Sarawak Energy Berhad
(007199-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2017

Company No: 007199-D

Sarawak Energy Berhad
(Incorporated in Malaysia)

Directors:	Datuk Amar Abdul Hamed Bin Sepawi Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani Tan Sri Dato Sri Mohd Hassan Bin Marican Dato' Haji Idris Bin Haji Buang Dato Sri Fong Joo Chung
Secretary:	Lim Li Na
Registered office:	9th Floor, Menara Sarawak Energy No. 1, The Isthmus 93050 Kuching, Sarawak
Auditors:	Ernst & Young

Company No: 007199-D

Sarawak Energy Berhad
(Incorporated in Malaysia)

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The principal activities of the Company are investment holding as well as undertaking development and construction of power generation facilities. The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit net of tax	1,494,904	97,398
Profit attributable to:		
Owners of the Company	1,495,161	97,398
Non-controlling interests	(257)	-
	1,494,904	97,398

In the opinion of the Directors, except for the recognition of gain on bargain purchase amounting to RM508.8 million arising from the acquisition of entire equity interest in Sarawak Hidro Sdn. Bhd. and its subsidiary [see Note 17(a)], the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors

The names of the Directors of the Group and of the Company in office since the beginning of the financial year to the date of this report are:

Directors of the Company

Datuk Amar Abdul Hamed Bin Sepawi* - Chairman
Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani*
Tan Sri Dato Sri Mohd Hassan Bin Marican
Dato' Haji Idris Bin Haji Buang
Dato Sri Fong Joo Chung*

* Directors of the Company and its subsidiary(ies)

Directors of the subsidiaries

The Directors of the subsidiaries of the Company since the beginning of the financial year to the date of this report (not included those Directors listed above) are:

Dato Ir. Alice Jawan Empaling (appointed on 2.5.2017)
Datuk Joseph Mauh Ak Ikeh
Dato Sri Ahmad Tarmizi Bin Haji Sulaiman
Dato' Sri Ir. Wahab Bin Suhaili
Palu @ Paulus Palu Anak Gumbang
Gerald Rentap Jabu
Hasmawati Binti Sapawi (Alternate Director to Dato Sri Ahmad Tarmizi Bin Haji Sulaiman)
Sharbini Bin Suhaili
Lu Yew Hung @ Lu Yew Hong
Ung Sing Kwong
Aisah Eden
Ting Ching Zung
Alexander Chin
Tuan Haji Sulaiman bin Haji Abdul Hamid
Dr. Mak Anak Met (appointed on 2.10.2017)
David James Lawrence (appointed on 2.10.2017)
Polycarp Wong Heang Fui @ Wong Heong Fui
Alvin Lim Khiok Leong
Chan Siak Phui @ Chen Shiek Pei
Richard Wong Shoon Fook
Bernard Wong Shoon Tet
Adrian Ling Yew Huang
Chean Chee Meng
Sim Boon Hiong
Siaw Lu Howe
Paramanathan a/l Sathasivam (Alternate Director to Sim Boon Hiong) (appointed on 28.6.2017)

Directors of the subsidiaries (cont'd.)

Chan Choo Teck (Alternate Director to Ting Ching Zung for one subsidiary) (appointed on 18.10.2017)
Yong Kiam Shin (Alternate Director to Alexander Chin for one subsidiary) (appointed on 18.10.2017)
Tan Eke Luck (Alternate Director to Bernard Wong Shoon Tet) (appointed on 21.12.2017)
Phang Chung Tchet
Madinah Binti Abang
Miguel Maria Pariera Vilardebo Loureiro
Rui Alexandre Pires Diniz
Leong Nam Sen
Datu Haji Ubaidillah Bin Haji Abdul Latip (resigned on 2.5.2017)

Directors' benefits

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors might 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 included in the aggregate amount of remunerations received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' interests

None of the Directors in office at the end of the financial year had any interest in the shares of the Company or of its related corporations during the financial year.

Directors' remuneration

The Directors' remuneration are disclosed in Note 10 to the financial statements in accordance with the requirements of the Companies Act 2016.

Indemnification to Directors and officers

During the financial year, the Group maintained a Directors' and Officers' Liability ("DOL") Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the DOL Insurance effected for the Directors and officers of the Group was RM50 million in aggregate. The amount of insurance premium payable for the financial year was RM43,705.

Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

Other statutory information (cont'd.)

(f) 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 and of the Company to meet their obligations when they fall due.

(g) In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Controlling shareholder

The Directors regard State Financial Secretary, Sarawak, a statutory corporation established under the State Financial Secretary (Incorporation) Ordinance of Sarawak, as the controlling shareholder of the Company.

Significant event

On 16 August 2017, the Company via its wholly-owned subsidiary, namely SEB Power Sdn. Bhd. completed the acquisition of the entire equity interest in Sarawak Hidro Sdn. Bhd. and its subsidiary, Sarawakhidro Power Sdn. Bhd., from the Ministry of Finance and Pesuruhjaya Tanah Persekutuan for a total cash consideration of RM2.5 billion.

Subsequent event

In March 2018, the Company's wholly-owned subsidiary, namely Syarikat SESCO Berhad disposed of its entire equity interest in Sarawak Gas Distribution Sdn. Bhd. representing 2,700,000 ordinary shares to State Financial Secretary, Sarawak for a total cash consideration of RM1.2 million. The Group had recognised an impairment loss of RM14.5 million on the investment in this associate for the financial year ended 31 December 2017.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remuneration are disclosed in Note 8 to the financial statements.

Indemnification of auditors

Any indemnity given to or insurance effected for the auditors of the Company is to be made to the extent as permitted under Section 289 of the Companies Act 2016. There is no amount of indemnity given or insurance effected for its auditors during the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 MAR 2018

Dato Sri Fong Joo Chung

Dato' Haji Idris Bin Haji Buang

Company No: 007199-D

Sarawak Energy Berhad
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

We, **Dato Sri Fong Joo Chung** and **Dato' Haji Idris Bin Haji Buang**, being two of the Directors of **Sarawak Energy Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 13 to 141 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 MAR 2018

Dato Sri Fong Joo Chung

Dato' Haji Idris Bin Haji Buang

Statutory Declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Alexander Chin**, being the officer primarily responsible for the financial management of **Sarawak Energy Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 13 to 141 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.

Subscribed and solemnly declared by the
abovenamed **Alexander Chin**
at Kuching in the State of Sarawak
on 29 MAR 2018

Alexander Chin

Before me,

PESURUHJAYA SUMPAH
Q 137
EVELYN
LAU SIE JIONG
MALAYSIA

EVELYN LAU SIE JIONG
Commissioner For Oaths
No.10, Lot 663, Ground Floor
Lorong 2 Jalan Ong Tiang Swee
93200 Kuching, Sarawak.

EY
Building a better working world

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Company No: 007199-D

Independent Auditors' Report to the Members of Sarawak Energy Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Sarawak Energy Berhad**, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Company No: 007199-D

**Independent Auditors' Report to the Members of
Sarawak Energy Berhad (cont'd.)**

Report on the audit of the financial statements (cont'd.)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Company No: 007199-D

Independent Auditors' Report to the Members of Sarawak Energy Berhad (cont'd.)

Report on the audit of the financial statements (cont'd.)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Report on the audit of the financial statements (cont'd.)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Company No: 007199-D

Independent Auditors' Report to the Members of Sarawak Energy Berhad (cont'd.)

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

AU YONG SWEE YIN
3101/02/20 (J)
Chartered Accountant

Kuching, Malaysia
Date: 29 MAR 2018

Sarawak Energy Berhad

Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	4	4,904,638	4,153,935	753,007	1,871,465
Cost of sales		(2,913,291)	(2,993,704)	(623,490)	(1,592,012)
Gross profit		1,991,347	1,160,231	129,517	279,453
Other items of income					
Interest income	5	69,950	95,887	26,873	67,741
Other income	6	254,478	249,066	9,443	1,396
Other items of expense					
Administrative and other expenses		(464,408)	(378,940)	(40,183)	(30,660)
Finance costs	7	(530,532)	(380,819)	(29,479)	(65,317)
Share of results of associates, net of tax		3,562	6,824	-	-
Profit before tax, exclusive of one-off gain		1,324,397	752,249	96,171	252,613
Gain on bargain purchase	17(a)	508,790	-	-	-
Profit before tax, inclusive of one-off gain	8	1,833,187	752,249	96,171	252,613
Income tax expense	11	(338,283)	(206,401)	1,227	(2,342)
Profit net of tax		1,494,904	545,848	97,398	250,271
Profit attributable to:					
Owners of the Company		1,495,161	548,168	97,398	250,271
Non-controlling interests		(257)	(2,320)	-	-
		1,494,904	545,848	97,398	250,271
Basic earnings per ordinary share attributable to owners of the Company (sen)	12	92.8	34.0		

Sarawak Energy Berhad

Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Profit net of tax		1,494,904	545,848	97,398	250,271
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Loss on fair value changes of available-for-sale financial assets		(17,291)	(22,007)	(17,291)	(22,007)
Net movement on cash flow hedges - foreign exchange forward contracts		-	6,264	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial loss arising from remeasurement of defined benefit plan	31	-	(36,565)	-	(381)
Income tax relating to actuarial loss recognised	11	-	8,684	-	-
Other comprehensive income, net of tax		(17,291)	(43,624)	(17,291)	(22,388)
Total comprehensive income for the financial year		1,477,613	502,224	80,107	227,883
Total comprehensive income attributable to:					
Owners of the Company		1,477,870	504,544	80,107	227,883
Non-controlling interests		(257)	(2,320)	-	-
		1,477,613	502,224	80,107	227,883

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sarawak Energy Berhad

Statements of Financial Position as at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	27,558,928	17,019,679	3,541	9,630
Mine development expenditure	14	29,392	2,300	-	-
Exploration and evaluation expenditure	15	109,666	83,084	-	-
Deferred stripping costs	16	376	-	-	-
Investment in subsidiaries	17	-	-	2,274,729	1,515,729
Investment in associates	18	22,359	33,314	14,100	14,100
Other investments	19	37,203	54,494	37,203	54,494
Deferred tax assets	20	1,029,118	1,098,065	1,193	-
Other receivables	23	-	-	5,948,598	7,067,133
		28,787,042	18,290,936	8,279,364	8,661,086
Current assets					
Inventories	21	141,508	133,762	-	-
Land held for sale	22	9,316	-	9,171	-
Trade and other receivables	23	945,632	893,384	727,565	405,827
Income tax recoverable		60,997	813	1,656	-
Other current assets	24	457,662	311,913	2,686,884	2,105,999
Cash and bank balances	26	3,937,077	2,032,350	1,831,402	1,414,355
		5,552,192	3,372,222	5,256,678	3,926,181
TOTAL ASSETS		34,339,234	21,663,158	13,536,042	12,587,267
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	27	2,494,215	2,243,702	337,228	468,130
Other current liabilities	28	8,256	4,940	-	-
Loans and borrowings	29	1,770,018	80,017	700,000	-
Income tax payable		6,275	31,494	-	562
Retirement benefit obligations	31	7,810	6,711	29	26
		4,286,574	2,366,864	1,037,257	468,718

Statements of Financial Position as at 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
EQUITY AND LIABILITIES (CONT'D.)					
Non-current liabilities					
Deferred tax liabilities	20	1,362,576	605,506	-	-
Loans and borrowings	29	18,090,184	9,800,038	9,800,000	9,500,000
Deferred income	30	2,216,158	2,005,144	-	-
Retirement benefit obligations	31	243,846	228,323	1,536	1,407
		21,912,764	12,639,011	9,801,536	9,501,407
Total liabilities		26,199,338	15,005,875	10,838,793	9,970,125
Equity attributable to owners of the Company					
Share capital	32	1,833,341	1,610,569	1,833,341	1,610,569
Share premium	32	-	149,644	-	149,644
Capital redemption reserve	32	-	73,128	-	73,128
Reserves	33	6,281,982	4,804,112	863,908	783,801
		8,115,323	6,637,453	2,697,249	2,617,142
Non-controlling interests		24,573	19,830	-	-
Total equity		8,139,896	6,657,283	2,697,249	2,617,142
TOTAL EQUITY AND LIABILITIES		34,339,234	21,663,158	13,536,042	12,587,267

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2017

Group	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Available-for-sale reserve RM'000	General reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Equity attributable to owners of the Company							→		
			← *Non-distributable*			→	← *Distributable* →				
Opening balance at 1 January 2017		1,610,569	149,644	85,355	73,128	(1,397)	94,147	4,626,007	6,637,453	19,830	6,657,283
Profit for the year		-	-	-	-	-	-	1,495,161	1,495,161	(257)	1,494,904
Other comprehensive income		-	-	-	-	(17,291)	-	-	(17,291)	-	(17,291)
Total comprehensive income for the financial year		-	-	-	-	(17,291)	-	1,495,161	1,477,870	(257)	1,477,613
Transactions with owners											
Capital contribution from non-controlling interests	17(b)	-	-	-	-	-	-	-	-	5,000	5,000
Transition to no-par value regime on 31 January 2017*		222,772	(149,644)	-	(73,128)	-	-	-	-	-	-
Transfer to retained earnings		-	-	(85,355)	-	-	(94,147)	179,502	-	-	-
Closing balance at 31 December 2017		1,833,341	-	-	-	(18,688)	-	6,300,670	8,115,323	24,573	8,139,896
		(Note 32)	(Note 32)	(Note 33)	(Note 32)	(Note 33)	(Note 33)	(Note 33)		(Note 17)	

* The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently the amounts standing to the credit of the share premium and capital redemption reserve became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2017 (cont'd.)

		Equity attributable to owners of the Company										
			Non-distributable					Distributable				
Group (cont'd.)	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Hedge reserve RM'000	Available-for-sale reserve RM'000	General reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Opening balance at 1 January 2016		1,610,569	149,644	85,355	73,128	(6,264)	20,610	94,147	4,105,720	6,132,909	13,741	6,146,650
Profit for the year		-	-	-	-	-	-	-	548,168	548,168	(2,320)	545,848
Other comprehensive income		-	-	-	-	6,264	(22,007)	-	(27,881)	(43,624)	-	(43,624)
Total comprehensive income for the financial year		-	-	-	-	6,264	(22,007)	-	520,287	504,544	(2,320)	502,224
Transactions with owners												
Capital contribution from non-controlling interests	17(b)	-	-	-	-	-	-	-	-	-	8,400	8,400
Strike off of subsidiary		-	-	-	-	-	-	-	-	-	9	9
Closing balance at 31 December 2016		1,610,569	149,644	85,355	73,128	-	(1,397)	94,147	4,626,007	6,637,453	19,830	6,657,283
		(Note 32)	(Note 32)	(Note 33)	(Note 32)		(Note 33)	(Note 33)	(Note 33)		(Note 17)	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2017 (cont'd.)

		← *Non-distributable*		→	← *Distributable*	→	
Company	**Share capital** RM'000	**Share premium** RM'000	**Capital redemption reserve** RM'000	**Available-for-sale reserve** RM'000	**General reserve** RM'000	**Retained earnings** RM'000	**Total** RM'000
Opening balance at 1 January 2017	1,610,569	149,644	73,128	(1,397)	5,000	780,198	2,617,142
Profit for the year	-	-	-	-	-	97,398	97,398
Other comprehensive income	-	-	-	(17,291)	-	-	(17,291)
Total comprehensive income for the financial year	-	-	-	(17,291)	-	97,398	80,107
Transition to no-par value regime on 31 January 2017*	222,772	(149,644)	(73,128)	-	-	-	-
Transfer to retained earnings	-	-	-	-	(5,000)	5,000	-
Closing balance at 31 December 2017	1,833,341	-	-	(18,688)	-	882,596	2,697,249
	(Note 32)	(Note 32)	(Note 32)	(Note 33)	(Note 33)	(Note 33)	

* The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently the amounts standing to the credit of the share premium and capital redemption reserve became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Sarawak Energy Berhad

Statements of Changes in Equity
For the financial year ended 31 December 2017 (cont'd.)

		← *Non-distributable*		→	← *Distributable*	→	
Company (cont'd.)	**Share capital** RM'000	**Share premium** RM'000	**Capital redemption reserve** RM'000	**Available-for-sale reserve** RM'000	**General reserve** RM'000	**Retained earnings** RM'000	**Total** RM'000
Opening balance at 1 January 2016	1,610,569	149,644	73,128	20,610	5,000	530,308	2,389,259
Profit for the year	-	-	-	-	-	250,271	250,271
Other comprehensive income	-	-	-	(22,007)	-	(381)	(22,388)
Total comprehensive income for the financial year	-	-	-	(22,007)	-	249,890	227,883
Closing balance at 31 December 2016	1,610,569	149,644	73,128	(1,397)	5,000	780,198	2,617,142
	(Note 32)	(Note 32)	(Note 32)	(Note 33)	(Note 33)	(Note 33)	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Sarawak Energy Berhad

Statements of Cash Flows
For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Operating activities					
Profit before tax, inclusive of one-off gain		1,833,187	752,249	96,171	252,613
Adjustments for:					
Amortisation of deferred income	6	(122,514)	(116,912)	-	-
Amortisation of mine development expenditure	8	162	162	-	-
Bad debts written off	8	310	263	-	-
Depreciation of property, plant and equipment	8	1,049,054	631,976	364	494
Dividend income from:					
- subsidiaries	4	-	-	(100,000)	(248,000)
- other investment	4	(1,572)	(2,620)	(1,572)	(2,620)
Gain on bargain purchase	17(a)	(508,790)	-	-	-
Interest expense on loans and borrowings	7	32,938	3	914	-
Profit payments on Islamic debt securities	7	497,594	380,816	28,565	65,317
Interest income from loans and receivables	5	(69,950)	(95,887)	(26,873)	(67,741)
Net loss/(gain) on disposal of property, plant and equipment	8	3,384	5,850	(9)	(68)
Impairment loss on investment in associate	8	14,517	-	-	-
Net impairment loss on receivables	8	42,317	15,846	-	-
Property, plant and equipment written off	8	1,001	17,343	-	4
Provision for stock obsolescence	8	2,438	2,472	-	-
Retirement benefit obligations	9	24,338	23,920	160	124
Share of results of associates		(3,562)	(6,824)	-	-
Unrealised loss/(gain) on foreign exchange, net	8	22,576	(26,675)	(3,873)	2,532
Operating cash flows before changes in working capital		2,817,428	1,581,982	(6,153)	2,655

Company No: 007199-D

Sarawak Energy Berhad

Statements of Cash Flows
For the financial year ended 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Operating activities (cont'd)					
Changes in working capital:					
Inventories		(7,382)	(23,914)	-	-
Receivables		619,054	(308,798)	1,239,019	(609,576)
Other current assets		(145,380)	(92,694)	(580,884)	(1,450,862)
Payables		(499,824)	914,726	(128,568)	269,418
Other current liabilities		3,316	(2,366)	-	-
Total changes in working capital		(30,216)	486,954	529,567	(1,791,020)
Cash flows from/(used in) operations		2,787,212	2,068,936	523,414	(1,788,365)
Interest paid		(15,889)	(3)	(914)	-
Taxes paid, net of refund		(173,494)	(134,403)	(2,184)	(1,030)
Retirement benefit paid	31	(7,716)	(6,506)	(28)	(19)
Net cash flows from/(used in) operating activities		2,590,113	1,928,024	520,288	(1,789,414)
Investing activities					
Acquisition of exploration and evaluation expenditure	15	(26,582)	(50,626)	-	-
Acquisition of mine development expenditure	14	(27,254)	-	-	-
Incurrence of deferred stripping costs	16	(376)	-	-	-
Capital contributions received	30	333,528	295,104	-	-
Acquisition of property, plant and equipment	13	(3,086,502)	(3,330,678)	(3,446)	(84)
Proceeds from disposal of property, plant and equipment		936	1,138	9	68
Interests received		93,903	110,407	34,911	79,273
Dividends received		1,572	2,620	101,572	250,620
Acquisition of subsidiaries, net of cash acquired	17(a)	(1,858,235)	-	-	-
Proceeds from disposal of investment in subsidiaries		-	-	-	369,881
Increase in investment in existing subsidiaries	17(b)	-	-	(759,000)	-
(Decrease)/Increase in short-term deposits with maturity more than 3 months		(5,190)	1,377,531	-	1,377,531
Net cash flows (used in)/from investing activities		(4,574,200)	(1,594,504)	(625,954)	2,077,289

Sarawak Energy Berhad

Statements of Cash Flows
For the financial year ended 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Financing activities					
Profit payments on Islamic debt securities		(516,586)	(445,253)	(477,285)	(410,771)
Net drawdown and repayment of Islamic debt securities		820,000	935,000	1,000,000	1,000,000
Net drawdown and repayment of other loans and borrowings		2,520,147	(16)	-	-
Increase in cash and bank balances placed in designated accounts		(27,587)	-	-	-
Decrease/(Increase) in short-term deposits with licensed bank pledged for borrowings		4,881	(37,077)	136	(39,358)
Capital contribution from non-controlling interests	17(b)	5,000	8,400	-	-
Net cash flows from financing activities		2,805,855	461,054	522,851	549,871
Net increase in cash and cash equivalents		821,768	794,574	417,185	837,746
Effect of exchange rate changes on cash and cash equivalents		(24,612)	23,930	(2)	2
Cash and cash equivalents at 1 January		1,478,592	660,088	915,928	78,180
Cash and cash equivalents at 31 December	26	2,275,748	1,478,592	1,333,111	915,928

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

The principal activities of the Company are investment holding as well as undertaking development and construction of power generation facilities. The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The controlling shareholder of the Company is the State Financial Secretary, Sarawak, a statutory corporation established under the State Financial Secretary (Incorporation) Ordinance of Sarawak. The registered office of the Company is located at 9th Floor, Menara Sarawak Energy, No. 1, The Isthmus, 93050 Kuching, Sarawak.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as disclosed below:

On 1 January 2017, the Group and the Company adopted the applicable new and amended MFRSs and Annual Improvements which were effective for annual financial periods beginning on or after 1 January 2017 as set out in the ensuing pages.

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014-2016 Cycle: Amendments to MFRS 12: Disclosure of Interests in Other Entities - Clarification of the Scope of Disclosure Requirements in MFRS 12	1 January 2017

(a) Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Note 29, the application of these amendments has no impact on the Group and the Company.

(b) Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2014-2016 Cycle:	
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 128: Investments in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 16 Leases	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle:	
(i) Amendments to MFRS 3: Business Combinations	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowings Costs	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128: Long-term Interest in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Except for the new or revised MFRSs and amendments to MFRSs discussed below, there are no standards that have been issued but not yet effective that would be expected to have a material impact on the Group and on the Company in the current or future reporting periods.

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective (cont'd.)

(a) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group and the Company plan to adopt the new standard on the required effective date using the full retrospective method. The Group and the Company have assessed the effects of applying the new standard on the Group's and the Company's financial statements and have identified the following areas that will be affected.

(i) Transfer of assets from customers

The Group currently accounts for the revenue arising from assets transferred from customers in profit or loss when the performance obligations associated with receiving those customer contribution are met. Certain percentage of fair value of the assets are recognised upon the receipt of assets and the remaining amounts are recognised over the estimated useful life of assets contributed. Under MFRS 15, revenue from transfer of assets from customers shall be amortised over the useful life of the assets contributed as the connection services to the power network are not considered to be distinct as the customers cannot benefit from the service on its own or together with other resources that are readily available to the customers.

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective (cont'd.)

(a) MFRS 15 Revenue from Contracts with Customers (cont'd.)

(i) Transfer of assets from customers (cont'd.)

Impact on statement of financial position [increase/(decrease)] as at 1 January 2017:

	RM'000
Liabilities	
Deferred income	83,791
Equity	
Retained earnings	(83,791)

Impact on statement of financial position [increase/(decrease)] as at 31 December 2017:

	RM'000
Liabilities	
Deferred income	99,355
Equity	
Retained earnings	(99,355)

Impact on the statement of profit or loss [increase/(decrease)] for the year ended 31 December 2017:

	RM'000
Other operating income - Amortisation of deferred income	5,131
Other operating income - Customers' contribution for connection charges	(20,695)
Net impact on profit for the year	
Attributable to:	
Owners of the Company	(15,564)
Non-controlling interests	-

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective (cont'd.)

(a) MFRS 15 Revenue from Contracts with Customers (cont'd.)

(i) Transfer of assets from customers (cont'd.)

Impact on basic earnings per share (EPS) for the year ended 31 December 2017:

	Increase/(decrease)
Basic	
Earnings per share (sen)	(0.9)

(ii) Recognition of breakage from take or pay volume

If the Group expects to be entitled to breakage from take or pay volume, it shall recognise the estimated breakage amount as revenue proportion to the pattern of rights exercised by the customer (i.e. by comparing the goods or services delivered to date with those expected to be delivered overall) subject to recoverability.

(iii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standards. Many of the disclosure requirements in MFRS 15 are new and the Group and the Company have assessed that the impact of some of these disclosures will be significant. In particular, the Group and the Company expect that the notes to the financial statements will be expanded because of the disclosure of significant judgments made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

(b) MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective (cont'd.)

(b) MFRS 9 Financial Instruments (cont'd.)

Based on the analysis of the Group's and the Company's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the Group and the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(i) Classification and measurement

The Group and the Company do not expect a significant impact on the Group's and the Company's statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. They expect to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in Other Comprehensive Income ("OCI") will, instead be measured by applying the option to present fair value changes in OCI, and, therefore, the application of MFRS 9 will not have a significant impact. Dividends will continue to be recognised in profit or loss if it is a return on investment. No recycling of fair value changes to profit or loss on disposal or in any other circumstances.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group and the Company will apply the simplified approach and record lifetime expected credit losses on loans and receivables. The expected credit loss model is forward-looking and eliminates the needs for a trigger event to have occurred before credit losses are recognised. The application of MFRS 9 will not have a significant impact to the Group's financial statements.

(iii) Hedge accounting

As MFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of MFRS 9 will not have a significant impact on the Group's and the Company's financial statements.

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective (cont'd.)

(c) IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments will not have an impact on the Group and on the Company as the Group and the Company are already accounting for transactions involving the payment or receipt of advance consideration in foreign currency in a way that is consistent with the amendments.

(d) IC Interpretation 23 Uncertainty over Income Tax Treatments

IC Interpretation 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

(i) Whether an entity considers uncertain tax treatments separately;

(ii) The assumptions an entity makes about the estimation of tax treatments by taxation authority;

(iii) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(iv) How an entity considers changes in facts and circumstances.

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective (cont'd.)

(d) IC Interpretation 23 Uncertainty over Income Tax Treatments (cont'd.)

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

(e) MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

2. Summary of significant accounting policies (cont'd.)

2.3 Accounting standards issued but not yet effective (cont'd.)

(e) MFRS 16 Leases (cont'd.)

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 Financial Instruments: Recognition and Measurement either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. Other contingent considerations shall be measured at fair value and such changes shall be recognised in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

Business combinations (cont'd.)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 profit or loss.

The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed is recorded as goodwill. If this consideration is lower than fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.8.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of profit or loss and other comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has power to exercise control over the financial and operating policies of the investee as defined in Note 2.4.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.6 Associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. Summary of significant accounting policies (cont'd.)

2.6 Associates (cont'd.)

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.7 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

2.8 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

2. Summary of significant accounting policies (cont'd.)

2.8 Intangible assets (cont'd.)

Goodwill (cont'd.)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. Summary of significant accounting policies (cont'd.)

2.9 Property, plant and equipment (cont'd.)

Major spare parts and standby equipment are recognised as assets when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Leasehold land with an unexpired lease term of less than 50 years is classified as short term. Whilst those with unexpired lease terms in excess of 50 years are classified as long term.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Leasehold land	-	over period of the lease
Buildings	-	2% to 5%
Structures and improvements	-	1% to 10%
Plant and machinery	-	2.86% to 20%
Lines and distribution mains	-	3.33% to 4%
Distribution services	-	4%
Meters	-	6.67%
Public lighting	-	4%
Motor vehicles	-	10% to 20%
Furniture, fittings, equipment and others	-	6.67% to 50%

Capital work-in-progress are not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd.)

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows of cash-generating units ("CGU").

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial assets (cont'd.)

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

2. Summary of significant accounting policies (cont'd.)

2.11 Financial assets (cont'd.)

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2. Summary of significant accounting policies (cont'd.)

2.12 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.12 Impairment of financial assets (cont'd.)

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.13 Fair value measurements

The Group measures financial instruments, such as, derivatives, at fair value at each reporting date. Also, fair values of the financial instruments measured at amortised cost at each reporting date are disclosed in Note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. Summary of significant accounting policies (cont'd.)

2.13 Fair value measurements (cont'd.)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.14 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.14 Foreign currency (cont'd.)

(b) Foreign currency transactions (cont'd.)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, short term deposits with a maturity of three months or less, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and consumables: purchase costs on a weighted average cost basis.

- The cost of coal inventories includes all costs incurred related to bringing the inventory to its current condition, including contract costs, direct and allocated indirect operating overhead and amortisation expense.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (cont'd.)

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Deferred income

Certain customers are required to contribute towards the cost of revenue earning capital projects. These contributions together with government grants in respect of capital expenditure received prior to 1 January 2011 are credited to the deferred income account and released to the profit or loss on a straight line basis over the estimated useful lives of the related property, plant and equipment except for those relating to projects not yet completed.

All contributions received from customers from that date onwards, when that amount of contributions must be used only to construct or acquire an item of property, plant and equipment, and the item of property, plant and equipment is used to either connect the customers to a network or to provide the customer with ongoing access to supply of goods and services, or to do both, the contributions received are recognised as revenue. Revenue arising from assets received from customers are recognised in profit or loss when the performance obligations associated with receiving those customer contributions are met. For an ongoing service, the revenue shall be recognised over a period no longer than the useful life of the transferred asset used to provide the ongoing service.

2. Summary of significant accounting policies (cont'd.)

2.19 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables, amount due to related companies and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies (cont'd.)

2.19 Financial liabilities (cont'd.)

(b) Other financial liabilities (cont'd.)

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd.)

2.21 Employee benefits

(a) Short-term benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Group makes contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Defined benefit plans

The Group operates an unfunded, post-retirement medical benefit plan ("the Plan") for its eligible employees and their eligible family members. The Group's obligation under the Plan, calculated using the Projected Unit Credit Cost Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. All actuarial gains or losses are recognised immediately through other comprehensive income. All past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations.

2. Summary of significant accounting policies (cont'd.)

2.22 Leases

(a) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(b) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. Summary of significant accounting policies (cont'd.)

2.22 Leases (cont'd.)

(c) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue

(a) Sale of electricity

Sale of electricity is recognised upon invoiced value of electricity consumed by customers.

(b) Sale of goods

Revenue is recognised net of goods and services tax and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(c) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.27.

2. Summary of significant accounting policies (cont'd.)

2.23 Revenue (cont'd.)

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(e) Corporate support service fees

Corporate support service fees are recognised on an accrual basis when the services are rendered.

Other income

(a) Transfers of assets from customers

Revenue arising from assets transferred from customers are recognised in profit or loss when the performance obligations associated with receiving those customer contributions are met. In determining the amount of revenue to be recognised, the fair value of the assets is required to be estimated and the circumstances and nature of the transferred assets including the relevant rate-regulated framework governing those assets, are taken into account.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(c) Rental income

Rental income is recognised on an accrual basis based on the rates agreed with tenants.

2. Summary of significant accounting policies (cont'd.)

2.24 Taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd.)

2.24 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

2. Summary of significant accounting policies (cont'd.)

2.24 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. Summary of significant accounting policies (cont'd.)

2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.27 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2. Summary of significant accounting policies (cont'd.)

2.28 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under MFRS 139 are recognised in profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt and delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirement are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

i. Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

ii. Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. Summary of significant accounting policies (cont'd.)

2.28 Derivative financial instruments and hedge accounting (cont'd.)

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as a finance cost.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate ("EIR") method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs.

2. Summary of significant accounting policies (cont'd.)

2.28 Derivative financial instruments and hedge accounting (cont'd.)

Cash flow hedges (cont'd.)

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

2.29 Exploration and evaluation expenditure

(i) Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

2. Summary of significant accounting policies (cont'd.)

2.29 Exploration and evaluation expenditure (cont'd.)

(ii) Exploration and evaluation expenditure (cont'd.)

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on a licence where the resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish the resource. Costs expensed during this phase are included in "other operating expenses" in the statement of profit or loss and other comprehensive income.

Upon the establishment of the resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the particular licence as exploration and evaluation assets up to the point when the reserve is established. Capitalised exploration and evaluation expenditure is considered to be a tangible asset.

Exploration and evaluation expenditure acquired in a business combination are initially recognised at fair value, including resources and exploration potential that are valued beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation expenditure (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment. Exploration and evaluation expenditure is tested for impairment and transferred to mine development expenditure. No amortisation is charged during the exploration and evaluation phrase.

2. Summary of significant accounting policies (cont'd.)

2.30 Mine development expenditure

(i) Initial recognition

Once the economically recoverable resources in an area of interest have been identified and a decision taken to develop and exploit the specific area, the exploration and evaluation expenditure previously incurred in that area is transferred to mine development expenditure.

Upon completion of the mine construction phase, the assets are transferred into mine development expenditure. Items of production mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Mine development expenditure also consists of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

2. Summary of significant accounting policies (cont'd.)

2.30 Mine development expenditure (cont'd.)

(ii) Amortisation

Accumulated mine development expenditure is amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose mining license lease is shorter than the life of the mine, in which case the straight-line method over the remaining mining license lease is applied. Rights and concessions are depleted on the unit-of-production ("UOP") basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the amortisation of mine development expenditure takes into account expenditures incurred to date, together with sanctioned future development expenditure.

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis whereby the denominator is the proven and probable reserves and the portion of resources expected to be extracted economically. The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortisation, until the resource becomes probable of economic extraction in the future and is recognised in exploration and evaluation expenditure. The premium paid in excess of the intrinsic value of land to gain access is amortised over the life of the mine.

The asset's residual values, useful lives and methods of amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

2. Summary of significant accounting policies (cont'd.)

2.31 Deferred stripping costs

Overburden removal costs

In open pit mining operations, overburden and other waste materials must be removed to access ore from which minerals can be extracted economically.

The process of removing overburden and other waste materials to access minerals deposits is referred to as stripping. Stripping is necessary to obtain access to minerals deposits and occurs throughout the life of an open pit mine. Development and production stripping costs are classified as deferred stripping costs.

Stripping costs are accounted for separately for individual components of an ore body. The determination of components is dependent on the mine plan and other factors, including the size, shape and geotechnical aspects of an ore body. The Group accounts for stripping activities are as follows:

(a) Development stripping costs

These are initial overburden removal costs incurred to obtain access to mineral deposits that will be commercially produced. These costs are capitalised when it is probable that future economic benefits (access to mineral ores) will flow to the Group and costs can be measured reliably.

Once the production phase begins, capitalised development stripping costs are depreciated using the units of production method based on the proven and probable reserves of the relevant identified component of the ore body to which the initial stripping activity benefits.

(b) Production stripping costs

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

2. Summary of significant accounting policies (cont'd.)

2.31 Deferred stripping costs (cont'd.)

(b) Production stripping costs (cont'd.)

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'deferred stripping costs', if the following criteria are met:

(a) Future economic benefits (being improved access to the ore body) are probable;

(b) The component of the ore body for which access will be improved can be accurately identified;

(c) The costs associated with the improved access can be reliably measured.

Stripping costs incurred during the production stage of a mine are deferred when this is considered the most appropriate basis for matching the costs against the related economic benefits. The amount deferred is based on the waste-to-ore ratio ("stripping ratio"), which is calculated by dividing the tonnage of waste mined by the quantity of expected life-of-mine ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls below the life-of-mine ratio. The life-of-mine stripping ratio is calculated based on proved and probable reserves. Any changes to the life-of-mine ratio are accounted for prospectively.

Where a mine operates more than one open pit that is regarded as a separate operation for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e. overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Deferred stripping costs are included in the cost base of assets when determining a cash generating unit for impairment assessment purposes.

2. Summary of significant accounting policies (cont'd.)

2.32 Non-current asset held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gain are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale of distribution are not depreciated.

2.33 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.34 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgement in applying accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The accounting policy for revenue recognition on transfer of assets from customers requires subjective judgements, often as a result of the need to assess all conditions and circumstances surrounding the use of the assets including the relevant rate-regulated framework governing those assets.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation of property, plant and equipment and amortisation of deferred income

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Deferred income (i.e capital contributions received from customers and grants received from government) was transferred to the profit or loss based on the estimated useful lives of the related property, plant and equipment. Management estimates the useful lives of the property, plant and equipment to be within 2 to 100 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges and amortisation of deferred income could be revised.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(b) Deferred tax assets

Deferred tax assets are recognised for all unutilised investment allowances to the extent that is probable that taxable profit will be available against which the tax losses and investment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deferred tax assets on recognised investment allowances of the Group was RM1.25 billion (2016: RM1.26 billion).

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's loans and receivables at the reporting date is disclosed in Note 23.

(d) Defined benefit plan

The cost of post-retirement medical benefit plan ("the Plan") as well as the present value of the obligation under the Plan 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) and the present value of the obligation for the Plan include discount rate and medical claim inflation rate. Any changes in these assumptions will impact the carrying amount of the obligation under the Plan.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(d) Defined benefit plan (cont'd.)

(i) Discount rate

The Group and the Company determine the appropriate discount rate at the end of each financial year. This is the interest rate used to determine the present value of estimated future cash outflows required to settle the pension obligations. In determining the appropriate discount rate, the Group and the 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 benefit obligations.

(ii) Medical claim inflation rate

The medical claim inflation rate for general practitioner, hospitalisation and specialist medical claims, as determined by the Group and the Company, is based on the annualized increase in average claims over the past 5 years.

Other key assumptions for employee benefit obligations are based in part on current market conditions. Additional information is as disclosed in Note 31 to the financial statements.

(e) Fair values of assets transferred from customers and revenue recognition

The fair values of assets transferred from customers are estimated by the Group's in-house professionals and expertise and the corresponding fair values related to the services identified for revenue recognition are based on certain assumptions and valuation techniques, after taken into account the relevant rate-regulated framework governing those assets.

4. Revenue

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Dividend income from:				
- subsidiaries	-	-	100,000	248,000
- other investment	1,572	2,620	1,572	2,620
Sale of electricity	4,839,690	4,117,517	-	-
Sale of coal	59,589	30,936	-	-
Construction revenue	-	-	629,719	1,606,149
Corporate support service fees	-	-	21,716	14,696
Others	3,787	2,862	-	-
	4,904,638	4,153,935	753,007	1,871,465

5. Interest income

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Interest income from loans and receivables:				
- Short-term deposits	69,134	94,923	26,841	67,737
- Others	816	964	32	4
	69,950	95,887	26,873	67,741

6. Other income

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	9	167	9	68
Gain on foreign exchange				
- realised	20,616	20,737	5,529	1,328
- unrealised	4,104	29,208	3,873	-
Sundry income	82,347	58,605	16	-
Amortisation of deferred income (Note 30)	122,514	116,912	-	-
Customers' contribution for connection charges	20,695	18,959	-	-
Rental income from land and building	4,193	4,478	16	-
	254,478	249,066	9,443	1,396

6. Other income (cont'd.)

Sundry income comprise primarily of income from penalty and service charges, work sales, arrears of electricity and manpower services.

7. Finance costs

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest expense/profit payments on:				
- Islamic debt securities	632,520	498,921	480,155	464,367
- Revolving credits	5,106	-	914	-
- Term loans	32,507	-	-	-
- Finance leases	2	3	-	-
- Others	4	-	-	-
	670,139	498,924	481,069	464,367
Amount charged to:				
- Subsidiaries	-	-	(334,747)	(341,628)
- Other receivables	(2,300)	(1,343)	(2,300)	(1,343)
Amount capitalised in:				
- Construction contract costs (Note 25)	-	-	(114,543)	(56,079)
- Capital work-in-progress (Note 13)	(136,560)	(116,762)	-	-
- Mine development expenditure (Note 14)	(747)	-	-	-
	530,532	380,819	29,479	65,317

8. Profit before tax, inclusive of one-off gain

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
The following amounts have been included in arriving at profit before tax, inclusive of one-off gain:				
Auditors' remuneration				
Audit fees				
- statutory audit current year	886	741	155	150
- underprovision in respect of previous years	-	13	-	10
Other services	1,203	1,339	770	324

8. Profit before tax, inclusive of one-off gain (cont'd.)

	Group		Company	
	2017 RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000
Amortisation of mine development expenditure (Note 14)	162	162	-	-
Bad debts written off	310	263	-	-
Depreciation of property, plant and equipment (Note 13)	1,049,054	631,976	364	494
Directors' remuneration (Note 10)	1,757	1,783	1,224	1,245
Employee benefits expense (Note 9)	488,068	363,040	19,562	16,342
Gain on bargain purchase	508,790	-	-	-
Impairment loss on				
- trade receivables, net [Note 23(i)]	26,666	15,846	-	-
- other receivables [Note 23(v)]	15,651	-	-	-
Impairment loss on investment in associate	14,517	-	-	-
Net loss/(gain) on disposal of property, plant and equipment	3,384	5,850	(9)	(68)
(Gain)/Loss on foreign exchange, net				
- realised	(19,923)	(20,652)	(5,529)	(1,328)
- unrealised	22,576	(26,675)	(3,873)	2,532
Property, plant and equipment written off	1,001	17,343	-	4
Provision for stock obsolescence	2,438	2,472	-	-
Rental expense	7,237	7,683	-	11

9. Employee benefits expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries, wages, overtime and bonus	369,662	271,111	43,466	40,971
Social security contributions	3,132	2,889	259	148
Contributions to defined contribution plan	46,271	35,388	5,190	3,031
Other benefits	63,421	46,903	4,049	2,951
Retirement benefit obligations (Note 31)	24,338	23,920	160	124
	506,824	380,211	53,124	47,225
Less: Amount capitalised in capital work-in-progress (Note 13)	(18,756)	(17,171)	-	-
Less: Amount capitalised in construction contract costs (Note 25)	-	-	(5,537)	(2,550)
Less: Amount charged to subsidiaries, net	-	-	(28,025)	(28,333)
	488,068	363,040	19,562	16,342

10. Directors' remuneration

The details of remuneration receivable by the Directors during the year are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Company				
Fees	1,159	1,159	1,063	1,063
Emoluments	185	210	161	182
	1,344	1,369	1,224	1,245
Other Directors of subsidiaries				
Fees	126	126	-	-
Emoluments	287	288	-	-
	413	414	-	-
Total Directors' remuneration (Note 35)	1,757	1,783	1,224	1,245

11. Income tax expense

Major components of income tax expense

The major components of income tax expense are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	83,057	125,337	152	2,071
- Under/(Over) provision in respect of previous years	697	1,721	(186)	271
- Additional tax assessment arising from disallowed expenses *	6,479	41,548	-	-
	90,233	168,606	(34)	2,342
Deferred tax (Note 20):				
- Origination and reversal of temporary differences	247,225	53,926	(248)	-
- Under/(Over) provision in respect of previous years	1,775	(16,131)	-	-
- Recognition of deferred tax assets on previously unrecognised temporary differences and unabsorbed capital allowances	(950)	-	(945)	-
	248,050	37,795	(1,193)	-
Income tax expense recognised in profit or loss	338,283	206,401	(1,227)	2,342
Deferred tax (Note 20):				
- Income tax relating to actuarial loss arising from remeasurement of defined benefit plan	-	(8,684)	-	-

* The Group in exercising an abundance of caution (*ex abundanti cautela*) has decided to account for the tax and penalty arising from the notices of additional tax assessment for YA 2012-YA 2014 arising from disallowed expenses. However, this should not be construed as an admission of liability on the part of the Group. The Group disagrees with the said notices and has filed an appeal to challenge the said notices before the Special Commissioners of Income Tax.

11. Income tax expense (cont'd.)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Profit before tax, inclusive of one-off gain	1,833,187	752,249
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	439,965	180,540
Adjustments:		
Tax effect of non-deductible expenses	47,460	28,767
Tax effect of income not subject to tax	(157,799)	(33,882)
Tax effect of tax exempt income	(377)	(629)
Tax effect of share of results of associates	(855)	3,393
Under provision of current income tax in respect of previous years	697	1,721
Additional tax assessment arising from disallowed expenses	6,479	41,548
Under/(Over) provision of deferred tax in respect of previous years	1,775	(16,131)
Recognition of deferred tax assets on previously unrecognised temporary differences and unabsorbed capital allowances	(950)	-
Deferred tax assets not recognised	1,888	1,074
Income tax expense recognised in profit or loss	338,283	206,401

	Company 2017 RM'000	Company 2016 RM'000
Profit before tax, inclusive of one-off gain	96,171	252,613
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	23,081	60,627
Adjustments:		
Tax effect of non-deductible expenses	1,200	959
Tax effect of tax exempt income	(24,377)	(60,148)
(Over)/Under provision of current income tax in respect of previous years	(186)	271
Recognition of deferred tax assets on previously unrecognised temporary differences and unabsorbed capital allowances	(945)	-
Deferred tax assets not recognised	-	633
Income tax expense recognised in profit or loss	(1,227)	2,342

11. Income tax expense (cont'd.)

Current income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

12. Earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following table reflects the profit and share data used in the computation of basic earnings per ordinary share for the years ended 31 December:

	Group	
	2017	**2016**
Profit net of tax attributable to owners of the Company (RM'000)	1,495,161	548,168
Weighted average number of ordinary shares ('000)	1,610,569	1,610,569
Basic earnings per ordinary share attributable to owners of the Company (sen)	92.8	34.0

There is no dilution in the earnings per ordinary share for the current and previous financial year end as there are no dilutive potential ordinary shares outstanding at the end of the reporting period.

13. Property, plant and equipment

	Land* RM'000	Buildings RM'000	Structures and improvements RM'000	Plant and machinery RM'000	Lines and distribution mains RM'000	Distribution services RM'000	Meters RM'000	Public lighting RM'000	Motor vehicles RM'000	Furniture fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Group												
Cost												
At 1 January 2016	193,056	1,323,895	3,771,970	6,698,323	2,964,066	888,646	87,946	142,722	87,927	453,148	2,976,232	19,587,931
Additions	1,538	3,009	-	23,269	-	-	-	-	23,637	41,149	3,238,076	3,330,678
Transfer from inventories (Note 21)	-	-	-	-	-	-	-	-	-	-	145,200	145,200
Write-offs	(440)	(26,864)	(316)	(82,887)	-	-	-	-	(71)	(2,061)	-	(112,639)
Disposals	-	(250)	-	(39,622)	(2,024)	(710)	(1,576)	(502)	(5,653)	(472)	-	(50,809)
Reclassification/transfer	-	116,426	5,945	759,754	275,731	56,272	3,542	12,211	-	(9,021)	(1,220,860)	-
Adjustment	-	(6)	(3,100)	(1,972)	-	-	-	-	-	-	(1,775)	(6,853)
At 31 December 2016/ 1 January 2017	194,154	1,416,210	3,774,499	7,356,865	3,237,773	944,208	89,912	154,431	105,840	482,743	5,136,873	22,893,508
Additions	4,467	4,124	2,086	3,807	350	-	9,007	-	2,547	5,418	3,054,696	3,086,502
Acquisition of subsidiaries	-	-	6,013,489	3,025,619	186,803	-	-	-	6,150	17,813	39,653	9,289,527
Transfer to inventories	-	-	-	-	-	-	-	-	-	-	(980)	(980)
Write-offs	-	(1,730)	(2,544)	(17,392)	(1,318)	(2,346)	(1)	(278)	(384)	(292)	-	(26,285)
Disposals	-	(19)	-	(9,488)	(2,327)	(819)	(1,721)	(192)	(3,724)	(6,535)	-	(24,825)
Reclassification/transfer	-	363,467	-	584,633	1,102,714	88,018	-	16,454	163	15,499	(2,170,948)	-
Transfer to land held for sale	(11,834)	-	-	-	-	-	-	-	-	-	-	(11,834)
At 31 December 2017	186,787	1,782,052	9,787,530	10,944,044	4,523,995	1,029,061	97,197	170,415	110,592	514,646	6,059,294	35,205,613

13. Property, plant and equipment (cont'd.)

Group (cont'd.)	Land* RM'000	Buildings RM'000	Structures and improvements RM'000	Plant and machinery RM'000	Lines and distribution mains RM'000	Distribution services RM'000	Meters RM'000	Public lighting RM'000	Motor vehicles RM'000	Furniture fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation												
At 1 January 2016	59,808	289,790	218,581	2,770,715	1,153,937	406,673	64,226	67,592	50,263	299,385	-	5,380,970
Depreciation charge for the year (Note 8)	3,588	37,781	38,438	358,558	105,456	31,576	3,415	5,241	14,233	33,690	-	631,976
Write-offs	(184)	(19,124)	(146)	(73,789)	-	-	-	-	(71)	(1,982)	-	(95,296)
Disposals	-	(250)	-	(33,253)	(1,585)	(689)	(1,575)	(467)	(5,588)	(414)	-	(43,821)
Reclassification/transfer	-	2,510	-	11,407	8	8	-	(13)	-	(13,920)	-	-
At 31 December 2016/ 1 January 2017	63,212	310,707	256,873	3,033,638	1,257,816	437,568	66,066	72,353	58,837	316,759	-	5,873,829
Depreciation charge for the year (Note 8)	3,503	69,037	99,538	643,922	131,333	36,611	3,675	5,753	14,420	41,262	-	1,049,054
Acquisition of subsidiaries	-	-	326,258	395,322	33,206	-	-	-	4,423	12,900	-	772,109
Write-offs	-	(1,730)	(2,467)	(17,295)	(1,039)	(1,884)	(1)	(278)	(349)	(241)	-	(25,284)
Disposals	-	(19)	-	(6,882)	(1,373)	(758)	(1,720)	(182)	(3,590)	(5,981)	-	(20,505)
Reclassification/transfer	-	343	-	(378)	(3)	3	-	-	1	34	-	-
Transfer to land held for sale	(2,518)	-	-	-	-	-	-	-	-	-	-	(2,518)
At 31 December 2017	64,197	378,338	680,202	4,048,327	1,419,940	471,540	68,020	77,646	73,742	364,733	-	7,646,685
Carrying amount												
At 31 December 2016	130,942	1,105,503	3,517,626	4,323,227	1,979,957	506,640	23,846	82,078	47,003	165,984	5,136,873	17,019,679
At 31 December 2017	122,590	1,403,714	9,107,328	6,895,717	3,104,055	557,521	29,177	92,769	36,850	149,913	6,059,294	27,558,928

13. Property, plant and equipment (cont'd.)

Details of land are as follows:

Group	**Freehold land** RM'000	**Long term leasehold land** RM'000	**Short term leasehold land** RM'000	**Total** RM'000
Cost				
At 1 January 2016	1,180	166,405	25,471	193,056
Additions	-	1,538	-	1,538
Write-offs	-	(440)	-	(440)
Transfer	-	(124,168)	124,168	-
At 31 December 2016/1 January 2017	1,180	43,335	149,639	194,154
Additions	-	4,211	256	4,467
Reclassification/transfer	-	(1,169)	1,169	-
Transfer to land held for sale	-	-	(11,834)	(11,834)
At 31 December 2017	1,180	46,377	139,230	186,787
Accumulated depreciation				
At 1 January 2016	-	54,256	5,552	59,808
Depreciation charge for the year	-	690	2,898	3,588
Write-offs	-	(184)	-	(184)
Transfer	-	(52,318)	52,318	-
At 31 December 2016/1 January 2017	-	2,444	60,768	63,212
Depreciation charge for the year	-	733	2,770	3,503
Reclassification/transfer	-	(111)	111	-
Transfer to land held for sale	-	-	(2,518)	(2,518)
At 31 December 2017	-	3,066	61,131	64,197
Carrying amount				
At 31 December 2016	1,180	40,891	88,871	130,942
At 31 December 2017	1,180	43,311	78,099	122,590

The title deeds of certain land of certain subsidiaries are in the process of being registered in the names of the subsidiaries.

13. Property, plant and equipment (cont'd.)

	Short term leasehold land RM'000	Motor vehicles RM'000	Furniture, fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Company					
Cost					
At 1 January 2016	11,526	1,794	4,706	-	18,026
Additions	-	84	-	-	84
Disposals	-	(246)	-	-	(246)
Write-offs	-	-	(765)	-	(765)
At 31 December 2016/ 1 January 2017	11,526	1,632	3,941	-	17,099
Additions	-	-	-	3,446	3,446
Disposals	-	(21)	-	-	(21)
Transfer to land held for sale	(11,526)	-	-	-	(11,526)
At 31 December 2017	-	1,611	3,941	3,446	8,998
Accumulated depreciation					
At 1 January 2016	2,048	1,742	4,192	-	7,982
Depreciation charge for the year (Note 8)	205	41	248	-	494
Disposals	-	(246)	-	-	(246)
Write-offs	-	-	(761)	-	(761)
At 31 December 2016/ 1 January 2017	2,253	1,537	3,679	-	7,469
Depreciation charge for the year (Note 8)	102	34	228	-	364
Disposals	-	(21)	-	-	(21)
Transfer to land held for sale	(2,355)	-	-	-	(2,355)
At 31 December 2017	-	1,550	3,907	-	5,457
Carrying amount					
At 31 December 2016	9,273	95	262	-	9,630
At 31 December 2017	-	61	34	3,446	3,541

13. Property, plant and equipment (cont'd.)

Assets under construction

The following expenditures incurred during the year were capitalised in capital work-in-progress:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 9)	18,756	3,401	-	-
Finance costs (Note 7)	136,560	116,762	-	-

Security

The Group's long term leasehold land with carrying amount of RM5,386,000 (2016: RM5,462,000) are pledged as security for the Sukuk Mudharabah as disclosed in Note 29.

Leased asset is pledged as security for the related financial lease liability as referred in Note 29.

14. Mine development expenditure

	Group	
	2017	**2016**
	RM'000	RM'000
Cost		
At 1 January	2,624	2,624
Additions	27,254	-
At 31 December	29,878	2,624
Accumulated amortisation		
At 1 January	324	162
Charge for the year (Note 8)	162	162
At 31 December	486	324
Carrying amount		
At 31 December	29,392	2,300

14. Mine development expenditure (cont'd.)

The following expenditure incurred during the year has been capitalised in mine development expenditure:

	Group	
	2017	**2016**
	RM'000	RM'000
Finance costs (Note 7)	747	-

15. Exploration and evaluation expenditure

	Group	
	2017	**2016**
	RM'000	RM'000
At cost		
At 1 January	83,084	32,458
Additions	26,582	50,626
At 31 December	109,666	83,084

16. Deferred stripping costs

	Group	
	2017	**2016**
	RM'000	RM'000
At cost		
At 1 January	-	-
Additions	376	-
At 31 December	376	-

17. Investment in subsidiaries

	Company	
	2017	**2016**
	RM'000	RM'000
Unquoted shares	2,274,729	1,515,729

The investment in subsidiaries is measured at cost except for capital contribution amounting to RM40.8 million (2016: RM40.8 million) arising from equity-settled share options granted to employees of subsidiaries which were dissolved in March 2010 following the de-listing of the entire issued and paid-up share capital of the Company in January 2010.

17. Investment in subsidiaries (cont'd.)

Details of the subsidiaries, all of which are incorporated in Malaysia and audited by Ernst & Young, Malaysia, are shown below:

Name	Principal activities	Proportion (%) of ownership interest 2017	2016
Held by the Company:			
SEB Power Sdn. Bhd.	Investment holding, development of power plant, operation, maintenance, procurement and generation support services	100	100
Syarikat SESCO Berhad	Power generation, transmission, distribution and sale of electricity	100	100
Sarawak Energy Resources Sdn. Bhd.	Investment holding	100	100
Dunlop Estates Holdings Sdn. Bhd.	Investment holding	100	100
Held through SEB Power Sdn. Bhd.:			
PPLS Power Generation Sdn. Bhd.	Power generation	100	100
Mukah Power Generation Sdn. Bhd.	Power generation	100	100
Sarawak Power Generation Sdn. Bhd.	Power generation	100	100
Murum Hydro Power Generation Sdn. Bhd.	Power generation	100	100
Sejingkat Power Corporation Sdn. Bhd.	Power generation	100	100
Sarawak Hidro Sdn. Bhd.	Power generation	100	-
Batang Ai Power Generation Sdn. Bhd.	Power generation	100	100

17. Investment in subsidiaries (cont'd.)

Name	Principal activities	Proportion (%) of ownership interest 2017	2016
Held through SEB Power Sdn. Bhd.: (cont'd.)			
Balingian Power Generation Sdn. Bhd.#	Intended - Power generation	100	100
Kidurong Power Generation Sdn. Bhd.#	Intended - Power generation	100	100
Samalaju Power Generation Sdn. Bhd.#	Intended - Power generation	100	-
Baleh Hydro Power Generation Sdn. Bhd.#	Intended - Power generation	100	-
Held through Syarikat SESCO Berhad:			
SESCO-EFACEC Sdn. Bhd.	Manufacturing of transformers and switch gears and contracting electrical works	51	51
Sarawak Energy Services Sdn. Bhd.	Provision of project management, engineering services, operation and maintenance of power stations and contracting	100	100
Held through Sarawak Energy Resources Sdn. Bhd.:			
Global Energy Minerals Sdn. Bhd.	Exploration, production and sale of coal	60	60
Balingian Energy Minerals Sdn. Bhd.	Exploration, production and sale of coal	60	60
Mukah Energy Minerals Sdn. Bhd.	Investment holding, exploration, production and sale of coal	100	100

17. Investment in subsidiaries (cont'd.)

Name	Principal activities	Proportion (%) of ownership interest 2017	2016
Held through Mukah Energy Minerals Sdn. Bhd.:			
Mukah Mining Services Sdn. Bhd.	Exploration, production and sale of coal	60	60
Held through Murum Hydro Power Generation Sdn. Bhd.:			
Murum Hydro Consortium Sdn. Bhd.	Dormant	100	100
Held through Sarawak Hidro Sdn. Bhd.:			
Sarawakhidro Power Sdn. Bhd.	Managing of a hydroelectric power station and related services	100	-

\# These subsidiaries have yet to commence operations during the financial year.

(a) Acquisition of Sarawak Hidro Sdn. Bhd. and its subsidiary, Sarawakhidro Power Sdn. Bhd.

On 16 August 2017, the Company via its wholly-owned subsidiary, SEB Power Sdn. Bhd. completed its acquisition of the entire equity interest in Sarawak Hidro Sdn. Bhd. ("SHSB") and its subsidiary, Sarawakhidro Power Sdn. Bhd. ("collectively known as SHSB Group") from the Ministry of Finance and Pesuruhjaya Tanah Persekutuan at purchase consideration of RM2.5 billion in cash. The acquisition of SHSB is a strategic move by the Group to further expand the power generation capacity in Sarawak.

17. Investment in subsidiaries (cont'd.)

(a) Acquisition of Sarawak Hidro Sdn. Bhd. and its subsidiary, Sarawakhidro Power Sdn. Bhd. (cont'd.)

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2017 RM'000
Fair value of consideration transferred	
Cash consideration	2,500,000
Fair value of identifiable assets acquired and liabilities assumed	
Assets	
Property, plant and equipment	8,517,418
Inventories	1,822
Trade and other receivables	740,568
Income tax recoverable	2,142
Other current assets	369
Cash and bank balances	1,221,440
	10,483,759
Liabilities	
Loans and borrowings	6,640,000
Trade and other payables	257,002
Deferred tax liabilities (Note 20)	577,967
	7,474,969
Total identifiable net assets	3,008,790

17. Investment in subsidiaries (cont'd.)

(a) Acquisition of Sarawak Hidro Sdn. Bhd. and its subsidiary, Sarawakhidro Power Sdn. Bhd. (cont'd.)

Cash flow on acquisition

	2017	
	RM'000	
Total consideration transferred		2,500,000
Less: Cash and cash equivalents acquired		
Cash and bank balances acquired	(1,221,440)	
Short-term deposits pledged	126,594	
Cash at banks placed in designated accounts	953,081	
		(141,765)
Less: Monthly instalments repayable to Ministry of Finance		(500,000)
Net cash outflow on acquisition		1,858,235

Gain on bargain purchase

Gain on bargain purchase was recognised in the Group's consolidated statement of profit or loss and other comprehensive income as a result of the acquisition as follows:

	2017
	RM'000
Total consideration transferred	2,500,000
Fair value of identifiable net assets	(3,008,790)
Gain on bargain purchase	508,790

Acquisition-related costs of RM4.5 million incurred were expensed off and are included in administrative and other expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

17. Investment in subsidiaries (cont'd.)

(b) Additional investments arising from new shares issued by existing subsidiaries

During the financial year:

(i) The Company subscribed additional 749,999,998 and 9,000,000 ordinary shares in SEB Power Sdn. Bhd. ("SEB Power") at RM749,999,998 and Sarawak Energy Resources Sdn. Bhd. ("SER") at RM9,000,000 respectively in cash; and

(ii) Balingian Energy Minerals Sdn. Bhd. ("BEM") issued 12,500,000 new ordinary shares to SER and a third party, where 7,500,000 ordinary shares at RM7,500,000 were subscribed by SER whereas 5,000,000 ordinary shares at RM5,000,000 were subscribed by the third party in cash.

In the previous financial year:

(i) BEM issued 20,000,000 new ordinary shares to SER and a third party, where 12,000,000 ordinary shares at RM12,000,000 were subscribed by SER whereas 8,000,000 ordinary shares at RM8,000,000 were subscribed by the third party in cash; and

(ii) Mukah Mining Services Sdn. Bhd. ("MMS") issued 1,000,000 new ordinary shares to SER and a third party, where 600,000 ordinary shares at RM600,000 were subscribed by SER whereas 400,000 ordinary shares at RM400,000 were subscribed by the third party in cash.

The new subscriptions did not have any impact to the Group as there were no changes in the Group's equity interest in SEB Power, SER, BEM and MMS.

17. Investment in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Balingian Energy Minerals Sdn. Bhd.		SESCO-EFACEC Sdn. Bhd.		Global Energy Minerals Sdn. Bhd.		Other subsidiaries with immaterial NCI		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NCI percentage of ownership interest	40%	40%	49%	49%	40%	40%				
Carrying amount of NCI	10,434	7,678	6,925	7,167	8,197	5,770	(983)	(785)	24,573	19,830
(Loss)/Profit allocated to NCI	(2,244)	(322)	(242)	(1,345)	2,427	532	(198)	(1,185)	(257)	(2,320)

Summarised financial information before intragroup elimination

Summarised financial information of Balingian Energy Minerals Sdn. Bhd., SESCO-EFACEC Sdn. Bhd. and Global Energy Minerals Sdn. Bhd. which have non-controlling interests that are material to the Group is set out in the ensuing pages. The summarised financial information presented in the ensuing pages is the amount before inter-company elimination. The non-controlling interests in respect of Mukah Mining Services Sdn. Bhd. is not material to the Group.

17. Investment in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries (cont'd.)

Summarised financial information before intragroup elimination (cont'd.)

(i) Summarised Statements of Financial Position

	Balingian Energy Minerals Sdn. Bhd.		SESCO-EFACEC Sdn. Bhd.		Global Energy Minerals Sdn. Bhd.	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets	117,229	26,909	2,269	2,802	38,503	39,295
Current assets	16,747	5,026	16,991	17,048	37,773	67,771
Total assets	133,976	31,935	19,260	19,850	76,276	107,066
Current liabilities	107,892	12,740	5,107	5,185	33,699	64,969
Non-current liabilities	-	-	20	38	22,085	27,672
Total liabilities	107,892	12,740	5,127	5,223	55,784	92,641
Net assets	26,084	19,195	14,133	14,627	20,492	14,425
Equity attributable to owners of the Company	15,650	11,517	7,208	7,460	12,295	8,655
Non-controlling interests	10,434	7,678	6,925	7,167	8,197	5,770

17. Investment in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries (cont'd.)

Summarised financial information before intragroup elimination (cont'd.)

(ii) Summarised Statements of Profit or Loss and Other Comprehensive Income

	Balingian Energy Minerals Sdn. Bhd.		SESCO-EFACEC Sdn. Bhd.		Global Energy Minerals Sdn. Bhd.	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	3,788	6,437	143,663	118,779
(Loss)/Profit for the year	(5,610)	(806)	(494)	(2,744)	6,067	1,331
(Loss)/Profit attributable to owners of the Company	(3,366)	(484)	(252)	(1,399)	3,640	799
(Loss)/Profit attributable to the non-controlling interests	(2,244)	(322)	(242)	(1,345)	2,427	532

(iii) Summarised Cash Flows

	Balingian Energy Minerals Sdn. Bhd. 2017	Balingian Energy Minerals Sdn. Bhd. 2016	SESCO-EFACEC Sdn. Bhd. 2017	SESCO-EFACEC Sdn. Bhd. 2016	Global Energy Minerals Sdn. Bhd. 2017	Global Energy Minerals Sdn. Bhd. 2016
Net cash from/(used in) operating activities	78,248	9,680	366	(965)	15,017	1,586
Net cash (used in)/from investing activities	(90,339)	(26,911)	79	137	(35)	(196)
Net cash from/(used in) financing activities	12,500	20,000	(17)	(16)	(6,000)	-
Net increase/(decrease) in cash and cash equivalents	409	2,769	428	(844)	8,982	1,390
Cash and cash equivalents at beginning of the year	2,769	-	4,587	5,431	3,590	2,200
Cash and cash equivalents at end of the year	3,178	2,769	5,015	4,587	12,572	3,590

18. Investment in associates

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Unquoted shares in Malaysia, at cost	31,653	31,653	30,413	30,413
Share of post-acquisition reserves	19,349	15,787	-	-
	51,002	47,440	30,413	30,413
Less: Accumulated impairment losses	(28,643)	(14,126)	(16,313)	(16,313)
	22,359	33,314	14,100	14,100

Details of the associates, all of which are incorporated in Malaysia, are shown below:

Name	**Principal activities**	**Proportion (%) of ownership interest 2017**	**2016**
Held by the Company:			
Dectra Sdn. Bhd.	Inactive	26.24	26.24
Sarawak Coal Resources Sdn. Bhd.	Extraction and sales of coal	30.00	30.00
Seatrac Sdn. Bhd.	Inactive	50.00	50.00
Held through Sejingkat Power Corporation Sdn. Bhd.:			
Gobel Industry Sdn. Bhd.	Sale of coal, and provision of transportation, manpower supply and machinery services	20.00	20.00
Held through Syarikat SESCO Berhad:			
Sarawak Gas Distribution Sdn. Bhd. #	Distribution of gas	30.00	30.00

Audited by Ernst & Young, Malaysia.

18. Investment in associates (cont'd.)

The summarised financial information of the material associates, not adjusted for the proportion of ownership interest held by the Group is as follows:

(i) Summarised Statements of Financial Position

	Sarawak Coal Resources Sdn. Bhd. 2017 RM'000	Sarawak Coal Resources Sdn. Bhd. 2016 RM'000
Non-current assets	56,478	55,450
Current assets	76,804	63,429
Total assets	133,282	118,879
Current liabilities	62,857	60,327
Total liabilities	62,857	60,327
Net assets	70,425	58,552

(ii) Summarised Statements of Profit or Loss and Other Comprehensive Income

	Sarawak Coal Resources Sdn. Bhd. 2017 RM'000	Sarawak Coal Resources Sdn. Bhd. 2016 RM'000
Revenue	161,617	199,531
Profit for the year	11,873	18,058
Total comprehensive income	11,873	18,058

18. Investment in associates (cont'd.)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates

	Sarawak Coal Resources Sdn. Bhd.	
	2017	**2016**
	RM'000	RM'000
Net assets at 1 January	58,552	40,494
Profit for the year	11,873	18,058
Net assets at 31 December	70,425	58,552
Interest in associates	30%	30%
Share of net assets, representing the carrying value of the Group's interest in associates	21,128	17,566

19. Other investments

	Group/Company	
	2017	**2016**
	RM'000	RM'000
Available-for-sale financial assets		
- quoted equity instruments in Malaysia, at fair value	37,203	54,494

The fair value of quoted equity instruments is determined by reference to its quoted price on Bursa Malaysia Securities Bhd.

20. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities relate to the following:

Group	At 1 January 2016 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31 December 2016 RM'000	Recognised in profit or loss RM'000	Acquisition of subsidiaries RM'000	At 31 December 2017 RM'000
Deferred tax liabilities:							
Property, plant and equipment	(1,093,277)	(110,525)	-	(1,203,802)	(99,981)	(1,092,084)	(2,395,867)
Others	(6,308)	-	-	(6,308)	588	-	(5,720)
	(1,099,585)	(110,525)	-	(1,210,110)	(99,393)	(1,092,084)	(2,401,587)
Deferred tax assets:							
Property, plant and equipment	-	4,296	-	4,296	2,464	-	6,760
Mine development expenditure	-	-	-	-	70	-	70
Retirement benefit obligations	43,226	4,154	8,684	56,064	4,782	-	60,846
Unutilised investment allowances	1,272,856	(8,008)	-	1,264,848	(13,818)	-	1,251,030
Unutilised tax losses	240	(144)	-	96	5,018	-	5,114
Trade receivables	3,630	2,243	-	5,873	9,944	-	15,817
Unabsorbed capital allowances	301,303	(38,876)	-	262,427	(61,665)	514,117	714,879
Other payables	-	109,065	-	109,065	(95,452)	-	13,613
	1,621,255	72,730	8,684	1,702,669	(148,657)	514,117	2,068,129

20. Deferred tax assets/(liabilities) (cont'd.)

Group (cont'd.)	At 1 January 2016 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31 December 2016 RM'000	Recognised in profit or loss RM'000	Acquisition of subsidiaries RM'000	At 31 December 2017 RM'000
Net	521,670	(37,795)	8,684	492,559	(248,050)	(577,967)	(333,458)
		(Note 11)	(Note 11)		(Note 11)	(Note 17)	
Presented after appropriate offsetting as follows:							
Deferred tax liabilities	(633,652)			(605,506)			(1,362,576)
Deferred tax assets	1,155,322			1,098,065			1,029,118
	521,670			492,559			(333,458)

20. Deferred tax assets/(liabilities) (cont'd.)

Company	**At 1 January 2017** RM'000	**Recognised in profit or loss** RM'000	**At 31 December 2017** RM'000
Deferred tax liabilities:			
Property, plant and equipment	-	(7)	(7)
	-	(7)	(7)
Deferred tax assets:			
Retirement benefit obligations	-	376	376
Other payables	-	824	824
	-	1,200	1,200
Net	-	1,193	1,193
		(Note 11)	

Unrecognised deferred tax assets

The amounts of deductible temporary differences and unutilised tax losses (which have no expiry date) for which no deferred tax assets are recognised in the statements of financial position are as follows:

	Group		**Company**	
	2017 RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000
Retirement benefit obligations	-	1,433	-	1,433
Other payables	-	3,027	-	3,027
Unutilised tax losses	7,867	1,819	-	-
	7,867	6,279	-	4,460

21. Inventories

	Group 2017 RM'000	Group 2016 RM'000
At cost		
Fuel	34,955	32,651
Coal	21,409	24,495
Consumables	77,700	70,817
Finished goods	4,342	3,294
Work-in-progress	3,102	2,505
	141,508	133,762

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM524,863,000 (2016: RM539,825,000). In the previous financial year, inventories amounting to RM145,200,000 had been capitalised as property, plant and equipment (see Note 13).

22. Land held for sale

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Leasehold land	9,316	-	9,171	-

The leasehold land was transferred from property, plant and equipment during the year.

The carrying amount of land classified as held for sale is the same as its carrying value before it was being classified to current asset.

23. Trade and other receivables

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current				
(a) Trade receivables				
Third parties	833,491	787,478	-	-
Amount due from a minority shareholder of a subsidiary	-	43,969	-	-
	833,491	831,447	-	-
Less: Allowance for impairment loss	(82,945)	(56,279)	-	-
Trade receivables, net (i)	750,546	775,168	-	-
(b) Other receivables				
Amounts due from				
- subsidiaries (ii)	-	-	659,313	340,988
- associates (iii)	10,780	10,780	10,729	10,729
Amount due from shareholder (iv)	62,024	47,580	62,024	47,580
Deposits	1,085	782	65	92
Sundry receivables (v)	155,588	77,814	6,163	17,167
	229,477	136,956	738,294	416,556
Less: Allowance for impairment loss				
- associate	(10,729)	(10,729)	(10,729)	(10,729)
- third parties	(23,662)	(8,011)	-	-
	195,086	118,216	727,565	405,827
	945,632	893,384	727,565	405,827
Non-current				
Other receivables				
Amounts due from subsidiaries (ii)	-	-	5,948,598	7,067,133
Total trade and other receivables	945,632	893,384	6,676,163	7,472,960

23. Trade and other receivables (cont'd.)

(i) Trade receivables

The Group's normal trade credit term ranges from 14 to 60 days (2016: 14 to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2017				
Not past due	376,100	(1,117)	(608)	374,375
Past due				
1 to 30 days	261,809	(813)	(655)	260,341
31 to 60 days	68,677	(644)	(656)	67,377
61 to 90 days	41,443	(256)	(682)	40,505
91 to 120 days	8,162	(66)	(685)	7,411
More than 120 days	77,300	(4,096)	(72,667)	537
	457,391	(5,875)	(75,345)	376,171
	833,491	(6,992)	(75,953)	750,546
2016				
Not past due	352,829	(3,810)	(673)	348,346
Past due				
1 to 30 days	208,583	-	(655)	207,928
31 to 60 days	41,718	-	(696)	41,022
61 to 90 days	26,447	-	(704)	25,743
91 to 120 days	23,892	-	(673)	23,219
More than 120 days	177,978	(4,202)	(44,866)	128,910
	478,618	(4,202)	(47,594)	426,822
	831,447	(8,012)	(48,267)	775,168

23. Trade and other receivables (cont'd.)

(i) Trade receivables (cont'd.)

The movement in allowance accounts in respect of trade receivables is as follows:

	Group	
	2017	**2016**
	RM'000	RM'000
At 1 January	56,279	40,433
Impairment during the year	30,539	17,197
Reversal of impairment loss	(3,873)	(1,351)
Net (Note 8)	26,666	15,846
At 31 December	82,945	56,279

The Group's trade receivables amounting to RM376.2 million (2016: RM426.8 million) represent trade receivables that are past due and no specific allowance for impairment is necessary as the amount is partly secured by collateral deposits.

(ii) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and non-interest bearing except for amounts of RM6,194.1 million (2016: RM6,888.3 million) which earn interest at rates ranging from 4.68% to 6.00% (2016: 4.68% to 6.00%) per annum. These amounts are repayable on demand except for RM5,948.6 million (2016: RM7,067.1 million) which are not repayable within the next twelve months.

Intercompany advances

The Company provides advances to subsidiaries. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

(iii) Amounts due from associates

Amounts due from associates are unsecured, non-interest bearing and repayable on demand.

23. Trade and other receivables (cont'd.)

(iv) Amount due from shareholder

Amount due from shareholder represents the advances or payment on behalf for the controlling shareholder of the Company for the Murum Hydroelectric Project's resettlement costs which earns fixed interest at the rate of 4.68% (2016: 4.68%) per annum.

(v) Sundry receivables

Included in sundry receivables of the Group and the Company are the following amounts:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Amount due from former associates	7,000	7,000	-	-
Interest receivables	13,030	16,335	4,618	12,656
Other receivables	135,558	54,479	1,545	4,511
	155,588	77,814	6,163	17,167

The movement in allowance accounts in respect of other receivables is as follows:

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	18,740	18,740
Impairment during the year (Note 8)	15,651	-
At 31 December	34,391	18,740

24. Other current assets

	Group		Company	
	2017 RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000
Advance payments	246,593	180,256	5,179	56,347
Amount due from customers on contract (Note 25)	-	-	2,660,812	2,031,094
GST recoverable	186,014	98,149	20,486	18,521
Prepayments	25,055	33,508	407	37
	457,662	311,913	2,686,884	2,105,999

25. Amount due from customers on contract

	Company	
	2017 RM'000	**2016** RM'000
Construction contract costs incurred to-date	2,636,683	2,013,194
Attributable profit	24,129	17,900
Amount due from customers on contract (Note 24)	2,660,812	2,031,094

The costs incurred to-date on construction contracts include the following charges made during the financial year:

	Company	
	2017 RM'000	**2016** RM'000
Employee benefits expense (Note 9)	5,537	2,550
Finance costs (Note 7)	114,543	56,079

The Company undertakes the construction of a power generation facilities of its subsidiary on a turnkey basis. At the Group level, the construction costs incurred have been reclassified to property, plant and equipment.

26. Cash and bank balances

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2017 RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000
Short-term deposits placed with licensed banks	3,808,630	1,896,873	1,779,533	1,412,639
Cash at banks and on hand	128,447	135,477	51,869	1,716
Cash and bank balances	3,937,077	2,032,350	1,831,402	1,414,355
Less: Short-term deposits pledged for bank borrowings	(275,471)	(153,758)	(98,291)	(98,427)
Less: Cash at banks placed in designated accounts [Note 29(iv) and (v)]	(980,668)	-	-	-
Less: Short-term deposits with maturity more than 3 months	(405,190)	(400,000)	(400,000)	(400,000)
Cash and cash equivalents	2,275,748	1,478,592	1,333,111	915,928

Short-term deposits are made for varying periods depending on the cash flow requirements of the Group and the Company, and earn interest at the respective short-term deposits rates. The interest rates of short-term deposits at reporting date range from 2.90% to 4.20% (2016: 2.90% to 4.26%) per annum.

27. Trade and other payables

	Group		Company	
	2017 RM'000	**2016** RM'000	**2017** RM'000	**2016** RM'000
Trade payables				
Third parties	531,641	399,507	-	-
Amount due to a minority shareholder of a subsidiary	6,674	43,274	-	-
	538,315	442,781	-	-

27. Trade and other payables (cont'd.)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other payables				
Other payables	495,193	925,525	22,595	26,914
Accruals	878,279	365,738	180,985	316,527
Amounts due to subsidiaries	-	-	3,982	6,921
Collateral deposits	415,780	387,593	-	-
Deposit payables	12,384	614	-	-
Retention monies	154,264	121,451	129,666	117,768
	1,955,900	1,800,921	337,228	468,130
Total trade and other payables	2,494,215	2,243,702	337,228	468,130

(a) Trade payables

Trade payables are non-interest bearing. The normal trade credit terms granted to the Group range from 14 to 120 days (2016: 14 to 120 days).

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on credit terms ranging from 14 to 120 days (2016: 14 to 120 days).

Included in other payables is an amount of RM300 million arising from the acquisition of SHSB Group repayable to the Ministry of Finance over ten (10) monthly instalments. These amounts are unsecured and non-interest bearing.

(c) Amounts due to subsidiaries

These amounts are non-interest bearing, unsecured and repayable on demand.

28. Other current liabilities

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
GST payables	8,256	4,940	-	-

29. Loans and borrowings

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Current				
Secured:				
Islamic debt securities	70,000	80,000	-	-
Obligation under finance lease	18	17	-	-
	70,018	80,017	-	-
Unsecured:				
Islamic debt securities	700,000	-	700,000	-
Term loans	760,000	-	-	-
Revolving credits	240,000	-	-	-
	1,700,000	-	700,000	-
	1,770,018	80,017	700,000	-
Non-current				
Secured:				
Islamic debt securities	6,770,000	300,000	-	-
Obligation under finance lease	20	38	-	-
	6,770,020	300,038	-	-
Unsecured:				
Islamic debt securities	9,800,000	9,500,000	9,800,000	9,500,000
Term loans	1,520,164	-	-	-
	11,320,164	9,500,000	9,800,000	9,500,000
	18,090,184	9,800,038	9,800,000	9,500,000
Total loans and borrowings	19,860,202	9,880,055	10,500,000	9,500,000

29. Loans and borrowings (cont'd.)

Islamic debt securities

The details of the Islamic debt securities of the Group and of the Company are as follows:

(i) 15-year RM215 million Sukuk Musharakah

This represents the Serial Sukuk Musharakah of up to an aggregate nominal amount of RM215 million ("the Sukuk Musharakah") issued under the Islamic principle of Musharakah by a subsidiary to partly finance the development and construction of a coal-fired power plant in Mukah which was undertaken by another subsidiary of the Group in prior year.

The Sukuk Musharakah is secured by a security trust deed, the assignment of certain leases of the subsidiary, a first legal charge over designated accounts of the subsidiary and assignment of rights, titles and interests of the monies standing to the credit of these accounts, assignment of rights over specified licence, agreements and insurances, and a deed of debenture creating a fixed and floating charge over present and future assets of the subsidiary.

The subsidiary undertakes and has complied in maintaining a Sukuk Service Cover Ratio of not less than 1.25:1 since the drawdown of the facility.

The summary of the profit payment rates and redemption dates of the Sukuk Musharakah as at 31 December 2017 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2006	20,000	7.20 - 8.10	11 - 15	2018 - 2021

The Sukuk Musharakah is redeemable as follows:

	Group 2017 RM'000	Group 2016 RM'000
Repayable within 1 year	-	10,000
Repayable after 1 year	20,000	20,000
	20,000	30,000

29. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(ii) 15-year RM665 million Sukuk Mudharabah

This represents the Serial Sukuk Mudharabah of up to an aggregate nominal amount of RM665 million ("the Sukuk Mudharabah") issued under the Islamic principle of Mudharabah by a subsidiary to partly finance its development and construction of a coal-fired power plant in Mukah in prior year.

The Sukuk Mudharabah is secured by the following:

(i) Assignment of all rights, benefits and titles of the subsidiary under its project documents and assigned property;

(ii) Assignment of all rights, benefits and titles of the subsidiary's land;

(iii) Memorandum of first legal charge over designated accounts of the subsidiary and assignment of rights, benefits and titles to the credit balances in these accounts; and

(iv) First ranking debenture creating fixed and floating charge over present and future assets of the subsidiary.

The subsidiary undertakes and has complied in maintaining a Sukuk Service Cover Ratio of not less than 1.25:1 since the drawdown of the facility.

The summary of the profit payment rates and redemption dates of the Sukuk Mudharabah as at 31 December 2017 is tabulated below:

Year of Issuance	Nominal amount	Profit payment rates	Tenure	Redemption dates
	RM'000	% per annum	Years	Year
2006	195,000	8.10 - 8.60	13 - 15	2019 - 2021
2007	85,000	7.80 - 8.25	10 - 12	2018 - 2019
	280,000			

29. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(ii) 15-year RM665 million Sukuk Mudharabah (cont'd.)

The Sukuk Mudharabah is redeemable as follows:

	Group 2017 RM'000	Group 2016 RM'000
Redeemable within 1 year	70,000	70,000
Redeemable after 1 year	210,000	280,000
	280,000	350,000

(iii) 25-year RM15 billion Sukuk Musyarakah

This represents the Serial Sukuk Musyarakah of up to an aggregate nominal amount of RM15 billion ("Sukuk Musyarakah") issued under the Islamic principle of Musyarakah obtained by the Company. The proceeds from the issuance under the Sukuk Musyarakah shall be utilised by the Company and its subsidiaries to finance the Group's capital expenditure requirement and other general corporate purposes.

The Sukuk Musyarakah is unsecured and shall have a tenor of up to 25 years from the date of first issuance. On 5 December 2017, the Company raised additional RM1 billion from its sixth issuance.

The summary of the profit payment rates and redemption dates of the Sukuk Musyarakah as at 31 December 2017 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2011	2,500,000	4.70 - 5.65	7 - 15	2018 - 2026
2012	2,500,000	4.50 - 4.85	10 - 15	2022 - 2027
2014	1,500,000	4.50 - 5.50	5 - 15	2019 - 2029
2015	1,500,000	4.75 - 5.28	10 - 20	2025 - 2035
2016	1,500,000	5.04 - 5.18	15 - 20	2031 - 2036
2017	1,000,000	5.32	15	2032
	10,500,000			

29. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(iii) 25-year RM15 billion Sukuk Musyarakah (cont'd.)

The Sukuk Musyarakah is redeemable as follows:

	Group/Company	
	2017	**2016**
	RM'000	RM'000
Redeemable within 1 year	700,000	-
Redeemable after 1 year	9,800,000	9,500,000
	10,500,000	9,500,000

(iv) 15-year RM5.54 billion Sukuk Murabahah

This represents the Serial Sukuk Murabahah of up to an aggregate nominal amount of RM5.54 billion ("the Sukuk Murabahah") arising from the assumption of debts vis-à-vis acquisition of SHSB during the year which was issued in 2016 under the Islamic principle of Murabahah to partly finance the development and construction of the power plant.

The Sukuk Murabahah is secured by a security trust deed, the assignment of certain leases of the subsidiary, a first legal charge over designated accounts of the subsidiary and assignment of rights, titles and interests of the monies standing to the credit of these accounts (see Note 26) and assignment of rights over specified licence, agreements and insurances of the subsidiary.

The subsidiary undertakes and has complied in maintaining a Finance Service Cover Ratio ("FSCR") of not less than 1.25:1 since the drawdown of the facility. The Government of Malaysia also signed a letter of undertaking to deposit such amount of cash to ensure the periodic FSCR or distribution FSCR are at least two times.

29. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(iv) 15-year RM5.54 billion Sukuk Murabahah (cont'd.)

The summary of the profit payment rates and redemption dates of the Sukuk Murabahah as at 31 December 2017 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2016	5,540,000	4.11 - 4.67	3 - 15	2019 - 2031

The Sukuk Murabahah is redeemable as follows:

	Group 2017 RM'000	Group 2016 RM'000
Repayable after 1 year	5,540,000	5,540,000

(v) 15-year RM1 billion Sukuk Ijarah

This represents the Serial Sukuk Ijarah of up to an aggregate nominal amount of RM1 billion ("the Sukuk Ijarah") arising from the assumption of debts vis-à-vis acquisition of SHSB during the year which was issued in 2013 under the Islamic principle of Ijarah to partly finance the development and construction of the power plant.

The Sukuk Ijarah is secured by a security trust deed, the assignment of certain leases of the subsidiary, a first legal charge over designated accounts of the subsidiary and assignment of rights, titles and interests of the monies standing to the credit of these accounts (see Note 26) and assignment of rights over specified licence, agreements and insurances of the subsidiary. The Sukuk Ijarah is also guaranteed by the Government of Malaysia.

29. Loans and borrowings (cont'd.)

Islamic debt securities (cont'd.)

(v) 15-year RM1 billion Sukuk Ijarah (cont'd.)

The summary of the profit payment rates and redemption dates of the Sukuk Ijarah as at 31 December 2017 is tabulated below:

Year of Issuance	Nominal amount RM'000	Profit payment rates % per annum	Tenure Years	Redemption dates Year
2013	1,000,000	4.60	15	2028

The Sukuk Murabahah is redeemable as follows:

	Group 2017 RM'000	Group 2016 RM'000
Repayable after 1 year	1,000,000	1,000,000

Term loans

During the year, the Group had secured four term loan facilities.

	Group 2017 RM'000
Unsecured term loans of a subsidiary:	
TL1	500,000
TL2	500,000
TL3	500,000
TL4	780,164
	2,280,164

29. Loans and borrowings (cont'd.)

Term loans (cont'd.)

The term loans are repayable as follows:

	Group 2017 RM'000
Repayable within 1 year	760,000
Repayable after 1 year	1,520,164
	2,280,164

(i) 3-year RM500 million term loan ("TL1")

The unsecured term loan of RM500 million granted to a subsidiary is to part-finance the acquisition of SHSB Group and is repayable over 2 years commencing 2018. Interest is charged at 0.75% per annum above cost of fund. The facility is secured by corporate guarantee from the Company.

The Group is required to maintain a consolidated gearing ratio of not more than 3.0 times throughout the tenure of the facility. Gearing ratio is defined as Total Borrowings divided by Tangible Net Worth (Shareholders' funds less any intangible assets).

(ii) 3-year RM500 million term loan ("TL2")

The unsecured term loan of RM500 million is granted to a subsidiary to part-finance the acquisition of SHSB Group and is repayable over 2 years commencing 2018. Interest is charged at 0.75% per annum above cost of fund. The facility is secured by corporate guarantee from the Company.

The subsidiary is required to maintain the following significant financial covenants throughout the tenure of the facility:

(i) The subsidiary's consolidated Net Tangible Assets ("NTA") (defined as the sum of paid-up capital and retained earnings) of not less than RM1 billion;

(ii) The subsidiary's consolidated Funds From Operations Debt Cover ("FFODC") (defined as Funds from Operations against Total Bank Borrowings) ratio of not less than 0.07 times; and

(iii) The subsidiary's consolidated gearing ratio (defined as Total Bank Borrowings against NTA) not exceeding 3.0 times.

29. Loans and borrowings (cont'd.)

Term loans (cont'd.)

(iii) 4-year RM500 million term loan ("TL3")

The unsecured term loan of RM500 million granted to a subsidiary is to part-finance the acquisition of SHSB Group and is repayable over 3 years commencing 2018. Interest is charged at 0.70% per annum above cost of fund. The facility is secured by corporate guarantee from the Company.

(iv) 5-year RM1.0 billion term loan ("TL4")

The unsecured term loan of total available facility limit of RM1.0 billion is to finance the Group's capital expenditure and/or working capital expenses and is repayable over 3 years commencing from 2019. Interest is charged at a rate of 0.75% per annum above cost of fund. As at the current reporting date, a total amount of RM780.2 million had been drawn down. The facility is secured by corporate guarantee from the Company.

The Group is required to maintain a consolidated gearing ratio of not more than 3.0 times throughout the tenure of the facility. Gearing ratio is defined as Total Borrowings divided by Tangible Net Worth (Shareholders' funds less any intangible assets).

Revolving credits

The revolving credits of RM240 million granted to a subsidiary bear interest at 0.80% per annum above cost of fund. The revolving credits are secured by way of corporate guarantee from the Company.

The subsidiary is required to maintain the following significant financial covenants throughout the tenure of the facility:

(i) The subsidiary's consolidated Net Tangible Assets ("NTA") (defined as the sum of paid-up capital and retained earnings) of not less than RM1 billion;

(ii) The subsidiary's consolidated Funds From Operations Debt Cover ("FFODC") (defined as Funds from Operations against Total Bank Borrowings) ratio of not less than 0.07 times; and

(iii) The subsidiary's consolidated gearing ratio (defined as Total Bank Borrowings against NTA) not exceeding 3.0 times.

29. Loans and borrowings (cont'd.)

Obligation under finance lease

The obligation under finance lease is secured by a charge over the leased asset (Note 13). The average discount rate implicit in the lease is 5.03% (2016: 5.03%) per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2017	**2016**
	RM'000	RM'000
Minimum lease payments:		
Not later than 1 year	19	19
Later than 1 year but not later than 2 years	21	19
Later than 2 years but not later than 5 years	-	21
Total minimum lease payments	40	59
Less: Amounts representing finance charges	(2)	(4)
Present value of minimum lease payments	38	55
Present value of payments:		
Not later than 1 year	18	17
Later than 1 year but not later than 2 years	20	18
Later than 2 years but not later than 5 years	-	20
Present value of minimum lease payments	38	55
Less: Amount due within 12 months	(18)	(17)
Amount due after 12 months	20	38

29. Loans and borrowings (cont'd.)

Changes in liabilities arising from financing activities

	1 January 2017 RM'000	Cash flows RM'000	Acquisition of subsidiary RM'000	Others RM'000	31 December 2017 RM'000
Group					
2017					
Current interest-bearing loans and borrowings	80,017	919,983	-	770,019	1,770,019
Non-current interest-bearing loans and borrowings	9,800,038	2,420,164	6,640,000	(770,019)	18,090,183
	9,880,055	3,340,147	6,640,000	-	19,860,202
			(Note 17)		
Company					
2017					
Current interest-bearing loans and borrowings	-	-	-	700,000	700,000
Non-current interest-bearing loans and borrowings	9,500,000	1,000,000	-	(700,000)	9,800,000
	9,500,000	1,000,000	-	-	10,500,000

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings to current due to the passage of time.

30. Deferred income

Deferred income represents government grants and capital contributions by customers towards the cost of capital projects and is analysed as follows:

	Group	
	2017	**2016**
	RM'000	RM'000
At 1 January	2,005,144	1,826,952
Received during the year	333,528	295,104
Amortisation during the year (Note 6)	(122,514)	(116,912)
At 31 December	2,216,158	2,005,144

Capital contributions of RM333,528,000 (2016: RM295,104,000) were received during the financial year whereas an amount of RM122,514,000 (2016: RM116,912,000) was recognised to the profit or loss in accordance with the accounting policy as described in Note 2.18.

31. Retirement benefit obligations

The Group and the Company operate on unfunded, post-retirement medical benefit plan for eligible employees and their eligible family members.

Movements in the net liability of retirement benefit obligations in the current year were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
At 1 January	235,034	181,055	1,433	947
Recognised in profit and loss (Note 9)	24,338	23,920	160	124
Benefits paid	(7,716)	(6,506)	(28)	(19)
Actuarial loss recognised in other comprehensive income	-	36,565	-	381
At 31 December	251,656	235,034	1,565	1,433

31. Retirement benefit obligations (cont'd.)

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Present value of unfunded defined benefit obligations				
Current	7,810	6,711	29	26
Non-current	243,846	228,323	1,536	1,407
	251,656	235,034	1,565	1,433

The amounts recognised in the statements of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Recognised in profit and loss:				
Current service cost	11,066	13,468	79	70
Interest cost	13,272	10,452	81	54
Total, included in employee benefits expense (Note 9)	24,338	23,920	160	124
Recognised in other comprehensive income:				
Actuarial loss arising from remeasurement of defined benefit plan	-	36,565	-	381

31. Retirement benefit obligations (cont'd.)

Principal actuarial assumptions used:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	%	%	%	%
Discount rate	5.70	5.70	5.70	5.70
Medical cost inflation rate	10% reducing to 4% in 4 years	10% reducing to 4% in 4 years	10% reducing to 4% in 4 years	10% reducing to 4% in 4 years

The weighted average duration of the Group and the Company's liability for the retirement benefit obligation is estimated at approximately 16 years (2016: 16 years) for the retirement benefit obligations.

A quantitative sensitivity analysis of the change in the discount rate and medical cost inflation rate as at 31 December is shown below:

	Impact on retirement benefit obligations Increase/(Decrease)			
	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
1% increase in discount rate	(34,521)	(32,647)	(259)	(241)
1% increase in medical cost inflation rate	44,681	40,227	348	309

32. Share capital, share premium and capital redemption reserve

	Number of ordinary shares Share capital (Issued and fully paid)	← Amount → Share capital (Issued and fully paid)	Share premium	Capital redemption reserve	Total
	'000	RM'000	RM'000	RM'000	RM'000
Group and Company					
At 1 January 2017	1,610,569	1,610,569	149,644	73,128	1,833,341
Transition to no-par value regime on 31 January 2017*	-	222,772	(149,644)	(73,128)	-
At 31 December 2017	1,610,569	1,833,341	-	-	1,833,341

	Number of ordinary shares	Par value	← Amount → Share capital	Share premium	Capital redemption reserve	Total
	'000	RM	RM'000	RM'000	RM'000	RM'000
Group and Company						
At 1 January 2016/ 31 December 2016						
Issued and fully paid	1,610,569	1.00	1,610,569	149,644	73,128	1,833,341

	Number of ordinary shares 2016	Amount 2016
	'000	RM'000
Authorised share capital		
Ordinary shares of RM1.00 each	2,900,000	2,900,000
5-year 5% redeemable convertible preference shares of RM0.10 each	1,000,000	100,000
At 1 January/31 December	3,900,000	3,000,000

32. Share capital, share premium and capital redemption reserve (cont'd.)

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Share Premium
Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Capital Redemption Reserve
This reserve represents cancellation of nominal value of ordinary shares arising from purchase of own shares and cancellation of nominal value of Redeemable Convertible Preference Shares redeemed in prior years.

*The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently the amounts standing to the credit of the share premium and capital redemption reserve became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

33. Reserves

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Capital reserve	-	85,355	-	-
General reserve	-	94,147	-	5,000
Available-for-sale reserve	(18,688)	(1,397)	(18,688)	(1,397)
Retained earnings	6,300,670	4,626,007	882,596	780,198
	6,281,982	4,804,112	863,908	783,801

33. Reserves (cont'd.)

Movements in reserves are shown in the Statements of Changes in Equity.

The nature and purpose of each category of the reserves are as follows:

Available-for-sale reserve

Available-for-sale reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed of or impaired.

34. Future capital commitments

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Approved and contracted for	2,718,048	2,211,027	-	-
Approved and not contracted for	600,659	1,298,384	-	-
	3,318,707	3,509,411	-	-

35. Related party disclosures

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group 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. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, associates, controlling shareholders and key management personnel.

35. Related party disclosures (cont'd.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	Group 2017 RM'000	Group 2016 RM'000
(i) Associate:		
Expenditure		
Purchases of coal	207,631	199,633
Rental	22	28
(ii) A corporate shareholder in a subsidiary:		
Income		
Sale of coal	47,506	30,936
Expenditure		
Service fee paid/payable	123,431	110,399

	Company 2017 RM'000	Company 2016 RM'000
(iii) Subsidiaries:		
Income		
Corporate support service fees	21,716	14,696
Dividend	100,000	248,000
Expenditure		
Corporate support service fees	13,438	5,033

35. Related party disclosures (cont'd.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year: (cont'd.)

The Directors are of the opinion that the above transactions were entered into in the normal course of business and were transacted on normal commercial terms.

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 is disclosed in Note 23 and Note 27.

(c) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 10)	1,757	1,783	1,224	1,245
Short-term employee benefits	23,202	31,430	10,512	23,378
Post-employment benefits				
- defined contribution plan	2,683	1,784	1,088	578
- defined benefit plan	191	597	-	19
Other benefits	159	752	49	638
	27,992	36,346	12,873	25,858

36. Fair value of financial instruments

(a) Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(i) Loans and borrowings

Fair value, which is determined for disclosure purposes, 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.

(ii) Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, amount due from/to subsidiaries, trade and other payables and loans and borrowings) are, because of the short period to maturity, assumed to approximate to their fair values; or that they are floating rate instruments that are re-priced to market interest rate on or near the reporting date. No disclosure of fair value is made for non-current amounts due from/to subsidiaries as it is not practicable to determine their fair value with sufficient reliability since these balances have no fixed terms of repayment. All other financial assets and liabilities are discounted to determine their fair values, except for other investment (available-for-sale financial assets) whose fair value is determined by reference to its quoted price on Bursa Malaysia.

36. Fair value of financial instruments (cont'd.)

(b) Fair values versus carrying amounts

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values except as follows:

	2017		2016	
	Carrying amount RM'000	**Fair value** RM'000	**Carrying amount** RM'000	**Fair value** RM'000
Group				
Financial liabilities				
Loans and borrowings	19,860,202	20,100,796	9,880,055	10,168,831
Company				
Financial liabilities				
Loans and borrowings	10,500,000	10,704,871	9,500,000	9,753,204

(c) Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities.

36. Fair value of financial instruments (cont'd.)

(c) Fair value hierarchy (cont'd.)

Quantitative disclosures of the fair value measurement hierarchy as at 31 December 2017 and 31 December 2016 were as follows:

	Date of valuation 31 December	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group and Company					
Assets measured at fair values:					
Financial assets					
Other investments	2017	37,203	-	-	37,203
	2016	54,494	-	-	54,494
Group					
Liabilities for which fair values are disclosed:					
Financial liabilities					
Loans and borrowings	2017	-	20,100,796	-	20,100,796
	2016	-	10,168,831	-	10,168,831
Company					
Liabilities for which fair values are disclosed:					
Financial liabilities					
Loans and borrowings	2017	-	10,704,871	-	10,704,871
	2016	-	9,753,204	-	9,753,204

37. Analysis of financial assets and liabilities by measurement basis

The table below sets out the comparison by category of carrying amounts of all the Group's financial instruments, shown in the statements of financial position:

	Loans and receivables RM'000	**Available-for-sale** RM'000	**Other financial liabilities at amortised cost** RM'000
Group			
2017			
Assets			
Other investments	-	37,203	-
Trade and other receivables	945,632	-	-
Cash and bank balances	3,937,077	-	-
Liabilities			
Trade and other payables	-	-	2,494,215
Loans and borrowings	-	-	19,860,202
2016			
Assets			
Other investments	-	54,494	-
Trade and other receivables	893,384	-	-
Cash and bank balances	2,032,350	-	-
Liabilities			
Trade and other payables	-	-	2,243,702
Loans and borrowings	-	-	9,880,055

37. Analysis of financial assets and liabilities by measurement basis (cont'd.)

The table below sets out the comparison by category of carrying amounts of all the Company's financial instruments, shown in the statements of financial position:

	Loans and receivables RM'000	Available-for-sale RM'000	Other financial liabilities at amortised cost RM'000
Company			
2017			
Assets			
Other investments	-	37,203	-
Trade and other receivables	6,676,163	-	-
Cash and bank balances	1,831,402	-	-
Liabilities			
Trade and other payables	-	-	337,228
Loans and borrowings	-	-	10,500,000
2016			
Assets			
Other investments	-	54,494	-
Trade and other receivables	7,472,960	-	-
Cash and bank balances	1,414,355	-	-
Liabilities			
Trade and other payables	-	-	468,130
Loans and borrowings	-	-	9,500,000

38. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's and the Company's principal financial instruments comprise loans and borrowings, cash and short-term deposits. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group and the Company have other financial assets and liabilities such as other investments, trade receivables and trade payables, which arise directly from their operations. The Company also provides unsecured financial guarantees to banks in respect of certain banking facilities extended to its subsidiaries.

The Group has established risk management policies which are periodically reviewed and approved by the Board of Directors and executed by the relevant departments within the Group to manage its exposure to these financial risks. The Group Risk Management Division provides assurance to the Board via the Board Audit & Risk Committee on the effectiveness of the enterprise risk management framework in the Group.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group has applied hedge accounting and held or issued derivative financial instruments for capital expenditure purpose during the financial year.

The key financial risks include credit risk, liquidity risk and market risk such as interest rate risk, foreign currency risk and market price risk.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objective, policies and processes for the management of these risks.

(a) Credit risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limit and monitoring procedures. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position except for financial guarantees. The Company's maximum exposure relating to financial guarantees is as disclosed in the liquidity table in the ensuing pages.

As at 31 December 2017, approximately 66% (2016: 61%) of the Group's trade receivables were due from 5 major customers. In addition to customers' collateral deposits, the Group holds guarantees from creditworthy financial institutions to secure the obligations of these customers.

Information regarding financial assets that are either past due or impaired and ageing analysis is disclosed in Note 23. Management believes that no additional credit risk beyond that provided for is inherent in the Group's trade and other receivables.

Financial guarantees

The maximum exposure to credit risks, being the outstanding financial guarantees granted to the subsidiaries as at end of the reporting period is summarised as follows:

	Company RM'000
Loans and borrowings outstanding and recognised in financial statements	2,520,164

There is no indication that any subsidiary would default on the repayments of its loans and borrowings. The financial guarantees have not been recognised since their fair values on initial recognition are not material and the probability of the subsidiaries defaulting on the credit lines is remote.

38. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The following are the expected contractual undiscounted cash flows of financial liabilities of the Group and the Company, including interest payments:

	Carrying amount RM'000	Total contractual cash flow RM'000	Within 1 year RM'000	Within 2-5 years RM'000	More than 5 years RM'000
Group					
2017					
Non-derivative financial liabilities					
Trade and other payables	2,494,215	2,494,215	2,494,215	-	-
Loans and borrowings	19,860,202	27,863,752	2,693,386	8,640,049	16,530,317
	22,354,417	30,357,967	5,187,601	8,640,049	16,530,317
2016					
Non-derivative financial liabilities					
Trade and other payables	2,243,702	2,243,702	2,243,702	-	-
Loans and borrowings	9,880,055	14,788,798	572,961	4,005,531	10,210,306
	12,123,757	17,032,500	2,816,663	4,005,531	10,210,306

38. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	Carrying amount RM'000	Total contractual cash flow RM'000	Within 1 year RM'000	Within 2-5 years RM'000	More than 5 years RM'000
Company					
2017					
Non-derivative financial liabilities					
Trade and other payables	337,228	337,228	337,228	-	-
Loans and borrowings	10,500,000	15,655,943	1,212,925	4,256,317	10,186,701
Financial guarantees *	-	2,520,164	2,520,164	-	-
	10,837,228	18,513,335	4,070,317	4,256,317	10,186,701

** Being corporate guarantees granted for banking facilities of a subsidiary [see Note 29], which will only be encashed in the event of default by the subsidiary. These financial guarantees do not have an impact on group contractual cash flows.*

2016

	Carrying amount RM'000	Total contractual cash flow RM'000	Within 1 year RM'000	Within 2-5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities					
Trade and other payables	468,130	468,130	468,130	-	-
Loans and borrowings	9,500,000	14,320,782	463,422	3,647,054	10,210,306
	9,968,130	14,788,912	931,552	3,647,054	10,210,306

38. Financial risk management objectives and policies (cont'd.)

(c) Interest rate risk

The Group's primary interest rate risk arises primarily from interest-bearing assets and debts. The investment in financial assets are not held for speculative purposes but have been mostly placed in short-term deposits which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(d) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in currency other than Malaysian Ringgit, mostly in US Dollars ("USD"), Renminbi ("RMB") and Euro ("EUR"). Foreign exchange exposures in transactional currencies other than the entity's functional currency are kept to an acceptable level.

The Group uses forward foreign currency contracts to hedge its foreign currency risk. The maturities of the forward currency contracts were intended to match the expected monthly receivables and contract payments.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based in carrying amounts as at the end of the reporting period which were material were:

Group	Denominated in RMB RM'000	Denominated in USD RM'000	Denominated in EUR RM'000
Balances recognised in the statement of financial position			
2017			
Cash and bank balances	17	14,141	-
Other payables	(79,724)	(2,906)	(91,277)
	(79,707)	11,235	(91,277)

38. Financial risk management objectives and policies (cont'd.)

(d) Foreign currency risk (cont'd.)

Exposure to foreign currency risk (cont'd.)

Group	Denominated in RMB RM'000	Denominated in USD RM'000
Balances recognised in the statement of financial position		
2016		
Trade receivables	-	159,519
Cash and bank balances	17	260,559
Other payables	(80,446)	(7,575)
	(80,429)	412,503
Company		
Balances recognised in the statement of financial position		
2017		
Cash and bank balances	-	21
Other payables	(77,880)	(298)
	(77,880)	(277)
2016		
Cash and bank balances	-	22
Other payables	(79,960)	(1,697)
	(79,960)	(1,675)

Currency risk sensitivity

A 10% strengthening analysis or 10% weakening of the foreign currency 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 is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

38. Financial risk management objectives and policies (cont'd.)

(d) Foreign currency risk (cont'd.)

Currency risk sensitivity (cont'd.)

		Profit or loss before tax	
		2017	**2016**
		RM'000	**RM'000**
Group			
USD/RM	- strengthened 10% (2016:10%)	1,124	41,250
	- weakened 10% (2016:10%)	(1,124)	(41,250)
RMB/RM	- strengthened 10% (2016:10%)	(7,971)	(8,043)
	- weakened 10% (2016:10%)	7,971	8,043
EUR/RM	- strengthened 10% (2016:Nil)	(9,128)	-
	- weakened 10% (2016:Nil)	9,128	-
Company			
USD/RM	- strengthened 10% (2016:10%)	(28)	(168)
	- weakened 10% (2016:10%)	28	168
RMB/RM	- strengthened 10% (2016:10%)	(7,788)	(7,996)
	- weakened 10% (2016:10%)	7,788	7,996

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk and the risks of impairment in the value of investments held arising from its investment in quoted equity investment which is listed on Bursa Malaysia. These investments are classified as available-for-sale financial assets. The Group and the Company manage the risk of impairment by continuously monitoring the performance of investments held and assessing market risk relevant to which the investments operate.

39. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is total loans and borrowings divided by total equity. Total equity comprises equity attributable to owners of the Company and non-controlling interests.

		Group		Company	
	Note	**2017**	**2016**	**2017**	**2016**
		RM'000	RM'000	RM'000	RM'000
Loans and borrowings	29	19,860,202	9,880,055	10,500,000	9,500,000
Total equity		8,139,896	6,657,283	2,697,249	2,617,142
Gearing ratio (times)		2.44	1.48	3.89	3.63

The Group is also required to maintain Sukuk Service Cover Ratio, debt to equity ratio, gearing ratio and Funds From Operations Debt Cover in order to comply with certain debt securities and borrowings covenants as disclosed in Note 29, failing which the affected facilities will be subject to downgraded ratings or recall.

The Group has complied with all these covenants as at the end of the reporting period.

40. Significant event

On 16 August 2017, the Company via its wholly-owned subsidiary, namely SEB Power Sdn. Bhd. completed the acquisition of the entire equity interest in Sarawak Hidro Sdn. Bhd. and its subsidiary, Sarawakhidro Power Sdn. Bhd., from the Ministry of Finance and Pesuruhjaya Tanah Persekutuan for a total cash consideration of RM2.5 billion.

41. Subsequent event

In March 2018, the Company's wholly-owned subsidiary, namely Syarikat SESCO Berhad disposed of its entire equity interest in Sarawak Gas Distribution Sdn. Bhd. representing 2,700,000 ordinary shares to State Financial Secretary, Sarawak for a total cash consideration of RM1.2 million. The Group had recognised an impairment loss of RM14.5 million on the investment in this associate for the financial year ended 31 December 2017.

42. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2018.