sarawak energy

ENERGY FOR SARAWAK

ANNUAL REPORT 2014

THEME AND COVER RATIONALE

"Energy for Sarawak" highlights our commitment to deliver clean, reliable and affordable power to all of Sarawak.

We fuel growth and energise Sarawak and are proud to play a major role in its march to become a developed state by the year 2030.

The start of commercial operations at our Murum Hydroelectric Project was a highlight of our year. When Murum is fully operational in 2015, Sarawak Energy will be able to produce 944 MW of power, further propelling us towards the full realisation of the State's socio-economic development agenda for Sarawak and its people.

ENERGY FOR SARAWAK

The 944 MW Murum HEP commenced commercial operations this year and is expected to be fully operational by next year

KEY HIGHLIGHTS 2014

The official ceremony for the start of commercial operations at Murum HEP in December

At the Asian Power Awards, Chief Executive Officer Datuk Torstein Dale Sjøtveit is named CEO of the Year

ADVANCING SUSTAINABLE HYDROPOWER

Murum HEP began commercial operations

PROGRESSING SCORE

- 3 Power Purchase Agreements signed with SCORE investors
- Construction of the Balingian Coal-fired Main Power Plant begins
- Power sales volume for SCORE customers reached 53% of total - surpasses organic customers for the first time

AWARDS

- CSR Excellence Award at the Sin Chew Business Excellence Awards
- Utility of the Year – Malaysia and CEO of the Year at the Asian Power Awards
- Multiple winner at 6th Sarawak Chief Minister's Environmental Award
- MSOSH Gold Class Award for Limbang Power Station

SUSTAINABILITY IN PRACTICE

- Renewable Energy Power Purchase Agreement signed for biomass energy – first in Sarawak
- Sustainability Reporting begins

341 students completed Stages One and Two of Murum Penan Literacy Programme

LIGHTING UP COMMUNITIES

- Scholarship programme introduced with RM8 million allocated
- Two new schools for Murum resettlement
- 341 students completed Stages One and Two of Murum Penan Literacy Programme

ELECTRIFYING SARAWAK

- 4,180 more rural homes provided with 24-hour electricity
- Close to 600,000 customers across the State

STAFF STRENGTH

4,168 employees

FINANCIAL HIGHLIGHTS

REVENUE
(RM' MILLION)

2,826

PROFIT NET OF TAX
(RM' MILLION)

1,449

TOTAL ASSETS
(RM' MILLION)

17,128

NET EARNINGS PER SHARE
(SEN)

90.0

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ABOUT SARAWAK ENERGY

Sarawak Energy has been providing electricity to the people of Sarawak for almost 100 years. We have undergone many changes in that time and our transformational journey is still underway, but our determination to serve Sarawak's communities with respect remains.

DRIVING THE SCORE MOMENTUM

Sarawak Energy is a vertically integrated electricity utility and power development company with a vision to achieve sustainable growth and prosperity for Sarawak by meeting the region's need for reliable, renewable energy to fulfill the agenda of the Sarawak Corridor of Renewable Energy (SCORE) – a unique development initiative that aims to harness Sarawak's strategic advantage in the production of bulk sustainable energy at globally competitive prices to attract investments to the State. With a multidisciplinary workforce comprising 4,168 employees, Sarawak Energy serves a population of more than 2.6 million people and some 600,000 customers across the State.

Building on a strong foundation of 100 years as the single provider of electricity in the State, Sarawak Energy is taking bold steps to support the transformation of Sarawak in its vision to become a developed State by the year 2030. In line with these broader roles and responsibilities, Sarawak Energy has embarked on a massive transformation journey to become a modern and agile corporation.

At Sarawak Energy, we strive for excellence in everything we do. Our numerous awards, at both national and international level is validation of our efforts.

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 2014 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. This session's group photo is decorated with lanterns and lion dance costumes in conjunction with Chinese New Year celebration

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

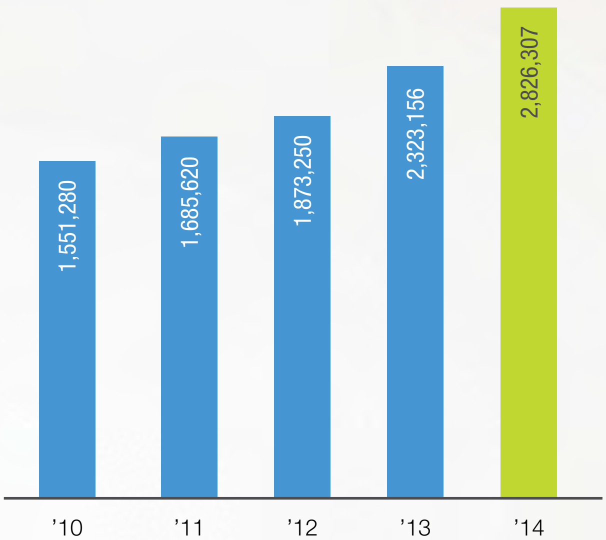
FINANCIAL YEAR ENDED 31 DECEMBER	2014	2013 (Restated)	2012 (Restated)	2011 (Restated)	2010
PERFORMANCE (RM'000)					
Revenue	**2,826,307**	2,323,156	1,873,250	1,685,620	1,551,280
Profit before tax	**707,468**	488,991	324,400	284,010	386,939
Profit net of tax	**1,448,664**	371,137	247,404	335,584	336,218
Net profit attributable to owners of the Company	**1,449,088**	371,569	247,718	335,363	341,309
Net dividends	**142,772**	88,581	66,436	66,436	66,436
KEY FINANCIAL POSITION DATA (RM'000)					
Property, plant and equipment	**12,710,705**	11,188,242	10,441,431	9,120,254	7,593,227
Cash and bank balances	**2,212,914**	1,277,203	2,112,334	591,660	465,298
Total assets	**17,128,342**	13,685,534	13,414,901	10,627,685	8,783,858
Loans and borrowings	**7,502,824**	6,101,212	6,278,486	3,954,027	2,509,159
Total liabilities	**11,516,635**	9,429,194	9,486,488	6,875,065	5,279,570
Share capital	**1,610,569**	1,610,569	1,610,569	1,610,569	1,610,569
Equity attributable to owners of the Company	**5,602,985**	4,247,194	3,918,835	3,742,728	3,491,025
SHARE INFORMATION					
Net asset per share attributable to owners of the Company (RM)	**3.48**	2.64	2.43	2.33	2.17
Net earnings per share (Sen)	**90.0**	23.1	15.4	20.8	21.2
Gross dividend per share (Sen)	**8.9**	5.5	5.5	5.5	5.5

Notes:

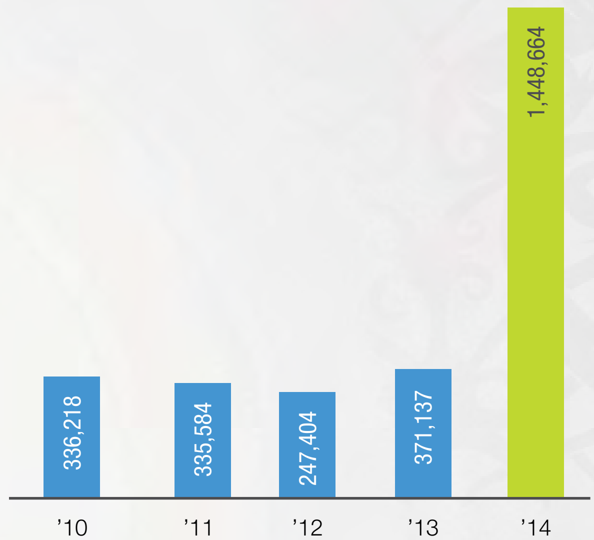
Amounts for 2013 have been restated for the amendments to MFRS116.
Amounts for 2012 have been restated for the amendments to MFRS116 and MFRS119.
Amounts for 2011 have been restated for the amendments to MFRS119.

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

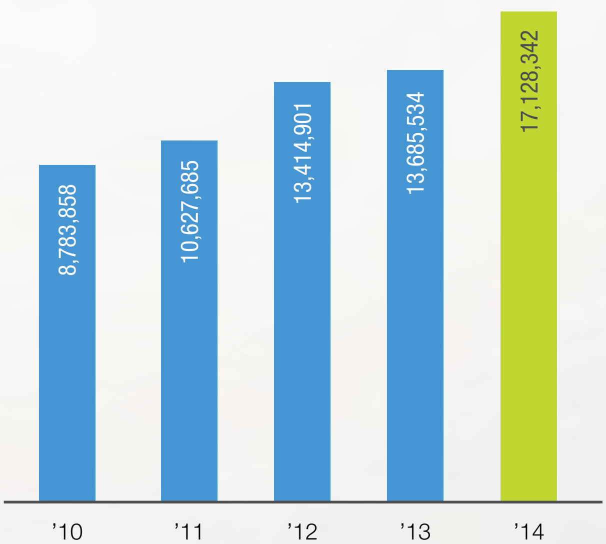
REVENUE
(RM'000)



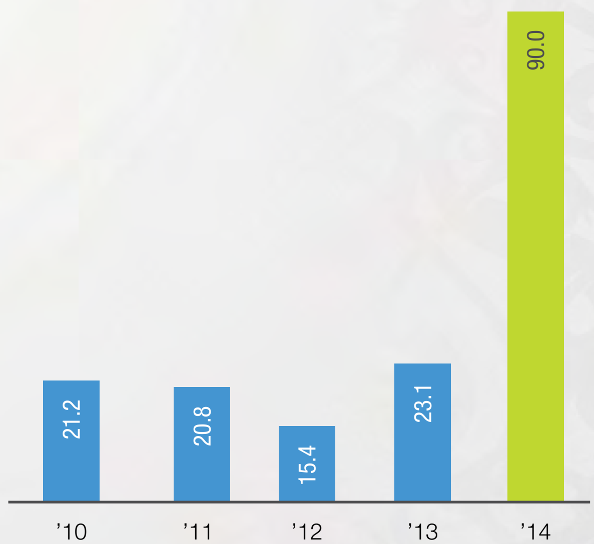
PROFIT NET OF TAX
(RM'000)



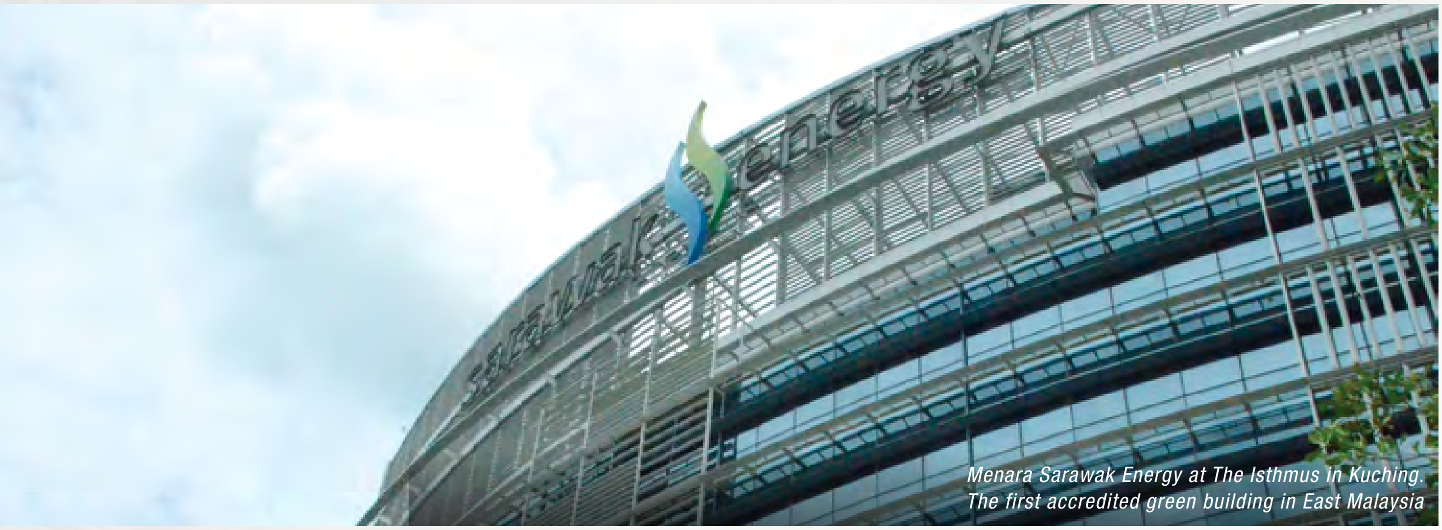
TOTAL ASSETS
(RM'000)



NET EARNINGS PER SHARE
(SEN)



CORPORATE INFORMATION



Menara Sarawak Energy at The Isthmus in Kuching. 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 & 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

CHAIRMAN

- *Malaysian*
- *Aged 65*

YBhg Datuk Amar Abdul Hamed Sepawi joined the Board of Sarawak Energy and was appointed Chairman of the Company on 27 June 2005. He is a Non-Independent Non-Executive Director and has attended all Board meetings held in 2014.

Datuk Amar Abdul Hamed graduated with a Bachelor of Science degree from 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 Masters degree in Forest Products Utilisation from Oregon State University, US. 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.

BOARD OF DIRECTORS

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

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

- *Malaysian*
- *Aged 58*

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 three out of the four Board meetings held in 2014.

Tan Sri Datuk Amar Haji Mohamad Morshidi graduated with a Bachelor of Economics 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 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

INDEPENDENT
NON-EXECUTIVE DIRECTOR

- *Malaysian*
- *Aged 62*

YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican joined the Board of Sarawak Energy on 9 June 2010. He is an Independent Non-Executive Director and has attended three out of the four Board meetings held in 2014.

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

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

- *Malaysian*
- *Aged 65*

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 all Board meetings held in 2014.

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 Bintulu Port Holdings Berhad, Encorp Berhad, Lingui Development Berhad and Sarawak Cable Berhad.

BOARD OF DIRECTORS

YBhg DATO' HAJI IDRIS BIN HAJI BUANG

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

- *Malaysian*
- *Aged 60*

YB 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 2014.

Dato' Haji Idris graduated with LLB (Hons) Law 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 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 Amanah Saham Sarawak Berhad and Hock Seng Lee 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

ALEXANDER CHIN

CHIEF FINANCIAL OFFICER

EINAR KILDE

SENIOR VICE PRESIDENT, PROJECT EXECUTION

JAMES UNG

SENIOR VICE PRESIDENT, THERMAL

VICTOR WONG

SENIOR VICE PRESIDENT, GRID SYSTEM OPERATOR

HAJI SULAIMAN ABDUL HAMID

VICE PRESIDENT, GROUP GOVERNANCE FOR PROCUREMENT AND CONTRACTS

NICK JAMES ARNETT 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

RAPHAEL CHUNG

VICE PRESIDENT,
TRANSMISSION

HAJI WAN MAHMUD 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

PEING TAJANG

AGM, CORPORATE
COMMUNICATIONS

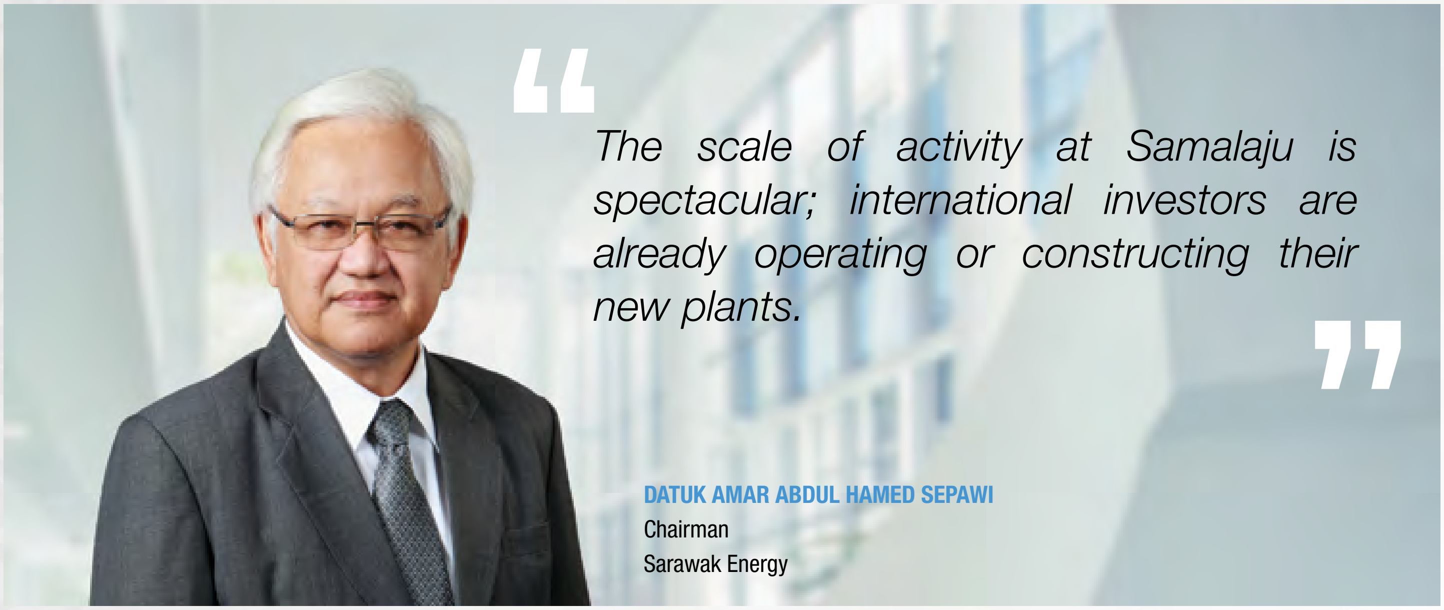
JIWARI ABDULLAH

SENIOR MANAGER II,
CORPORATE SOCIAL
RESPONSIBILITY

LIM LI NA

GROUP COMPANY SECRETARY

CHAIRMAN'S MESSAGE



"The scale of activity at Samalaju is spectacular; international investors are already operating or constructing their new plants."

DATUK AMAR ABDUL HAMED SEPAWI
Chairman
Sarawak Energy

Another year has come to a close and on behalf of the Board of Directors of Sarawak Energy, I am delighted to present the annual report and audited financial statements of our company for the year ended 31 December 2014.

We recorded numerous achievements in our technical capacity as well as in fulfilling our social corporate citizenship, demonstrating the link between our two responsibilities.

I was at the ceremony to commission Murum Hydroelectric Plant (HEP)'s first turbine in December and was able to reflect on how far we have come in a few short years. As we begin commercial operations at our Murum HEP, I was also very pleased to see the resettled Penan community adapting to their new homes and their new lifestyles. We launched two new schools at the Tegulang and Metalun resettlement areas in Murum, making access to education much easier for the younger members of those communities, which parents from the community recognise as necessary to secure a better future for the next generation of young Penans.

IMPLEMENTING THE SCORE AGENDA

The scale of activity at Samalaju is spectacular; international investors are already operating or constructing their new plants. I believe we can rest assured that there is a firm foundation on which to build the economic future of our children and our grandchildren. I am proud of Sarawak Energy's catalytic role in providing for this.

New Power Purchase Agreements were signed with SCORE investors, including Iwatani-SIG Industrial Gases Sdn Bhd, Comtec Solar International (M) Sdn Bhd and Press Metal Bintulu Sdn Bhd. A new term sheet was signed with Malaysian Phosphate Additives (Sarawak) Sdn Bhd.

CHAIRMAN'S MESSAGE

Our Chief Executive Officer describes these signings in greater detail - it is sufficient for me to say that Sarawak Energy is proud that our progress remains on track.

Work began on the construction of the Balingian Coal-fired Main Power Plant.

Work continues on the project to export bulk electricity from Sarawak to West Kalimantan, and I look forward to this happening in a year's time.

BOARD MATTERS

In 2014, there were no changes to the composition of our Board of Directors. Our team consists of experienced individuals from a broad range of disciplines and industries who complement and support one another. We have worked together for many years now, sharing the common goal of enabling Sarawak Energy, the people and the State of Sarawak to realise their full potential. We look forward to continuing our work together in the years to come.

ACCOLADES

Sarawak Energy was the recipient of numerous awards throughout 2014, at local and international level.

At the 6th Sarawak Chief Minister's Environmental Award 2014, we were Overall Winner in the Large Industries Services Category – Telecommunication, Electricity Supply, Waste Disposal and Water Supply for Sejingkat Power Corporation as well as Gold Awards under the same category for the Bintulu Tanjung Kidurong Power Station and Mukah Power Generation and Gold for the Batang Ai HEP in the Services and Other Sectors in the Medium Industries Category.

We were also recognised for our efforts in corporate social responsibility, picking up the CSR Excellence Award at the Sin Chew Business Excellence Awards.

At the Asian Power Awards 2014, we were named Utility of the Year - Malaysia.

Everyone should be proud of their contribution and use this as the basis to continue to do even better.

At the Sin Chew Business Excellence Awards, we received the CSR Excellence Award for our commitment to helping the communities of Sarawak

At the Asian Power Awards, Sarawak Energy was named Utility of the Year - Malaysia

AWARDS

CSR Excellence Award
at the Sin Chew Business Excellence Awards

Utility of the Year – Malaysia
CEO of the Year
at the Asian Power Awards

Sarawak Chief Minister's Environmental Award:
- Sejingkat Power Corporation (Overall Winner)
- Bintulu Tanjung Kidurong Power Station (Gold)
- Mukah Power Generation (Gold)
- Batang Ai HEP (Gold)

MSOSH Gold Class Award
for Limbang Power Station

CHAIRMAN'S MESSAGE

Our Chief Executive Officer received two coveted awards, picking up the Outstanding Entrepreneurship Award in the Oil and Gas, Mining and Energy category at the Asia Pacific Entrepreneurship Awards 2014 and then, CEO of the Year at the Asian Power Awards 2014. The prestigious awards, now in their 10th year, aim to be a benchmark for corporate excellence in the power industry. Datuk Torstein's awards are testament to his leadership in transforming Sarawak Energy into a modern and agile corporation in line with its vital role in powering Sarawak's development through SCORE.

Commercial operations for Murum HEP commenced December

THANKS AND ACKNOWLEDGEMENTS

I would like to record my sincere gratitude to our shareholders, management, staff and customers. Without their loyalty and support, Sarawak Energy would not be the Company it is today.

On behalf of Sarawak Energy, I would also like to extend our congratulations to Tun Pehin Sri Haji Abdul Taib bin Mahmud for assuming the position of Yang di-Pertua Negeri of Sarawak. We thank him for his leadership in Sarawak Energy's many endeavours over the years.

Sarawak Energy looks forward to working closely with our Chief Minister of Sarawak, Tan Sri Datuk Patinggi Haji Adenan Satem.

I am excited about what is in store for us in 2015. We already know that Sarawak Energy will reach another milestone when the Murum HEP begins full operations.

Sarawak and its people, as owners of Sarawak Energy, can look forward to many more milestone achievements from the Company over the next decade.

DATUK AMAR ABDUL HAMED SEPAWI
CHAIRMAN

CEO'S MESSAGE

> In terms of power sales volume, SCORE customers, with a proportion of 53%, surpassed organic customers for the first time in the Group's history.

DATUK TORSTEIN DALE SJØTVEIT
Chief Executive Officer
Sarawak Energy

Our most significant achievement in 2014 was the safe commissioning and commencement of commercial operations of the Murum Hydroelectric Project (HEP).

This has been one of the most ambitious projects developed in and for Sarawak. We are already looking forward to next year when Murum becomes fully operational, adding 944 MW of power to the State.

At the official ceremony for the start of commercial operations at Murum HEP

PROGRESSING THE SCORE AGENDA

Throughout 2014, Sarawak Energy continued to close commercial deals with SCORE investors. Additional Power Purchase Agreements (PPA) were signed with Iwatani-SIG Industrial Gases Sdn Bhd, Comtec Solar International (M) Sdn Bhd and Press Metal Bintulu Sdn Bhd (Phase 2).

A new term sheet was signed with Malaysian Phosphate Additives (Sarawak) Sdn Bhd for the supply of 150 MW of power. The RM1.04 billion investment by Malaysian Phosphate at its 500,000 MT per annum integrated phosphorus plant in the Samalaju Industrial Park will be the biggest and the first of its kind in Malaysia and Southeast Asia.

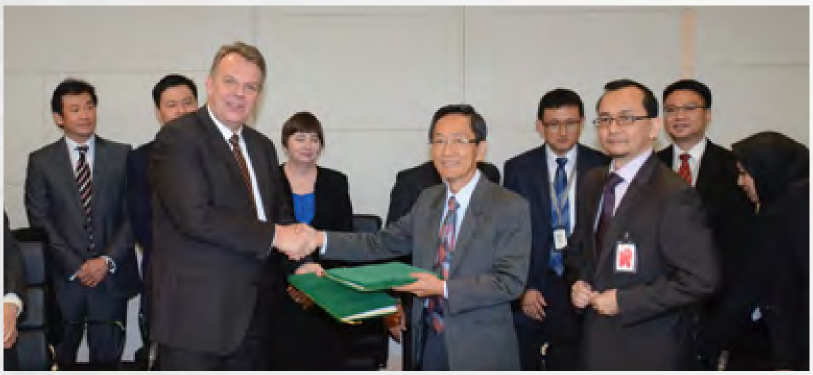
In October, Sarawak Energy entered into a RM1.5 billion contract with Shanghai Electric Group Ltd (SEC), one of China's leading electrical equipment manufacturing conglomerates, for the construction of the Balingian Coal-fired Main Power Plant. Work began in November.

The contract sees SEC undertaking the construction of the 2 x 300 MW Balingian Coal-fired Main Power Plant, the first coal-fired plant with circulating fluidised bed (CFB) boiler of this capacity in Malaysia.

CEO'S MESSAGE

*The **Power Purchase Agreement Signing Ceremony** at Menara Sarawak Energy on 18 September, Chief Executive Officer Datuk Torstein Dale Sjøtveit and Iwatani-SIG Industrial Gases Sdn Bhd Managing Director Shinya Kotera signing the agreement*

*The **Power Purchase Agreement Signing Ceremony** at Menara Sarawak Energy on 14 November, Chief Executive Officer Datuk Torstein Dale Sjøtveit and Comtec Solar International (M) Sdn Bhd Managing Director Isabel Kow signing the agreement*



*The **Term Sheet Signing Ceremony** at Menara Sarawak Energy on 8 January, Chief Executive Officer Datuk Torstein Dale Sjøtveit exchanging documents with Malaysian Phosphate Additives (Sarawak) Sdn Bhd Managing Director Lim Lee Wan*

*At the **Signing of the RM1.5 Billion Contract for the Balingian Coal-fired Main Power Plant** on 9 October, Chief Executive Officer Datuk Torstein Dale Sjøtveit exchanging documents with Shanghai Electric Group Chairman Huang Dinan. Construction work began in November*

DIVERSIFYING THE GENERATION MIX

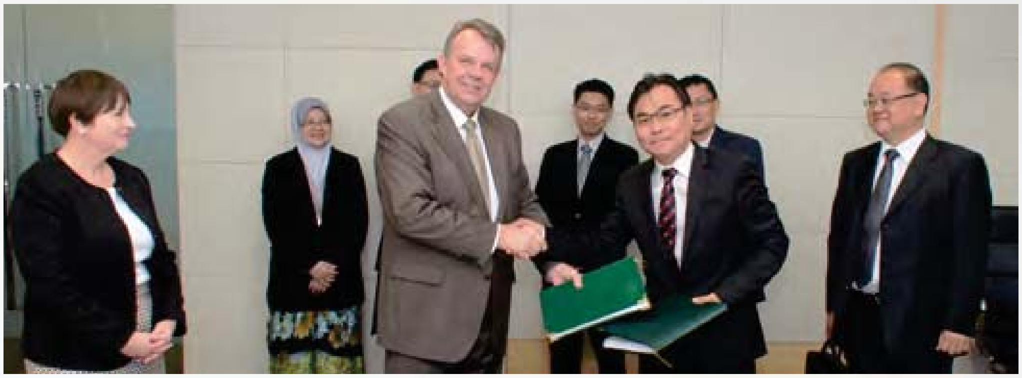
In March, Sarawak Energy achieved another significant milestone in its commitment to providing the State with clean and renewable energy when we signed our first Renewable Energy Power Purchase Agreement (REPPA) with Olive Energy Sdn Bhd for the purchase of biomass energy.

The REPPA is the first of its kind in Sarawak and sees the development of a 10 MW biomass power plant situated around 12 km from Mukah Town, right in the heartland of SCORE. The source of renewable energy is palm oil biomass from the Rinwood Pelita Plantation and includes empty fruit bunch, palm kernel shells, mesocarp fibre and biogas from palm oil mill effluent.

Biomass energy, the energy that is contained in plants and organic matter, includes agricultural residues, livestock manure and wastes from wood, processed food and lumber mill.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2014, Sarawak Energy's revenue increased by RM503.2 million or 21.7% to RM2.826 billion, mainly due to increase in revenue of 67.1% and 5.9% from SCORE and organic customers respectively compared to 2013.



*The first **Renewable Energy Power Purchase Agreement Signing Ceremony** at Menara Sarawak Energy on 4 March, Chief Executive Officer Datuk Torstein Dale Sjøtveit exchanging documents with Olive Energy Managing Director Wong Tiong Sing*

The increase in revenue from SCORE customers was mainly attributable to Press Metal Berhad reaching full operational capacity as well as the increase in power take-up from other SCORE customers.

The Group's profit before tax was RM707.5 million, an increase of RM218.5 million compared to the previous year as a result of higher revenue and lower generation costs with hydropower contributing more than half of the energy generated.

The profit after tax increased from RM371.1 million in 2013 to RM1.449 billion due to the recognition of deferred tax assets arising from the investment allowance of RM873.4 million granted to Murum HEP.

Looking forward, the Group aims to surpass the RM3 billion revenue milestone on the back of higher demand from SCORE customers.

RAISING THE FINANCE THROUGH SUKUK MUSYARAKAH PROGRAMME

On 4 July 2014, the Group issued its third issuance totalling RM1.5 billion from its RM15 billion Sukuk Musyarakah Programme to support the Group's capital expenditure requirements.

The issuance included three tranches carrying maturities of five, ten and 15 years with profit rates ranging from 4.5% and 5.5%. With this issuance, Sarawak Energy has raised a total of RM7 billion from the programme.

The Principal Adviser and Lead Arranger of this programme was RHB Investment Bank Berhad, with AmInvestment Bank Berhad, RHB Investment Bank Berhad and Kenanga Investment Bank Berhad as Joint Lead Managers.

On 29 August 2014, RAM Ratings reaffirmed the AA1 rating, with a stable outlook for the Sukuk Musyarakah Programme.

***Investor Update Session for Sukuk Musyarakah Programme** at Kuala Lumpur on 12 June (Photo credit: RHB Investment Bank)*

2014 HIGHLIGHTS

ADVANCING SUSTAINABLE HYDROPOWER

Murum HEP began commercial operations

SUSTAINABILITY IN PRACTICE

- Renewable Energy Power Purchase Agreement signed for biomass energy – first in Sarawak
- Sustainability Reporting begins

CEO'S MESSAGE

SENIOR APPOINTMENTS

In 2014, we announced the following new positions and faces into Sarawak Energy's management team:

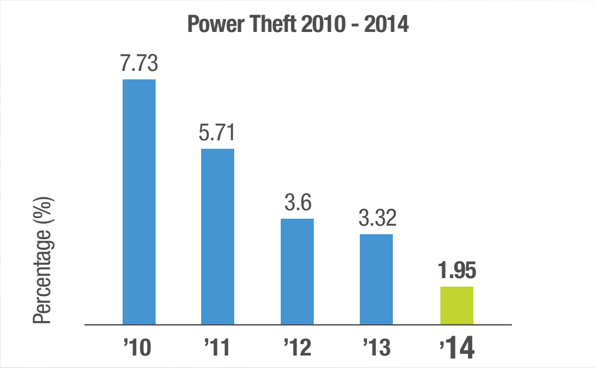
Victor Wong has been re-designated and becomes our Senior Vice President, Grid System Operator and we are pleased to welcome Alexander Chin as our Chief Financial Officer; Raphael Chung as Vice President, Transmission and Peing Tajang as Assistant General Manager, Corporate Communications.

We look forward to recording even greater achievements with these new additions to the team.

ADDRESSING POWER THEFT

In 2014, Sarawak Energy continued to aggressively tackle power theft with the support of the Electrical Inspectorate Unit (EIU) of the Ministry of Public Utilities, the State regulator and the State Police. We were able to further reduce our non-technical losses (NTL) from 3.32% to 1.95%, or about RM43 million of annual revenue loss.

The number of tampering cases was lower in 2014, an encouraging indication of success.



Tariff	No. of Inspections	Tampering Cases Detected	Percentage (%) of Tampering Cases Detected
Domestic	11,074	1,401	12.65%
Commercial	16,899	1,916	11.34%
Industrial	1,876	54	2.88%

We were also able to collect a total of RM10,621,417.33 in arrears.

Sarawak Energy aims to contribute to the socio-economic advance of Sarawak through the delivery of a reliable environment-friendly power supply

BUMIPUTERA VENDOR DEVELOPMENT PROGRAMME

Throughout 2014, we continued to support the Sarawak State Government's initiative to develop Bumiputera entrepreneurs. Our Bumiputera Vendor Development Programme aims to increase the amount of tender works in any given year to Bumiputera companies. In 2014, the initiative received a significant lift with the establishment of the Bumiputera Participation Division which is tasked with the implementation of the programme across the Company.

SUSTAINABILITY REPORTING

In 2014, we began our initiative on Sustainability Reporting, a move which further highlights our commitment to being a socially responsible and transparent corporate citizen in all our undertakings.

Our partnership with the International Hydropower Association (IHA) remains a crucial element of the development of our sustainability programme and ensures that our hydropower projects are implemented in accordance with the guidelines set out by the Hydropower Sustainability Assessment Protocol (HSAP).

IN CLOSING

Throughout the year, we were delighted to win notable awards which gave us additional confidence at work. Thank you for everyone's contributions.

As I close my message for 2014, I once again thank everyone who has supported Sarawak Energy in our incredible journey as we strive to provide clean, reliable energy to all of Sarawak and continue to provide the power for Sarawak and the region to grow.

We look forward to continuing to serve the people of Sarawak, with respect.

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 2014, the total installed capacity within the Thermal Department is approximately 1,200 MW, with five major power stations connected to the Sarawak State Grid and 19 isolated rural diesel and mini hydropower stations.

Sarawak Energy's Thermal Department made robust progress throughout 2014.

The project to relocate one unit of GE Frame 6B GT6 (installed capacity of 33 MW) from Bintulu Tg. Kidurong Power Station to Miri Pujut Power Station as GT18 started in July and is set for completion in August 2015. The project supports the Northern Region's demand for power by increasing installed capacity for Miri Pujut from 79.6 MW to 112.6 MW.

The Thermal Department garnered many prestigious awards in 2014.

Sejingkat Power Corporation was named the Winner of the 6th Sarawak Chief Minister's Environmental Award (CMEA 2014) in the Large Industries Services Category - Telecommunication, Electricity Supply, Waste Disposal and Water Supply, while the Mukah Power Generation and Bintulu Power Station received the Gold Class Award in the Large Industries Services Category - Telecommunication, Electricity Supply, Waste Disposal and Water Supply.

The 1st Thermal Summit, a platform for Sarawak Energy to network, collaborate and share best practices, was attended by more than 100 Thermal staff.

Miri Pujut Power Station

HYDRO GENERATION

The Hydro Department operates and maintains hydro assets and takes the lead in the planning, initiation and concept phases of all big hydro projects before passing them over to the Project Execution Department to carry out all the phases until commissioning and finally handing over the assets.

Sarawak Energy's first hydroelectric plant at Batang Ai, designed to have a maximum power output of 108 MW, was commissioned in 1985. The Murum HEP began its first delivery of commercial power this year. Murum will become fully operational next year, adding 944 MW of power to the State. Sarawak Energy also purchases the entire 2,400 MW output from the Bakun Hydroelectric Plant through a Power Purchase Agreement signed in 2011.

OUR OPERATIONS

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.

GRID SYSTEM OPERATOR

Under the Electricity Ordinance (State Grid Code 2003), the newly set up Grid System Operator (GSO) Department 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.

As a result of the increase in breakdowns in the underground cable system, Sarawak Energy this year installed a new system to monitor and examine the condition of the cables and to carry out necessary corrective actions to mitigate potential breakdowns. This pro-active initiative is another effort to improve the reliability of supply to customers.

Sarawak Energy has also revised the connection charges guidelines to ensure proper charges are billed to new customers.

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 customers' 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.

The renovation of the concourse area of Wisma SESCO into the Customer Service Centre was fully completed in 2014. The modernisation of Sarawak Energy's customer service also sees the additions of greeters, staff who welcome and assist customers by directing them to the correct queue, handle promotions and check documents.

Serves close to
600,000
customers throughout Sarawak

Customer Care Centre operates
24
hours
a day, seven days a week

OUR OPERATIONS

The newly renovated Customer Service Centre at Wisma SESCO provides a personalised service for Sarawak Energy's customers

In 2014, Sarawak Energy also introduced a uniform for all frontline staff carrying the Company's corporate logo.

Other projects in line to further improve customer care include a customer service centre in Miri, a customer service counter for Sibu, a separate building for Sarawak Energy's retail department in Bintulu and office renovations for smaller stations such as Serian and Mukah. There will also be another customer service counter for Sarawak Energy at the Urban Transformation Centre at Taman Kereta. This project is initiated by the State Government.

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.

Throughout 2014, 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

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 dominated mix 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.

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

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. This year, all eight units have been commissioned. The 2011 Power Purchase Agreement with Sarawak Hidro secured the entire output from Bakun HEP.

Bakun HEP (2,400 MW) -
all eight units
have been commissioned

The Murum HEP, which is wholly owned by Sarawak Energy, delivered its first commercial power in 2014 and is expected to become fully operational in 2015. 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 2014, Sarawak Energy continued to close commercial deals with SCORE investors. Additional Power Purchase Agreements (PPA) were signed with Iwatani-SIG Industrial Gases Sdn Bhd, Comtec Solar International (M) Sdn Bhd and Press Metal Bintulu Sdn Bhd (Phase 2).

The PPA with Iwatani-SIG covers the supply of power to an industrial gas manufacturing plant located in the Samalaju Industrial Park; the PPA with Comtec Solar covers the supply of 15 MW of power for the first phase of a solar manufacturing plant which will eventually have an annual production capacity for 500 MW of high efficiency solar wafer and 300 MW of solar ingot for Phase 1 and total production capacity of 1 GW each for solar wafer and solar ingot upon completion. The plant will be one of the world's biggest N-type wafer plants and will provide an estimated 1,300 direct and indirect job opportunities for Sarawakians. The PPA with Press Metal covers the supply of an additional 500 MW which will go towards Press Metal's Phase III of its aluminium smelter located at the Samalaju Industrial Park in Bintulu.

Press Metal Berhad at Samalaju Industrial Park (Photo credit: RECODA)

TRANSFORMATION: A JOURNEY OF POWER

A new term sheet was signed with Malaysian Phosphate Additives (Sarawak) Sdn Bhd for the supply of 150 MW of power. The RM1.04 billion investment by Malaysian Phosphate will benefit the production of food phosphates, animal feed phosphates and fertiliser phosphates at its 500,000 MT per annum phosphorus plant in the Samalaju Industrial Park - the first of its kind in Malaysia and the ASEAN region.

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 INDIGINOUS 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.

In October 2014, Sarawak Energy entered into an RM1.5 billion contract with Shanghai Electric Group Ltd (SEC), one of China's leading electrical equipment manufacturing conglomerates, for the construction of the Balingian Coal-fired Main Power Plant. Work began in November.

The contract sees SEC undertaking the construction of the 2 x 300 MW Balingian Coal-fired Main Power Plant, the first coal-fired plant with circulating fluidised bed (CFB) boiler of this capacity in Malaysia.

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.

Artist's impression of the 2 x 300 MW Balingian Coal-fired Power Plant

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.

TRANSFORMATION: A JOURNEY OF POWER

Designed to have a maximum power output of 108 MW, Batang Ai HEP was commissioned in 1985

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's operation performance for the year is summarised below:

Aspect	2014 Achievement
Total Unit Generated	312.25 GWh
Availability (Average)	92.74%
Forced Outage Rate (Average)	1.50%

2014 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.

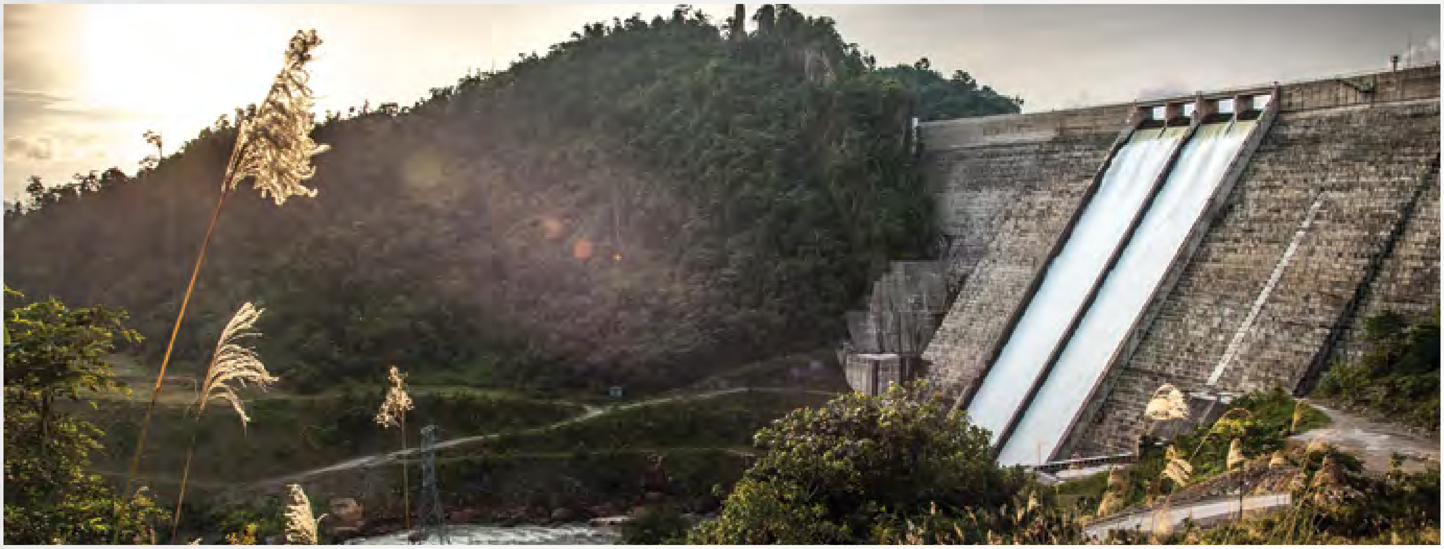
PROGRESSING SCORE

3 PPAs signed with SCORE investors

Construction of the Balingian Coal-fired Main Power Plant begins

Murum HEP commenced commercial operations

TRANSFORMATION: A JOURNEY OF POWER



Murum HEP began commercial operations this year

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.

In 2014, Murum HEP delivered its first commercial power and is expected to be fully operational in 2015.

In line with the Murum project, the Murum Junction Substation was completed this year to enable power to be evacuated from the hydropower facility.

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 2014, the Pelagus (465 MW) and Trusan 2 (240 MW) hydropower projects advanced to Pre-Engineering phase while the Kota 2 (10.5 MW) project advanced to execution stage.

EXPANDING THE NETWORK

A main 500 kV transmission system is being developed in stages in synchronisation with the hydropower projects development. 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.

Murum Junction Substation completed this year

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.

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 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.

Sarawak Energy continued to get more people on board and the staff numbers swelled to 4,168 in 2014.

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.

Staff Strength
4,168
employees

Human capital is Sarawak Energy's most crucial resource

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 throughout 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 2014, Sarawak Energy introduced further structure to this initiative to strengthen adherence to the Core Values. Behavioural statements were submitted by individual staff members and Get-Together Sessions were organised to further promote the corporate ethos.

Sarawak Energy also conducted a survey to see how well the Core Values were being assimilated into daily working life. The result showed an 11% improvement since the 2012 survey.

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.

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. Sarawak Energy is the main sponsor for the Sarawak football team and this session's group photo shows conference delegates wearing the distinctive Sarawak Crocs jerseys

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 channels 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 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.

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:

	2014 (Jan-Dec)
Number of participants trained in competency courses (external and internal)	1,897
Number of participants who sat for competency Examinations (external and internal)	957

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

DEVELOPING OUR PEOPLE, LEADERSHIP AND TEAMWORK

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)	5,391
External	1,465
Internal (Sarawak Energy instructors)	2,624
Orientation	189
Total	9,669

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 2014, Sarawak Energy trained a total of 43 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 2014, a total of 150 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.

Sarawak Energy also fosters a good relationship with local institutions of higher learning and this year invited a group of 30 students majoring in electrical studies from Kuching Vocational College to spend time at the Company’s headquarters to learn about the power industry.

SCHOLARSHIP PROGRAMME

Sarawak Energy also offers a wide range of scholarships to help its staff develop their skills and gifted young Sarawakians. This contributes to the wider mandate of helping the State develop its human capital.

The scholarships are in place to help deserving staff wishing to pursue external academic programmes and for Sarawakians hoping to achieve an undergraduate qualification.

In 2014, Sarawak Energy allocated a budget of RM8 million for its scholarship programme.

LOYALTY SERVICE AWARDS

Sarawak Energy’s Loyalty Service Awards is one of the highlights of the corporate year. The awards are given to employees after ten years of service and every five years after that until the employee reaches the retirement age. In November, Sarawak Energy gave the award for 2013 and 2014 to 647 staff members from all over Sarawak.

Sarawak Energy promotes a professional environment to inspire and motivate its staff

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 to 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.

Sarawak Energy's Chief Executive Officer, Datuk Torstein Dale Sjøtveit and Chief Operating Officer, Lu Yew Hung, at the tree planting ceremony to mark the opening of the annual HSE Week Campaign

SAFETY INITIATIVES FOR THE YEAR

In November, Sarawak Energy held its annual HSE Week Campaign at Sejingkat Power Station.

This year's campaign was special because it was the first time it was held in a power station. Themed 'Raising Standards, Saving Lives, Nurturing Culture', the event is designed to raise awareness amongst both employees and external contractors of the importance of Sarawak Energy's HSE values.

Sarawak Energy's annual HSE Week Campaign was held at the Sejingkat Power Station for the first time

In his speech, Datuk Torstein Dale Sjøtveit applauded the fact that as of September, Sarawak Energy's Lost Time Injury Frequency Rate for operations was 1.22.

He also unveiled the Company's 'Unsafe Act, Unsafe Condition' initiative which aims to promote a preventive culture by raising safety awareness and encouraging internal and external staff to report any breaches in safety practices.

Datuk Torstein also used the event to launch the 'Comprehensive HSE Orientation Book' which aims to inform staff about the relevant laws relating to HSE and the tools used in accident prevention and control.

This year's event welcomed the biggest participation of 18 contingents of EOSH/OSH personnel from power stations and regional offices. A CSR Wellness Camp, Blood Donation Drive and an Electrical Safety Awareness Programme were some of the leading events held during the week.

Lost Time Injury Frequency Rate for Operations

1.22

HEALTH, SAFETY AND ENVIRONMENT

For the second year running, Limbang Power Station received a Gold Class award from the Malaysian Society for Occupational Safety and Health in recognition of its exemplary safety standards.

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

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.

Conferences and Events

In August, 31 delegates from Sarawak Energy attended the 17th Conference and Exhibition on Occupational Safety and Health (COSH) at the Kuala Lumpur Convention Centre. Themed 'Innovative Transformation for OSH Sustainability', the annual conference is organised by NIOSH and draws together occupational safety and health practitioners, experts, researchers and suppliers to discuss current issues and challenges in the OSH field. This year, 2,236 OSH practitioners attended the conference and 89 OSH products and services suppliers set up booths to showcase their latest products and innovations to promote safety and health.

Participation in RTM Radio Forum

In August, Sarawak Energy took part in RTM's Iban radio forum 'Randau Pemansang', an initiative of the Deputy Chief Minister's Office in collaboration with the Persatuan Alumni Dayak Universiti Malaya. The overall objective of the programme is to share information about the Government's policies and projects relating to social, economy, safety, security, cultural, youth, leadership and entrepreneurship issues. This particular programme dealt with the risks involved in using faulty electrical appliances. The forum was broadcast over Wai FM and ASTRO 871 channel.

Throughout 2014, Sarawak Energy held a range of activities to promote safety awareness.

ENVIRONMENTAL PROTECTION

Complying with Environmental Legislation and Requirements

In the interest of protecting the environment, 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 2014
- 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.

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

In 2014, 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.

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 using the Ringelmann Chart. Smoke must not be darker than No. 120

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 the water quality of Batang Ai and Murum HEP reservoirs

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

Environmental Awareness Programme

Sarawak Energy organises environmental awareness programmes for school children and the public. It engages with Government agencies, including the Department of the Environment (DOE), the Sarawak Forest Department and the Natural Resources and Environment Board (NREB), as well as Non-Governmental Organisations in promoting environmental conservation programmes. The Company also conducts and coordinates training and workshops on environmental awareness.

HEALTH, SAFETY AND ENVIRONMENT

Throughout 2014, Sarawak Energy engaged the community in various initiatives to protect and enhance the environmental richness of the State.

A school outreach programme was held for the schoolchildren of Sekolah Kebangsaan Long Gang in Belaga to promote environmental awareness and stewardship. Sarawak Energy supported the construction of facilities such as Taman Pusat Sumber Sekolah to further contribute to the environmental learning process;

Throughout the year, Sarawak Energy organised a range of community outreach programmes to raise environmental awareness

Sarawak Energy and the Sarawak Forestry Corporation organised a field trip for a group of students from around the Niah region of Miri to the world-renowned Niah Caves situated within the Niah National Park in Miri. The objective of the event was to reach out to the community and provide a platform to develop an awareness of culture and heritage among the youth. This is just one of many initiatives that targets youth education and the promotion of environmental awareness; and

In collaboration with the Sarawak Forestry Corporation, Sarawak Energy organised a field trip for students to the world-renowned Niah caves in the Niah National Park in Miri

Sarawak Energy joined a Gotong-Royong activity with the JKKK of Kampung Stass in Bau, Kuching. The purpose of the programme was to develop the Stass Nature Heritage Park as part of to the Company's commitment to serve the community. Sarawak Energy collaborated in the construction of the proposed facilities such as the Belian Plank Walk, the concrete staircase, the bird and butterfly watching tower, the resting stations, picnic and camping area and the fitness trail.

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.

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.

HEALTH, SAFETY AND ENVIRONMENT

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 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.

Independent Environmental Audit

This year, Sarawak Energy embarked on an Independent Environmental Audit (IEA) on the development of Murum HEP. The IEA goes beyond compliance to legal requirements. It is an objective, systematic and documented review of the conditions, operations and practices in relations to environmental management and conservation.

CORPORATE RESPONSIBILITY & SUSTAINABILITY

CORPORATE RESPONSIBILITY & SUSTAINABILITY

The Murum women folk produce beautiful handicraft. Sarawak Energy supports local skills by offering their products as exclusive corporate gifts

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:

- funding a new water supply system for the community of the Kayan village of Long Na'ah in the interior of Baram. Following damage to the old water distribution system, the villagers increasingly had to gather water from the nearby Ulu Baram River. The installation of a new water gravity feed distribution system is a collaborative effort of Telang Usan assemblyman YB Dennis Ngau and the Medical Department and was funded by Sarawak Energy. The system supplies some 145 households, the nearby school, SK Kampung Na'ah, and a clinic. The project costs in the region of RM400,000 and includes six units of 1,000 gallon water tanks;
- raising RM300,000 to help the Sarawak Children's Cancer Society purchase vital medical equipment, including a fluid manager, a Philips Intellivue Mx600 monitor, a Styler bed, a Philip Oxygen Concentrator, a Transport trolley-stryker and homecare equipment;
- community health and wellness campaigns. In March, Sarawak Energy partnered the Association of Research and Development Movement of Singai Sarawak (REDEEMS) to organise the REDEEMS Run and Bicycle Race at Bau. The event attracted almost 500 participants;
- providing relief to ease the burden of victims in the event of fire, flood and other natural disasters; and
- 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.

CORPORATE RESPONSIBILITY & SUSTAINABILITY

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 is committed to lifting the socio-economic advancement of Sarawak's communities

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 4,168 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 is 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.

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

Launched in 2012, the Murum Penan Literacy Programme is Sarawak Energy's flagship CSR programme. In July this year, a graduation ceremony was held for the first group of Penans to complete Stages One and Two of the programme

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 Penans 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.

This year, Stage Three of the programme was launched which teaches workshops on Home Economy and Parenting.

In July, Sarawak Energy held a graduation ceremony for the first group of Penans to complete Stages One and Two of the Literacy Programme. A total of 341 Penans have now achieved basic reading skills.

Baram Literacy Programme

In 2014, the literacy programme was expanded to incorporate the Baram Penan. It began with a total of 312 Penan adults from eight settlements namely Long Lilim, Long Luteng, Long Sengayan, Long Kawi, Ba' Kabing, Long Daloh Bestari, Long Daloh Asal and Ba' Abang attending the programme which imparted basic reading, writing and arithmetic skills. Thirty-eight facilitators were trained in the setting up of the literacy classes in all eight settlements.

The Literacy Programme for the Murum Penan community has been so successful that it has been introduced to the Baram community. More than 300 members from eight settlements in the Baram community participated

COMMUNITY INVESTMENT

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 establishing two primary schools in the vicinity of Tegulang and Metalun, the two resettlement areas.

With the opening of Sekolah Kebangsaan Tegulang and Sekolah Kebangsaan Metalun, younger children are now able to attend school much more easily. Previously, they had to board or travel a long distance from home to reach school.

Student numbers have risen steadily. Sekolah Kebangsaan Tegulang already has a student community of around 120.

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

To ease the financial burden for parents and to encourage the students to attend school daily, Sarawak Energy also provides meals and allocates more than RM30,000 each month for transportation for the students.

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

In collaboration with the Ministry of Education, Sarawak Energy built two primary schools at the Tegulang and Metalun resettlement areas. Sekolah Kebangsaan Tegulang already has a student population of around 120

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.

LIGHTING UP COMMUNITIES

- Scholarship programme for deserving Sarawakians - RM8 million allocated
- Two new schools for Murum resettlement
- 341 students completed Stages One and Two of Murum Penan Literacy Programme

CORPORATE RESPONSIBILITY & SUSTAINABILITY

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 Penans' sacred rock Batu Tungun. Throughout the State, Sarawak Energy organised various activities in conjunction with multicultural festivals and celebrations.

In 2014, Sarawak Energy teamed up with the Sarawak Museum Department to renovate the gallery of the Limbang Regional Museum. The museum was built in 1897 and was originally one of the fortresses during the reign of Rajah Charles Brooke.

This is the second CSR partnership between Sarawak Energy and the Sarawak Museum Department after the launch of the 'Longhouses of Sarawak' gallery at the Sarawak Museum's Old Building in Kuching in 2013.

Sarawak Energy actively supports the artistry skills of the Penan community and in an effort to build the community's potential in handicraft-making has recently started buying fine crafts and offering them as exclusive gifts for the Company's corporate guests.

Sarawak Energy worked with the Sarawak Museum Department to renovate the gallery of the Limbang Regional Museum

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.

TRANSPARENCY AND COMMUNITY ENGAGEMENT

Sarawak Energy has an obligation to make sure that its stakeholders 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.

Telang assemblyman YB Dennis Ngau and Sarawak Energy's Chief Executive Officer, Datuk Torstein Sjøtveit, officiate at the symbolic launch of the new water supply system

Sarawak Energy funded a new water supply system for the community of the Kayan village of Long Na'ah in the interior of Baram. The project costs in the region of RM400,000 and includes six units of 1,000 gallon water tanks

SUSTAINABILITY

Sustainability plays a unique role in Sarawak Energy's business operations and incorporates 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.

In 2014, Sarawak Energy began an initiative on Sustainability Reporting, a move which further highlights its commitment to being a socially responsible and transparent corporate citizen in all our undertakings.

Sarawak Energy is 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

Hydropower Sustainability Assessment Protocol Workshop for Baram HEP

In April, the Sustainability Division conducted a four-day workshop for all Sarawak Energy staff members involved in the HSAP assessment of the Baram Hydroelectric Project.

The workshop was an opportunity for all of the internal assessors to present and discuss their initial findings and assessment on the sustainability of the project.

This internal assessment process serves as a platform for the continuous measurement of Sarawak Energy's sustainability performance in the development of hydropower.

COLLABORATION WITH UNIVERSITIES

Sarawak Energy places great importance on partnerships with academic institutions as part of its efforts to ensure the sustainability of its projects and their compliance with international standards.

In February, Sarawak Energy and Curtin University, Sarawak Malaysia entered into an agreement to jointly research the environmental sustainability of hydropower development. RM2 million was allocated for the project.

Sarawak Energy and Curtin University Sarawak Malaysia sign a RM2 million hydropower research agreement

THE RURAL ELECTRIFICATION AGENDA

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 every level of the State's populace through reliable, 24-hour power supply.

ELECTRIFYING SARAWAK

4,180 more rural homes provided with 24-hour electricity

Close to 600,000 customers across the State

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 2014, despite the difficulties, an additional 4,180 rural homes were provided with 24-hour electricity, lifting State-wide coverage to 88.8%.

Renewable Energy Systems

Renewable energy comes from sources that continually replenish themselves, namely hydro, solar, wind, biomass and tidal. Whilst these energy sources 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 becoming more challenging, there will be an uptrend in the use of alternative solutions to provide them with electricity.

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

Micro Hydro

Sarawak Energy is continuously looking into villages with hydro potential to be supplied with micro hydro. In November, a micro hydro station was built and commissioned in Long Banga, housing two turbines with combined capacity of 320 kW and two diesel generators with capacity of 80 kW and 160 kW respectively to provide contingency. Long Banga currently supplies 138 households. Sarawak Energy plans to extend the station with two more 160 kW turbines to supply three adjacent villages, namely Long Beruang, Long Lamai and Long Balong. When the extension is completed, Long Banga will supply an estimated 152 new households.

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 when compared to large hydropower. Nevertheless, solar photovoltaic applications are practical in the remote rural areas.

Construction in progress for the solar hybrid system for the remote village of Pa' Mada in Bario

The solar hybrid power system at Rumah Dau in Lubok Antu

EVENT HIGHLIGHTS 2014

CORPORATE ENGAGEMENTS

Human Rights Commission (Suhakam), led by commissioner James Nayagam, visits Murum in June

At the ASEAN Power Week 2014 at Kuala Lumpur in September

Strengthening Stakeholder Relationships - Government Relations Bowling in September

Friendly football match with Sarawak Forestry at Sarawak State Stadium in October

Sarawak National Kenyah Association visits Menara Sarawak Energy in November

Media Visit to Murum Hydroelectric Plant in December

EVENT HIGHLIGHTS 2014

COMMUNITY OUTREACH

Sarawak Energy, Sarawak Football players and ERA FM visit the houses of lucky contestants in August in conjunction with Hari Raya celebration

DIVERSITY AND INCLUSION

Majlis Ramah Tamah at Menara Sarawak Energy officiated by Minister of Public Utilities Datuk Amar Awang Tengah Ali Hasan in August

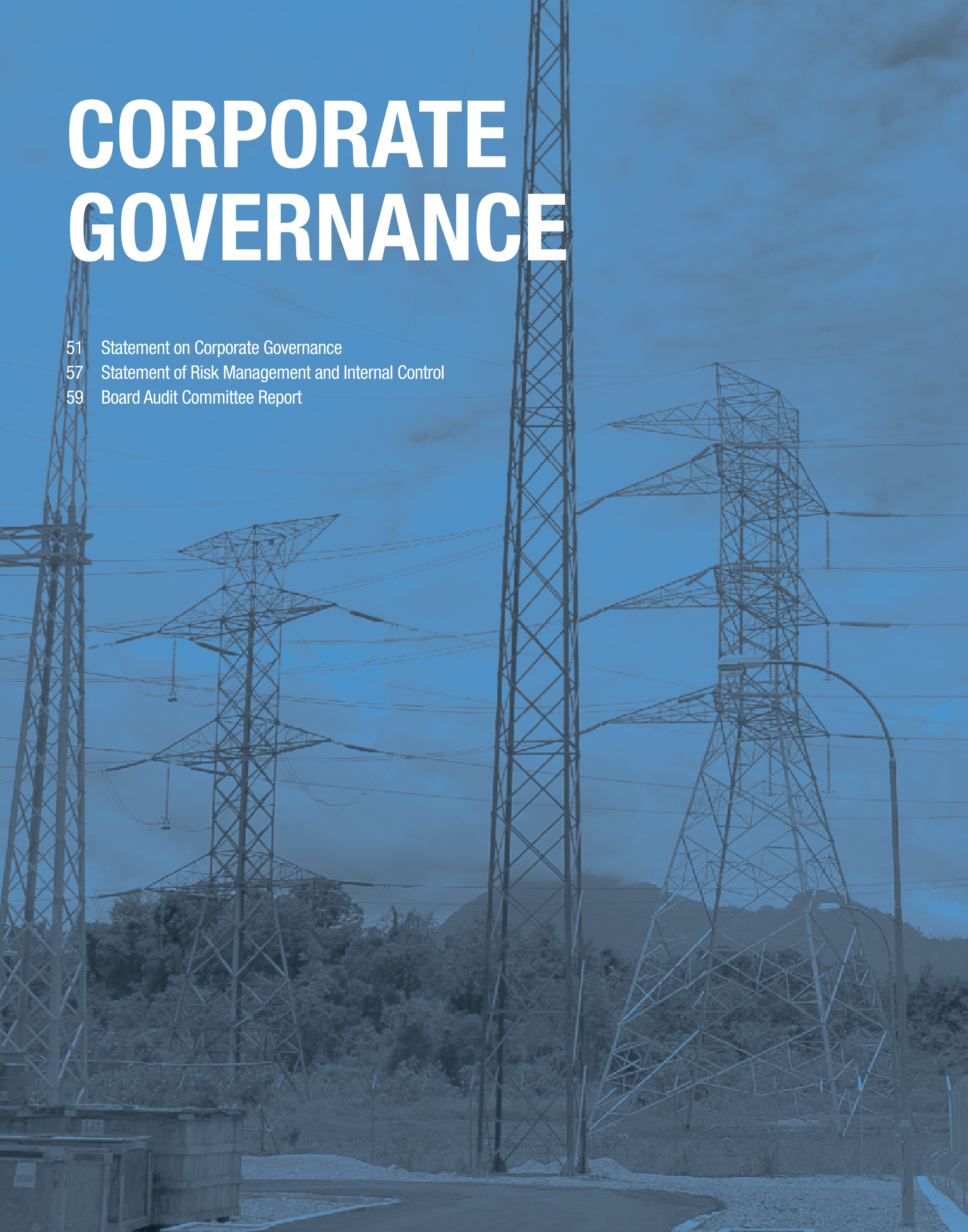
EVENT HIGHLIGHTS 2014

A HEALTHY WORKFORCE

Run and Bicycle Race at Singai, Bau organised in collaboration with Association of Research and Development Movement of Singai Sarawak (REDEEMS)

EXHIBITIONS AND CONFERENCES

Sarawak Energy's booth at the Unimas STEM EnCon



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 strategic direction of the Group and establish the goals and achievements of the objectives and aims for the Company.

The current Board consists of five (5) members, whereby four (4) of the members are Non-Independent Non-Executive Directors and one (1) member is an Independent Non-Executive Director. The Directors collectively have wide range of experience and expertise drawn from the area of business, accounting, economics, legal 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 in the Annual Report.

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

For the Year 2014, the Board had decided to meet at least every quarterly, with additional meetings held as and when required. There were a total of four (4) Board meetings held during the financial year ended 31 December 2014. A summary of the attendance of each Director of the Company at the Board meetings held during the financial year ended 31 December 2014 are as follows:

Directors	Position	Meetings Attended	% of Attendance
YBhg Datuk Amar Abdul Hamed bin Sepawi	Non-Independent Non-Executive Chairman	4/4	100
YB Tan Sri Datuk Amar Haji Mohamad Morshidi bin Haji Abdul Ghani	Non-Independent Non-Executive Director	3/4	75
YBhg Tan Sri Dato Sri Mohd Hassan bin Marican	Independent Non-Executive Director	3/4	75
YBhg Datuk Fong Joo Chung	Non-Independent Non-Executive Director	4/4	100
YBhg Dato' Haji Idris bin Haji Buang	Non-Independent Non-Executive Director	4/4	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 of the Directors are notified of the Board meetings within stipulated time prior to the meetings' date. The Directors are also provided with an agenda and a set of Board papers in ample time prior to each Board Meeting to enable them to gain information and insights, 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 further information and to furnish clarification on issues that may be raised by the Board.

Board members also have the access to the Company Secretary for any further details 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 Directors who are over 70 years of age are required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act 1965.

DIRECTORS' TRAINING

The Board of Directors has been attending various accredited programs organised by various course leaders in the country to enhance their knowledge and skills in carrying out effective role as directors. The Company will regularly arrange for directors to attend such trainings to accommodate them with current updates and information for them to be equipped with good governance as effective directors of the Company.

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 56 of this Annual Report.

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

The GNRC responsibilities are to identify potential candidates for directorships to the Board and make recommendations on all new or re-appointments of the members of the Board. Further, the GNRC also make recommendations 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.

The GNRC further duties are to provide remuneration input on any contract of employment with executive directors and to determine the terms of any compensation in the event of early termination of the employment contracts thereon as well as making recommendations for Human Resource policies from time to time and to discuss and approve the revision of the Company's organisation structure, should there need be. The GNRC also act as a Disciplinary Committee to decide and recommend punishments for staff misconduct to the Board for approval.

The composition of the GNRC members for the financial year ended 31 December 2014 is 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 GNRC had held four (4) meetings during the financial year ended 31 December 2014.

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.

STATEMENT ON CORPORATE GOVERNANCE

As at 31 December 2014, 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 2014.

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 issues 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.

STATEMENT ON CORPORATE GOVERNANCE

As at 31 December 2014, the EMC members comprises as follows:

i. **Datuk Torstein Dale Sjøtveit**
(Chief Executive Officer) – Chairman

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

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

iv. **Alexander Chin**
(Chief Financial Officer)

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

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

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

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

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

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

xi. **Haji Sulaiman bin Haji Abdul Hamid**
(Vice President, Group Governance for Procurement & Contracts)

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

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

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

There were 10 EMC meetings held during the financial year ended 31 December 2014.

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

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.

STATEMENT ON CORPORATE GOVERNANCE

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 of Risk Management and 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 2014.

- **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 2014.

- **Non-Audit Fees**
  Non-audit fees of RM960,000 were paid to the External Auditors for the financial year ended 31 December 2014.

- **Revaluation Policy on Landed Properties**
  The Group does not adopt any revaluation policy on landed properties during the financial year ended 31 December 2014.

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.

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

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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 MEETINGS

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.	Members	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	3/3
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 THE 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 2014 as well as Group Capital and Revenue Budget for 2015 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 deliberated with the external auditors and management the impact on adoption and implementation of the Malaysian Financial Reporting Standards (MFRS).
- Reviewed and noted Group Long Term Funding Position for presentation to the Board.
- Reviewed and noted Group Credit Rating by Rating Agency Malaysia (RAM).
- Reviewed and approved Revised Internal Audit Operations Manual.
- 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 3) covering Information Technology Services (ITS), Retail Call Center and Sejingkat Power Corporation (SPC) 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.

BOARD AUDIT COMMITTEE REPORT

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.

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 judgement 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.

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.

7.0 FUNCTIONS OF THE COMMITTEE (CONT'D)

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.

BOARD AUDIT COMMITTEE REPORT

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

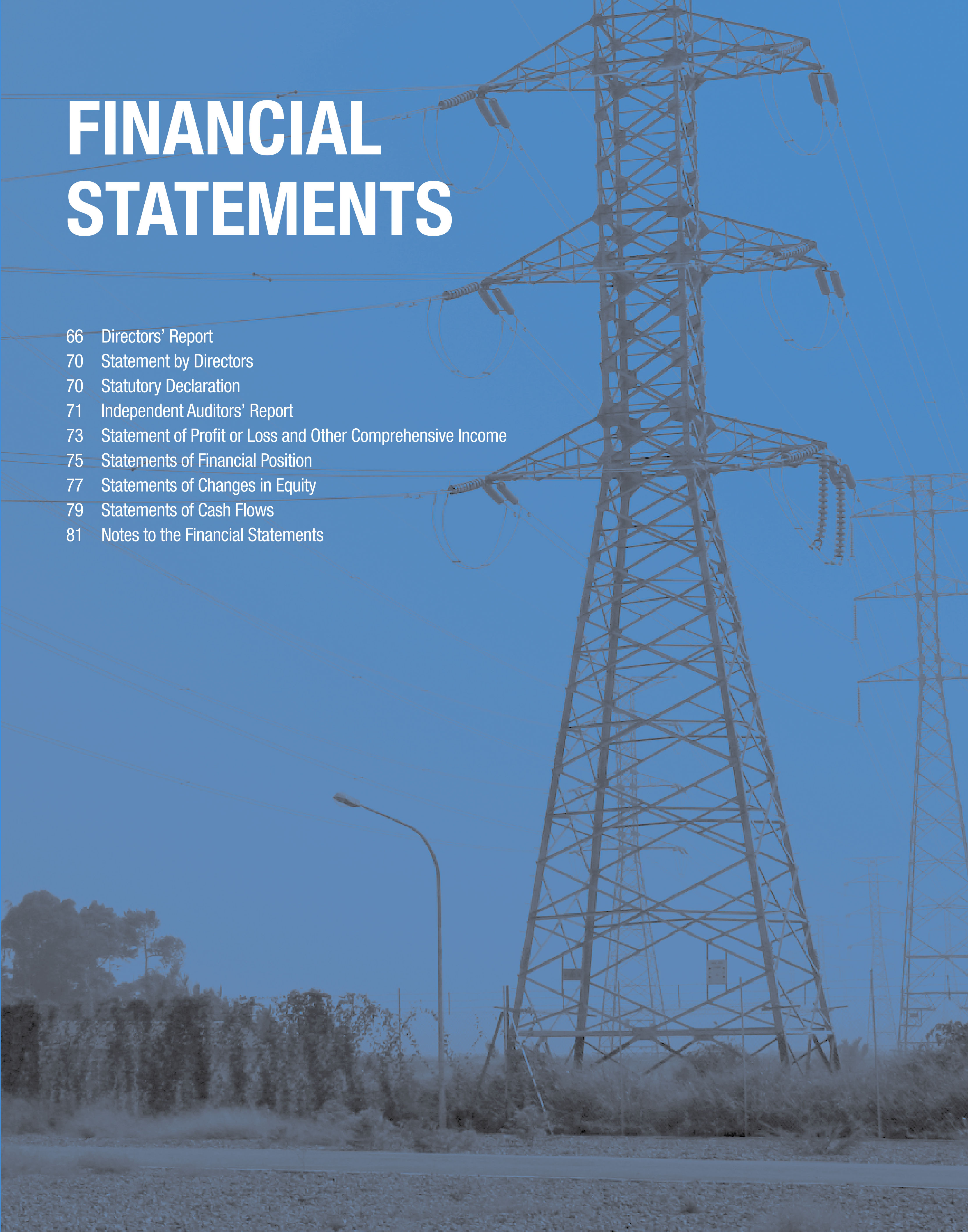
- The Secretary of the BAC shall be the Company Secretary.
- The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the BAC. The agenda shall be sent to all members of the BAC and the Head of Internal Audit at least three business days before each meeting, together 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 2014.

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	1,448,664	164,264
Profit/(loss) attributable to:		
Owners of the Company	1,449,088	164,264
Non-controlling interests	(424)	-
	1,448,664	164,264

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.

RESERVES AND PROVISIONS

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2013 was as follows:

In respect of the financial year ended 31 December 2013 as reported in the Directors' report of that year:

	RM'000
Final single-tier dividend of 5.50 sen on 1,610,568,979 ordinary shares of RM1.00 each	88,581

DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final single-tier dividend and a special single-tier dividend in respect of the financial year ended 31 December 2014, of 5.50 sen and 3.36 sen, amounting to a dividend payable of RM88,581,294 and RM54,191,000, respectively on 1,610,568,979 ordinary shares, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

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, YBhg Tan Sri Dato Sri Mohd Hassan Bin Marican and YBhg Datuk Fong Joo Chung 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 30 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.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

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

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

(ii) to ensure that current assets which were unlikely to realise their 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.

(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.

DIRECTORS' REPORT

CONTROLLING SHAREHOLDER

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

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant event is disclosed in Note 38 to the financial statements.

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 29 April 2015.

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 2014 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 29 April 2015

Datuk Amar Abdul Hamed Bin Sepawi	**Dato' Haji Idris Bin Haji Buang**

STATUTORY DECLARATION

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

I, **Alexander Chin**, 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 **Alexander Chin**
at Kuching in the State of Sarawak
on 29 April 2015

Alexander Chin

Before me,

PESURUHJAYA SUMPAH
Q 137
EVELYN
LAU SIE JIONG
MALAYSIA

EVELYN LAU SIE JIONG
Commissioner For Oaths
Lot 571, No. 202, Lorong 5,
Jalan Kumpang
Off Jalan Ong Tiang Swee,
93200 Kuching, Sarawak.

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 2014 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and 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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 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: 29 April 2015

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue	4	2,826,307	2,323,156	172,765	216,169
Cost of sales		(2,153,747)	(1,843,852)	-	-
Gross profit		672,560	479,304	172,765	216,169
Other items of income					
Interest income	5	58,633	54,022	44,634	43,228
Other income	6	210,151	187,232	75	5,060
Other items of expense					
Administrative and other expenses		(94,378)	(60,130)	(3,331)	(4,581)
Finance costs	7	(145,051)	(172,882)	(49,877)	(49,467)
Share of results of associates		5,553	1,445	-	-
Profit before tax	8	707,468	488,991	164,266	210,409
Income tax expense	11	741,196	(117,854)	(2)	(28,632)
Profit net of tax		1,448,664	371,137	164,264	181,777
Profit/(loss) attributable to:					
Owners of the Company		1,449,088	371,569	164,264	181,777
Non-controlling interests		(424)	(432)	-	-
		1,448,664	371,137	164,264	181,777
Basic earnings per share attributable to owners of the Company (sen)	12	90.0	23.1		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Profit net of tax		1,448,664	371,137	164,264	181,777
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:					
(Loss)/gain on fair value changes of available-for-sale financial assets		(4,716)	25,326	(4,716)	25,326
Net movement on cash flow hedges		-	6,626	-	6,626
Other comprehensive income, net of tax		(4,716)	23,226	(4,716)	32,250
Total comprehensive income for the year		1,443,948	394,363	159,548	214,027
Total comprehensive income attributable to:					
Owners of the Company		1,444,372	394,795	159,548	214,027
Non-controlling interests		(424)	(432)	-	-
		1,443,948	394,363	159,548	214,027

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group			Company	
				As at		
			2013	1.1.2013		
	Note	2014	(Restated)	(Restated)	2014	2013
		RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	13	**12,710,705**	11,188,242	10,441,431	**14,034**	14,601
Investment in subsidiaries	14	**-**	-	-	**1,885,610**	1,885,610
Investment in associates	15	**19,686**	14,133	12,688	**14,100**	14,100
Other investment	16	**76,501**	81,217	41,336	**76,501**	81,217
Deferred tax assets	17	**1,016,250**	159,179	174,135	**-**	-
Other receivables	20	**-**	-	-	**5,226,829**	4,709,140
		13,823,142	11,442,771	10,669,590	**7,217,074**	6,704,668
Current assets						
Property development costs	18	**104,967**	104,967	90,679	**-**	-
Inventories	19	**205,097**	202,921	217,573	**-**	-
Trade and other receivables	20	**776,247**	643,833	313,025	**499,613**	306,873
Other current assets	21	**5,975**	13,839	11,700	**5**	5
Cash and bank balances	22	**2,212,914**	1,277,203	2,112,334	**1,737,779**	811,703
		3,305,200	2,242,763	2,745,311	**2,237,397**	1,118,581
TOTAL ASSETS		**17,128,342**	13,685,534	13,414,901	**9,454,471**	7,823,249

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		Group			Company	
				As at		
			2013	1.1.2013		
	Note	2014	(Restated)	(Restated)	2014	2013
		RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other payables	23	1,396,962	852,766	840,011	125,042	64,882
Loans and borrowings	24	57,753	98,925	82,306	-	-
Income tax payable		32,988	745	697	-	-
Derivative liabilities		-	-	6,626	-	-
Retirement benefit obligations	26	5,103	4,615	5,322	14	13
		1,492,806	957,051	934,962	125,056	64,895
Net current assets		1,812,394	1,285,712	1,810,349	2,112,341	1,053,686
Non-current liabilities						
Deferred tax liabilities	17	616,721	576,414	499,507	-	-
Loans and borrowings	24	7,445,071	6,002,287	6,196,180	7,000,000	5,500,000
Deferred income	25	1,798,833	1,742,184	1,691,089	-	-
Retirement benefit obligations	26	163,204	151,258	164,750	831	737
		10,023,829	8,472,143	8,551,526	7,000,831	5,500,737
Total liabilities		11,516,635	9,429,194	9,486,488	7,125,887	5,565,632
Net assets		5,611,707	4,256,340	3,928,413	2,328,584	2,257,617
Equity attributable to owners of the parent						
Share capital	27	1,610,569	1,610,569	1,610,569	1,610,569	1,610,569
Share premium	27	149,644	149,644	149,644	149,644	149,644
Reserves	28	3,842,772	2,486,981	2,158,622	568,371	497,404
		5,602,985	4,247,194	3,918,835	2,328,584	2,257,617
Non-controlling interests		8,722	9,146	9,578	-	-
Total equity		5,611,707	4,256,340	3,928,413	2,328,584	2,257,617
TOTAL EQUITY AND LIABILITIES		17,128,342	13,685,534	13,414,901	9,454,471	7,823,249

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 2014

Group 2014	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
		← Equity attributable to owners of the parent →										
			← Non-Distributable →					← Distributable →				
Opening balance at 1 January 2014		**1,610,569**	**149,644**	**85,355**	**73,128**	**-**	**25,326**	**94,147**	**2,209,025**	**4,247,194**	**9,146**	**4,256,340**
Profit for the year		-	-	-	-	-	-	-	1,449,088	1,449,088	(424)	1,448,664
Other comprehensive income		-	-	-	-	-	(4,716)	-	-	(4,716)	-	(4,716)
Total comprehensive income		-	-	-	-	-	(4,716)	-	1,449,088	1,444,372	(424)	1,443,948
Transactions with owners												
Dividends on ordinary shares	31	-	-	-	-	-	-	-	(88,581)	(88,581)	-	(88,581)
Closing balance at 31 December 2014		**1,610,569**	**149,644**	**85,355**	**73,128**	**-**	**20,610**	**94,147**	**3,569,532**	**5,602,985**	**8,722**	**5,611,707**
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	31	-	-	-	-	-	-	-	(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

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 2014

Company 2014	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
		Non-Distributable					*Distributable*		
Opening balance at 1 January 2014		**1,610,569**	**149,644**	**73,128**	**-**	**25,326**	**5,000**	**393,950**	**2,257,617**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**164,264**	**164,264**
Other comprehensive income		**-**	**-**	**-**	**-**	**(4,716)**	**-**	**-**	**(4,716)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(4,716)**	**-**	**164,264**	**159,548**
Transactions with owners									
Dividends on ordinary shares	31	**-**	**-**	**-**	**-**	**-**	**-**	**(88,581)**	**(88,581)**
Closing balance at 31 December 2014		**1,610,569**	**149,644**	**73,128**	**-**	**20,610**	**5,000**	**469,633**	**2,328,584**
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
Transactions with owners									
Dividends on ordinary shares	31	-	-	-	-	-	-	(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

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 2014

	Note	Group		Company	
		2014	2013 (Restated)	2014	2013
		RM'000	RM'000	RM'000	RM'000
Operating activities					
Profit before tax		707,468	488,991	164,266	210,409
Adjustments for:					
Amortisation of deferred income	6	(125,065)	(112,506)	-	-
Bad debts written off	8	471	900	-	18
Premium on early redemption of Islamic debt securities	7	-	17,633	-	-
Depreciation of property, plant and equipment	8	407,262	421,775	755	816
Dividend income from:					
- related companies	4	-	-	(171,979)	(215,441)
- other investment	4	(786)	(728)	(786)	(728)
Interest expenses on loans and borrowings	7	832	7,100	-	4,331
Interest income from loans and receivables	5	(58,633)	(54,022)	(44,634)	(43,228)
Inventories written off	8	8,417	954	-	-
Net loss/(gain) on disposal of property, plant and equipment	6,8	5,680	2,076	-	(3,336)
Net impairment on receivables	6,8	474	18,853	-	(195)
Profit payments on Islamic debt securities	7	144,219	148,149	49,877	45,136
Property development costs written back	6	-	(14,288)	-	-
Property, plant and equipment written off	8	-	1	-	-
Retirement benefit obligations	9	18,141	(21,060)	106	(71)
Share of results of associates		(5,553)	(1,445)	-	-
Unrealised loss/(gain) on foreign exchange	6,8	3,116	(8,982)	-	-
Operating cash flows before changes in working capital		1,106,043	893,401	(2,395)	(2,289)
Changes in working capital:					
Inventories		(10,593)	13,698	-	-
Receivables		(131,516)	(353,039)	(710,429)	(433,878)
Other current assets		5,803	(5,138)	-	-
Payables		709,133	193,561	279,574	(64,459)
Total changes in working capital		572,827	(150,918)	(430,855)	(498,337)
Cash flows from/(used in) operations		1,678,870	742,483	(433,250)	(500,626)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
			2013		
		2014	(Restated)	2014	2013
		RM'000	RM'000	RM'000	RM'000
Interest paid		(832)	(7,100)	-	(4,331)
Taxes paid, net of refund		(41,264)	(19,931)	(2)	177
Retirement benefit paid	26	(5,707)	(4,878)	(11)	(8)
Net cash flows from/(used in) operating activities		1,631,067	710,574	(433,263)	(504,788)
Investing activities					
Capital contributions received	25	181,714	163,601	-	-
Purchase of property, plant and equipment	13	(1,940,362)	(1,177,797)	(188)	(4,096)
Proceeds from disposal of property, plant and equipment		4,957	7,134	-	11,341
Interest received		58,628	54,019	44,634	43,228
Dividends received		786	728	172,765	187,537
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		(1,694,277)	(966,870)	217,211	(44,545)
Financing activities					
Premium on early redemption of Islamic debt securities		-	(17,633)	-	-
Profit payments on Islamic debt securities		(313,002)	(319,200)	(269,291)	(268,235)
Net drawdown and repayment of Islamic debt securities		1,435,000	(145,000)	1,500,000	-
Net drawdown and repayment of other loans and borrowings		(33,388)	(32,274)	-	-
Dividend paid		(88,581)	(66,436)	(88,581)	(66,436)
Net cash flows from/(used in) financing activities		1,000,029	(580,543)	1,142,128	(334,671)
Net increase/(decrease) in cash and cash equivalents		936,819	(836,839)	926,076	(884,004)
Effect of exchange rate changes on cash and cash equivalents		(1,108)	1,708	-	-
Cash and cash equivalents at 1 January		1,277,203	2,112,334	811,703	1,695,707
Cash and cash equivalents at 31 December	22	2,212,914	1,277,203	1,737,779	811,703

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

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 the previous financial year except as follows:

On 1 January 2014, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial 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 Asset
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21: Levies

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

2.2 Changes in accounting policies (cont'd)

The nature and impact of the new and amended MFRSs and IC Interpretation are described below:

(a) Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under MFRS 10.

(b) Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and "simultaneous realisation and settlement". These amendments are to be applied retrospectively. These amendments have no impact on the Group and the Company.

(c) Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by MFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's and the Company's financial statements.

(d) IC Interpretation 21: Levies

IC 21 defines a levy and clarifies that the obligating event which gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. For a levy which is triggered upon reaching a minimum threshold, IC 21 clarifies that no liability should be recognised before the specified minimum threshold is reached. Retrospective application is required.

The application of IC 21 has had no material impact on the disclosures or on the amounts recognised in the Group's and the Company's financial statements.

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

2.2 Changes in accounting policies (cont'd)

During the financial year, the Group has performed an assessment on its inventory balances in accordance with Amendments to MFRS 116. Amendments to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Previously, MFRS 116 states that spare parts, stand-by equipment and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed. This has resulted in the retrospective reclassification of spare parts, stand-by equipment and servicing equipment previously accounted for under inventories to property, plant and equipment, when these are expected to be used for more than one period. This has been accounted for retrospectively in accordance with MFRS 108.

	As previously stated RM'000	Effect of adoption of Amendments to MFRS 116 RM'000	Restated RM'000
At 1 January 2013			
Statement of Financial Position			
Property, plant and equipment	10,269,333	172,098	10,441,431
Inventories	389,671	(172,098)	217,573
At 31 December 2013			
Statement of Financial Position			
Property, plant and equipment	10,986,172	202,070	11,188,242
Inventories	404,991	(202,070)	202,921

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

2.2 Changes in accounting policies (cont'd)

	As previously stated	Effect of adoption of Amendments to MFRS 116	Restated
	RM'000	RM'000	RM'000
At 31 December 2013			
Statement of Cash Flows			
Changes in working capital:			
Inventories	(16,274)	29,972	13,698
Investing activities:			
Purchase of property, plant and equipment	(1,147,825)	(29,972)	(1,177,797)

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 intends to adopt these standards, if applicable, when they become effective.

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

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

MFRS effective for annual periods beginning on or after 1 January 2016

- Annual Improvements to MFRSs 2012 - 2014 Cycle: Amendments to MFRS 5, MFRS 7, MFRS 119 and MFRS 134
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investments Entities - Applying the Consolidation Exception
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

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

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

MFRS effective for annual periods beginning on or after 1 January 2016 (cont'd)

- Amendments to MFRS 101: Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- MFRS 14: Regulatory Deferral Accounts

MFRS effective for annual periods beginning on or after 1 January 2017

- MFRS 15: Revenue from Contracts with Customers

MFRS effective for annual periods beginning on or after 1 January 2018

- MFRS 9: Financial Instruments

The relevant standards are discussed below:

(a) Amendments to MFRS 119: Defined Benefit Plans - Employee Contributions

The amendments to MFRS 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of attributing the contributions to the periods of service. For contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

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

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

(b) Annual Improvements to MFRSs 2010-2012 Cycle: Amendments to MFRS 2, MFRS 3, MFRS 8, MFRS 116 & MFRS 138 and MFRS 124

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, of which the relevant ones are summarised below.

(i) MFRS 3: Business Combinations

The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.

(ii) MFRS 116: Property, Plant and Equipment and MFRS 138: Intangible Assets

The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

(iii) MFRS 124: Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

(c) Annual Improvements to MFRSs 2011-2013 Cycle: Amendments to MFRS 3, MFRS 13 and MFRS 140

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, of which the relevant one is summarised below.

(i) MFRS 13: Fair Value Measurement

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable).

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

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

(d) Annual Improvements to MFRSs 2012-2014 Cycle: Amendments to MFRS 5, MFRS 7, MFRS 119 and MFRS 134

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, of which the relevant ones are summarised below.

(i) MFRS 7: Financial Instruments - Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

(ii) MFRS 119: Employee Benefits

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

(e) Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

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

(f) Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

(g) Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the followings five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

(h) Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

(i) Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

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

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

(j) MFRS 14: Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing MFRS preparer, this standard would not apply.

(k) MFRS 15: Revenue from Contracts with Customers

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

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Directors anticipate that the application of MFRS 15 may have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements.

(l) MFRS 9: Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

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

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.

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

2.4 Basis of consolidation (cont'd)

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

Business combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.6 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.

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

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

2.8 Property, plant and equipment (cont'd)

Freehold land and capital work-in-progress are 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.

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

2.10 Financial assets (cont'd)

(d) Available-for-sale financial assets (cont'd)

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

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

A financial asset is derecognised 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.

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

2.11 Impairment of financial assets (cont'd)

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

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.

(c) Available-for-sale financial assets

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

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

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

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

2.12 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 34.

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 34.

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.

(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.

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

2.13 Foreign currency (cont'd)

(b) Foreign currency transactions (cont'd)

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

2.14 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 2012 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 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.

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

2.24 Revenue (cont'd)

(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.

2.25 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.

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

2.25 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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.

2.26 Share capital and share issuance expenses

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

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

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

2.27 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 RM4,470 million (2013: RM1,017 million).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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 annualised 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.2 Key sources of estimation uncertainty (cont'd)

(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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Dividend income from:				
- related companies	-	-	171,979	215,441
- other investment	786	728	786	728
Sales of electricity	2,814,582	2,312,256	-	-
Others	10,939	10,172	-	-
	2,826,307	2,323,156	172,765	216,169

5. INTEREST INCOME

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income from loans and receivables:				
- Short-term deposits	58,509	53,598	44,629	43,222
- Others	124	424	5	6
	58,633	54,022	44,634	43,228

6. OTHER INCOME

	Group		Company	
	2014	2013	2014	2013
	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	16,680	6,206	75	29
- Unrealised	-	8,982	-	-
Sundries	37,032	32,920	-	1,500
Over accrued of income from Certified Emission Reduction	-	(6,957)	-	-
Amortisation of deferred income (Note 25)	125,065	112,506	-	-
Customers' contribution for connection charges	22,123	11,911	-	-
Property development costs written back (Note 18)	-	14,288	-	-
Rental income from land and building	4,774	3,845	-	-
Reversal of allowance for impairment loss on				
- trade receivables (Note 20)	4,477	-	-	-
- other receivables	-	195	-	195
	210,151	187,232	75	5,060

Sundries comprise primarily of income from penalty and service charges, work sales and arrears of electricity.

7. FINANCE COSTS

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Premium on early redemption of Islamic debt securities	-	17,633	-	-
Interest expenses/profit payments on:				
- Finance lease	5	5	-	-
- Islamic debt securities	350,738	318,866	307,082	268,650
- Revolving credits	-	4,331	-	4,331
- Term loan	827	2,764	-	-
	351,570	343,599	307,082	272,981
Amount charged to subsidiaries	-	-	(246,229)	(217,418)
Amount charged to other receivables	(8,620)	(6,096)	(10,976)	(6,096)
Amount capitalised in capital work-in-progress (Note 13)	(197,899)	(164,621)	-	-
	145,051	172,882	49,877	49,467

8. PROFIT BEFORE TAX

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
The following amounts have been included in arriving at profit before tax:				
Auditors' remuneration				
- statutory audits current year	605	543	130	110
- underprovision in respect of previous years	8	93	-	10
- other services	1,960	2,210	474	67
Bad debts written off	471	900	-	18
Depreciation of property, plant and equipment (Note 13)	407,262	421,775	755	816
Directors' remuneration (Note 10)	1,424	980	974	442
Employee benefits expense (Note 9)	321,242	250,559	879	1,807
Finance costs (Note 7)	145,051	172,882	49,877	49,467
Inventories written off	8,417	954	-	-
Impairment loss on				
- trade receivables (Note 20)	4,951	17,397	-	-
- other receivables	-	1,651	-	-
Loss on disposal of property, plant and equipment	5,680	5,412	-	-
Loss on foreign exchange				
- realised	144	282	-	-
- unrealised	3,116	-	-	-
Operating lease	4,866	6,070	5	13
Property, plant and equipment written off	-	1	-	-
Power purchase	527,094	346,817	-	-

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Salaries, wages, overtime and bonus	232,711	211,328	24,937	24,339
Social security contributions	2,253	2,070	100	95
Contributions to defined contribution plan	30,408	27,717	2,079	1,882
Other benefits	43,582	37,080	2,957	2,654
Retirement benefit obligations (Note 26)	18,141	(21,060)	106	(71)
	327,095	257,135	30,179	28,899
Less: Amount capitalised in capital work-in-progress (Note 13)	(5,853)	(6,576)	-	-
Less: Amount charged to other receivables	-	-	(1,091)	-
Less: Amount charged to subsidiaries	-	-	(28,209)	(27,092)
	321,242	250,559	879	1,807

10. DIRECTORS' REMUNERATION

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors of the Company				
Emoluments	50	51	47	46
Fees	1,030	498	927	396
	1,080	549	974	442
Other Directors				
Emoluments	236	242	-	-
Fees	108	189	-	-
	344	431	-	-
Total Directors' remuneration (Note 30)	1,424	980	974	442

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	
	2014	2013
Non-Executive Directors		
RM50,001 - RM100,000	-	2
RM100,001 - RM150,000	2	3
RM200,001 - RM250,000	1	-
RM250,001 - RM300,000	2	-

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	79,692	22,942	-	28,632
- (Over)/under provision in respect of previous years	(4,124)	36	2	-
	75,568	22,978	2	28,632
Deferred tax (Note 17):				
- Origination and reversal of temporary differences	83,410	96,409	-	-
- Deferred tax asset recognised on investment allowance	(873,441)	-	-	-
- Deferred tax asset recognised on unutilised losses	(2,419)	-	-	-
- Over provision in respect of previous years	(3,139)	(1,533)	-	-
- Reduction in Malaysian tax rate	(21,175)	-	-	-
	(816,764)	94,876	-	-
Income tax expense recognised in profit or loss	(741,196)	117,854	2	28,632

11. INCOME TAX EXPENSE (CONT'D)

Major components of income tax expense (cont'd)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income: (cont'd)				
Deferred tax (Note 17):				
- Actuarial gain or loss on retirement benefit obligation	-	(3,013)	-	-
Income tax expense recognised in other comprehensive income	-	(3,013)	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from current year's rate of 25%, effective year of assessment 2016. The impact of the changes in the tax rate has been reflected in deferred tax balance as at 31 December 2014.

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 2014 and 2013 are as follows:

	Group	
	2014	2013
	RM'000	RM'000
Profit before tax	707,468	488,991
Tax at Malaysian statutory tax rate of 25% (2013: 25%)	176,867	122,248
Adjustments:		
Tax effect of non-deductible expenses	24,668	33,995
Tax effect of income not subject to tax	(37,044)	(36,531)
Deferred tax assets recognised on investment allowance	(873,441)	-
Deferred tax assets recognised on unutilised losses	(2,420)	-
Tax effect of share of results of associates	(1,388)	(361)
Effect of reduction in Malaysian tax rate	(21,175)	-
(Over)/under provision of current income tax in respect of previous years	(4,124)	36
Over provision of deferred tax in respect of previous years	(3,139)	(1,533)
Income tax expense recognised in profit or loss	(741,196)	117,854

11. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting profit (cont'd)

	Company	
	2014	2013
	RM'000	RM'000
Profit before tax	164,266	210,409
Tax at Malaysian statutory tax rate of 25% (2013: 25%)	41,067	52,602
Adjustments:		
Tax effect of non-deductible expenses	2,124	2,649
Tax effect of income not subject to tax	(43,191)	(26,619)
Under provision of current income tax in respect of previous years	2	-
Income tax expense recognised in profit or loss	2	28,632

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	
	2014	2013
	RM'000	RM'000
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per shares	1,449,088	371,569
Weighted average number of ordinary shares for basic earnings per share computation	1,610,569	1,610,569
Basic earnings per share (sen)	90.0	23.1

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	Leasehold land	Buildings	Structures and improvements	Plant and machinery	Lines and distribution mains	Distribution services	Meters	Public lighting	Motor vehicle, furniture fittings, equipment and others	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost												
At 31 December 2012 (previously stated)	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
Effect of adoption of Amendments to MFRS 116 (Note 2.2)	-	-	-	-	-	-	-	-	-	-	172,098	172,098
At 1 January 2013 (Restated)	1,180	171,972	891,761	438,913	4,737,299	2,302,925	731,925	77,787	118,140	404,776	4,664,475	14,541,153
Additions	-	6,427	33,854	-	337,787	240,626	24,086	1,596	4,236	11,866	517,319	1,177,797
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 (Restated) and 1 January 2014	**1,180**	**175,849**	**926,184**	**438,913**	**5,126,001**	**2,566,929**	**770,285**	**79,052**	**125,892**	**413,674**	**5,061,101**	**15,685,060**
Additions	**-**	**4,659**	**95,289**	**-**	**160,380**	**189,127**	**39,787**	**2,809**	**2,775**	**23,904**	**1,421,632**	**1,940,362**
Disposals/written off	**-**	**-**	**(5,379)**	**-**	**(23,277)**	**(1,752)**	**(1,031)**	**(371)**	**(1,344)**	**(3,085)**	**-**	**(36,239)**
Reclassification/ transfer	**-**	**-**	**147,951**	**3,251,995**	**322,550**	**45,775**	**20,212**	**721**	**3,473**	**21,563**	**(3,814,240)**	**-**
At 31 December 2014	**1,180**	**180,508**	**1,164,045**	**3,690,908**	**5,585,654**	**2,800,079**	**829,253**	**82,211**	**130,796**	**456,056**	**2,668,493**	**17,589,183**

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

Group (cont'd)	Freehold land	Leasehold land	Buildings	Structures and improvements	Plant and machinery	Lines and distribution mains	Distribution services	Meters	Public lighting	Motor vehicle, furniture fittings, equipment and others	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation												
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 and 1 January 2014	**-**	**53,052**	**238,275**	**173,444**	**2,314,756**	**967,166**	**350,894**	**59,095**	**58,954**	**281,182**	**-**	**4,496,818**
Depreciation charge for the year (Note 8)	**-**	**3,344**	**23,854**	**7,574**	**208,492**	**92,598**	**27,844**	**3,633**	**4,798**	**35,125**	**-**	**407,262**
Disposals/written off	**-**	**-**	**(1,632)**	**-**	**(17,332)**	**(1,292)**	**(886)**	**(371)**	**(1,117)**	**(2,972)**	**-**	**(25,602)**
Reclassification/ transfer	**-**	**-**	**78**	**-**	**(851)**	**1**	**5**	**-**	**(5)**	**772**	**-**	**-**
At 31 December 2014	**-**	**56,396**	**260,575**	**181,018**	**2,505,065**	**1,058,473**	**377,857**	**62,357**	**62,630**	**314,107**	**-**	**4,878,478**
Net carrying amount												
At 1 January 2013 (Restated)	1,180	121,766	675,716	270,333	2,646,913	1,419,979	406,197	22,104	63,707	149,061	4,664,475	10,441,431
At 31 December 2013 (Restated)	1,180	122,797	687,909	265,469	2,811,245	1,599,763	419,391	19,957	66,938	132,492	5,061,101	11,188,242
At 31 December 2014	**1,180**	**124,112**	**903,470**	**3,509,890**	**3,080,589**	**1,741,606**	**451,396**	**19,854**	**68,166**	**141,949**	**2,668,493**	**12,710,705**

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	Motor vehicle, furniture, fittings, equipment and others	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000
Cost				
At 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 and 1 January 2014	**11,526**	**6,748**	**3,141**	**21,415**
Additions	**-**	**41**	**147**	**188**
At 31 December 2014	**11,526**	**6,789**	**3,288**	**21,603**
Accumulated depreciation				
At 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 and 1 January 2014	**1,638**	**5,176**	**-**	**6,814**
Depreciation charge for the year (Note 8)	**205**	**550**	**-**	**755**
At 31 December 2014	**1,843**	**5,726**	**-**	**7,569**
Net carrying amount				
At 31 December 2013	9,888	1,572	3,141	14,601
At 31 December 2014	**9,683**	**1,063**	**3,288**	**14,034**

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		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 9)	5,853	6,576	-	-
Finance costs (Note 7)	197,899	164,621	-	-
Operating lease	3	33	-	
Settlement of forward currency contracts	-	7,570	-	-

Assets held under finance lease

The carrying amount of property, plant and equipment held under finance lease at the reporting date was RM42,600 (2013: RM85,200).

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

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	RM'000	RM'000
Unquoted shares, at costs	1,839,610	1,840,610
Share options granted to employees of subsidiaries	46,000	46,000
	1,885,610	1,886,610
Less: Accumulated impairment losses	-	(1,000)
	1,885,610	1,885,610

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 2014	2013
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
Dunlop Estates Holdings Sdn Bhd	Investment holding	**100.00**	100.00
Dunlop Properties Sdn Bhd ^	Investment holding	**-**	100.00
Naungan Pertiwi Sdn Bhd	Dormant	**100.00**	100.00
Global Energy Minerals Sdn Bhd #^^	Dormant	**60.00**	-
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	Provision of project management, engineering services, operation and maintenance of power stations and contracting	**100.00**	100.00
PPLS Power Generation Sdn Bhd	Power generation	**100.00**	100.00

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: (cont'd)

Name	Principal activities	Proportion (%) of ownership interest 2014	2013
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 was struck off during the financial year and the details are mentioned in Note 14(a).
^^ This subsidairy was incorporated on 22 April 2014 and the details are mentioned in Note 14(b).

(a) Strike off of a subsidiary, Dunlop Properties Sdn Bhd ("DPSB")

On 4 July 2014, DPSB was struck off by the Companies Commission of Malaysia. Accordingly, cost of investment of RM1,000,000 in DPSB was written off against impairment losses previously fully provided on these costs of investments during the financial year.

(b) Incorporation of a new subsidiary, Global Energy Minerals Sdn Bhd ("GEMSB")

GEMSB was incorporated on 22 April 2014. GEMSB's issued share capital stands at RM100 and its shareholders are the Company and Global Mineral (Sarawak) Sdn Bhd who held 60% and 40% equity interests respectively, as at current year end.

15. INVESTMENT IN ASSOCIATES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares in Malaysia, at cost	**37,470**	37,470	**30,413**	30,413
Share of post-acquisition reserves	**(3,416)**	(8,969)	**-**	-
	34,054	28,501	**30,413**	30,413
Less: Accumulated impairment losses	**(14,368)**	(14,368)	**(16,313)**	(16,313)
	19,686	14,133	**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 2014	2013
Held by the Company:			
Dectra Sdn Bhd #	Inactive	**26.24**	26.24
Sarawak Coal Resources Sdn Bhd #	Extraction and sales of coal	**30.00**	30.00
Seatrac Sdn Bhd #	Inactive	**50.00**	50.00
Held through Sejingkat Power Corporation Sdn Bhd:			
Gobel Industry Sdn Bhd #	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 being struck off.

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

15. INVESTMENT IN ASSOCIATES (CONT'D)

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

	Group	
	2014 RM'000	2013 RM'000
Assets and liabilities		
Current assets	116,785	81,508
Non-current assets	127,587	130,148
Total assets	244,372	211,656
Current liabilities	(132,680)	(118,600)
Non-current liabilities	(18,401)	(17,103)
Total liabilities	(151,081)	(135,703)
Results		
Revenue	181,423	151,363
Profit for the year	18,511	4,816

16. OTHER INVESTMENT

	Group/Company	
	2014 RM'000	2013 RM'000
Available-for-sale financial asset		
- quoted equity instrument in Malaysia, at fair value	76,501	81,217

During the last financial year, the Company 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, 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 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 2013 RM'000 (Note 11)	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	Recognised in profit or loss RM'000	As at 31 December 2014 RM'000
Deferred tax liabilities:						
Revaluation of land and building	(9,068)	1,106	-	(7,962)	1,256	(6,706)
Accelerated capital allowances	(579,534)	(78,194)	-	(657,728)	(47,040)	(704,768)
Others	(5,407)	(340)	-	(5,747)	(824)	(6,571)
	(594,009)	(77,428)	-	(671,437)	(46,608)	(718,045)
Deferred tax assets:						
Property development costs	2,500	(2,500)	-	-	-	-
Retirement benefit obligations	42,234	(6,462)	3,013	38,785	3,087	41,872
Unutilised investment allowance and tax losses	223,903	(8,486)	-	215,417	860,285	1,075,702
	268,637	(17,448)	3,013	254,202	863,372	1,117,574
	(325,372)	(94,876)	3,013	(417,235)	816,764	399,529
Presented after appropriate offsetting as follow:						
Deferred tax liabilities	(499,507)			(576,414)		(616,721)
Deferred tax assets	174,135			159,179		1,016,250
	(325,372)			(417,235)		399,529

18. PROPERTY DEVELOPMENT COSTS

	Group	
	2014	2013
	RM'000	RM'000
Freehold land	**5,600**	5,600
Development cost	**99,367**	99,367
	104,967	104,967

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

On 12 July 2014, a sale and purchase agreement was entered to sell the above property at RM107.5 million to a third party. The agreement was conditional upon the approval from relevant authorities and the issuance of strata titles. On 15 January 2015, the above condition precedents were subsequently fulfilled.

19. INVENTORIES

	Group		
		2013	1.1.2013
	2014	(Restated)	(Restated)
	RM'000	RM'000	RM'000
Cost			
Fuel	**43,728**	40,182	34,098
Coal	**9,244**	8,473	10,125
Consumables	**144,808**	147,409	165,871
Finished goods	**4,226**	4,460	3,492
Work-in-progress	**3,091**	2,397	3,987
	205,097	202,921	217,573

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current				
(a) Trade receivables				
Third parties	356,651	457,801	-	-
Less: Allowance for impairment	(37,338)	(36,864)	-	-
Trade receivables, net (i)	319,313	420,937	-	-
(b) Other receivables				
Amounts due from related companies				
- subsidiaries (ii)	-	-	72,213	94,804
- associates (iii)	10,780	10,780	10,729	10,729
Amount due from shareholders (iv)	142,772	205,489	142,771	205,489
Deposits	590	510	92	103
Sundry receivables (v)	323,183	26,508	284,537	6,477
	477,325	243,287	510,342	317,602
Less: Allowance for impairment				
- related companies				
- subsidiaries	-	-	-	-
- associate	(10,729)	(10,729)	(10,729)	(10,729)
- third parties	(9,662)	(9,662)	-	-
	456,934	222,896	499,613	306,873
	776,247	643,833	499,613	306,873
Non-current				
Other receivables				
Amounts due from subsidiaries (ii)	-	-	5,226,829	4,709,140
Total trade and other receivables	776,247	643,833	5,726,442	5,016,013

20. TRADE AND OTHER RECEIVABLES (CONT'D)

(i) Trade receivables

The Group's normal trade credit term ranges from 14 to 60 days (2013: 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
2014				
Current	**239,284**	**(290)**	**-**	**238,994**
1 to 30 days past due	**28,163**	**(301)**	**(478)**	**27,384**
31 to 60 days past due	**14,167**	**(293)**	**(515)**	**13,359**
61 to 90 days past due	**10,057**	**(308)**	**(473)**	**9,276**
More than 90 days past due	**64,980**	**(25,457)**	**(9,223)**	**30,300**
	356,651	**(26,649)**	**(10,689)**	**319,313**
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

20. TRADE AND OTHER RECEIVABLES (CONT'D)

(i) Trade receivables (cont'd)

Ageing analysis of trade receivables (cont'd)

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

	Group	
	2014 RM'000	2013 RM'000
At 1 January	36,864	19,467
Impairment during the year (Note 8)	4,951	17,397
Reversal of impairment loss (Note 6)	(4,477)	-
At 31 December	37,338	36,864

The Group's trade receivables amounting to RM80.3 million (2013: RM220.6 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 RM341.2 million (2013: RM319.2 million).

(ii) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and non-interest bearing except for amounts of RM5,226.8 million (2013: RM4,729.1 million) which bear interest at rates from 4.68% to 5.17% (2013: 4.68% to 5.01%) per annum. These amounts are repayable on demand except for RM5,226.8 million (2013: RM4,709.1 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% (2013: 4.68%) per annum on the amount outstanding.

20. TRADE AND OTHER RECEIVABLES (CONT'D)

(v) Sundry receivables

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Advance payments	280,670	8,051	169,885	-
Amount due from former associates	7,000	7,000	-	-
Interest receivables	16,805	2,594	16,409	2,392
Other receivables	18,708	8,863	98,243	4,085
	323,183	26,508	284,537	6,477

21. OTHER CURRENT ASSETS

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Prepaid operating expenses	5,668	11,471	5	5
Tax recoverable	307	2,368	-	-
	5,975	13,839	5	5

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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Short-term deposits with licensed banks	2,184,492	1,119,934	1,735,371	804,930
Cash at banks and on hand	28,422	157,269	2,408	6,773
Cash and cash equivalents	2,212,914	1,277,203	1,737,779	811,703

Short-term deposits are made for varying periods of between one day and 365 days (2013: 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 2.63% to 4.15% (2013: 2.80% to 4.15%) per annum.

Short-term deposits with licensed banks of the Group amounting to RM148,675,594 (2013: RM121,184,126) are pledged as securities for the Group's borrowings.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	251,006	169,249	-	-
Amount due to associates	12,882	9,653	-	-
	263,888	178,902	-	-

23. TRADE AND OTHER PAYABLES (CONT'D)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Other payables				
Other payables	322,960	114,886	11,754	1,135
Accruals	369,863	151,927	107,156	62,400
Amounts due to subsidiaries	-	-	1,033	177
Collateral deposits	341,179	319,155	-	-
Deposit payable	3,068	2,716	-	1,000
Retention money	96,004	85,180	5,099	170
	1,133,074	673,864	125,042	64,882
Total trade and other payables	1,396,962	852,766	125,042	64,882

(a) Trade payables

Trade payables are non-interest bearing. The normal trade credit term granted to the Group ranges from 14 to 120 days (2013: 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 (2013: 14 to 120 days).

(c) Amounts due to subsidiaries

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

24. LOANS AND BORROWINGS (CONT'D)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current				
Secured:				
Islamic debt securities	55,000	65,000	-	-
Term loan	2,738	33,911	-	-
Obligation under finance lease	15	14	-	-
	57,753	98,925	-	-
Non-current				
Secured:				
Islamic debt securities	445,000	500,000	-	-
Term loan	-	2,201	-	-
Obligation under finance lease	71	86	-	-
	445,071	502,287	-	-
Unsecured:				
Islamic debt securities	7,000,000	5,500,000	7,000,000	5,500,000
	7,445,071	6,002,287	7,000,000	5,500,000
Total loans and borrowings	7,502,824	6,101,212	7,000,000	5,500,000

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.

24. LOANS AND BORROWINGS (CONT'D)

Islamic debt securities (cont'd)

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

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.

The summary of the profit payment rates and redemption dates of the Sukuk Musharakah as at 31 December 2014 is tabulated below:

Year of Issuance	Nominal amount RM' million	Profit payment rates % per annum	Tenurs Years	Redemption dates Year
2006	30	7.20 - 8.10	9 - 14	2017 - 2021
2007	15	7.00 - 7.05	8 - 9	2015 - 2016
	45			

The Sukuk Musharakah is redeemable as follows:

	Group	
	2014 RM'000	2013 RM'000
Repayable within 1 year	**5,000**	5,000
Repayable after 1 year	**40,000**	45,000
	45,000	50,000

24. LOANS AND BORROWINGS (CONT'D)

<u>Islamic debt securities</u> (cont'd)

(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.

The summary of the profit payment rates and redemption dates of the Sukuk Mudharabah as at 31 December 2014 is tabulated below:

Year of Issuance	Nominal amount RM' million	Profit payment rates % per annum	Tenurs Years	Redemption dates Year
2006	195	8.10 - 8.60	13 - 15	2019 - 2021
2007	260	7.45 - 8.25	8 - 12	2015 - 2019
	455			

24. LOANS AND BORROWINGS (CONT'D)

Islamic debt securities (cont'd)

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

The Sukuk Mudharabah is redeemable as follows:

	Group	
	2014	2013
	RM'000	RM'000
Redeemable within 1 year	50,000	60,000
Redeemable after 1 year	405,000	455,000
	455,000	515,000

(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. On 4 July 2014, the Company has raised a total amount of RM1.5 billion from its third issuance. A total of RM7.0 billion had been issued as at current year end.

The summary of the profit payment rates and redemption dates of the Sukuk Musyarakah as at 31 December 2014 is tabulated below:

Year of Issuance	Nominal amount	Profit payment rates	Tenurs	Redemption dates
	RM' million	% per annum	Years	Year
2011	3,000	4.40 - 5.65	5 - 15	2016 - 2026
2012	2,500	4.50 - 4.85	10 - 15	2022 - 2027
2014	1,500	4.50 - 5.50	5 - 15	2019 - 2029
	7,000			

24. LOANS AND BORROWINGS (CONT'D)

Islamic debt securities (cont'd)

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

The Sukuk Musyarakah is redeemable as follows:

	Group/Company	
	2014 RM'000	2013 RM'000
Redeemable after 1 year	7,000,000	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 rate during the year was 4.79% to 4.85% (2013: 4.97% to 5.55%) per annum and is repayable in 37 monthly equal instalments, with first instalment commenced on January 2012 and last instalment on January 2015.

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

	Group	
	2014 RM'000	2013 RM'000
Repayable within 1 year	2,738	33,911
Repayable after 1 year	-	2,201
	2,738	36,112

24. LOANS AND BORROWINGS (CONT'D)

Obligation under finance lease

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

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

	Group	
	2014	2013
	RM'000	RM'000
Within one year	15	14
After one year	71	86
	86	100

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	
	2014	2013
	RM'000	RM'000
At 1 January	1,742,184	1,691,089
Received during the year	181,714	163,601
Amortisation during the year (Note 6)	(125,065)	(112,506)
At 31 December	1,798,833	1,742,184

Government grants and capital contributions received during the year amounted to RM181,714,796 (2013: RM163,600,763) and an amount of RM125,065,096 (2013: RM112,506,111) 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	155,873	170,072	750	1,127
Recognised in profit and loss (Note 9)	18,141	(21,060)	106	(71)
Recognised in other comprehensive income	-	11,739	-	(298)
Benefits paid	(5,707)	(4,878)	(11)	(8)
At 31 December	168,307	155,873	845	750

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Present value of unfunded defined benefit obligations				
Current	5,103	4,615	14	13
Non-current	163,204	151,258	831	737
	168,307	155,873	845	750

The amounts recognised in the income statement are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Recognised in profit and loss:				
Current service cost	9,260	5,805	62	70
Interest cost	8,881	11,055	44	73
Past service cost/(credit)	-	(37,920)	-	(214)
Total, included in employee benefits expense (Note 9)	18,141	(21,060)	106	(71)

26. EMPLOYEE BENEFITS (CONT'D)

Retirement benefit obligations (cont'd)

The amounts recognised in the income statement are as follows: (cont'd)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Recognised in other comprehensive income:				
Actuarial gain/(loss)	-	11,739	-	(298)

Principal actuarial assumptions used:

	Group		Company	
	2014	2013	2014	2013
	%	%	%	%
Discount rate	5.80	5.80	5.80	5.80
Medical cost inflation rate	8.50	10.00	8.50	10.00

The average life expectancy of an individual retiring at age 60 (2013: 60) is 16 years.

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

	Impact on retirement benefit obligation Increase/(decrease)			
	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
1% increase in discount rate	(23,748)	(22,107)	(156)	(140)
1% increase in medical cost inflation rate	31,271	27,424	214	184

27. SHARE CAPITAL AND SHARE PREMIUM

			Amount		
	Number of ordinary shares	Par value	Share capital	Share premium	Total share capital and share premium
	'000	RM	RM'000	RM'000	RM'000
Group and Company					
Issued and fully paid					
At 31 December 2013 and 31 December 2014	1,610,569	1.00	1,610,569	149,644	1,760,213

	Number of ordinary shares of RM1 each		Amount	
	2014	2013	2014	2013
	'000	'000	RM'000	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.

28. RESERVES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Capital reserves (a)	85,355	85,355	-	-
Capital redemption reserve (b)	73,128	73,128	73,128	73,128
Available-for-sale reserve	20,610	25,326	20,610	25,326
	179,093	183,809	93,738	98,454
Distributable:				
General reserves (a)	94,147	94,147	5,000	5,000
Retained earnings (d)	3,569,532	2,209,025	469,633	393,950
	3,663,679	2,303,172	474,633	398,950
	3,842,772	2,486,981	568,371	497,404

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) Retained earnings

Under the single tier tax system which came into effect on 1 January 2014, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

The balance of the entire retained earnings as at 31 December 2014 may be distributed as dividends under single tier system.

29. FUTURE CAPITAL COMMITMENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Capital expenditure:				
Approved and contracted for	2,020,337	3,316,448	-	-
Approved and not contracted for	11,914,388	11,301,963	-	-
	13,934,725	14,618,411	-	-

30. RELATED PARTY DISCLOSURES

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

	Group	
	2014 RM'000	2013 RM'000
(i) Transactions with associates:		
Expenditure		
Purchases		
Sarawak Coal Resources Sdn Bhd	206,845	180,016
Gobel Industry Sdn Bhd	353	1,582
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	8,032	4,153
Sarwaja Timur Sdn Bhd	1,381	4

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.

30. 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 10)	1,424	980	974	442
Short-term employee benefits	18,241	28,395	12,020	20,538
Post-employment benefits				
- defined contribution plan	1,240	1,794	301	620
- defined benefit plan	116	160	1	(6)
Other benefits	494	748	420	639
	21,515	32,077	13,716	22,233

31. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Final single-tier dividend for 2012: 4.125 sen on 1,610,568,979 ordinary shares	-	-	-	66,436
Final single-tier dividend for 2013: 5.50 sen on 1,610,568,979 ordinary shares	-	88,581	88,581	-
Proposed for approval at forthcoming AGM				
Final single-tier dividend for 2014: 5.50 sen on 1,610,568,979 ordinary shares	88,581	-	-	-
Special single-tier dividend for 2014: 3.36 sen on 1,610,568,979 ordinary shares	54,191	-	-	-
	142,772	88,581	88,581	66,436

31. DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final single-tier dividend and a special single-tier dividend in respect of the financial year ended 31 December 2014, of 5.50 sen and 3.36 sen, amounting to a dividend payable of RM88,581,294 and RM54,191,000, respectively on 1,610,568,979 ordinary shares, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

32. 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.

33. 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.

34. 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) 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 last financial year.

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

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

(iii) 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.

(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:

	2014		2013	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Financial liabilities				
Loans and borrowings	**(7,445,071)**	**(7,670,051)**	(6,002,086)	(6,096,705)
Company				
Financial liabilities				
Loans and borrowings	**(7,000,000)**	**(7,166,265)**	(5,500,000)	(5,524,923)

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

(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.

Quantitative disclosures of the fair value measurement hierarchy as at 31 December 2014 and 31 December 2013 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	2014	**76,501**	**-**	**-**	**76,501**
	2013	81,217	-	-	81,217
Group					
Liabilities for which fair values are disclosed:					
Financial liabilities					
Loans and borrowings	2014	**-**	**7,670,051**	**-**	**7,670,051**
	2013	-	6,096,705	-	6,096,705
Company					
Liabilities for which fair values are disclosed:					
Financial liabilities					
Loans and borrowings	2014	**-**	**7,166,265**	**-**	**7,166,265**
	2013	-	5,524,923	-	5,524,923

35. 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	Available-for-sale RM'000	Other financial liabilities RM'000
2014			
Assets			
Other investment	-	76,501	-
Trade and other receivables	776,247	-	-
Cash and bank balances	2,212,914	-	-
Liabilities			
Trade and other payables	-	-	1,396,962
Loans and borrowings	-	-	7,502,824
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

35. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

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

Company	Loans and receivables RM'000	Available-for-sale RM'000	Other financial liabilities RM'000
2014			
Assets			
Other investment	-	76,501	-
Trade and other receivables	5,726,442	-	-
Cash and bank balances	1,737,779	-	-
Liabilities			
Trade and other payables	-	-	125,042
Loans and borrowings	-	-	7,000,000
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

36. 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.

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

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 had applied hedge accounting and hold or issue derivative financial instruments for capital expenditure purpose during the last 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 2014, approximately 42% (2013: 64%) 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.

(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.

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

(b) Liquidity risk (cont'd)

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
2014					
Non-derivative financial liabilities					
Trade and other payables	1,396,962	1,396,962	1,396,962	-	-
Loans and borrowings	7,502,824	10,784,585	443,051	3,049,245	7,292,289
	8,899,786	12,181,547	1,840,013	3,049,245	7,292,289
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

36. 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
2014					
Non-derivative financial liabilities					
Trade and other payables	**125,042**	**125,042**	**125,042**	**-**	**-**
Loans and borrowings	**7,000,000**	**10,120,167**	**346,150**	**2,659,018**	**7,114,999**
	7,125,042	**10,245,209**	**471,192**	**2,659,018**	**7,114,999**
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

36. 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 uses forward currency contracts to hedge foreign currency risk attributable to receivables and contract payments. The maturities of the forward currency contracts were intended to match the expected monthly receivables and 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. This investment is classified as available-for-sale financial asset. The Group and the Company manage the risk of impairment by continuously monitoring the performance of investment held and assessing market risk relevant to which the investment operates.

37. 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 2014 and 31 December 2013.

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	2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Loans and borrowings	24	**7,502,824**	6,101,212	**7,000,000**	5,500,000
Less: Cash and bank balances	22	**(2,212,914)**	(1,277,203)	**(1,737,779)**	(811,703)
Net debt		**5,289,910**	4,824,009	**5,262,221**	4,688,297
Total equity		**5,611,707**	4,256,340	**2,328,584**	2,257,617
Gearing ratio (times)		**0.94**	1.13	**2.26**	2.08

38. SIGNIFICANT EVENT

On 9 October 2014, the Group has signed a contract with Shanghai Electric Group Co. Ltd and Shanghai Electric Power Generation (M) Sdn Bhd for the construction of the 2 x 300 MW Balingian Coal-fired Main Power Plant.

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issued in accordance with a resolution of the Directors on 29 April 2015.

Menara Sarawak Energy,
No. 1, The Isthmus,
93050 Kuching,
Sarawak, Malaysia.
General Line: +6 082-388 388
Fax: +6 082-341 063
Email: corpcomm@sarawakenergy.com.my

Follow us on @1SarawakEnergy