhd., as part of the Young Executive Development Programme (YEDP) and for the trainees under the Program Skim Latihan 1Malaysia (SL1M). In addition, 15 risk surveys on power stations and main intake substations were carried out to assess the effectiveness of its risk management and controls for continual improvement.

As secretariat of the Group Risk Management Working Committee (GRMWC), RMD collated and reported to the GRMWC on a half-yearly basis the Group's operational risk profiles. Emerging issues and risks are also deliberated in the quarterly GRMWC meetings and further action is taken by relevant divisions, departments and subsidiaries.

CONCLUSION

The BRC continues to diligently exercise its risk oversight responsibilities by ensuring that risk management is an integral part of strategic planning and decision making for the achievement of the Group's strategic outcomes and long-term objectives.

This statement was made in accordance with the resolution of the Board of Directors dated 28 September 2015.

BOARD AUDIT COMMITTEE REPORT

THE BOARD AUDIT COMMITTEE (BAC) WAS ESTABLISHED ON 9 DECEMBER 1990 TO ASSIST THE BOARD OF DIRECTORS TO CARRY OUT THEIR RESPONSIBILITIES. THE BAC IS GUIDED BY ITS TERMS OF REFERENCE WHICH ARE SET OUT ON PAGES 129 TO 131 OF THE ANNUAL REPORT.

MEMBERSHIP AND MEETINGS

The BAC members and details of their attendance at the BAC meetings held during the Financial Year are as follows:

| No. | Name | Status of Directorship | Independent | No. of Meetings Attended |
|-----|-------------------------------------------------------------------------------------|-------------------------------------------------------|-------------|--------------------------|
| 1. | Dato' Zainal Abidin bin Putih <i>Chairman</i> | Non-Executive Director <i>(Senior Independent)</i> | Yes | 16/16 |
| 2. | Dato' Abd Manaf bin Hashim <i>Member</i> | Non-Executive Director | Yes | 14/16 |
| 3. | Sakthivel a/l Alagappan <i>Member</i> | Non-Executive Director | Yes | 16/16 |
| 4. | Tan Sri Dato' Seri Chor Chee Heung <i>Member – Appointed w.e.f. 3 March 2015</i> | Non-Executive Director | Yes | 9/10 |
| 5. | Datuk Chung Hon Cheong <i>Member – Resigned w.e.f. 2 February 2015</i> | Non-Executive Director | Yes | 5/5 |

Presently, TNB's BAC consists of four (4) members and all the members are Non-Executive Directors. The BAC Chairman, Dato' Zainal Abidin bin Putih had obtained approval from shareholders to remain as Independent Director in the Annual General Meeting held in December 2014 in compliance with Malaysian Code on Corporate Governance 2012.

Whilst the BAC Terms of Reference requires the Committee to meet six (6) times a year, they met 16 times during the Financial Year. 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 other officers were invited to the meetings to deliberate on matters within their purview.

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

CHANGES IN BOARD AUDIT COMMITTEE MEMBER

The BAC Member, Datuk Chung Hon Cheong resigned with effect from 2 February 2015. A new BAC Member, Tan Sri Dato' Seri Chor Chee Heung was appointed with effect from 3 March 2015.

SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

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

Internal Audit

- Reviewed and approved the Group Internal Audit (GIA) staffing requirements, budget and Annual Audit Plan to ensure adequacy of resources, competencies and coverage of auditable entities with significant and high risks.
- Reviewed internal audit reports for TNB and its subsidiaries issued by GIA on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised including status completion achieved by Division Heads.
- Deliberated and approved to award Tender for Consultancy Services for Review on Implementation of Incentive Based Regulation in TNB.
- Reviewed Assurance Map on TNB's state of internal control based on risks and areas covered by GIA.
- Assessed the performance of the GIA Department.

BOARD AUDIT COMMITTEE REPORT

External Audit

- Reviewed and approved the External Auditor's Audit Plan and the scope for the annual audit.
- Deliberated and reported the results of the annual statutory audit to the Board of Directors.
- Evaluated the performance of the External Auditors and recommended their appointment and remuneration to the Board of Directors.
- Met with the External Auditors twice during the year without the presence of Management.

Financial Results

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

Related Party Transactions

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

Annual Reporting

- Reviewed the Board Audit Committee Report, Statement on Corporate Governance, Statement on Internal Audit Function and Corporate Social Responsibility Statement for publication in the 2014 Annual Report.

Others

- Deliberated and reviewed results on TNB Corporate Reputation Survey (including Ethics and Fraud) survey and actions taken by TNB subsequent to Fraud and Ethics Survey 2009.
- Reviewed and received updates on the implementation of Bumiputera Supplier Program.
- Proposed to examine and review a strategic communication plan for TNB's President/Chief Executive Officer.
- Reviewed on the Regulatory Accounting and Reporting Framework in line with Energy Commission requirements pursuant to the implementation of Incentive Based Regulation (IBR).
- Reviewed on the implementation of TNB Equity Portfolio Strategic Review Framework for TNB's subsidiaries before recommending to TNB Board of Directors for approval.
- Deliberated and reviewed on TNB's subsidiaries performance, strategic direction and business plans.
- Reviewed on proposal of acquisition of equity interest in an independent power producer plant.
- Approved related mandatory company's announcement to Bursa Malaysia Securities Berhad in compliance with Main Market Listing Requirements (MMLR).
- Reviewed the verification of share grants to staff under TNB's Long Term Incentive Plan (LTIP).

GROUP INTERNAL AUDIT

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

GIA uses a risk-based approach to determine the priorities of the internal audit activities, consistent with the strategies of the Group. An Audit Management System (Teammate) is used to enhance the effectiveness and efficiency of the audit process. GIA also uses Computerised Audit Tools (i.e. IDEA) to improve data analytics and monitor trending to identify anomalies, exceptions, or unexplained patterns that may indicate fraud. Further a Subject Matter Expert who has experiences in technical areas was engaged to assist GIA in performing audit effectively.

During the Financial Year, GIA issued 239 reports arising from the performance of 105 planned jobs, 2 ad-hoc jobs and 132 follow-up audits on corrective actions. The areas reviewed included generation, transmission, distribution, procurement, engineering, projects, finance, corporate governance, human resources, logistics, information and communication technology, investments in subsidiaries and risk management.

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



DATO' ZAINAL ABIDIN BIN PUTIH

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

STATEMENT ON INTERNAL AUDIT FUNCTION

THE GROUP INTERNAL AUDIT DEPARTMENT (GIA) CARRIES OUT TNB'S INTERNAL AUDIT FUNCTION. GIA WAS ESTABLISHED TO SUPPORT THE BOARD, THROUGH THE BOARD AUDIT COMMITTEE (BAC), IN DISCHARGING ITS RESPONSIBILITIES TO MAINTAIN A SOUND SYSTEM OF INTERNAL CONTROL THUS SAFEGUARD SHAREHOLDERS' INVESTMENT, THE INTEREST OF STAKEHOLDERS AND THE GROUP'S ASSETS.

GIA reports functionally to the BAC and administratively to the President/Chief Executive Officer. GIA's authority, scope and responsibilities are governed by an Internal Audit Charter which is approved by BAC and aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors.

MISSION AND OBJECTIVES

GIA's mission is to provide independent and objective assurance on governance, risk management and control systems adopted by the Company and make recommendations that will improve or add value to the Group. This is achieved through the following:

- i. Preparing a detailed Annual Audit Plan using an appropriate risk-based methodology that is aligned to the organisation's strategic objectives.
- ii. Evaluating risk exposures and the adequacy and effectiveness of controls to manage the risks within the organisation's governance, operations and information systems.
- iii. Reviewing internal control systems and reporting on whether these provide reasonable assurance against material misstatement, loss and fraud.
- iv. Reporting any significant issues that affect the processes of controlling the activities of, and managing the risks faced by the divisions/companies audited.
- v. Obtaining updates from operating management on the agreed courses of action to rectify weaknesses identified and perform follow-up audits to confirm if agreed recommendations have been correctly implemented, and are adhered to consistently.

COVERAGE AND RESOURCES

The audit coverage includes the functions of governance, risk management and review of controls in the areas of generation, transmission, distribution, procurement, projects, engineering, accounting and finance, human resources, information and communication technology, regulatory economics and planning, corporate affairs and services, energy ventures, and investment in subsidiaries.

During the Financial Year, GIA issued 239 reports arising from the performance of 105 planned jobs, 2 ad-hoc jobs and 132 follow-up audits on corrective actions. One (1) planned audit was conducted together with a Subject Matter Expert who has experiences in technical areas while the rest were performed in-house by GIA.

As at 31 August 2015, GIA had a total of 93 auditors, comprising staff from various backgrounds in engineering, finance, business, accounting, information and communication technology and quantity surveying. During the Financial Year, three (3) staff joined whilst 11 staff were transferred to other Divisions. The BAC is informed of promotions and movements of GIA personnel.

In the Financial Year 2015, GIA spent a total of RM19.2 million, 78% of which was for staff-related costs, 21% for other operating costs and 1% for consultancy fees.

COMMITMENT TO COMPETENCE

About RM400,000 was spent on training in the areas of auditing skills, technical skills, business acumen, strategic management and personal development.

STATEMENT ON INTERNAL AUDIT FUNCTION

GIA staff are also encouraged to take Certified Internal Auditor (CIA), Certified Information System Auditor (CISA) and Certification in Risk Management Assurance (CRMA) examinations. They are provided with incentives such as study allowance, reimbursement of examination and registration fees and fixed allowance for five (5) years after they pass the examinations. As at 31 August 2015, there are nine (9) CIAs, while 21 staff are pursuing the CIA qualification. Two (2) staff had obtained CRMA certification.

To date, GIA has won eight (8) Corporate Awards from the Institute of Internal Auditors Malaysia (IIAM) since 2008 for strong commitment to Continuous Professional Development and strong commitment to the Certified Internal Auditor Programme.

Additionally, one (1) staff has obtained Certificate of the Malaysian Insurance Institute during the Financial Year.

IMPROVEMENT INITIATIVES

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

- i. Attachment of ten (10) GIA staff at other Divisions to gain practical and operational experience;
- ii. Attachment of one (1) staff to external audit firm under Government Lead Companies Cross Fertilisation Programme.
- iii. Implementation of job rotation between GIA's units to broaden GIA staff exposure and skills;
- iv. Implementation of in-house training on Internal Audit Basics & Practice in collaboration with the Institute of Internal Auditors Malaysia;
- v. Implementation of training on effectiveness of presentation skills to GIA managers and senior managers;
- vi. Establishment of criteria and weighting system to prioritise audit areas and scope for Annual Audit Plan;
- vii. Mentored and trained 13 high performers and staff from TNB's talent pool to enable them to understand and enhance their knowledge of systems, processes and controls;
- viii. Establishment of Risks and Controls Coordination Committee (RCC);
- ix. Implementation of Post Audit Assessment to evaluate staff performance and identify areas for improvements;
- x. Implementation of Internal Quality Assurance Review to measure the effectiveness of the quality management system in the Department;
- xi. Coordinating briefing on Initial Public Offering to BAC and subsidiaries' Board and Management;
- xii. Carried out awareness sessions and consulting activities to other divisions on pertinent internal controls issues and ways forward for improvement.

GIA is committed in providing objective and independent assurance as well as value-added services to its customers in accordance with the International Professional Practices Framework on Internal Auditing.



DATO' ZAINAL ABIDIN BIN PUTIH

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

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

1. CONSTITUTION

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

2. COMPOSITION OF THE COMMITTEE

- 2.1 Members of the BAC shall be appointed by the Board of Directors of TNB and shall consist of not less than three Directors, all of whom must be Non-Executive directors, with the majority being independent, in accordance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements.
- 2.2 Where the members for any reason are reduced to less than three, that Board shall within three months of the event, appoint such number of new members as may be required to make up the minimum number of three members.
- 2.3 At least one member of the Committee must meet the criteria set by the Bursa Malaysia Securities Berhad Main Market Listing Requirements, i.e.:
 - i) must be a member of the Malaysian Institute of Accountants or
 - ii) if he/she is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience, and:
 - a) must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - b) must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- 2.4 The Board shall elect a Chairman from the Committee who shall be an Independent Director as set out in the Bursa Malaysia Securities Berhad Main Market Listing Requirements.
- 2.5 The term of office and performance of the Committee shall be reviewed by the Board to determine whether the Committee has carried out its duties in accordance with its terms of reference.
- 2.6 No alternate Directors shall be appointed to the BAC.

3. CHAIRMAN OF THE COMMITTEE

- 3.1 The following are the main duties and responsibilities of the Chairman of the Committee:
 - 3.1.1 to steer the Committee to achieve its objectives;
 - 3.1.2 to provide leadership to the Committee and ensure proper flow of information to the Committee, review adequacy and timing of documentation;

- 3.1.3 to provide a reasonable time for discussion at the Committee meetings, organize and present the agenda for Committee meetings based on input from members and ensure that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy level of skepticism and independence;
- 3.1.4 to ensure that consensus is reached on every Committee resolution and, where considered necessary, call for a vote for the decision to be made by a simple majority. Dissenting opinions should be captured;
- 3.1.5 to manage the process and working of the Committee and ensure that the Committee discharges its responsibilities;
- 3.1.6 to ensure that all members participate in the discussion to enable effective decisions to be made; and
- 3.1.7 to be available to answer questions about the Committee's work at the Annual General Meeting of the Company.

4. COMMITTEE MEMBERS

- 4.1 Each Committee Member is expected to:-
 - 4.1.1 provide independent opinions to the fact-finding, analysis and decision making process of the Committee, based on his/her experience and knowledge;
 - 4.1.2 consider viewpoints of the other committee members; and make decisions and recommendations in the best interest of the Group;
 - 4.1.3 keep abreast of the latest corporate governance guidelines in relation to the Committee and the Board as a whole; and
 - 4.1.4 continuously seek out best practices in terms of the processes utilized by the Committee, following which these should be discussed with the rest of the Committee for possible adoption.

5. OBJECTIVES OF THE COMMITTEE

The objectives of the Committee are:

- 5.1 to ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;
- 5.2 to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- 5.3 to improve the Group's business efficiency, the quality of the accounting and audit function and strengthen public confidence in the Group's reported financial results;
- 5.4 to maintain, through regularly scheduled meetings, a direct line of communication between the Board and the External and Internal Auditors;
- 5.5 to ensure the independence of the external and internal audit functions; and
- 5.6 to create a climate of discipline and control which will reduce the opportunity for fraud.

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

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 considered necessary; and
- 6.8 review the adequacy of the structure and Terms of Reference of the Board Committees, including the BAC.

7. FUNCTIONS OF THE COMMITTEE

The functions and responsibilities of the Committee are as follows:

7.1 Corporate Financial Reporting

- 7.1.1 To review and recommend acceptance or otherwise of accounting policies, principles and practices.
- 7.1.2 To review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:
 - i. any changes in existing accounting policies or implementation of new accounting policies;
 - ii. major judgment areas, significant and unusual events;
 - iii. significant adjustments resulting from audit;
 - iv. the going concern assumptions;
 - v. compliance with accounting standards; and
 - vi. compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements and other legal and statutory requirements.
- 7.1.3 To review with management and the external auditors the results of the audit, including any difficulties encountered.
- 7.1.4 To review and verify the allocation of scheme options pursuant to the Company's Share Issuance Scheme in accordance to the Bursa Malaysia Securities Berhad Main Market Listing Requirements as to provide a statement by audit committee in the annual report.

7.2 Enterprise Wide Risk Management

- 7.2.1 To review the adequacy and to provide independent assurance to the Board of the effectiveness of the risk management functions in the TNB Group.

- 7.2.2 To ensure that the principles and requirements of managing risk are consistently adopted throughout the TNB Group.

7.3 Internal Control

- 7.3.1 To assess the quality and effectiveness of the system of internal control and the efficiency of the Group's operations.
- 7.3.2 To review the findings on internal control in the Group by the internal and external auditors.

7.4 Internal Audit

- 7.4.1 To approve the Corporate Audit Charter of internal audit function in the Group.
- 7.4.2 To ensure that the internal audit function has appropriate standing in the Group and has the necessary authority, resources and competency to carry out its work. This includes a review of the organisational structure, resources, budgets and qualifications of the internal audit personnel.
- 7.4.3 To review internal audit reports and management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by management, the BAC will report the matter to the Board.
- 7.4.4 To review the adequacy of internal audit plans and the scope of audits, and ensure that the internal audit functions are carried out without any hindrance.
- 7.4.5 To appraise the performance of Head of Internal Audit.
- 7.4.6 To be informed of resignations and transfers of senior internal audit staff and provide resigning/transferred staff an opportunity to express their views.
- 7.4.7 To direct any special investigation to be carried out by Internal Audit.
- 7.4.8 To review and approve the Statement on Internal Audit Function required under Bursa Malaysia Securities Berhad Main Market Listing Requirements.

7.5 External Audit

- 7.5.1 To nominate the External Auditors together with such other functions as may be agreed to by the Board and recommend for approval of the Board the external audit fee, and consider any question of resignation or termination.
- 7.5.2 To review external audit reports and Management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by management, the BAC will report the matter to the Board.
- 7.5.3 To review the external audit plans and scope of work.
- 7.5.4 The BAC shall meet the external and internal auditors or both at least twice a year to discuss problems and reservations arising out of audits and any matters the auditors may wish to discuss, in the absence of Management, Executive Directors or Non-independent Directors where necessary.

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

7.6 Corporate Governance

- 7.6.1 To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow up (including disciplinary action) of any instances of non-compliance.
- 7.6.2 To review the findings of any examinations by regulatory authorities.
- 7.6.3 To review any related party transaction or conflict of interest situation that arises within the Group including any transaction, procedure or course of conduct that raises questions of integrity.
- 7.6.4 To review and approve the Statement of Corporate Governance for the annual report as required under Bursa Malaysia Securities Berhad Main Market Listing Requirements.
- 7.6.5 To review the investor relations programme and shareholder communications policy for the company.
- 7.6.6 To examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.
- 7.6.7 Where the BAC is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of Bursa Malaysia Securities Berhad Main Market Listing Requirements, to promptly report such matters to Bursa Malaysia.

8. COMMITTEE MEETINGS

- 8.1 The Committee shall convene meetings as and when required, and at least six times during the financial year of TNB.
- 8.2 The number of Committee meetings held a year and the details of attendance of each individual member in respect of meetings held should be disclosed in the annual report.
- 8.3 The Chairman, or the Secretary of the Committee on the request of any member, the Head of Internal Audit or the External Auditors, shall at any time summon a meeting of the Committee by giving reasonable notice. It shall not be necessary to give notice of a Committee meeting to any member who at the time is overseas.
- 8.4 No business shall be transacted at any meeting of the Committee unless a quorum of three members is satisfied.
- 8.5 The Chairman of the Committee shall chair the Committee meetings and in his absence, the members present shall elect one amongst themselves to be the Chairman of the meeting.
- 8.6 In appropriate circumstances, the Committee may deal with matters by way of circular reports and resolution in lieu of convening a formal meeting.
- 8.7 Officers of the Group or others as necessary may be invited to attend meetings where the Committee considers their presence necessary.
- 8.8 All recommendations of the Committee shall be submitted to the Board for approval.

- 8.9 A Committee member shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this causes insufficient Directors to make up a quorum, the Committee has the right to appoint another one or more Director(s), who meet the membership criteria.
- 8.10 The Committee, through its Chairman, shall report to the Board after each meeting.
- 8.11 Subject to the provisions of these Terms of Reference and Memorandum and Articles of Association of TNB, the Committee shall establish its own procedures for meetings.

9. SECRETARY OF THE COMMITTEE

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

10. DISCLOSURE

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

11. REVISION OF THE TERMS OF REFERENCE

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

6

SUSTAINABLE VALUE

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CORPORATE RESPONSIBILITY

BRIGHTENING LIVES NATIONWIDE

Provide hands-on training for

542 graduates
under Government's
SL1M programme



RM183 million spent on
professional development for our

35,975
employees



287
families benefitted from
Baiti Jannati
& Program Mesra Rakyat



12,000 trees
to be planted under the
"Tree for a Tree" programme at 12 locations



RM49.04 million
sponsored through Yayasan Tenaga Nasional for
2,214 students

238,240
village street
lights installed

since 2002



Street Lights



Rural Electrification Programme at Kampung Pos Blau, Gua Musang, **KELANTAN**

CORPORATE RESPONSIBILITY

As Malaysia's leading electricity provider and one of the country's most trusted organisations, TNB views corporate responsibility (CR) as a key function of our daily operations. In helping to create a world that is Better. Brighter., TNB has contributed to making Malaysia one of the most well-lit countries in Southeast Asia in terms of electricity coverage.

Through our efforts, 99.8% of Peninsular Malaysia has gained access to electricity, while we have also kept the lights on in over 91% of Sabah through our 83% ownership of Sabah Electricity Sdn. Bhd.

In order to achieve our goal of making our world Better. Brighter., we continuously strive to go beyond what is expected of us, ensuring that we give back to all our stakeholders and play a meaningful role in the communities we serve. Our CR efforts extend across the four pillars of Marketplace, Environment, Community and Workplace. Through our efforts in these areas, we have been actively engaged in growing the Malaysian electricity industry by getting rural and remote areas onto the grid, protecting and preserving the environment through green activities and environmentally-friendly practices, advocating community-building and empowering socio-economic development, and safeguarding the interests of our employees and nurturing their well-being.

We believe that we shoulder an important responsibility in caring for the welfare of our communities and environment, and will remain committed to exercising our duties as an upstanding corporate citizen. These efforts are also aimed at ensuring further creation of shareholder value as well as contributing to the continued development of our country.



Leading the Marketplace

Although we have successfully powered almost the entire nation, there remain remote areas in the country which pose a challenge for TNB to provide residents with access to electricity. To this end, we have teamed up with the Ministry of Rural and Regional Development (Kementerian Kemajuan Luar Bandar dan Wilayah – KKLW) and the Malaysian Electricity Supply Industries Trust Account (AAIBE), under the Ministry of Energy, Green Technology and Water (Kementerian

Tenaga, Teknologi Hijau dan Air – KeTTHA), to implement the Rural Electrification Programme, or better known as BELB (Bekalan Elektrik Luar Bandar).

The BELB programme aims to provide electricity to houses in traditional villages outside the operational areas of the local authorities (PBT) throughout Peninsular Malaysia. These locations include houses in remote areas, Orang Asli settlements, villages on islands and settlements in small estates. Electricity is provided in these areas by extending TNB's grid lines to very remote areas not accessible by land. Where extending TNB's grid lines is too costly, electricity is provided via generator sets, solar hybrid systems or other forms of renewable energy.

In FY2015, we completed three BELB projects, providing electricity to 1,001 houses in Pulau Tuba in Langkawi, Kedah; Simpang Pulat in Gua Musang, Kelantan; and Kg. Orang Asli in Sg. Siput, Perak. In addition, we completed five out of 11 projects, covering 447 houses under the BELB Peninsular Malaysia Grid Line 2012/2013 project, with work still in progress for the remaining six projects. In July 2015, we were also awarded a contract from KKLW to undertake another 22 projects encompassing 852 houses. Work on this project commenced in September 2015.

We have also participated in the Lampu Jalan Kampung (LJK) project, which represents one of the Government's efforts through KKLW to enable citizens in rural areas to enjoy street lighting facilities in public areas and to promote night-time community activities. KKLW bears the cost of installation as well as the monthly electricity bills for the 150W streetlights under this project. From 2002 to 2014, six phases of LJK projects were completed with a total of 201,276 street lights installed throughout Peninsular Malaysia.

Under the Eleventh Malaysia Plan (RMK 11) 2016-2020, TNB has once again been mandated to continue the LJK initiative throughout Peninsular Malaysia. Under the contract, which was awarded in August 2015, TNB will install 36,964 units of 150W lanterns throughout the Peninsula from September 2015 until November 2016.

CORPORATE RESPONSIBILITY



Preserving the Environment

As a company in the business of producing energy, we are constantly conscious of our carbon footprint, and have embraced efforts to reduce our impact on the environment while preserving it for future generations. As part of our environmentally-friendly practices, we have also strived to adopt clean energy technologies such as renewable energy.

Our annual “Tree for a Tree” programme, which we have implemented since 2009 in support of environmental conservation, has seen TNB replacing each tree felled in the development of new electrical installations. This activity has inculcated a love for the environment among our employees. In FY2015, we planted more than 1,000 seedlings in our concerted effort to continuously preserve nature’s green environment. To date, more than 4,500 trees have been planted under this programme. TNB has also pledged to plant 12,000 trees in 12 locations throughout Peninsular Malaysia, with the first 1,000 seedlings planted in Taman Pasif, Kuantan, Pahang, in a joint effort between TNB, the local community and an NGO.

We have also continued to maintain our three ash ponds built at the 2,420MW Kapar Power Station in Klang, which has emerged as an important refuge for migratory birds. Built in 1985 with British and Japanese technical expertise, the power station has also maintained a pristine mangrove environment.

To this day, the site attracts thousands of shorebirds every February, with species such as the endangered Nordmann’s Greenshank, Lesser Adjutant, Chinese Egret, Spoonbilled Sandpiper (all vulnerable species) as well as the Malaysian Plover, Asian Dowitcher and Far Eastern Curlew. These birds fly through Kuala Selangor on their way further south to escape the harsh winters of Siberia, Mongolia, Alaska and China. It has been found that the birds are attracted to the ash ponds built by TNB to absorb ash from the burning of coal to keep the environment clean. At high tide, birds seeking for a place to rest utilise the 300ha expanse of the shallow ash ponds, where there is little human disturbance and which have proven ideal for this purpose.

Recognising the ecological importance of this site, TNB has included the Kapar Power Station in the East Asean Australasian Shorebird network. The Management is committed to working with local NGOs and the international community to preserve this man-made habitat for migratory shorebirds. TNB also plans to erect a lookout tower in the area to facilitate bird-watching and to allow bird-lovers to get close to the birds.



Tan Sri Leo Moggie launching the “Tree for a Tree” programme

Our Sultan Azlan Shah Power Station in Manjung, Perak (also known as TNB Janamanjung, or TNBJ), which officially opened in 2007, continues to boast of one of the most modern technologies available, meeting World Health Organisation standards. To achieve this, we undertook a thorough environmental impact assessment to protect the flora and fauna of the surrounding mangrove area. In line with its motto of “Technology in harmony with nature”, the power plant is further equipped with a smart weather-based coal dust suppression system for a coal stockyard, the first of its kind in Malaysia. As a result of this, in addition to many other firsts recorded by the power station, TNBJ has become a benchmark in sustainable energy production. The Management is also sharing its experience with peers such as Liberty Power Limited, Pakistan and Kapar Energy Ventures (KEV).

As a result of our environmental considerations in building the power plant, the surrounding Manjung mangroves continue to present good grounds for fishing to the local community. TNB has also seen the number of licences issued for collecting cockles (“kerang”) around the station increasing.

Tasik Kenyir or Kenyir Lake is an artificial lake located in Terengganu, created in 1985 by damming the Kenyir River to create the Sultan Mahmud Power Station. It is the largest man-made lake in Southeast Asia. The power station houses a hydroelectric power station, using four turbines of 100 megawatts each.

Kenyir Lake is also home to numerous species of freshwater fish and exotic wildlife. With a water catchment area of 38,000 hectares, the lake is a natural haven for freshwater fish, providing a dwelling for 300 species. The dead trees around the lake serve as a perfect breeding ground for these fish, with algae growing on the dead trees

CORPORATE RESPONSIBILITY



Migratory birds at the ash ponds at Kapar Power Station, Klang

and branches serving as their main form of sustenance. Species such as the big Lampam Sungai (Barboides), Kelah (Malayan Mahseer or Tor Tambroides), Toman (Snakehead), Kawan (Friendly Barb), Kalui (Giant Gouramy) and Kelisa (Green Arowana) are found in the water and around the dead trees. The jungles of Kenyir are also home to some endangered animal species, such as the Asian elephant and Malaysian tiger.

The Firefly Conservation Project, a joint effort between TNB and the State Government of Selangor through the Kuala Selangor District Council (MDKS), underlines the Company's continuous commitment to preserve nature's illuminating treasures, the "kelip-kelip", or firefly, in Kg. Kuantan, Kuala Selangor. More than 3,000 nature lovers have thronged the riverbank of Kg. Kuantan to witness its splendour and glory, showered

by the magical lights from the fireflies. A three-year extension of a Memorandum of Understanding with MDKS will see TNB spearheading the improvement and revitalisation of Kg. Kuantan, thus contributing to the development of the socio-economic landscape of Kuala Selangor.

The Firefly Conservation Project has garnered a number of awards, including the prestigious "Anugerah Perdana" under the Corporate Sponsorship category (Environmental Preservation) at the National Book Awards on 10 December 2014 for the second edition of the coffee-table book titled "The Magical and Mysterious World of Fireflies, Kg. Kuantan, Kuala Selangor". Additionally, the project received the Gold Award at the 7th Global CSR Summit & Awards Asia 2015, organised by Pinnacle Group International in Yogyakarta, Indonesia on 19 and 20 March 2015.

CORPORATE RESPONSIBILITY



Developing the Community

TNB's power stations are an integral part of the surrounding community, with our presence benefitting the community through our active participation in and contributions towards corporate social activities. Activities carried out on an annual basis with the surrounding local community include our Power Station Open Day, the "Baiti Jannati" Programme, free medical check-ups and "Gotong Royong" programmes. The Management also encourages active employee contribution and participation in local committees or forums.

Our Community Outreach Programme (COP), which was initiated in 2005, acts as a platform for the Management of TNB to engage directly with the communities we serve in an informal and carnival-like atmosphere. The programme uses dialogue sessions to gain feedback from customers regarding TNB's services. As at 2015, the COP has been conducted at 180 locations in 13 states, engaging 55,000 customers. In FY2015, we organised the COP at 11 locations involving 3,000 customers.



A house transformed under the *Baiti Jannati* programme. **Inset:** how it was before

"Baiti Jannati", the Arabic universal virtue of "My Home, My Paradise", represents TNB's continuous effort to support the underprivileged by transforming dilapidated houses into comfortable homes equipped with basic amenities such as electricity, water and proper sanitation. Priority is given to senior citizens, single parents and the disabled. Since its inception in 2007, we have transformed the lives of 216 families through this programme, of which 38 families received aid in FY2015.

In recognition of our valued customers' various racial and ethnic backgrounds, TNB also continues to conduct our "Projek Mesra Rakyat" (PMR). Similar to "Baiti Jannati", PMR focuses on repairing dilapidated houses for customers of all ethnicities in Peninsular Malaysia. 71 families have benefitted from this programme since FY2013/2014, a further testament to our endless commitment to bring joy, illumination and hope to the underprivileged, going beyond racial boundaries.



Baiti Jannati brings joy to Encik Zaili bin Nasir and his family

TNB continues to support the PINTAR (Promoting Intelligence, Nurturing Talent and Advocating Responsibility) Programme, a collaborative social initiative between the PINTAR Foundation, GLCs and other private corporations to foster academic and non-academic excellence in underprivileged students nationwide through its school adoption programme.

The PINTAR Programme conducts various academic initiatives such as motivational camps, tuition classes, examination seminars and clinics, sponsorship of Newspaper in Education (NiE), exercise books aid and English proficiency workshops conducted for the benefit of both students and teachers.

TNB has adopted 13 PINTAR schools nationwide from 2013 to 2015, and in the year under review, has implemented various activities for teachers and students at the schools. In 2014/2015 TNB impacted the lives of 3,818 students and 387 teachers, and reached out to members of the communities surrounding the schools.

CORPORATE RESPONSIBILITY



Tan Sri Dato' Abu Zarim Haji Omar, former General Manager, Lembaga Elektrik Negara (LLN) with Datuk Wira Roslan Ab Rahman and guests during one of TNB's functions

In addition to academic endeavours, TNB also organises Hockey Coaching Clinics in line with one of PINTAR's main missions, which is to identify and nurture sporting talent. The culmination of this effort is the Inter-School Hockey Tournament which is held at TNB's Sports Complex.

Electricity Safety and Awareness Campaigns, which receive full support from the Ministry of Education and Suruhanjaya Tenaga (ST), are conducted at schools to educate students and teachers on safety in electricity usage and to create awareness on dangerous activities that are carried out near TNB's existing transmission lines. In FY2014/2015, a total of 473 teachers and 3,050 students from 189 secondary schools in 13 states in Peninsular Malaysia benefited from this campaign. Furthermore, briefings and exhibitions on electrical safety were also held for the general public and students in higher learning institutions.

Our training centre, TNB Integrated Learning Solution Sdn. Bhd. (ILSAS), has also continued to contribute to the community by providing training, donations and activities including knowledge-

sharing sessions with staff and the community around ILSAS. Knowledge-sharing sessions conducted during the year included religious lectures which were open to the surrounding communities.

TNB also contributes to education through our wholly-owned Universiti Tenaga Nasional (UNITEN), which offers foundation, undergraduate and postgraduate studies in engineering, IT and business/finance. In addition to representing our role in enhancing Malaysia's talent pool, TNB's CR activities are further supported by efforts undertaken through UNITEN.

A key CR effort led by UNITEN is the Personal Enrichment and Empowerment Programme, which offers motivational talks, skills classes and tutorial classes to aid weak students in their studies. A further effort spearheaded by UNITEN is the Tabung Amanah Zakat UNITEN (TAZU), which provides various forms of financial assistance for the children of UNITEN staff. TAZU also provides excellence awards for outstanding students. Separately, UNITEN provides financial aid, excellence awards, motivational talks and study sessions through the Yayasan Canselor UNITEN.

CORPORATE RESPONSIBILITY



The Menteri Besar of Pahang, Dato' Sri DiRaja Adnan Yaakob, test-driving UNITEN solar car at our Community Outreach Programme in Triang, Pahang

Further to TNB's CR efforts, Yayasan Tenaga Nasional (YTN), which was established in 1993 with the purpose of implementing our various social responsibility programmes, spent RM49.04 million for FY2014/2015 to sponsor 2,214 outstanding students to study at selected universities locally and abroad. This marked the largest annual contribution by TNB in our effort to enhance Malaysia's pool of human capital, especially in engineering, accounting, IT and other related fields. Apart from supporting education in the form of scholarships and convertible loans, YTN also sponsors education/welfare programmes to enhance soft skills to contribute to a wholesome education for students.

In an effort to nurture the country's sporting talent, TNB has been collaborating with schools via the various state hockey associations to provide intermediate-to-advanced coaching to teenagers who have an aptitude for the sport. We have also worked closely with Sekolah Sukan Tengku Mahkota Ismail (SSTMI) Bandar Penawar to coach their hockey talent with the intention of absorbing selected players into TNB's own hockey team. With our support, SSTMI has won the Malaysia Junior Hockey League four times in recent years.

The brainchild of the Prime Minister, Datuk Seri Mohd. Najib bin Tun Abdul Razak, the Skim Latihan 1 Malaysia (SL1M) empowers graduates from low-income families in rural areas with the skills and experience to improve their employability and contribute to the country's economic growth. SL1M was launched on 1 June 2011, targeting 3,738 graduates and the involvement of 26 Government-Linked Companies (GLCs).

In line with this, in 2011 TNB implemented the first phase of SL1M in our company with the participation of 342 trainees. Subsequently, we implemented the second phase of SL1M in 2014 with 200 graduates.

The implementation of the SL1M programme covers in-class soft skills training and on-the-job training at TNB stations. Under the programme, the trainees were given the opportunity to undergo the selection process for our Young Executive Development Programme (YEDP), which offers candidates permanent positions with TNB. Overall, 29 SL1M participants succeeded in the YEDP selection process for the 2013 and 2014 intake. Additionally, as at 30 April 2014, 321 of our 342 trainees from the 2011 intake, or 94%, have been able to achieve gainful employment.

During the historic flooding in the east coast last year, TNB mobilised its logistics and resources to bring much-needed supplies and human resources to the affected areas. Our employees organised collections for food, money and other essential items, and helped sort the collected items and pack them for transport. Our fleet of TNB transport vehicles left TNB premises on a daily basis, ferrying food items, blankets, toiletries, fuel, school supplies and other essentials to alleviate the suffering of the flood victims.

At the flood sites, TNB employees helped flood victims to the safety at evacuation centres and ensured public safety from electrocution hazards. We also assisted in post-flood efforts, helping victims clean their houses and by reconnecting electricity supply after the floods had subsided.

CORPORATE RESPONSIBILITY



Building a Caring Workplace



TNB's gym facilities

At TNB, we believe that work-life balance is vital in ensuring staff satisfaction and productivity. We value each and every one of our 35,975 employees and aim to provide a conducive work environment that is both challenging and rewarding.

This has been achieved by empowering our workforce through systematic training programmes and career development opportunities, by providing a safe and healthy working environment and an attractive compensation and benefits scheme, and by encouraging work-life balance.

To this end, TNB has embarked on an integrated human resources and career development initiative, in which training, education and development programmes are directly linked to the career path and progression of our employees. Although there are distinct career plans for executives and non-executives, there is a link between the two, offering opportunities for career advancement to non-executives who aspire to serve the company in executive positions. In FY2014/2015, RM183 million was spent on professional development and 85% of the workforce attended at least three days of training.

We are also proud to note that our employee healthcare benefits are among the most comprehensive in the country, whereby we are served by 1,228 panel clinics and hospitals. In addition to taking care of their medical bills, we also provide our employees and retirees with aid in the form of wheelchairs, hearing aids and prosthetic limbs. Our healthcare benefits also cover our employees' immediate families. Children are eligible for medical benefits up to the age of 18 years, or up to 24 years if they are still studying, while no age limit is imposed on special needs children. Employees, aged 40 and above, are also encouraged to undergo full medical examinations at least once every two years, while health talks and screenings are routinely held.

We believe that an engaged workforce is the most productive. Hence, we have adopted several measures to engage all our employees, keeping them updated on the latest corporate developments through various electronic and print channels. Employees are also given the opportunity to voice out their opinions or grouses directly to the top Management through emails and dialogue sessions. These efforts are integral to our efforts to be "The Employer of Choice".

To promote a safe work environment, Occupational Safety and Health (OSH) courses such as Fire Safety Community (FSC) Workshops, Safety Forums, SEMS Auditors, Safety Representatives and Office Safety are organised regularly to ensure all employees attend at least one day of OSH training per year. At the same time, a Safety Excellence Management System (SEMS) is being adopted by all divisions and subsidiaries. This has increased the number of our departments certified with OHSAS 1800 and MS1722.



Better. Brighter. Together

CORPORATE RESPONSIBILITY



Daily activity seen at TNB Taska

We also support the childcare needs of employees with young children by providing seven nurseries and nine kindergartens. Tuition is offered for older children, at a minimal rate of between RM15 to RM25 depending on their school exam levels. During the year, nine Kelas Bimbingan Tenaga (KBT) with 270 students were held.



An on-site dispensary

Staff are also encouraged to take part in physical, recreational and social activities organised by in-house clubs and societies. To this end, 69 registered Kilat Clubs have been established in the country, offering sports and social activities. Women employees and wives of employees also have the option of joining PELITAWANIS, which has a membership of 6,700. The society organises charitable events, which are supported by funds from TNB.

The welfare of our Muslim employees is looked after by PAKATAN/Persatuan Kebajikan Pekerja Islam TNB (PKPI), which also organises outreach programmes. In FY2015, PKPI's membership stood at 17,816, with activities held including Tilawah/Hafazan Al-Quran, celebrating Hajj pilgrims, Maal Hijrah, Maulidur Rasul and others.

To encourage a healthy family life, families of our employees are invited to take part in fun-filled Family Days which alternate on a yearly basis with Sports Carnivals. The Family Days are held at TNB Headquarters and in individual states, while the Sports Carnivals are held in the Klang Valley, bringing together sportsmen from the TNB family from all over Malaysia.



A jogging track provided for staff

CORPORATE RESPONSIBILITY



TNB leaders and staff participating in the Total Wellness Programme

Retirees are also included in our employee welfare efforts, and are welcome to join the Persatuan Bekas Pekerja LLN/TNB, which organises various social events such as Majlis Berbuka Puasa and Majlis Hari Raya. Additionally, in recognition of the contributions of our long-serving employees, TNB organises the annual Long Service Awards Ceremony where employees who have served for 25, 30, 35 and 40 years are feted. 1,731 employees from all over the country were celebrated at this year's event held on 28 and 29 March 2015.

In caring for our workforce, we ensure that employee welfare extends to their families as well. In the unfortunate event that our employees pass away, widows receive RM2,000 from our company, while children receive monthly stipends of RM100 each for those aged 7-12 and RM150 each for those aged 13-17. In FY2015, we eased the plight of 44 widows, 512 orphans and 263 special needs children. The Company also provides RM2,500 to the next of kin for funeral

expenses, which is further supplemented by aid from the Kumpulan Wang Khairat Pekerja dan Pesara TNB (KWKPPTNB). In 2015, the monthly contribution from members to fund the scheme was raised to RM5 each. As at December 2014, KWKPPTNB had 13,540 ordinary members and 3,727 life members (those who have been contributing for more than 15 years at retirement).

In fostering the spirit of national unity within our organisation, Hari Raya Aidilfitri, Chinese New Year and Deepavali open days are hosted annually at our headquarters and all state offices, bringing together Management, staff, stakeholders and other guests. The Company also holds a nationwide Buka Puasa programme during the month of Ramadan, when the Management in every state hosts guests and orphans, including community leaders, to a breaking of fast at a local mosque.



OUR COMMITMENT TO THE ENVIRONMENT

TNB FULLY RECOGNISES THAT ECONOMIC GROWTH, SUSTAINABLE DEVELOPMENT AND QUALITY OF LIFE GO HAND-IN-HAND.

WE ARE COMMITTED TO CONTINUOUSLY IMPROVING OUR ENVIRONMENTAL PERFORMANCE WHILST RESPONSIBLY PROVIDING SAFE, EFFICIENT AND RELIABLE SUPPLY OF ELECTRICITY.

As a responsible corporate citizen, protecting the environment remains a priority in TNB's operations, with our organisation committed to helping the Government achieve its target to reduce carbon emission by up to 40% by 2020. In line with this, we ensure that we protect, conserve and improve the environment in all of our operations and decision-making. This is led by our Environmental Management System (EMS), which ensures the environmental impact from our operations are eliminated or minimised.

We also ensure that we comply with all relevant laws and regulations in an effort to continuously improve our environmental performance. Additionally, we aim to effect a holistic change on the country's carbon emissions by advocating environmental awareness among all our stakeholders.

Integrated Community-Based Disaster Management (ICBDM) for Hydroelectric Stations

Dams are usually integrated in close proximity to the community. Despite continuing efforts in the design, construction, operation, and maintenance of dams to improve its safety, failures may still occur and result in tremendous loss of lives and properties. Hence, an emergency response system is required to minimise loss of life.

In view of this, TNB has introduced the Integrated Community-Based Disaster Management (ICBDM) to create synergy between our company, the community and authorities, fully integrating the management of potential dam-related disasters to optimise public safety. This project aims to simulate evacuation modelling and emergency planning for three hydroelectric dam schemes: Cameron Highlands-Batang Padang, Kenyir, and Sungai Perak.

The community will benefit from this project through the installation of an efficient warning system for dam-related disasters, and will be trained to react to within an appropriate time frame. All stakeholders will also be provided with handbooks and standard operating procedure (SOP) documents to guide them in the event of dam-related disasters.

Integrated Lake Basin Management (ILBM) and its Importance for the Sustainability of Ringlelet, Jor and Mahang Lakes

TNB is fully involved in the Cameron Highlands conservation efforts, both in the planning stage and as an end-user. It is important for TNB to undertake the necessary monitoring programme to identify the current issues and impairment to allow the formulation of remedial measures and management programme. In doing so, TNB has formulated a study to develop the Integrated Lake Basin Management Programme (ILBM) for lakes in Cameron Highlands to manage the excessive impairment to all three lakes, namely Ringlelet, Jor and Mahang. As the operator and manager of the three lakes, TNB is working closely with the Government and private agencies, as well as research institutions such as the National Hydraulic Research Institute of Malaysia (NAHRIM) to develop the ILBM plan for the lakes.

OUR COMMITMENT TO THE ENVIRONMENT

Sedimentation Study for Kenyir Hydropower Station

In undertaking a proactive approach to tackle sedimentation issues in hydropower reservoirs, TNB through Kenyir Hydropower Station (SJ Kenyir) has initiated research into the sediment dynamics in Kenyir Lake. The study focuses on identifying the potential sources of sediment using the GIS-based erosion risk map, followed by intensive sediment sampling on rivers feeding into Kenyir Lake, as well as 2D sediment dispersion modelling in Kenyir Lake using a numerical modelling approach. Extensive data collection was performed to create a complete sedimentation database for Kenyir, covering Soil Investigation (SI), underwater intake investigation, bathymetry survey and measurement of discharge and sediment concentrations at main feeder rivers flowing into the lake.

Utilisation of Cameron Highlands Reservoir Sediments to Form Prototype of “Green” Bricks

Sedimentation has emerged as a serious concern in maintaining the operation of hydroelectric schemes in Cameron Highlands. Currently, reservoir sediment is dredged and dumped at landfill sites, without any useful application. In an effort to address this phenomenon, TNB has initiated research on re-use of sediment, which will at the same time help reduce the use of landfills. To this end, a temporary experimental station was built at Sg. Jasik for further research and production of sediment into potentially useful and usable products, such as sediment bricks, which are cost-effective and commercially viable.

Water Utilisation & Treatment Technology towards Zero Water Discharge at Thermal Power Plants

The main objectives of this project are to develop Water Footprint assessment tool to measure the Water Footprint for TNB power plants. The assessment tool will ultimately be used to reduce usage of water resources, identify the most appropriate water recycling technology and construct a small-scale pilot water reclamation (treatment) plant (PWRP) based on the current technology. This plant will be used to study its effectiveness and feasibility for future full scale implementation at TNB power plants. In addition, it is also

evaluate the implementation of 3R concepts towards zero water discharge principle at TNB thermal power stations and identify sites within Peninsular Malaysia that are likely exposed to current and future water stress issues.

Based on the water audit done at seven (7) TNB power stations, the design of PWRP was finalised and SJSI Pasir Gudang was chosen to be the site for the first PWRP in TNB. The plant was successfully constructed, commissioned and hand over to SJSI, Pasir Gudang.

Contaminated Land Management and Control Using Bioremediation Technology

Bioremediation is an environmentally-friendly approach to, where possible, completely render pollutants, or at the very least transform pollutants into innocuous substances. It uses relatively low-cost, low-technology techniques, which generally have a high public acceptance and can often be carried out on-site. The technology is still fairly new in our country. Previously, bioremediation technology was used at the transformer switchyard at the Perai Power Station in Pulau Pinang and the logistics workshop at TNB Gong Badak, Kuala Terengganu. Both locations have been completely remediated. The bioremediation works at the Prai Power Station received acknowledgment from the Department of Environment (DOE) for bioremediation technologies to treat oil contaminated soil. We are currently undertaking bioremediation studies at TNB PPU LIP Shah Alam, Selangor, which is similarly contaminated by transformer oil spillage. Based on observations from the project, methodologies for on-site treatment have been developed. These include a mechanism to separate oil from soil and an automated integrated system for the washing processes. Methodology to enhance identified local consortia of EM by using the potential of EM's enzyme to shorten the degradation of oil was also developed. TNB Research is currently further developing a physical separator machine to get the maximum treatment efficiency for the identified EM Enzyme to be applied to any oil contaminated soil in TNB premises.

By incorporating ecological considerations across our activities, we aspire to crystallise our goal of creating a Better Environment and a Brighter Future not just for our business, but also for all our stakeholders.



Temenggor Dam, Gerik, **PERAK**

7

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in submitting their Report with the audited financial statements of the Group and Company for the financial year ended 31 August 2015.

PRINCIPAL ACTIVITIES

The Group and Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 14 to the financial statements.

There have been no significant changes in these activities during the financial year under review.

FINANCIAL RESULTS

| | Group RM'million | Company RM'million |
|------------------------------------------------|---------------------|-----------------------|
| Profit for the financial year attributable to: | | |
| - Owners of the Company | 6,118.4 | 5,618.9 |
| - Non-controlling interests | (57.5) | 0 |
| Profit for the financial year | 6,060.9 | 5,618.9 |

DIVIDENDS

The dividends paid or declared since the previous financial year ended 31 August 2014 were as follows:

| | RM'million |
|------------------------------------------------------------------------------------------------------------------|------------|
| In respect of the financial year ended 31 August 2014 as shown in the Directors' Report for that financial year: | |
| Final single tier dividend of 19.0 sen per ordinary share, paid on 31 December 2014 | 1,072.3 |
| In respect of the financial year ended 31 August 2015: | |
| Interim single tier dividend of 10.0 sen per ordinary share, paid on 29 May 2015 | 564.4 |

For the financial year ended 31 August 2015, the Directors had on 29 October 2015 recommended the payment of a final single tier dividend of 19.0 sen per ordinary share, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. The books closure and payment dates will be announced in due course.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year, no new shares were issued by the Company.

DIRECTORS' REPORT

DIRECTORS

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

Tan Sri Leo Moggie

Datuk Seri Ir. Azman bin Mohd

Datuk Nozirah binti Bahari

Ahmad Farouk bin Mohamed

Dato' Zainal Abidin bin Putih

Tan Sri Dato' Seri Siti Norma binti Yaakob

Dato' Abd Manaf bin Hashim

Sakthivel a/l Alagappan

Datuk Wira Ir. Md Sidek bin Ahmad

Tan Sri Dato' Seri Chor Chee Heung

Datuk Chung Hon Cheong

(Appointed w.e.f. 4 February 2015)

(Resigned w.e.f. 2 February 2015)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Directors' remuneration and benefits in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a partner, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

| | Number of ordinary shares of RM1.00 each | | | As at 31.8.2015 |
|--------------------------------------------|------------------------------------------|----------|----------|--------------------|
| | As at 1.9.2014 | Acquired | Disposed | |
| Dato' Zainal Abidin bin Putih | 1,562 | 0 | 0 | 1,562 |
| Tan Sri Dato' Seri Siti Norma binti Yaakob | 1,562 | 0 | 0 | 1,562 |

Other than as those disclosed above, none of the Directors in office at the end of the financial year held any other interest in shares or debentures of the Company and its related corporations.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position of the Group and Company were prepared, the Directors took reasonable steps:

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

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

At the date of this Report, there does not exist:

- (a) any charge on the assets of the Group and Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and Company which has arisen since the end of the financial year.

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is prepared.

AUDITORS

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

Signed on behalf of the Board of Directors, in accordance with their resolution dated 29 October 2015.



TAN SRI LEO MOGGIE
Chairman



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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

| | Note | Group | | Company | |
|------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
| | | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Revenue | 4 | 43,286.8 | 42,792.4 | 40,252.0 | 39,800.6 |
| Operating expenses | 5 | (35,483.4) | (36,265.1) | (32,437.1) | (33,501.3) |
| Other operating income | 7 | 824.2 | 653.7 | 565.8 | 593.9 |
| Operating profit | | 8,627.6 | 7,181.0 | 8,380.7 | 6,893.2 |
| Foreign exchange (loss)/gain | 8 | (932.3) | 448.9 | (931.4) | 444.7 |
| Share of results of joint ventures | 15(a) | 24.1 | 19.6 | 0 | 0 |
| Share of results of associates | 16 | 77.0 | 83.1 | 0 | 0 |
| Profit before finance cost | | 7,796.4 | 7,732.6 | 7,449.3 | 7,337.9 |
| Finance income | 9 | 282.2 | 256.7 | 310.0 | 200.8 |
| Finance cost | 9 | (944.9) | (874.6) | (1,178.8) | (967.7) |
| Profit before taxation and zakat | | 7,133.7 | 7,114.7 | 6,580.5 | 6,571.0 |
| Taxation and zakat | 10 | (1,072.8) | (687.9) | (961.6) | (602.3) |
| Profit for the financial year | | 6,060.9 | 6,426.8 | 5,618.9 | 5,968.7 |
| Profit attributable to: | | | | | |
| - Owners of the Company | | 6,118.4 | 6,467.0 | 5,618.9 | 5,968.7 |
| - Non-controlling interests | | (57.5) | (40.2) | 0 | 0 |
| Profit for the financial year | | 6,060.9 | 6,426.8 | 5,618.9 | 5,968.7 |
| | | Sen | Sen | | |
| Earnings per share: | | | | | |
| - Basic/Diluted | 11 | 108.41 | 114.59 | | |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

| | Group | | Company | |
|---------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Profit for the financial year | 6,060.9 | 6,426.8 | 5,618.9 | 5,968.7 |
| Other comprehensive (expense)/income | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Defined benefit plan actuarial (loss)/gain | (112.1) | 441.7 | (92.9) | 423.4 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Foreign currency translation differences | (268.7) | 31.0 | 0 | 0 |
| Fair value of available-for-sale financial assets | 0.2 | 0.1 | 0 | 0 |
| Total other comprehensive (expense)/income for the financial year | (380.6) | 472.8 | (92.9) | 423.4 |
| Total comprehensive income for the financial year | 5,680.3 | 6,899.6 | 5,526.0 | 6,392.1 |
| Attributable to: | | | | |
| - Owners of the Company | 5,737.8 | 6,939.8 | 5,526.0 | 6,392.1 |
| - Non-controlling interests | (57.5) | (40.2) | 0 | 0 |
| Total comprehensive income for the financial year | 5,680.3 | 6,899.6 | 5,526.0 | 6,392.1 |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2015

| | Note | Group | | Company | |
|-------------------------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
| | | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 13 | 90,300.3 | 83,045.1 | 73,114.4 | 71,002.6 |
| Subsidiaries | 14 | 0 | 0 | 5,152.4 | 4,033.7 |
| Joint ventures | 15(a) | 122.9 | 103.3 | 0 | 0 |
| Associates | 16 | 634.7 | 508.8 | 70.3 | 181.6 |
| Goodwill on consolidation | 17 | 124.7 | 0 | 0 | 0 |
| Investment in unquoted debt security | 18 | 24.3 | 163.1 | 24.3 | 163.1 |
| Tax recoverable | | 1,693.2 | 1,693.2 | 1,693.2 | 1,693.2 |
| Deferred tax assets | 19 | 23.1 | 15.2 | 0 | 0 |
| Long term receivables | 20 | 253.5 | 270.6 | 1,236.0 | 1,144.4 |
| Finance lease receivable | 21 | 13.2 | 13.4 | 0 | 0 |
| Prepaid operating leases | 22(a) | 5,111.6 | 4,763.8 | 4,848.1 | 4,484.3 |
| Derivative financial instruments | 23 | 0 | 42.7 | 0 | 0 |
| Available-for-sale financial assets | 24 | 38.5 | 38.3 | 38.0 | 38.0 |
| | | 98,340.0 | 90,657.5 | 86,176.7 | 82,740.9 |
| CURRENT ASSETS | | | | | |
| Non-current assets held-for-sale | 25 | 0 | 0 | 0 | 0 |
| Inventories | 26 | 843.8 | 887.3 | 254.7 | 194.1 |
| Receivables, deposits and prepayments | 27 | 8,639.4 | 7,132.3 | 5,432.1 | 4,948.3 |
| Tax recoverable | | 45.5 | 35.5 | 0 | 14.7 |
| Finance lease receivable | 21 | 0.6 | 0.7 | 0 | 0 |
| Prepaid operating leases | 22(a) | 152.6 | 92.2 | 130.9 | 70.5 |
| Amounts due from subsidiaries | 28 | 0 | 0 | 2,534.1 | 1,564.3 |
| Amounts due from joint ventures | | 25.9 | 22.1 | 0 | 0 |
| Amounts due from associates | | 177.7 | 79.2 | 58.9 | 74.6 |
| Financial assets at fair value through profit or loss | 29 | 6,438.2 | 3,646.1 | 3,640.2 | 1,501.7 |
| Deposits, bank and cash balances | 30 | 2,471.3 | 8,112.5 | 551.8 | 3,445.6 |
| | | 18,795.0 | 20,007.9 | 12,602.7 | 11,813.8 |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2015

| | Note | Group | | Company | |
|----------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| CURRENT LIABILITIES | | | | | |
| Payables | 31 | 10,411.5 | 7,973.5 | 6,898.6 | 5,209.2 |
| Finance lease payables | 32 | 678.6 | 651.6 | 1,378.5 | 1,305.9 |
| Deferred income | 33 | 1,200.6 | 1,158.5 | 1,143.9 | 1,043.1 |
| Amounts due to subsidiaries | 28 | 0 | 0 | 752.2 | 1,996.9 |
| Amounts due to associates | | 531.4 | 575.5 | 531.4 | 566.5 |
| Current tax liabilities | | 72.5 | 56.1 | 44.3 | 27.5 |
| Employee benefits | 34 | 711.8 | 568.3 | 702.8 | 556.4 |
| Short term borrowings | 35 | 1,985.8 | 2,480.4 | 1,327.0 | 448.7 |
| | | 15,592.2 | 13,463.9 | 12,778.7 | 11,154.2 |
| NET CURRENT ASSETS/(LIABILITIES) | | 3,202.8 | 6,544.0 | (176.0) | 659.6 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 101,542.8 | 97,201.5 | 86,000.7 | 83,400.5 |
| NON-CURRENT LIABILITIES | | | | | |
| Borrowings | 36 | 22,713.1 | 22,975.6 | 9,117.0 | 8,715.8 |
| Consumer deposits | 37 | 4,187.3 | 3,824.3 | 3,938.7 | 3,605.5 |
| Finance lease payables | 32 | 6,028.6 | 6,137.4 | 13,141.8 | 14,520.3 |
| Deferred income | 33 | 1,425.1 | 1,642.5 | 1,150.4 | 1,407.0 |
| Amounts due to subsidiaries | 28 | 0 | 0 | 0 | 738.0 |
| Derivative financial instruments | 23 | 0 | 4.9 | 0 | 4.9 |
| Other liabilities | 38 | 1,428.0 | 1,156.7 | 624.8 | 567.4 |
| Deferred tax liabilities | 19 | 7,054.1 | 6,716.1 | 5,430.1 | 5,074.0 |
| Employee benefits | 34 | 10,230.0 | 10,263.2 | 9,863.5 | 9,922.5 |
| Government development grants | 39 | 1,009.7 | 1,021.6 | 0 | 0 |
| | | 54,075.9 | 53,742.3 | 43,266.3 | 44,555.4 |
| TOTAL NET ASSETS | | 47,466.9 | 43,459.2 | 42,734.4 | 38,845.1 |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2015

| | Note | Group | | Company | |
|-------------------------------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| EQUITY | | | | | |
| Share capital | 40 | 5,643.6 | 5,643.6 | 5,643.6 | 5,643.6 |
| Share premium | 41 | 5,382.2 | 5,382.2 | 5,382.2 | 5,382.2 |
| Other reserves | 42 | (5,416.9) | (5,036.3) | (4,875.7) | (4,782.8) |
| Retained profits | | 41,599.1 | 37,232.5 | 36,584.3 | 32,602.1 |
| CAPITAL AND RESERVES ATTRIBUTABLE | | | | | |
| TO OWNERS OF THE COMPANY | | 47,208.0 | 43,222.0 | 42,734.4 | 38,845.1 |
| NON-CONTROLLING INTERESTS | | 258.9 | 237.2 | 0 | 0 |
| TOTAL EQUITY | | 47,466.9 | 43,459.2 | 42,734.4 | 38,845.1 |
| | | Sen | Sen | | |
| NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | | |
| | | 836.5 | 765.9 | | |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

| | Attributable to owners of the Company | | | | | | |
|----------------------------------------------------------|-------------------------------------------|--------------------------|-------------------------------------|---------------------------|-----------------------------|--------------------------------------|-------------------------|
| | Ordinary shares of RM1.00 each RM'million | Share premium RM'million | Employee benefit reserve RM'million | Other reserves RM'million | Retained profits RM'million | Non-controlling interests RM'million | Total equity RM'million |
| Group | | | | | | | |
| At 1 September 2014 | 5,643.6 | 5,382.2 | (4,916.3) | (120.0) | 37,232.5 | 237.2 | 43,459.2 |
| Profit for the financial year | 0 | 0 | 0 | 0 | 6,118.4 | (57.5) | 6,060.9 |
| Foreign currency translation reserve | 0 | 0 | 0 | (268.7) | 0 | 0 | (268.7) |
| Fair value of available-for-sale financial assets | 0 | 0 | 0 | 0.2 | 0 | 0 | 0.2 |
| Employee benefit reserve | 0 | 0 | (112.1) | 0 | 0 | 0 | (112.1) |
| Total comprehensive income for the financial year | 0 | 0 | (112.1) | (268.5) | 6,118.4 | (57.5) | 5,680.3 |
| Dividend paid to a non-controlling interest ('NCI') | 0 | 0 | 0 | 0 | 0 | (0.6) | (0.6) |
| Dividend paid: | | | | | | | |
| - Final for FY2014 | 0 | 0 | 0 | 0 | (1,072.3) | 0 | (1,072.3) |
| - Interim for FY2015 | 0 | 0 | 0 | 0 | (564.4) | 0 | (564.4) |
| Acquisition of new subsidiaries | 0 | 0 | 0 | 0 | 0 | 434.4 | 434.4 |
| Purchase of shares from NCI (Note 49) | 0 | 0 | 0 | 0 | (109.3) | (336.8) | (446.1) |
| Compulsory acquisition of NCI (Note 49) | 0 | 0 | 0 | 0 | (5.8) | (17.8) | (23.6) |
| Total transactions with owners | 0 | 0 | 0 | 0 | (1,751.8) | 79.2 | (1,672.6) |
| At 31 August 2015 | 5,643.6 | 5,382.2 | (5,028.4) | (388.5) | 41,599.1 | 258.9 | 47,466.9 |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

| | Attributable to owners of the Company | | | | | | |
|----------------------------------------------------------|----------------------------------------------|-----------------------------|----------------------------------------|------------------------------|--------------------------------|-----------------------------------------|----------------------------|
| | Ordinary shares of RM1.00 each RM'million | Share premium RM'million | Employee benefit reserve RM'million | Other reserves RM'million | Retained profits RM'million | Non-controlling interests RM'million | Total equity RM'million |
| Group | | | | | | | |
| At 1 September 2013 | 5,643.6 | 5,382.2 | (5,358.0) | (151.1) | 32,176.4 | 277.6 | 37,970.7 |
| Profit for the financial year | 0 | 0 | 0 | 0 | 6,467.0 | (40.2) | 6,426.8 |
| Foreign currency translation reserve | 0 | 0 | 0 | 31.0 | 0 | 0 | 31.0 |
| Fair value of available-for-sale financial assets | 0 | 0 | 0 | 0.1 | 0 | 0 | 0.1 |
| Employee benefit reserve | 0 | 0 | 441.7 | 0 | 0 | 0 | 441.7 |
| Total comprehensive income for the financial year | 0 | 0 | 441.7 | 31.1 | 6,467.0 | (40.2) | 6,899.6 |
| Dividend paid to a NCI | 0 | 0 | 0 | 0 | 0 | (0.6) | (0.6) |
| Dividend paid: | | | | | | | |
| - Final for FY2013 | 0 | 0 | 0 | 0 | (846.5) | 0 | (846.5) |
| - Interim for FY2014 | 0 | 0 | 0 | 0 | (564.4) | 0 | (564.4) |
| Issuance of shares in a subsidiary | 0 | 0 | 0 | 0 | 0 | 0.4 | 0.4 |
| Total transactions with owners | 0 | 0 | 0 | 0 | (1,410.9) | (0.2) | (1,411.1) |
| At 31 August 2014 | 5,643.6 | 5,382.2 | (4,916.3) | (120.0) | 37,232.5 | 237.2 | 43,459.2 |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

| | Note | Non-distributable | | | Distributable | Total equity RM'million |
|--------------------------------------------------------------|------|----------------------------------------------------|--------------------------------|----------------------------------------------|-----------------------------------|----------------------------|
| | | Ordinary shares of RM1.00 each RM'million | Share premium RM'million | Employee benefit reserve RM'million | Retained profits RM'million | |
| Company | | | | | | |
| At 1 September 2014 | | 5,643.6 | 5,382.2 | (4,782.8) | 32,602.1 | 38,845.1 |
| Profit for the financial year | | 0 | 0 | 0 | 5,618.9 | 5,618.9 |
| Employee benefit reserve | | 0 | 0 | (92.9) | 0 | (92.9) |
| Total comprehensive income for the financial year | | 0 | 0 | (92.9) | 5,618.9 | 5,526.0 |
| Dividend paid: | 12 | | | | | |
| - Final for FY2014 | | 0 | 0 | 0 | (1,072.3) | (1,072.3) |
| - Interim for FY2015 | | 0 | 0 | 0 | (564.4) | (564.4) |
| Total transactions with owners | | 0 | 0 | 0 | (1,636.7) | (1,636.7) |
| At 31 August 2015 | | 5,643.6 | 5,382.2 | (4,875.7) | 36,584.3 | 42,734.4 |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

| | Note | Non-distributable | | | Distributable | Total equity RM'million |
|--------------------------------------------------------------|------|----------------------------------------------------|--------------------------------|----------------------------------------------|-----------------------------------|----------------------------|
| | | Ordinary shares of RM1.00 each RM'million | Share premium RM'million | Employee benefit reserve RM'million | Retained profits RM'million | |
| Company | | | | | | |
| At 1 September 2013 | | 5,643.6 | 5,382.2 | (5,206.2) | 28,044.3 | 33,863.9 |
| Profit for the financial year | | 0 | 0 | 0 | 5,968.7 | 5,968.7 |
| Employee benefit reserve | | 0 | 0 | 423.4 | 0 | 423.4 |
| Total comprehensive income for the financial year | | 0 | 0 | 423.4 | 5,968.7 | 6,392.1 |
| Dividend paid: | 12 | | | | | |
| - Final for FY2013 | | 0 | 0 | 0 | (846.5) | (846.5) |
| - Interim for FY2014 | | 0 | 0 | 0 | (564.4) | (564.4) |
| Total transactions with owners | | 0 | 0 | 0 | (1,410.9) | (1,410.9) |
| At 31 August 2014 | | 5,643.6 | 5,382.2 | (4,782.8) | 32,602.1 | 38,845.1 |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

| | Group | | Company | |
|-----------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit for the financial year | 6,060.9 | 6,426.8 | 5,618.9 | 5,968.7 |
| Adjustments for: | | | | |
| Taxation and zakat | 1,072.8 | 687.9 | 961.6 | 602.3 |
| Property, plant and equipment ('PPE'): | | | | |
| - Depreciation | 5,294.2 | 4,872.5 | 4,784.8 | 4,608.8 |
| - Written off | 73.9 | 98.1 | 73.9 | 98.1 |
| - Gain on disposals | (3.6) | (3.9) | (3.5) | (27.5) |
| - Reversal of impairment | 0 | (154.6) | 0 | 0 |
| Provision for retirement benefits | 730.0 | 759.2 | 704.3 | 736.7 |
| Translation loss/(gain) | 819.3 | (445.3) | 827.9 | (442.7) |
| Gain on: | | | | |
| - Disposal of non-current assets held-for-sale | (0.2) | (4.0) | (0.2) | (4.0) |
| - Redemption of redeemable preference shares in a subsidiary | 0 | 0 | (32.4) | (45.8) |
| - Remeasurement of gain on previously held interest in an associate | (71.2) | 0 | 0 | 0 |
| Share of results in joint ventures | (24.1) | (19.6) | 0 | 0 |
| Share of results in associates | (77.0) | (83.1) | 0 | 0 |
| Dividend income | 0 | (1.7) | (47.3) | (108.1) |
| Interest income | (265.6) | (239.5) | (332.3) | (313.2) |
| Interest on borrowings | 364.8 | 438.9 | 43.2 | 165.0 |
| Release of deferred income | (1,154.8) | (1,476.6) | (800.1) | (1,113.9) |
| Release of Government development grants | (52.5) | (68.4) | 0 | 0 |
| Allowance for impairment: | | | | |
| - Receivables | 178.8 | 308.9 | 126.9 | 260.0 |
| - Amounts due from subsidiaries | 0 | 0 | 88.6 | 215.0 |
| Reversal of impairment: | | | | |
| - Receivables | (136.9) | (172.4) | (88.2) | (124.8) |
| - Amounts due from subsidiaries | 0 | 0 | (100.0) | (339.9) |
| Allowance for impairment of investments in: | | | | |
| - Subsidiaries | 0 | 0 | 20.7 | 0 |
| - Unquoted debt security | 138.8 | 0 | 138.8 | 0 |
| Reversal of allowance for diminution in value of investment in a subsidiary | 0 | 0 | (15.0) | (59.1) |
| Changes in fair value of derivatives | 0.5 | 0.6 | 0.5 | 0.6 |
| Allowance for inventory obsolescence | 225.0 | 217.6 | 225.0 | 217.6 |
| Write-back of inventory obsolescence | (211.3) | (211.6) | (211.3) | (211.6) |
| Inventories written off | 46.7 | 19.9 | 46.7 | 19.9 |
| Changes in fair value and accretion of interest | 22.1 | 9.9 | 11.2 | 108.9 |
| | 13,030.6 | 10,959.6 | 12,042.7 | 10,211.0 |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

| | Group | | Company | |
|------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED) | | | | |
| Inventories | (16.9) | (296.3) | (120.9) | (4.2) |
| Receivables | (830.7) | (703.5) | (929.0) | (671.3) |
| Payables | (361.7) | 395.6 | 417.9 | (187.4) |
| Subsidiaries balances | 0 | 0 | (36.4) | (672.6) |
| Associates balances | (142.6) | (20.6) | (19.4) | (26.0) |
| Joint ventures balances | (3.8) | (0.2) | 0 | 0 |
| Cash generated from operations | 11,674.9 | 10,334.6 | 11,354.9 | 8,649.5 |
| Employee benefits paid | (767.2) | (708.9) | (758.6) | (693.7) |
| Contributions received | 979.5 | 1,156.4 | 644.3 | 845.9 |
| Consumer deposits received | 363.0 | 345.8 | 333.2 | 334.4 |
| Taxation and zakat paid | (810.8) | (690.0) | (544.6) | (501.8) |
| Net cash flows generated from operating activities | 11,439.4 | 10,437.9 | 11,029.2 | 8,634.3 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash considerations paid to acquire subsidiaries | (271.7) | 0 | (347.5) | 0 |
| Additional investments in FVTPL | (57,937.6) | (3,614.4) | (54,748.6) | (1,470.0) |
| Proceeds from redemptions: | | | | |
| - Redeemable preference shares in a subsidiary | 0 | 0 | 107.8 | 150.0 |
| - Unsecured loan notes in an associate | 4.8 | 5.9 | 4.8 | 5.9 |
| Disposals of FVTPL | 55,477.8 | 0 | 52,735.6 | 0 |
| Dividend income received | 40.8 | 40.4 | 47.3 | 91.7 |
| Interest income received | 82.3 | 230.9 | 46.7 | 134.4 |
| Property, plant and equipment: | | | | |
| - Additions | (10,363.7) | (10,006.5) | (6,538.1) | (6,250.2) |
| - Proceeds from disposals | 140.8 | 125.7 | 24.1 | 69.4 |
| Proceeds from disposal of non-current assets held-for-sale | 0.2 | 13.8 | 0.2 | 13.8 |
| Advances granted to subsidiaries | 0 | 0 | (1,179.3) | 0 |
| Repayment of advances from a subsidiary | 0 | 0 | 100.0 | 0 |
| Net cash flows used in investing activities | (12,826.3) | (13,204.2) | (9,747.0) | (7,255.0) |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2015

| | Note | Group | | Company | |
|-------------------------------------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Government development grants received | | 55.2 | 308.3 | 0 | 0 |
| Long term borrowings: | | | | | |
| - Drawdowns | | 127.1 | 3,745.2 | 0 | 0 |
| - Repayments | | (1,916.0) | (610.2) | (347.2) | (357.2) |
| Short term borrowings: | | | | | |
| - Drawdowns | | 1,060.8 | 367.8 | 0 | 0 |
| - Repayments | | (1,047.1) | (358.6) | 0 | 0 |
| Interests paid | | (451.1) | (704.8) | (454.8) | (465.1) |
| Dividends paid to shareholders | | (1,636.7) | (1,410.9) | (1,636.7) | (1,410.9) |
| Dividends paid to NCI | | (0.6) | (0.6) | 0 | 0 |
| Issuance of shares in a subsidiary | | 0 | 0.4 | 0 | 0 |
| Net decrease/(increase) in debt reserve accounts | | 2.8 | (27.2) | 0 | 0 |
| Acquisition of interest in a subsidiary | | (446.1) | 0 | (446.1) | 0 |
| Repayment of advances to a subsidiary | | 0 | 0 | (1,296.0) | 0 |
| Net cash flows (used in)/generated from financing activities | | (4,251.7) | 1,309.4 | (4,180.8) | (2,233.2) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (5,638.6) | (1,456.9) | (2,898.6) | (853.9) |
| EFFECT OF CHANGES IN FOREIGN CURRENCY | | 0.2 | (0.4) | 4.8 | (4.8) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR | | 7,871.5 | 9,328.8 | 3,445.6 | 4,304.3 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | 30 | 2,233.1 | 7,871.5 | 551.8 | 3,445.6 |

The notes set out on pages 164 to 274 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

1 GENERAL INFORMATION

The Group and Company are primarily involved in the business of the generation, transmission, distribution and sales of electricity and those tabulated in Note 14 to these financial statements.

There have been no significant changes in these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is Pejabat Setiausaha Syarikat, Tingkat 2, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act, 1965 in Malaysia.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

The new accounting standards, amendments to published standards and improvements to existing standards effective and applicable for the Group and Company's financial year beginning 1 September 2014 are as follows:

| No | Malaysian Financial Reporting Standards/IC Interpretations |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Amendments to MFRS 10 'Consolidated Financial Statements' ('MFRS 10'), MFRS 12 'Disclosure of Interest in Other Entities' ('MFRS 12') and MFRS 127 'Separate Financial Statements' ('MFRS 127') 'Investment Entities' |
| 2 | Amendment to MFRS 119 'Employee Benefits' ('MFRS 119') 'Defined Benefit Plans: Employees Contributions' |
| 3 | Amendments to MFRS 132 'Financial Instruments: Presentation' ('MFRS 132') 'Offsetting Financial Assets and Financial Liabilities' |
| 4 | Amendments to MFRS 139 'Financial Instruments: Recognition and Measurement' ('MFRS 139') 'Novation of Derivatives and Continuation of Hedge Accounting' |
| 5 | IC Interpretation 21 'Levies' ('IC 21') |
| 6 | Annual Improvements to MFRSs 2010 – 2012 Cycle |
| 7 | Annual Improvements to MFRSs 2011 – 2013 Cycle |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

The impact of the new accounting standards, amendments to published standards and improvements to the standards on the financial statements of the Company is not material.

- (ii) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective.

The Group and Company will apply the new standards, amendments to published standards, interpretations and improvements to existing standards in the following periods:

- (i) Financial year beginning on or after 1 September 2016:

- Amendments to MFRS 11 'Joint Arrangements' ('MFRS 11') on Accounting for Acquisitions of Interest in Joint Operations (effective from 1 January 2016) require an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

The amendments are also applicable to the formation of a joint operation if, and only if, a business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

The amendments do not apply to the acquisition of an interest in a joint operation when the parties sharing joint control are under the common control of the same ultimate controlling party both before and after the acquisition.

- Amendments to MFRS 116 'Property, Plant and Equipment' ('MFRS 116') and MFRS 138 'Intangible Assets' ('MFRS 138') on Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016) provide additional guidance on how the depreciation or amortisation of PPE and intangible assets should be calculated. MFRS 116 prohibits revenue-based depreciation because revenue does not, as a matter of principle, reflect the way in which an item of PPE is used or consumed. The amendments to MFRS 138 introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate except in limited circumstances.

These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 10 and MFRS 128 'Investments in Associates and Joint Ventures' ('MFRS 128') regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

(i) Financial year beginning on or after 1 September 2016: (continued)

- Amendments to MFRS 101 'Presentation of Financial Statements' ('MFRS 101') (effective from 1 January 2016) aim to improve financial statements disclosures. The amendments clarify guidance in MFRS 101 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments to MFRS 127 (effective from 1 January 2016) on Equity Method in Separate Financial Statements allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.
- Amendments to MFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' ('MFRS 5') (effective from 1 January 2016) clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to plan of sale or distribution. That means, the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution'.
- Amendments to MFRS 7 'Financial Instruments: Disclosures' ('MFRS 7') (effective from 1 January 2016) provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7 and clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.
- Amendment to MFRS 119 (effective from 1 January 2016) clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. The amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level.
- Amendment to MFRS 134 'Interim Financial Reporting' ('MFRS 134') (effective from 1 January 2016) clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' as used in MFRS 134. The amendment requires such disclosures to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

(ii) Financial year beginning on or after 1 September 2018:

- MFRS 15 'Revenue from Contracts with Customers' ('MFRS 15') (effective from 1 January 2018) replaces MFRS 118 'Revenue' ('MFRS 118') and MFRS 111 'Construction Contracts' ('MFRS 111') and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards, amendments to published standards, interpretations and improvements to existing standards that are applicable to the Group and Company but not yet effective. (continued)

(ii) Financial year beginning on or after 1 September 2018: (continued)

- MFRS 9 'Financial Instruments' ('MFRS 9') (effective from 1 January 2018) will replace MFRS 139. The complete version of MFRS 9 was issued in November 2014.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the statement of profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The impact of the new accounting standards, amendments and improvements to published standards on the financial statements of the Group and Company are currently being assessed by management.

(b) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are those corporations or other entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are considered only when such rights are substantive when assessing control.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statement of profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries and basis of consolidation (continued)

(ii) Basis of consolidation (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in the statement of profit or loss.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in statement of profit or loss. Refer to accounting policy Note 2(f) on goodwill.

NCI is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any NCI in the acquiree either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, NCI consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the NCI, even if the attribution of losses to the NCI results in a debit balance in the shareholders' equity.

(iii) Changes in ownership interest

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the statement of profit or loss. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Transactions with NCI

The Group applies a policy of treating transactions with NCI as transactions with equity owners of the Group. For purchases from NCI, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to NCI, where there is no change in controls, differences between any proceeds received and the relevant share of NCI are also recorded in equity.

(d) Joint arrangements

A joint arrangement is an arrangement over which there is contractually agreed sharing of control by the Group with one or more parties where decisions about the relevant activities relating to the joint arrangement requires unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. Joint operations are joint arrangements whereby the Company has the rights to the assets and obligations for the liabilities. In respect of its interests in joint operations, the Company shall recognise in its financial statements the assets that it controls and the expense and liabilities that it incurs and its share of the income that it earns from the sale of goods or services.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint arrangements (continued)

The Group's interest in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity, the Group's share of profits less losses of the joint ventures based on the latest audited financial statements or management accounts of the joint ventures, made up to the financial year end of the Group. Where necessary, adjustments are made to the results and net assets of the joint ventures to ensure consistency of accounting policies with those of the Group. The Group's investment in joint ventures are recorded at cost inclusive of goodwill and adjusted thereafter for accumulated impairment losses and the post-acquisition change in the Group's share of net assets of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in joint ventures. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balances that provide evidence of reduction in net realisable value or an impairment of the asset transferred are recognised in the consolidated statement of profit or loss.

(e) Associates

Associates are enterprises in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The equity method is applied based on the latest financial statements or management accounts of the associates, made up to the financial year end of the Group. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment losses (see Note 2(k)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements is recognised in OCI. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its 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 its associates are eliminated to the extent of the Group's interests in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

Dilution of gains and losses in associates are recognised in the consolidated statement of profit or loss.

For incremental interest in an associate, the date of acquisition is the date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. The previously acquired stake is stepped up to its 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.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries, joint arrangements and associates at the date of the acquisition. Goodwill is tested for impairment at least annually, or if events or circumstances occur indicating that impairment may exist. Impairment of goodwill is charged to the statement of profit or loss as and when it arises. Impairment losses on goodwill (inclusive of impairment losses recognised in a previous interim period) are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill on acquisition of joint arrangements and associates is included in the investments in joint arrangements and associates respectively. Such goodwill is tested for impairment as part of the overall carrying amount.

(g) Property, plant and equipment ('PPE') and depreciation

PPE are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the construction or acquisition of the items and bringing them to the location and condition so as to render them operational in the manner intended by the Group. The Group allocates the cost of an item of PPE to its significant system and component parts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The cost of major overhaul/inspection is recognised in the asset's carrying amount as a replacement and the remaining carrying amount of the previous major overhaul/inspection is derecognised.

Major spare parts and standby equipment are recognised as assets when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of PPE, they are accounted for as PPE.

Gains and losses on disposal of PPE are determined by reference to their carrying amount and are taken into account in determining profit or loss before taxation.

Freehold land and capital project-in-progress are not depreciated. Leasehold land classified as finance lease (refer to accounting policy Note 2(m)(i) on finance leases) is amortised over the remaining period of the respective leases ranging from 5 to 99 years on the straight-line basis.

Depreciation is provided on all other categories of PPE on the straight-line basis which reflects the estimated useful lives of the assets, summarised as follows:

| | |
|------------------------------------------|----------------|
| Buildings and civil works | 10 to 60 years |
| Plant and machinery | 3 to 40 years |
| Lines and distribution mains | 15 to 40 years |
| Distribution services | 20 years |
| Meters | 10 to 15 years |
| Public lighting | 15 to 20 years |
| Furniture, fittings and office equipment | 3 to 15 years |
| Motor vehicles | 5 to 15 years |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment ('PPE') and depreciation (continued)

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of the reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 2(k)).

(h) Non-current assets held-for-sale

The Group shall classify a non-current asset as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The assets classified as non-current assets held-for-sale will be measured at the lower of its carrying amount and fair value less costs to sell.

No depreciation or amortisation is provided against the assets while it is classified as non-current assets held-for-sale.

The assets shall be derecognised on disposal and the difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of disposal.

An asset that ceases to be classified as non-current assets held-for-sale shall be measured at the lower of its carrying amount before the asset was classified as non-current assets held-for-sale, adjusted for any depreciation, amortisation or revaluations that would be recognised had the asset not been classified as non-current assets held-for-sale, and its recoverable amount at the date of the subsequent decision not to sell.

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of profit or loss as an expense as incurred.

Expenditure on development activities, whereby the application research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the assets for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in statement of profit or loss as incurred.

Capitalised development costs are recognised as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

(j) Capitalisation of borrowing costs

Borrowing costs incurred to finance the construction of any qualifying assets are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed off to the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of non-financial assets

PPE and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised in the statement of profit or loss for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(l) Customers' contributions

Contributions (assets in the form of PPE or cash to acquire such assets) received from customers consist mainly of upfront capital contributions for the construction of assets, used to connect the customers to a network or to provide them with the service.

Contributions received prior to 1 January 2011 are amortised over 15 years, being the average useful life of the asset.

Effective 1 January 2011, in compliance with IC Interpretation 18, 'Transfers of Assets from Customers' ('IC 18') all contributions received from customers, when that amount of contributions must be used only to construct or acquire an item of PPE, and the item of PPE is used to either connect the customer to a network or to provide the customer with ongoing access to supply of goods or services, or to do both, the contributions received are recognised as revenue. Revenue arising from assets received from customers are recognised in the statement of profit or loss when the performance obligations associated with receiving those customer contributions are met.

(m) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(i) Finance leases – where the Group and Company are the lessee

The Group and Company lease certain PPE. Leases of PPE where the Group and Company have substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. The interest element of the finance cost is charged to statement of profit or loss within finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PPE acquired under finance leases are depreciated or amortised over the lease term.

(ii) Operating leases – where the Group and Company are the lessee

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group or Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of profit or loss within other operating expenses on the straight-line basis over the period of the lease.

(iii) Operating leases – where the Group is the lessor

Leases where substantially all of the risks and rewards of ownership are not transferred to the lessee (i.e. the Group is the lessor) are classified as operating leases. Payments received under operating leases that relate to sales of electricity are recognised in statement of profit or loss within revenue on the straight-line basis over the period of the lease. All other payments received under operating leases are presented in statement of profit or loss within other income.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of work-in-progress and finished goods comprise raw materials, direct labour and a proportion of the production overheads. Cost is determined on the weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

(o) Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

(p) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, which is the fair value of the consideration to be paid in the future for the goods and services received.

(q) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(r) Share capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method, any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings.

Interests, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the statement of profit or loss.

Borrowings are classified as current liabilities unless the Group and Company have an unconditional right to defer settlement of the liability for at least twelve (12) months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawdown. In this case, the fees are deferred until the drawdown occurs.

(t) Income tax and zakat

(i) Income tax

Current tax expense is determined according to the tax laws of the countries in which the Company and its subsidiaries operate and generate the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination as at that time the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unutilised tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally and enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is receivable.

Tax rates enacted or substantively enacted at the end of the reporting date are used to determine deferred tax.

(ii) Zakat

The Group and Company recognise its obligation towards the payment of zakat on business income in the statement of profit or loss. Zakat payment is an obligation and is accrued based on 2.5% of profit before tax and determined according to the percentage of Muslim shareholding in the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the financial year in which the services are rendered by employees of the Group and Company.

(ii) Post-employment benefits

The Group and Company have various post-employment benefit schemes which are either defined contribution or defined benefit plans.

Defined contribution plans

The Group and Company's contributions to defined contribution plans are charged to the statement of profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and Company have no further payment obligations.

Defined benefit plans

The Group and Company make contributions to the Company's Retirement Benefit Plan, a defined benefit plan and approved fund independent of the Company's finances. A book provision is also provided by the Company as the contribution rate required to fund the benefits under the said plan is in excess of the Inland Revenue maximum limit. The Group and Company also provide for a Post Retirement Medical Plan for certain employees, which is unfunded.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the statements of financial position date minus the fair value of plan assets. The Group and Company determine the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of reporting date.

The defined benefit obligation, calculated using the Projected Unit Credit Method, is determined by an independent actuarial firm, considering the estimated future cash outflows using market yields at statement of financial position date of private debt securities which have currency and terms to maturity approximating the terms of the related liability.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in the profit or loss in employee benefit expense.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in reserves through OCI in the period in which they arise. The actuarial gains and losses are not subsequently reclassified to statement of profit or loss in subsequent periods.

(v) Government development grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to construction of PPE are included in non-current liabilities as deferred income and are credited to the statement of profit or loss on the straight-line basis over the expected lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Contingent liabilities

The Group and Company do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group and Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

(x) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and Company's activities, net of estimated returns, rebates and discounts.

(i) Electricity revenue

Revenue from the supply of electricity in Peninsular Malaysia is regulated based on certain formulae and parameters as set out in the regulatory implementation guidance under the Incentive Based Regulation ('IBR') framework and as agreed with the Ministry of Energy, Green Technology and Water.

Electricity revenue is recognised when electricity is consumed by customers. Electricity revenue includes an estimated value of the electricity consumed by customers from the date of their last meter reading and period end. Accrued unbilled revenues are reversed the following month when actual billings occur.

Imbalanced Cost Pass-Through ('ICPT'), a mechanism established under the IBR allows the Company to pass through the volatility in fuel and other generation specific costs (termed as the 'Single Buyer Generation Cost') to the consumers, such that the Company remains financially neutral. The Company's claims and undertakings under the ICPT mechanism are such that any over or under-recovery of costs would be payable to or reimbursable from the Government, and would be recognised as part of revenue in the period the costs are incurred. Actual base tariff billed to the customers remains unchanged.

(ii) Sale of goods

Sale of goods is recognised when significant risks and rewards of ownership have passed and the collectability of the related receivable is reasonably assured.

(iii) Rendering of services

For services rendered, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iv) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in statement of profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the contract costs incurred to the reporting date as a percentage of total estimated costs for each contract.

When an outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (continued)

(v) Other Income

Other operating income earned by the Group and Company comprise interest and leasing income as well as dividend income. Leasing income is accrued, unless collectability is in doubt. Dividend income is recognised when the shareholders' rights to receive payment is established.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group and Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(y) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia ('RM'), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated at exchange rates ruling at the statement of financial position date. All exchange differences are recognised in the statement of profit or loss within the category of foreign exchange gain/(loss).

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and OCI are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- 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 consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Foreign currencies (continued)

(iii) Group companies (continued)

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

| Foreign currency | 2015 RM | 2014 RM |
|--------------------------------|------------|------------|
| 1 United States Dollar ('USD') | 4.1900 | 3.1545 |
| 100 Japanese Yen ('JPY') | 3.4723 | 3.0388 |
| 1 Sterling Pound ('SP') | 6.4666 | 5.2347 |
| 100 Pakistani Rupee ('PKR') | 4.0400 | 3.1000 |
| 1 European Dollar ('EURO') | 4.7390 | 4.1539 |

(z) Financial instruments

Financial assets

(i) Classification

The Group and Company classify its financial assets in the following categories: at fair value through profit or loss ('FVTPL'), loans and receivables and available-for-sale ('AFS'). The classification depends on the purpose for which the financial assets were acquired. The Group and Company determine the classification at initial recognition.

(i) Financial assets at FVTPL

Financial assets at FVTPL are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables ('L&R') are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve (12) months after the end of the reporting period. These are classified as non-current assets.

(iii) AFS financial assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or the Group and Company intend to dispose of it within twelve (12) months from the end of the reporting period.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Financial instruments (continued)

Financial assets (continued)

(iii) Subsequent measurement - gains and losses

AFS financial assets and financial assets at FVTPL are subsequently carried at fair value. Loans and receivables financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation are recognised in the statement of profit or loss in the period in which the changes arise.

(iv) Subsequent measurement - impairment of financial assets

(i) Assets carried at amortised cost

The Group and Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group and Company use to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of profit or loss. If L&R have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

When an asset is uncollectible, it is written off against the related accumulated impairment losses account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Financial instruments (continued)

Financial assets (continued)

(iv) Subsequent measurement - impairment of financial assets (continued)

(ii) Assets classified as AFS

The Group and Company assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and Company use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

In the case of equity securities classified as AFS, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the statement of profit or loss. The amount of cumulative loss that is reclassified to the statement of profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments classified as AFS are not reversed through the statement of profit or loss.

(v) Derecognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company have transferred substantially all risks and rewards of ownership to related party.

Financial liabilities

The Group and Company classify its financial liabilities in the following categories: at FVTPL or other financial liabilities. The Group and Company determine the classification of its financial liabilities at initial recognition.

Other financial liabilities are non-derivatives financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the statement of profit or loss.

The Group and Company's other financial liabilities comprise trade and other payables and borrowings in the statement of financial position. Financial liabilities are classified as current liabilities; except for maturities more than 12 months after the reporting date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the liability is either discharged, cancelled, has expired or has been restructured with substantially different terms.

(aa) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the statement of profit or loss when the changes arise.

(cc) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' ('MFRS 137') and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgement in applying the Group's accounting policies

There are no significant areas of critical judgement in applying accounting policies that have significant effects on the amounts recognised in the financial statements.

(b) Critical accounting estimates and assumptions

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equate to the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact on the Group and Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) Impairment of PPE

The Group and Company assess impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e., the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group and Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

In particular for TNB Liberty Power Limited ('LPL'), as disclosed in Note 13(a), the appropriateness of the assumptions required for impairment purpose is dependent on the extension of the Gas Supply Agreement ('GSA') by the Government of Pakistan where the subsidiary is operating, till the end of the Power Purchase Agreement ('PPA') term. The Group is confident that the extension will materialised based on the continuous supply of raw gas and award of the PPA. Accordingly, the Group is of the view that the carrying amount of the subsidiary's PPE is recoverable.

NOTES TO THE FINANCIAL STATEMENTS

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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions (continued)

(ii) Estimated useful lives of PPE

The Group and Company regularly review the estimated useful lives of PPE based on factors such as business plans and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of PPE would increase the recorded depreciation and decrease the value of PPE.

(iii) Contingent liabilities

Determination of the treatment of contingent liabilities is based on the Group and Company's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business.

(iv) Impairment of trade receivables

The Group and Company review its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, the Group and Company make judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the Group and Company make judgements as to whether an impairment loss should be recorded as an expense. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

(v) Estimation of income taxes

(a) Income tax

Income taxes are estimated based on the rules governed under the Income Tax Act, 1967.

Differences in determining the capital allowances, deductibility of certain expenses and subsequent utilisation of reinvestment allowance may arise during the estimation of the provision for income taxes between tax calculated at the statement of financial position date, and the final submission to the tax authorities as a result of obtaining further detailed information that may become available subsequent to the statement of financial position date.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions and deferred tax balance in the period in which such determination is made.

(b) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

NOTES TO THE FINANCIAL STATEMENTS

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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions (continued)

(vi) Revenue recognition

Electricity revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the financial year end of the Group and Company (unread and unbilled). An assessment is also made of any factors that are likely to materially affect the ultimate economic benefits which will flow to the Group and Company, including bill cancellation and adjustments. These assessments will have a corresponding adjustment to trade receivables. To the extent that the economic benefits are not expected to flow to the Group and Company, the value of that revenue is not recognised.

Included in the payable balance in Note 31 is the estimated over-recovery of costs under the ICPT mechanism. The Company continually assesses the obligation by considering factors such as changes in the applicable regulatory implementation guidelines and political environment, the ability to recover costs through regulated rates, and the status of any pending or potential deregulation legislation. Based on this continual assessment, the Company believes the existing liability balance reflects the best estimate of the Company's obligation to the Government. This assessment reflects the current political and regulatory climate, and may be subject to change in the future.

(vii) Fair value of derivatives and other financial instruments

Certain financial instruments such as investments and derivative financial instruments are carried on the statement of financial position at fair value, with changes in fair value reflected in the statement of profit or loss.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The Group and Company use its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

(viii) Lease accounting

As a result of adopting IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease' ('IC 4'), certain of the Group and Company's power purchase agreements have been accounted for as finance lease rather than the normal sale and purchase arrangements. This has resulted in finance lease accounting being applied to these power purchase agreements. To apply finance lease accounting, a number of assumptions in the lease models have been made, such as the determination of minimum lease payments, implicit interest rates and residual values of the power plants at the end of contract periods. Any changes to these assumptions will affect lease income and expenses.

(ix) Employee Benefits

The Group and Company provide both Retirement Benefit Plan and Post Retirement Medical Plan for certain employees. The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The key assumptions used in determining the net cost/(income) for the employee benefits include discount rate and medical claim inflation rate. Any changes in these assumptions will impact the carrying amount of employee benefits obligations.

(i) Discount rate

The Group and Company determine the appropriate discount rate at the end of each financial year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group and Company consider the interest rates of private debt securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefits obligation.

(ii) Medical claim inflation rate

The medical claim inflation rate for general practitioner, hospitalisation, specialist and dialysis medical claims, as determined by the Group and Company are based on the annualised increase in average claims over the past 7 years.

NOTES TO THE FINANCIAL STATEMENTS

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4 REVENUE

| | Group | | Company | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Sales: | | | | |
| - Electricity* | 41,721.1 | 40,859.0 | 39,451.9 | 38,686.7 |
| - Goods and services | 390.1 | 495.0 | 0 | 0 |
| - Contract revenue | 20.8 | 11.8 | 0 | 0 |
| - Customers contributions | 739.0 | 877.4 | 540.0 | 798.5 |
| Release of deferred income | 415.8 | 549.2 | 260.1 | 315.4 |
| | 43,286.8 | 42,792.4 | 40,252.0 | 39,800.6 |

* Included in the total sales of electricity is the ICPT amounting to RM1,854.5 million and subsidised tariff rebate for Sabah Electricity Sdn. Bhd. ('SESB') amounting to RM23.7 million.

5 OPERATING EXPENSES

| | Group | | Company | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Cost of sales: | | | | |
| - Energy cost | 24,757.9 | 26,144.0 | 23,293.4 | 24,739.7 |
| - Transmission cost | 1,735.2 | 1,655.5 | 1,620.5 | 1,564.5 |
| - Distribution cost | 5,896.7 | 5,523.6 | 5,625.3 | 5,283.3 |
| | 32,389.8 | 33,323.1 | 30,539.2 | 31,587.5 |
| Administrative expenses | 1,707.6 | 1,807.6 | 1,131.7 | 1,282.6 |
| Other operating expenses | 1,386.0 | 1,134.4 | 766.2 | 631.2 |
| | 35,483.4 | 36,265.1 | 32,437.1 | 33,501.3 |

Certain comparatives were reclassified to conform with current financial year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

5 OPERATING EXPENSES (CONTINUED)

Operating expenses include the following items:

| | Group | | Company | |
|------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Purchases from Independent Power Producers ('IPPs') [^] | 12,905.4 | 13,252.5 | 15,656.3 | 16,048.5 |
| Directors' remuneration: | | | | |
| - Fees and allowances | 4.0 | 3.3 | 3.2 | 3.0 |
| - Other emoluments | 2.1 | 2.6 | 0.4 | 1.8 |
| Auditors' remuneration: | | | | |
| - Statutory audit fees | | | | |
| - PricewaterhouseCoopers, Malaysia | 2.4 | 2.2 | 1.2 | 1.1 |
| - Member firm of PricewaterhouseCoopers International Limited* | 0 | 0 | 0 | 0 |
| - Assurance related fees | 1.6 | 0.7 | 1.4 | 0.4 |
| - Non-audit fees** | 3.4 | 2.4 | 3.1 | 1.7 |
| Staff cost (Note 6) | 3,596.2 | 3,607.8 | 3,088.2 | 3,114.9 |
| Property, plant and equipment: | | | | |
| - Depreciation | 5,294.2 | 4,872.5 | 4,784.8 | 4,608.8 |
| - Reversal of impairment | 0 | (154.6) | 0 | 0 |
| - Written off | 73.9 | 98.1 | 73.9 | 98.1 |
| Allowance for impairment: | | | | |
| - Receivables | 178.8 | 308.9 | 126.9 | 260.0 |
| - Amounts due from subsidiaries | 0 | 0 | 88.6 | 215.0 |
| Reversal for impairment: | | | | |
| - Receivables | (136.9) | (172.4) | (88.2) | (124.8) |
| - Amounts due from subsidiaries | 0 | 0 | (100.0) | (339.9) |
| Changes in fair value of derivatives | 0.5 | 0.6 | 0.5 | 0.6 |
| Allowance for inventory obsolescence | 13.7 | 6.0 | 13.7 | 6.0 |
| Reversal of allowance for diminution in value of investments in a subsidiary | 0 | 0 | (15.0) | (59.1) |
| Inventories written off | 46.7 | 19.9 | 46.7 | 19.9 |
| Rental of land and buildings | 55.6 | 53.2 | 32.1 | 28.0 |
| Rental of plant and machinery | 39.1 | 82.2 | 39.1 | 82.2 |
| Research and development expenses | 118.2 | 112.9 | 111.3 | 106.1 |
| Receipt of Government subsidies [#] | (361.0) | (683.0) | 0 | 0 |
| Alternate fuel cost differential compensation | 0 | (81.6) | 0 | (81.6) |

[^] These include amounts related to the Government Sponsored Tariff Stabilisation Fund as disclosed in Note 31 amounting to RM435.9 million (2014: RM433.9 million).

* This represents the audit fees for LPL amounting to RM47,725 (2014: RM39,005) and TNB Remaco Pakistan (Pvt.) Ltd. amounting to RM24,038 (2014: RM19,660). PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

** The amount primarily relates to advisory related services in relation to the Group's restructuring exercise and due diligences on potential acquisitions.

[#] This represents the subsidies that SESB received for diesel and medium fuel oil from the Government of Malaysia. The total amount credited in the current year has been offsetted against energy cost.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

5 OPERATING EXPENSES (CONTINUED)

The estimated monetary value of benefits-in-kind received by the Directors was RM219,631 (2014: RM290,552) for the Group and Company.

Certain comparatives were reclassified to conform with current financial year's presentation.

6 STAFF COST

| | Group | | Company | |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Wages, salaries and bonuses | 2,188.9 | 2,148.2 | 1,806.0 | 1,794.1 |
| Defined contribution retirement plan | 378.6 | 415.9 | 317.2 | 343.4 |
| Retirement benefit plan (Note 34) | 235.6 | 281.0 | 210.8 | 275.8 |
| Retirement medical plan (Note 34) | 494.4 | 478.2 | 493.5 | 460.9 |
| Other employee benefits | 298.7 | 284.5 | 260.7 | 240.7 |
| | 3,596.2 | 3,607.8 | 3,088.2 | 3,114.9 |

Details of the retirement benefit and retirement medical plans of the Group and Company are set out in Note 34 to the financial statements.

7 OTHER OPERATING INCOME

| | Group | | Company | |
|--------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Dividend income from: | | | | |
| - Quoted shares | 0 | 1.7 | 0 | 1.7 |
| - Subsidiaries | 0 | 0 | 6.5 | 66.0 |
| - Associates | 0 | 0 | 40.8 | 40.4 |
| Leasing income | 40.5 | 65.3 | 40.5 | 65.3 |
| Rental income | 29.8 | 7.3 | 42.9 | 33.6 |
| Release of Government development grants (Note 39) | 52.5 | 68.4 | 0 | 0 |
| Gain on disposals: | | | | |
| - Property, plant and equipment | 3.6 | 3.9 | 3.5 | 27.5 |
| - Non-current assets held for sale | 0.2 | 4.0 | 0.2 | 4.0 |
| Remeasurement of gain on previously held interest in an associate | 71.2 | 0 | 0 | 0 |
| Interest on late payments | 136.9 | 118.6 | 134.6 | 116.7 |
| Minimum charges | 33.3 | 32.1 | 33.3 | 32.1 |
| Gain on redemption of redeemable preference shares in a subsidiary | 0 | 0 | 32.4 | 45.8 |
| Other income | 456.2 | 352.4 | 231.1 | 160.8 |
| | 824.2 | 653.7 | 565.8 | 593.9 |

Other income comprises primarily of income from rechargeable jobs, insurance claims and sales of scrap.

NOTES TO THE FINANCIAL STATEMENTS

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8 FOREIGN EXCHANGE (LOSS)/GAIN

| | Group | | Company | |
|-------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Foreign exchange (loss)/gain comprises: | | | | |
| Translation (loss)/gain - foreign currency denominated term loans | (871.9) | 447.6 | (870.4) | 444.0 |
| Translation gain/(loss) - others | 52.6 | (2.3) | 42.5 | (1.3) |
| Transaction (loss)/gain - foreign term loans | (101.8) | 2.9 | (101.8) | 2.8 |
| Transaction (loss)/gain - others | (11.2) | 0.7 | (1.7) | (0.8) |
| | (932.3) | 448.9 | (931.4) | 444.7 |

9 FINANCE INCOME/COST

| | Group | | Company | |
|---------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Finance income: | | | | |
| Interest from subsidiaries | 0 | 0 | 152.9 | 148.0 |
| Interest from deposits, staff loans and associates | 361.8 | 369.0 | 179.4 | 165.2 |
| Changes in fair value and impairment on interest income | 16.6 | 17.2 | (22.3) | (112.4) |
| Less: Reduction of borrowing costs capitalised into PPE | (96.2) | (129.5) | 0 | 0 |
| | 282.2 | 256.7 | 310.0 | 200.8 |
| Finance cost: | | | | |
| Interest on borrowings | 1,257.8 | 1,218.4 | 505.8 | 554.3 |
| Release of government grants (Note 39) | (14.6) | 0 | 0 | 0 |
| Finance charges under finance leases | 441.2 | 309.4 | 1,052.3 | 716.2 |
| Interest on consumer deposits | 100.2 | 99.2 | 94.4 | 90.0 |
| Changes in fair value and accretion of interest | 38.7 | 27.1 | (11.1) | (3.5) |
| Less: Amount capitalised into PPE | (878.4) | (779.5) | (462.6) | (389.3) |
| | 944.9 | 874.6 | 1,178.8 | 967.7 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

10 TAXATION AND ZAKAT

| | Note | Group | | Company | |
|----------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Current tax: | | | | | |
| - Malaysian corporate income tax | | 777.2 | 603.4 | 536.1 | 440.5 |
| Deferred tax | 19 | 255.6 | 56.6 | 385.5 | 133.9 |
| Tax expense | | 1,032.8 | 660.0 | 921.6 | 574.4 |
| Zakat | | 40.0 | 27.9 | 40.0 | 27.9 |
| | | 1,072.8 | 687.9 | 961.6 | 602.3 |

The analysis of the tax expense is as follows:

| | | | | | |
|-----------------------------------------------------|--|----------------|-------|--------------|-------|
| Current tax: | | | | | |
| - Current year | | 715.4 | 571.9 | 475.3 | 409.0 |
| - Under accrual in prior years | | 61.8 | 31.5 | 60.8 | 31.5 |
| | | 777.2 | 603.4 | 536.1 | 440.5 |
| Deferred tax: | | | | | |
| - Origination and reversal of temporary differences | | 255.6 | 56.6 | 385.5 | 133.9 |
| | | 1,032.8 | 660.0 | 921.6 | 574.4 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

10 TAXATION AND ZAKAT (CONTINUED)

The explanation of the relationship between tax expense and profit before taxation and zakat is as follows:

| | Group | | Company | |
|----------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Profit before taxation and zakat | 7,133.7 | 7,114.7 | 6,580.5 | 6,571.0 |
| Tax calculated at the Malaysian corporate income tax rate of 25.0% (2014: 25.0%) | 1,783.4 | 1,778.7 | 1,645.1 | 1,642.8 |
| Tax effects of: | | | | |
| - Share of results of associates and joint ventures | 6.4 | 8.1 | 0 | 0 |
| - Income not subject to tax | (337.0) | (460.3) | (272.3) | (430.4) |
| - Expenses not deductible for tax purposes | 467.9 | 341.9 | 480.4 | 329.1 |
| - Expenses qualifying for double deduction | (19.5) | (15.6) | (18.4) | (14.6) |
| - Current year unrecognised temporary differences and unused tax losses | 14.9 | 7.5 | 0 | 0 |
| - Benefits from previously unrecognised temporary differences | (0.3) | (17.3) | 0 | 0 |
| Under/(over) accrual of tax in prior years (net) | 97.5 | (23.0) | 60.8 | 1.5 |
| Zakat | 40.0 | 27.9 | 40.0 | 27.9 |
| Utilisation of reinvestment allowances | (958.8) | (713.3) | (958.8) | (713.3) |
| Effect of change of tax rate | (21.7) | (246.7) | (15.2) | (240.7) |
| Tax and zakat charge | 1,072.8 | 687.9 | 961.6 | 602.3 |
| Average effective tax rate (%) | 15.0 | 9.7 | 14.6 | 9.2 |

The tax charge relating to components of other comprehensive income is as follows:

| | 2015 | | | 2014 | | |
|---------------------------------------------------|--------------------------|------------------------------|-------------------------|--------------------------|------------------------------|-------------------------|
| | Before tax RM'million | Tax charged RM'million | After tax RM'million | Before tax RM'million | Tax charged RM'million | After tax RM'million |
| Group | | | | | | |
| Defined benefit plan actuarial (loss)/gain | (147.5) | 35.4 | (112.1) | 663.0 | (221.3) | 441.7 |
| Foreign currency translation differences | (268.7) | 0 | (268.7) | 31.0 | 0 | 31.0 |
| Fair value of available-for-sale financial assets | 0.2 | 0 | 0.2 | 0.1 | 0 | 0.1 |
| | (416.0) | 35.4 | (380.6) | 694.1 | (221.3) | 472.8 |
| Company | | | | | | |
| Defined benefit plan actuarial (loss)/gain | (122.3) | 29.4 | (92.9) | 644.7 | (221.3) | 423.4 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

11 EARNINGS PER SHARE ('EPS')

Basic EPS of the Group is calculated by dividing the profit attributable to owners of the Company for the financial year by weighted average number of ordinary shares in issue during the financial year. There is no dilutive potential ordinary shares as at 31 August 2015. Thus, diluted EPS equals basic EPS.

| | Group | |
|------------------------------------------------------------|-----------|-----------|
| | 2015 | 2014 |
| Profit attributable to owners of the Company (RM'million) | 6,118.4 | 6,467.0 |
| Weighted average number of ordinary shares in issue ('000) | 5,643,611 | 5,643,611 |
| Basic/Diluted EPS (sen) | 108.41 | 114.59 |

12 DIVIDENDS

| | Company | |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million |
| Interim single tier dividend of 10.0 sen per ordinary share (2014: interim single tier dividend of 10.0 sen per ordinary share) | 564.4 | 564.4 |
| Proposed final single tier dividend of 19.0 sen per ordinary share (2014: final single tier dividend of 19.0 sen per ordinary share) | 1,072.3 | 1,072.3 |
| | 1,636.7 | 1,636.7 |

Interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained profits in the financial year.

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 August 2015 of 19.0 sen per ordinary share will be proposed for shareholders' approval. The books closure and payment dates will be announced in due course.

NOTES TO THE FINANCIAL STATEMENTS

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13 PROPERTY, PLANT AND EQUIPMENT

| 2015 | As at 1.9.2014 RM'million | Exchange rate adjustments RM'million | Acquisition of subsidiaries RM'million | Additions RM'million | Disposals RM'million | Transfers/ Adjustments/ Reclassi- fication/ Write off RM'million | As at 31.8.2015 RM'million |
|---------------------------------------------|---------------------------------|-----------------------------------------------|-------------------------------------------------|-------------------------|-------------------------|---------------------------------------------------------------------------------|----------------------------------|
| Group | | | | | | | |
| <u>Cost</u> | | | | | | | |
| Freehold land | 833.7 | 0.5 | 0 | 24.0 | (0.1) | (0.2) | 857.9 |
| Long leasehold land | 1,030.6 | 0.1 | 208.9 | 383.8 | 0 | (1.3) | 1,622.1 |
| Short leasehold land | 185.0 | 0 | 0 | 0 | 0 | 0 | 185.0 |
| Buildings and civil works | 13,784.3 | 0.8 | 99.9 | 11.4 | (80.6) | 1,282.7 | 15,098.5 |
| | 15,833.6 | 1.4 | 308.8 | 419.2 | (80.7) | 1,281.2 | 17,763.5 |
| Plant and machinery: | | | | | | | |
| - Owned | 50,596.6 | 167.3 | 161.6 | 76.7 | (333.1) | 7,251.9 | 57,921.0 |
| - Leased | 7,682.4 | 0 | 0 | 568.3 | 0 | 0 | 8,250.7 |
| Lines and distribution mains | 36,157.0 | 0 | 0 | 114.8 | (1.7) | 2,507.7 | 38,777.8 |
| Distribution services | 3,795.4 | 0 | 0 | 21.2 | (0.2) | 199.1 | 4,015.5 |
| Meters | 2,366.8 | 0 | 0 | 11.4 | 0 | 160.5 | 2,538.7 |
| Public lighting | 463.8 | 0 | 0 | 0 | 0 | 46.8 | 510.6 |
| Furniture, fittings and office equipment | 1,686.5 | 1.8 | 0.6 | 203.1 | (3.6) | 21.7 | 1,910.1 |
| Motor vehicles | 558.5 | 0.3 | 0.2 | 63.8 | (21.2) | 6.4 | 608.0 |
| | 119,140.6 | 170.8 | 471.2 | 1,478.5 | (440.5) | 11,475.3 | 132,295.9 |
| Capital project-in-progress | 19,711.4 | 0.2 | 307.9 | 12,124.0 | (23.1) | (13,267.4) | 18,853.0 |
| | 138,852.0 | 171.0 | 779.1 | 13,602.5 | (463.6) | (1,792.1) | 151,148.9 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| 2015 | As at 1.9.2014 RM'million | Charged for the financial year RM'million | Released on disposals/ Transfers/ Write off RM'million | As at 31.8.2015 RM'million |
|------------------------------------------|---------------------------------|----------------------------------------------------|--------------------------------------------------------------------|----------------------------------|
| Group | | | | |
| <u>Accumulated depreciation</u> | | | | |
| Long leasehold land | 265.6 | 17.2 | 0.1 | 282.9 |
| Short leasehold land | 93.0 | 7.2 | 0 | 100.2 |
| Buildings and civil works | 5,192.9 | 379.9 | (63.8) | 5,509.0 |
| | 5,551.5 | 404.3 | (63.7) | 5,892.1 |
| Plant and machinery: | | | | |
| - Owned | 26,361.1 | 2,360.8 | (160.2) | 28,561.7 |
| - Leased | 690.2 | 511.7 | 0 | 1,201.9 |
| Lines and distribution mains | 17,309.7 | 1,484.0 | (2.4) | 18,791.3 |
| Distribution services | 2,105.1 | 166.1 | 0 | 2,271.2 |
| Meters | 1,335.8 | 132.9 | 0 | 1,468.7 |
| Public lighting | 261.7 | 23.9 | 0 | 285.6 |
| Furniture, fittings and office equipment | 1,404.0 | 145.5 | (4.8) | 1,544.7 |
| Motor vehicles | 402.2 | 65.0 | (21.4) | 445.8 |
| | 55,421.3 | 5,294.2 | (252.5) | 60,463.0 |
| <u>Accumulated impairment losses</u> | | | | |
| Plant and machinery | 385.6 | 0 | 0 | 385.6 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| 2014 | As at 1.9.2013 RM'million | Exchange rate adjustments RM'million | Additions RM'million | Disposals RM'million | Transfers/ Adjustments/ Reclassi- fication/ Write off RM'million | As at 31.8.2014 RM'million |
|------------------------------------------|---------------------------------|-----------------------------------------------|-------------------------|-------------------------|---------------------------------------------------------------------------------|----------------------------------|
| Group | | | | | | |
| <u>Cost</u> | | | | | | |
| Freehold land | 837.9 | 0 | 39.6 | 0 | (43.8) | 833.7 |
| Long leasehold land | 1,025.3 | 0 | 2.0 | (0.1) | 3.4 | 1,030.6 |
| Short leasehold land | 185.0 | 0 | 0 | 0 | 0 | 185.0 |
| Buildings and civil works | 13,593.6 | 0 | 4.1 | (4.4) | 191.0 | 13,784.3 |
| | 15,641.8 | 0 | 45.7 | (4.5) | 150.6 | 15,833.6 |
| Plant and machinery: | | | | | | |
| - Owned | 49,296.2 | (7.8) | 161.2 | (586.1) | 1,733.1 | 50,596.6 |
| - Leased | 5,938.0 | 0 | 1,782.2 | 0 | (37.8) | 7,682.4 |
| Lines and distribution mains | 33,988.6 | 0 | 173.4 | (1.1) | 1,996.1 | 36,157.0 |
| Distribution services | 3,532.1 | 0 | 41.6 | (0.1) | 221.8 | 3,795.4 |
| Meters | 2,244.3 | 0 | 8.4 | 0 | 114.1 | 2,366.8 |
| Public lighting | 432.8 | 0 | 0 | 0 | 31.0 | 463.8 |
| Furniture, fittings and office equipment | 1,567.4 | (0.1) | 116.4 | (5.4) | 8.2 | 1,686.5 |
| Motor vehicles | 528.2 | 0 | 39.0 | (15.7) | 7.0 | 558.5 |
| | 113,169.4 | (7.9) | 2,367.9 | (612.9) | 4,224.1 | 119,140.6 |
| Capital project-in-progress | 13,843.1 | 0 | 15,233.8 | (5.3) | (9,360.2) | 19,711.4 |
| | 127,012.5 | (7.9) | 17,601.7 | (618.2) | (5,136.1) | 138,852.0 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| 2014 | As at 1.9.2013 RM'million | Charged for the financial year RM'million | Released on disposals/ Transfers/ Write off RM'million | As at 31.8.2014 RM'million |
|------------------------------------------|---------------------------------|----------------------------------------------------|--------------------------------------------------------------------|----------------------------------|
| Group | | | | |
| <u>Accumulated depreciation</u> | | | | |
| Long leasehold land | 249.1 | 16.5 | 0 | 265.6 |
| Short leasehold land | 85.8 | 7.2 | 0 | 93.0 |
| Buildings and civil works | 4,838.8 | 357.6 | (3.5) | 5,192.9 |
| | 5,173.7 | 381.3 | (3.5) | 5,551.5 |
| Plant and machinery: | | | | |
| - Owned | 24,621.9 | 2,196.2 | (457.0) | 26,361.1 |
| - Leased | 273.3 | 416.9 | 0 | 690.2 |
| Lines and distribution mains | 15,911.6 | 1,398.1 | 0 | 17,309.7 |
| Distribution services | 1,946.6 | 158.5 | 0 | 2,105.1 |
| Meters | 1,202.6 | 133.2 | 0 | 1,335.8 |
| Public lighting | 240.0 | 21.7 | 0 | 261.7 |
| Furniture, fittings and office equipment | 1,301.1 | 108.7 | (5.8) | 1,404.0 |
| Motor vehicles | 341.0 | 57.9 | 3.3 | 402.2 |
| | 51,011.8 | 4,872.5 | (463.0) | 55,421.3 |
| <u>Accumulated impairment losses</u> | | | | |
| Plant and machinery | 540.2 | 0 | (154.6) | 385.6 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| 2015 | As at 1.9.2014 RM'million | Additions RM'million | Disposals RM'million | Transfers/ Adjustments/ Reclassi- fication/ Write off RM'million | As at 31.8.2015 RM'million |
|------------------------------------------|---------------------------------|-------------------------|-------------------------|---------------------------------------------------------------------------------|----------------------------------|
| Company | | | | | |
| <u>Cost</u> | | | | | |
| Freehold land | 839.3 | 20.7 | 0 | (0.2) | 859.8 |
| Long leasehold land | 1,003.8 | 383.8 | 0 | 0 | 1,387.6 |
| Short leasehold land | 4.5 | 0 | 0 | 0 | 4.5 |
| Buildings and civil works | 12,043.5 | 0 | (80.2) | 157.5 | 12,120.8 |
| | 13,891.1 | 404.5 | (80.2) | 157.3 | 14,372.7 |
| Plant and machinery: | | | | | |
| - Owned | 38,670.4 | 0 | (318.6) | 2,078.6 | 40,430.4 |
| - Leased | 18,763.1 | 0 | 0 | 0 | 18,763.1 |
| Lines and distribution mains | 34,544.9 | 0 | (0.8) | 2,494.8 | 37,038.9 |
| Distribution services | 3,574.8 | 0 | 0 | 193.1 | 3,767.9 |
| Meters | 2,291.6 | 0 | 0 | 160.5 | 2,452.1 |
| Public lighting | 463.8 | 0 | 0 | 46.8 | 510.6 |
| Furniture, fittings and office equipment | 1,455.9 | 196.5 | (2.3) | 6.5 | 1,656.6 |
| Motor vehicles | 474.4 | 51.0 | (20.3) | (0.8) | 504.3 |
| | 114,130.0 | 652.0 | (422.2) | 5,136.8 | 119,496.6 |
| Capital project-in-progress | 9,963.5 | 8,396.1 | (23.2) | (7,238.6) | 11,097.8 |
| | 124,093.5 | 9,048.1 | (445.4) | (2,101.8) | 130,594.4 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| 2015 | As at 1.9.2014 RM'million | Charged for the financial year RM'million | Released on disposals/ Transfers/ Write off RM'million | As at 31.8.2015 RM'million |
|------------------------------------------|---------------------------------|----------------------------------------------------|--------------------------------------------------------------------|----------------------------------|
| Company | | | | |
| <u>Accumulated depreciation</u> | | | | |
| Long leasehold land | 257.7 | 16.7 | 0 | 274.4 |
| Short leasehold land | 2.3 | 0.1 | 0 | 2.4 |
| Buildings and civil works | 4,484.9 | 295.5 | (64.4) | 4,716.0 |
| | 4,744.9 | 312.3 | (64.4) | 4,992.8 |
| Plant and machinery: | | | | |
| - Owned | 20,670.6 | 1,640.2 | (304.6) | 22,006.2 |
| - Leased | 5,897.1 | 926.1 | 0 | 6,823.2 |
| Lines and distribution mains | 16,689.8 | 1,418.0 | (0.5) | 18,107.3 |
| Distribution services | 1,983.4 | 154.0 | 0 | 2,137.4 |
| Meters | 1,295.1 | 126.9 | 0 | 1,422.0 |
| Public lighting | 261.7 | 23.9 | 0 | 285.6 |
| Furniture, fittings and office equipment | 1,213.2 | 127.3 | (5.4) | 1,335.1 |
| Motor vehicles | 335.1 | 56.1 | (20.8) | 370.4 |
| | 53,090.9 | 4,784.8 | (395.7) | 57,480.0 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| 2014 | As at 1.9.2013 RM'million | Additions RM'million | Disposals RM'million | Transfers/ Adjustments/ Reclassi- fication/ Write off RM'million | As at 31.8.2014 RM'million |
|------------------------------------------|---------------------------------|-------------------------|-------------------------|---------------------------------------------------------------------------------|----------------------------------|
| Company | | | | | |
| <u>Cost</u> | | | | | |
| Freehold land | 803.8 | 39.6 | 0 | (4.1) | 839.3 |
| Long leasehold land | 998.3 | 2.0 | (0.1) | 3.6 | 1,003.8 |
| Short leasehold land | 4.5 | 0 | 0 | 0 | 4.5 |
| Buildings and civil works | 11,882.5 | 0 | (3.7) | 164.7 | 12,043.5 |
| | 13,689.1 | 41.6 | (3.8) | 164.2 | 13,891.1 |
| Plant and machinery: | | | | | |
| - Owned | 37,499.5 | 0 | (444.4) | 1,615.3 | 38,670.4 |
| - Leased | 18,800.9 | 0 | 0 | (37.8) | 18,763.1 |
| Lines and distribution mains | 32,548.7 | 0 | 0 | 1,996.2 | 34,544.9 |
| Distribution services | 3,353.0 | 0 | 0 | 221.8 | 3,574.8 |
| Meters | 2,177.4 | 0 | 0 | 114.2 | 2,291.6 |
| Public lighting | 432.8 | 0 | 0 | 31.0 | 463.8 |
| Furniture, fittings and office equipment | 1,348.9 | 111.4 | (1.4) | (3.0) | 1,455.9 |
| Motor vehicles | 448.8 | 37.4 | (15.4) | 3.6 | 474.4 |
| | 110,299.1 | 190.4 | (465.0) | 4,105.5 | 114,130.0 |
| Capital project-in-progress | 7,663.4 | 8,529.3 | (5.3) | (6,223.9) | 9,963.5 |
| | 117,962.5 | 8,719.7 | (470.3) | (2,118.4) | 124,093.5 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| 2014 | As at 1.9.2013 RM'million | Charged for the financial year RM'million | Released on disposals/ Transfers/ Write off RM'million | As at 31.8.2014 RM'million |
|------------------------------------------|---------------------------------|----------------------------------------------------|--------------------------------------------------------------------|----------------------------------|
| Company | | | | |
| <u>Accumulated depreciation</u> | | | | |
| Long leasehold land | 241.9 | 15.8 | 0 | 257.7 |
| Short leasehold land | 2.3 | 0 | 0 | 2.3 |
| Buildings and civil works | 4,194.7 | 293.0 | (2.8) | 4,484.9 |
| | 4,438.9 | 308.8 | (2.8) | 4,744.9 |
| Plant and machinery: | | | | |
| - Owned | 19,382.3 | 1,599.4 | (311.1) | 20,670.6 |
| - Leased | 4,972.4 | 924.7 | 0 | 5,897.1 |
| Lines and distribution mains | 15,352.0 | 1,337.8 | 0 | 16,689.8 |
| Distribution services | 1,835.2 | 148.2 | 0 | 1,983.4 |
| Meters | 1,167.2 | 127.9 | 0 | 1,295.1 |
| Public lighting | 240.0 | 21.7 | 0 | 261.7 |
| Furniture, fittings and office equipment | 1,126.1 | 88.6 | (1.5) | 1,213.2 |
| Motor vehicles | 298.8 | 51.7 | (15.4) | 335.1 |
| | 48,812.9 | 4,608.8 | (330.8) | 53,090.9 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Group | | Company | |
|------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| <u>Net book value</u> | | | | |
| Freehold land | 857.9 | 833.7 | 859.8 | 839.3 |
| Long leasehold land | 1,339.2 | 765.0 | 1,113.2 | 746.1 |
| Short leasehold land | 84.8 | 92.0 | 2.1 | 2.2 |
| Buildings and civil works | 9,589.5 | 8,591.4 | 7,404.8 | 7,558.6 |
| Total land and buildings | 11,871.4 | 10,282.1 | 9,379.9 | 9,146.2 |
| Plant and machinery: | | | | |
| - Owned | 28,973.7 | 23,849.9 | 18,424.2 | 17,999.8 |
| - Leased | 7,048.8 | 6,992.2 | 11,939.9 | 12,866.0 |
| Lines and distribution mains | 19,986.5 | 18,847.3 | 18,931.6 | 17,855.1 |
| Distribution services | 1,744.3 | 1,690.3 | 1,630.5 | 1,591.4 |
| Meters | 1,070.0 | 1,031.0 | 1,030.1 | 996.5 |
| Public lighting | 225.0 | 202.1 | 225.0 | 202.1 |
| Furniture, fittings and office equipment | 365.4 | 282.5 | 321.5 | 242.7 |
| Motor vehicles | 162.2 | 156.3 | 133.9 | 139.3 |
| | 71,447.3 | 63,333.7 | 62,016.6 | 61,039.1 |
| Capital project-in-progress | 18,853.0 | 19,711.4 | 11,097.8 | 9,963.5 |
| | 90,300.3 | 83,045.1 | 73,114.4 | 71,002.6 |

Certain comparatives were reclassified to conform with current financial year's presentation.

The title deeds of certain land are in the process of being registered in the name of the Company and certain subsidiaries.

Net book value of PPE pledged as security for borrowings are disclosed in Note 36.

Interest capitalised during the financial year in capital project-in-progress amounted to RM878.4 million (2014: RM779.5 million) for the Group and RM462.6 million (2014: RM389.3 million) for the Company.

The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation is 6.6% (2014: 6.4%).

(a) Impairment test for PPE

LPL has recognised in prior years, a provision for impairment totalling RM385.6 million. Current year assessment showed that no further impairment loss is required for the carrying amount of PPE assessed. The carrying value of the PPE at statement of financial position date is RM309.6 million (2014: RM244.7 million). The recoverable amount of the PPE is determined based on value in use.

(b) Acquisition of PPE

During the financial year, the Group acquired RM568.3 million (2014: RM1,782.2 million) of PPE by means of finance leases. There was no such acquisition for the Company (2014: NIL).

NOTES TO THE FINANCIAL STATEMENTS

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14 SUBSIDIARIES

| | Note | Company | |
|-----------------------------------------------------|---------------------|--------------------|--------------------|
| | | 2015 RM'million | 2014 RM'million |
| At cost: | | | |
| Unquoted ordinary shares | (a)(i)(ii)(iii)(iv) | 1,194.5 | 351.9 |
| Redeemable preference shares | (a)(v) | 4,231.8 | 3,533.2 |
| Options granted to employees of subsidiaries | | 29.3 | 28.4 |
| Advance to subsidiaries treated as quasi-investment | (a)(iii)(v)(vi) | 1,346.4 | 1,764.1 |
| | | 6,802.0 | 5,677.6 |
| Less: Accumulated impairment losses | | (1,649.6) | (1,643.9) |
| | | 5,152.4 | 4,033.7 |

(a) Additional investments in subsidiaries

- (i) On 31 March 2015, the Company subscribed to 20,000,000 ordinary shares of RM1.00 each in TNB Connaught Bridge Sdn. Bhd. ('TNB CBSB'), a wholly owned subsidiary of the Company, for RM20.0 million.
- (ii) On 10 December 2014, the Company subscribed to 4,999,998 ordinary shares of RM1.00 each in TNB Pasir Gudang Energy Sdn. Bhd. ('TNB PGE'), a wholly owned subsidiary of the Company, for RM5.0 million.
- (iii) On 2 December 2014, the Company subscribed an additional 15,000,000 ordinary shares of RM1.00 each in Universiti Tenaga Nasional Sdn. Bhd. ('UNITEN'), a wholly owned subsidiary of the Company, by conversion of advances due from UNITEN treated as quasi-investment amounting to RM15.0 million.
- (iv) The Company had acquired two new subsidiaries during the financial year, as disclosed in Note 49 of the financial statements.
- (v) On 15 September 2014, the Company subscribed to 4,900,000 Redeemable Preference Shares ('RPS') issued at RM100.00 each with a par value of RM1.00 and a premium of RM99.00 per share in TNB Prai Sdn. Bhd. ('TNB Prai'), a wholly owned subsidiary of the Company, by conversion of advances due from TNB Prai amounting to RM490.0 million.

On 20 August 2015, the Company subscribed an additional 2,350,000 RPS issued at RM100.00 each with a par value of RM1.00 and a premium of RM99.00 per share in TNB Prai by conversion of amounts due from TNB Prai of RM235.0 million.
- (vi) The advances are unsecured and non-interest bearing with no fixed terms of repayment. The Company does not anticipate any repayment of the advances and will only recall the loans when the subsidiaries have surplus cash. These advances are treated as an extension of its investments in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

| Name of subsidiary | Group's interest | | Principal activities | Country of incorporation |
|----------------------------------------------|------------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| TNB Janamanjung Sdn. Bhd. | 100% | 100% | Generate and deliver electricity energy and generating capacity to TNB | Malaysia |
| TNB Power Daharki Ltd.* | 100% | 100% | Investment holding company | Mauritius |
| TNB Fuel Services Sdn. Bhd. | 100% | 100% | Supplying fuel and coal for power generation | Malaysia |
| TNB Energy Services Sdn. Bhd. | 100% | 100% | Generating, distributing, supplying, dealing, selling of different kinds of energy sources and related technical services | Malaysia |
| TNB Research Sdn. Bhd. | 100% | 100% | Research and development, consultancy and other services | Malaysia |
| TNB Ventures Sdn. Bhd. | 100% | 100% | Investment holding company | Malaysia |
| TNB Engineering Corporation Sdn. Bhd. | 100% | 100% | Principally engaged as turnkey contractors, energy project development specialising in district cooling system and co-generation including operation and maintenance works | Malaysia |
| TNB Repair And Maintenance Sdn. Bhd. | 100% | 100% | Providing repair and maintenance services to heavy industries and other related services | Malaysia |
| TNB Capital (L) Ltd. | 100% | 100% | Investment holding company | Malaysia |
| Universiti Tenaga Nasional Sdn. Bhd. | 100% | 100% | Providing higher education | Malaysia |
| Malaysia Transformer Manufacturing Sdn. Bhd. | 100% | 100% | Principally engaged in the manufacturing, selling and repairing distribution, power and earthing transformers | Malaysia |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Group's interest | | Principal activities | Country of incorporation |
|--------------------------------------------------|------------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| Power And Energy International (Mauritius) Ltd.* | 100% | 100% | Investment holding | Mauritius |
| Orion Mission Sdn. Bhd. | 100% | 100% | Investment holding company | Malaysia |
| Sabah Electricity Sdn. Bhd. | 83% | 83% | Business of generation, transmission, distribution and sale of electricity and services in Sabah | Malaysia |
| Tenaga Switchgear Sdn. Bhd. | 60% | 60% | Principally engaged in the business of assembling and manufacturing of high voltage switchgears and contracting of turnkey transmission substations | Malaysia |
| Kapar Energy Ventures Sdn. Bhd. | 60% | 60% | Generate and deliver electricity energy and generating capacity to TNB | Malaysia |
| TNB Integrated Learning Solution Sdn. Bhd. | 100% | 100% | Providing training courses | Malaysia |
| TNB Prai Sdn. Bhd. | 100% | 100% | Primarily involved in the generation, sale and supply electricity, providing operation and maintenance services for power plant | Malaysia |
| TNB Pasir Gudang Energy Sdn. Bhd. | 100% | 100% | Carry business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia | Malaysia |
| TNB Manjung Five Sdn. Bhd. | 100% | 100% | Primarily involved in the generation, sale and supply of electricity, providing operation and maintenance services for power plant | Malaysia |
| TNB Connaught Bridge Sdn. Bhd. | 100% | 100% | Carry business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia | Malaysia |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Group's interest | | Principal activities | Country of incorporation |
|------------------------------------|------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| Integrax Berhad**^ | 97.53% | 22.12% | Investment holding company | Malaysia |
| Jimah East Power Sdn. Bhd.**& | 70% | - | Involved in power generation | Malaysia |
| Yayasan Tenaga Nasional | - | - | A trust established under the provision of Trustees (Incorporation Act), 1952 (Act 258) for promotion and advancement of education and for charitable purposes | Malaysia |
| Manjung Island Energy Berhad | - | - | Special purpose company to raise Islamic securities under the Islamic Securities Programme | Malaysia |
| TNB Transmission Network Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| TNB Distribution Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| TNB Quantum Solutions Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| TNB Risk Management Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| TNB - IT Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| TNB Engineers Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| TNB Generation Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| TNB Hidro Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| TNB Properties Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| TNB International Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| Selang Power Sdn. Bhd. | 70% | 70% | Dormant | Malaysia |
| TNB Coal International Limited* | 100% | 100% | Dormant | Mauritius |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Group's interest | | Principal activities | Country of incorporation |
|---------------------------------------------|------------------|------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| <u>Subsidiary of TNB Power</u> | | | | |
| <u>Daharki Ltd.</u> | | | | |
| TNB Liberty Power Limited [#] | 100% | 100% | Operation of power plant and generation of electricity | Pakistan |
| <u>Subsidiary of TNB Research</u> | | | | |
| <u>Sdn. Bhd.</u> | | | | |
| TNBR QATS Sdn. Bhd. | 100% | 100% | Carry out technical and laboratory services, consultancy and other services | Malaysia |
| <u>Subsidiary of TNB Ventures Sdn. Bhd.</u> | | | | |
| Tenaga Cable Industries Sdn. Bhd. | 76% | 76% | Manufacturing and distribution of power and general cables, aluminium rods and related activities | Malaysia |
| <u>Subsidiaries of TNB Engineering</u> | | | | |
| <u>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% | Dormant | Malaysia |
| TNEC Operations And Maintenance Sdn. Bhd. | 100% | 100% | Principally involved in operations and maintenance of cooling plants. The company ceased business and remained as an investment holding company | Malaysia |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Group's interest | | Principal activities | Country of incorporation |
|------------------------------------------------------------------------|------------------|------|--------------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| <u>Subsidiary of Bangsar Energy Systems Sdn. Bhd.</u> | | | | |
| Selesa Energy Systems Sdn. Bhd. | 70% | 70% | Dormant | Malaysia |
| <u>Subsidiary of TNEC Operations And Maintenance Sdn. Bhd.</u> | | | | |
| Tomest Energy Management Sdn. Bhd. | 51% | 51% | Operating an integrated district cooling system for air conditioning systems of office buildings | Malaysia |
| <u>Subsidiaries of TNB Repair And Maintenance Sdn. Bhd.</u> | | | | |
| Trichy Power Limited* | 100% | 100% | Dormant | India |
| Trichy Energy Limited* | 100% | 100% | Dormant | India |
| TNB Operations And Maintenance International Ltd. | 100% | 100% | Investment holding | Mauritius |
| TNB REMACO Pakistan (Private) Limited [#] | 100% | 100% | Providing repair and maintenance services to heavy industries and other related services | Pakistan |
| <u>Subsidiary of TNB Operations And Maintenance International Ltd.</u> | | | | |
| Oasis Parade Sdn. Bhd. | 100% | 100% | Investment company | Malaysia |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Group's interest | | Principal activities | Country of incorporation |
|----------------------------------------------------------------------|------------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| <u>Subsidiaries of Universiti Tenaga Nasional Sdn. Bhd.</u> | | | | |
| UNITEN R&D Sdn. Bhd. | 100% | 100% | Providing research and development in areas related to engineering, information technology, business, accountancy, liberal studies and other services | Malaysia |
| Yayasan Canselor Universiti Tenaga Nasional | - | - | A trust established under the provision of Trustees (Incorporation Act), 1952 (Act 258) to receive and administer funds for educational and charitable purposes | Malaysia |
| <u>Subsidiary of Power And Energy International (Mauritius) Ltd.</u> | | | | |
| Independent Power International Ltd.* | 100% | 100% | Investment holding | Mauritius |
| <u>Subsidiary of Orion Mission Sdn. Bhd.</u> | | | | |
| Lahad Datu Holdings Sdn. Bhd. | 100% | 100% | Principally engaged in the operation and maintenance of power plants and generation of electricity (Investment holding company) | Malaysia |
| <u>Subsidiary of Lahad Datu Holdings Sdn. Bhd.</u> | | | | |
| Lahad Datu Energy Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Group's interest | | Principal activities | Country of incorporation |
|-------------------------------------------------|------------------|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| <u>Subsidiaries of Tenaga</u> | | | | |
| <u>Switchgear Sdn. Bhd.</u> | | | | |
| TSG Ormazabal Sdn. Bhd. | 60% | 60% | Assembling, manufacture, test, reconditioning, distribution and other sources of medium voltage switchgear and control gear for transmission and distribution of electric power | Malaysia |
| PT. Tenaga Nusa Bakti* | 100% | 100% | Dormant | Indonesia |
| <u>Subsidiary of TNB Prai Sdn. Bhd.</u> | | | | |
| TNB Northern Energy Berhad | 100% | 100% | Carry on the business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia | Malaysia |
| <u>Subsidiary of TNB Manjung Five Sdn. Bhd.</u> | | | | |
| TNB Western Energy Berhad | 100% | 100% | Primarily involved in the generation, sale and supply of electricity, providing operation and maintenance services for power plant | Malaysia |
| <u>Subsidiaries of Integrax Berhad</u> | | | | |
| Pelabuhan Lumut Sdn. Bhd.** | 100% | - | Investment holding | Malaysia |
| LBT Two Sdn. Bhd.** | 100% | - | Dormant | Malaysia |
| Segmen Kembara Sdn. Bhd.** | 100% | - | Dormant | Malaysia |
| Trek Kembara Sdn. Bhd.** | 100% | - | Dormant | Malaysia |

NOTES TO THE FINANCIAL STATEMENTS

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14 SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Group's interest | | Principal activities | Country of incorporation |
|---------------------------------------------|------------------|------|--------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| <u>Subsidiary of Pelabuhan Lumut</u> | | | | |
| <u>Sdn. Bhd.</u> | | | | |
| Lekir Bulk Terminal Sdn. Bhd.* [^] | 80% | - | Development, ownership and management of a dry bulk terminal | Malaysia |
| <u>Subsidiary of TNB Properties</u> | | | | |
| <u>Sdn. Bhd.</u> | | | | |
| TNP Construction Sdn. Bhd. | 100% | 100% | Dormant | Malaysia |
| <u>Subsidiary of TNB Coal</u> | | | | |
| <u>International Limited</u> | | | | |
| Dynamic Acres Sdn. Bhd.* | 100% | 100% | Dormant | Malaysia |

* Not audited by PricewaterhouseCoopers.

[^] Integrax Berhad ('ITB') was previously recognised as an associate of the Group with a shareholding of 22.12%. The Company further acquired 75.41% equity interest in the total issued and paid up share capital of ITB as at 13 April 2015 (Note 49). Taking into account the compulsory acquisition, the equity interest in ITB would be effectively 100%. Accordingly, ITB and its subsidiaries became subsidiaries of the Group.

[&] On 9 July 2015, the Company has satisfied and complied to all the conditions precedent of the Share Sale and Purchase Agreement with 1Malaysia Development Berhad ('1MDB') for the acquisition of 70% shareholding in Jimah East Power Sdn. Bhd. ('JEP') and recognised JEP as a subsidiary of the Group.

[#] Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

Capital and other commitments for the subsidiaries are disclosed in Note 43.

There are no material contingent liabilities relating to the subsidiaries.

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14 SUBSIDIARIES (CONTINUED)

The NCI is not material to the financial performance, financial position and cash flows of the Group. The NCI information for SESB and ITB which contribute to a substantial portion of total NCI is voluntarily disclosed below:

| | SESB | | ITB | | Other individually immaterial NCI | | Total | |
|-------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| <u>As at 31 August</u> | | | | | | | | |
| Carrying amount of NCI | 124.9 | 101.4 | 84.6 | 0 | 49.4 | 135.8 | 258.9 | 237.2 |
| <u>Financial year ended 31 August</u> | | | | | | | | |
| Total comprehensive income/(expense) allocated to NCI | 23.5 | 55.1 | 1.4 | 0 | (82.4) | (95.3) | (57.5) | (40.2) |

Certain comparatives were reclassified to conform with current financial year's presentation.

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14 SUBSIDIARIES (CONTINUED)

The summarised financial information of SESB and ITB before inter-company eliminations are as follows:

| | SESB | | ITB | |
|------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Summarised statement of financial position | | | | |
| <u>As at 31 August</u> | | | | |
| Non-current assets | 6,667.1 | 5,978.1 | 719.4 | 0 |
| Current assets | 1,483.6 | 1,381.8 | 200.5 | 0 |
| Non-current liabilities | (6,209.3) | (5,498.1) | (44.5) | 0 |
| Current liabilities | (1,500.5) | (1,542.4) | (56.7) | 0 |
| Net assets | 440.9 | 319.4 | 818.7 | 0 |
| Summarised statement of comprehensive income | | | | |
| <u>Financial year ended 31 August</u> | | | | |
| Revenue | 1,927.3 | 1,699.9 | 37.6 | 0 |
| Profit after tax | 98.6 | 96.7 | 75.6 | 0 |
| Other comprehensive (expense)/income | (16.6) | 40.1 | 0 | 0 |
| Total comprehensive income | 82.0 | 136.8 | 75.6 | 0 |
| Summarised statement of cash flows | | | | |
| <u>Financial year ended 31 August</u> | | | | |
| Net cash flows generated from operating activities | 827.0 | 386.9 | 13.7 | 0 |
| Net cash flows used in investing activities | (425.4) | (245.9) | (30.8) | 0 |
| Net cash flows used in financing activities | (338.8) | (175.4) | (0.4) | 0 |
| Net increase/(decrease) in cash and cash equivalents | 62.8 | (34.4) | (17.5) | 0 |

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15 JOINT ARRANGEMENTS

(a) Joint ventures

| | Group | | Company | |
|------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| At cost: | | | | |
| Unquoted ordinary shares | 81.7 | 81.2 | 7.9 | 7.9 |
| Redeemable preference share | 1.1 | 1.1 | 0 | 0 |
| Share of post-acquisition results and reserves | 49.1 | 30.0 | 0 | 0 |
| | 131.9 | 112.3 | 7.9 | 7.9 |
| Less: Accumulated impairment losses | (9.0) | (9.0) | (7.9) | (7.9) |
| | 122.9 | 103.3 | 0 | 0 |
| Share of net assets of joint ventures | 122.9 | 103.3 | | |

None of the joint ventures are material individually to the financial position, financial performance and cash flows of the Group.

The aggregated financial information of the Group's joint ventures is as follows:

| | Total | |
|-------------------------------------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million |
| Group's share of results | | |
| Financial year ended 31 August | | |
| Profit after tax and total comprehensive income | 24.1 | 19.6 |
| Dividend received | 5.0 | 0 |

Certain comparatives were reclassified to conform with current financial year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

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15 JOINT ARRANGEMENTS (CONTINUED)

(a) Joint ventures (continued)

The details of the joint ventures are as follows:

| Name of joint venture | Group's interest | | Principal activities | Country of incorporation |
|---------------------------------------------------------------|------------------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| Seatrac Sdn. Bhd. | 50% | 50% | Dormant | Malaysia |
| <u>Joint venture of TNB Energy Services Sdn. Bhd.</u> | | | | |
| FTJ Bio Power Sdn. Bhd. | 40% | 40% | Generation and distribution of electricity using palm empty fruit bunches as its main fuel source | Malaysia |
| <u>Joint venture of TNB Engineering Corporation Sdn. Bhd.</u> | | | | |
| Airport Cooling Energy Supply Sdn. Bhd. | 77% | 77% | To develop, design, procure, construct, finance district cooling projects in the airport sector, to undertake the comprehensive operational maintenance of district cooling projects in the airport sector and to carry on the business of producing, distributing, applying, dealing and selling of chilled water | Malaysia |

(b) Joint operations

The details of the joint operations are as follows:

| Name of joint operation | Group's interest | | Principal activities | Country of incorporation |
|----------------------------------------------------------------------------------------------|------------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| <u>Joint operation of TNB Energy Services Sdn. Bhd.</u> | | | | |
| TNB Energy Services Sdn. Bhd. & Eramaz Technology Sdn. Bhd. | 51% | 51% | As the turnkey contractor to undertake the design, building and commissioning of the system for the supply of electricity in Kalabakan, Sabah | Malaysia |
| <u>Joint operation of TNB Repair And Maintenance Sdn. Bhd.</u> | | | | |
| TNB Repair And Maintenance Sdn. Bhd. & Kharafi National KSC (Closed) JV (TNB REMACO & KN JV) | 50% | 50% | Operation and maintenance services in the State of Kuwait | Malaysia |

The impact of the joint operations to the Group is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

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16 ASSOCIATES

| | Group | | Company | |
|------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| At cost: | | | | |
| Unquoted shares | 298.4 | 60.8 | 60.2 | 60.2 |
| Quoted shares | 0 | 106.5 | 0 | 106.5 |
| Share of post-acquisition results and reserves | 233.4 | 233.8 | 0 | 0 |
| Redeemable preference shares | 112.5 | 112.5 | 19.7 | 19.7 |
| Unsecured loan notes, at amortised cost | 0 | 4.8 | 0 | 4.8 |
| | 644.3 | 518.4 | 79.9 | 191.2 |
| Less: Accumulated impairment losses | (9.6) | (9.6) | (9.6) | (9.6) |
| | 634.7 | 508.8 | 70.3 | 181.6 |
| Quoted shares, at fair value | 0 | 151.0 | 0 | 151.0 |

The fair value of the quoted shares in the previous financial year represents the Group's interest in ITB which is within Level 1 of the fair value hierarchy.

As disclosed in Note 14, ITB has now been reclassified as a subsidiary following the Company's acquisition of the remaining interest in ITB.

None of the associates are material individually to the financial position, financial performance and cash flows of the Group.

The following table summarises the information of the Group's associates and reconciles the information to the carrying amount of the Group's interest in associates:

| | Total | |
|--------------------------------------------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million |
| <u>Reconciliation of net assets to carrying amount</u> | | |
| <u>As at 31 August</u> | | |
| Group's share of net assets | 644.3 | 515.9 |
| Negative goodwill on acquisition | 0 | 2.5 |
| Less: Accumulated impairment loss | (9.6) | (9.6) |
| Carrying amount in statement of financial position | 634.7 | 508.8 |
| <u>Group's share of results</u> | | |
| <u>Financial year ended 31 August</u> | | |
| Profit after tax and total comprehensive income | 77.0 | 83.1 |
| Dividends received | 40.8 | 40.4 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

16 ASSOCIATES (CONTINUED)

The details of the associates are as follows:

| Name of associate | Group's interest | | Principal activities | Country of incorporation |
|-----------------------------------------------------------------------|------------------|------|-----------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| Teknologi Tenaga Perlis Consortium Sdn. Bhd. | 20% | 20% | Design, construction, divesting, operation and maintenance of electricity generating facility | Malaysia |
| GB3 Sdn. Bhd. | 20% | 20% | Design, construction, operation and maintenance of electricity generating facility | Malaysia |
| Fibrecomm Network (M) Sdn. Bhd. | 49% | 49% | Provision of fibre optic transmission network services | Malaysia |
| Jimah Energy Ventures Holdings Sdn. Bhd. | 20% | 20% | Generate electric power and investment holdings | Malaysia |
| <u>Associates of TNB Properties Sdn. Bhd.</u> | | | | |
| INDERA-TNB Properties Sdn. Bhd. | 40% | 40% | Dormant | Malaysia |
| KM Metro-TNB Properties Sdn. Bhd. | 40% | 40% | Dormant | Malaysia |
| <u>Associate of TNB Ventures Sdn. Bhd.</u> | | | | |
| Northern Utility Resources Sdn. Bhd. (Receiver and Manager Appointed) | 20% | 20% | Dormant | Malaysia |
| <u>Associate of Independent Power International Ltd.</u> | | | | |
| Malaysian Shoaiba Consortium Sdn. Bhd. | 20% | 20% | Acquiring and hold for investment, shares, stocks, debentures in Malaysia or elsewhere | Malaysia |
| <u>Associate of Oasis Parade Sdn. Bhd.</u> | | | | |
| Saudi-Malaysia Operation And Maintenance Services Company Limited | 30% | 30% | O&M of electricity generation stations and water desalination plants | Kingdom of Saudi Arabia |
| <u>Associate of TNB Research Sdn. Bhd.</u> | | | | |
| Gunung Tenaga Sdn. Bhd. | 40% | 40% | Environmental services and research | Malaysia |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

16 ASSOCIATES (CONTINUED)

The details of the associates are as follows: (continued)

| Name of associate | Group's interest | | Principal activities | Country of incorporation |
|-----------------------------------------------------------|---------------------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| | 2015 | 2014 | | |
| <u>Associates of TNB Energy Services Sdn. Bhd.</u> | | | | |
| Jana Landfill Sdn. Bhd. | 20% | 20% | Generation and distribution of heat and electricity using landfill gas as its main fuel source | Malaysia |
| Sime Darby TNBES Renewable Energy Sdn. Bhd. | 49% | - | To develop, set up, construct, install, operate and maintain renewable energy or biogas power plant which uses the palm oil mill effluent as its main source of fuel | Malaysia |
| <u>Associate of TNB Engineering Corporation Sdn. Bhd.</u> | | | | |
| Abraj Cooling LLC | 49% | 49% | Contracting works for the construction of District Cooling Plants | United Arab Emirates |
| <u>Associate of Orion Mission Sdn. Bhd.</u> | | | | |
| Eastern Sabah Power Consortium Sdn. Bhd. | 50% | 50% | To carry on the business of any matter relating to electricity especially the business of generation and supply of electricity for any purpose in Malaysia and other parts of the world | Malaysia |
| <u>Associate of Pelabuhan Lumut Sdn. Bhd.</u> | | | | |
| Lumut Maritime Terminal Sdn. Bhd. [^] | 50% less 1 share | - | Development of an integrated privatised project encompassing ownership and operations of multi-purpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities | Malaysia |
| <u>Associate of Lumut Maritime Terminal Sdn. Bhd.</u> | | | | |
| LMT Capital Sdn. Bhd. [^] | 50% less 1 share | - | Dormant | Malaysia |

[^] As stated in Note 14, the change in composition of ITB from an associate to a subsidiary (Note 49) has resulted in all its associates being recognised as associates of the Group.

There are no contingent liabilities relating to the associates.

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17 GOODWILL ON CONSOLIDATION

| | Group |
|-------------------------------------------|-------------------|
| | 2015 |
| | RM'million |
| As at the beginning of the financial year | 0 |
| Acquisition of subsidiaries (Note 49) | 124.7 |
| As at the end of the financial year | 124.7 |

No impairment reviews have been performed for the Group's goodwill in ITB and JEP as the Purchase Price Allocation reviews are still being finalised.

18 INVESTMENT IN UNQUOTED DEBT SECURITY

| | Group | | Company | |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'million | RM'million | RM'million | RM'million |
| Unsecured loan notes | 24.3 | 163.1 | 24.3 | 163.1 |

19 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 statement of financial position:

| | Group | | Company | |
|----------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'million | RM'million | RM'million | RM'million |
| Deferred tax assets: | | | | |
| - Deferred tax assets to be recovered after more than 12 months | 8.3 | 5.8 | 0 | 0 |
| - Deferred tax assets to be recovered within 12 months | 14.8 | 9.4 | 0 | 0 |
| | 23.1 | 15.2 | 0 | 0 |
| Deferred tax liabilities: | | | | |
| - Deferred tax liabilities to be recovered after more than 12 months | (6,253.5) | (5,795.7) | (4,690.3) | (4,206.5) |
| - Deferred tax liabilities to be recovered within 12 months | (800.6) | (920.4) | (739.8) | (867.5) |
| | (7,054.1) | (6,716.1) | (5,430.1) | (5,074.0) |
| Deferred tax assets | 23.1 | 15.2 | 0 | 0 |
| Deferred tax liabilities | (7,054.1) | (6,716.1) | (5,430.1) | (5,074.0) |
| Net total | (7,031.0) | (6,700.9) | (5,430.1) | (5,074.0) |

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19 DEFERRED TAXATION (CONTINUED)

The movements during the financial year relating to deferred tax are as follows:

| | Group | | Company | |
|---------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| As at the beginning of the financial year | (6,700.9) | (6,423.0) | (5,074.0) | (4,718.8) |
| Charged to statement of profit or loss: | | | | |
| - Property, plant and equipment | (143.5) | (377.5) | (175.2) | 227.8 |
| - Provisions and allowances | 111.1 | 672.3 | 3.7 | 6.8 |
| - Unbilled revenue | (48.4) | (132.6) | (20.6) | (132.6) |
| - Finance leases | (65.3) | (99.3) | (91.2) | (119.6) |
| - Prepaid operating leases | (109.5) | (119.5) | (102.2) | (116.3) |
| | (255.6) | (56.6) | (385.5) | (133.9) |
| Credited/(charged) to other comprehensive income: | | | | |
| - Provisions and allowances | 35.4 | (221.3) | 29.4 | (221.3) |
| Acquisition of subsidiaries | (109.9) | 0 | 0 | 0 |
| As at the end of the financial year | (7,031.0) | (6,700.9) | (5,430.1) | (5,074.0) |
| Subject to income tax | | | | |
| Deferred tax assets (before offsetting): | | | | |
| - Provisions and allowances | 4,166.4 | 4,019.9 | 2,871.8 | 2,838.7 |
| - Finance leases | 350.4 | 415.7 | 619.3 | 710.5 |
| - Property, plant and equipment | 38.3 | 15.5 | 0 | 0 |
| Offsetting | (4,532.0) | (4,435.9) | (3,491.1) | (3,549.2) |
| Deferred tax assets (after offsetting) | 23.1 | 15.2 | 0 | 0 |
| Deferred tax liabilities (before offsetting): | | | | |
| - Property, plant and equipment | (9,641.0) | (9,364.8) | (7,083.4) | (6,908.2) |
| - Unbilled revenue | (706.7) | (658.3) | (678.9) | (658.3) |
| - Prepaid operating leases | (1,238.4) | (1,128.9) | (1,158.9) | (1,056.7) |
| Offsetting | 4,532.0 | 4,435.9 | 3,491.1 | 3,549.2 |
| Deferred tax liabilities (after offsetting) | (7,054.1) | (6,716.1) | (5,430.1) | (5,074.0) |

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19 DEFERRED TAXATION (CONTINUED)

The amount of deductible temporary differences, unused tax losses, reinvestment allowance and investment tax allowance (which have no expiry date) for which no deferred tax asset is recognised in the statements of financial position are as follows:

| | Group | | Company | |
|-----------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Deductible temporary differences | 1,191.3 | 1,131.9 | 0 | 0 |
| Tax losses | 1,371.3 | 1,369.9 | 0 | 0 |
| Reinvestment allowance and investment tax allowance | 7,916.2 | 4,741.7 | 2,438.0 | 4,713.5 |

Certain comparatives were reclassified to conform with current financial year's presentation.

20 LONG TERM RECEIVABLES

| | Note | Group | | Company | |
|-------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Other debtors | (a) | 253.5 | 270.6 | 228.9 | 238.6 |
| Amounts due from subsidiaries | (b) | 0 | 0 | 1,089.0 | 932.9 |
| Redeemable unsecured loan stocks ('RULS') | (c) | 0 | 0 | 512.1 | 534.9 |
| | | 253.5 | 270.6 | 1,830.0 | 1,706.4 |
| Less: Accumulated impairment loss: | | | | | |
| Amounts due from subsidiaries | (b) | 0 | 0 | (594.0) | (562.0) |
| | | 253.5 | 270.6 | 1,236.0 | 1,144.4 |

(a) Other debtors comprise advances given to staff and loans to students via Yayasan Tenaga Nasional ('YTN'), which are not expected to be received within 12 months from the statement of financial position date.

(b) The amounts due from subsidiaries comprise interest receivable from Kapar Energy Ventures Sdn. Bhd. ('KEV') and TNB Power Daharki Ltd. ('TPD'). The interest receivable due from KEV are based on terms in (c). The amount due from TPD is subject to interest at rates ranging from 1.9% to 3.4% (2014: 1.8% to 3.3%) per annum and is unsecured.

Amounts due from SESB and TNB Coal International Ltd. are subject to an interest rate of 6.0% (2014: 6.0%) and 7.0% (2014: 7.0%) per annum respectively, are unsecured and have no fixed term of repayment.

(c) RULS bear interest at 15.0% (2014: 15.0%) per annum on the outstanding nominal value of the principal and a compounding interest will be charged at 5.0% (2014: 5.0%) per annum on the unpaid interest after the due date. Refer to Note 36(c) for the terms of RULS.

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21 FINANCE LEASE RECEIVABLE

The Group's finance lease receivable arise predominantly from a Cooling Energy Supply Agreement ('CESA'). This CESA is accounted for as a finance lease in accordance with IC 4 and MFRS 117 'Leases' ('MFRS 117').

| | Minimum Lease Payments | | Present Value of Minimum Lease Payments | |
|----------------------------------------------------|------------------------|--------------------|-----------------------------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Within 1 year | 2.0 | 2.0 | 0.6 | 0.7 |
| After 1 year and not later than 5 years | 8.1 | 8.2 | 3.1 | 2.9 |
| Over 5 years | 15.4 | 16.9 | 10.1 | 10.5 |
| | 25.5 | 27.1 | 13.8 | 14.1 |
| Less: Unearned finance income | (11.7) | (13.0) | | |
| Present value of minimum lease payments receivable | 13.8 | 14.1 | | |

The finance lease receivable, accounted for as finance lease in accordance with IC 4 and MFRS 117, relates to the 20-year CESA under which a subsidiary, Bangsar Energy Systems Sdn. Bhd. sells all of its cooling energy output to a customer. The effective interest rate implicit in the finance lease is approximately 9.5% (2014: 9.5%). The carrying amount of the finance lease receivable approximate to its fair values.

22 PREPAID OPERATING LEASES

(a) Prepaid operating leases

| | Group | | Company | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| <u>Non-current</u> | | | | |
| Prepaid operating leases | 5,111.6 | 4,763.8 | 4,848.1 | 4,484.3 |
| <u>Current</u> | | | | |
| Prepaid operating leases | 152.6 | 92.2 | 130.9 | 70.5 |

Payments made in advance to Independent Power Producers ('IPPs') are primarily to reserve generating capacity for future goods and services. There is no contractual right to receive a refund in cash or another financial instrument from the IPPs.

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22 PREPAID OPERATING LEASES (CONTINUED)

(b) Lease payable and prepayment by lessee

| | Group | | Company | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| <u>Non-current</u> | | | | |
| Lease payable* (Note 38) | 145.3 | 150.2 | 145.3 | 150.2 |
| Prepayment by lessee** (Note 38) | 434.7 | 366.9 | 0 | 0 |
| | 580.0 | 517.1 | 145.3 | 150.2 |
| <u>Current</u> | | | | |
| Lease payable* (Note 31) | 4.9 | 2.0 | 4.9 | 2.0 |
| Prepayment by lessee** (Note 31) | 43.5 | 33.4 | 0 | 0 |
| | 48.4 | 35.4 | 4.9 | 2.0 |

* The Group and Company as lessee

** The Group as lessor

23 DERIVATIVE FINANCIAL INSTRUMENTS

| 2014 | Note | Notional amount RM'million | Assets RM'million | Liabilities RM'million |
|------------------------------------------------------------------|------|----------------------------------|----------------------|---------------------------|
| Group | | | | |
| <u>Non-current</u> | | | | |
| Non-hedge accounting qualified derivative financial instruments: | | | | |
| - Currency options contracts | (a) | 790.1 | 42.7 | 0 |
| - Interest rate swap contracts | (b) | 186.7 | 0 | 4.9 |
| Total | | 976.8 | 42.7 | 4.9 |
| Company | | | | |
| <u>Non-current</u> | | | | |
| Non-hedge accounting qualified derivative financial instruments: | | | | |
| - Interest rate swap contracts | (b) | 186.7 | 0 | 4.9 |

There were no derivative financial instruments as at 31 August 2015.

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23 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Details of derivative financial instruments are as follows:

(a) Currency options contracts

In April 2004, TNB Capital (L) Limited ('TNBCL') entered into Currency Option Agreements with a notional amount of JPY26.0 billion as a hedge on its 30-year JPY26.0 billion term loan at fixed interest rate of 4.1%. This transaction enabled TNBCL to reduce its exposure to losses that may arise from adverse fluctuation on USD/JPY exchange rate in relation to the above term loan.

On 17 August 2015, the option had been realised following the novation of the term loan from TNBCL to the Company.

(b) Interest rate swap contracts ('IRS')

The Company entered into IRS agreements on 10 October 2008 with effective period from 15 October 2008 to 28 February 2015 that entitled it to receive interest at floating rates, and oblige it to pay interest at fixed rate of 3.8% on aggregate notional principal of USD384.6 million.

The effect of this transaction is to effectively fix the interest rate payable on the 9-year USD503.0 million term loan ('ECA Loan').

The transaction had matured in February 2015.

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|-------------------------------------|------------|------------|------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'million | RM'million | RM'million | RM'million |
| Available-for-sale financial assets | 38.5 | 38.3 | 38.0 | 38.0 |

Available-for-sale financial assets comprise unquoted shares and club memberships.

25 NON-CURRENT ASSETS HELD-FOR-SALE

| | Group and Company | |
|----------------------------------------------|-------------------|------------|
| | 2015 | 2014 |
| | RM'million | RM'million |
| <u>Cost</u> | | |
| As at 1 September | 0 | 10.1 |
| Transferred from PPE | 0 | 0.1 |
| Disposals | 0 | (10.2) |
| As at 31 August | 0 | 0 |
| <u>Accumulated depreciation/amortisation</u> | | |
| As at 1 September | 0 | 0.3 |
| Transferred from PPE | 0 | 0.1 |
| Disposals | 0 | (0.4) |
| As at 31 August | 0 | 0 |

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26 INVENTORIES

| | Group | | Company | |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Fuel and consumables | 831.5 | 875.2 | 254.7 | 194.1 |
| Work-in-progress | 9.8 | 8.6 | 0 | 0 |
| Finished goods | 2.5 | 3.5 | 0 | 0 |
| | 843.8 | 887.3 | 254.7 | 194.1 |

27 RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Trade receivables | 6,956.9 | 6,450.0 | 5,907.0 | 5,317.4 |
| Staff advances/loans | 63.5 | 62.1 | 58.8 | 59.5 |
| Partial payment to contractors | 102.0 | 238.9 | 50.9 | 98.4 |
| Deposits and prepayments | 241.1 | 110.0 | 57.3 | 49.6 |
| Other receivables | 2,093.4 | 999.8 | 119.7 | 96.2 |
| Rechargeable debtors | 138.0 | 185.1 | 99.2 | 149.3 |
| | 9,594.9 | 8,045.9 | 6,292.9 | 5,770.4 |
| Allowance for impairment: | | | | |
| Trade receivables (Note 47(b)(i)) | (787.4) | (743.8) | (708.1) | (665.5) |
| Others (Note 47(b)(i)) | (168.1) | (169.8) | (152.7) | (156.6) |
| | (955.5) | (913.6) | (860.8) | (822.1) |
| | 8,639.4 | 7,132.3 | 5,432.1 | 4,948.3 |

The Group and Company's credit policy provides trade receivables with a 30 days (2014: 30 days) credit period.

Credit risks relating to Receivables, Deposits and Prepayments are disclosed in Note 47(b)(i) to the financial statements.

Included in trade receivables is unbilled revenue amounting to RM2,941.4 million (2014: RM2,861.8 million) for the Group and RM2,825.4 million (2014: RM2,742.9 million) for the Company.

Included in the other receivables for the Group are advances paid to contractors by a subsidiary for works which has not been carried out amounting to RM673.5 million.

NOTES TO THE FINANCIAL STATEMENTS

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28 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amounts due from/(to) all subsidiaries are unsecured, interest free and repayable on demand.

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | | Company | |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Financial assets at FVTPL | 6,438.2 | 3,646.1 | 3,640.2 | 1,501.7 |

Financial assets at FVTPL represent investments in unit trusts.

30 DEPOSITS, BANK AND CASH BALANCES

| | Group | | Company | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Cash in hand and at bank | 1,375.4 | 1,029.3 | 551.8 | 336.8 |
| Deposits with licensed banks | 1,095.9 | 7,083.2 | 0 | 3,108.8 |
| | 2,471.3 | 8,112.5 | 551.8 | 3,445.6 |

The interest rate per annum of bank balances and deposits with licensed banks that were effective as at the end of the reporting date were as follows:

| | Group | | Company | |
|------------------------------|-----------|-----------|-----------|-----------|
| | 2015 % | 2014 % | 2015 % | 2014 % |
| Bank balances | 0.3 - 3.3 | 0 | 0.3 - 3.3 | 0 |
| Deposits with licensed banks | 0.3 - 4.1 | 0.1 - 4.1 | 0 | 0.9 - 4.1 |

Deposits with licensed banks have maturity periods ranging from 23 to 185 days (2014: 7 to 182 days) for the Group. The Company did not have any deposits with licensed banks in FY2015 (2014: 8 to 160 days).

Certain comparatives were reclassified to conform with current financial year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

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30 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

| | Group | | Company | |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Cash and cash equivalents at the end of the financial year comprise: | | | | |
| Cash in hand and at bank | 1,124.4 | 785.5 | 551.8 | 336.8 |
| Deposits with licensed banks | 1,095.9 | 7,083.2 | 0 | 3,108.8 |
| Cash at bank held in trust* | 251.0 | 243.6 | 0 | 0 |
| Funds from MoF** | 0 | 0.2 | 0 | 0 |
| Deposits, bank and cash balances | 2,471.3 | 8,112.5 | 551.8 | 3,445.6 |
| Debt reserve accounts*** (Note 36(b)(iii)) | (238.2) | (241.0) | 0 | 0 |
| Total cash and cash equivalents | 2,233.1 | 7,871.5 | 551.8 | 3,445.6 |

* The cash at bank held in trust is in respect of grants received from the Government of Malaysia by a subsidiary for designated capital projects.

** Ministry of Finance ('MoF') fund given to a subsidiary under a stimulus package for training programmes.

*** Debt reserve accounts relate to deposits placed with licensed financial institution as part of security obligations for bond financing.

31 PAYABLES

| | Group | | Company | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Trade payables | 7,965.4 | 5,746.8 | 5,688.0 | 4,247.3 |
| Payroll liabilities | 1,148.9 | 983.8 | 951.7 | 826.4 |
| Deposits | 17.0 | 17.4 | 10.3 | 10.4 |
| Provisions | 714.4 | 585.0 | 58.3 | 54.4 |
| Lease payables (Note 22(b)) | 48.4 | 35.4 | 4.9 | 2.0 |
| Amount due to Federal Government | 16.5 | 85.7 | 0 | 0 |
| Other payables and accruals | 500.9 | 519.4 | 185.4 | 68.7 |
| | 10,411.5 | 7,973.5 | 6,898.6 | 5,209.2 |

Included in trade payables are obligations of RM2,039.5 million (2014: RM652.1 million) relating to a Government Sponsored Tariff Stabilisation Fund and balance payable under the ICPT mechanism.

Credit terms of trade payables of the Group and Company vary from 30 to 60 days (2014: 30 to 60 days) depending on the terms of the contracts.

Certain comparatives were reclassified to conform with current financial year's presentation.

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32 FINANCE LEASE PAYABLES

| | Note | Group | | Company | |
|---------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Finance lease liabilities | (a) | 6,695.5 | 6,776.9 | 14,520.3 | 15,826.2 |
| Hire purchase creditors | (b) | 11.7 | 12.1 | 0 | 0 |
| | | 6,707.2 | 6,789.0 | 14,520.3 | 15,826.2 |

- (a) The Group and Company's obligations under finance lease liabilities arise predominantly from the power purchase agreements with several IPPs. These power purchase agreements are accounted for as finance leases in accordance with IC 4 and MFRS 117.

| | Group | | Company | |
|-------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Minimum lease payments: | | | | |
| - Within 1 year | 1,111.0 | 1,052.7 | 2,348.9 | 2,358.2 |
| - 1 to 2 years | 1,062.3 | 1,043.8 | 2,300.2 | 2,348.9 |
| - 3 to 5 years | 2,114.2 | 2,268.6 | 5,502.0 | 6,169.6 |
| - More than 5 years | 6,352.0 | 6,157.6 | 11,161.1 | 12,793.8 |
| Total minimum lease payments | 10,639.5 | 10,522.7 | 21,312.2 | 23,670.5 |
| Future finance charges | (3,944.0) | (3,745.8) | (6,791.9) | (7,844.3) |
| | 6,695.5 | 6,776.9 | 14,520.3 | 15,826.2 |
| Amount payable under finance lease: | | | | |
| - Within 1 year | 675.7 | 641.1 | 1,378.5 | 1,305.9 |
| - After 1 year and not later than 5 years | 1,714.3 | 1,961.9 | 4,763.4 | 5,148.2 |
| - Over 5 years | 4,305.5 | 4,173.9 | 8,378.4 | 9,372.1 |
| | 6,695.5 | 6,776.9 | 14,520.3 | 15,826.2 |
| Average effective interest rate (%) | 6.6 | 6.2 | 6.9 | 6.9 |

The finance charges associated with the finance leases were charged to the statement of profit or loss in the financial year in which they were actually incurred. As at 31 August 2015, the net book value of asset under finance lease for the Group and Company are as disclosed in Note 13 to the financial statements. The fair value of the financial lease liabilities are RM6,325.1 million (2014: RM7,931.4 million) for the Group and RM10,535.5 million (2014: RM13,659.0 million) for the Company.

NOTES TO THE FINANCIAL STATEMENTS

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32 FINANCE LEASE PAYABLES (CONTINUED)

(b) This represents future instalments under hire purchase of motor vehicles, repayable as follows:

| | Group | |
|------------------------------------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million |
| Minimum lease payments: | | |
| - Not later than 1 year | 3.5 | 10.8 |
| - Later than 1 year and not later than 5 years | 9.6 | 1.7 |
| | 13.1 | 12.5 |
| Future finance charges on hire purchase | (1.4) | (0.4) |
| Present value of hire purchase | 11.7 | 12.1 |
| Present value of hire purchase: | | |
| - Not later than 1 year | 2.9 | 10.5 |
| - Later than 1 year and not later than 5 years | 8.8 | 1.6 |
| | 11.7 | 12.1 |

Hire purchase liabilities are effectively secured as the rights to the assets revert to the lessors in the event of default.

As at 31 August 2015, the weighted average effective interest rate applicable to the lease liabilities as at the financial year end is 5.2% (2014: 5.4%) per annum and interest for the financial year is at 2.8% (2014: 2.9%) per annum for the Group. The entire balance is denominated in RM. The carrying amounts of the hire purchase payables approximate to their fair values.

33 DEFERRED INCOME

| | Group | | Company | |
|-------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| As at the beginning of the financial year | 2,801.0 | 3,124.9 | 2,450.1 | 2,718.1 |
| Received during the financial year | 979.5 | 1,156.4 | 644.3 | 845.9 |
| Released to statement of profit or loss | (1,154.8) | (1,476.6) | (800.1) | (1,113.9) |
| Reclassified to other liabilities | 0 | (3.7) | 0 | 0 |
| As at the end of the financial year | 2,625.7 | 2,801.0 | 2,294.3 | 2,450.1 |
| Realised within 12 months | 1,200.6 | 1,158.5 | 1,143.9 | 1,043.1 |
| Realised after 12 months | 1,425.1 | 1,642.5 | 1,150.4 | 1,407.0 |
| | 2,625.7 | 2,801.0 | 2,294.3 | 2,450.1 |

Deferred income primarily relates to contributions paid in advance by electricity customers for the construction of electricity network assets.

NOTES TO THE FINANCIAL STATEMENTS

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34 EMPLOYEE BENEFITS

Retirement Benefit Trust Fund ('RBTF')

The Group and Company operate a final salary defined benefit plan. The benefit is made as lump sum payment at retirement or earlier exits due to death or early retirement. The RBTF has been closed to new entrants since January 2008. There is currently no minimum funding requirement under the law.

The RBTF exposes the Group and Company to risks from interest rates from defined benefits being greater than expected due to assumptions such as salary increment or turnover rates not being borne out. The RBTF is also exposed to investment risks in relation to the assets of the plan.

The funding of the RBTF is based on recommendation of the actuary and approved by the Group and Company. The contribution by the Group and Company are based on 7.0% of the annual basic salaries of the members. The employees are not required to contribute to the plan.

The Group and Company expect to contribute 6.0% of the annual basic salaries of members to the plan in the next financial year.

Post - Retirement Medical Benefit Scheme ('PRMBS')

The Group and Company operate a post-retirement medical benefits plan in Malaysia. The PRMBS is closed to new entrants. There is no minimum funding requirement under the current law.

The PRMBS exposes the Group and Company to risk from interest rates and from defined benefits being greater than expected due to assumptions such as projection of medical benefit costs and mortality not being borne out.

There has not been any settlement or curtailment for the current financial year.

The PRMBS is unfunded.

NOTES TO THE FINANCIAL STATEMENTS

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34 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows:

| | RBTF | | | PRMBS | Total |
|---------------------------------------------------|------------------------------------------|-------------------------------------------|---------------------------------------------|----------------|-----------------|
| | Defined benefit obligation RM'million | Fair value of planned asset RM'million | Net defined benefit liability RM'million | RM'million | RM'million |
| Group | | | | | |
| At 1 September 2014 | 3,214.7 | (1,380.0) | 1,834.7 | 8,996.8 | 10,831.5 |
| Included in profit or loss | | | | | |
| Current service costs | 151.2 | 0 | 151.2 | 0 | 151.2 |
| Past service costs | (13.2) | 0 | (13.2) | 0 | (13.2) |
| Interest cost/(income) | 168.6 | (71.0) | 97.6 | 494.4 | 592.0 |
| | 306.6 | (71.0) | 235.6 | 494.4 | 730.0 |
| Included in other comprehensive income | | | | | |
| Remeasurement of (gain)/loss: | | | | | |
| - Actuarial (gain)/loss arising from: | | | | | |
| - Demographic assumptions | 0 | 0 | 0 | 487.1 | 487.1 |
| - Financial assumptions | 0 | 0 | 0 | (187.2) | (187.2) |
| - Experience adjustments | 102.6 | 0 | 102.6 | (360.8) | (258.2) |
| - Return on plan assets excluding interest income | 0 | 105.8 | 105.8 | 0 | 105.8 |
| Others | | | | | |
| Contributions paid by the employer | 0 | (418.3) | (418.3) | 0 | (418.3) |
| Benefits paid | (392.5) | 391.2 | (1.3) | (347.6) | (348.9) |
| | (289.9) | 78.7 | (211.2) | (408.5) | (619.7) |
| At 31 August 2015 | 3,231.4 | (1,372.3) | 1,859.1 | 9,082.7 | 10,941.8 |
| Current | | | 383.5 | 328.3 | 711.8 |
| Non-current | | | 1,475.6 | 8,754.4 | 10,230.0 |
| | | | 1,859.1 | 9,082.7 | 10,941.8 |

NOTES TO THE FINANCIAL STATEMENTS

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34 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

| | Defined benefit obligation RM'million | RBTF Fair value of planned asset RM'million | Net defined benefit liability RM'million | PRMBS RM'million | Total RM'million |
|---------------------------------------------------|------------------------------------------------|---------------------------------------------------------|---------------------------------------------------|---------------------|---------------------|
| Group | | | | | |
| At 1 September 2013 | 3,807.5 | (1,276.6) | 2,530.9 | 8,913.3 | 11,444.2 |
| Included in profit or loss | | | | | |
| Current service costs | 182.6 | 0 | 182.6 | 0 | 182.6 |
| Interest cost/(income) | 167.6 | (69.2) | 98.4 | 478.2 | 576.6 |
| | 350.2 | (69.2) | 281.0 | 478.2 | 759.2 |
| Included in other comprehensive income | | | | | |
| Remeasurement of (gain)/loss: | | | | | |
| - Actuarial (gain)/loss arising from: | | | | | |
| - Demographic assumptions | 20.3 | 0 | 20.3 | (215.9) | (195.6) |
| - Financial assumptions | (239.9) | 0 | (239.9) | (247.0) | (486.9) |
| - Experience adjustments | (403.8) | 0 | (403.8) | 408.6 | 4.8 |
| - Return on plan assets excluding interest income | 0 | 14.7 | 14.7 | 0 | 14.7 |
| Others | | | | | |
| Contributions paid by the employer | 0 | (368.5) | (368.5) | 0 | (368.5) |
| Benefits paid | (319.6) | 319.6 | 0 | (340.4) | (340.4) |
| | (943.0) | (34.2) | (977.2) | (394.7) | (1,371.9) |
| At 31 August 2014 | 3,214.7 | (1,380.0) | 1,834.7 | 8,996.8 | 10,831.5 |
| Current | | | 231.9 | 336.4 | 568.3 |
| Non-current | | | 1,602.8 | 8,660.4 | 10,263.2 |
| | | | 1,834.7 | 8,996.8 | 10,831.5 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

34 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

| | RBTF | | | PRMBS | Total |
|---------------------------------------------------|------------------------------------------|-------------------------------------------|---------------------------------------------|----------------|-----------------|
| | Defined benefit obligation RM'million | Fair value of planned asset RM'million | Net defined benefit liability RM'million | RM'million | RM'million |
| Company | | | | | |
| At 1 September 2014 | 3,188.0 | (1,380.0) | 1,808.0 | 8,670.9 | 10,478.9 |
| Included in profit or loss | | | | | |
| Current service costs | 130.0 | 0 | 130.0 | 0 | 130.0 |
| Past service costs | (15.5) | 0 | (15.5) | 0 | (15.5) |
| Interest cost/(income) | 167.3 | (71.0) | 96.3 | 493.5 | 589.8 |
| | 281.8 | (71.0) | 210.8 | 493.5 | 704.3 |
| Charged to subsidiaries | 19.4 | 0 | 19.4 | 0 | 19.4 |
| | 301.2 | (71.0) | 230.2 | 493.5 | 723.7 |
| Included in other comprehensive income | | | | | |
| Remeasurement of (gain)/loss: | | | | | |
| - Actuarial (gain)/loss arising from: | | | | | |
| - Demographic assumptions | 0 | 0 | 0 | 487.1 | 487.1 |
| - Financial assumptions | 0 | 0 | 0 | (187.2) | (187.2) |
| - Experience adjustments | 91.9 | 0 | 91.9 | (375.3) | (283.4) |
| - Return on plan assets excluding interest income | 0 | 105.8 | 105.8 | 0 | 105.8 |
| Others | | | | | |
| Contributions paid by the employer | 0 | (418.3) | (418.3) | 0 | (418.3) |
| Benefits paid | (391.2) | 391.2 | 0 | (340.3) | (340.3) |
| | (299.3) | 78.7 | (220.6) | (415.7) | (636.3) |
| At 31 August 2015 | 3,189.9 | (1,372.3) | 1,817.6 | 8,748.7 | 10,566.3 |
| Current | | | 383.5 | 319.3 | 702.8 |
| Non-current | | | 1,434.1 | 8,429.4 | 9,863.5 |
| | | | 1,817.6 | 8,748.7 | 10,566.3 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

34 EMPLOYEE BENEFITS (CONTINUED)

The movements in the financial statements are as follows: (continued)

| | Defined benefit obligation RM'million | RBTF Fair value of planned asset RM'million | Net defined benefit liability RM'million | PRMBS RM'million | Total RM'million |
|---------------------------------------------------|------------------------------------------------|---------------------------------------------------------|---------------------------------------------------|---------------------|---------------------|
| Company | | | | | |
| At 1 September 2013 | 3,787.3 | (1,276.6) | 2,510.7 | 8,569.9 | 11,080.6 |
| Included in profit or loss | | | | | |
| Current service costs | 179.1 | 0 | 179.1 | 0 | 179.1 |
| Interest cost/(income) | 194.2 | (69.2) | 125.0 | 460.9 | 585.9 |
| Charged to subsidiaries | (28.3) | 0 | (28.3) | 0 | (28.3) |
| | 345.0 | (69.2) | 275.8 | 460.9 | 736.7 |
| Included in other comprehensive income | | | | | |
| Remeasurement of (gain)/loss: | | | | | |
| - Actuarial (gain)/loss arising from: | | | | | |
| - Demographic assumptions | 20.3 | 0 | 20.3 | (182.7) | (162.4) |
| - Financial assumptions | (239.9) | 0 | (239.9) | (205.0) | (444.9) |
| - Experience adjustments | (404.3) | 0 | (404.3) | 352.2 | (52.1) |
| - Return on plan assets excluding interest income | 0 | 14.7 | 14.7 | 0 | 14.7 |
| Others | | | | | |
| Contributions paid by the employer | 0 | (369.3) | (369.3) | 0 | (369.3) |
| Benefits paid | (320.4) | 320.4 | 0 | (324.4) | (324.4) |
| | (944.3) | (34.2) | (978.5) | (359.9) | (1,338.4) |
| At 31 August 2014 | 3,188.0 | (1,380.0) | 1,808.0 | 8,670.9 | 10,478.9 |
| Current | | | 231.9 | 324.5 | 556.4 |
| Non-current | | | 1,576.1 | 8,346.4 | 9,922.5 |
| | | | 1,808.0 | 8,670.9 | 10,478.9 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

34 EMPLOYEE BENEFITS (CONTINUED)

The latest actuarial revaluation was carried out in October 2015. The principal actuarial assumptions used in respect of defined benefit plans were as follows:

| | Group | | Company | |
|-----------------------------------|-----------|------------|-----------|------------|
| | RBTF % | PRMBS % | RBTF % | PRMBS % |
| 2015 | | | | |
| Discount rates | 5.4 - 6.0 | 5.8 - 5.9 | 5.4 | 5.8 |
| Expected rate of salary increases | 5.0 - 7.0 | N/A | 7.0 | N/A |
| Medical cost inflation: | | | | |
| - Inpatient | N/A | 5.5 | N/A | 5.5 |
| - Outpatient | N/A | 8.0 | N/A | 8.0 |
| Others: | | | | |
| - Specialist | N/A | 4.5 | N/A | 4.5 |
| - Dialysis | N/A | 5.5 | N/A | 5.5 |
| 2014 | | | | |
| Discount rates | 5.4 | 5.8 | 5.4 | 5.8 |
| Expected rate of salary increases | 7.0 | N/A | 7.0 | N/A |
| Medical cost inflation: | | | | |
| - Inpatient | N/A | 5.5 | N/A | 5.5 |
| - Outpatient | N/A | 9.8 | N/A | 9.8 |
| Others: | | | | |
| - Specialist | N/A | 4.5 | N/A | 4.5 |
| - Dialysis | N/A | 5.5 | N/A | 5.5 |

The effect of a 1.0% movement in the key assumptions to the defined benefit obligation balances are as follows:

| | RBTF | | PRMBS | |
|-------------------------|------------------------|------------------------|------------------------|------------------------|
| | Increase RM'million | Decrease RM'million | Increase RM'million | Decrease RM'million |
| Group | | | | |
| Medical cost trend rate | N/A | N/A | 1,394.3 | (1,149.3) |
| Discount rate | (189.1) | 212.4 | (1,107.3) | 1,358.6 |
| Salary increment rate | 203.5 | (184.7) | N/A | N/A |
| Company | | | | |
| Medical cost trend rate | N/A | N/A | 1,327.8 | (1,096.5) |
| Discount rate | (189.1) | 212.4 | (1,056.7) | 1,294.0 |
| Salary increment rate | 203.5 | (184.7) | N/A | N/A |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

34 EMPLOYEE BENEFITS (CONTINUED)

The sensitivity analysis has been provided based on membership data as at 31 August 2015 and considered a change of each principal assumption in isolation. The method and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

The weighted average duration of the Group and Company's liability is estimated at approximately 6 and 13 years for RBTF and PRMBS respectively.

Plan assets for RBTF comprise:

| | Group and Company | |
|-----------------------------|-------------------|-------|
| | 2015 | 2014 |
| | % | % |
| Equity instruments - quoted | 44.1 | 47.6 |
| Debt instruments - quoted | 26.0 | 20.9 |
| - unquoted | 22.5 | 25.1 |
| Others | 7.4 | 6.4 |
| | 100.0 | 100.0 |

The plan assets for RBTF did not include any ordinary share of the Company (fair value for 2014: NIL).

The Group and Company's RBTF is conditional on future employment of the members of the plan. The Group and Company's PRMBS is not conditional on future employment and has been fully vested as at 31 August 2015.

Certain comparatives were reclassified to conform with current financial year's presentation.

35 SHORT TERM BORROWINGS

| | Group | | Company | |
|----------------------------------------------------------------|----------------|------------|----------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'million | RM'million | RM'million | RM'million |
| Portion of borrowings due within one financial year (Note 36): | | | | |
| - Secured | 307.1 | 329.4 | 0 | 0 |
| - Unsecured | 1,371.3 | 1,840.0 | 1,327.0 | 448.7 |
| | 1,678.4 | 2,169.4 | 1,327.0 | 448.7 |
| Short term loans: | | | | |
| - Secured | 207.4 | 223.6 | 0 | 0 |
| - Unsecured | 9.6 | 29.9 | 0 | 0 |
| Bankers' acceptances | 90.4 | 57.5 | 0 | 0 |
| | 1,985.8 | 2,480.4 | 1,327.0 | 448.7 |

The short term borrowings carry interest at rates ranging from 0.8% to 15.0% (2014: 0.8% to 15.0%) per annum for the Group and from 0.8% to 7.5% (2014: 0.8% to 7.5%) per annum for the Company.

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36 BORROWINGS

| | Group | | Company | |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Secured: | | | | |
| - Term loans (Note (a)) | 1,461.7 | 1,313.2 | 0 | 0 |
| - Bonds (Note (b)) | 10,742.5 | 10,893.2 | 0 | 0 |
| | 12,204.2 | 12,206.4 | 0 | 0 |
| Unsecured: | | | | |
| - Term loans | 6,702.1 | 6,815.4 | 6,667.1 | 5,818.9 |
| - Bonds | 4,778.0 | 5,468.8 | 3,776.9 | 3,345.6 |
| - Redeemable unsecured loan stocks (Note (c)) | 707.2 | 654.4 | 0 | 0 |
| | 12,187.3 | 12,938.6 | 10,444.0 | 9,164.5 |
| | 24,391.5 | 25,145.0 | 10,444.0 | 9,164.5 |
| Payable within 1 year included under short term borrowings (Note 35) | 1,678.4 | 2,169.4 | 1,327.0 | 448.7 |
| Repayable after one year: | | | | |
| - After 1 and up to 2 years | 492.7 | 1,035.0 | 111.0 | 347.2 |
| - After 2 and up to 5 years | 3,365.7 | 2,908.9 | 1,033.0 | 291.4 |
| - After 5 and up to 10 years | 8,875.9 | 7,851.6 | 4,305.1 | 4,585.7 |
| - After 10 and up to 20 years | 9,119.2 | 10,147.8 | 2,856.1 | 2,722.0 |
| - After 20 and up to 30 years | 547.5 | 797.3 | 499.7 | 534.5 |
| - After 30 years | 312.1 | 235.0 | 312.1 | 235.0 |
| | 22,713.1 | 22,975.6 | 9,117.0 | 8,715.8 |
| | 24,391.5 | 25,145.0 | 10,444.0 | 9,164.5 |
| Net book values of PPE pledged as security for borrowings: | | | | |
| (a) Machinery, lines and equipment | | | 4,680.2 | 4,714.8 |
| (b) Buildings | | | 860.6 | 895.4 |
| (c) Leasehold land | | | 105.8 | 105.5 |
| | | | 5,646.6 | 5,715.7 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

36 BORROWINGS (CONTINUED)

(a) Term loans

(i) The Federal Government loans obtained by SESB are secured by the following:

(i) A debenture creating:

- a first fixed charge over all present and future freehold and leasehold properties including all buildings and fixtures; and
- a first floating charge over all present and future assets of SESB not effectively charged by way of the fixed charge.

(ii) A deed of assignment transferring all SESB's present and future rights and interest in all sales proceeds or revenue derived from the sale of electricity generated from the projects funded.

(iii) A deed of assignment transferring all SESB's present and future rights and interests in the bank accounts in which the loan proceeds are credited.

The tenure of the loans ranges from 20 to 25 years with a profit rate of between 0% to 4.0% per annum.

(ii) 30-YEAR JPY26.0 BILLION TERM LOAN

On 30 March 2004, TNB Capital (L) Ltd ('TNB Capital') entered into a 30-year JPY26.0 billion unsecured loan, paying interests at USD fixed rate of 4.1%. 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 was due on 13 April 2015. The interest is paid semi-annually on 13 April and 13 October each year commencing on 13 October 2004.

Pursuant to Clause 22.2 (Transfer of the Borrower) of the Facility Agreement, the loan has been transferred to the Company on 5 May 2015.

Consequently, the Company repaid the whole outstanding amount of JPY24,700,000,000 plus accrued interest on 13 October 2015. Due to this, as at 31 August 2015, the balances have been reclassified to short term.

(iii) USD503.0 MILLION TERM LOAN

On 30 August 2006, the Term Loan amounting to USD503.0 million has been novated from TNB Janamanjung Sdn. Bhd. ('TNBJ') to TNB Capital. The loan is an amortising loan guaranteed by the Company and the principal is payable in 17 semi-annual equal instalments. It is a floating interest rate bearing loan. The principal and interest is payable every 28 February and 30 August each year commencing 28 February 2007.

During the financial year, the loan has matured and all outstanding principal and interests have been settled.

(iv) 15-YEAR RM73.3 MILLION TERM LOAN

On 20 December 2010, TNB Engineering Corporation Sdn. Bhd. ('TNEC') entered into a 15-year RM73.3 million secured loan, paying interest at a fixed rate of 5.9%. The loan will mature on 24 December 2025. The principal is payable in 12 annual instalments.

The term loan is secured by a corporate guarantee from the Company. The term loan also requires TNEC to comply with certain affirmative and restrictive non-financial covenants.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

36 BORROWINGS (CONTINUED)

(b) Bonds

(i) ISLAMIC SECURITIES PROGRAMME

On 25 November 2011, TNBJ obtained a RM4.9 billion Islamic Securities Programme to finance the construction of 1,010MW coal fired power plant. The tenure of the Islamic Securities Programme ranges from 5 to 20 years with a profit rate between 3.8% and 4.9% per annum.

The Islamic Securities Programme was issued by Manjung Island Energy Berhad ('MIEB') which is a special purpose vehicle company incorporated in Malaysia with a paid up ordinary share capital of RM2. All of the issued shares of MIEB are held by Equity Trust (Malaysia) Berhad as share trustee for the benefit of certain specified charities, under the terms of a declaration of trust.

The Islamic Securities Programme consists of 2 series and the details of the series are as follows:

- (i) Series 1 consists of 15 tranches, with tenures ranging from 5 years to 19 years.
- (ii) Series 2 consists of 1 tranche, with tenure of 20 years.

The Islamic Securities Programme Series 1 is secured by the followings:

- (i) a first ranking assignment of TNBJ's rights, interest, titles and benefits under PPA1 (Manjung 1, 2 & 3) and PPA2 (Manjung 4) inclusive of the proceeds therefrom; and
- (ii) a first ranking assignment of all designated accounts and the related credit balances.

The Islamic Securities Programme Series 2 is unsecured and have the benefit of unconditional and irrevocable guarantee from the Company, to meet the payment obligations of TNBJ.

(ii) SUKUK - GAS FIRED POWER PLANT

On 22 May 2013, TNB Northern Energy Berhad ('TNEB') obtained a RM1.6 billion sukuk facility agreement to finance the construction of a 1,071MW gas fired power plant. The tenure of the facility agreement is 23 years with a periodic distribution rate between 3.6% and 4.8% per annum. The sukuk facility agreement consists of 39 tranches with tenures ranging from 4 years to 23 years.

(iii) SUKUK IJARAH

On 5 July 2013, Kapar Energy Ventures Sdn. Bhd. ('KEV') issued a sukuk facility based on the Shariah principles of Ijarah ('Sukuk Ijarah') of RM2.0 billion in nominal value. The tenure of the sukuk ranges from 1 to 13 years with profit rates of 3.8% to 5.0%.

The Sukuk Ijarah is secured by the followings:

- (i) First fixed charge over the leases of the land owned by the Company where the power plant, coal yard and jetty are located;
- (ii) A first ranking debenture comprising fixed and floating charges over all present and future assets of KEV; and
- (iii) Assignment of all rights, titles, interest and benefits of:
 - The project documents
 - The applicable Takaful/insurances; and
 - The designated accounts

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

36 BORROWINGS (CONTINUED)

(b) Bonds (continued)

(iv) SUKUK - COAL FIRED POWER PLANT

On 24 January 2014, TNB Western Energy Berhad ('TWEB') obtained a RM3.7 billion sukuk facility agreement to finance the construction of a 1,000MW coal fired power plant. The tenure of the facility agreement is 23 years with a periodic distribution rate between 5.1% and 5.8% per annum. The sukuk facility agreement consists of 20 tranches with tenures ranging from 10 years to 20 years.

(c) Redeemable Unsecured Loan Stocks ('RULS')

On 29 June 2004, KEV issued RM957.6 million of Redeemable Unsecured Loan Stocks ('RULS') to the Company and Malakoff Bhd. to finance the acquisition of Stesen Janaelektrik Sultan Salahuddin Abdul Aziz, Kapar. The portion subscribed by Malakoff Bhd. amounted to RM383.0 million.

The main features of the RULS are as follows:

- (i) The RULS bear interest at 15.0% (2014: 15.0%) per annum on the outstanding nominal value of the RULS. The interest is repayable semi-annually on the last day of the relevant six month period from the issue date of RULS. A compounding interest will be charged at 5.0% (2014: 5.0%) per annum on the unpaid interest after the due date. The change in the compounding interest rate from 15.0% to 5.0% had been approved by the RULS holders at its meeting on 15 October 2008 and is effective from the first issuance date of the RULS.
- (ii) The RULS are repayable from the third year from the issue date of RULS as stipulated in the agreement dated 29 June 2004. The RULS has to be settled in full by the final maturity date of 8 July 2029.

(d) Redeemable Cumulative Convertible Preference Shares ('RCCPS')

As disclosed in Note 14, the acquisition of the remaining equity interest in ITB resulted in the recognition of a Redeemable Cumulative Convertible Preference Shares ('RCCPS') by one of its subsidiaries Lekir Bulk Terminal Sdn. Bhd. ('LBTSB'). The terms of the RCCPS are as follows:

- (i) LBTSB shall pay to the holders of the RCCPS out of profits of LBTSB resolved under the Articles of Association of the Company to be distributed in respect of each financial year in priority to all dividends declared on Ordinary Shares in issue, a fixed cumulative preferential dividend at the rate of ten percent (10.0%) per annum on both the RCCPS then in issue and the amount of RCCPS share premium as at year end.
- (ii) LBTSB shall have the right, at any time after the allotment of any RCCPS (provided it is fully paid) to redeem such shares and in the case of a partial redemption proportionately in respect of each holding of RCCPS but in any event, LBTSB shall be obliged to redeem all of the RCCPS which are then in issue not later than fourteen (14) days prior to a proposed listing of, merger or amalgamation of or reconstruction exercise undertaken by LBTSB unless otherwise agreed by the holders of the Preference Shares then in issue in the case of a merger, amalgamation or the reconstruction exercise; and redeem all of the RCCPS which are then in issue on the date expiring fifteen (15) years from May 21, 2002 ('Redemption Date').

Any such redemption shall include the nominal amount and a premium of Sen Ninety-Nine (RM0.99) per share payable to the holder.

NOTES TO THE FINANCIAL STATEMENTS

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36 BORROWINGS (CONTINUED)

(d) Redeemable Cumulative Convertible Preference Shares ('RCCPS') (continued)

(iii) The conversion terms are as below:

- a) If LBTSB fails to redeem the RCCPS in accordance with its Articles of Association; or
- b) Fails to redeem all of the RCCPS on the Redemption Date;

Whichever is the earlier, then on the date of such failure, the holders of the RCCPS may convert any of the RCCPS into Ordinary Shares on the basis of one (1) RCCPS for one (1) Ordinary Share provided that if the Ordinary Shares are consolidated or sub-divided at any time prior to the Conversion Date, the number of Ordinary Shares into which the RCCPS are converted shall be adjusted accordingly.

37 CONSUMER DEPOSITS

Consumers (with the exception of employees and government departments/agencies) are required to deposit a sum sufficient to cover charges for two months supply of energy as allowed under the regulation of the Licensee Supply (Amendment) Regulations 2002. In default of payment of the deposit within the time specified, the supply to the consumer's installation may be disconnected, subject to certain conditions laid out in the Regulations.

The Company and SESB pay 2.5% per annum on the amount of cash deposits as rebate in January every year.

38 OTHER LIABILITIES

| | Note | Group | | Company | |
|-----------------------------|-------|--------------------|--------------------|--------------------|--------------------|
| | | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Payable to State Government | | 32.3 | 35.6 | 32.3 | 35.6 |
| Lease payable | 22(b) | 145.3 | 150.2 | 145.3 | 150.2 |
| Prepayment by lessee | 22(b) | 434.7 | 366.9 | 0 | 0 |
| Retention monies | | 459.9 | 409.3 | 447.2 | 381.6 |
| Others | | 355.8 | 194.7 | 0 | 0 |
| | | 1,428.0 | 1,156.7 | 624.8 | 567.4 |

NOTES TO THE FINANCIAL STATEMENTS

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39 GOVERNMENT DEVELOPMENT GRANTS

| | Group | |
|-------------------------------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million |
| As at the beginning of the financial year | 1,021.6 | 781.7 |
| Received during the financial year | 55.2 | 308.3 |
| Released to statement of profit or loss: | | |
| - Other operating income (Note 7) | (52.5) | (68.4) |
| - Finance cost (Note 9) | (14.6) | 0 |
| As at the end of the financial year | 1,009.7 | 1,021.6 |

The development grants are provided by the Government to a subsidiary mainly for the construction of PPE.

40 SHARE CAPITAL

| | Group and Company | |
|-------------------------------------------------------------------------------|-------------------|----------------|
| | 2015 | 2014 |
| <u>Authorised:</u> | | |
| Ordinary shares of RM1.00 each | 10,000,000,000 | 10,000,000,000 |
| Special Rights Redeemable Preference Share of RM1.00 each | 1 | 1 |
| Class A Redeemable Preference Shares of RM1.00 each | 1,000 | 1,000 |
| Class B Redeemable Preference Shares of RM1.00 each | 500 | 500 |
| Total authorised share capital as at the end of the financial year | 10,000,001,501 | 10,000,001,501 |
| <u>Issued and fully paid:</u> | | |
| Ordinary shares of RM1.00 each | 5,643,611,171 | 5,643,611,171 |
| Special Rights Redeemable Preference Share of RM1.00 each | 1 | 1 |
| Total share capital issued and fully paid as at the end of the financial year | 5,643,611,172 | 5,643,611,172 |
| <u>Movements in issued ordinary shares of RM1.00 each:</u> | | |
| As at the beginning/end of the financial year | 5,643,611,171 | 5,643,611,171 |

NOTES TO THE FINANCIAL STATEMENTS

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40 SHARE CAPITAL (CONTINUED)

(a) Special Rights Redeemable Preference Share ('Special Share')

- (i) The Special Share would enable the Government of Malaysia through the Minister of Finance Incorporated to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policies. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but not to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

The Special Shareholder has the right to appoint any person, but not more than six at any time, to be the Board of Directors of the Company.

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

(b) Class A and Class B Redeemable Preference Shares ('RPS')

The main terms of the Company's Class A and Class B RPS are as follows:

- (i) The RPS do not carry any right to participate in the assets and surplus profit of the Company.
- (ii) The RPS holders have no voting rights except on resolution to amend the RPS holders' rights.
- (iii) These RPS are not convertible into ordinary shares.

41 SHARE PREMIUM

| | Group and Company | |
|-----------------------------------------------|-------------------|------------|
| | 2015 | 2014 |
| | RM'million | RM'million |
| As at the beginning/end of the financial year | 5,382.2 | 5,382.2 |

42 OTHER RESERVES

| | Group | | Company | |
|--------------------------------------|------------|------------|------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'million | RM'million | RM'million | RM'million |
| Foreign currency translation reserve | (242.4) | 26.3 | 0 | 0 |
| Reserve on consolidation | (146.6) | (146.6) | 0 | 0 |
| Employee benefits reserve | (5,028.4) | (4,916.3) | (4,875.7) | (4,782.8) |
| Available-for-sale reserve | 0.5 | 0.3 | 0 | 0 |
| | (5,416.9) | (5,036.3) | (4,875.7) | (4,782.8) |

NOTES TO THE FINANCIAL STATEMENTS

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42 OTHER RESERVES (CONTINUED)

The movements in each category of reserves are as follows:

| | Group | |
|---------------------------------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million |
| <u>Foreign currency translation reserve</u> | | |
| As at the beginning of the financial year | 26.3 | (4.7) |
| Arising in the financial year | (268.7) | 31.0 |
| As at the end of the financial year | (242.4) | 26.3 |

The foreign currency translation reserve comprises exchange differences resulting from the translation of the results and financial position of foreign operations.

| | Group | |
|-----------------------------------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million |
| <u>Reserve on consolidation</u> | | |
| As at the beginning/end of the financial year | (146.6) | (146.6) |

| | Group | | Company | |
|-------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| <u>Employee benefits reserve</u> | | | | |
| As at the beginning of the financial year | (4,916.3) | (5,358.0) | (4,782.8) | (5,206.2) |
| Arising in the financial year | (112.1) | 441.7 | (92.9) | 423.4 |
| As at the end of the financial year | (5,028.4) | (4,916.3) | (4,875.7) | (4,782.8) |

| | Group | |
|-------------------------------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million |
| <u>Available-for-sale reserve</u> | | |
| As at the beginning of the financial year | 0.3 | 0.2 |
| Arising in the financial year | 0.2 | 0.1 |
| As at the end of the financial year | 0.5 | 0.3 |

NOTES TO THE FINANCIAL STATEMENTS

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43 COMMITMENTS

(a) Capital and other commitments for 5 years

| | Group | | Company | |
|--------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Authorised capital expenditure not provided in the financial statements: | | | | |
| - Contracted | 7,147.9 | 7,789.1 | 542.1 | 850.7 |
| - Not contracted | 27,533.7 | 17,350.5 | 26,313.2 | 16,640.7 |
| | 34,681.6 | 25,139.6 | 26,855.3 | 17,491.4 |

(b) Operating lease commitments - as lessee

The Group and Company lease a number of plant and machineries, office buildings and equipments under operating leases. These leases have an average tenure between 3 and 25 years.

Future minimum rental payable under non-cancellable operating leases at the reporting date are as follows:

| | Group | | Company | |
|------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Payable not later than 1 year | 3,942.3 | 4,242.6 | 4,404.5 | 3,963.9 |
| Payable later than 1 year and not later than 5 years | 14,383.5 | 15,249.6 | 16,298.9 | 14,278.4 |
| Payable more than 5 years | 21,249.3 | 25,066.6 | 31,823.9 | 23,328.2 |
| | 39,575.1 | 44,558.8 | 52,527.3 | 41,570.5 |

(c) Operating lease commitments - as lessor

The Group leases out its plant and equipment under non-cancellable operating leases. The lessees are required to pay absolute fixed lease payments during the lease period. Total future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

| | Group | | Company | |
|------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Payable not later than 1 year | 100.3 | 93.2 | 77.3 | 82.1 |
| Payable later than 1 year and not later than 5 years | 267.1 | 304.4 | 175.3 | 260.2 |
| Payable more than 5 years | 371.7 | 333.2 | 5.3 | 6.4 |
| | 739.1 | 730.8 | 257.9 | 348.7 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

44 CONTINGENT LIABILITIES (UNSECURED)

| | Group | | Company | |
|----------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Claims by third parties: | | | | |
| - Contractors | 205.4 | 217.7 | 134.3 | 146.5 |
| - Consumers | 92.3 | 91.8 | 92.3 | 91.8 |
| - Others | 116.1 | 12.2 | 107.9 | 6.1 |
| | 413.8 | 321.7 | 334.5 | 244.4 |
| Trade guarantees and performance bonds | 29.0 | 24.5 | 0 | 0 |
| Other contingent liabilities | 8.5 | 5.0 | 0 | 0 |
| | 451.3 | 351.2 | 334.5 | 244.4 |

All third party claims are being resolved and the Directors are of the opinion that their outcome will not have a material adverse effect on the financial positions of both the Group and Company.

NOTES TO THE FINANCIAL STATEMENTS

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45 SIGNIFICANT RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence.

The related parties of the Group and Company are:

(a) Subsidiary companies

Details of the subsidiary companies are shown in Note 14.

(b) Associate companies

Associate companies are those entities in which the Group has significant influence but not control as disclosed in Note 16.

(c) Key Management Personnel ('KMP')

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and Company either directly or indirectly. The KMP of the Group or of the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Company.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

(d) Government-related entities

Government-linked corporations are related to the Group and Company by virtue of the substantial shareholdings of Khazanah Nasional Berhad ('KNB'), with 30.4% (2014: 32.4%) equity interest. KNB is a wholly-owned entity of MoF Incorporated which is in turn owned by the Ministry of Finance. KNB and entities directly controlled by the Government of Malaysia are collectively referred to as government-related entities to the Group and Company.

The Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are related parties of the Group and Company. The Group and Company enter into transactions with many of these bodies, which include but are not limited to purchasing of goods, including use of public utilities and amenities, and the placing of bank deposits.

All the transactions entered into by the Group and Company with the government-related entities are conducted in the ordinary course of the Group and Company's businesses on negotiated terms or terms comparable to those with other entities that are not government-related, except otherwise disclosed elsewhere in the financial statements.

The Group and Company are principally involved in the provision of electricity as part of their ordinary operations. These services are carried out generally on commercial terms that are consistently applied to all customers. These transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Apart from the individually significant transactions and balances as disclosed elsewhere in the financial statements, the Group and Company have collectively, but not individually significant transactions with related parties.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to the transactions detailed elsewhere in the financial statements, the Group and Company had the following significant transactions with the following related parties during the financial year:

| | Associate companies | | Key Management Personnel | |
|----------------------------------------|---------------------|--------------------|--------------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Group | | | | |
| <u>Income</u> | | | | |
| Sales of electricity | 1.0 | 1.0 | 0 | 0 |
| Interest income | 3.7 | 8.2 | 0 | 0 |
| Dividend income | 40.9 | 40.4 | 0 | 0 |
| Rental income | 9.5 | 0 | 0 | 0 |
| Leasing income | 46.9 | 70.8 | 0 | 0 |
| <u>Expenses</u> | | | | |
| Purchase of electricity | 3,040.6 | 3,071.1 | 0 | 0 |
| Key management compensation: | | | | |
| - Salaries, allowances and bonuses | 0 | 0 | 21.0 | 15.1 |
| - Benefits-in-kind | 0 | 0 | 0.2 | 0.3 |
| - Defined contribution retirement plan | 0 | 0 | 2.9 | 1.9 |
| - Other staff benefits | 0 | 0 | 0.9 | 2.1 |
| Leasing expense | 77.2 | 51.3 | 0 | 0 |
| <u>Associate companies</u> | | | | |
| | | | 2015 RM'million | 2014 RM'million |
| Amounts due from | | | 177.7 | 79.2 |
| Amounts due to | | | 531.4 | 575.5 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to the transactions detailed elsewhere in the financial statements, the Group and Company had the following significant transactions with the following related parties during the financial year: (continued)

| | Subsidiary companies | | Associate companies | | Key Management Personnel | |
|----------------------------------------|----------------------|------------|---------------------|------------|--------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million |
| Company | | | | | | |
| <u>Income</u> | | | | | | |
| Sales of electricity | 44.9 | 42.2 | 1.0 | 1.0 | 0 | 0 |
| Interest income | 152.9 | 148.0 | 3.7 | 8.2 | 0 | 0 |
| Dividend income | 6.5 | 66.0 | 40.9 | 40.4 | 0 | 0 |
| Rental income | 14.2 | 24.5 | 9.5 | 0 | 0 | 0 |
| Leasing income | 2.3 | 4.2 | 46.9 | 70.8 | 0 | 0 |
| <u>Expenses</u> | | | | | | |
| Purchase of electricity | 5,142.0 | 4,842.0 | 3,040.6 | 3,071.1 | 0 | 0 |
| Training fees | 75.4 | 81.0 | 0 | 0 | 0 | 0 |
| Interest expense | 66.2 | 90.3 | 0 | 0 | 0 | 0 |
| Finance lease interest | 880.0 | 506.9 | 0 | 0 | 0 | 0 |
| Key management compensation: | | | | | | |
| - Salaries, allowances and bonuses | 0 | 0 | 0 | 0 | 20.6 | 14.6 |
| - Benefits-in-kind | 0 | 0 | 0 | 0 | 0.2 | 0.3 |
| - Defined contribution retirement plan | 0 | 0 | 0 | 0 | 2.9 | 1.9 |
| - Other staff benefits | 0 | 0 | 0 | 0 | 0.9 | 2.1 |
| Leasing expense | 0 | 0 | 77.2 | 51.3 | 0 | 0 |

| | Subsidiary companies | | Associate companies | |
|------------------|----------------------|------------|---------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'million | RM'million | RM'million | RM'million |
| Company | | | | |
| Amounts due from | | | 3,029.1 | 1,935.2 |
| Amounts due to | | | 58.9 | 74.6 |
| | | | 752.2 | 2,734.9 |
| | | | 531.4 | 566.5 |

Certain comparatives were reclassified to conform with current financial year's presentation.

46 SEGMENTAL REPORTING

Segmental reporting is not presented as the Group is principally engaged in the generation, transmission, distribution and sales of electricity and the provision of other related services, which are substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

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47 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Loans and receivables ('L&R');
- (ii) Fair value through profit or loss ('FVTPL');
- (iii) Available-for-sale financial assets ('AFS'); and
- (iv) Other financial liabilities measured at amortised cost ('OL').

| 2015 | Carrying amount RM'million | L&R RM'million | FVTPL RM'million | AFS RM'million |
|--------------------------------------|-------------------------------|-------------------|---------------------|-------------------|
| Group | | | | |
| <u>Financial assets</u> | | | | |
| Investment in unquoted debt security | 24.3 | 24.3 | 0 | 0 |
| Long term receivables | 253.5 | 253.5 | 0 | 0 |
| Finance lease receivable | 13.8 | 13.8 | 0 | 0 |
| AFS financial assets | 38.5 | 0 | 0 | 38.5 |
| Receivables | 8,296.3 | 8,296.3 | 0 | 0 |
| Amounts due from joint ventures | 25.9 | 25.9 | 0 | 0 |
| Amounts due from associates | 177.7 | 177.7 | 0 | 0 |
| Financial assets at FVTPL | 6,438.2 | 0 | 6,438.2 | 0 |
| Deposits, bank and cash balances | 2,471.3 | 2,471.3 | 0 | 0 |
| | 17,739.5 | 11,262.8 | 6,438.2 | 38.5 |
| Company | | | | |
| <u>Financial assets</u> | | | | |
| Investment in unquoted debt security | 24.3 | 24.3 | 0 | 0 |
| Long term receivables | 741.0 | 741.0 | 0 | 0 |
| AFS financial assets | 38.0 | 0 | 0 | 38.0 |
| Receivables | 5,323.9 | 5,323.9 | 0 | 0 |
| Amounts due from subsidiaries | 3,029.1 | 3,029.1 | 0 | 0 |
| Amounts due from associates | 58.9 | 58.9 | 0 | 0 |
| Financial assets at FVTPL | 3,640.2 | 0 | 3,640.2 | 0 |
| Deposits, bank and cash balances | 551.8 | 551.8 | 0 | 0 |
| | 13,407.2 | 9,729.0 | 3,640.2 | 38.0 |

NOTES TO THE FINANCIAL STATEMENTS

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47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

| 2014 | Carrying amount RM'million | L&R RM'million | FVTPL RM'million | AFS RM'million |
|--------------------------------------|-------------------------------|-------------------|---------------------|-------------------|
| Group | | | | |
| <u>Financial assets</u> | | | | |
| Unsecured loan stocks in associate | 4.8 | 4.8 | 0 | 0 |
| Investment in unquoted debt security | 163.1 | 163.1 | 0 | 0 |
| Long term receivables | 270.6 | 270.6 | 0 | 0 |
| Finance lease receivable | 14.1 | 14.1 | 0 | 0 |
| Derivative financial instruments | 42.7 | 0 | 42.7 | 0 |
| AFS financial assets | 38.3 | 0 | 0 | 38.3 |
| Receivables | 6,783.4 | 6,783.4 | 0 | 0 |
| Amounts due from joint ventures | 22.1 | 22.1 | 0 | 0 |
| Amounts due from associates | 79.2 | 79.2 | 0 | 0 |
| Financial assets at FVTPL | 3,646.1 | 0 | 3,646.1 | 0 |
| Deposits, bank and cash balances | 8,112.5 | 8,112.5 | 0 | 0 |
| | 19,176.9 | 15,449.8 | 3,688.8 | 38.3 |
| Company | | | | |
| <u>Financial assets</u> | | | | |
| Unsecured loan stocks in associate | 4.8 | 4.8 | 0 | 0 |
| Investment in unquoted debt security | 163.1 | 163.1 | 0 | 0 |
| Long term receivables | 773.5 | 773.5 | 0 | 0 |
| AFS financial assets | 38.0 | 0 | 0 | 38.0 |
| Receivables | 4,800.3 | 4,800.3 | 0 | 0 |
| Amounts due from subsidiaries | 1,935.2 | 1,935.2 | 0 | 0 |
| Amounts due from associates | 74.6 | 74.6 | 0 | 0 |
| Financial assets at FVTPL | 1,501.7 | 0 | 1,501.7 | 0 |
| Deposits, bank and cash balances | 3,445.6 | 3,445.6 | 0 | 0 |
| | 12,736.8 | 11,197.1 | 1,501.7 | 38.0 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

| 2015 | Carrying amount RM'million | OL RM'million | FVTPL RM'million |
|------------------------------|-------------------------------|------------------|---------------------|
| Group | | | |
| <u>Financial liabilities</u> | | | |
| Payables | 10,291.1 | 10,291.1 | 0 |
| Finance lease payables | 6,707.2 | 6,707.2 | 0 |
| Amounts due to associates | 531.4 | 531.4 | 0 |
| Borrowings | 24,698.9 | 24,698.9 | 0 |
| Other liabilities | 584.4 | 584.4 | 0 |
| | 42,813.0 | 42,813.0 | 0 |
| Company | | | |
| <u>Financial liabilities</u> | | | |
| Payables | 6,821.7 | 6,821.7 | 0 |
| Finance lease payables | 14,520.3 | 14,520.3 | 0 |
| Amounts due to subsidiaries | 752.2 | 752.2 | 0 |
| Amounts due to associates | 531.4 | 531.4 | 0 |
| Borrowings | 10,444.0 | 10,444.0 | 0 |
| Other liabilities | 447.2 | 447.2 | 0 |
| | 33,516.8 | 33,516.8 | 0 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

| 2014 | Carrying amount RM'million | OL RM'million | FVTPL RM'million |
|----------------------------------|-------------------------------|------------------|---------------------|
| Group | | | |
| <u>Financial liabilities</u> | | | |
| Payables | 7,857.7 | 7,857.7 | 0 |
| Finance lease payables | 6,789.0 | 6,789.0 | 0 |
| Amounts due to associates | 575.5 | 575.5 | 0 |
| Derivative financial instruments | 4.9 | 0 | 4.9 |
| Borrowings | 25,456.0 | 25,456.0 | 0 |
| Other liabilities | 604.0 | 604.0 | 0 |
| | 41,287.1 | 41,282.2 | 4.9 |
| Company | | | |
| <u>Financial liabilities</u> | | | |
| Payables | 5,126.8 | 5,126.8 | 0 |
| Finance lease payables | 15,826.2 | 15,826.2 | 0 |
| Amounts due to subsidiaries | 2,734.9 | 2,734.9 | 0 |
| Amounts due to associates | 566.5 | 566.5 | 0 |
| Derivative financial instruments | 4.9 | 0 | 4.9 |
| Borrowings | 9,164.5 | 9,164.5 | 0 |
| Other liabilities | 381.6 | 381.6 | 0 |
| | 33,805.4 | 33,800.5 | 4.9 |

Net gains and losses arising from financial instruments are disclosed in Note 5, 8 and 9.

NOTES TO THE FINANCIAL STATEMENTS

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47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group and Company have exposure to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

Credit risk

Credit risk is the risk of a financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and Company's exposures to credit risk arise principally from its receivables from customers, investments, deposits, bank and cash balances and derivative instruments. In addition, the Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

(i) Receivables

Risk management objectives, policies and processes for managing the risk

The Group and Company have a credit policy in place and the exposures to credit risk are monitored on an ongoing basis. Normally, financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customer requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

The Group and Company's credit policy provides trade receivables with a 30 days (2014: 30 days) credit period. The Group and Company have no major significant concentration of credit risk due to their diverse customer base. An allowance has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtor and collection portfolio.

The total trade receivables and impairment provided are as follows:

| | Group | | Company | |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Trade receivables | 6,956.9 | 6,450.0 | 5,907.0 | 5,317.4 |
| Less: Impairment losses | (787.4) | (743.8) | (708.1) | (665.5) |
| | 6,169.5 | 5,706.2 | 5,198.9 | 4,651.9 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

Given the varied nature of the Group and Company's customer base, the following analysis of trade receivables by type of customer is considered the most appropriate disclosure of credit concentration.

| | Group | | Company | |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Industrial | 1,933.9 | 1,595.1 | 1,824.4 | 1,504.7 |
| Commercial | 2,400.8 | 2,144.3 | 2,264.8 | 2,022.8 |
| Domestic | 1,822.3 | 1,781.0 | 1,719.1 | 1,680.0 |
| Specific agriculture | 18.6 | 15.7 | 17.6 | 14.8 |
| Mining | 13.1 | 10.7 | 12.4 | 10.1 |
| Public lighting | 73.0 | 90.2 | 68.7 | 85.0 |
| Others | 695.2 | 813.0 | 0 | 0 |
| | 6,956.9 | 6,450.0 | 5,907.0 | 5,317.4 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses

The Group and Company maintain an ageing analysis in respect of trade receivables only.

The ageing of trade receivables as at the end of financial year was:

| 2015 | Gross RM'million | Individual impairment RM'million | Collective impairment RM'million | Net RM'million |
|-----------------------------|---------------------|----------------------------------------|----------------------------------------|-------------------|
| Group | | | | |
| Not past due | 4,693.3 | 0 | (4.7) | 4,688.6 |
| Past due 0-30 days | 477.5 | 0 | (1.7) | 475.8 |
| Past due 31-120 days | 469.0 | 0 | (17.1) | 451.9 |
| Past due 121-240 days | 191.7 | 0 | (19.5) | 172.2 |
| Past due more than 240 days | 1,125.4 | (241.7) | (502.7) | 381.0 |
| | 6,956.9 | (241.7) | (545.7) | 6,169.5 |
| Company | | | | |
| Not past due | 3,985.0 | 0 | (4.0) | 3,981.0 |
| Past due 0-30 days | 405.4 | 0 | (1.5) | 403.9 |
| Past due 31-120 days | 398.2 | 0 | (14.7) | 383.5 |
| Past due 121-240 days | 162.8 | 0 | (16.7) | 146.1 |
| Past due more than 240 days | 955.6 | (241.7) | (429.5) | 284.4 |
| | 5,907.0 | (241.7) | (466.4) | 5,198.9 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses (continued)

| 2014 | Gross RM'million | Individual impairment RM'million | Collective impairment RM'million | Net RM'million |
|-----------------------------|---------------------|----------------------------------------|----------------------------------------|-------------------|
| Group | | | | |
| Not past due | 4,491.4 | 0 | (6.9) | 4,484.5 |
| Past due 0-30 days | 394.6 | 0 | (1.5) | 393.1 |
| Past due 31-120 days | 897.6 | 0 | (69.0) | 828.6 |
| Past due 121-240 days | 139.5 | 0 | (139.5) | 0 |
| Past due more than 240 days | 526.9 | (267.0) | (259.9) | 0 |
| | 6,450.0 | (267.0) | (476.8) | 5,706.2 |
| Company | | | | |
| Not past due | 3,702.7 | 0 | (6.2) | 3,696.5 |
| Past due 0-30 days | 325.3 | 0 | (1.2) | 324.1 |
| Past due 31-120 days | 740.0 | 0 | (108.7) | 631.3 |
| Past due 121-240 days | 115.0 | 0 | (115.0) | 0 |
| Past due more than 240 days | 434.4 | (267.0) | (167.4) | 0 |
| | 5,317.4 | (267.0) | (398.5) | 4,651.9 |

(i) Trade receivables that are neither past due nor impaired

With respect to the trade receivables that are neither past due nor impaired, there is no indication as of the reporting date that the debtors will not meet their payment obligations. The quality of these trade receivables is such that the Group and Company believe no impairment is necessary, except in situations where they are part of individually impaired trade receivables. Past historical collection trends are used to monitor the credit quality of these trade receivables.

(ii) Trade receivables that are past due but not impaired

Allowance for impairment was not made in respect of these past due trade receivables based on the past historical collection trends and available deposits.

The Group and Company believe no impairment is required for other classes within receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(i) Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

| | Group | | Company | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| At 1 September | (743.8) | (617.8) | (665.5) | (548.0) |
| Impairment loss recognised | (152.9) | (287.3) | (95.4) | (230.4) |
| Impairment loss reversed | 109.3 | 161.3 | 52.8 | 112.9 |
| At 31 August | (787.4) | (743.8) | (708.1) | (665.5) |

The movements in the allowance for impairment losses of other receivables during the financial year were:

| | Group | | Company | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| At 1 September | (169.8) | (159.3) | (156.6) | (138.9) |
| Impairment loss recognised | (25.9) | (21.6) | (31.5) | (29.6) |
| Impairment loss reversed | 27.6 | 11.1 | 35.4 | 11.9 |
| At 31 August | (168.1) | (169.8) | (152.7) | (156.6) |

Trade receivables are secured by deposits in the form of cash and bank guarantees. The deposits amount are reviewed on an individual basis periodically.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(ii) Investments, deposits, bank and cash balances and derivative instruments

Risk management objectives, policies and processes for managing the risk

Investments and deposits, bank and cash balances and derivative instruments are allowed only in liquid securities and only with reputable financial institutions.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, the Group and Company do not expect any counterparty to fail to meet its obligations. The Group and Company do not have overdue investments that have not been impaired.

The investments, deposits, cash and bank balances and derivative instruments are unsecured.

Impairment losses

An impairment for investment in unquoted debt security of RM138.8 million (2014: NIL) was recognised during the financial year.

(iii) Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the financial year, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries by the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Credit risk (continued)

(iii) Intercompany balances (continued)

Exposure to credit risk, credit quality and collateral (continued)

The total amounts due from subsidiaries and impairment provided are as follows:

| | Company | |
|-------------------------------|-------------------|-------------------|
| | 2015 | 2014 |
| | RM'million | RM'million |
| Amounts due from subsidiaries | 4,789.8 | 3,707.3 |
| Less: Impairment losses | (1,760.7) | (1,772.1) |
| | 3,029.1 | 1,935.2 |

Impairment losses

As at the end of financial year, there was no indication that the loans and advances to the subsidiaries are not recoverable other than those which have already been impaired. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

The movement in the allowance for impairment losses of amounts due from subsidiaries during the financial year were:

| | Company | |
|----------------------------|-------------------|-------------------|
| | 2015 | 2014 |
| | RM'million | RM'million |
| At 1 September | (1,772.1) | (1,897.0) |
| Impairment loss recognised | (88.6) | (215.0) |
| Impairment loss reversed | 100.0 | 339.9 |
| At 31 August | (1,760.7) | (1,772.1) |

Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's exposures to liquidity risk arise principally from its various payables, loans and borrowings.

The Group and Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the Group and Company to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and an associate. The maximum exposure to the Company amounts to RM1,070.6 million (2014: RM3,150.9 million) representing banking facilities utilised by the subsidiaries and an associate as at the end of the financial year. These banking facilities have been included as part of the Group's liabilities.

As at 31 August 2015, the Company has sufficient financial capacity and available facility to meet its obligations as and when they fall due twelve months from the financial statement date.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group and Company's financial liabilities as at the end of financial year based on the undiscounted contractual payments:

| 2015 | Carrying amount RM'million | Contractual cash flows RM'million | Below 1 year RM'million | 1-2 years RM'million | 2-5 years RM'million | More than 5 years RM'million |
|---------------------------------------------|----------------------------------|-----------------------------------------|-------------------------------|-------------------------|-------------------------|------------------------------------|
| Group | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Payables | 10,291.1 | 10,291.1 | 10,291.1 | 0 | 0 | 0 |
| Finance lease payables | 6,707.2 | 10,652.6 | 1,114.5 | 1,071.9 | 2,114.2 | 6,352.0 |
| Amounts due to associates | 531.4 | 531.4 | 531.4 | 0 | 0 | 0 |
| Borrowings | 24,698.9 | 38,362.9 | 2,551.4 | 2,034.1 | 4,744.1 | 29,033.3 |
| Other liabilities | 584.4 | 584.4 | 259.5 | 285.0 | 39.9 | 0 |
| | 42,813.0 | 60,422.4 | 14,747.9 | 3,391.0 | 6,898.2 | 35,385.3 |
| Company | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Payables | 6,821.7 | 6,821.7 | 6,821.7 | 0 | 0 | 0 |
| Finance lease payables | 14,520.3 | 21,312.2 | 2,348.9 | 2,300.2 | 5,502.0 | 11,161.1 |
| Amounts due to subsidiaries | 752.2 | 752.2 | 752.2 | 0 | 0 | 0 |
| Amounts due to associates | 531.4 | 531.4 | 531.4 | 0 | 0 | 0 |
| Borrowings | 10,444.0 | 17,552.3 | 1,710.8 | 539.6 | 1,618.9 | 13,683.0 |
| Other liabilities | 447.2 | 447.2 | 198.6 | 218.1 | 30.5 | 0 |
| | 33,516.8 | 47,417.0 | 12,363.6 | 3,057.9 | 7,151.4 | 24,844.1 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group and Company's financial liabilities as at the end of financial year based on the undiscounted contractual payments: (continued)

| 2014 | Carrying amount RM'million | Contractual cash flows RM'million | Below 1 year RM'million | 1-2 years RM'million | 2-5 years RM'million | More than 5 years RM'million |
|---------------------------------------------|----------------------------------|-----------------------------------------|-------------------------------|-------------------------|-------------------------|------------------------------------|
| Group | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Payables | 7,857.7 | 7,857.7 | 7,857.7 | 0 | 0 | 0 |
| Finance lease payables | 6,789.0 | 10,535.2 | 1,063.5 | 1,045.5 | 2,268.6 | 6,157.6 |
| Amounts due to associates | 575.5 | 575.5 | 575.5 | 0 | 0 | 0 |
| Borrowings | 25,456.0 | 35,258.0 | 1,528.6 | 1,512.8 | 5,010.1 | 27,206.5 |
| Other liabilities | 604.0 | 604.0 | 235.4 | 269.7 | 98.6 | 0.3 |
| | 41,282.2 | 54,830.4 | 11,260.7 | 2,828.0 | 7,377.3 | 33,364.4 |
| <i>Derivative financial liabilities</i> | | | | | | |
| Interest rate swap | 4.9 | 5.4 | 5.4 | 0 | 0 | 0 |
| | 41,287.1 | 54,835.8 | 11,266.1 | 2,828.0 | 7,377.3 | 33,364.4 |
| Company | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Payables | 5,126.8 | 5,126.8 | 5,126.8 | 0 | 0 | 0 |
| Finance lease payables | 15,826.2 | 23,670.5 | 2,358.2 | 2,348.9 | 6,169.6 | 12,793.8 |
| Amounts due to subsidiaries | 2,734.9 | 2,734.9 | 1,996.9 | 39.5 | 118.5 | 580.0 |
| Amounts due to associates | 566.5 | 566.5 | 566.5 | 0 | 0 | 0 |
| Borrowings | 9,164.5 | 15,730.7 | 772.0 | 757.8 | 1,480.5 | 12,720.4 |
| Other liabilities | 381.6 | 381.6 | 148.7 | 170.4 | 62.3 | 0.2 |
| | 33,800.5 | 48,211.0 | 10,969.1 | 3,316.6 | 7,830.9 | 26,094.4 |
| <i>Derivative financial liabilities</i> | | | | | | |
| Interest rate swap | 4.9 | 5.4 | 5.4 | 0 | 0 | 0 |
| | 33,805.4 | 48,216.4 | 10,974.5 | 3,316.6 | 7,830.9 | 26,094.4 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group and Company's financial positions or cash flows.

(i) Foreign currency risk

The Group and Company are exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group and Company. The currencies giving rise to this risk are primarily USD, JPY and EURO.

Risk management objectives, policies and processes for managing the risk

The Group is required to hedge a minimum of 50.0% of TNB's known foreign currency exposure up to 12 months period. The Group uses forward exchange contracts, maintains foreign currencies float and currency options contract to hedge its foreign currency risk.

Exposure to foreign currency risk

The currency exposure of financial assets and financial liabilities of the Group and Company that are not denominated in the functional currency of the respective companies is set out below.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

| 2015 | USD RM'million | JPY RM'million | EURO RM'million | Others RM'million |
|----------------------------------|-------------------|-------------------|--------------------|----------------------|
| Group | | | | |
| <u>Financial assets</u> | | | | |
| AFS financial assets | 0 | 0 | 0 | 0.5 |
| Receivables | 0.7 | 0 | 0 | 24.4 |
| Deposits, bank and cash balances | 197.6 | 0 | 7.7 | 11.3 |
| | 198.3 | 0 | 7.7 | 36.2 |
| <u>Financial liabilities</u> | | | | |
| Payables | 259.6 | 57.6 | 18.5 | 2.9 |
| Borrowings | 1,761.5 | 3,589.9 | 0 | 17.0 |
| | 2,021.1 | 3,647.5 | 18.5 | 19.9 |
| Company | | | | |
| <u>Financial assets</u> | | | | |
| Long term receivables | 132.3 | 0 | 0 | 0 |
| Deposits, bank and cash balances | 0.8 | 0 | 0 | 0 |
| | 133.1 | 0 | 0 | 0 |
| <u>Financial liabilities</u> | | | | |
| Borrowings | 1,761.5 | 3,574.6 | 0 | 0 |
| | 1,761.5 | 3,574.6 | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

| 2014 | USD RM'million | JPY RM'million | EURO RM'million | Others RM'million |
|----------------------------------|-------------------|-------------------|--------------------|----------------------|
| Group | | | | |
| <u>Financial assets</u> | | | | |
| AFS financial assets | 0 | 0 | 0 | 0.3 |
| Receivables | 12.1 | 0 | 0 | 19.5 |
| Deposits, bank and cash balances | 611.2 | 33.2 | 101.3 | 11.3 |
| Derivative financial instruments | 42.7 | 0 | 0 | 0 |
| | 666.0 | 33.2 | 101.3 | 31.1 |
| <u>Financial liabilities</u> | | | | |
| Payables | 165.8 | 1,516.9 | 22.1 | 11.7 |
| Borrowings | 2,637.2 | 3,279.3 | 0 | 49.4 |
| Derivative financial instruments | 4.9 | 0 | 0 | 0 |
| | 2,807.9 | 4,796.2 | 22.1 | 61.1 |
| Company | | | | |
| <u>Financial assets</u> | | | | |
| Long term receivables | 132.1 | 0 | 0 | 0 |
| Amounts due from subsidiaries | 32.2 | 0 | 0 | 0 |
| Deposits, bank and cash balances | 347.1 | 0 | 0 | 0 |
| | 511.4 | 0 | 0 | 0 |
| <u>Financial liabilities</u> | | | | |
| Amounts due to subsidiaries | 1,321.0 | 777.5 | 0 | 0 |
| Borrowings | 1,317.8 | 2,487.4 | 0 | 0 |
| Derivative financial instruments | 4.9 | 0 | 0 | 0 |
| | 2,643.7 | 3,264.9 | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Currency risk sensitivity analysis

A 10.0% strengthening of the foreign currencies against RM at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

| | Profit or loss/equity | |
|----------------|-----------------------|------------|
| | 2015 | 2014 |
| | RM'million | RM'million |
| Group | | |
| USD | (602.0) | (149.5) |
| JPY | (807.3) | 11.9 |
| Company | | |
| USD | (602.0) | (75.2) |
| JPY | (804.4) | 9.0 |

A 10.0% weakening of the foreign currencies against RM at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Foreign currency risk for Group and Company which have a functional currency other than USD and JPY are not material and hence, sensitivity analysis is not presented.

(ii) Interest rate risk

The Group and Company's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. Investment in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

During the financial year, the borrowing at floating rate has matured and has been settled on its maturity date. Accordingly, the interest rate swaps entered into has been settled.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group and Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of financial year were:

| | Group | | Company | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Fixed rate instruments: | | | | |
| Financial assets | 1,309.3 | 7,331.3 | 1,029.9 | 4,116.5 |
| Financial liabilities | 31,406.1 | 32,059.6 | 24,964.3 | 26,871.4 |
| Floating rate instruments: | | | | |
| Financial assets | 0 | 0 | 0 | 32.2 |
| Financial liabilities | 0 | 185.4 | 0 | 186.7 |

The Company had acquired a floating rate instrument on 15 October 2008. On 2 March 2015, the financial instrument had matured together with its underlying facility.

The financial assets are not sensitive to interest rate changes.

(iii) Other price risk

Other price risk arises from the Group and Company's investments in equity securities and unit trust funds.

Risk management objectives, policies and processes for managing the risk

The Group and Company are exposed to price risk because the investments held are classified on the statement of financial position as AFS and FVTPL. The Group and Company mainly invest in unit trust funds, primarily in short term deposits as underlying instruments with minimal price risk.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments

The carrying amounts of deposits, bank and cash balances, short-term receivables and payables and short term borrowings approximate their fair values and are equivalent to nominal values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

The classifications in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value are summarised in the table below:

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|--------------------------------------|-----------------------------------------------------------|-------------|------------|----------------|---------------------------------------------------------------|-----------------|--------------|-----------------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| 2015 | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million |
| Group | | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | | |
| Investment in unquoted debt security | 0 | 0 | 0 | 0 | 0 | 85.7 | 0 | 85.7 | 85.7 | 24.3 |
| Long term receivables | 0 | 0 | 0 | 0 | 0 | 157.7 | 87.4 | 245.1 | 245.1 | 253.5 |
| AFS financial assets | 0 | 38.5 | 0 | 38.5 | 0 | 0 | 0 | 0 | 38.5 | 38.5 |
| Financial assets at FVTPL | 6,438.2 | 0 | 0 | 6,438.2 | 0 | 0 | 0 | 0 | 6,438.2 | 6,438.2 |
| | 6,438.2 | 38.5 | 0 | 6,476.7 | 0 | 243.4 | 87.4 | 330.8 | 6,807.5 | 6,754.5 |
| <u>Financial liabilities</u> | | | | | | | | | | |
| Borrowings | 0 | 0 | 0 | 0 | 2,118.4 | 22,899.1 | 0 | 25,017.5 | 25,017.5 | 24,698.9 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 584.4 | 584.4 | 584.4 | 584.4 |
| | 0 | 0 | 0 | 0 | 2,118.4 | 22,899.1 | 584.4 | 25,601.9 | 25,601.9 | 25,283.3 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classifications in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value are summarised in the table below: (continued)

| 2015 | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|--------------------------------------|-----------------------------------------------------------|------------|------------|------------|---------------------------------------------------------------|------------|------------|------------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million |
| Company | | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | | |
| Investment in unquoted debt security | 0 | 0 | 0 | 0 | 0 | 85.7 | 0 | 85.7 | 85.7 | 24.3 |
| Long term receivables | 0 | 0 | 0 | 0 | 0 | 565.0 | 61.3 | 626.3 | 626.3 | 741.0 |
| AFS financial assets | 0 | 38.0 | 0 | 38.0 | 0 | 0 | 0 | 0 | 38.0 | 38.0 |
| Amounts due from subsidiaries | 0 | 0 | 0 | 0 | 0 | 883.2 | 0 | 883.2 | 883.2 | 495.0 |
| Financial assets at FVTPL | 3,640.2 | 0 | 0 | 3,640.2 | 0 | 0 | 0 | 0 | 3,640.2 | 3,640.2 |
| | 3,640.2 | 38.0 | 0 | 3,678.2 | 0 | 1,533.9 | 61.3 | 1,595.2 | 5,273.4 | 4,938.5 |
| <u>Financial liabilities</u> | | | | | | | | | | |
| Borrowings | 0 | 0 | 0 | 0 | 2,104.8 | 9,531.5 | 0 | 11,636.3 | 11,636.3 | 10,444.0 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 447.2 | 447.2 | 447.2 | 447.2 |
| | 0 | 0 | 0 | 0 | 2,104.8 | 9,531.5 | 447.2 | 12,083.5 | 12,083.5 | 10,891.2 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classifications in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value are summarised in the table below: (continued)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|----------------------------------|-----------------------------------------------------------|------------|------------|------------|---------------------------------------------------------------|------------|------------|------------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| 2014 | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million |
| Group | | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | | |
| Unsecured loan | | | | | | | | | | |
| stocks in associate | 0 | 0 | 0 | 0 | 0 | 4.9 | 0 | 4.9 | 4.9 | 4.8 |
| Investment in | | | | | | | | | | |
| unquoted debt security | 0 | 0 | 0 | 0 | 0 | 503.1 | 0 | 503.1 | 503.1 | 163.1 |
| Long term | | | | | | | | | | |
| receivables | 0 | 0 | 0 | 0 | 0 | 179.6 | 78.4 | 258.0 | 258.0 | 270.6 |
| Derivative financial instruments | | | | | | | | | | |
| | 0 | 42.7 | 0 | 42.7 | 0 | 0 | 0 | 0 | 42.7 | 42.7 |
| AFS financial assets | | | | | | | | | | |
| | 0 | 38.3 | 0 | 38.3 | 0 | 0 | 0 | 0 | 38.3 | 38.3 |
| Financial assets at FVTPL | | | | | | | | | | |
| | 3,646.1 | 0 | 0 | 3,646.1 | 0 | 0 | 0 | 0 | 3,646.1 | 3,646.1 |
| | 3,646.1 | 81.0 | 0 | 3,727.1 | 0 | 687.6 | 78.4 | 766.0 | 4,493.1 | 4,165.6 |
| <u>Financial liabilities</u> | | | | | | | | | | |
| Derivative financial instruments | | | | | | | | | | |
| | 0 | 4.9 | 0 | 4.9 | 0 | 0 | 0 | 0 | 4.9 | 4.9 |
| Borrowings | | | | | | | | | | |
| | 0 | 0 | 0 | 0 | 1,607.2 | 24,260.0 | 75.2 | 25,942.4 | 25,942.4 | 25,145.0 |
| Other liabilities | | | | | | | | | | |
| | 0 | 0 | 0 | 0 | 0 | 0 | 604.0 | 604.0 | 604.0 | 604.0 |
| | 0 | 4.9 | 0 | 4.9 | 1,607.2 | 24,260.0 | 679.2 | 26,546.4 | 26,551.3 | 25,753.9 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

The classifications in the fair value hierarchy of the Group and Company's assets and liabilities measured at fair value are summarised in the table below: (continued)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|--------------------------------------|-----------------------------------------------------------|------------|------------|------------|---------------------------------------------------------------|------------|------------|------------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| 2014 | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million |
| Company | | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | | |
| Unsecured loan stocks in associate | 0 | 0 | 0 | 0 | 0 | 4.9 | 0 | 4.9 | 4.9 | 4.8 |
| Investment in unquoted debt security | 0 | 0 | 0 | 0 | 0 | 503.1 | 0 | 503.1 | 503.1 | 163.1 |
| Long term receivables | 0 | 0 | 0 | 0 | 0 | 580.3 | 46.4 | 626.7 | 626.7 | 773.5 |
| AFS financial assets | 0 | 38.0 | 0 | 38.0 | 0 | 0 | 0 | 0 | 38.0 | 38.0 |
| Amounts due from subsidiaries | 0 | 0 | 0 | 0 | 0 | 782.7 | 0 | 782.7 | 782.7 | 370.9 |
| Financial assets at FVTPL | 1,501.7 | 0 | 0 | 1,501.7 | 0 | 0 | 0 | 0 | 1,501.7 | 1,501.7 |
| | 1,501.7 | 38.0 | 0 | 1,539.7 | 0 | 1,871.0 | 46.4 | 1,917.4 | 3,457.1 | 2,852.0 |
| <u>Financial liabilities</u> | | | | | | | | | | |
| Amounts due to subsidiaries | 0 | 0 | 0 | 0 | 0 | 1,094.5 | 0 | 1,094.5 | 1,094.5 | 738.0 |
| Derivative financial instruments | 0 | 4.9 | 0 | 4.9 | 0 | 0 | 0 | 0 | 4.9 | 4.9 |
| Borrowings | 0 | 0 | 0 | 0 | 1,607.2 | 8,384.3 | 0 | 9,991.5 | 9,991.5 | 9,164.5 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 381.6 | 381.6 | 381.6 | 381.6 |
| | 0 | 4.9 | 0 | 4.9 | 1,607.2 | 9,478.8 | 381.6 | 11,467.6 | 11,472.5 | 10,289.0 |

NOTES TO THE FINANCIAL STATEMENTS

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47 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

Fair value of financial instruments (continued)

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during the financial year.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value is estimated by the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Non-derivatives financial instruments

Fair value, which is determined for disclosure purpose, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

Financial instruments not carried at fair value

The valuation technique used to derive the Level 3 disclosure for financial liability is based on the estimated cash flows and discount rates of the Group and Company.

(v) Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, ranges between 0.1% to 8.9% (2014: 0.2% to 21.3%).

Although the Group and Company believe that their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values using expected cash flows and risk-adjusted discount rates based on the probability weighted average of the Group and Company's ranges of possible outcomes.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Offsetting of financial assets and financial liabilities

(i) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements:

| | Gross amounts of recognised financial assets RM'million | Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'million | Net amounts of financial assets presented in the statement of financial position RM'million | Related amounts not set-off in the statement of financial position | | Net amount RM'million |
|-------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------|-----------------------------|
| | | | | Financial instruments RM'million | Cash collateral received RM'million | |
| 2015 | | | | | | |
| Group | | | | | | |
| Amounts due from associates | 197.4 | (19.7) | 177.7 | 0 | 0 | 0 |
| Company | | | | | | |
| Amounts due from subsidiaries | 3,196.0 | (661.9) | 2,534.1 | 0 | 0 | 0 |
| Amounts due from associates | 78.6 | (19.7) | 58.9 | 0 | 0 | 0 |
| 2014 | | | | | | |
| Group | | | | | | |
| Amounts due from associates | 86.8 | (7.6) | 79.2 | 0 | 0 | 0 |
| Company | | | | | | |
| Amounts due from subsidiaries | 6,955.3 | (5,391.0) | 1,564.3 | 0 | 0 | 0 |
| Amounts due from associates | 82.2 | (7.6) | 74.6 | 0 | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

47 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Offsetting of financial assets and financial liabilities (continued)

(ii) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements:

| Company | Gross amounts of recognised financial liabilities RM'million | Gross amounts of recognised financial assets set-off in the statement of financial position RM'million | Net amounts of financial liabilities presented in the statement of financial position RM'million | Related amounts not set-off in the statement of financial position | | Net amount RM'million |
|-----------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------|--------------------------|
| | | | | Financial instruments RM'million | Cash collateral received RM'million | |
| 2015 | | | | | | |
| Amounts due to subsidiaries | (1,261.5) | 509.3 | (752.2) | 0 | 0 | 0 |
| 2014 | | | | | | |
| Amounts due to subsidiaries | (3,173.1) | 438.2 | (2,734.9) | 0 | 0 | 0 |

48 CAPITAL RISK MANAGEMENT

The Group and Company's main objective of capital management is to safeguard the Group and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group and Company will also strive to maintain an optimal capital structure to reduce the cost of capital.

For the purpose of sustaining or changing the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders.

In order to be consistent with industry norms, the Group and Company monitor its capital structure on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital employed. Total borrowings include non-current borrowings, current borrowings and hire purchase as shown in the consolidated statement of financial position. Capital employed is the summation of total equity and total borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

48 CAPITAL RISK MANAGEMENT (CONTINUED)

The gearing ratios as at 31 August are as follows:

| | Group | | Company | |
|------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Total borrowings | 24,710.6 | 25,468.1 | 10,444.0 | 9,164.5 |
| Total equity | 47,466.9 | 43,459.2 | 42,734.4 | 38,845.1 |
| Total capital employed | 72,177.5 | 68,927.3 | 53,178.4 | 48,009.6 |
| Gearing ratios | 0.34 | 0.37 | 0.20 | 0.19 |

The Group and Company have met all externally imposed capital requirements.

49 SIGNIFICANT ACQUISITIONS DURING THE FINANCIAL YEAR

(a) Subsidiaries acquired by the Group during the financial year ended 31 August 2015 are as follows:

| Name of subsidiary | Note | Purchase consideration RM'million | Group's Effective interest acquired | Effective acquisition date |
|--------------------------|------|--------------------------------------|-------------------------------------|----------------------------|
| Integrax Berhad ('ITB') | (i) | 721.7 | 75.4% | 30 March 2015 |
| Jimah East Power ('JEP') | (ii) | 47.0 | 70.0% | 9 July 2015 |

- (i) The Company previously acquired 22.1% of the share capital of ITB for RM106.5 million and categorised ITB as an associate. As at 30 March 2015, the Company acquired a further 28.7% of the share capital and obtained control of ITB. As at 13 April 2015, the Company increased its shareholdings in ITB by 46.7%. The Company's effective interest in ITB as at 31 August 2015 is 97.5%. Taking into account the compulsory acquisition, the equity interest in ITB would be effectively 100.0% (Note 14). ITB is an investment holding company and the principal activities of its subsidiary and associate companies are as disclosed in Note 14 and Note 16 respectively.

The Group's profit after tax for the financial year ended 31 August 2015 would have been estimated at RM6,093.0 million if ITB had been consolidated at the beginning of the financial year ended 31 August 2015. From the acquisition date up to 31 August 2015, ITB contributed a profit after tax of RM13.1 million. There would have been no impact to the Group's revenue as ITB revenue is coming from transactions within the Group.

- (ii) On 9 July 2015, the Company had satisfied and complied to all the conditions precedent of the Share Sale and Purchase Agreement with 1MDB for the acquisition of a 70.0% shareholding in JEP for a total consideration of circa RM47.0 million. The Group has assessed and recognised JEP as a subsidiary with effective interest as at 31 August 2015 of 70.0% (Note 14). JEP is principally involved in power generation as disclosed in Note 14.

The Group's profit after tax for the financial year ended 31 August 2015 would have been RM5,983.9 million if JEP had been consolidated at the beginning of the financial year ended 31 August 2015. From the acquisition date up to 31 August 2015, JEP contributed a loss after tax of RM20.0 million.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

49 SIGNIFICANT ACQUISITIONS DURING THE FINANCIAL YEAR (CONTINUED)

- (b) Details of the assets, liabilities and net cash outflow arising from the acquisition of subsidiaries by the Group during the financial year ended 31 August 2015 are as follows:

| | ITB | | JEP | |
|----------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Book Value RM'million | Fair Value RM'million | Book Value RM'million | Fair Value RM'million |
| Recognised amounts of identifiable assets acquired and liabilities assumed | | | | |
| PPE (Note 13) | 350.1 | 471.2 | 176.4 | 307.9 |
| Goodwill on consolidation | 128.0 | 0 | 0 | 0 |
| Associates | 101.3 | 247.6 | 0 | 0 |
| Receivables, deposits and prepayments | 15.2 | 15.2 | 678.0 | 678.0 |
| Financial assets at FVTPL | 118.6 | 118.6 | 0 | 0 |
| Deposits, bank and cash balances | 50.6 | 50.6 | 0.2 | 0.2 |
| Payables | (14.7) | (14.7) | (962.0) | (913.6) |
| Current tax liabilities | (0.5) | (0.5) | 0 | 0 |
| Borrowings | (4.1) | (4.1) | 0 | 0 |
| Deferred tax liabilities | (50.6) | (79.7) | 0 | (30.2) |
| Total identifiable net assets | 693.9 | 804.2 | (107.4) | 42.3 |
| Non-controlling interests | | (437.8) | | 3.4 |
| Goodwill on consolidation (Note 17) | | 123.4 | | 1.3 |
| Total | | 489.8 | | 47.0 |
| Cash consideration paid | | 275.5 | | 47.0 |
| Acquisition-date fair value of previously held equity | | 214.3 | | 0 |
| Total cash consideration paid | | 489.8 | | 47.0 |

Pursuant to an agreement between Pelabuhan Lumut Sdn. Bhd. ('PLSB') and the NCI of Lekir Bulk Terminal Sdn. Bhd. ('LBTBSB'), PLSB had granted a put option to the NCI of LBTBSB to sell the latter's entire shareholdings of 20.0% i.e. 13,600,000 ordinary shares in LBTBSB back to PLSB upon the redemption by LBTBSB of all the LBTBSB Redeemable Cumulative Convertible Preference Shares held by the NCI of LBTBSB in August 2017.

The strike price would be based on the fair value of the said ordinary shares of LBTBSB to be determined by an independent valuer. The fair value of the put option at acquisition date is being finalised.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

49 SIGNIFICANT ACQUISITIONS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Details of the assets, liabilities and net cash outflow arising from the acquisition of subsidiaries by the Group during the financial year ended 31 August 2015 are as follows: (continued)

(i) Details of cash flows arising from the acquisition are as follows:

| | ITB | JEP |
|-----------------------------------------------------|------------|------------|
| | RM'million | RM'million |
| Cash consideration paid | 275.5 | 47.0 |
| Less: Cash and equivalents of subsidiaries acquired | (50.6) | (0.2) |
| Net cash outflow to the Group on acquisition | 224.9 | 46.8 |

(ii) Acquisition of additional interest in ITB

The effect of changes in the ownership interest of ITB on the equity attributable to Group during the financial year is as below:

| | RM'million |
|---------------------------------------------------|------------|
| Carrying amount of NCI acquired | 336.8 |
| Consideration paid to NCI | (446.1) |
| Excess of consideration paid recognised in equity | (109.3) |

50 EVENTS AFTER THE REPORTING PERIOD

Pursuant to the announcement made on 3 August 2015 to Bursa Malaysia in relation to the Long Term Incentive Plan ('LTIP'), the Group and Company made the 1st Grant Offer of ordinary shares of RM1.00 each in the Company which comprise Restricted Shares ('RS') Grant and Performance Shares ('PS') Grant to the eligible employees of the Group and Executive Directors of the Company.

The Group and Company have established the grant date to be on 1 September 2015. The total number of RS and PS granted were 23,967,000 and 2,072,300 respectively.

The vesting period for both RS and PS is from the grant date till the fulfilment of certain performance criteria for the Company and individuals.

The Group and Company are in the midst of assessing the impact to the financial statements.

SUPPLEMENTARY INFORMATION DISCLOSED

PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised profits or losses at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained profits as at the reporting date are analysed as follows:

| | Group | | Company | |
|------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 RM'million | 2014 RM'million | 2015 RM'million | 2014 RM'million |
| Retained profits: | | | | |
| - Realised | 43,482.0 | 38,861.3 | 41,082.9 | 36,744.6 |
| - Unrealised | (5,168.1) | (4,838.0) | (4,498.6) | (4,142.5) |
| Total share of retained profits from joint ventures: | | | | |
| - Realised | 26.2 | 15.0 | 0 | 0 |
| - Unrealised | 12.6 | 6.1 | 0 | 0 |
| Total share of retained profits from associates: | | | | |
| - Realised | 361.7 | 202.2 | 0 | 0 |
| - Unrealised | (61.7) | (25.3) | 0 | 0 |
| Consolidation adjustments | 2,946.4 | 3,011.2 | 0 | 0 |
| Total retained profits | 41,599.1 | 37,232.5 | 36,584.3 | 32,602.1 |

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, Tan Sri Leo Moggie and Datuk Seri Ir. Azman bin Mohd, two of the Directors of Tenaga Nasional Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 152 to 274 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 2015 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965.

The supplementary information set out on page 275 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors, in accordance with their resolution dated 29 October 2015.



TAN SRI LEO MOGGIE
Chairman



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

STATUTORY DECLARATION

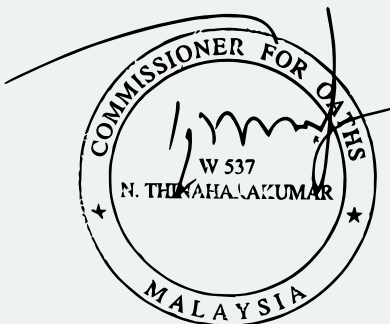
PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, Fazlur Rahman bin Zainuddin, the person primarily responsible for the financial management of Tenaga Nasional Berhad, do solemnly and sincerely declare that the financial statements set out on pages 152 to 274 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



FAZLUR RAHMAN BIN ZAINUDDIN

Subscribed and solemnly declared by the abovenamed Fazlur Rahman bin Zainuddin at Kuala Lumpur, Malaysia on 29 October 2015, before me.



22A, JALAN TELAWI LIMA
BANGSAR BARU
59100 KUALA LUMPUR
MALAYSIA

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tenaga Nasional Berhad on pages 152 to 274 which comprise the consolidated statement of financial position as at 31 August 2015 of the Group and of the Company, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 50.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 August 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TENAGA NASIONAL BERHAD

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 275 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants



NURUL A'IN BINTI ABDUL LATIF

(No. 2910/02/17 (J))
Chartered Accountant

Kuala Lumpur
29 October 2015



8

ADDITIONAL INFORMATION

- 281 Statistics of Shareholdings
- 284 Net Book Value of Land and Buildings
- Proxy Form

STATISTICS OF SHAREHOLDINGS

AS AT 15 OCTOBER 2015

SHARE CAPITAL

| | | |
|----------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Authorised Share Capital | : | 10,000,000,000 ordinary shares of RM1.00 each One (1) Special Rights Redeemable Preference Share of RM1.00 1,000 Class A Redeemable Preference Shares of RM1.00 each 500 Class B Redeemable Preference Shares of RM1.00 each |
| Issued and Fully Paid-Up Share Capital | : | 5,643,611,171 ordinary shares of RM1.00 each One (1) Special Rights Redeemable Preference Share of RM1.00 |
| Voting Right | : | One (1) voting right for one (1) ordinary share |

ANALYSIS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | | Total No. of Shareholders | | No. of Issued Shares | | Total No. of Issued Shares | |
|-----------------------------------------|---------------------|--------------|---------------------------|---------------|----------------------|----------------------|----------------------------|---------------|
| | Malaysian | Foreigner | No. | % | Malaysian | Foreigner | No. | % |
| 1 – 99 | 1,859 | 22 | 1,881 | 6.40 | 67,633 | 858 | 68,491 | 0.00 |
| 100 – 1,000 | 6,033 | 85 | 6,118 | 20.83 | 3,966,995 | 54,883 | 4,021,878 | 0.07 |
| 1,001 – 10,000 | 18,174 | 275 | 18,449 | 62.82 | 49,983,295 | 1,120,905 | 51,104,200 | 0.91 |
| 10,001 – 100,000 | 1,554 | 356 | 1,910 | 6.50 | 40,261,334 | 14,259,305 | 54,520,639 | 0.97 |
| 100,001 – less than 5% of issued shares | 384 | 625 | 1,009 | 3.44 | 1,159,356,808 | 1,278,432,075 | 2,437,788,883 | 43.19 |
| 5% and above of issued shares | 3 | 0 | 3 | 0.01 | 3,096,107,080 | 0 | 3,096,107,080 | 54.86 |
| Total | 28,007 | 1,363 | 29,370 | 100.00 | 4,349,743,145 | 1,293,868,026 | 5,643,611,171 | 100.00 |

ANALYSIS OF EQUITY STRUCTURE

| No. | Category of Shareholders | No. of Shareholders | | No. of Issued Shares | | % of Issued Shares | |
|-----|-----------------------------------------------|---------------------|--------------|----------------------|----------------------|--------------------|--------------|
| | | Malaysian | Foreigner | Malaysian | Foreigner | Malaysian | Foreigner |
| 1. | Individuals | 23,729 | 240 | 71,385,726 | 1,672,768 | 1.26 | 0.03 |
| 2. | Body Corporate | | | | | | |
| | a. Banks/finance companies | 122 | 3 | 1,169,674,195 | 1,079,946 | 20.73 | 0.02 |
| | b. Investment trusts/ foundation/charities | 6 | 0 | 168,812 | 0 | 0.00 | 0.00 |
| | c. Industrial and commercial companies | 359 | 16 | 1,693,436,823 | 6,694,612 | 30.01 | 0.12 |
| 3. | Government agencies/institutions | 19 | 0 | 13,707,774 | 0 | 0.24 | 0.00 |
| 4. | Nominees | 3,772 | 1,104 | 1,401,369,815 | 1,284,420,700 | 24.83 | 22.76 |
| 5. | Others | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| | Total | 28,007 | 1,363 | 4,349,743,145 | 1,293,868,026 | 77.07 | 22.93 |

STATISTICS OF SHAREHOLDINGS

AS AT 15 OCTOBER 2015

DIRECTORS' SHAREHOLDINGS

| No. | Name of Directors | No. of Shares | |
|-----|--------------------------------------------|-----------------|------|
| | | Direct Interest | % |
| 1. | Tan Sri Leo Moggie | - | - |
| 2. | Datuk Seri Ir. Azman bin Mohd | - | - |
| 3. | Datuk Nozirah binti Bahari | - | - |
| 4. | Ahmad Farouk bin Mohamed | - | - |
| 5. | Dato' Zainal Abidin bin Putih | 1,562 | 0.00 |
| 6. | Tan Sri Dato' Seri Siti Norma binti Yaakob | 1,562 | 0.00 |
| 7. | Dato' Abd Manaf bin Hashim | - | - |
| 8. | Sakthivel a/l Alagappan | - | - |
| 9. | Datuk Wira Ir. Md Sidek bin Ahmad | - | - |
| 10. | Tan Sri Dato' Seri Chor Chee Heung | - | - |

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

| No. | Name of Substantial Shareholders | No. of Shares | % |
|-----|----------------------------------|---------------|-------|
| 1. | Khazanah Nasional Berhad | 1,673,655,861 | 29.66 |
| 2. | Employees Provident Fund Board | *922,451,219 | 16.34 |
| 3. | Skim Amanah Saham Bumiputera | *500,000,000 | 8.86 |

* Including TNB shares held under nominees accounts.

TOP 30 SECURITIES ACCOUNT HOLDERS

| No. | Name of Shareholders | No. of Shares | % |
|-----|--------------------------------------------------------------------------------------------------------|---------------|-------|
| 1. | Khazanah Nasional Berhad | 1,673,655,861 | 29.66 |
| 2. | Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board | 851,835,182 | 15.09 |
| 3. | AmanahRaya Trustees Berhad Skim Amanah Saham Bumiputera | 500,000,000 | 8.86 |
| 4. | HSBC Nominees (Asing) Sdn. Bhd. Exempt An For The Bank Of New York Mellon (Mellon Acct) | 103,828,731 | 1.84 |
| 5. | Kumpulan Wang Persaraan (Diperbadankan) | 99,127,125 | 1.76 |
| 6. | AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020 | 96,631,225 | 1.71 |
| 7. | Cartaban Nominees (Asing) Sdn. Bhd. Exempt An For State Street Bank & Trust Company (West CLT OD67) | 82,384,130 | 1.46 |
| 8. | Lembaga Tabung Haji | 80,328,600 | 1.42 |
| 9. | AmanahRaya Trustees Berhad Amanah Saham Malaysia | 72,400,000 | 1.28 |
| 10. | Cartaban Nominees (Asing) Sdn. Bhd. GIC Private Limited For Government Of Singapore (C) | 60,787,525 | 1.08 |

STATISTICS OF SHAREHOLDINGS

AS AT 15 OCTOBER 2015

| No. | Name of Shareholders | No. of Shares | % |
|--------------|-----------------------------------------------------------------------------------------------------------------|----------------------|--------------|
| 11. | Cartaban Nominees (Tempatan) Sdn. Bhd. Exempt An For Eastspring Investments Berhad | 59,977,618 | 1.06 |
| 12. | HSBC Nominees (Asing) Sdn. Bhd. BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund | 59,285,007 | 1.05 |
| 13. | HSBC Nominees (Asing) Sdn. Bhd. Exempt An For J.P. Morgan Chase Bank, National Association (U.S.A.) | 52,340,837 | 0.93 |
| 14. | Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1) | 49,205,525 | 0.87 |
| 15. | AmanahRaya Trustees Berhad AS 1Malaysia | 48,623,600 | 0.86 |
| 16. | Permodalan Nasional Berhad | 39,165,100 | 0.69 |
| 17. | HSBC Nominees (Asing) Sdn. Bhd. Exempt An For J.P. Morgan Chase Bank, National Association (JPMELAB AIF APG) | 38,218,750 | 0.68 |
| 18. | AMSEC Nominees (Tempatan) Sdn. Bhd. AmTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) | 32,630,700 | 0.58 |
| 19. | AmanahRaya Trustees Berhad Amanah Saham Didik | 30,232,237 | 0.53 |
| 20. | AmanahRaya Trustees Berhad Public Islamic Dividend Fund | 28,573,175 | 0.51 |
| 21. | Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An For AIA Bhd. | 27,890,825 | 0.49 |
| 22. | Affin Hwang Nominees (Asing) Sdn. Bhd. RSS/SBL For Deutsche Bank Aktiengesellschaft (London Branch) | 26,486,100 | 0.47 |
| 23. | HSBC Nominees (Asing) Sdn. Bhd. Exempt An For J.P. Morgan Bank Luxembourg S.A. | 25,693,200 | 0.46 |
| 24. | Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Ittikal Fund (N14011970240) | 24,250,000 | 0.43 |
| 25. | HSBC Nominees (Asing) Sdn. Bhd. HSBC BK PLC For Saudi Arabian Monetary Agency | 23,472,100 | 0.41 |
| 26. | Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100) | 21,862,875 | 0.39 |
| 27. | Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN) | 21,325,700 | 0.38 |
| 28. | AmanahRaya Trustees Berhad Public Islamic Select Enterprises Fund | 19,350,700 | 0.34 |
| 29. | HSBC Nominees (Asing) Sdn. Bhd. HSBC BK PLC For Abu Dhabi Investment Authority (AGUS) | 18,972,200 | 0.34 |
| 30. | Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (NOMURA) | 18,054,362 | 0.32 |
| Total | | 4,286,588,990 | 75.95 |

NET BOOK VALUE OF LAND AND BUILDINGS

AS AT 31 AUGUST 2015

| Property List | LAND | | | | | | BUILDINGS | | | DESCRIPTION | | | |
|---------------------|-----------------|-------------------|------------------|-----------------|-------------------|------------------|---------------|-------------------|----------------------|--------------|--------------------|-------------------|----------------------------------------------------|
| | Leasehold | | | Freehold | | | Total | No. | Built-Up Area (sq M) | | Total NBV (RM'000) | | |
| | No. of Lots (1) | Area (sq M) (2) | NBV (RM'000) (3) | No. of Lots (4) | Area (sq M) (5) | NBV (RM'000) (6) | | | | | | No. of Lots (1+4) | Area (sq M) (2+5) |
| Location | | | | | | | | | | | | | |
| Perlis | 47 | 156,413 | 1,850 | 59 | 57,304 | 3,494 | 106 | 213,717 | 5,344 | 74 | 11,369 | 33,198 | Power Stations, Rural Power Stations, |
| Kedah | 295 | 1,056,263 | 14,668 | 526 | 901,370 | 34,367 | 821 | 1,957,633 | 49,035 | 343 | 130,159 | 250,574 | Mini Hydros, Jetties, Dams |
| Pulau Pinang | 193 | 719,486 | 65,194 | 575 | 724,038 | 60,985 | 768 | 1,443,524 | 126,179 | 287 | 100,968 | 437,596 | Main Intake Substations, |
| Perak | 716 | 5,735,639 | 353,945 | 519 | 4,346,412 | 94,924 | 1,235 | 10,082,051 | 448,869 | 873 | 665,368 | 2,100,804 | Distribution Substations, Residential Houses, |
| Selangor | 801 | 8,574,280 | 360,112 | 1,112 | 2,506,514 | 281,345 | 1,913 | 11,080,794 | 641,457 | 1,489 | 705,209 | 2,372,132 | Houses, Apartments, Holiday Bungalows, |
| W.Persekutuan | 382 | 300,949 | 71,795 | 469 | 463,994 | 148,091 | 851 | 764,943 | 219,886 | 544 | 269,759 | 777,265 | Office Buildings, Warehouses, Stores and Workshops |
| Putrajaya/Cyberjaya | 6 | 588,490 | 13,748 | 7 | 1,554 | 1,618 | 13 | 590,044 | 15,366 | 62 | 8,581 | 35,212 | |
| N.Sembilan | 276 | 535,273 | 15,835 | 352 | 1,007,075 | 43,277 | 628 | 1,542,348 | 59,112 | 246 | 445,535 | 498,849 | |
| Melaka | 343 | 666,693 | 24,018 | 353 | 188,360 | 23,345 | 696 | 855,053 | 47,363 | 73 | 145,343 | 126,389 | |
| Johor | 961 | 3,218,407 | 434,279 | 923 | 847,007 | 49,384 | 1,884 | 4,065,414 | 483,663 | 504 | 234,304 | 796,955 | |
| Pahang | 349 | 1,316,113 | 21,123 | 346 | 297,837 | 14,409 | 695 | 1,613,950 | 35,532 | 464 | 265,983 | 518,639 | |
| Terengganu | 360 | 2,119,260 | 28,816 | 115 | 10,982,150 | 43,508 | 475 | 13,101,410 | 72,324 | 254 | 477,406 | 468,569 | |
| Kelantan | 360 | 1,288,093 | 9,384 | 314 | 489,894 | 21,391 | 674 | 1,777,987 | 30,775 | 344 | 658,187 | 876,289 | |
| Sabah | 83 | 6,261,621 | 8,980 | 64 | 4,501,754 | 35,693 | 147 | 10,763,375 | 44,673 | 556 | 651,954 | 296,341 | |
| Pakistan | 1 | 38,141 | 143 | 1 | 790,344 | 2,057 | 2 | 828,485 | 2,200 | 1 | 12,713 | 658 | |
| Total | 5,173 | 32,575,121 | 1,423,890 | 5,735 | 28,105,607 | 857,888 | 10,908 | 60,680,728 | 2,281,778 | 6,114 | 4,782,838 | 9,589,470 | |

PROXY FORM



25th Annual General Meeting

(Before completing the form, please refer to the notes overleaf)

| | | | | | | | | | | | | | |
|----------------------------------|-----------------|--|--|---|--|--|--|--|---|--|--|--|--|
| Number of Ordinary Share(s) held | CDS Account No. | | | | | | | | | | | | |
| | | | | - | | | | | - | | | | |

I/We, _____
(FULL NAME OF SHAREHOLDER AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

NRIC No. /Passport No. /Company No. _____ of _____
(FULL ADDRESS)

(FULL ADDRESS)

Telephone No. _____

being a Member of Tenaga Nasional Berhad, hereby appoint:

| | FULL NAME OF PROXY AS PER NRIC IN CAPITAL LETTERS | NO. OF SHARES | PERCENTAGE (%) | |
|--------------|---------------------------------------------------|---------------|----------------|--------------------|
| Proxy 1 | NRIC No./Passport No.: | | | or failing him/her |
| Proxy 2 | NRIC No./Passport No.: | | | or failing him/her |
| TOTAL | | | 100% | |

the **Chairman of the Meeting, as my/our proxy, to attend and vote for me/us and on my/our behalf at the **25th ANNUAL GENERAL MEETING** of **TENAGA NASIONAL BERHAD ("TNB")** to be held at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur on **MONDAY, 14 DECEMBER 2015** at **10.00 a.m.** and/or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

| NO. | RESOLUTIONS | FOR | AGAINST |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|
| ORDINARY BUSINESS | | | |
| 1. | To receive the Audited Financial Statements for the Financial Year ended 31 August 2015 and the Reports of the Directors and Auditors thereon | NA | NA |
| 2. | ORDINARY RESOLUTION 1 Declaration of A Final Single-Tier Dividend | | |
| 3. | ORDINARY RESOLUTION 2 Approval for Payment of Directors' Fees | | |
| 4. | ORDINARY RESOLUTION 3 Re-election of Tan Sri Dato' Seri Chor Chee Heung who retires in accordance with Article 133 of the Company's Articles of Association | | |
| | Re-election of the following Directors who retire in accordance with Article 135 of the Company's Articles of Association: | | |
| 5. | ORDINARY RESOLUTION 4 Datuk Seri Ir. Azman bin Mohd | | |
| 6. | ORDINARY RESOLUTION 5 Datuk Nozirah binti Bahari | | |
| | Re-appointment of the following Directors in accordance with Section 129(6) of the Companies Act, 1965: | | |
| 7. | ORDINARY RESOLUTION 6 Tan Sri Leo Moggie | | |
| 8. | ORDINARY RESOLUTION 7 Tan Sri Dato' Seri Siti Norma binti Yaakob | | |
| 9. | ORDINARY RESOLUTION 8 Re-appointment of Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| SPECIAL BUSINESS | | | |
| 10. | ORDINARY RESOLUTION 9 Specific authority for the Directors to issue shares pursuant to the Long Term Incentive Plan for the Eligible Employees of TNB and Its Subsidiaries and Executive Directors of TNB | | |
| 11. | ORDINARY RESOLUTION 10 Proposed Grant and Allotment of Shares to Datuk Seri Ir. Azman bin Mohd | | |
| 12. | ORDINARY RESOLUTION 11 Proposed Continuation in Office of Dato' Zainal Abidin bin Putih as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 | | |
| 13. | ORDINARY RESOLUTION 12 Proposed renewal of Share Buy-Back Authority | | |

Please indicate with an "X" in the box provided for each Resolution as how you wish your votes to be cast. If no voting instruction is given, the proxy/proxies is/are hereby authorised to vote, or abstain from voting at his/her discretion.

** If you do not wish to appoint the Chairman of the Meeting as your proxy/one (1) of your proxies, please strike out the words "the Chairman of the Meeting" and insert the name(s) of the proxy/proxies you wish to appoint in the blank spaces provided.

In the case of a vote taken by a show of hands, *Proxy 1/*Proxy 2 (one only) vote on my/our behalf.

* Strike out whichever inapplicable.

Dated this _____ day of _____, 2015

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

NOTES:

1. Only members registered in the Record of Depositors as at 7 December 2015 shall be eligible to attend the Annual General Meeting or appoint proxy to attend and vote on their behalf.
2. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that, where a member is an authorised nominee as defined in accordance with the provisions of the Securities Industries (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
5. The instrument appointing a proxy/Proxy Form shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy/Proxy Form is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
6. A corporation which is a member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting in accordance with Article 107(6) of the Company's Articles of Association.
7. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the Meeting or **no later than 12 December 2015 at 10.00 a.m.**
8. Every question submitted to any general meeting shall be decided in the first instance by a show of hands by members present and being entitled to vote at the general meeting and in the case of an equality of votes, the Chairman (unless he is not the Chairman of the Board of Directors) shall both on a show of hands by members present and being entitled to vote at the general meeting and at a poll, have a casting vote in addition to the vote or votes to which he may be entitled as a member.
9. At any general meeting unless a poll is demanded by the Chairman or by at least five (5) members present in person or proxy and being entitled to vote at the general meeting or attorney or by any member or members holding or representing by proxy or power of attorney not less than one-tenth (1/10) of the issued share capital of the Company and entitled to vote in respect thereof, a declaration by the Chairman that a resolution has been carried or carried unanimously or carried by a particular majority or lost, or not carried by a particular majority or lost and an entry to that effect in the minutes of the proceedings of the Meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes given for or against such resolution.
10. The demand for a poll may be withdrawn. Unless a poll be so demanded, it shall be taken in such manner and at such time and place as the Chairman of the Meeting directs and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.
11. A poll demanded on the election of a Chairman of a meeting and a poll demanded on a question of adjournment shall be taken at the Meeting without adjournment. In the case of any dispute as to the admission or rejection of a vote, the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.
12. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the business on which a poll has been demanded.

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AFFIX STAMP

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

2. Fold Here To Seal

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TENAGA NASIONAL BERHAD

No. 129, Jalan Bangsar, 59200 Kuala Lumpur
Tel: +603 2180 4582 Fax: +603 2180 4589 Email: cosec@tnb.com.my

www.tnb.com.my



This Annual Report 2015
is printed on FSC-certified paper.



Better Environment
Brighter Future