LIGHTING UP COMMUNITIES

ANNUAL REPORT 2013

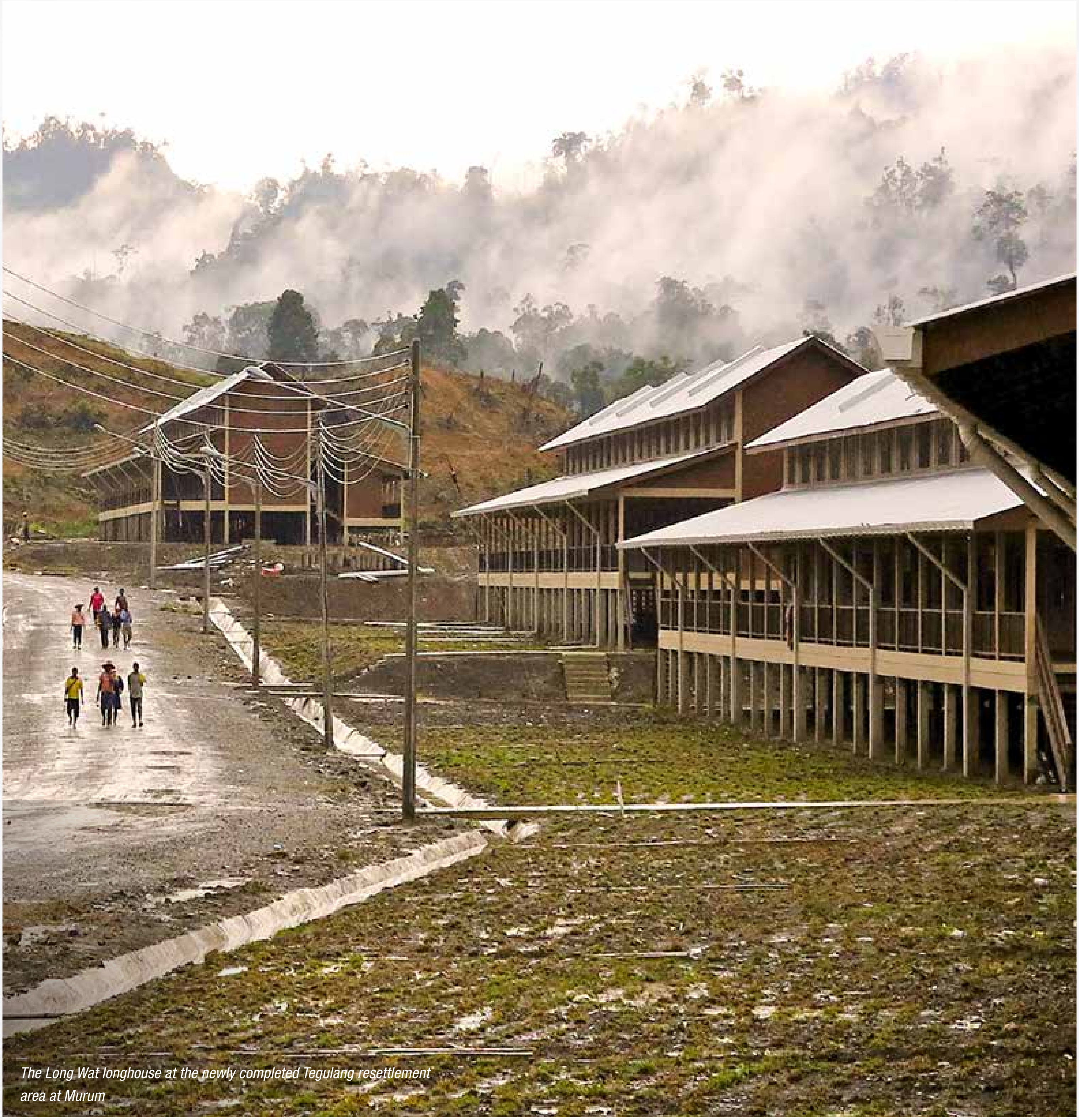
THEME AND COVER RATIONALE

"Lighting Up Communities" reflects our desire to illuminate the lives of the people of Sarawak.

We do this in a range of ways – from initiatives to enhance the daily lives of our project affected communities to industrial partnerships beyond Sarawak. Central to the success of all of our endeavours is the provision of an environment-friendly power generation and stable power supply.

Impoundment for Murum HEP commenced September and is on track to deliver power by next year. In December, the Murum resettlement process was successfully completed for those communities affected by the project. Some 1,500 people are now transitioning into their new longhouses and lives and we continue to provide support.

LIGHTING UP **COMMUNITIES**



The Long Wat longhouse at the newly completed Tegulang resettlement area at Murum

KEY HIGHLIGHTS 2013

IHA World Hydropower Congress 2013 in Kuching


The resettlement process aims to lift the quality of life of the communities affected by the Murum HEP

ADVANCING SUSTAINABLE HYDROPOWER

Sarawak hosts IHA World Hydropower Congress

PROGRESSING SCORE

- Murum HEP - Impoundment and resettlement
- PPA with two SCORE investors

STRENGTHENING INFRASTRUCTURE

- Contracts signed for 500 kV Transmission Backbone from Similajau to Kuching
- Entingan substation completed to provide second 275 kV injection to Kuching

ELECTRIFYING SARAWAK

- 11,160 more rural homes provided with 24-hour electricity
- More than 570,000 customers across the State

FINANCIAL HIGHLIGHTS

Chief of Corporate Services Puan Aisah Eden receives the Green Building accreditation certificate for Menara Sarawak Energy on 11 June 2013

SUSTAINABILITY AT OUR CORE

Menara Sarawak Energy certified East Malaysia's first green building

STAFF STRENGTH

4,039 employees

REVENUE

(RM' MILLION)

2,323

PROFIT NET OF TAX

(RM' MILLION)

371

TOTAL ASSETS

(RM' MILLION)

13,686

NET EARNINGS PER SHARE

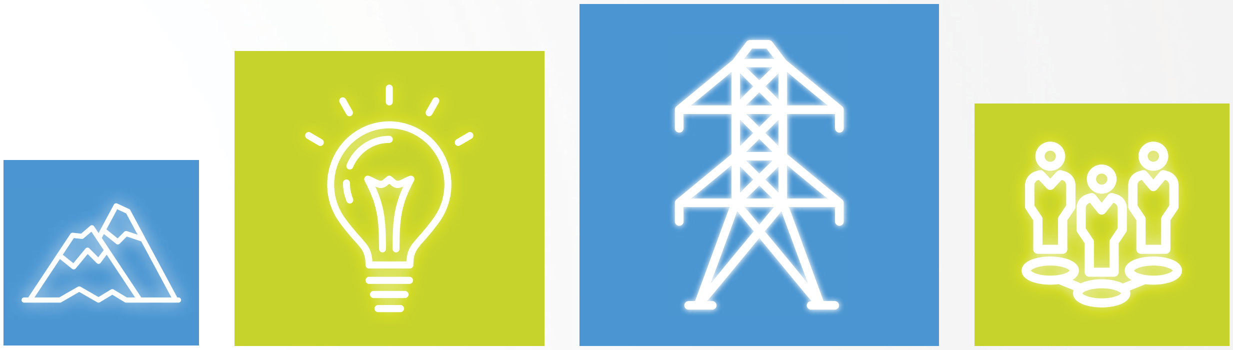
(SEN)

23.1

CONTENTS

ABOUT SARAWAK ENERGY

In providing electricity for the people of Sarawak, Sarawak Energy has undergone many changes. Our transformation journey is continuous but our determination to serve Sarawak's communities with respect remains our priority.



THE CATALYST OF SCORE

Over the past century, Sarawak Energy has grown from a traditional utility into a power development company supplying reliable, clean, competitively priced and renewable energy to support the development of the Sarawak Corridor of Renewable Energy (SCORE), the State Government's powerful strategy to accelerate the economic and social development of the State.

Sarawak Energy is rebuilding the energy infrastructure in the state. We are gradually moving away from a generation mix derived mostly from fossil fuels to one that draws on Sarawak's rich hydro potential and abundant indigenous natural resources. By 2020, hydropower will be responsible for between 60 and 70% of the generation mix.

As SCORE develops, Sarawak will continue to attract energy-intensive industries that seek an environment conducive to building their businesses. This will create more jobs for the people of Sarawak, enable them to develop their professional skills and contribute to higher income and improvements in health and education and the infrastructure which benefits our quality of life.

Today, Sarawak Energy provides electricity to more than 570,000 customers and we look forward to growing that number in the years ahead.

In conducting our core businesses, we are conscious of our responsibilities to society, the environment and the economy.

OUR COMMITMENT TO TRANSPARENCY

Although Sarawak Energy is currently a non-listed public entity and therefore not subject to regulated disclosure requirements of the Securities Commission, we voluntarily publish our annual reports in the interest of transparency to our shareholders, investors, the people of Sarawak and other stakeholders.

In this year's report, you will find our 2013 performance on operations, projects, people, health, safety and environment and corporate responsibility and sustainability initiatives as well as our corporate governance and financial statements.

OUR VISION

Sustainable growth and prosperity for Sarawak by meeting the region's need for reliable, renewable energy

OUR MISSION

To realise our vision, we will:

- Pursue opportunities for growth by fully developing the Sarawak Government's SCORE agenda
- Ensure our own safety and the safety of others, with a commitment to do 'no harm to anyone at any time'
- Provide a reliable supply of clean, competitively priced energy to support the economic and social development of Sarawak and our partners in the region
- Operate as a business based on principles that reward our owners and employees, and delight our customers
- Honour the trust placed in us by the people of Sarawak, by acknowledging and respecting them and contributing to their well-being
- Set and achieve high ethical and corporate standards that are a source of pride for our employees, customers and owners
- Develop our people, leadership and teamwork to build an agile, open, corporate and customer-focused culture that responds to challenges and the need for change with innovation and cooperation
- Harness and utilise natural resources in a sustainable and responsible way
- Achieve operational excellence through a commitment to continual improvement and best practice

The Sarawak Energy Leadership Conference, held twice a year, is a platform for the conference delegates, including executives, managers and senior management, to be updated by the Chief Executive Officer in person on the latest corporate happenings and to ask him questions directly

OUR VALUES

INTEGRITY
We do what is right in every aspect of our business, and in every contact with our people, customers, contractors and the community.

UNITY
We are one business, working together and sharing information and expertise to achieve our common vision for the future.

RESPECT
We value our diversity, listen well and involve others to use our best judgment in all situations and actively care for our relationships.

ACCOUNTABILITY
We work hard, take responsibility for our performance and deliver on our commitments.

COURAGE
We respect and support each other to do what is right, and in the best interests of our company and the community, even when it is not easy to do so.

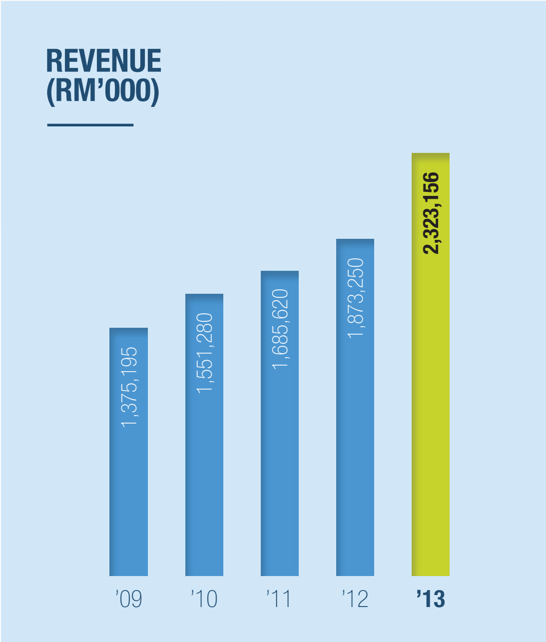
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

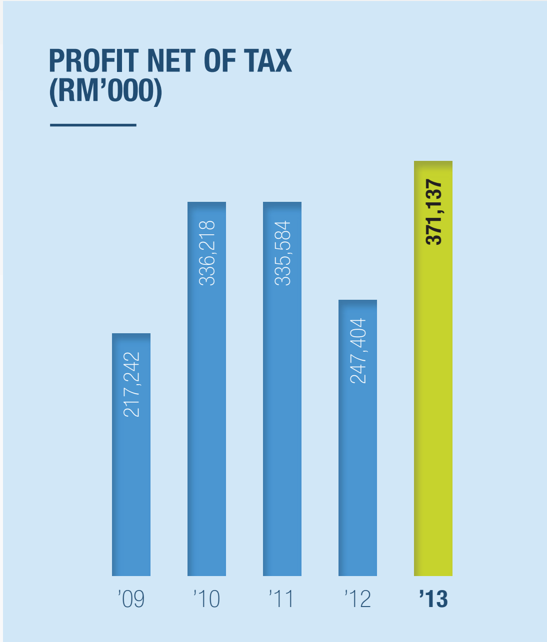
FINANCIAL YEAR ENDED 31 DECEMBER	2013	2012 (Restated)	2011 (Restated)	2010	2009
PERFORMANCE (RM'000)					
Revenue	**2,323,156**	1,873,250	1,685,620	1,551,280	1,375,195
Profit before tax	**488,991**	324,400	284,010	386,939	277,274
Profit net of tax	**371,137**	247,404	335,584	336,218	217,242
Net profit attributable to owners of the Company	**371,569**	247,718	335,363	341,309	216,145
Net dividends	**88,581**	66,436	66,436	66,436	66,436
KEY FINANCIAL POSITION DATA (RM'000)					
Property, plant and equipment	**10,986,172**	10,269,333	9,120,254	7,593,227	6,443,215
Cash and bank balances	**1,277,203**	2,112,334	591,660	465,298	642,577
Total assets	**13,685,534**	13,414,901	10,627,685	8,783,858	7,821,348
Loans and borrowings	**6,101,212**	6,278,486	3,954,027	2,509,159	1,938,327
Total liabilities	**9,429,194**	9,486,488	6,875,065	5,279,570	4,588,363
Share capital	**1,610,569**	1,610,569	1,610,569	1,610,569	1,610,267
Equity attributable to owners of the Company	**4,247,194**	3,918,835	3,742,728	3,491,025	3,214,631
SHARE INFORMATION					
Net asset per share attributable to owners of the Company (RM)	**2.64**	2.43	2.33	2.17	2.00
Net earnings per share (Sen)	**23.1**	15.4	20.8	21.2	14.1
Gross dividend per share (Sen)	**5.5**	5.5	5.5	5.5	5.5

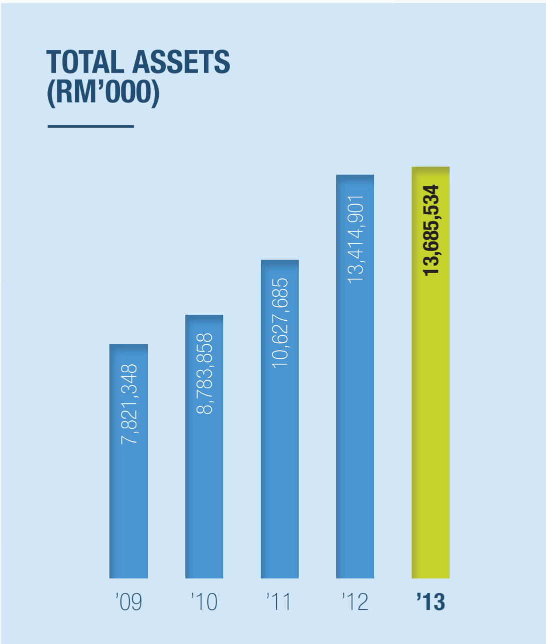
Note:

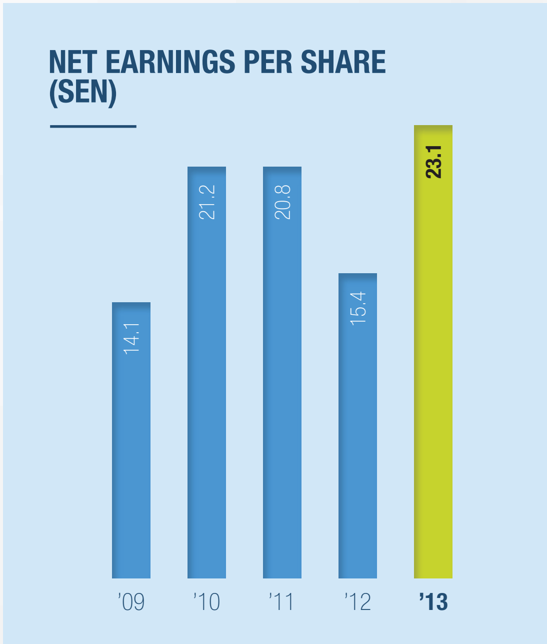
Amounts for 2012 and 2011 have been restated for the amendments to MFRS119.

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS









CORPORATE INFORMATION

The new headquarters - Menara Sarawak Energy - is the first accredited green building in East Malaysia

DIRECTORS

YBhg Datuk Amar Abdul Hamed Sepawi
Chairman

YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani
Non-Independent Non-Executive Director

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican
Independent Non-Executive Director

YBhg Datuk Fong Joo Chung
Non-Independent Non-Executive Director

YBhg Dato' Haji Idris Bin Haji Buang
Non-Independent Non-Executive Director

BOARD AUDIT COMMITTEE

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican
Chairman

YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani

YBhg Dato' Haji Idris Bin Haji Buang

GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE

YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani
Chairman

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican

YBhg Datuk Fong Joo Chung

YBhg Dato' Haji Idris Bin Haji Buang

COMPANY NUMBER

007199-D

COMPANY SECRETARY

Lim Li Na
(MAICSA 7053678)

REGISTERED OFFICE/HEAD OFFICE

9th Floor, Menara Sarawak Energy
No. 1, The Isthmus
93050 Kuching, Sarawak
Tel : +6 082-388 388
Fax : +6 082-341 063
Email : corpcomm@sarawakenergy.com.my

AUDITORS

Ernst & Young

PRINCIPAL FINANCIAL INSTITUTIONS

RHB Bank Berhad
AmInvestment Bank Berhad

BOARD OF DIRECTORS

YBhg Datuk Amar Abdul Hamed Sepawi joined the Board of Sarawak Energy and was appointed Chairman on 27 June 2005. He is a Non-Independent Non-Executive Director and has attended all Board meetings held in 2013.

YBhg DATUK AMAR ABDUL HAMED SEPAWI

CHAIRMAN

Malaysian
Aged 64

Datuk Amar Abdul Hamed graduated with a Bachelor of Science degree from the University of Malaya in 1971 and pursued his undergraduate studies in Forestry at the Australian National University from 1974 to 1975. He also holds a Master's degree in Forest Products Utilisation from Oregon State University, USA. He was conferred the Panglima Gemilang Bintang Kenyalang in 1999. He also received the Sarawak Entrepreneur of the Year 2004.

Datuk Amar Abdul Hamed also serves as Chairman of Syarikat SESCO Berhad and Naim Cendera Holdings Berhad, Executive Chairman of Ta Ann Holdings Berhad, Director of Sarawak Plantation Berhad and Smartag Solutions Berhad, and sits on the boards of several other private limited companies.

YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani joined the Board of Sarawak Energy on 26 May 2010. He is a Non-Independent Non-Executive Director and has attended six out of the seven Board meetings held in 2013.

YB TAN SRI DATUK AMAR HAJI MOHAMAD MORSHIDI BIN HAJI ABDUL GHANI

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Malaysian
Aged 57

Tan Sri Datuk Amar Haji Mohamad Morshidi graduated with a Bachelor of Economics degree from Universiti Kebangsaan Malaysia as well as a Master of Science in Human Resource Administration from University of Scranton, Pennsylvania, USA. He was a Management Executive with PETRONAS from 1980 to 1988, and Director of Kuching North City Hall from 1989 to 1998. He held a number of senior positions in the Chief Minister's Department before being appointed as a Permanent Secretary in the Ministry of Social Development and Urbanisation in 2001. He was Director of the State Planning Unit in the Chief Minister's Department prior to his appointment as the Deputy State Secretary of Sarawak in 2006 and later, the State Secretary of Sarawak in August 2009.

Tan Sri Datuk Amar Haji Mohamad Morshidi sits on the boards of Syarikat SESCO Berhad and several other private limited companies.

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican joined the Board of Sarawak Energy on 9 June 2011. He is an Independent Non-Executive Director and has attended five out of the seven Board meetings held in 2013.

YBhg TAN SRI DATO SRI MOHD HASSAN BIN MARICAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Malaysian
Aged 61

Tan Sri Dato Sri Mohd Hassan is a Fellow of The Institute of Chartered Accountants in England and Wales (ICAEW), and a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). He began his professional career in 1972 at Touche Ross & Co., London, and subsequently became a Partner at Hanafiah Raslan & Mohamad/Touche Ross & Co. in 1981. He was appointed PETRONAS Senior Vice President of Finance in February 1989, its President and Chief Executive Officer from February 1995 to February 2010, and the Acting Chairman from July 2004 to February 2010.

Tan Sri Dato Sri Mohd Hassan also serves as a board member on several other private limited companies.

BOARD OF DIRECTORS

YBhg Datuk Fong Joo Chung joined the Board of Sarawak Energy on 31 January 1996. He is a Non-Independent Non-Executive Director and has attended six out of the seven Board meetings held in 2013.

YBhg DATUK FONG JOO CHUNG

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Malaysian
Aged 64

Datuk Fong received his LLB (Hons) from the University of Bristol, United Kingdom, in June 1971. He was subsequently called to the Bar at Lincoln's Inn, London, in November of the same year. In 1972, he began his professional career at Reddi & Co. Advocates in Kuching. He was appointed the State Attorney-General, Sarawak in August 1992. He officially retired on 31 December 2007, but was retained by the Sarawak Government as the State Legal Counsel. He also served as Councillor with the Kuching Municipal Council and Council of Kuching City South. He is a founding member and past President of the Advocates' Association of Sarawak. Datuk Fong was conferred the award of Panglima Jasa Negara (PJN) by the Yang di-Pertuan Agong, Malaysia in 1999 and Panglima Gemilang Bintang Kenyalang (PGBK) by the Yang di-Pertua Negeri, Sarawak in 1994.

Datuk Fong sits on the boards of several other subsidiaries of the Sarawak Energy Group besides holding directorships in Encorp Berhad, Bintulu Port Holdings Berhad, Sarawak Cable Berhad, and Lingui Development Berhad.

YBhg Dato' Haji Idris Bin Haji Buang joined the Board of Sarawak Energy on 24 June 2000. He is a Non-Independent Non-Executive Director and has attended all Board meetings held in 2013.

YBhg DATO' HAJI IDRIS BIN HAJI BUANG

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Malaysian
Aged 59

Dato' Haji Idris graduated with a LLB (Hons) from the University of Buckingham and was subsequently called to the Bar and qualified as a Barrister at Lincoln's Inn, London, UK. He is the proprietor of Idris-Buang & Associates (since 1985), a legal firm located in Kuching, Sarawak. He was formerly the Chief Political Secretary to the YAB Chief Minister of Sarawak, a position held from August 2000 to August 2006. He was appointed Senator of the Dewan Negara on 28 November 2005, and was reappointed to another three-year term on 29 November 2008.

Dato' Haji Idris also sits on the boards of several other subsidiaries of the Sarawak Energy Group besides holding directorships in Hock Seng Lee Berhad and Amanah Saham Sarawak Berhad, as well as other private limited companies.

EXECUTIVE MANAGEMENT COMMITTEE

DATUK TORSTEIN DALE SJØTVEIT
Chief Executive Officer

LU YEW HUNG
Chief Operating Officer

AISAH EDEN
Chief of Corporate Services

EINAR KILDE
Senior Vice President, Project Execution

JAMES UNG
Senior Vice President, Thermal

VICTOR WONG
Senior Vice President, Transmission

HAJI SULAIMAN ABDUL HAMID
Vice President, Group Governance for Procurement and Contracts

NICK WRIGHT
Vice President, Business Development

HAJAH SITI AISAH ADENAN
Vice President, People and Leadership Development

POLYCARP WONG
Vice President, Hydro

TAN AH HOCK
Vice President, Distribution

LAU KIM SWEE
Vice President, Retail

EXECUTIVE MANAGEMENT COMMITTEE

ZURAIMY KUSHAILI
Vice President, Goverment Relations

HAJI WAN MAHMUD BIN WAN ABDULLAH
Vice President, Internal Audit

ALVIN LIM
General Manager,
Planning and Strategy

MARCONI MADAI
General Manager,
Corporate Risk and HSE

DR. CHEN SHIUN
General Manager,
Research and Development

STEPHANIE GAE CHIN
General Manager, Legal

HAJI YUSRI SAFRI
General Manager,
Corporate Shared Services

JULIA SHIM
Chief Information Officer,
IT Services

SHAWN LIU
AGM, Capital Works,
Procurement and Contracts

HANIZA ABDUL HAMID
Senior Manager II,
Corporate Communications

JIWARI ABDULLAH
Senior Manager II,
Corporate Social Responsibility

LIM LI NA
Company Secretary

CHAIRMAN'S MESSAGE

"In 2013, Menara Sarawak Energy became the first accredited green building in East Malaysia. We received a final Green Building Index (GBI) Silver Rating under the Non-Residential New Construction Category."

DATUK AMAR ABDUL HAMED SEPAWI

CHAIRMAN
SARAWAK ENERGY

I am once again honoured to present Sarawak Energy's annual report and audited financial statements for the year ended 31 December 2013. I note with pride that our projects - from core business operations to community initiatives in some of the most remote parts of Sarawak - were implemented with integrity and respect. These core values continue to underpin the way Sarawak Energy works, and define the way we proceed.

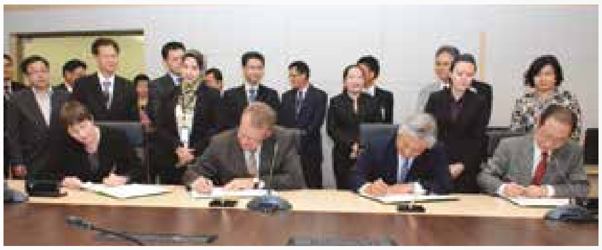
ADVANCING SCORE

Throughout 2013, Sarawak Energy continued to make important progress in closing commercial deals with SCORE investors.

Sarawak Energy signed additional Power Purchase Agreements (PPA) with Tokuyama Malaysia Sdn Bhd (Phase 2) and with Sakura Ferroalloys Sdn Bhd.

Reflecting the Japanese conglomerate's confidence in our ability to deliver power, the new Phase 2 contract signed with Tokoyuma covers the supply and sale of an additional 200 MW of power. The 2012 PPA covered the supply and sale of 140 MW of power for Phase 1 of their project at Samalaju Industrial Park in Bintulu for a contract period of 10 years.

The PPA with Sakura Ferroalloys covers the supply of power to their proposed 80 MW manganese smelter in Samalaju Industrial Park. This is the sixth PPA Sarawak Energy has signed with SCORE customers in five years. The manganese smelter is expected to come online in late 2015.



Power Purchase Agreement signing between Sarawak Energy and Tokuyama at Menara Sarawak Energy on 22 October 2013

Power Purchase Agreement signing between Sarawak Energy and Sakura Ferroalloys on 11 October 2013

In addition, we also signed a term sheet with Comtec Solar International (M) Sdn Bhd for the supply of 15 MW of power for Phase 1 of its solar manufacturing plant at Sama Jaya Free Industrial Zone in Kuching over a 10-year period. The plant is expected to come online in 2014 and will produce solar wafer and ingot. The investment will also create an estimated 1,300 direct and indirect job opportunities.

2013 HIGHLIGHTS

Advancing Sustainable Hydropower

Sarawak hosts IHA World Hydropower Congress

Sustainability at Our Core

Menara Sarawak Energy certified East Malaysia's first green building

CHAIRMAN'S MESSAGE

The energy generation available from the major power plants in Sarawak – Bakun Hydroelectric Project (HEP), Murum HEP and the Balingian Coal-fired Power Plant – is now committed through the various PPA signed with energy intensive companies.

To ensure we meet the anticipated robust demand from residential, commercial and industrial clients as well as SCORE, Sarawak Energy continues to conduct feasibility studies for future generation projects.

On 21 September, we began the impoundment at Murum and the resettlement was completed at the end of the year. The 944 MW Murum HEP is on track to deliver power by the end of 2014. The relocation process was completed in December 2013 and the communities are now beginning their new lives, equipped with improved infrastructure and amenities previously unavailable to them in their more remote former homes.

POWER SUPPLY TO INDONESIA

With the signing of the revised Power Exchange Agreement with Indonesia's power utility PT PLN (Persero), we are also expecting to supply electricity to Kalimantan by the middle of the decade. The deal will see Indonesia replace diesel with renewable energy, enabling reductions in costs and emissions. For Sarawak Energy, this move facilitates our journey towards becoming a regional energy provider beyond the shores of Malaysia to the greater ASEAN region.

SUSTAINABILITY AND COMMITMENT

Our sustainability journey continues with several key highlights.

In 2013, Menara Sarawak Energy became the first accredited green building in East Malaysia. We received a final Green Building Index (GBI) Silver Rating under the Non-Residential New Construction Category. This is testament to our commitment to sustainable development. The certification indicates that our flagship building has excelled in the fields of energy efficiency, indoor environmental quality, sustainable site planning and management, materials and resources, water efficiency and innovation.

Throughout 2013, we continued to partner communities of Sarawak on initiatives to enhance the quality of life. While conscious that our power projects positively transform their day-to-day lives, we remain mindful of the effect of our developments on the surrounding natural environment and conduct exhaustive studies to mitigate potential negative impacts.

We are particularly proud of our programme to lift the standard of education for Sarawak's remote rural communities. In partnership with the Ministry of Education, we are setting up two new schools at the Tegulang and Metalun resettlement areas in Murum. We hope that this will make education more accessible to younger children who previously found it difficult to reach schools located far from home.

Chief of Corporate Services Puan Aisah Eden receives the Green Building accreditation certificate for Menara Sarawak Energy on 11 June 2013

BOARD MATTERS

There have been no changes to the composition of the Board of Directors in 2013 and I remain indebted to my colleagues for their unfailing team spirit. Sarawak Energy's strength, in large part, rests on this cohesiveness.

ACKNOWLEDGEMENT

On behalf of the Board, I would like congratulate our Chief Executive Officer, Datuk Torstein Dale Sjøtveit, who was conferred by the Governor of Sarawak the honorary 'Panglima Gemilang Bintang Kenyalang (P.G.B.K.)', or the Grand Commander of the Order of the Star of Hornbill Sarawak, for his invaluable contribution to the State of Sarawak.

In closing, I would like to thank our shareholders, management and staff for their ongoing trust and loyalty over the past year.

I would also like to formally record Sarawak Energy's deep gratitude to the Chief Minister of Sarawak, YAB Pehin Sri Haji Taib Mahmud and the State Government for their continued leadership and support throughout this important year.

We approach 2014 knowing that our stakeholders expect us to always meet the increasingly high standards we continue to set ourselves.

The year ahead promises to break new ground with Murum HEP making its first commercial delivery of power, and more power purchase agreements signed as we stride forward to support the State's SCORE agenda and continue to electrify Sarawak.

DATUK AMAR ABDUL HAMED SEPAWI
CHAIRMAN

CEO'S MESSAGE

This year saw a major management restructuring that has resulted in a very strong leadership team that Sarawak Energy can confidently expect to take us to the next stage of our development.

DATUK TORSTEIN DALE SJØTVEIT

CHIEF EXECUTIVE OFFICER

SARAWAK ENERGY

I look back with great satisfaction at the way Sarawak Energy has strengthened our foundation and maintained our forward momentum on the path of progress.

There were many high points for Sarawak Energy during 2013 but it is how far we have moved in our SCORE journey that is quite striking for me.

Impoundment for Murum HEP commenced September and is on track to deliver power by next year, to help us meet the energy needs of the State, including from the energy-intensive customers in SCORE.

In December, the Murum resettlement process was successfully completed for those communities affected by the project. Some 1,500 people are now transitioning into their new longhouses and lives and we continue to provide support. Among the economic benefits and assistance provided by the State and Sarawak Energy to each family are 15 hectares of land, utilities such as water and electricity, much better access to education and medical services, integrated community halls with chapel and kindergarten and temporary income support of RM850 a month. Despite the initial challenges, continued community engagement has resulted in a successful conclusion reflecting our commitment to achieving a balance between development and respect for Sarawak's communities.

In progressing our plans to export bulk electricity from Sarawak to West Kalimantan, we signed a revised Power Exchange Agreement with PT PLN (Persero), Indonesia's national electricity provider, for the supply of up to 230 MW of power. The connection points will be from Mambong in Sarawak to Bengkayang in West Kalimantan via a new 275 kV transmission line.

Impoundment at Murum HEP began in September

Sarawak Energy continues to support the Murum Penans as they transition into their new longhouses and lifestyles

Construction of the Bengkayang substation began this year and we expect to begin supplying Indonesia with power by the middle of the decade.

ADVANCING SUSTAINABLE HYDROPOWER

It was business unusual in 2013 when Sarawak Energy and Kuching hosted the fourth International Hydropower Association (IHA) World Hydropower Congress 2013. Themed 'Advancing Sustainable Hydropower', the conference addressed the various challenges involved in balancing the development of hydroelectric power with the preservation of the social and ecological environment and we actively participated, both sharing and learning from this international level platform.

Over 500 participants and delegates from 60 countries representing government, the private sector, inter-governmental organisations, international financial institutions, academia and non-governmental organisations converged in Kuching, including luminaries such as Laos' Vice Minister of Mines and Energy, Viraponh Viravong, Zambia's Minister of Mines, Energy and Water Development, Yamfwa Mukanga, and Norway's Deputy Director in the Ministry of Petroleum and Energy, Divind Johansen.

At the IHA World Hydropower Congress 2013 in Kuching - the first time the Congress convened in Malaysia

OPERATIONAL AND PROJECT HIGHLIGHTS

For the 500 kV Transmission Backbone which will extend more than 500 km from Similajau in Bintulu to Tondong in Kuching, Sarawak Energy signed six contract packages with the lowest compliant bidders namely Toshiba Transmission and Distribution System Asia Sdn Bhd (TTDA) and Xian Electric Engineering Co. Ltd; Sinohydro Corporation (M) Sdn Bhd and Trenergy Infrastructure Sdn Bhd; KEC International Limited; and Pestech Sdn Bhd.

This second transmission backbone will complement the current 275 kV transmission backbone, and support the future development of Sarawak Energy's generating system to ensure greater reliability of supply for customers throughout Sarawak including SCORE customers.

This year, we also completed the Entingan Substation to provide 275 kV injection to Kuching.

Notable progress was achieved for the Balingian Coal-fired Power Plant with the Board approving the award of the main contract for the EPC works package to Shanghai Electric Group Co. Ltd (SEC). Unit 1 is expected to begin commercial operations in Q4 2017.

Our generation mix is now made up of over 60% hydropower, made possible because of our Power Purchase Agreement with Sarawak Hidro for Bakun HEP, with the remaining from coal and gas. The HEP declared two more units ready for commercial operations this year, bringing its total installed capacity to 1,800 MW.

While bulk hydropower remains the most cost-effective energy source for Sarawak, we are also working on the feasibility of solar hybrid and micro hydro sites for remote rural Sarawak.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2013, Sarawak Energy recorded revenue of RM2.323 billion or 24% growth compared to the previous year. This was mainly due to revenue from SCORE customers doubling in 2013 as they ramped up their production.

PROGRESSING SCORE

Murum HEP - Impoundment and resettlement

PPA with two SCORE investors

CEO'S MESSAGE

The Group's profit before tax increased to RM489.0 million, an increase of RM164.6 million while profit after tax rose to RM371.1 million, an increase of RM123.7 million compared to 2012. The higher profitability was due to strong revenue growth and a generation mix with higher proportion of hydropower.

Looking ahead, we project a stronger revenue growth leading to a more resilient financial performance, mainly from higher sales to SCORE customers and lower generation costs.

RAISING THE FINANCE THROUGH SUKUK MUSYARAKAH PROGRAMME

In 2013, the Group did not have any issuance from its RM15 billion Sukuk Musyarakah Programme.

On 6 August 2013, RAM Ratings reaffirmed the AA1 rating (with a stable outlook) for the Sukuk Musyarakah Programme.

MANAGEMENT RESTRUCTURING

This year saw a major management restructuring that has resulted in a very strong leadership team that Sarawak Energy can confidently expect to take us to the next stage of our development.

The following promotions, re-designations of position and new heads of department were announced:

Lu Yew Hung	>	Chief Operating Officer
Aisah Eden	>	Chief of Corporate Services
Einar Kilde	>	Senior Vice President, Project Execution
Haji Sulaiman Abdul Hamid	>	Vice President, Group Governance for Procurement and Contracts
Nick Wright	>	Vice President, Business Development
Hajah Siti Aisah Adenan	>	Vice President, People and Leadership Development
Polycarp Wong	>	Vice President, Hydro
Tan Ah Hock	>	Vice President, Distribution
Lau Kim Swee	>	Vice President, Retail
Zuraimy Kushaili	>	Vice President, Government Relations
Alvin Lim	>	General Manager, Planning and Strategy
Haji Yusri Safri	>	General Manager, Corporate Shared Services
Julia Shim	>	Chief Information Officer
Shawn Liu	>	Assistant General Manager, Capital Works, Procurement and Contracts
Haniza Abdul Hamid	>	Senior Manager II, Corporate Communications
Jiwari Abdullah	>	Senior Manager II, Corporate Social Responsibility

In addition, Marconi Madai who is General Manager, Corporate Risk and Health, Safety and Environment, now reports directly to me.

PROCUREMENT POLICIES AND PROCEDURES

Sarawak Energy introduced a new initiative on Procurement and Contracts and improved Procurement Policies and Procedures (PPP) are now in place to cater for our procurement functions.

The underlining principles which form the basis of the improved PPP are, among others, to achieve best value for money, open and effective competition, impartiality and transparency of process and to enhance the opportunity for local participation.

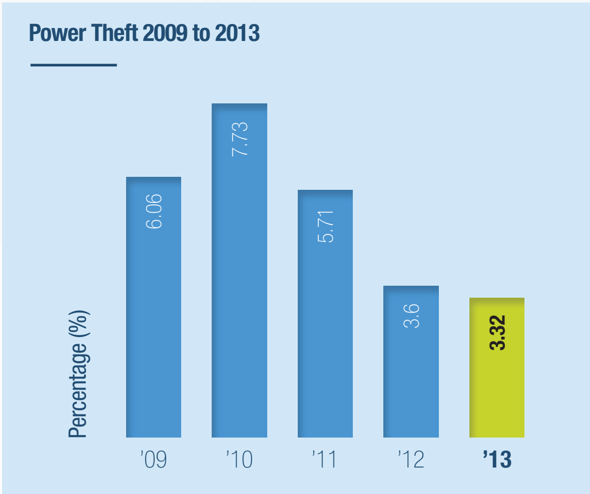
In order to achieve these principles, references are made to both cost versus benefit, capability and experiences taking into account long term operations and maintenance costs, competitive tendering and the integrity of the procurement process. The objective is to ensure procurement activities are conducted in an impartial, transparent and ethical manner without any internal or external influences.

To develop Bumiputera entrepreneurs, Sarawak Energy continues to promote local participation in its procurement and contract process through the Bumiputera Vendor Development Programme. The initiative aims to increase the amount of tender works (measured by value and including capital works) in any given year to Bumiputera companies.

ADDRESSING POWER THEFT

Electricity theft continues to be a major problem but we are recording an annual decrease as a result of various initiatives implemented this year, focused on technology, manpower and public communication.

By the end of 2013, Sarawak Energy's non-technical losses had fallen to 3.3%, the equivalent of about RM68 million of annual revenue loss. In addition, Sarawak Energy managed to collect a total of RM9,025,229.59 in arrears.



On the manpower front, we stepped up our fight by increasing our meter inspection teams from 18 to 32 teams to enhance the effectiveness of our ET Ops Operation, targeting high risk areas and customers across Sarawak who consistently tamper with their power supply. The results of the 2013 ET Ops initiative are shown in the table below:

Tariff	No. of Inspections	Tampering Cases Detected	Percentage (%) of Tampering Cases Detected
Domestic	15,313	2,217	14.48%
Commercial	17,038	2,077	12.19%
Industrial	1,629	108	6.63%

The installation of meters with modems and anti-power theft features in 2012 enabled Sarawak Energy's meter inspection teams to more accurately and quickly detect tampering and catch culprits. We further enhanced our meters with different security seals to prevent copies being made and to allow us to quickly detect if the seal has been tampered with.

Sarawak Energy carried out several more Executive Actions (EAs) with the Electrical Inspectorate Unit (EIU) of the Ministry of Public Utilities, the State regulator and the State Police, including one which also involved the Malaysian Anti-Corruption Commission (MACC). All of the cases discovered by these EAs were forwarded to the EIU for prosecution in court.

Initiatives to raise public awareness about power theft included advertorials in major local newspapers.

SESCO granted warrant to inspect factories in Sibu

SIBU: Syarikat SESCO Berhad (Sesco) was granted a warrant to search by the Sibu Magistrate's Court to inspect meters at Edko Utama Sdn Bhd last week.

The warrant was issued following the company's refusal to cooperate and allow Sesco inspection teams to enter its premises at Jalan Teku Barat, Jalan Rumbia and Jalan Teng Kung Suk to conduct inspection on its meters several times.

The operation at three premises was carried out with the presence of the police starting with the premise at Jalan Teku. Upon their arrival at the premise, the inspection team was told by the

In the news: Sarawak Energy and the police raid a factory in Sibu suspected of power theft (New Sarawak Tribune, 5 September)

INFORMATION GOVERNANCE PROJECT

In line with Sarawak Energy's emphasis on corporate governance, the Corporate Administration and Medical Division embarked on an Information Governance Project supported by the IT Services, and Risk Management and Integrated Quality Management System Divisions.

The objective of the project is to plan and design an enterprise-wide Information Governance framework for Sarawak Energy, as well as to improve the management and use of information assets, and to eventually implement an automated Enterprise Content Management technology solution.

IN CLOSING

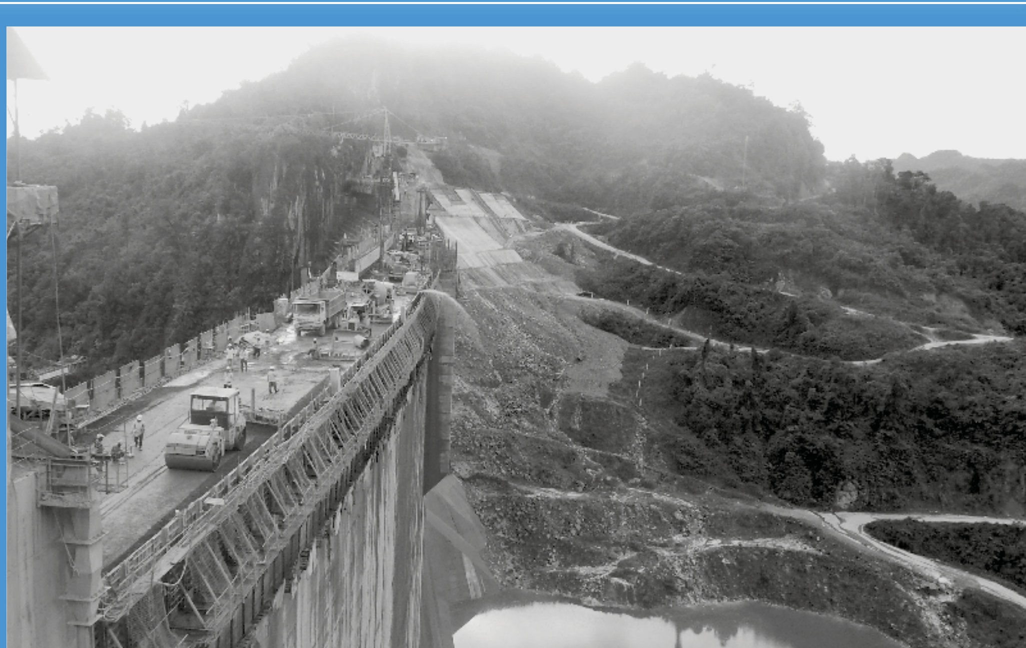
In retrospect, we can see it was a very busy year with many highlights. I would like to thank all our stakeholders who have helped to make 2013 such a successful year for us all.

I do want to note a lowlight. A major power outage occurred on 27 June caused by an unexpected and serious frequency drop originating from the Bakun Hydroelectric Plant. Power was restored after a major effort. There was much learning from this which we will incorporate going forward.

We approach 2014 from a position of strength and the expectation that our past performance will be indicative of our future success. As ever, our underlying vision and mission in all our endeavours is to bring affordable, reliable and clean energy to the people of Sarawak.

DATUK TORSTEIN DALE SJØTVEIT
CHIEF EXECUTIVE OFFICER

OUR BUSINESS & OUR STORIES



OUR OPERATIONS

Sarawak Energy as a vertically integrated holding company is principally involved in the power and electricity sector through its wholly-owned subsidiaries which own coal, gas and hydropower generation assets, and has the sole right to transmit, distribute and supply electricity throughout Sarawak through Syarikat SESCO Berhad.

THERMAL GENERATION

Sarawak Energy conducts thermal power generation through its wholly owned subsidiary companies, Syarikat SESCO Berhad (SESCO), Sarawak Power Generation Sdn Bhd (SPG), Sejingkat Power Corporation Sdn Bhd (SPC), PPLS Power Generation (PPLS) and Mukah Power Generation Sdn Bhd (MPG).

As of 2013, the total installed capacity within the Thermal Department is approximately 1,200 MW, with five major power stations connected to the Sarawak State Grid (the network of extra high-voltage transmission lines and substations that connect generating power plants to the distribution networks that serve the towns and cities of Sarawak) and 19 isolated rural diesel and mini hydropower stations.

Sarawak Energy achieved another milestone in 2013. The Limbang Power Station was awarded Gold (Class 1) by the Malaysian Society for Occupational Safety and Health. This is a National Level Achievement and an improvement on the Gold (Class II) Sarawak Energy was awarded in 2012. The Limbang Power Station has now been awarded Gold Class for two consecutive years. This award recognises its serious effort in ensuring safety at the work place.

The Sejingkat Power Corporation received the Power Producer Excellence Award in the Coal Power Plant Category from the Ministry of Energy, Green Technology and Water Malaysia, as well as the ISO 27001 Information Security Management System (ISMS) certification.

HYDRO GENERATION

The Hydro Department operates and maintains hydro assets. The department takes the lead in the planning, initiation and concept phases of all big hydro projects before passing them over to the

Sejingkat Power Plant

Project Execution Department to execute all the phases until commissioning and finally handing over the assets. The department also identifies small hydropower potential that could be developed, in particular to support rural electrification in nearby areas.

At the moment, only Batang Ai is in operation. Designed to have a maximum power output of 108 MW, it was commissioned in 1985. Batang Ai recorded an average availability of 94.17% and total energy generation of 351.09 GWh in 2013. Murum is still under construction.

TRANSMISSION

The Transmission Department is the Transmission Network Service Provider (TNSP). The department is responsible for the development, maintenance and operation of the network to ensure reliable electricity supply throughout the State.

OUR OPERATIONS

GRID SYSTEM OPERATOR

Under the Electricity Ordinance (State Grid Code 2003), the Transmission Department is the appointed Grid System Operator (GSO). The GSO is responsible for the generation scheduling and dispatch, and monitoring and control of the grid system to ensure it is operated reliably, securely, safely and economically.

DISTRIBUTION

The Distribution Department ensures that power is distributed efficiently throughout the State.

The distribution network is divided into regions, namely Western Region, Central Region and Northern Region. Each region is responsible for developing, operating and maintaining its own distribution network to ensure reliable supply to our customers. One of the main tasks of the regions is to connect new customers in a timely manner.

The department maintains and ensures the efficient operation of the distribution network's database systems, and other assets and processes. This includes overseeing data collection by regional Global Information System (GIS), providing policy and technical specifications, undertaking maintenance and installation planning, and managing the inventory of all electrical equipment stocks.

In 2013, Sarawak Energy created a special division called Distribution System Planning as part of its efforts to improve the development of the State's distribution network to meet the significant increase in energy usage.

The new division will focus on both the short and long-term expansion plans for its distribution network.

Sarawak Energy is committed to providing reliable, 24/7 supply of electricity to its customers and to the people of Sarawak

RETAIL

The Retail Department was established to manage the sale of electricity to Sarawak Energy's customers, manage customers' concerns and collect payment from electricity sales. The department comprises three distinct areas: Customer Management, Meters, and Revenue Management.

As part of Sarawak Energy's ongoing effort to provide its customers with the best customer service, Sarawak Energy has taken crucial steps to advance every facet of its delivery system. Sarawak Energy's growing emphasis on customer service is embodied in its One-Stop Contact Centre which operates 24 hours a day, seven days a week.

The Centre is equipped with state-of-the-art contact centre technology to handle the high level of calls it receives, especially during power outages. It also monitors transactions and keeps track of the services provided by its agents. The system is equipped with an Intelligent Queuing Call Back feature and Broadcast Announcements to cater for the surge in calls during power outages and a facility for agents to return the callers' calls.

This enhancement of its services enables Sarawak Energy to offer more sophisticated customer service and provide a platform for customers to contact them with any enquiry regarding their accounts.

SERVES MORE THAN
570,000
customers throughout Sarawak

CUSTOMER CARE CENTRE OPERATES
24 HOURS
a day, seven days a week

OUR OPERATIONS

At the launching ceremony of Sarawak Energy's Customer Care Centre on 25 January 2013, Sarawak State Secretary and Sarawak Energy Director Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani, senior management members and distinguished guests

On 25 January 2013, Sarawak Energy took another major leap forward in customer service when the Customer Care Centre at Wisma SESCO was launched by Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani.

On 9 September 2013, Sarawak Energy also introduced the Online Bill Enquiry e-service facility to enable customers to monitor their bills, download e-bills and channel their feedback at its official website www.sarawakenergy.com.my.

The department also spearheads an enforcement campaign to address the major challenge of electricity theft in Sarawak.

PROJECT EXECUTION

A dedicated Project Execution Department ensures that Sarawak Energy can successfully complete its investment projects in line with its business goals and strategies.

Within the department are the support functions of Project Controls, Contracts and Procurement and Project Management. This department establishes a common methodology, terminology and documentation framework for Sarawak Energy's project work across all departments. This creates a transparent process from the evaluation of business opportunities through to project development, execution and handover to operations.

In 2013, the Project Execution Department remained focused on delivering critical projects already in the execution stage, and preparing for new major hydro and thermal generation projects planned for the near term.

TRANSFORMATION: A JOURNEY OF POWER

Work is intensive at the Murum Hydroelectric Project. The project is on track and is nearing completion as planned

Sarawak Energy has come a long way since its beginnings as a local provider of electricity and is now positioned to become the regional supplier of reliable, clean and renewable power.

Sarawak Energy also plays a vital role in partnering the State Government in accelerating the socio-economic growth of Sarawak.

By 2020, Sarawak Energy plans to achieve the following important milestones:

- To make available sufficient new power to meet the needs of more domestic consumers (both urban and rural) and industries (including high-energy industries),
- To transform its energy supply from a fossil-fuel mix dominated to one with 60-70% hydropower,
- To work with the Government, non-governmental organisations (NGOs) and the people affected by the projects to minimise any disruptive effects and tap opportunities for new growth from hydropower development, and
- To establish relationships and partnerships regionally for exporting energy.

Over the years, the progress achieved by Sarawak Energy and SCORE has attracted keen interest from both local and foreign investors, leading to investment in a number of projects in the State.

The primary source of power supply for the first phase of SCORE will come from the Bakun HEP, the Murum HEP and the Balingian Coal-fired Power Plant (CFPP). The Bakun HEP is operated and managed by Sarawak Hidro Sdn Bhd, a wholly-owned subsidiary of the Minister of Finance Incorporated Malaysia. It is expected to have a total installed capacity of 2,400 MW, of which six out of eight units have been commissioned during the year. The signing of the Power Purchase Agreement with Sarawak Hidro in June 2011 secured the entire output from the Bakun HEP.

Bakun HEP (2,400 MW)

- six out of eight units have been commissioned

TRANSFORMATION: A JOURNEY OF POWER

Aerial view of Samalaju Industrial Park (Photo credit: RECODA)

The Murum HEP, which is wholly owned by Sarawak Energy is currently under construction and is expected to deliver its first power in 2014. It is expected to have a total installed capacity of 944 MW. The 600 MW Balingian CFPP project, also owned by Sarawak Energy, has completed the Concept Engineering Phase and is now progressing to the next stage of the project implementation.

SARAWAK ENERGY POWERS SCORE

Throughout 2013, Sarawak Energy continued to close commercial deals with SCORE investors.

Additional Power Purchase Agreements were signed with Tokuyama Malaysia Sdn Bhd (Phase 2) and Sakura Ferroalloys Sdn Bhd.

The PPA signed with Tokuyama Corporation in 2012 covered the supply and sale of 140 MW of power for Phase 1 of the Japanese conglomerate's project at Samalaju Industrial Park in Bintulu for a contract period of 10 years. The Phase 2 contract covers the supply and sale of an additional 200 MW of power.

The PPA with Sakura Ferroalloys covers the supply of power to their proposed 80 MW manganese smelter in Samalaju Industrial Park. This is the sixth PPA signing with SCORE customers in five years. The manganese smelter is expected to come online in late 2015.

During the year, Sarawak Energy also signed a new term sheet with Comtec Solar International (M) Sdn Bhd for the supply of 15 MW of power for the first phase of its solar manufacturing plant at Sama Jaya Free Industrial Zone in Kuching over a 10-year period. The plant is expected to come online in 2014 and will produce Solar Wafer and Ingot. The investment will also create an estimated 1,300 direct and indirect job opportunities.

The energy generation available from the major power plants in Sarawak – Bakun HEP, Murum HEP and the Balingian Coal-fired Power Plant – has already been committed through the various PPA signed with energy intensive companies.

POWER FROM INDIGENOUS RESOURCES

The 2 x 300 MW Balingian Coal-fired Power Plant Project is one of Sarawak Energy's new generation projects. The priorities in planning this project are to utilise rich local resources of coal as the energy source and to achieve sustainable development and operation.

This project is located near to the Balingian River, 25 km due southeast of the existing Mukah 2 x 135 MW Power Station, and about 60 km from Mukah Town. The first phase is expected to be operational in 2017. The Project is a mine-mouth plant built at a strategic location to reduce logistics for coal transportation. As a result, this reduces the environmental footprint associated with transportation.

Due to the high moisture content of the coal from the Balingian area, the conventional pulverised coal (PC) technology used at Sarawak Energy's Sejingkat and Mukah Power Plants is not suitable for the Balingian Project. Circulating Fluidised Bed (CFB) has a high flexibility in accepting a wide range of design coals with high moisture and variable ash characteristics and it ensures complete utilisation of the coal resources from the Balingian area. Its lower combustion temperature (800 to 900°C) means the NO_x formation is minimised and the SO_2 emissions are maintained below permissible levels by adding limestone to the bed to remove the sulphur content.

TRANSFORMATION: A JOURNEY OF POWER

GREEN ENERGY FROM BATANG AI

The Batang Ai Hydroelectric Plant (HEP) has been generating and delivering clean and renewable energy smoothly and reliably through the year.

Batang Ai HEP operation performance for the year is summarised below:

Aspect	2013 Achievement
Total Unit Generated	351.09 GWh
Availability (Average)	94.17%
Forced Outage Rate (Average)	3.14%

2013 Batang Ai HEP Operation Performance

Plant maintenance for the year was carried out smoothly, efficiently and on schedule.

THE HYDROPOWER EVOLUTION

Enjoying high rainfall and an abundance of rivers, Sarawak has a competitive advantage in harnessing renewable energy through hydropower development.

With greater global awareness on carbon mitigation measures to combat greenhouse gas (GHG) emissions, there are now more concerted efforts to promote and encourage the use of renewables for power generation. In Malaysia, the Government approved the National Renewable Energy Policy and Action Plan on 2 April 2010.

All these factors point to shifting to a more sustainable energy supply which is readily available, economical to produce, renewable and non-polluting. The push for this shift appears to come increasingly from the need for lower carbon emission in power generation .

Sarawak's first foray into hydropower began in 1962 when a pre-feasibility study was conducted at Batang Ai. Follow-up studies were conducted in the 1970s and construction commenced in 1981. Batang Ai HEP, with installed capacity of 108 MW, was completed in 1985.

The next major hydropower development to be commissioned is the 944 MW Murum HEP. Construction of Murum advanced considerably during the year with dam construction, tunnelling, intake and power station works all progressing well.

The Sarawak Energy project development model requires projects to pass through three formal decision gates, i.e. decision to start Initiation phase, Concept phase and Pre-Engineering phase before a final investment decision is taken. In 2013, the Limbang 1 (54 MW), Pelagus (465 MW) and Trusan 2 (240 MW) hydropower projects progressed with further studies. At the moment, the preparation for the Baram 1 (1,200 MW) and Baleh (1,250 MW) hydropower projects are well underway.

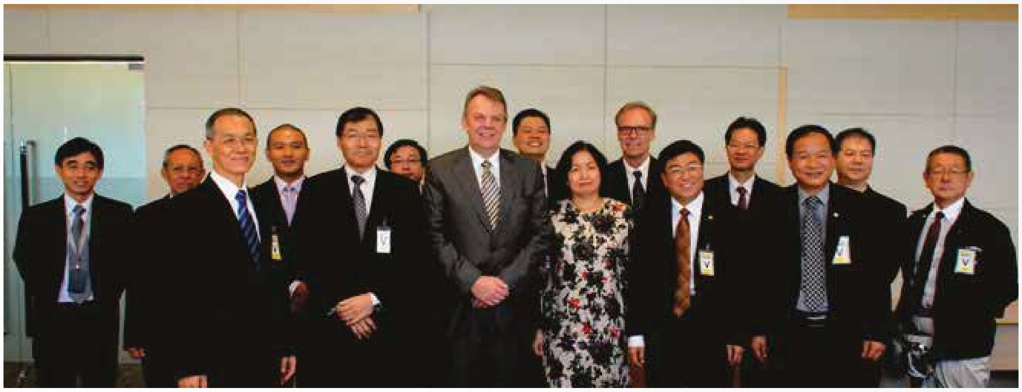
Looking ahead to 2014, it is expected that the Pelagus (465 MW) and Trusan 2 (240 MW) projects will be taken to Pre-Engineering phase and the Kota 2 (10.5 MW) project will advance to execution stage.

Delegates of IHA World Hydropower Congress during the post-conference tour at Murum HEP prior to impoundment

Chief of Corporate Services Puan Aisah Eden with delegates of IHA World Hydropower Congress during the post-conference tour at Murum HEP

EXPANDING THE NETWORK

The 500 kV transmission backbone system is being developed in tandem with the development of the hydropower projects. Sarawak Energy signed six contract packages with the lowest compliant bidders namely Toshiba Transmission and Distribution System Asia Sdn Bhd (TTDA) and Xian Electric Engineering Co. Ltd; Sinohydro Corporation (M) Sdn Bhd and Trenergy Infrastructure Sdn Bhd; KEC International Limited; and Pestech Sdn Bhd. The project is expected to be completed in 2016. This will be in parallel to the current 275 kV transmission backbone and strengthen reliability of supply from generation plants in the north to customer load centres in the south.



***500 kV Transmission Backbone** – Sarawak Energy signs agreement with Toshiba TTDA and Xian Electric Engineering Co. Ltd at Menara Sarawak Energy on 2 December 2013*

The current 275 kV network will be expanded to tap the 500 kV backbone and to connect the hydroelectric dams into the State grid system. In 2013, Sarawak Energy also completed the Entingan substation – to provide the second 275 kV injection to Kuching. Last year, Kapit was connected to the State grid via the 150 km long 132 kV transmission line which runs to Kapit via Kemantan in Sarikei.

Chief Minister of Sarawak, YAB Pehin Sri Haji Abdul Taib Mahmud, at the launching ceremony on 12 March 2013 held in conjunction with Kapit's connection to the State grid last year

ENHANCING RELIABILITY

Strengthening Infrastructure

- Contracts signed for 500 kV Transmission Backbone from Similajau to Kuching
- Entingan substation completed to provide second 275 kV injection to Kuching

DEVELOPING OUR PEOPLE, LEADERSHIP AND TEAMWORK

Attracting, nurturing and retaining people is crucial to every company's strength and success. A dedicated and highly skilled workforce is essential.

Sarawak Energy nurtures a team of dedicated employees

POWER IN UNITY

Human capital is Sarawak Energy's most crucial resource in transforming its energy supply infrastructure to provide clean, affordable and renewable energy. Sarawak Energy recruits and develops its employees for deployment over the length and breadth of the state to harness sustainable hydro energy and rich coal resources to provide the power for Sarawak to grow.

On this mission, Sarawak Energy believes it needs to continue to develop a new organisational culture to unleash synergy in performance. Its priorities are:

- to engage the broader Sarawak Energy team in the meaning of its new corporate vision, mission and values, and how they guide and unify it in action, and
- to build a style of leadership and a culture that inspires optimism, enthusiasm, hard work and open communication.

Staff Strength
4,039 employees

DEVELOPING OUR PEOPLE, LEADERSHIP AND TEAMWORK

The Sarawak Energy Leadership Conference, held twice a year, is a platform for the conference delegates, including executives, managers and senior management, to be updated by the Chief Executive Officer in person on the latest corporate happenings and to ask him questions directly. This session's group photo shows conference delegates wearing shades of red in conjunction with Chinese New Year celebration

Sarawak Energy continued to get more people on board and staff numbers increased to 4,039 in 2013.

SEB WAY

The SEB Way is a major organisational development plan to build a new culture to strengthen Sarawak Energy's performance.

The purpose of the SEB Way is to communicate Sarawak Energy's vision, mission and key focus areas and values to its staff.

Launched on 20 February 2011, it is designed to achieve awareness, internalisation and sustainability in stages by employees across the organisation, both horizontally and vertically.

In 2012, Sarawak Energy introduced the Internalisation of Core Values Programme to inculcate its corporate values in all its staff. To this end, it held many workshops over the year to give its staff a thorough grounding in its values and explain how these values can be applied to their everyday working life.

In 2013, Sarawak Energy launched the 'bottom-up' approach by developing a system of behavioural statements, whereby staff are assessed on their ability to meet the requirements set out in its Core Values. These assessments are incorporated into their end-of-year performance appraisals.

In the coming years, Sarawak Energy will incorporate additional programmes to further strengthen the corporate behaviour of its staff.

By 2016, Sarawak Energy intends to have completed a range of programmes which will Cement a strong workforce able to sustain and build on the success of the Company.

CLOSING THE COMPETENCY GAP

Sarawak Energy places strong emphasis on the importance of training and assessing its employees as a way to reduce the competency gap and meet the requirements of statutory bodies, namely the Electrical Inspectorate Unit (EIU) and the Department of Occupational Safety and Health (DOSH).

To close the competency gap, Sarawak Energy sends a large number of staff for training and examinations. It also develops tutorial sessions before EIU examinations in order to better prepare its candidates; assists the EIU in proposing and designing new policies for oral examinations for older members of staff and works closely with the EIU and the National Institute for Occupational Safety and Health in order to reduce the processing time for attaining competency certification.

DEVELOPING OUR PEOPLE, LEADERSHIP AND TEAMWORK

Sarawak Energy's competency training programme enables it to meet its statutory requirements and it also allows it to develop a career progression framework, making its staff eligible for competency incentives and giving them opportunities for promotion. Its staff enjoy industry-competitive remuneration and benefits.

Each year, between 300 and 400 external contractors take part in its competency programmes.

Overall, the number of participants involved in competency training is as shown below:

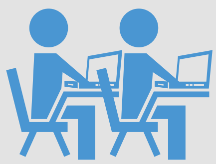
	2013 (Jan-Dec)
Number of participants trained in competency courses (external and internal)	1,589
Number of participants who sat for competency Examinations (external and internal)	1,056

TRAINING AND DEVELOPMENT

For the improvement of overall performance, the people of an organisation must be trained and experienced. Training is a way to create confidence among employees, so that they can carry out the tasks effectively and efficiently. Sarawak Energy understands the need for effective and quality training to develop its valuable human resources. Therefore, Sarawak Energy has focused on the training needs and competency gaps of its employees.

Type of Training	Participants
In-House (External instructors at Sarawak Energy premises)	4,991
External	1,176
Internal (Sarawak Energy instructors)	2,318
Orientation	260
Total	8,745

Between
300 & 400
external contractors take part in competency programmes



135
students attached to Sarawak Energy for industrial training

SARAWAK ENERGY ELECTRICIAN PROGRAMME

The Sarawak Energy Training Centre consistently runs the Sarawak Energy Electrician Technical Programme (SETP) and the Sarawak Energy Mechanical Technician Programme (SMTP). In 2013, Sarawak Energy trained a total of 24 electrical technicians. The objective of this programme is to train new electrical technicians for the Company as well as to supply qualified manpower to the electrical industry in Sarawak to support the SCORE agenda. This is a nine-month training programme and upon completion, the trainees will possess the competencies required to carry out their duties.

INDUSTRIAL TRAINING AND INTERNSHIPS FOR TERTIARY STUDENTS

As a socially responsible corporate citizen, Sarawak Energy provides the opportunity for tertiary students to carry out industrial training and internships at the Company. The objective of this initiative is to provide an avenue for tertiary students to experience and learn in a working environment related to their studies.

Through industrial training, the students can learn how an organisation works in terms of human relations and teamwork, in addition to being able to practice in a more 'hands on' environment.

In 2013, a total of 135 students were attached to Sarawak Energy for industrial training and internships. This gives students an opportunity to apply the academic knowledge and skills they have learnt at university to a real life working environment.

HEALTH, SAFETY AND ENVIRONMENT

Electricity plays a crucial role in our day-to-day lives, but its use is accompanied by risk. Faulty electrical equipment can cause burns, shocks and even death. Fires are often the result of electrical malfunction, causing damage to equipment and property. Individuals at home, employees in the workplace and contractors maintaining electrical equipment are all at risk to a greater or lesser degree.

A comprehensive understanding of the risks involved in the use of electricity and a stringent adherence to proper guidelines on safety go a long way towards preventing mishaps. Sarawak Energy therefore invests considerable time and effort in promoting awareness of electrical safety.

Sarawak Energy's Health, Safety and Environment Department drives the Company's safety agenda. Its role includes making sure that all employees, whether they are internal staff or external contractors, know how to use electricity safely across a diverse range of settings and hence create a safer working environment for all members of staff.

SAFETY INITIATIVES FOR THE YEAR

Sarawak Energy Safety and Health Committee

The Occupational Safety and Health (OSH) Coordination Meeting was held from 1 to 3 March 2013 and was attended by all the OSH Coordination chairmen and representatives. The meeting was conducted to discuss safety issues and to plan Sarawak Energy's safety programme for the year.

The meeting encourages employees to play an active role in implementing safety procedures in their respective power plants and stations.

Health, Safety and Environment Week

In June, Sarawak Energy held its annual HSE Week Campaign as part of its ongoing efforts to enhance the HSE standards in its corporate culture. The event is designed to raise awareness amongst both its employees and its external contractors of the importance of Sarawak Energy's HSE values. This year's event was themed 'Raising Standards, Saving Lives, Nurturing Culture' and attracted one of the highest levels of participation in the event's four-year history. At the event, HSE awards were presented to rural power stations for their committed efforts. This year, the Gold Award was given to Nanga Ngungun Power Station with Nanga Entawau Power Station and Nanga Mujong Power Station receiving the Silver and Bronze awards respectively.

Sarawak Energy also used this event to organise an online public safety contest which awarded attractive prizes to the 20 winning contestants.

The HSE Week Campaign is an annual event to promote the importance of safety standards

HEALTH, SAFETY AND ENVIRONMENT

Corporate Environmental, Occupational Safety and Health (EOSH) Week Campaign

The annual OSH Week Campaign is a staple feature in Sarawak Energy's safety programme. Its key objective is to raise the awareness of our employees, contractors and the general public on electrical safety issues.

At this year's event which was held from 18 to 22 June, Sarawak Energy incorporated an environmental aspect, transforming the event into the EOSH Week Campaign.

The campaign was officially launched in Miri and was held at all Sarawak Energy' branches throughout Sarawak.

Conferences and Events

In August, 38 delegates from Sarawak Energy, comprising occupational safety and health (OSH) practitioners from the Head Office, power stations and distribution regions attended the 16th Conference on Occupational, Safety and Health (COSH) at the Kuala Lumpur Convention Centre (KLCC). The theme for this year's conference was 'Prevention of Workplace Injuries and Diseases'. The event recorded the largest attendance ever. Some 1,700 OSH professionals attended the conference and 56 OSH products and services suppliers set up booths to showcase their latest health and safety products and innovations.

Delegates from Sarawak Energy also attended the 3rd Borneo Conference and Exhibition on Occupational Safety and Health (BOSH) 2013 and took part an exhibition organised by the Department of Occupational Safety and Health (DOSH) at the Kuching Waterfront in conjunction with National OSH Week.

Other Safety Activities

Throughout 2013, Sarawak Energy held a range of activities to promote safety awareness.

These included electrical safety talks at 67 schools throughout Sarawak and 92 sessions to public contractors and the general public.

Sarawak Energy conducted a range of safety audits, including 15 on distribution work implementation, 31 on contractors for distribution work and 26 audits on power plants.

In addition, Sarawak Energy conducted four chemical safety assessments:- at Sejingkat Power Corporation, the Sungai Biawak Power Station, and an initial and then more detailed assessment at the Bintulu Power Station.

Sarawak Energy also participated in a joint safety awareness campaign with BOMBA and visited the headquarters to give safety presentations.

A delegation from Malaysia Airports' Safety, Health and Environment committee visited Sarawak Energy to exchange information and in November, Sarawak Energy also took part in Malaysia Airports' annual HSE Week exhibition.

Sarawak Energy gave talks on electrical safety at 67 schools

Sarawak Energy conducted more than 70 safety audits throughout the year

ENVIRONMENTAL PROTECTION

Complying with Environmental Legislation and Requirements

Sarawak Energy has committed, through the formulation of the Environment, Occupational Safety and Health (EOSH) Policy, to not only mitigate the impact of its activities on the environment, but also to comply with the environmental legislations and requirements, provide a basis for the protection of the environment.

Sarawak Energy, as an organisation, has a legal and moral duty to comply with the Environmental Quality Act 1974 which comprises the following environmental laws and regulations:

- Environmental Quality (Clean Air) Regulations 1978
- Environmental Quality (Scheduled Waste) Regulations 2005
- Environmental Quality (Industrial Effluent) Regulations 2009
- Environmental Quality (Sewage) Regulations 2009

Boundary Noise Monitoring

The Environmental Quality Act 1974 (Section 23) stipulates that "no person shall, unless licensed, emit or cause or permit to be emitted any noise greater in volume, intensity or quality in contravention of the acceptable conditions".

The allowable boundary noise level established by the Department of Environment (DOE) for most power stations is 65 dBA at all times. In compliance with this regulation, the Environment Division conducts boundary noise monitoring along the perimeter fencing of the power station at four points on a yearly basis.

In 2013, the noise levels recorded for Miri Power Station slightly exceeded the approved limit largely due to thunderstorms and other contributing noises, while the noise level recorded for Kuching and Bintulu Power Stations was within limit.

Boundary noise monitoring at the perimeter fencing. The allowable noise level for most power stations is 65 dBA at all times

Dark smoke observation using the Ringelmann Chart. Smoke must not be darker than shade No. 120

Dark Smoke Observation

Dark smoke observation at rural and urban power stations was initiated by the Environment Division in 2011. It is a requirement by law that the smoke emission limit shall not be darker than shade No. 120 on the Ringelmann Chart.

Dark smoke observation for the generator sets at rural and urban power stations is carried out on a quarterly basis. In major stations like Bintulu and Kuching Power Stations, this procedure is also carried out on a quarterly basis and at Miri Power Station on a yearly basis, together with stack emission monitoring.

Stack Emission Monitoring

The main objective of stack emission monitoring is to assess whether the emission meets statutory requirements, to check the effectiveness of emission control technology and to evaluate the effects of process variables in the emission rates. The parameters monitored at the power stations include dust particulates, gas emissions of O_2, CO_2, CO, NO_x, SO_2, SO_3, hydrocarbons and dark smoke observations.

Scheduled Waste Disposal Programme

The Environment Division coordinates with the scheduled waste contractor for the periodic collection of the scheduled waste generated by the power stations throughout the State. It is an offence under the Environmental Quality (Scheduled Wastes) Regulations 2005 for a waste generator to store scheduled waste for more than 180 days, or waste exceeding 20 tonnes, whichever comes first.

Water Quality Monitoring

Sarawak Energy monitors water quality at Batang Ai HEP reservoir

Sarawak Energy conducts water quality monitoring at the Batang Ai HEP reservoir. Unlike natural lakes, man-made reservoirs may have an environmental impact. Water quality monitoring and assessment is therefore crucial to study the changes in water quality and to mitigate potential problems related to the quality of the reservoir water.

Environmental Management System Documentation and Maintenance

Environmental Management System (EMS) is a set of processes and practices that enables an organisation to reduce its environmental impact and increase its operating efficiency.

Although not certified with the ISO 14001 EMS, Sarawak Energy's rural and urban power stations implement EMS to systematically manage the possible environmental impact arising from the Company's power generation activities.

During the annual environmental assessment, the Environment Division monitors and provides assistance to ensure that the EMS is properly implemented and that all the power stations in Sarawak are environmentally compliant.

The environmental assessment team conducts inspections on the drainage system, fuel farm yard, fuel loading area, waste storage area and the chemical storage area.

Environmental Assessment

The environmental assessment covers the operation, maintenance and general environmental conditions of the power station. The environmental assessment team conducts inspections on the drainage system, fuel farm yard, fuel loading area, waste storage area and the chemical storage area. The assessments at the rural and urban power stations are carried out together with the dark smoke observation, boundary noise monitoring and the EMS documentation and maintenance.

The objective of the Review Meeting and Ground Truthing is to help the DOE and Sarawak Energy understand the critical or sensitive issues that may arise from these projects.

2 PROCEDURES ADOPTED IN MALAYSIA: PEIA & DEIA

Environmental Impact Assessment

Sarawak Energy undertakes Environmental Impact Assessment (EIA) for all its major projects. There are two EIA procedures adopted in Malaysia, namely the Preliminary EIA (PEIA) and the Detailed EIA (DEIA).

The PEIA is an assessment of the environmental impact of the proposed activities. The PEIA is reviewed by a technical committee from the DOE and other relevant government agencies.

The DEIA is a standard procedure for projects which will have a substantial impact on the environment. Under Section 34A of the Environmental Quality Act 1974, DEIA is required for the construction of Sarawak Energy's 2 x 300 MW coal-fired power plant in Balingian.

In July 2012, Sarawak Energy received DEIA approval for the project. This approval has allowed Sarawak Energy to commence project implementation and serves as a guideline for the Company to comply in the mitigation of potential environmental impacts.

Review Meeting and Ground Truthing are two significant processes leading to the finalisation of the DEIA report. Prior to starting the Ground Truthing exercise, there is normally a Data Review Meeting. After the Ground Truthing survey, the findings are compiled and the DEIA report is made available to interested parties for viewing and to invite comment.

The objective of the Review Meeting and Ground Truthing is to help the DOE and Sarawak Energy understand the critical or sensitive issues that may arise from these projects. This is the main focus in the DEIA study.

Social and Environmental Impact Assessment

In compliance with Sarawak's environmental laws and the requirements of the Natural Resources and Environment Board (NREB), Sarawak Energy undertakes Social and Environmental Impact Assessment (SEIA) for all of its major projects and submits SEIA reports to NREB for approval prior to the implementation of the projects.

SEIA is a formal, comprehensive study designed to properly understand and mitigate the impact of projects. All SEIA studies consist of focus areas as follows:

- Project Description
- Contemporary Ethnography Study
- Social Impact Assessment (SIA)
- Environmental Impact Assessment (EIA)

If the SEIA concludes that the planned projects are feasible, Sarawak Energy works with the local communities to ensure the projects meet the community's expectations.

Sarawak Energy conducted a consultative workshop on the Baleh HEP SEIA findings at the Kapit Resident Office on 18 December 2013.





CORPORATE RESPONSIBILITY & SUSTAINABILITY


CORPORATE RESPONSIBILITY & SUSTAINABILITY

Sarawak Energy has worked with the National Registration Department to register 839 members of the Penan and Kenyah communities in Murum

DEFINITION OF SOCIAL RESPONSIBILITY

Sarawak Energy is run as a business, but profit is not its only goal. Its mission captures some of these broader objectives and responsibilities, and commits it to:

- honouring the trust placed in it by the people of Sarawak, by acknowledging and respecting them and contributing to their well-being; and
- harnessing and utilising natural resources in a sustainable and responsible way.

Sarawak Energy has a special responsibility towards the communities, especially those that are directly affected by its development projects.

This year, some of Sarawak Energy's CSR initiatives include:

- collaborating with the National Registration Department for the registration of birth certificates and identity cards for the rural communities in Murum; as of December 2012, Sarawak Energy helped register 839 Penans and Kenyahs in Murum (434 birth certificates and 405 identity cards). The efforts, which began in 2009, have resulted in more than 12 'registration drives' undertaken in the interior by Sarawak Energy. Currently, over 90% of the Penans and Kenyahs in Murum have official identification documents.
- providing relief to ease the burden of victims in the event of fire, flood and other natural disasters; At the beginning of the year, Sarawak Energy continued to provide assistance to the residents of the four longhouses in Long Wat, Murum, which burnt down in November last year. A team from the CSR Department visited the 89 affected households to deliver donations of food, household items, clothing, children's footwear and toys. Sarawak Energy also worked with the District Office to provide temporary shelter for the affected families ahead of their move to the new housing at Murum later this year. In February, Sarawak Energy delivered immediate aid to 180 villagers made homeless when their 19-door longhouse at Uma Kulit in Sungai Asap in Belaga burnt down. The aid consisted of food items such as rice and canned food, mattresses and clothes; and

Sarawak Energy delivered items of food and clothing to 89 households affected by the fires at the longhouses in Long Wat, Murum

- supporting the needy and less privileged in the community, including poverty stricken communities, through donations, sponsorships and hands-on assistance in charitable events and local community projects.

STRATEGY TO ACHIEVE SOCIAL RESPONSIBILITY

Sarawak Energy meets its social responsibilities by:

- creating economic opportunities for Sarawakians;
- supporting partners in community investment;
- demonstrating high standards of transparency and community engagement; and
- undertaking its projects in a sustainable way.

Sarawak Energy has a special responsibility towards the communities especially those that are directly affected by its development projects, such as the Murum Penan community

Sarawak Energy carries out CSR programmes designed to raise the quality of life for communities affected by its projects

CREATING ECONOMIC OPPORTUNITIES

By developing Sarawak's abundant energy resources, Sarawak Energy is creating new and better economic opportunities for current and future generations.

The full implementation of SCORE will offer around 130,000 permanent (direct and indirect) jobs* to the people of Sarawak; and SCORE customers purchase billions of ringgit in goods and services from local firms.

Sarawak Energy itself provides secure employment for over 4,039 full time staff.

PARTNERSHIPS FOR COMMUNITY INVESTMENT

Sarawak Energy acknowledges a special responsibility towards the communities which are directly affected by its development projects. Sarawak Energy has identified four areas in which it is developing long-term, sustainable partnerships that meet real community needs, specifically:

- education and young people;
- environmental management and conservation;
- culture and heritage; and
- community development and entrepreneurship.

These pillars are to support sustainable development, focusing on the learning, training, educating and conservation that will be the platform for Sarawak's long-term socio-economic growth. This is the new approach to CSR that Sarawak Energy's championing, which should be distinguished from philanthropy and short-term assistance.

Education and Young People

Education plays a pivotal role in the economic development of the nation as it empowers people and helps eradicate poverty. Investment in education is a CSR priority to improve the level of education and skills, particularly in the rural communities.

* The figure of job creation in SCORE is taken from the Strategic Manpower Study for SCORE carried out by Unimas in 2009

Penan children have more opportunities provided by the resettlement initiative at Murum

Sarawak Energy offers educational assistance to communities affected by its projects by building kindergartens, and providing school uniforms and stationery sets. Sarawak Energy also contributes to students' academic awards and provides sponsorship for school facilities, as well as donating computers to the communities in areas in which it operates.

The Murum Penan Literacy Programme

Sarawak Energy's flagship Murum Penan Literacy Programme primarily provides basic reading, writing and numeracy skills for 476 people with no prior formal education from the Penan community in Murum.

Out of 550 school-age children from the six Penan villages affected by the Murum Hydroelectric Project (HEP), 517 were not attending school – only 33 were in formal education. This was the finding of the 2009 'Contemporary Ethnography' study, a comprehensive report of the community's living conditions, carried out by the State Government.

In response to this, Sarawak Energy partnered with the Society for the Advancement of Women and the Family Sarawak (SAWF) to address the issue. The Murum Penan Literacy Programme was launched in 2012 as a specially tailored literacy programme to improve the literacy rate, while preparing the affected communities for resettlement.

While the majority of the participants were women, the programme also attracted many men, especially youths. The literacy classes were conducted in the longhouses by 31 trained facilitators.

The programme received overwhelming support from the community.

2013 saw the launch of Stage Two of the programme entitled 'Good Health Begins at Home' which aims to provide the Penan with education on basic health and hygiene practices to ensure continuous learning and development of the community. Stage Two covers two modules - Module 1 on personal hygiene consists of five topics; namely Motivation, Vision, Values, Communication and Change. Module 2 focuses on the aspects of Good Health.

IMPROVING LIVES

Literacy Programme aims to improve literacy rate in Murum communities

Assisting 839 Murum folk with birth certificates and identity cards

CORPORATE RESPONSIBILITY & SUSTAINABILITY

New Schools and Education in Murum

In collaboration with the Ministry of Education, Sarawak Energy has embarked on a project to bring education closer to the children in Murum by initiating the establishment of two primary schools in the vicinity of Tegulang and Metalun, the two resettlement areas.

When Sekolah Kebangsaan Tegulang and Sekolah Kebangsaan Metalun open next year, younger children will be able to attend school much more easily. Currently, they have to board or travel a long distance from home to reach school.

The schools will be equipped with basic teaching and learning facilities and staffed by 30 teachers provided by the Ministry of Education. Sarawak Energy will provide school uniforms, shoes and bags as well as teaching and learning aids (such as computers, printers, LCD projectors, PA systems, sports equipment and stationery).

To ease the financial burden for parents and to encourage the students to attend school daily, Sarawak Energy will also provide meals and allocate more than RM30,000 (USD8,500) each month for transportation for the students.

For a smoother transition, remedial classes will be set up to strengthen the academic foundation of the children before they begin regular classes.

Environmental Management and Conservation

Sarawak Energy identified a number of project partnerships to support the management and conservation of the natural environment, including the preservation of native plants and wildlife, as well as conservation measures and sustainable management of natural resources.

Culture and Heritage

As part of the community, Sarawak Energy believes it has a role to play in preserving the unique cultural heritage of the different indigenous groups in Sarawak. In Murum, Sarawak Energy hosted festival celebrations and supported ritual ceremonies, such as through the Pela Daleh at the Penan's sacred rock Batu Tungun. Throughout the State, Sarawak Energy organised various activities in conjunction with multicultural festivals and celebrations.

Sarawak Energy has a partnership with the Sarawak Museum Department to support the upgrading and refurbishing of the museum's indigenous exhibit. The first project, entitled 'Longhouses of Sarawak' at the Sarawak Museum in Kuching, aims to project and communicate the rich culture and heritage of Sarawak's indigenous communities. The exhibit draws from the research collections of the Sarawak Museum, collections of historical artefacts, replicas of longhouses of various indigenous groups, historical photographs, legendary stories, traditional musical instruments, handicrafts, and tools and traps used for fishing and hunting. The gallery opened in mid May 2013.

The gallery entitled 'Longhouses of Sarawak' at the Sarawak Museum. Sarawak Energy supports the preservation of the indigenous culture and heritage

At the end of the year, Sarawak Energy participated in the Borneo International Beads Conference in Kuching as part of its continuing efforts to cultivate respect for the State's legacy of culture and heritage.

Community Development and Entrepreneurship

Hydropower development contributes significantly to economic development by opening up business and employment opportunities. To empower the local community, Sarawak Energy studies a number of suitable strategic programmes for the community's development and growth.

Longstanding Relationship – the Murum Model

Over the course of many years, Sarawak Energy has continuously engaged with Sarawak's indigenous communities. With regard to the Murum HEP resettlement, this partnership has been built over the course of more than 100 formal and informal engagements with the communities affected by the development. Through these interactions, the affected communities have contributed to the design of their new longhouses and have also been directly involved in identifying the exact location of their preferred new homes.

TRANSPARENCY AND COMMUNITY ENGAGEMENT

Sarawak Energy accepts that it has an obligation to make sure that people understand what it does. When Sarawak Energy develops new projects, it goes through a disciplined process to make sure that affected communities are involved every step of the way.

Pre-resettlement housing lacked basic amenities

A typical home of the Murum Penan community after the resettlement initiative

Active consultation with the directly affected community began in 2009 here on the resettlement site. This photo was taken in 2011 during the advanced stage of community consultation

SUSTAINABILITY

Sustainability plays a unique role in Sarawak Energy's business operations and embraces many different aspects. Environmental, economic and social dimensions are all part of its overall framework of sustainable development and the Company's priority is to fully understand these elements in order to create lasting wealth for Sarawak.

Sarawak Energy therefore makes sure that decision-makers and affected communities have access to full information about the impact of its projects on people and the environment.

This is why Sarawak Energy has become a Sustainability Partner of the International Hydropower Association (IHA) and uses the IHA's Hydropower Sustainability Assessment Protocol (HSAP) to measure and report against a full range of measures of sustainability.

Sarawak Energy also plans to embark on sustainability efforts in selected priority areas. The selection of priority areas, or focus areas, was based on the mapping exercise conducted by the CSR team and most of the identified areas are beyond the requirements of law, regulation or normal operation.

Some sustainability priority areas identified are as the following:

- Embedding the IHA's HSAP into Sarawak Energy's business processes
- Greenhouse Gas Management
- Environmental Conservation Efforts
- Environmental Awareness Programmes

CORPORATE RESPONSIBILITY & SUSTAINABILITY

Wildlife Monitoring and Rescue

In 2013, Sarawak Energy signed an agreement with Sarawak Forestry Corporation designed to conserve the wildlife, flora and fauna within the area of the Murum HEP development. The Wildlife Monitoring and Rescue (WiMoR) operation reflects Sarawak Energy's commitment to sustainability in its projects in terms of managing the impact to the aquatic and terrestrial ecosystem. The WiMoR initiative was led by Sarawak Energy's Environmental Impact Assessment team with Sarawak Forestry undertaking the wildlife monitoring and rescue operation. Some 150 people will be involved in the two-year operation.

Chief of Corporate Services Puan Aisah Eden represented Sarawak Energy at the signing of Wildlife Monitoring and Rescue (WiMoR) agreement with the Sarawak Forestry Corporation (Photo credit: Sarawak Forestry)

WiMoR personnel used boats to reach stranded plants and animals

WiMoR rescued and relocated priority species such as mouse deer

RURAL ELECTRIFICATION IN SARAWAK

Each year, Sarawak Energy continues to make significant strides in bringing electricity to some of the most remote parts of Sarawak as the Company strives to lift the quality of life of the State's populace.

The rural electrification scheme (RES) works to provide a 24-hour electricity supply to isolated, widely scattered communities that have previously had to rely on expensive and noisy diesel power generators for their electricity. Sarawak Energy's mission is to extend the grid to reachable areas and to establish hybrid systems using renewable energy sources for communities that are too isolated to be connected to the grid. More than 2,000 villages will eventually be connected to the grid and hundreds more will be provided with off-grid systems.

Given the sheer size of Sarawak and its unique terrain, rural electrification is a challenging undertaking. Much of the State's interior is only reachable via logging roads, river or by air and access can be further complicated because of adverse weather conditions, low river levels, landslides and damage to bridges.

In fulfilling its mission, Sarawak Energy works closely with the State and Federal Governments and supports the National Key Result Area (NKRA) Rural Basic Infrastructure initiative which commits to providing basic services to the rural communities. Between 2009 and 2012, a total of RM1.4 billion was allocated for 827 RES projects to benefit some 43,000 households. At the end of 2012, a total of 663 projects had been completed with the remaining in various stages of implementation. For the 2012 to 2014 period, RM350 million has been allocated for RES projects, on top of the additional amount of RM450 million for 2013 to 2015.

In 2013, despite the difficulties, an additional 11,160 rural homes were provided with 24-hour electricity, lifting State-wide coverage to 87.4%.

Renewable Energy Systems

Renewable energy comes from sources that continually replenish themselves, namely hydro, solar and biomass. Whilst in Sarawak, micro hydro and solar hybrid energy resources cannot compete with large hydropower in terms of cost, capacity and reliability, they play an important role in providing power for rural communities. With un-electrified villages being so remote and the extension of the grid lines a major challenge, there may be an uptrend in the use of alternative solutions to provide them with electricity.

ELECTRIFYING SARAWAK

Micro Hydro

There is great potential for micro hydropower in Sarawak, especially for small scale rural supply. The vast networks of rivers and streams found in the rugged terrains of Sarawak provide great potential for this kind of sustainable renewable energy. Sarawak Energy has been conducting many feasibility studies on potential micro hydro sites.

In 2013, Sarawak Energy made further progress on the construction of Long Banga micro hydro, situated near the Indonesian border, in the Baram region. With installed capacity of 2 x 160 kW, Long Banga micro hydro is expected to supply 24 hours/day electricity to local villagers.

The Long Banga micro hydro project will supply 24/7 electricity

Solar Hybrid

Typically, this system is used for islands, mountainous landscapes or areas in the deep interior of Sarawak. The State has considerable solar potential but it is not competitive for utility scale grid generation. Nevertheless, solar photovoltaic applications are practical in the remote rural areas.

A solar hybrid system will power the remote village of Long Sukang in Lawas

11,160 more rural homes provided with 24-hour power supply

With installed capacity of 2 x 160 kW, the Long Banga micro hydro project is expected to provide 24-hour electricity supply

EVENT HIGHLIGHTS 2013

CORPORATE ENGAGEMENTS

Sarawak Energy played host to the Heads of ASEAN Power Utilities/Authorities (HAPUA) Working Group 1: Generation and Renewable Energy in October

COMMUNITY OUTREACH

Caring for the Society - Blood donation drive at Menara Sarawak Energy in August

Sarawak Energy Supports Go Bald - Puan Aisah Eden, Chief of Corporate Services, making the first shave for Dr Chen Shiun, General Manager, Research and Development in March

Christmas joy for communities in Murum in December

EVENT HIGHLIGHTS 2013

A HEALTHY WORKFORCE

Friendly football match with JKR at Sarawak State Stadium in January

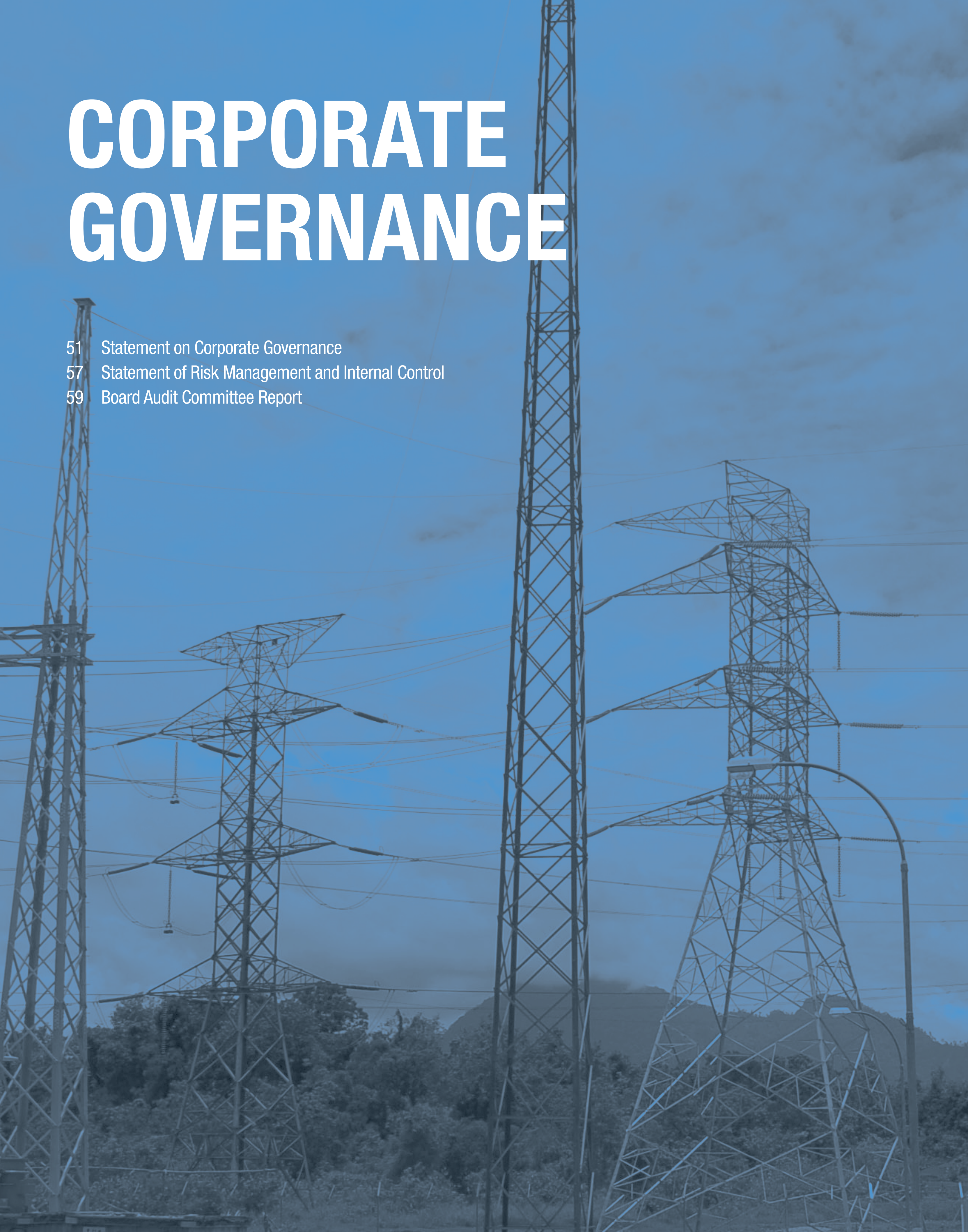
Promoting a healthy lifestyle - Aerobics and outdoor activities at Batang Ai in June

Corporate golf at Sarawak Club Golf Course in August

DIVERSITY AND INCLUSION

At the 'Ngiling Bidai' or closing of Gawai celebration at Batang Ai - The 'Miring', an offering ceremony, was performed in August

CORPORATE GOVERNANCE



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Sarawak Energy Berhad ("SEB") is committed to ensure that the highest standard of Corporate Governance is practiced throughout the Group with the objective of strengthening the Group's growth, corporate accountability and safeguarding the interests of the shareholders.

The Board of Directors is pleased to present a statement to the shareholders on how the Group has applied the principles of good governance and compliance of the best practices set out in the Malaysian Code of Corporate Governance.

THE BOARD OF DIRECTORS

The Board's principal responsibilities for corporate governance are to set out the strategic direction of the Group and establish the objectives and achievement of the objectives and goals.

The current Board comprises of five (5) members, and all of them are Non-Executive Directors. Except for one (1) Independent Director, all of the remaining four (4) Directors are Non-Independent Non-Executive Directors. The Directors collectively have wide range of experience and expertise drawn from the area of business, accounting, legal and economics as well as public administration. Their expertise, experience and background are vital for the strategic direction of the Group. The profiles of the Directors are set out on pages 9 to 13.

The Chairman's responsibility is to ensure the effectiveness of the Board and conduct. The role of Independent Non-Executive Director is to ensure that views provided are professional and independent and that the advice and judgment made on issues and decisions are to the best interest of the stakeholders and the Group.

From the beginning of this year, the Board had decided to meet at least six (6) times a year, with additional meetings held as and when required. There were seven (7) Board meetings held during the financial year ended 31 December 2013. A summary of the attendance of each Director of the Company at the Board meetings held during the financial year ended 31 December 2013 are as follows:-

Directors	Position	Meetings Attended	% of Attendance
YBhg Datuk Amar Abdul Hamed bin Sepawi	Non-Independent Non-Executive Chairman	7/7	100
YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani	Non-Independent Non-Executive Director	6/7	86
YBhg Tan Sri Dato Sri Mohd Hassan bin Marican	Independent Non-Executive Director	5/7	71
YBhg Datuk Fong Joo Chung	Non-Independent Non-Executive Director	6/7	86
YBhg Dato' Haji Idris bin Haji Buang	Non-Independent Non-Executive Director	7/7	100

STATEMENT ON CORPORATE GOVERNANCE

SUPPLY OF INFORMATION

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

All the Directors are notified of the Board meetings within stipulated time prior to the meetings' date. Directors are provided with an agenda and a set of Board papers prior to each Board Meeting. These are distributed in sufficient time to enable them to obtain further information and explanation, where and when necessary, in order to be properly briefed before the meeting.

In most instances, the Senior Managements of the Group as well as external advisors may be invited to attend Board Meetings, to provide insights and to furnish clarification on issues that may be raised by the Board.

Board members have access to the Company Secretary for any further information required. Directors may also seek independent professional advice on any matter connected with the discharge of their responsibilities deems necessary and appropriate, whether as a full board or in their individual capacities, at the Company's expense.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to the election by shareholders at the first Annual General Meeting after their appointment. One-third of the remaining Directors are required to submit themselves for re-election by rotation at each annual general meeting thereafter. All Directors must submit themselves for re-election at least once in every three years, and that Directors over the age of seventy (70) years are required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act 1965.

DIRECTORS' TRAINING

Various accredited programs have been attended by the directors of the Company. Among them are programs related to the Continuing Education Program ("CEP") conducted by various course leaders. The Company will regularly arrange for further training of the directors as part of the directors obligation to update and enhance their skills and knowledge which are important for their carrying out an effective role as directors.

STATEMENT ON CORPORATE GOVERNANCE

BOARD COMMITTEES

The following Committees have been established to assist the Board in the execution of its responsibilities. These Committees have written terms of reference which have been approved by the Board and set out their authority and duties.

1. Board Audit Committee ("BAC")

The BAC plays an important role in reviewing the Group's financial management and reporting, and to assess the integrity of the Group's accounting procedures and financial control. The BAC is responsible for the review of accounting policy and presentation of external financial reporting including the Group's interim results and its disclosures, monitoring the work of the internal audit function and ensuring an objective and professional relationship is maintained with the external auditors, and that conflicts of interest, if any, are avoided. The BAC has full access to both internal and external auditors, who in turn, have access at all times, to the Chairman of the BAC.

The BAC strives to ensure that it keeps abreast of all material developments in regulations and best practices in its area of responsibility.

The report of the BAC, including their attendance at the Committee Meetings is set out on page 59 of this Annual Report.

2. Governance, Nomination & Remuneration Committee ("GNRC")

The composition of the GNRC members for the financial year ended 31 December 2013 are as follows:-

i. **YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani**
(Non-Executive Director) – Chairman

ii. **YBhg Tan Sri Dato' Sri Mohd. Hassan bin Marican**
(Non-Executive Director)

iii. **YBhg Datuk Fong Joo Chung**
(Non-Executive Director)

iv. **YBhg Dato' Haji Idris bin Haji Buang**
(Non-Executive Director)

The duties and responsibilities of the GNRC are to:-

(a) identify and recommend to the Board candidates for directorships to the Board;
(b) make recommendations to the Board on all new or re-appointments of members of the Board;
(c) make recommendations to the Board on the Company's framework of remuneration and its cost and to determine on behalf of the Board specific remuneration packages and terms and conditions of employment for the Group's employees;
(d) provide remuneration input on any contract of employment with executive directors and determine the terms of any compensation in the event of early termination of the employment contracts thereon;
(e) make recommendations for Human Resource policies from time to time;
(f) discuss and approve the revision of Company's organization structure, should there need be; and
(g) act as Disciplinary Committee to decide and recommend punishments for staff misconduct to the Board for approval.

The GNRC had held four (4) meetings during the financial year ended 31 December 2013.

3. Group Board Tenders Committee ("GBTC")

The GBTC was previously established by the Syarikat SESCO Berhad's Board to assist the Board on the award of tenders with the value of RM5 million to RM20 million. It has been brought up to the Group Level of the Company on 19 June 2009 in view of the rationalisation of the Company.

As at 31 December 2013, the GBTC members comprise of the following:-

i. **YBhg Dato Sri Ahmad Tarmizi bin Haji Sulaiman**
(Director of Syarikat SESCO Berhad) – Chairman

ii. **YBhg Tuan Haji Ubaidillah bin Haji Abdul Latip**
(Director of Syarikat SESCO Berhad) – Alternate Chairman/Member

iii. **YB Encik Joseph Mauh ak. Ikeh**
(Director of Syarikat SESCO Berhad) – Member

iv. **YBhg Dato' Ir. Wahab bin Suhaili**
(Director of Syarikat SESCO Berhad) – Member

v. **YBhg Dato' Haji Idris bin Haji Buang**
(Director of SEB) – Member

The GBTC has not held any meeting during the financial year ended 31 December 2013.

MANAGEMENT COMMITTEE

To assist the Board in the execution of its responsibilities, a Management Committee named as Executive Management Committee ("EMC") was established to ensure that adoption of corporate-level policies are well developed before adoption, and to award tenders within the approving limits as prescribed by the prevailing terms of reference provided in the Procurement Policies and Procedures (PPP) of the Company.

This Committee has written terms of reference which have been approved by the Board and set out their authority and duties as follows:-

(a) to interpret define and/or implement Corporate/Group policies and decisions.
(b) to formulate and/or approve the general management operating policies procedures and guidelines.
(c) to decide and/or approve operational or matters requiring management decisions or approval by EMC. In the event of uncertainties the CEO shall have the mandate to decide on the subject matters or issued to be referred to EMC.
(d) to review and/or decide on proposals, plans, projects, budgets and policies prior to submission to the Board.
(e) to implement management leadership change and continuous improvements programs and initiatives for the Group.
(f) to endorse and/or review decisions of the disciplinary committees appointed to conduct disciplinary inquiry into disciplinary cases involving support group.
(g) to discuss and/or review progress reports on projects and decide on any issues requiring management input or decisions.
(h) to appoint consultants subject to the limits of EMC defined in the PPP.
(i) such other matters not mentioned above provided approval of the CEO has been obtained to refer the matter to EMC and such matters is within the scope or general authority of EMC to decide/approve.

As at 31 December 2013, the EMC members comprises as follows:-

STATEMENT ON CORPORATE GOVERNANCE

i. **Datuk Torstein Dale Sjøtveit** *(Being conferred with an award that brings the title "Datuk" on 14.09.2013)*
(Chief Executive Officer) – Chairman

ii. **Lu Yew Hung**
(Chief Operating Officer)

iii. **Aisah Eden**
(Chief of Corporate Services)

iv. **James Ung**
(Senior Vice President, Thermal)

v. **Victor Wong**
(Senior Vice President, Transmission)

vi. **Einar Kilde**
(Senior Vice President, Project Execution)

vii. **Tan Ah Hock**
(Vice President, Distribution)

viii. **Polycarp Wong**
(Vice President, Hydro)

ix. **Lau Kim Swee**
(Vice President, Retail)

x. **Haji Sulaiman bin Haji Abdul Hamid**
(Vice President, Group Governance for Procurement & Contracts and covering Chief Financial Officer)

xi. **Nick Wright**
(Vice President, Business Development)

xii. **Siti Aisah Adenan**
(Vice President, People & Leadership Development)

xiii. **Zuraimy bin Kushaili**
(Vice President, Government Relations)

xiv. **Julia Shim**
(Chief Information Officer)

xv. **Alvin Lim**
(General Manager, Planning & Strategy)

xvi. **Marconi Madai**
(General Manager, Corporate Risk & HSE)

xvii. **Dr Chen Shiun**
(General Manager, Research & Development)

xviii. **Stephanie Gae Chin**
(General Manager, Legal)

xix. **Haji Yusri bin Safri**
(General Manager, Corporate Shared Services)

xx. **Shawn Liu**
(Assistant General Manager, Capital Works, Procurement & Contracts)

xxi. **Haniza Abdul Hamid**
(Senior Manager II, Corporate Communications)

xxii. **Jiwari Abdullah**
(Senior Manager II, Corporate Social Responsibility)

xxiii. **Iskandar Mohamad Sarkawi – EMC Secretary** *(from 01.01.2013 – 30.04.2013)*
(Senior Executive, CEO's Office)

xxiv. **Irwina Binti Haji Ibrahim – EMC Secretary** *(from 01.05.2013 – 31.12.2013)*
(Senior Executive, CEO's Office)

There were eighteen (18) EMC meetings and one (1) additional Extraordinary meeting held during the financial year ended 31 December 2013, which totals up to nineteen (19) meetings altogether held in the Year 2013.

CONFIDENTIALITY OF INFORMATION

In conducting briefings or presentations, the Company takes due care to ensure that any information regarded as undisclosed material information about the Company and its operations will not be given to any single shareholder or group of shareholders.

ACCOUNTABILITY AND AUDIT

STATEMENT ON CORPORATE GOVERNANCE

Financial Reporting

The Directors are responsible in ensuring that the annual financial statements of the Company and the Group are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through the annual financial statements and quarterly financial results as well as the Chairman's statement and review of operations in the Annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Relationship with Auditors

The Board has, through the BAC, established a formal, transparent and appropriate relationship with the Group's Auditors, both external and internal. The BAC meets regularly with external and internal auditors to discuss on the yearly audit plan, quarterly financial results, annual financial statements and internal audit reports, and at every Board meeting convened, the Chairman of the BAC would briefed the Board on significant matters discussed and deliberated at each BAC meeting and makes recommendations for the Board's approval and endorsement as the case may be.

Internal Controls

Information on the Group's internal controls system is presented in the Statement on Internal Control as set out on pages 57 and 58 of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

ADDITIONAL COMPLIANCE INFORMATION

- **Material Contracts**
  Neither the Company nor its Subsidiaries had entered into any material contracts not in the ordinary course of business during the Financial Year ended 31 December 2013.

- **Sanctions/Penalties**
  There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any relevant regulatory authorities during the Financial Year ended 31 December 2013.

- **Non-Audit Fees**
  Non-audit fees of RM2,210,000 were paid to the External Auditors for the Financial Year ended 31 December 2013.

- **Revaluation Policy on Landed Properties**
  The Group does not adopt any revaluation policy on landed properties during the Financial Year ended 31 December 2013.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to its responsibility of maintaining a sound system of internal control, covering financial and operating activities to safeguard shareholders' investment, the Group's assets and customers' interests. This Statement on Internal Control outlines processes that have been implemented to ensure the adequacy and integrity of the system of internal control of the Group during the financial year.

The Group's system of internal control applies to SEB and its subsidiaries. Associated companies are excluded because the Group does not have full management and control over them.

BOARD RESPONSIBILITY

The Board has an overall responsibility for the Group's system of internal control to provide reasonable assurance of efficient operations, effective internal checks and compliance with laws and regulations. The on-going process for identifying, evaluating, monitoring and managing the significant risks faced by the Group is periodically reviewed by the Board during the financial year under review. However, the Board recognises that the Group's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. Hence it can only provide reasonable but not absolute assurance against material mis-statement, fraud or loss.

The Board is assisted by the Management in the implementation of approved policies and procedures on risks and controls, in which the Management identifies and assesses risks faced, as well as implements and monitors appropriate control measures to mitigate and control these risks.

Further, the Board is assisted by the BAC to review the adequacy and integrity of the system of internal controls in the Group as part of the internal and risk management processes.

CONTROL ENVIRONMENT

The key elements of the Group's control environment are summarised as follows:

Organisational Structure and Accountability Levels

The Board has implemented a clearly defined structure that is aligned to the Group's strategic and operational requirements. Key responsibilities and lines of accountability within the Group are defined, with clear reporting lines to the Senior Management and to the Board. The Group's delegation of authority sets out the appropriate authority levels of Management, including matters that require Board approval.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Strategic Business Planning Process

Business planning and budgeting is undertaken annually and reviewed bi-annually to establish plans and targets against which performance is measured.

Reporting and Review

The Group's management team carries out monthly monitoring and review of financial results and forecasts for major activities within the Group, including monitoring and reporting thereon of performance against the operating plans and annual budgets. Action plans were developed to address any areas of concern.

Control Procedures

The Group maintains clearly documented policies and procedures to establish accountability and standard controls procedures. These policies and procedures are revised as needed to meet changing business needs.

INTERNAL AUDIT FUNCTION

The BAC, assisted by the Group Internal Audit Department (GIAD), provides the Board with the assurance it requires on the adequacy and integrity of the system of internal controls. The BAC has an oversight function of all activities carried out by the GIAD.

The GIAD adopts a risk-based approach in preparing its audit strategy and plan. The GIAD independently reviews the risk exposures and control processes implemented by the Management and conducts assignments which encompass auditing and review of critical areas within the Group, including operations, projects and IT/information systems. The internal audit activities are guided by an annual audit plan, which is approved by the BAC and the internal audit reports are tabled at the BAC meetings for review. Further, the GIAD engages in regular communication with the Senior Management team and various departments within the Group related to internal audit activities and efforts for continuous improvement in operations and systems. External Auditors' recommendations for improvements noted during their audit, if any, are also closely monitored and followed up to ensure that they are promptly implemented.

ENTERPRISE WIDE RISK MANAGEMENT ("EWRM")

The Board also acknowledges that effective risk management is part of good business practice and recognises the need for a sound system of internal control capable of managing the principal risks of the Group.

As part of its effort to discharge its duties and responsibilities of maintaining a robust and sound system of internal control and ensuring their continuing adequacy and integrity, the Board has implemented a formalised EWRM framework for the Group. The Group's risk management framework ensures that significant risks are continuously identified and that instituted controls are appropriate and effectively applied by the Management to achieve acceptable exposure consistent with the Group's risk management practices.

BOARD AUDIT COMMITTEE REPORT

MEMBERSHIP AND MEETING

The BAC members are appointed by the Board from amongst its Non-Executive Members. The BAC comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director of the Board as set out in the table below.

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican is a Fellow of the Institute of Chartered Accountants in England and Wales, a Member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

During the financial year under review, the BAC convened three meetings. The attendance record is as follows:

No.	Member	Meetings Attended
1.	YBhg Tan Sri Dato Sri Mohd Hassan bin Marican	3/3
2.	YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani	2/3
3.	YBhg Dato' Haji Idris bin Haji Buang	3/3

The Vice President/Head of Internal Audit and the Group Company Secretary, being Secretary of the BAC were present at all meetings. Upon invitation, representatives from the External Auditors, Messrs Ernst & Young, the Group Chief Executive Officer, Chief Financial Officer/Head of Finance and other members of senior management and external parties also attended specific meetings whenever required.

SUMMARY OF ACTIVITIES OF BAC

During the financial year, the BAC carried out the following main activities as set out in its terms of reference.

- Reviewed and recommended the Quarterly Group Management Reports and the annual audited financial statements of the SEB Group to the Board for consideration and approval.
- Reviewed and endorsed the Quarterly Enterprise Risk Management Report on Risk Profiles, Key Strategic and High Risks; and Key Mitigation Actions taken by Management to address the risks.
- Reviewed and discussed Group Revenue and Capital Budget Year End Estimates for 2013 as well as Group Capital and Revenue Budget for 2014 and recommended the same for submission to the Board.
- Reviewed with the external auditors the scope of work, audit plan and their professional fees and thereafter recommended the same to the Board for approval.
- Reviewed and approved the Group Internal Audit Annual Plan to ensure the adequacy of resources and coverage for identified auditable areas with significant and high risks, KPIs Achievement and Internal Audit Update Reports.
- Reviewed and endorsed the Report on Revamped GIPC including Tender Committees and Limit of Authority for presentation to the Board.
- Reviewed and noted Report on Network Security Review and Penetration Testing.
- Reviewed and deliberated with the external auditors and management the impact on adoption and implementation of the Malaysian Financial Reporting Standards (MFRS).
- Reviewed and deliberated reports issued by External Auditors, Consultants (on specific assignment) and GIAD on significant findings and remedial actions taken and to be taken by Management to address the issues raised.
- Reported to the Board on its activities and any significant issues and remedial actions taken arising from the audits undertaken by the external and internal auditors.

BOARD AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is carried out by the GIAD, which is independent and reports directly to the BAC.

GIAD was established by the Board to provide independent assurance on the adequacy of SEB's risk management, internal control and governance systems. Regular reviews are carried out to monitor compliance of business processes with the Group's procedures, to assess the effectiveness of internal controls, and to highlight any significant risks impacting the Group.

Most of the audits/reviews as per the Internal Audit Plans are performed internally, while some are outsourced or co-sourced. Audits are outsourced to ensure they provide adequate coverage, and that the assignments involve specific areas of expertise and skill. Co-sourced audits enable transfer of knowledge from external consultants. During the year, GIAD had successfully coordinated and participated in Network Security Penetration Testing (Visit 1 & 2) covering Transmission System Development (TSD), Telecommunication (TCOMM), System Automation (SA), Grid System Management (GSM) and Mukah Power Generation (MPG) Control Room with Ernst & Young Advisory Services.

All reports arising from the assignments were issued to management for comments and corrective actions with specific deadlines to complete the relevant preventive and remedial actions. The reports were subsequently tabled to the BAC for deliberation. Follow-up reviews were carried out by internal auditors, and the status of such action plans was reported to the BAC.

The BAC has full access to both internal and external auditors and receives reports on all audits performed.

TERMS OF REFERENCE

1.0 CONSTITUTION

- The Board of Directors ("Board") of Sarawak Energy Berhad ("SEB") has established a Committee of the Board, known as the Board Audit Committee ("BAC"), vides a resolution of the Board on 30 July 1994.
- The function and authority of the BAC extends to SEB and all its subsidiaries (collectively referred to as the "Group").

2.0 COMPOSITION OF THE COMMITTEE

- The members of the BAC shall be appointed by the Board and shall consist of not less than three members, the majority of whom shall be independent directors of SEB.
- Where the members for any reason are reduced to less than three, the Board shall, within one month of the event, appoint such number of new members as may be required to make up the minimum number of three members.
- The Board shall elect a Chairman from among the members of the BAC who shall be an independent director.
- All members shall hold office only for as long as they serve as directors of SEB.
- No alternate directors shall be appointed to the BAC.

3.0 CHAIRMAN OF THE COMMITTEE

The following are the main duties and responsibilities of the Chairman of the BAC:

- to steer the BAC to achieve its objectives;
- to provide leadership and ensure the proper flow of information to the BAC, while reviewing the adequacy and timing of documentation;
- to provide a reasonable amount of time for discussion at the BAC meetings, organise and present the agenda for BAC meetings based on input from members, ensure that all relevant issues are on the agenda, and encourage a healthy level of skepticism and independence;
- to manage the process and workings of the BAC, and ensure that the BAC discharges its responsibilities; and
- to ensure that all members participate in the discussion to enable effective decisions to be made.

4.0 COMMITTEE MEMBERS

Each BAC member is expected to:

- provide independent opinions to the fact-finding, analysis and decision-making process of the BAC, based on their experience and knowledge;
- consider the viewpoints of the other members, and make decisions and recommendations that are in the best interests of the Group;
- keep abreast of the latest corporate governance guidelines in relation to the BAC and the Board as a whole; and
- continuously seek out best practices in terms of the processes utilised by the BAC, following which these should be discussed with the rest of the members for possible adoption.

5.0 OBJECTIVES OF THE COMMITTEE

The objectives of the BAC are as follows:

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

BOARD AUDIT COMMITTEE REPORT

6.0 AUTHORITY OF THE COMMITTEE

The BAC is authorised by the Board to:

- investigate any activity within its terms of reference or as directed by the Board;
- have full and unrestricted access to all employees, the Group's properties and works, and all books, accounts, records and other information of the Group in whatever form;
- have direct communication channels with external auditors and person(s) carrying out the internal audit function or activity for the Group;
- direct the internal audit function in the Group;
- engage independent advisors, and secure the attendance of outsiders with relevant experience and expertise if deemed necessary; and
- review the adequacy of the structure and terms of reference of other Board committees, as well as the BAC itself.

7.0 FUNCTIONS OF THE COMMITTEE

The functions and responsibilities of the BAC are as follows:

Corporate Financial Reporting

- To review and recommend acceptance or otherwise of accounting policies, principles and practices.
- To review the quarterly results and annual financial statements of the Company and Group before submission to the Board.

  The review should focus primarily on:

  i. any changes in existing accounting policies or implementation of new ones;
  ii. major judgment areas, significant and unusual events;
  iii. significant adjustments resulting from audit;
  iv. the going concern assumptions;
  v. compliance with accounting standards; and
  vi. compliance with other legal and statutory requirements.

- To review with management and the external auditors the results of the audit, including any difficulties encountered.

BOARD AUDIT COMMITTEE REPORT

Enterprise Wide Risk Management

- To review the adequacy of risk management functions in the SEB Group, and to provide independent assurances to the Board as to their effectiveness.
- To ensure that the principles and requirements of managing risk are adopted consistently throughout the SEB Group.
- To deliberate on the key risk issues highlighted by the Risk Management Division in their reports to the BAC.

Internal Control

- To assess the quality and effectiveness of the internal control systems and the efficiency of the Group's operations.
- To review the findings on internal control in the Group by internal and external auditors.
- To review, and recommend for Board approval, the Statement of Internal Control BAC Report for inclusion in the Company's Annual Report.

Internal Audit

- To approve the Audit Charters of internal audit functions in the Group.
- To ensure that the internal audit functions have appropriate standing in the Group and have the necessary authority and resources to carry out their work. This includes a review of the organisational structure, resources, budgets and qualifications of the internal audit personnel.
- To review internal audit reports and management's response and actions taken in respect of these. Where actions are not taken within an adequate timeframe by management, the BAC will report the matter to the Board.
- To review the adequacy of internal audit plans and the scope of audits, and to ensure that the internal audit functions are carried out without any hindrance.
- To appraise the performance of the Head of Internal Audit.
- To review any appraisal or assessment of the performance of members of the internal audit function.
- To be informed of resignations of internal audit members, and to provide the resigning staff member an opportunity to submit his/her reasons for resigning.
- To direct any special investigation and review to be carried out by the internal audit function and/or external parties.

External Audit

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

Corporate Governance

- To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- To review the findings of any examinations by regulatory authorities.
- To review any related party transaction and conflict-of-interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of integrity.
- To review and recommend the Corporate Governance Statement for Board approval for inclusion in the Company's Annual Report.
- To review the investor relations program and shareholder communications policy for the company.
- To examine instances and matters that may have compromised the principles of corporate governance and report back to the Board.

8.0 COMMITTEE MEETINGS

- The BAC shall convene meetings as and when required, and at least four times during the financial year.
- The number of BAC meetings held a year, and the details of attendance of each individual member in respect of meetings held, should be disclosed in the Annual Report.
- The Chairman of the BAC, or the Company Secretary on the requisition of any member, the Head of Internal Audit or the external auditors, shall at any time summon a meeting of the BAC by giving reasonable notice.
- No business shall be transacted at any meeting of the BAC unless a quorum is present. The quorum for each meeting shall be two members comprising all independent directors.
- The Chairman of the BAC shall chair the committee meetings; in his absence, the members present shall elect one from among themselves to be the Chairman of the meeting.
- In appropriate circumstances, the BAC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting.
- Officers of the Group, or others as required, may be invited to attend meetings where the BAC considers their presence necessary.
- A committee member shall excuse himself/herself from the meeting during discussions or deliberations of any matter that gives rise to an actual or perceived conflict-of-interest situation for the member. Where this causes insufficient directors to make up a quorum, the BAC has the right to appoint another director(s) to meet the membership criteria.
- The BAC, through its Chairman, shall report to the Board after each meeting.
- Subject to the provisions of this Terms of Reference and Memorandum and Articles of Association of SEB, the BAC shall establish its own procedures for meetings.

9.0 SECRETARY OF THE COMMITTEE

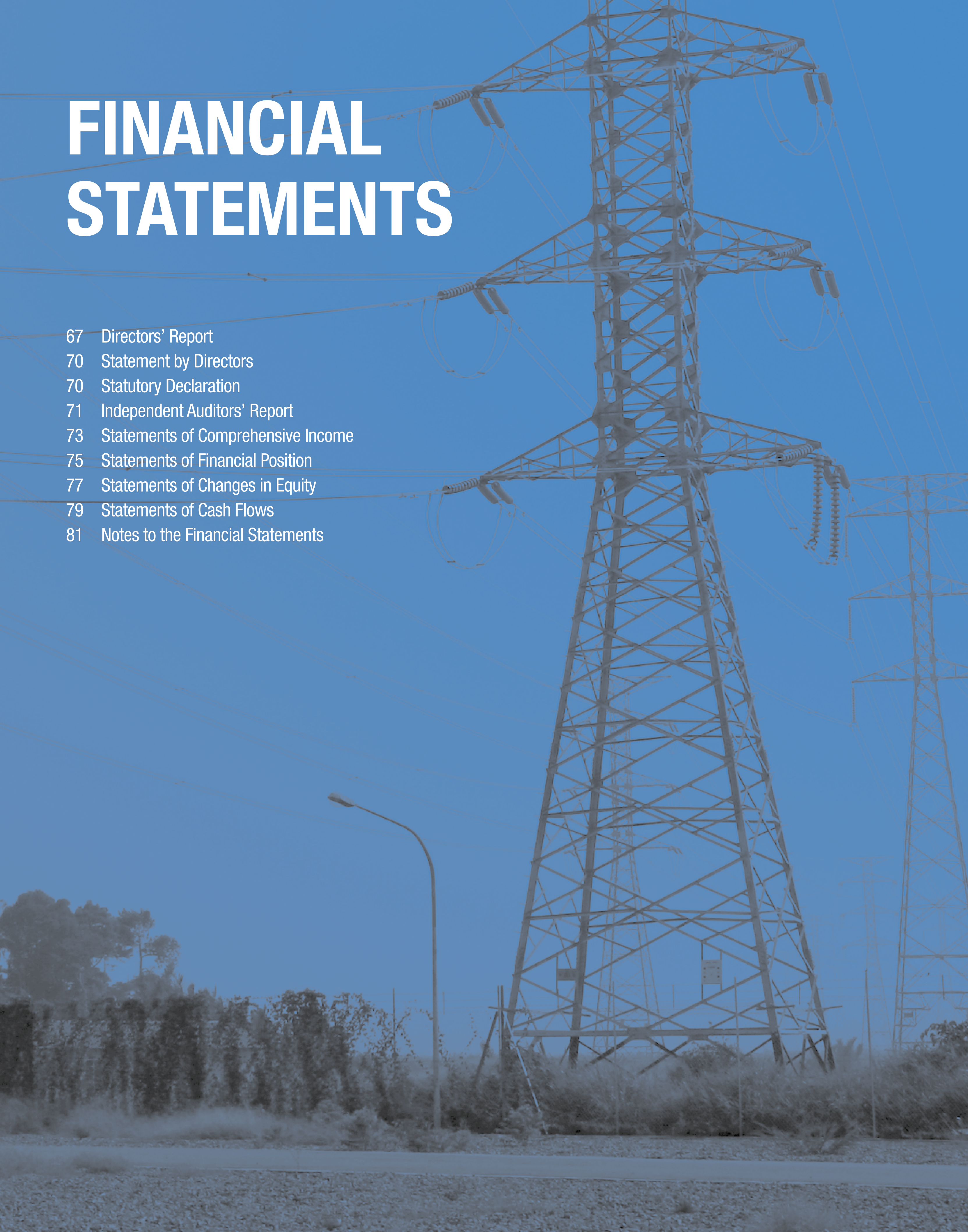
- The Secretary of the BAC shall be the Company Secretary.
- The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the BAC. The agenda shall be sent to all members of the BAC and the Head of Internal Audit at least three business days before each meeting, together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

10.0 DISCLOSURE

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

11.0 REVISION OF THE TERMS OF REFERENCE

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



FINANCIAL STATEMENTS

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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 14 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	371,137	181,777
Profit/(loss) attributable to:		
Owners of the Company	371,569	181,777
Non-controlling interests	(432)	-
	371,137	181,777

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

In the opinion of the Directors, 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.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2012 was as follows:

In respect of the financial year ended 31 December 2012 as reported in the Directors' report of that year:

	RM'000
Final single-tier dividend of 4.125 sen on 1,610,568,979 ordinary shares of RM1.00 each	66,436

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2013, of 5.50 sen on 1,610,568,979 ordinary shares, amounting to a dividend payable of RM88,581,294 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

DIRECTORS' REPORT

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

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

In accordance with Article 82 of the Company's Articles of Association, YB Tan Sri Datuk Amar Haji Mohamad Morshidi Bin Haji Abdul Ghani and YBhg Dato' Haji Idris Bin Haji Buang retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that 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 emoluments 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 as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

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

OTHER STATUTORY INFORMATION

(a) Before the statements of 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 value 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.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

(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.

(f) In the opinion of the Directors:

   (i) 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 will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and

   (ii) 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.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 May 2014.

Datuk Amar Abdul Hamed Bin Sepawi

Dato' Haji Idris Bin Haji Buang

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **Datuk Amar Abdul Hamed Bin Sepawi** 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 73 to 154 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2013 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 May 2014.

Datuk Haji Abdul Hamed Bin Sepawi

Dato' Haji Idris Bin Haji Buang

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Haji Sulaiman Bin Haji Abdul Hamid**, being the person primarily responsible for the financial management of **Sarawak Energy Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 73 to 154 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 **Haji Sulaiman Bin Haji Abdul Hamid**
at Kuching in the State of Sarawak
on 27 May 2014

Haji Sulaiman Bin Haji Abdul Hamid

Before me,

Alamat tempat perniagaan:
1st Fl., Block B,
Lot 7898, Queen's Court,
Jalan Wan Alwi,
93350 Kuching, Sarawak.

PESURUHJAYA SUMPAH
NO. Q 118
YONG NAM HUA
MALAYSIA

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SARAWAK ENERGY BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **Sarawak Energy Berhad**, which comprise statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of 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 a summary of significant accounting policies and other explanatory information, as set out on pages 73 to 154.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and 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, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SARAWAK ENERGY BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Group and of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

YONG VOON KAR
1769/04/16 (J/PH)
Chartered Accountant

Kuching, Malaysia
Date: 27 May 2014

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 (Restated) RM'000	2013 RM'000	2012 (Restated) RM'000
Revenue	4	2,323,156	1,873,250	216,169	118,088
Cost of sales		(1,843,852)	(1,513,516)	-	-
Gross profit		479,304	359,734	216,169	118,088
Other items of income					
Interest income	5	54,022	81,220	43,228	69,671
Other income	6	187,232	166,956	5,060	19,743
Other items of expense					
Administrative and other expenses		(60,130)	(79,648)	(4,581)	(9,480)
Finance costs	7	(172,882)	(200,796)	(49,467)	(89,042)
Share of results of associates		1,445	(3,066)	-	-
Profit before tax	8	488,991	324,400	210,409	108,980
Income tax expense	11	(117,854)	(76,996)	(28,632)	(25,000)
Profit net of tax		371,137	247,404	181,777	83,980
Profit/(loss) attributable to:					
Owners of the Company		371,569	247,718	181,777	83,980
Non-controlling interests		(432)	(314)	-	-
		371,137	247,404	181,777	83,980
Basic earnings per share attributable to owners of the Company (sen)	12	23.1	15.4		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 (Restated) RM'000	2013 RM'000	2012 (Restated) RM'000
Profit net of tax		**371,137**	247,404	**181,777**	83,980
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Actuarial (loss)/gain on retirement benefit obligations, net of tax		**(8,726)**	-	**298**	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Gain on fair value changes of available-for-sale financial assets		**25,326**	-	**25,326**	-
Net movement on cash flow hedges		**6,626**	(5,175)	**6,626**	(5,175)
Other comprehensive income, net of tax		**23,226**	(5,175)	**32,250**	(5,175)
Total comprehensive income for the year		**394,363**	242,229	**214,027**	78,805
Total comprehensive income attributable to:					
Owners of the Company		**394,795**	242,543	**214,027**	78,805
Non-controlling interests		**(432)**	(314)	**-**	-
		394,363	242,229	**214,027**	78,805

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group			Company		
		2013	2012 (Restated)	As at 1.1.2012 (Restated)	2013	2012 (Restated)	As at 1.1.2012 (Restated)
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Non-current assets							
Property, plant and equipment	13	**10,986,172**	10,269,333	9,120,254	**14,601**	19,326	18,171
Investment in subsidiaries	14	**-**	-	-	**1,885,610**	1,617,610	1,617,610
Investment in associates	15	**14,133**	12,688	45,712	**14,100**	14,100	35,693
Other investment	16	**81,217**	41,336	-	**81,217**	41,336	-
Deferred tax assets	17	**159,179**	174,135	181,151	**-**	-	-
Other receivables	20	**-**	-	-	**4,709,140**	4,067,871	3,213,341
		11,240,701	10,497,492	9,347,117	**6,704,668**	5,760,243	4,884,815
Current assets							
Property development costs	18	**104,967**	90,679	90,679	**-**	-	-
Inventories	19	**404,991**	389,671	351,456	**-**	-	-
Trade and other receivables	20	**643,833**	313,025	200,404	**306,873**	290,573	103,455
Other current assets	21	**13,839**	11,700	40,971	**5**	182	3,196
Derivative assets	27	**-**	-	5,398	**-**	-	5,398
Cash and bank balances	22	**1,277,203**	2,112,334	591,660	**811,703**	1,695,707	248,247
		2,444,833	2,917,409	1,280,568	**1,118,581**	1,986,462	360,296
TOTAL ASSETS		**13,685,534**	13,414,901	10,627,685	**7,823,249**	7,746,705	5,245,111

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group			Company		
		2013 RM'000	2012 (Restated) RM'000	As at 1.1.2012 (Restated) RM'000	2013 RM'000	2012 (Restated) RM'000	As at 1.1.2012 (Restated) RM'000
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables	23	852,766	840,011	680,704	64,882	128,926	104,612
Loans and borrowings	24	98,925	82,306	175,966	-	-	35,000
Income tax payable		745	697	3,633	-	-	-
Derivative liabilities	27	-	6,626	1,967	-	6,626	1,967
		952,436	929,640	862,270	64,882	135,552	141,579
Net current assets		1,492,397	1,987,769	418,298	1,053,699	1,850,910	218,717
Non-current liabilities							
Deferred tax liabilities	17	576,414	499,507	435,445	-	-	-
Loans and borrowings	24	6,002,287	6,196,180	3,778,061	5,500,000	5,500,000	3,000,000
Deferred income	25	1,742,184	1,691,089	1,636,642	-	-	-
Retirement benefit obligations	26	155,873	170,072	157,765	750	1,127	993
Derivative liabilities	27	-	-	4,882	-	-	4,882
		8,476,758	8,556,848	6,012,795	5,500,750	5,501,127	3,005,875
Total liabilities		9,429,194	9,486,488	6,875,065	5,565,632	5,636,679	3,147,454
Net assets		4,256,340	3,928,413	3,752,620	2,257,617	2,110,026	2,097,657
Equity attributable to owners of the parent							
Share capital	28	1,610,569	1,610,569	1,610,569	1,610,569	1,610,569	1,610,569
Share premium	28	149,644	149,644	149,644	149,644	149,644	149,644
Reserves	29	2,486,981	2,158,622	1,982,515	497,404	349,813	337,444
		4,247,194	3,918,835	3,742,728	2,257,617	2,110,026	2,097,657
Non-controlling interests		9,146	9,578	9,892	-	-	-
Total equity		4,256,340	3,928,413	3,752,620	2,257,617	2,110,026	2,097,657
TOTAL EQUITY AND LIABILITIES		13,685,534	13,414,901	10,627,685	7,823,249	7,746,705	5,245,111

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

		← Equity attributable to owners of the parent →										
			← *Non-Distributable* →					← *Distributable* →				
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Capital reserves RM'000**	**Capital redemption reserves RM'000**	**Hedging reserves RM'000**	**Available-for-sale reserves RM'000**	**General reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
2013												
Opening balance at 1 January 2013		1,610,569	149,644	85,355	73,128	(6,626)	-	94,147	1,912,618	3,918,835	9,578	3,928,413
Profit for the year		-	-	-	-	-	-	-	371,569	371,569	(432)	371,137
Other comprehensive income		-	-	-	-	6,626	25,326	-	(8,726)	23,226	-	23,226
Total comprehensive income		-	-	-	-	6,626	25,326	-	362,843	394,795	(432)	394,363
Transactions with owners												
Dividends on ordinary shares	32	-	-	-	-	-	-	-	(66,436)	(66,436)	-	(66,436)
Closing balance at 31 December 2013		1,610,569	149,644	85,355	73,128	-	25,326	94,147	2,209,025	4,247,194	9,146	4,256,340

		← Equity attributable to owners of the parent →									
			← *Non-Distributable* →				← *Distributable* →				
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Capital reserves RM'000**	**Capital redemption reserves RM'000**	**Hedging reserves RM'000**	**General reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
2012											
Opening balance at 1 January 2012		1,610,569	149,644	85,355	73,128	(1,451)	94,147	1,747,109	3,758,501	9,892	3,768,393
Changes in accounting policies	2.2	-	-	-	-	-	-	(15,773)	(15,773)	-	(15,773)
Opening balance at 1 January 2012 (restated)		1,610,569	149,644	85,355	73,128	(1,451)	94,147	1,731,336	3,742,728	9,892	3,752,620
Profit for the year (restated)	2.2	-	-	-	-	-	-	247,718	247,718	(314)	247,404
Other comprehensive income		-	-	-	-	(5,175)	-	-	(5,175)	-	(5,175)
Total comprehensive income		-	-	-	-	(5,175)	-	247,718	242,543	(314)	242,229
Transactions with owners											
Dividends on ordinary shares	32	-	-	-	-	-	-	(66,436)	(66,436)	-	(66,436)
Closing balance at 31 December 2012		1,610,569	149,644	85,355	73,128	(6,626)	94,147	1,912,618	3,918,835	9,578	3,928,413

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

		← Non-Distributable				→	← Distributable →		
Company	Note	Share capital RM'000	Share premium RM'000	Capital redemption reserves RM'000	Hedging reserves RM'000	Available-for-sale reserves RM'000	General reserves RM'000	Retained earnings RM'000	Total RM'000
2013									
Opening balance at 1 January 2013		1,610,569	149,644	73,128	(6,626)	-	5,000	278,311	2,110,026
Profit for the year		-	-	-	-	-	-	181,777	181,777
Other comprehensive income		-	-	-	6,626	25,326	-	298	32,250
Total comprehensive income		-	-	-	6,626	25,326	-	182,075	214,027
Transaction with owners									
Dividend on ordinary shares	32	-	-	-	-	-	-	(66,436)	(66,436)
Closing balance at 31 December 2013		1,610,569	149,644	73,128	-	25,326	5,000	393,950	2,257,617
2012									
Opening balance at 1 January 2012		1,610,569	149,644	73,128	(1,451)	-	5,000	260,797	2,097,687
Changes in accounting policies	2.2	-	-	-	-	-	-	(30)	(30)
Opening balance at 1 January 2012 (restated)		1,610,569	149,644	73,128	(1,451)	-	5,000	260,767	2,097,657
Profit for the year (restated)	2.2	-	-	-	-	-	-	83,980	83,980
Other comprehensive income		-	-	-	(5,175)	-	-	-	(5,175)
Total comprehensive income		-	-	-	(5,175)	-	-	83,980	78,805
Transaction with owners									
Dividend on ordinary shares	32	-	-	-	-	-	-	(66,436)	(66,436)
Closing balance at 31 December 2012		1,610,569	149,644	73,128	(6,626)	-	5,000	278,311	2,110,026

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 (Restated) RM'000	Company 2013 RM'000	Company 2012 (Restated) RM'000
Operating activities					
Profit before tax		488,991	324,400	210,409	108,980
Adjustments for:					
Amortisation of deferred income	6	(112,506)	(108,336)	-	-
Bad debts written off	8	900	34	18	-
Premium on early redemption of Islamic debt securities	7	17,633	-	-	-
Depreciation of property, plant and equipment	8	421,775	351,709	816	855
Dividend income from:					
- related companies	4	-	-	(215,441)	(118,088)
- other investment	4	(728)	-	(728)	-
Fair value gain on initial recognition of other investment	6	-	(12,107)	-	(19,743)
Interest expenses on loans and borrowings	7	7,100	3,816	4,331	3
Interest income from loans and receivables	5	(54,022)	(81,220)	(43,228)	(69,671)
Inventories written off/(written back)	8	954	(339)	-	-
Net impairment on receivables	6, 8	18,853	4,229	(195)	-
Net loss/(gain) on disposal of property, plant and equipment	6, 8	2,076	2,156	(3,336)	-
Profit payments on Islamic debt securities	7	148,149	196,980	45,136	89,039
Property development costs written back	6	(14,288)	-	-	-
Property, plant and equipment written off	8	1	6	-	-
Retirement benefit obligations	9	(21,060)	16,860	(71)	143
Share of results of associates		(1,445)	3,066	-	-
Unrealised (gain)/loss on foreign exchange	6, 8	(8,982)	479	-	-
Operating cash flows before changes in working capital		893,401	701,733	(2,289)	(8,482)
Changes in working capital:					
Inventories		(16,274)	(37,876)	-	-
Receivables		(353,039)	(125,341)	(433,878)	(867,089)
Other current assets		(5,138)	2,892	-	29
Payables		193,561	242,485	(64,459)	(28,217)
Total changes in working capital		(180,890)	82,160	(498,337)	(895,277)
Cash flows from/(used in) operations		712,511	783,893	(500,626)	(903,759)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013	2012 (Restated)	2013	2012 (Restated)
		RM'000	RM'000	RM'000	RM'000
Interest paid		**(7,100)**	(5,582)	**(4,331)**	(1,003)
Taxes paid, net of refund		**(19,931)**	17,525	**177**	2,985
Retirement benefit paid	26	**(4,878)**	(4,553)	**(8)**	(9)
Net cash flows from/(used in) operating activities		**680,602**	791,283	**(504,788)**	(901,786)
Investing activities					
Capital contributions received	25	**163,601**	162,783	**-**	-
Purchase of property, plant and equipment	13	**(1,147,825)**	(1,503,730)	**(4,096)**	(2,010)
Proceeds from disposal of property, plant and equipment		**7,134**	780	**11,341**	-
Interest received		**54,019**	81,294	**43,228**	69,671
Dividends received		**728**	1,456	**187,537**	93,816
Subscription of rights issue in other investment	16	**(14,555)**	-	**(14,555)**	-
Subscription of additional shares in subsidiary	14	**-**	-	**(268,000)**	-
Net cash flows (used in)/from investing activities		**(936,898)**	(1,257,417)	**(44,545)**	161,477
Financing activities					
Premium on early redemption of Islamic debt securities		**(17,633)**	-	**-**	-
Profit payments on Islamic debt securities		**(319,200)**	(270,967)	**(268,235)**	(210,795)
Net drawdown and repayment of Islamic debt securities		**(145,000)**	2,390,000	**-**	2,500,000
Net drawdown and repayment of other loans and borrowings		**(32,274)**	(65,541)	**-**	(35,000)
Dividend paid		**(66,436)**	(66,436)	**(66,436)**	(66,436)
Net cash flows (used in)/from financing activities		**(580,543)**	1,987,056	**(334,671)**	2,187,769
Net (decrease)/increase in cash and cash equivalents		**(836,839)**	1,520,922	**(884,004)**	1,447,460
Effect of exchange rate changes on cash and cash equivalents		**1,708**	(248)	**-**	-
Cash and cash equivalents at 1 January		**2,112,334**	591,660	**1,695,707**	248,247
Cash and cash equivalents at 31 December	22	**1,277,203**	2,112,334	**811,703**	1,695,707

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

1. CORPORATE INFORMATION

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.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are described in Note 14 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

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, 1965 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 previous financial year except as follows:

On 1 January 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013:

- Amendments to MFRS 101, Presentation of Items of Other Comprehensive Income
- Amendments to MFRS 1, Government Loans
- Amendments to MFRS 7, Disclosures - Offsetting Financial Assets and Financial Liabilities
- MFRS 3, Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (IAS 19 as amended by IASB in June 2011)
- MFRS 127, Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 127, Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- MFRS 128, Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- Amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134, Annual Improvements 2009-2011 Cycle

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

- Amendment to IC Interpretation 2, Annual Improvements 2009-2011 Cycle
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

- **Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income**

  The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (eg. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (eg. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's and the Company's financial position or performance.

- **MFRS 10: Consolidated Financial Statements**

  MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation - Special Purpose Entities.

  Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its investment with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

  MFRS 10 includes detailed guidance to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

- **MFRS 12 Disclosures of Interests in Other Entities**

  MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

- **MFRS 13: Fair Value Measurement**

  MFRS 13 established a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group and the Company re-assessed their policies for measuring fair values, in particular, their valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

  Application of MFRS 13 has not materially impacted the fair value measurement of the Group and the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

- **MFRS 127: Separate Financial Statements**

  As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

- **MFRS 128: Investments in Associates and Joint Ventures**

  As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

- **MFRS 119: Employee Benefits**

  The Group and the Company applied MFRS 119 (revised) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures have been accordingly restated.

  MFRS 119 (revised) changes, amongst other things, the accounting for defined benefit plans. Some of the key changes that impacted the Group and the Company include the following:

  - 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. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period. Previously, the Group and the Company had a balance of unrecognised service cost of RM21,020,189 (RM15,773,017 net of tax) and RM30,436 respectively, as at 1 January 2012. Upon transition to MFRS 119 (revised), these balances were taken to equity (retained earnings) as at 1 January 2012 along with the consequential tax impact. Amortisation on past service costs of RM4,393,152 (RM3,295,570 net of tax) of the Group and RM2,759 of the Company for the year ended 31 December 2012 was reversed from statements of comprehensive income (profit attributable to owners of the Company) for that year.

  MFRS 119 (revised) also requires more extensive disclosures.

  MFRS 119 (revised) has been applied retrospectively, with the following permitted exceptions:

  - The carrying amounts of other assets have not been adjusted for changes in employee benefits costs that were included before 1 January 2012.

  - Sensitivity disclosures for the defined benefit obligation for comparative period (year ended 31 December 2012) have not been provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

(i) Impact of the application of the above new standards on net assets and equity of the Group and the Company as at 1 January 2012 and 31 December 2012

	1.1.2012 previously reported RM'000	MFRS 119 adjustments RM'000	1.1.2012 as restated RM'000	31.12.2012 previously reported RM'000	MFRS 119 adjustments RM'000	31.12.2012 as restated RM'000
Group						
Assets						
Non-current assets						
Deferred tax assets	181,075	76	181,151	174,064	71	174,135
Liabilities						
Non-current liabilities						
Deferred tax liabilities	440,616	(5,171)	435,445	503,586	(4,079)	499,507
Retirement benefits obligations	136,745	21,020	157,765	153,445	16,627	170,072
Net assets	3,768,393	(15,773)	3,752,620	3,940,890	(12,477)	3,928,413
Equity attributable to owners of the Company						
Reserves	1,998,288	(15,773)	1,982,515	2,171,099	(12,477)	2,158,622
Total equity	3,768,393	(15,773)	3,752,620	3,940,890	(12,477)	3,928,413
Company						
Liabilities						
Retirement benefits obligations	963	30	993	1,100	27	1,127
Net assets	2,097,687	(30)	2,097,657	2,110,053	(27)	2,110,026
Equity attributable to owners of the Company						
Reserves	337,474	(30)	337,444	349,840	(27)	349,813
Total equity	2,097,687	(30)	2,097,657	2,110,053	(27)	2,110,026

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

(ii) Impact of the application of the above new standards on the total comprehensive income of the Group and the Company for the year ended 31 December 2012

	As previously reported RM'000	MFRS 119 adjustments RM'000	As restated RM'000
Group			
Administrative and other expenses	(84,041)	4,393	(79,648)
Income tax expense	(75,899)	(1,097)	(76,996)
Total comprehensive income	238,933	3,296	242,229
Basic earnings per share attributable to owners of the Company	15.2	0.2	15.4
Company			
Administrative and other expenses	(9,483)	3	(9,480)
Total comprehensive income	78,802	3	78,805

2.3 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.

MFRS effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

MFRS effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 2, MFRS 3, MFRS 8, MFRS 116, MFRS 124 and MFRS 138, Annual Improvements 2010-2012 Cycle
- Amendments to MFRS 3, MFRS 13 and MFRS 140, Annual Improvements 2011-2013 Cycle
- Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

MFRS effective date to be announced

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)
- MFRS 9, Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139

The relevant standards are discussed below:

Annual periods beginning on or after 1 January 2014

- **Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities**

  These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is expected that this amendment would not be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under MFRS 10.

- **Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities**

  These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlements mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The amendments affect disclosures only and have no impact on the Group's and the Company's financial position or performance.

- **Amendments to MFRS 136, Recoverable Amount Disclosures for Non-Financial Assets**

  The amendments to MFRS 136 clarify that recoverable amount (determined based on fair value less costs of disposal) is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

  The amendments to MFRS 136 are to be applied retrospectively for annual periods beginning on or after 1 January 2014.

  The amendments affect disclosures only and have no impact on the Group's and the Company's financial position or performance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

Annual periods beginning on or after 1 January 2014 (cont'd)

- **IC Interpretation 21, Levies**

  The Interpretation clarifies that an entity should recognise a liability to pay a levy when it is within the scope of MFRS 137 Provisions, Contingent Liabilities and Contingent Assets. It also explains that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in the previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

  The Interpretation also clarifies that the liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If an obligation to pay a levy is triggered when a minimum threshold is reached, the liability to pay a levy is recognised when that minimum activity threshold is reached.

  The Interpretation is to be applied retrospectively for annual periods beginning on or after 1 January 2014.

  The Group and the Company are currently assessing the impact that this standard will have on the financial position and performance of the Group and the Company.

MFRS effective date to be announced

- **MFRS 9, Financial Instruments**

  MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurements of the Group's and the Company's financial assets, but will not have an impact on classification and measurements of the Group's and the Company's financial liabilities. The Group and the Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

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 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. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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 2.7(a).

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Intangible assets

(a) 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.

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 the 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.

(b) Research and development costs

All research costs are recognised in the profit or loss as incurred. Preliminary engineering, investigation and survey costs incurred on projects before authorisation for their construction are charged to operating expenditure. The cost of research and development related to alternative energy sources or those not related to a specific project, is also charged to operations.

2.8 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 except for freehold land 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)

2.8 Property, plant and equipment (cont'd)

Freehold land has unlimited useful life and therefore is not depreciated. Depreciation 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%
Furniture, fittings, equipment and others	-	6.67% to 50%
Motor vehicles	-	10% to 20%

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.

2.9 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment of non-financial assets (cont'd)

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.10 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 is held primarily for trading purposes are presented as current whereas financial assets that is 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)

2.10 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial assets (cont'd)

A financial asset is derecognised where 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.

2.11 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

(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.

2.12 Fair value measurement

The Group and the Company measure financial instruments at fair value at the end of each reporting period, as disclosed in Note 35.

On initial recognition, the fair value of a financial instrument is the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments measured at fair value are measured in accordance with the valuation methodologies as set out in Note 35.

Investment in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

The Group and the Company use 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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine 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.

2.13 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Foreign currency (cont'd)

(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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, 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.

2.15 Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Property development costs (cont'd)

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

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: purchase costs on a weighted average cost basis.
- 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.

2.17 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 consumers 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 income statement 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 the income statement 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, are recognised in the statement 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.

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 has 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Financial guarantee contracts

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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.21 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.

2.22 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(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 Malaysian companies in the Group make contributions to the Employee 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Employee benefits (cont'd)

(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 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.

2.23 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)

2.23 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.

2.24 Hedge accounting

The Group uses derivatives to manage its exposure to foreign currency risk. The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedging relationship are classified as:

- Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- Cash flow hedges, when hedging 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; or

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group 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 hedging instrument's effectiveness 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.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognised in the profit or loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss as finance costs.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin 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 hedge item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Hedge accounting (cont'd)

(a) Fair value hedges (cont'd)

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 or loss.

Fair value hedge accounting is discontinued if the hedging instrument expires or sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

(b) Cash flow hedges

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

Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs. Where the hedged item is a non-financial asset or a non-financial liability, the amounts recognised previously in other comprehensive income are removed and included in the initial carrying amount of the non-financial asset or liability. The Group has elected not to apply basis adjustments to hedges of forecast transactions that result in the recognition of a non-financial asset or a non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in contract payments. Refer to Note 27 for more details.

(c) Derivatives that are not designated or do not qualify for hedge accounting

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are directly recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 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.

(a) Sale of electricity

Sale of electricity is recognised upon invoiced value of services rendered.

(b) Sale of goods

Revenue is recognised net of sales taxes 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) 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.

(d) Interest income

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

(e) Dividend income

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

(f) Revenue from parking and maintenance fees and rental income

Revenue from maintenance charges and rental income is recognised on an accrual basis.

(g) Development properties

Revenue from sale of development properties is accounted for by the stage of completion method as described in Note 2.15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Income 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, associates and interests in joint ventures, 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.

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, associates and interests in joint ventures, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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.

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.

2.27 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.

2.28 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.

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, and the disclosure of contingent 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 Company. 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 balance sheet 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 (ie. capital contributions received from consumers prior to 1 January 2011 and grants received from government) was transferred to the income statement 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.

(b) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances, unutilised investment allowances and provisions to the extent that is probable that taxable profit will be available against which the tax losses, capital allowances, investment allowances and provisions 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 recognised tax losses, capital allowances, investment allowances and provisions of the Group was RM1,016,808,000 (2012: RM1,074,548,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(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 20 and Note 22.

(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 includes discount rate and medical claim inflation rate. Any changes in these assumptions will impact the carrying amount of the obligation under the Plan.

(i) Discount rate

The Group and Company determines 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 Company considers the interest rates of private debt securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefits obligation.

(ii) Medical claim inflation rate

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

Other key assumptions for employee benefits obligations are based in part on current market conditions. Additional information is as disclosed in Note 26 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 Company'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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Dividend income from:				
- related companies	-	-	215,441	118,088
- other investment	728	-	728	-
Sales of electricity	2,312,256	1,862,641	-	-
Others	10,172	10,609	-	-
	2,323,156	1,873,250	216,169	118,088

5. INTEREST INCOME

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest income from loans and receivables:				
- Short-term deposits	53,598	81,060	43,222	69,665
- Others	424	160	6	6
	54,022	81,220	43,228	69,671

6. OTHER INCOME

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	3,336	-	3,336	-
Gain on foreign exchange				
- realised	6,206	142	29	-
- unrealised	8,982	-	-	-
Sundries	32,920	26,413	1,500	-
(Over accrued of)/income from Certified Emission Reduction	(6,957)	8,910	-	-
Amortisation of deferred income (Note 25)	112,506	108,336	-	-
Customers' contribution for connection charges	11,911	6,704	-	-
Property development costs written back (Note 18)	14,288	-	-	-
Rental income from land and building	3,845	3,838	-	-
Reversal of allowance for impairment loss on				
- trade receivables (Note 20)	-	506	-	-
- other receivables	195	-	195	-
Fair value gain on initial recognition of other investment	-	12,107	-	19,743
	187,232	166,956	5,060	19,743

7. FINANCE COSTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Premium on early redemption of Islamic debt securities	17,633	-	-	-
Interest expenses/profit payments on:				
- Finance lease	5	6	-	-
- Islamic debt securities	318,866	323,747	268,650	263,614
- Revolving credits	4,331	715	4,331	715
- Term loan	2,764	4,572	-	-
	343,599	329,040	272,981	264,329
Amount charged to subsidiaries	-	-	(217,418)	(174,286)
Amount charged to other receivables	(6,096)	(1,001)	(6,096)	(1,001)
Amount capitalised in capital work-in-progress (Note 13)				
- Profit payments on Islamic debt securities	(164,621)	(125,766)	-	-
- Interest expenses on revolving credit	-	(170)	-	-
- Interest expense on term loan	-	(1,307)	-	-
	(164,621)	(127,243)	-	-
	172,882	200,796	49,467	89,042

8. PROFIT BEFORE TAX

	Group		Company	
	2013 RM'000	2012 (Restated) RM'000	2013 RM'000	2012 (Restated) RM'000
The following amounts have been included in arriving at profit before tax:				
Auditors' remuneration				
- statutory audits				
current year	543	405	110	90
underprovision in respect of previous years	93	124	10	20
- other services	2,210	1,228	67	349
Bad debts written off	900	34	18	-
Depreciation of property, plant and equipment (Note 13)	421,775	351,709	816	855
Directors' remuneration (Note 10)	980	1,013	442	459
Employee benefits expense (Note 9)	250,559	260,444	1,807	3,373
Finance costs (Note 7)	172,882	200,796	49,467	89,042
Inventories written off/(written back)	954	(339)	-	-
Impairment loss on				
- trade receivables (Note 20)	17,397	4,735	-	-
- other receivables	1,651	-	-	-
Loss on disposal of property, plant and equipment	5,412	2,156	-	-
Loss on foreign exchange				
- realised	282	1,489	-	-
- unrealised	-	479	-	-
Operating lease	6,070	7,455	13	27
Property, plant and equipment written off	1	6	-	-
Power purchase	346,817	164,196	-	-

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 RM'000	2012 (Restated) RM'000	2013 RM'000	2012 (Restated) RM'000
Salaries, wages, overtime and bonus	**211,328**	196,561	**24,339**	22,272
Social security contributions	**2,070**	1,868	**95**	85
Contributions to defined contribution plan	**27,717**	25,520	**1,882**	1,674
Other benefits	**37,080**	27,793	**2,654**	1,398
Retirement benefit obligations (Note 26)	**(21,060)**	16,860	**(71)**	143
	257,135	268,602	**28,899**	25,572
Less: Amount capitalised in capital work-in-progress (Note 13)	**(6,576)**	(8,158)	**-**	-
Less: Amount charged to subsidiaries	**-**	-	**(27,092)**	(22,199)
	250,559	260,444	**1,807**	3,373

10. DIRECTORS' REMUNERATION

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors of the Company				
Emoluments	**51**	66	**46**	63
Fees	**498**	498	**396**	396
	549	564	**442**	459
Other Directors				
Emoluments	**242**	245	**-**	-
Fees	**189**	204	**-**	-
	431	449	**-**	-
Total Directors' remuneration (Note 31)	**980**	1,013	**442**	459

10. DIRECTORS' REMUNERATION (CONT'D)

The number of Directors of the Company whose total remuneration falls within the following bands is analysed below:

	Number of Directors	
	2013	2012
Non-Executive Directors		
RM50,001 - RM100,000	2	2
RM100,001 - RM150,000	3	3

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group		Company	
	2013 RM'000	2012 (Restated) RM'000	2013 RM'000	2012 RM'000
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	22,942	7,640	28,632	25,000
- Under/(over) provision in respect of previous years	36	(1,722)	-	-
	22,978	5,918	28,632	25,000
Deferred tax (Note 17):				
- Origination and reversal of temporary differences	96,409	65,623	-	-
- (Over)/under provision in respect of previous years	(1,533)	5,455	-	-
	94,876	71,078	-	-
Income tax expense recognised in profit or loss	117,854	76,996	28,632	25,000
- Actuarial gain or loss on retirement benefit obligation	(3,013)	-	-	-
Income tax expense recognised in other comprehensive income	(3,013)	-	-	-

11. INCOME TAX EXPENSE (CONT'D)

Major components of income tax expense (cont'd)

Current income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

On 25 October 2013, the Government of Malaysia announced that the corporate tax rate will be reduced from 25% to 24% in Year of Assessment 2016. For the current financial year, the 25% is used as a basis for the calculation of deferred tax as the reduced rate has yet to be enacted at the end of the financial year.

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 2013 and 2012 are as follows:

	Group	
	2013 (Restated) RM'000	2012 RM'000
Profit before tax	488,991	324,400
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	122,248	81,100
Adjustments:		
Tax effect of non-deductible expenses	33,995	25,553
Tax effect of income not subject to tax	(36,531)	(34,157)
Tax effect of share of results of associates	(361)	767
Under/(over) provision of current income tax in respect of previous years	36	(1,722)
(Over)/under provision of deferred tax in respect of previous years	(1,533)	5,455
Income tax expense recognised in profit or loss	117,854	76,996

	Company	
	2013 RM'000	2012 RM'000
Profit before tax	210,409	108,980
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	52,602	27,245
Adjustments:		
Tax effect of non-deductible expenses	2,649	7,213
Tax effect of income not subject to tax	(26,619)	(9,458)
Income tax expense recognised in profit or loss	28,632	25,000

12. EARNINGS PER SHARE

Basic earnings per 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 share for the years ended 31 December:

	Group	
	2013 (Restated) RM'000	2012 RM'000
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per shares	**371,569**	247,718
Weighted average number of ordinary shares for basic earnings per share computation	**1,610,569**	1,610,569
Basic earnings per share (sen)	**23.1**	15.4

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

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold 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 vehicle furniture fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Cost												
At 1 January 2012	1,180	160,973	623,758	438,913	4,497,043	2,138,241	710,436	76,674	115,566	316,786	3,796,928	12,876,498
Additions	-	1,216	72,567	-	201,595	154,346	13,942	1,455	853	47,166	1,010,590	1,503,730
Disposals/written off	-	-	-	-	(5,496)	(1,090)	(1,049)	(342)	(67)	(3,129)	-	(11,173)
Reclassification/transfer	-	9,783	195,436	-	44,157	11,428	8,596	-	1,788	43,953	(315,141)	-
At 31 December 2012 and 1 January 2013	**1,180**	**171,972**	**891,761**	**438,913**	**4,737,299**	**2,302,925**	**731,925**	**77,787**	**118,140**	**404,776**	**4,492,377**	**14,369,055**
Additions	**-**	**6,427**	**33,854**	**-**	**337,787**	**240,626**	**24,086**	**1,596**	**4,236**	**11,866**	**487,347**	**1,147,825**
Disposals/written off	**-**	**(3,131)**	**-**	**-**	**(12,603)**	**(1,332)**	**(917)**	**(335)**	**(76)**	**(15,496)**	**-**	**(33,890)**
Reclassification/transfer	**-**	**581**	**569**	**-**	**63,518**	**24,710**	**15,191**	**4**	**3,592**	**12,528**	**(120,693)**	**-**
At 31 December 2013	**1,180**	**175,849**	**926,184**	**438,913**	**5,126,001**	**2,566,929**	**770,285**	**79,052**	**125,892**	**413,674**	**4,859,031**	**15,482,990**
Accumulated depreciation												
At 1 January 2012	-	47,001	196,725	163,716	1,907,343	806,103	301,532	52,142	50,000	231,682	-	3,756,244
Depreciation charge for the year (Note 8)	-	3,205	19,320	4,864	186,042	77,615	25,127	3,881	4,499	27,156	-	351,709
Disposals/written off	-	-	-	-	(2,999)	(772)	(932)	(340)	(65)	(3,123)	-	(8,231)
Reclassification/transfer	-	-	-	-	-	-	1	-	(1)	-	-	-
At 31 December 2012 and 1 January 2013	**-**	**50,206**	**216,045**	**168,580**	**2,090,386**	**882,946**	**325,728**	**55,683**	**54,433**	**255,715**	**-**	**4,099,722**
Depreciation charge for the year (Note 8)	**-**	**3,288**	**22,230**	**4,864**	**241,099**	**85,191**	**26,058**	**3,746**	**4,599**	**30,700**	**-**	**421,775**
Disposals/written off	**-**	**(442)**	**-**	**-**	**(16,705)**	**(986)**	**(895)**	**(334)**	**(75)**	**(5,242)**	**-**	**(24,679)**
Reclassification/transfer	**-**	**-**	**-**	**-**	**(24)**	**15**	**3**	**-**	**(3)**	**9**	**-**	**-**
At 31 December 2013	**-**	**53,052**	**238,275**	**173,444**	**2,314,756**	**967,166**	**350,894**	**59,095**	**58,954**	**281,182**	**-**	**4,496,818**
Net carrying amount												
At 31 December 2012	1,180	121,766	675,716	270,333	2,646,913	1,419,979	406,197	22,104	63,707	149,061	4,492,377	10,269,333
At 31 December 2013	**1,180**	**122,797**	**687,909**	**265,469**	**2,811,245**	**1,599,763**	**419,391**	**19,957**	**66,938**	**132,492**	**4,859,031**	**10,986,172**

The title deeds of certain lands of certain subsidiaries are in the process of being registered in the name of the subsidiaries.

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold land RM'000	Motor vehicle, furniture, fittings, equipment and others RM'000	Capital work-in-progress RM'000	Total RM'000
Cost				
At 1 January 2012	14,657	6,665	2,543	23,865
Additions	-	190	1,820	2,010
Disposals	-	(101)	-	(101)
At 31 December 2012 and 1 January 2013	14,657	6,754	4,363	25,774
Additions	-	1	4,095	4,096
Disposals	(3,131)	(7)	(5,317)	(8,455)
At 31 December 2013	11,526	6,748	3,141	21,415
Accumulated depreciation				
At 1 January 2012	1,564	4,130	-	5,694
Depreciation charge for the year (Note 8)	261	594	-	855
Disposals	-	(101)	-	(101)
At 31 December 2012 and 1 January 2013	1,825	4,623	-	6,448
Depreciation charge for the year (Note 8)	256	560	-	816
Disposals	(443)	(7)	-	(450)
At 31 December 2013	1,638	5,176	-	6,814
Net carrying amount				
At 31 December 2012	12,832	2,131	4,363	19,326
At 31 December 2013	9,888	1,572	3,141	14,601

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets under construction

The following expenses incurred during the year have been included in capital work-in-progress:

	Group	
	2013 RM'000	2012 RM'000
Employee benefits expense (Note 9)	**6,576**	8,158
Finance costs (Note 7)	**164,621**	127,243
Operating lease	**33**	154
Settlement of forward currency contracts (Note 27)	**7,570**	14,614

Assets held under finance lease

The carrying amount of property, plant and equipment held under finance lease at the reporting date was RM85,200 (2012: RM127,800).

Leased asset is pledged as security for the related finance lease liability (Note 24).

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares, at costs	**1,840,610**	1,666,383
Share options granted to employees of subsidiaries	**46,000**	46,000
	1,886,610	1,712,383
Less: Accumulated impairment losses	**(1,000)**	(94,773)
	1,885,610	1,617,610

14. 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 2013	2012
Held by the Company:			
Syarikat SESCO Berhad	Generation, transmission, distribution and sale of electricity	**100.00**	100.00
Sarawak Power Generation Sdn Bhd	Power generation	**100.00**	100.00
Sejingkat Power Corporation Sdn Bhd *	Power generation	**100.00**	100.00
Mukah Power Generation Sdn Bhd	Power generation	**100.00**	100.00
Sarawak Hydro Power Generation Sdn Bhd #	Power generation	**100.00**	100.00
Dasar Untung Sdn Bhd ^^	Investment holding	**-**	100.00
Dunlop Agro-Management Sdn Bhd ^^	Investment holding	**-**	100.00
Dunlop Estates Holdings Sdn Bhd	Investment holding	**100.00**	100.00
Dunlop Properties Sdn Bhd ^	Investment holding	**100.00**	100.00
Naungan Pertiwi Sdn Bhd	Dormant	**100.00**	100.00
Held through Syarikat SESCO Berhad:			
SESCO-EFACEC Sdn Bhd	Manufacturing of transformers and switch gears and contracting electrical works	**51.00**	51.00
Sarawak Energy Services Sdn Bhd	Inactive	**100.00**	100.00
PPLS Power Generation Sdn Bhd	Power generation	**100.00**	100.00
Held through Sejingkat Power Corporation Sdn Bhd:			
SE Lite Crete Sdn Bhd #	Manufacture of Light Weight Block	**50.00**	50.00
Held through Sarawak Hydro Power Generation Sdn Bhd:			
Murum Hydro Consortium Sdn Bhd	Power generation	**100.00**	100.00

* Through the equity interest held by the Company and its subsidiary, Syarikat SESCO Berhad.
\# These subsidiaries have yet to commence operations during the financial year.
^ This subsidiary is in the process of striking off.
^^ These subsidiaries were struck off during the financial year and the details are mentioned in Note 14(b).

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Additional investment in a subsidiary

During the current financial year, the Company subscribed for additional 268,000,000 new ordinary shares of RM1.00 each issued by one of its wholly-owned subsidiaries, for a total cash consideration of RM268,000,000, of which part of the proceeds has been used by this subsidiary for the early redemption of its Junior Sukuk Programme, as mentioned in Note 24(i).

(b) Strike off of subsidiaries, Dasar Untung Sdn Bhd (DUSB) and Dunlop Agro-Management Sdn Bhd (DAMSB)

On 20 December 2013, DUSB and DAMSB were struck off by the Companies Commission of Malaysia. Accordingly, costs of investments of RM30,150,002 in DUSB and RM63,623,002 in DAMSB were written off against impairment losses previously fully provided on these costs of investments during the financial year.

15. INVESTMENT IN ASSOCIATES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted shares in Malaysia, at cost	37,470	37,470	30,413	30,413
Share of post-acquisition reserves	(8,969)	(10,414)	-	-
	28,501	27,056	30,413	30,413
Less: Accumulated impairment losses	(14,368)	(14,368)	(16,313)	(16,313)
	14,133	12,688	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 2013	2012
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

15. INVESTMENT IN ASSOCIATES (CONT'D)

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

Name	Principal activities	Proportion (%) of ownership interest	
		2013	2012
Held through Sejingkat Power Corporation Sdn Bhd:			
Gobel Industry Sdn Bhd #	Sales of coal, and provision of transportation, manpower supply and machinery services	**20.00**	20.00
Held through Dunlop Properties Sdn Bhd:			
Integrated Circuit Design Services Sdn Bhd #^	Inactive	**30.00**	30.00
Held through Syarikat SESCO Berhad:			
Sarawak Gas Distribution Sdn Bhd	Distribution of gas	**30.00**	30.00

^ This associate is in the process of striking off.

All the companies are audited by Ernst & Young, Malaysia except for those marked # which are audited by other firms.

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

	Group	
	2013 RM'000	2012 RM'000
Assets and liabilities		
Current assets	**81,508**	78,014
Non-current assets	**130,148**	129,301
Total assets	**211,656**	207,315

15. INVESTMENT IN ASSOCIATES (CONT'D)

	Group	
	2013 RM'000	2012 RM'000
Assets and liabilities (cont'd)		
Current liabilities	(118,600)	(120,628)
Non-current liabilities	(17,103)	(16,731)
Total liabilities	(135,703)	(137,359)
Results		
Revenue	151,363	438,108
Profit/(loss) for the year	4,816	(8,371)

16. OTHER INVESTMENT

	Group/Company	
	2013 RM'000	2012 RM'000
Available-for-sale financial asset		
- quoted equity instrument in Malaysia, at fair value	81,217	41,336

Pursuant to the rights issue exercise undertaken by the investee on the basis of one (1) rights share for every two (2) existing shares held at an issue price of RM1.00 per share, the Company during the financial year subscribed for 14,554,999 ordinary shares of RM0.50 each at issue price of RM1.00 per share, representing its proportionate equity interest in the investment, for a total cash consideration of RM14,554,999.

The fair value of quoted equity instrument is determined by reference to its quoted price on the Bursa Malaysia.

17. DEFERRED TAX

Deferred income tax as at 31 December relates to the following:

Group	As at 1 January 2012 (Restated) RM'000	Recognised in profit or loss (Restated) RM'000 (Note 11)	As at 31 December 2012 (Restated) RM'000	Recognised in profit or loss RM'000 (Note 11)	Recognised in other comprehensive income RM'000 (Note 11)	As at 31 December 2013 RM'000
Deferred tax liabilities:						
Revaluation of land and building	(9,358)	290	(9,068)	1,106	-	**(7,962)**
Accelerated capital allowances	(519,879)	(59,655)	(579,534)	(78,194)	-	**(657,728)**
Others	-	(5,407)	(5,407)	(340)	-	**(5,747)**
	(529,237)	(64,772)	(594,009)	(77,428)	-	**(671,437)**
Deferred tax assets:						
Property development costs	2,500	-	2,500	(2,500)	-	**-**
Retirement benefit obligations	39,191	3,043	42,234	(6,462)	3,013	**38,785**
Unutilised investment allowance and tax losses	233,252	(9,349)	223,903	(8,486)	-	**215,417**
	274,943	(6,306)	268,637	(17,448)	3,013	**254,202**
	(254,294)	(71,078)	(325,372)	(94,876)	3,013	**(417,235)**
Presented after appropriate offsetting as follow:						
Deferred tax liabilities			(499,507)			**(576,414)**
Deferred tax assets			174,135			**159,179**
			(325,372)			**(417,235)**

18. PROPERTY DEVELOPMENT COSTS

	Group	
	2013 RM'000	2012 RM'000
Freehold land	5,600	5,600
Development cost	99,367	85,079
	104,967	90,679

The carrying amount of the property development cost was stated at cost, after a total write back of RM14.3 million during the financial year as disclosed in Note 6.

19. INVENTORIES

	Group	
	2013 RM'000	2012 RM'000
Cost		
Finished goods	4,460	3,492
Work-in-progress	2,397	3,987
Raw materials and consumables	398,134	382,192
	404,991	389,671

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
(a) Trade receivables				
Third parties	457,801	221,167	-	-
Less: Allowance for impairment	(36,864)	(19,467)	-	-
Trade receivables, net (i)	420,937	201,700	-	-
(b) Other receivables				
Amounts due from related companies				
- subsidiaries (ii)	-	-	94,804	312,081
- associates (iii)	10,780	10,975	10,729	10,924
Amount due from shareholders (iv)	205,489	73,592	205,489	73,592
Deposits	510	490	103	228
Sundry receivables (v)	26,508	45,203	6,477	11,595
	243,287	130,260	317,602	408,420
Less: Allowance for impairment				
- related companies				
- subsidiaries	-	-	-	(106,923)
- associate	(10,729)	(10,924)	(10,729)	(10,924)
- third parties	(9,662)	(8,011)	-	-
	222,896	111,325	306,873	290,573
	643,833	313,025	306,873	290,573
Non-current				
Other receivables				
Amounts due from subsidiaries (ii)	-	-	4,709,140	4,067,871
Total trade and other receivables	643,833	313,025	5,016,013	4,358,444

20. TRADE AND OTHER RECEIVABLES (CONT'D)

(i) Trade receivables

The Group's normal trade credit term ranges from 14 to 60 days (2012: 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
2013				
Current	201,354	(989)	-	200,365
1 to 30 days past due	74,752	(878)	(449)	73,425
31 to 60 days past due	60,605	(1,011)	(464)	59,130
61 to 90 days past due	10,034	(918)	(435)	8,681
More than 90 days past due	111,056	(23,040)	(8,680)	79,336
	457,801	(26,836)	(10,028)	420,937
2012				
Current	140,696	-	-	140,696
1 to 30 days past due	26,255	-	-	26,255
31 to 60 days past due	12,962	-	-	12,962
61 to 90 days past due	7,211	-	-	7,211
More than 90 days past due	34,043	(17,738)	(1,729)	14,576
	221,167	(17,738)	(1,729)	201,700

20. 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	
	2013 RM'000	2012 RM'000
At 1 January	**19,467**	15,238
Impairment during the year (Note 8)	**17,397**	4,735
Reversal of impairment loss (Note 6)	**-**	(506)
At 31 December	**36,864**	19,467

The Group's trade receivables amounting to RM220.6 million (2012: RM61.0 million) represent trade receivables that are past due and no allowance for impairment is necessary as the amount of collateral deposits from the trade receivables held by the Group stands at RM319.2 million (2012: RM297.6 million).

(ii) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and non-interest bearing except for amounts of RM4,729.1 million (2012: RM4,200.5 million) which bear interest at rates from 4.68% to 5.01% (2012: 4.68% to 5.01%) per annum. These amounts are repayable on demand except for RM4,709.1 million (2012: RM4,067.9 million) which are repayable after one year.

(iii) Amounts due from associates

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

(iv) Amounts due from shareholders

Amounts due from shareholders represents the advance or payment on behalf for the controlling shareholder of the Company for the Murum Hydroelectric Project's resettlement cost. The Company charged interest at 4.68% (2012: 4.68%) per annum on the amount outstanding.

(v) Sundry receivables

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

- Due from former associates of RM7.0 million (2012: RM7.0 million).
- Income receivable from Certified Emission Reduction of RM13.3 million was provided in the previous financial year.

21. OTHER CURRENT ASSETS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Prepaid operating expenses	**11,471**	6,333	**5**	5
Tax recoverable	**2,368**	5,367	**-**	177
	13,839	11,700	**5**	182

22. CASH AND BANK BALANCES

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term deposits with licensed banks	**1,060,604**	1,859,102	**745,600**	1,633,378
Cash at banks and on hand	**216,599**	253,232	**66,103**	62,329
Cash and cash equivalents	**1,277,203**	2,112,334	**811,703**	1,695,707

Short-term deposits are made for varying periods of between one day and 351 days depending on the immediate cash 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 balance sheet date range from 2.80% to 4.15% (2012: 1.00% to 3.90%) per annum.

Short-term deposits with licensed banks of the Group amounting to RM61,852,603 (2012: RM58,543,133) are pledged as securities for the Group's borrowings.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Trade payables				
Third parties	169,249	201,332	-	-
Amount due to associates	9,653	19,698	-	-
	178,902	221,030	-	-
Other payables				
Other payables	114,886	60,167	1,135	919
Accruals	151,927	174,079	62,400	62,713
Amounts due to subsidiaries	-	-	177	64,104
Collateral deposits	319,155	297,581	-	-
Deposit payable	2,716	2,710	1,000	1,000
Retention money	85,180	84,444	170	190
	673,864	618,981	64,882	128,926
Total trade and other payables	852,766	840,011	64,882	128,926

(a) Trade payables

Trade payables are non-interest bearing. The normal trade credit term granted to the Group ranges from 14 to 120 days (2012: 14 to 120 days).

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on credit term ranges from 14 to 120 days (2012: 14 to 120 days).

(c) Amounts due to subsidiaries

These amounts are unsecured and are repayable on demand. Included in prior year's amounts due to subsidiaries was an amount of RM63,577,000, which bore interest at 5.55% per annum.

24. LOANS AND BORROWINGS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Secured:				
Islamic debt securities	65,000	50,000	-	-
Term loan	33,911	32,292	-	-
Obligation under finance lease	14	14	-	-
	98,925	82,306	-	-
Non-current				
Unsecured:				
Islamic debt securities	5,500,000	5,500,000	5,500,000	5,500,000
	5,500,000	5,500,000	5,500,000	5,500,000
Secured:				
Islamic debt securities	500,000	660,000	-	-
Term loan	2,201	36,080	-	-
Obligation under finance lease	86	100	-	-
	502,287	696,180	-	-
	6,002,287	6,196,180	5,500,000	5,500,000
Total loans and borrowings	6,101,212	6,278,486	5,500,000	5,500,000

24. LOANS AND BORROWINGS (CONT'D)

Islamic debt securities

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

(i) 15-year RM215 million Sukuk Musharakah

This represents the Serial Sukuk Musharakah of up to an aggregate nominal amount of RM215.0 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 is undertaken by another subsidiary of the Group.

The Sukuk Musharakah is secured by a security trust deed, the assignment of certain lease 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 Service Cover Ratio of not less than 1.25:1 since the tenure of the facilities commenced.

During the financial year, a total nominal amount of RM95 million was redeemed prior to the redemption date. The purpose of this corporate exercise is to streamline the Group's debt funding structure.

The summary of the profit payment rates and redemption dates of the Sukuk Musharakah as at 31 December 2013 is tabulated below:

Tranche	Nominal amount RM' million	Issuance dates Year	Profit payment rates %	Redemption dates Year
2	50.0	2007	6.85 - 8.10	2014 - 2021
	50.0			

24. LOANS AND BORROWINGS (CONT'D)

Islamic debt securities (cont'd)

(i) 15-year RM215 million Sukuk Musharakah (cont'd)

The Sukuk Musharakah is redeemable as follows:

	Group	
	2013 RM'000	2012 RM'000
Repayable within 1 year	**5,000**	10,000
Repayable after 1 year	**45,000**	145,000
	50,000	155,000

(ii) 15-year RM665 million Sukuk Mudharabah

This represents the Serial Sukuk Mudharabah of up to an aggregate nominal amount of RM665.0 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.

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 Service Cover Ratio of not less than 1.25:1 since the tenure of the facilities commenced.

24. LOANS AND BORROWINGS (CONT'D)

Islamic debt securities (cont'd)

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

The summary of the profit payment rates and redemption dates of the Sukuk Mudharabah as at 31 December 2013 is tabulated below:

Tranche	Nominal amount RM' million	Issuance dates Year	Profit payment rates %	Redemption dates Year
1	195.0	2006	8.10 - 8.60	2019 - 2021
2	320.0	2007	7.65 - 8.65	2014 - 2019
	515.0			

The Sukuk Mudharabah is redeemable as follows:

	Group	
	2013 RM'000	2012 RM'000
Redeemable within 1 year	60,000	40,000
Redeemable after 1 year	455,000	515,000
	515,000	555,000

(iii) 25-year RM15 billion Sukuk Musyarakah

This represents the serial Sukuk Musyarakah of up to an aggregate nominal amount of RM15.0 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. A total of RM5.5 billion had been issued in prior years.

24. LOANS AND BORROWINGS (CONT'D)

Islamic debt securities (cont'd)

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

The summary of the profit payment rates and redemption dates of the Sukuk Musyarakah as at 31 December 2013 is tabulated below:

Year of Issuance	Nominal amount RM' million	Profit payment rates %	Tenurs Years	Redemption dates Year
2011	3,000	4.40 - 5.65	5 - 15	2016 - 2026
2012	2,500	4.50 - 4.85	10 - 15	2022 - 2027
	5,500			

The Sukuk Musyarakah is redeemable as follows:

	Group/Company	
	2013 RM'000	2012 RM'000
Redeemable after 1 year	**5,500,000**	5,500,000

Term Loan-secured

This represents the Musharakah Mutanaqisah Term Financing - I of up to an aggregate nominal amount of RM232.0 million ("the MMTF-i") issued under the Shariah principle of Musharakah by a subsidiary to partly finance the construction of the Headquarters Building. A total of RM98.9 million had been drawndown in prior years.

It is secured by Musharakah Mutanaqisah Co-ownership Agreement and specific negative pledge over all assets related to the Headquarters Building.

This borrowing bears profit rate at the banker's cost of fund plus 1.25% per annum. The profit rates during the year were between 4.97% to 5.55% (2012: 5.55% to 5.72%) and is repayable in 37 monthly equal instalments, with first instalment commenced on January 2012.

24. LOANS AND BORROWINGS (CONT'D)

The Musharakah Mutanaqisah Term Financing - I is repayable as follows:

	Group	
	2013 RM'000	2012 RM'000
Repayable within 1 year	33,911	32,292
Repayable after 1 year	2,201	36,080
	36,112	68,372

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 leases is 5.03% per annum.

The remaining maturities of the obligation under finance lease as at balance sheet date are as follows:

	Group	
	2013 RM'000	2012 RM'000
Within one year	14	14
After one year	86	100
	100	114

25. DEFERRED INCOME

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

	Group	
	2013 RM'000	2012 RM'000
At 1 January	**1,691,089**	1,636,642
Received during the year	**163,601**	162,783
Amortisation during the year (Note 6)	**(112,506)**	(108,336)
At 31 December	**1,742,184**	1,691,089

Government grants and capital contributions received during the year amounted to RM163,600,763 (2012: RM162,782,717) and an amount of RM112,506,111 (2012: RM108,335,939) was transferred to the income statement based on accounting policy as stated in Note 2.18.

26. EMPLOYEE BENEFITS

Retirement benefit obligations

Movements in the net liability in the current year were as follows:

	Group		Company	
	2013 RM'000	2012 (Restated) RM'000	2013 RM'000	2012 (Restated) RM'000
At 1 January	**170,072**	157,765	**1,127**	993
Recognised in profit and loss (Note 9)	**(21,060)**	16,860	**(71)**	143
Recognised in other comprehensive income	**11,739**	-	**(298)**	-
Benefits paid	**(4,878)**	(4,553)	**(8)**	(9)
At 31 December	**155,873**	170,072	**750**	1,127

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2013 RM'000	2012 (Restated) RM'000	2013 RM'000	2012 (Restated) RM'000
Present value of unfunded defined benefit obligations	**155,873**	170,072	**750**	1,127

26. EMPLOYEE BENEFITS (CONT'D)

Retirement benefit obligations (cont'd)

The amounts recognised in the income statement are as follows:

	Group		Company	
	2013 RM'000	2012 (Restated) RM'000	2013 RM'000	2012 (Restated) RM'000
Recognised in profit and loss:				
Current service cost	5,805	6,605	70	79
Interest cost	11,055	10,255	73	64
Past service cost/(credit)	(37,920)	-	(214)	-
Total, included in employee benefits expense (Note 9)	(21,060)	16,860	(71)	143
Recognised in other comprehensive income:				
Actuarial gain/(loss)	11,739	-	(298)	-

Principal actuarial assumptions used:

	Group		Company	
	2013 %	2012 %	2013 %	2012 %
Discount rate	5.80	6.50	5.80	6.50
Medical cost inflation rate	10.00	4.25	10.00	4.25

The average life expectancy of an individual retiring at age 60 (2012: 56) is 20 years.

A quantitative sensitivity analysis of the change in the discount rate and medical cost inflation rate as at 31 December 2013 is shown below:

	Impact on retirement benefit obligation Increase/(decrease)	
	Group RM'000	Company RM'000
1% increase in discount rate	(22,107)	(140)
1% increase in medical cost inflation rate	27,424	184

27. DERIVATIVE LIABILITIES

	2013			2012		
	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
Group/Company						
Cash flow hedges						
- Forward currency contracts	-	-	-	161,186	-	(6,626)
Analysed as:						
Current		-	-		-	(6,626)
		-	-		-	(6,626)

Foreign currency risk

The Group held forward currency contracts designated as hedges of expected monthly contract payments in Chinese Renminbi for Murum HEP project. As part of risk management strategy, the purpose of these forward currency contracts were to mitigate the risk arising from adverse Chinese Renminbi foreign exchange movements. The outstanding forward currency contracts at the prior year's balance sheet date had a notional value that hedged the contract payments expected in the following 9 months.

During the financial year, an amount associated with the settlement of forward currency contracts amounting to RM7,570,199 (2012: RM14,614,622) was included in the carrying amount of capital work-in-progress as disclosed in Note 13.

28. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares '000	Par value RM	Share capital RM'000 (Amount)	Share premium RM'000 (Amount)	Total share capital and share premium RM'000 (Amount)
Group and Company					
Issued and fully paid					
At 31 December 2012 and 31 December 2013	1,610,569	1.00	1,610,569	149,644	1,760,213

	Number of ordinary shares of RM1 each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorised share capital				
Ordinary shares of RM1 each	2,900,000	2,900,000	2,900,000	2,900,000
5-year 5% RCPS of RM0.10 each	1,000,000	1,000,000	100,000	100,000
At 1 January/31 December	3,900,000	3,900,000	3,000,000	3,000,000

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.

29. RESERVES

	Group		Company	
	2013 RM'000	2012 (Restated) RM'000	2013 RM'000	2012 (Restated) RM'000
Non-distributable:				
Capital reserves (a)	85,355	85,355	-	-
Capital redemption reserve (b)	73,128	73,128	73,128	73,128
Hedging reserve (c)	-	(6,626)	-	(6,626)
Available-for-sale reserve	25,326	-	25,326	-
	183,809	151,857	98,454	66,502
Distributable:				
General reserves (a)	94,147	94,147	5,000	5,000
Retained earnings (d)	2,209,025	1,912,618	393,950	278,311
	2,303,172	2,006,765	398,950	283,311
	2,486,981	2,158,622	497,404	349,813

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:

(a) Capital reserves and general reserves

These reserves include reserves created in accordance with Section 21(2)(a) of the SESCo Ordinance, 1962 which had since been repealed in year 2005.

(b) 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 (RCPS) redeemed in prior years.

(c) Hedging reserve

This reserve represented the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

29. RESERVES (CONT'D)

The nature and purpose of each category of the reserves are as follows: (cont'd)

(d) Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company has opted for single tier system and to disregard its Section 108 balance in the previous financial year. Accordingly, the entire retained profits of the Company as at 31 December 2013 can be distributed as single tier dividend.

Alternatively, the Company has tax exempt profits available for distribution of approximately at RM102 million (2012: RM102 million) which is available for distribution as tax exempt dividends, subject to agreement by the Inland Revenue Board.

30. FUTURE CAPITAL COMMITMENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Capital expenditure:				
Approved and contracted for	**3,316,448**	3,582,474	**-**	-
Approved and not contracted for	**11,301,963**	7,650,277	**-**	-
	14,618,411	11,232,751	**-**	-

31. RELATED PARTY DISCLOSURES

(a) During the financial year, the Group and the Company entered into the following significant related party transactions:

	Group	
	2013 RM'000	2012 RM'000
(i) Transactions with associates:		
Income		
Sales		
Universal Cable (Sarawak) Sdn Bhd	-	8
Expenditure		
Purchases		
Sarawak Coal Resources Sdn Bhd	180,016	181,450
Gobel Industry Sdn Bhd	1,582	1,411
Universal Cable (Sarawak) Sdn Bhd	-	42,621
Sarwaja Timur Sdn Bhd	-	38,596
Rental paid to Gobel Industry Sdn Bhd	26	26
(ii) Transactions with companies in which the Company has substantial interest:		
Income		
Sales		
Universal Cable (Sarawak) Sdn Bhd	6	-
Expenditure		
Purchases		
Universal Cable (Sarawak) Sdn Bhd	4,153	-
Sarwaja Timur Sdn Bhd	4	-

	Group/Company	
	2013 RM'000	2012 RM'000
(iii) Transaction with a company in which a Director has influence:		
Expenditure		
Rental of premises charged by Custodev Dua Sdn Bhd	-	55

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.

31. RELATED PARTY DISCLOSURES (CONT'D)

(b) Compensation of key management personnel

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors' remuneration (Note 10)	980	1,013	442	459
Short-term employee benefits	28,395	15,369	20,538	12,567
Post-employment benefits				
- defined contribution plan	1,794	787	620	366
- defined benefit plan	160	76	(6)	27
Other benefits	748	783	639	767
	32,077	18,028	22,233	14,186

32. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Final dividend for 2011: 5.5 sen less 25% taxation on 1,610,568,979 ordinary shares	-	-	-	66,436
Final single-tier dividend for 2012: 4.125 sen on 1,610,568,979 ordinary shares	-	66,436	66,436	-
Proposed for approval at forthcoming AGM				
Final single-tier dividend for 2013: 5.50 sen on 1,610,568,979 ordinary shares	88,581	-	-	-
	88,581	66,436	66,436	66,436

32. DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2013, of 5.50 sen on 1,610,568,979 ordinary shares, amounting to a dividend payable of RM88,581,294 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

33. 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.

34. SEGMENTAL INFORMATION

The Group principally involves in the generation, transmission, distribution and sale of electricity within the same geographical region. Accordingly, no segmental information is presented.

35. 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 (non-current)

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) Derivative financial instruments

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Determination of fair value (cont'd)

(iii) Financial guarantee contracts

Fair value is determined based on the probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the party guaranteed were to default.

The Company had given a corporate guarantee of RM232.0 million in favour of one of its wholly-owned subsidiaries for the secured term loan. The requirement of corporate guarantee was waived by the bank during the financial year.

(iv) 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 to from/to related companies, 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 it is floating rate instrument that is 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 related companies 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 asset) whose fair value is determined by reference to its quoted price on the Bursa Malaysia.

35. 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:

	2013		2012	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Financial liabilities				
Loans and borrowings	**(6,000,086)**	**(6,096,705)**	(6,160,100)	(6,548,263)
Company				
Financial liabilities				
Loans and borrowings	**(5,500,000)**	**(5,524,923)**	(5,500,000)	(5,750,933)

(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.

35. 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 2013 and 31 December 2012 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 for which fair values are disclosed:					
Financial assets					
Other investment	2013	**81,217**	**-**	**-**	**81,217**
	2012	41,336	-	-	41,336
Group					
Liabilities for which fair values are disclosed:					
Financial liabilities					
Derivative liabilities	2013	**-**	**-**	**-**	**-**
	2012	-	6,626	-	6,626
Loans and borrowings	2013	**-**	**6,096,705**	**-**	**6,096,705**
	2012	-	6,548,263	-	6,548,263
Company					
Liabilities for which fair values are disclosed:					
Financial liabilities					
Derivative liabilities	2013	**-**	**-**	**-**	**-**
	2012	-	6,626	-	6,626
Loans and borrowings	2013	**-**	**5,524,923**	**-**	**5,524,923**
	2012	-	5,750,933	-	5,750,933

36. 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 balance sheets:

Group	Loans and receivables RM'000	Derivatives used for hedging RM'000	Available for-sale RM'000	Other financial liabilities RM'000
2013				
Assets				
Other investment	-	-	81,217	-
Trade and other receivables	643,833	-	-	-
Cash and bank balances	1,277,203	-	-	-
Liabilities				
Trade and other payables	-	-	-	852,766
Loans and borrowings	-	-	-	6,101,212
2012				
Assets				
Other investment	-	-	41,336	-
Trade and other receivables	313,025	-	-	-
Cash and bank balances	2,112,334	-	-	-
Liabilities				
Trade and other payables	-	-	-	840,011
Derivative liabilities	-	6,626	-	-
Loans and borrowings	-	-	-	6,278,486

36. 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 Group's financial instruments, shown in the balance sheets: (cont'd)

Company	Loans and receivables RM'000	Derivatives used for hedging RM'000	Available for-sale RM'000	Other financial liabilities RM'000
2013				
Assets				
Other investment	-	-	81,217	-
Trade and other receivables	5,016,013	-	-	-
Cash and bank balances	811,703	-	-	-
Liabilities				
Trade and other payables	-	-	-	64,882
Loans and borrowings	-	-	-	5,500,000
2012				
Assets				
Other investment	-	-	41,336	-
Trade and other receivables	4,358,444	-	-	-
Cash and bank balances	1,695,707	-	-	-
Liabilities				
Trade and other payables	-	-	-	128,926
Derivative liabilities	-	6,626	-	-
Loans and borrowings	-	-	-	5,500,000

37. 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 trade receivables and trade payables, which arise directly from their operations.

Financial risk management policies are periodically reviewed and approved by the Board of Directors and executed by risk management committees. The Group Risk Management Committee provides independent oversight to the effectiveness of the risk management process.

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

The key financial risks include credit risk, liquidity risk, 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. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

As at 31 December 2013, approximately 64% (2012: 34%) of the Group's trade receivables were due from 5 major customers. In addition to customers' 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 aging analysis is disclosed in Note 20. Management believes that no additional credit risk beyond that provided for is inherent in the Group's trade and other receivables.

37. 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, including interest payments:

Group	Carrying Amount RM'000	Total contracted cash flow RM'000	Within 1 year RM'000	Within 1-5 years RM'000	More than 5 years RM'000
2013					
Non-derivative financial liabilities					
Trade and other payables	852,766	852,766	852,766	-	-
Loans and borrowings	6,101,212	8,773,507	411,580	2,603,303	5,758,624
	6,953,978	9,626,273	1,264,346	2,603,303	5,758,624
2012					
Non-derivative financial liabilities					
Trade and other payables	840,011	840,011	840,011	-	-
Loans and borrowings	6,278,486	9,313,452	408,419	2,045,557	6,859,476
Derivative liabilities					
Forward currency contracts	6,626	6,626	6,626	-	-
	7,125,123	10,160,089	1,255,056	2,045,557	6,859,476

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

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

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

Company	Carrying Amount RM'000	Total contracted cash flow RM'000	Within 1 year RM'000	Within 1-5 years RM'000	More than 5 years RM'000
2013					
Non-derivative financial liabilities					
Trade and other payables	64,882	64,882	64,882	-	-
Loans and borrowings	5,500,000	7,966,046	268,650	2,203,811	5,493,585
	5,564,882	8,030,928	333,532	2,203,811	5,493,585
2012					
Non-derivative financial liabilities					
Trade and other payables	128,926	128,926	128,926	-	-
Loans and borrowings	5,500,000	8,234,696	268,650	1,542,306	6,423,740
Derivative liabilities					
Forward currency contracts	6,626	6,626	6,626	-	-
	5,635,552	8,370,248	404,202	1,542,306	6,423,740

37. 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 fixed deposits or occasionally, in loan stocks 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. Foreign exchange exposures in transactional currencies other than the entity's functional currency are kept to an acceptable level.

The Group used forward currency contracts to hedge foreign currency risk attributable to contract payments. The maturities of the forward currency contracts were intended to match the expected monthly contract payments.

(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 risk of impairment in the value of investment held arising from its investment in quoted equity investment which is listed on the Bursa Malaysia. The Group and the Company manage the risk of impairment by evaluating investment opportunities, continuously monitoring the performance of investment held and assessing market risk relevant to which the investment operates.

38. 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 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group includes within net debt, loans and borrowings less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests.

		Group		Company	
	Note	2013 RM'000	2012 (Restated) RM'000	2013 RM'000	2012 (Restated) RM'000
Loans and borrowings	24	**6,101,212**	6,278,486	**5,500,000**	5,500,000
Less: Cash and bank balances	22	**(1,277,203)**	(2,112,334)	**(811,703)**	(1,695,707)
Net debt		**4,824,009**	4,166,152	**4,688,297**	3,804,293
Total equity		**4,256,340**	3,928,413	**2,257,617**	2,110,026
Gearing ratio (times)		**1.13**	1.06	**2.08**	1.80

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2013 were authorised for issued in accordance with a resolution of the Directors on 27 May 2014.

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