DiGi.Com Berhad (425190-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2009

425190-X

DiGi.Com Berhad
(Incorporated in Malaysia)

Contents

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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 2009.

Principal activities

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are stated in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year	1,000,471	1,375,476
Attributable to:		
Equity holders of the Company	1,000,471	1,375,476

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The dividends paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2008:	
Final dividend of 53.0 sen single-tier exempt dividend per ordinary share, approved on 7 May 2009 and paid on 12 June 2009	412,075

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Dividends (cont'd.)

	RM'000
In respect of the financial year ended 31 December 2009:	
First interim dividend of 49.0 sen single-tier exempt dividend per ordinary share, declared on 22 July 2009 and paid on 18 September 2009	380,975
Special dividend of 75.0 sen single-tier exempt dividend per ordinary share, declared on 28 October 2009 and paid on 18 December 2009	583,125

The Board of Directors had on 3 February 2010, declared a second interim dividend of 54.0 sen single-tier exempt dividend per ordinary share in respect of the financial year ended 31 December 2009. The financial statements for the current financial year do not reflect this second interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2010.

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:

Sigve Brekke	
Tan Sri Leo Moggie	
Dato' Ab. Halim bin Mohyiddin	
Eirik Boerve Monsen	(Appointed on 7 May 2009)
Hakon Bruaset Kjol	(Appointed as Director and Alternate Director to Sigve Brekke on 16 March 2010)
Ragnar Holmen Korsaeth	(Resigned on 16 September 2009)
Christian Storm	(Resigned as Director and Alternate Director to Sigve Brekke on 16 March 2010)

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 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 Note 7 to the financial statements or the fixed salary of full-time employees of a related corporation) 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.

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Directors' interest

According to the Register of Directors’ Shareholdings, the interest of Directors in office at the end of the financial year in the shares and options over shares of the Company or its related corporations during the financial year were as follow:

	<-----Number of ordinary shares of NOK6 each------>			
	1 January 2009/date of appointment	**Acquired**	**Sold**	**31 December 2009**
Ultimate holding company				
Telenor ASA				
Direct Interest:				
Sigve Brekke	9,270	12,207	-	21,477
Eirik Boerve Monsen	3,301	-	-	3,301
Christian Storm	2,555	-	-	2,555

	<-----Number of options over ordinary shares------> of NOK6 each			
	1 January 2009	**Granted**	**Exercised**	**31 December 2009**
Ultimate holding company				
Telenor ASA				
Direct Interest:				
Sigve Brekke	40,000	-	-	40,000
Christian Storm	20,000	-	-	20,000

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

Issue of shares

There were no changes in the issued and paid-up capital of the Company during the financial year.

Issue of debentures

There was no issue of debentures of the Company during the financial year.

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Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

(a) Before the financial statements 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 provisions had been made for doubtful debts; and

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

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

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

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

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

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

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

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

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

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Other statutory information (cont'd.)

(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 or 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 or of the Company for the financial year in which this report is made.

Significant events

Details of the significant events during the year are as disclosed in Note 31 to the financial statements.

Subsequent event

Details of the subsequent event are as disclosed in Note 32 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 16 March 2010.

Dato' Ab. Halim bin Mohyiddin Director	Eirik Boerve Monsen Director

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Statement by Directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Ab. Halim bin Mohyiddin and Eirik Boerve Monsen, being two of the Directors of DiGi.Com Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 9 to 59 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 16 March 2010.

Dato' Ab. Halim bin Mohyiddin
Director

Eirik Boerve Monsen
Director

Statutory Declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Stefan Carlsson, being the officer primarily responsible for the financial management of DiGi.Com Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 59 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 above-named Stefan Carlsson at Kuala Lumpur in Wilayah Persekutuan on 16 March 2010.

Stefan Carlsson

Before me,

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Independent auditors' report to the members of
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Report on the financial statements

We have audited the financial statements of DiGi.Com Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 59.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the 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.

Independent auditors' report to the members of
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Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and 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 2009 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

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

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements 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 accounts of the subsidiaries were not subject to any qualification to the consolidated financial statements 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

Lim Saw Keng
No. 2215/10/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
16 March 2010

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Income Statements
For the year ended 31 December 2009

		Group		Company	
		2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	5	4,909,565	4,814,475	1,375,857	1,485,286
Other income		9,466	12,461	-	-
Cost of materials and traffic expenses		(1,170,858)	(1,090,699)	-	-
Sales and marketing expenses		(497,633)	(547,562)	-	-
Operations and maintenance expenses		(120,432)	(129,940)	-	-
Rental expenses		(227,968)	(177,893)	-	-
Staff expenses		(283,406)	(242,109)	-	-
Depreciation expenses and impairment losses		(592,283)	(572,940)	-	-
Amortisation expenses		(138,838)	(63,046)	-	-
Other expenses		(494,177)	(467,610)	(453)	(1,852)
Finance costs	6	(40,590)	(12,361)	-	-
Interest income		13,609	24,120	98	275
Profit before tax	7	1,366,455	1,546,896	1,375,502	1,483,709
Taxation	8	(365,984)	(406,181)	(26)	(147)
Profit for the year		1,000,471	1,140,715	1,375,476	1,483,562
Attributable to:					
Equity holders of the Company		1,000,471	1,140,715	1,375,476	1,483,562
Earnings per ordinary share (sen)	9	128.7	148.5		

The accompanying notes form an integral part of the financial statements.

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Balance Sheets
As at 31 December 2009

		Group		Company	
		2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000
Non-current assets					
Property, plant and equipment	11	2,896,120	2,870,115	-	-
Prepaid lease payments		12,054	12,277	-	-
Intangible assets	12	950,174	994,019	-	-
Investments in subsidiaries	13	-	-	772,751	75,000
Amount due from a subsidiary		-	-	-	698,281
		3,858,348	3,876,411	772,751	773,281
Current assets					
Inventories	14	13,061	17,053	-	-
Trade and other receivables	15	420,336	420,807	64	27
Short-term investment	16	10,514	10,304	-	-
Cash and cash equivalents	17	430,185	331,277	114	334
		874,096	779,441	178	361
TOTAL ASSETS		4,732,444	4,655,852	772,929	773,642
Equity					
Share capital	18	77,750	77,750	77,750	77,750
Reserves		1,443,718	1,819,422	694,833	695,532
Total equity - attributable to equity holders of the Company		1,521,468	1,897,172	772,583	773,282
Non-current liabilities					
Borrowings	19	772,010	100,000	-	-
Deferred tax liabilities	20	391,463	371,526	-	-
Provision for liabilities	21	21,717	20,031	-	-
		1,185,190	491,557	-	-

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Balance Sheets
As at 31 December 2009 (cont'd.)

		Group		Company	
		2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000
Current liabilities					
Trade and other payables	22	1,428,948	1,493,640	305	360
Amount due to a subsidiary	23	-	-	41	-
Provision for liabilities	21	71,057	106,027	-	-
Deferred revenue		272,986	265,923	-	-
Borrowings	19	149,829	297,821	-	-
Taxation		102,966	103,712	-	-
		2,025,786	2,267,123	346	360
Total liabilities		3,210,976	2,758,680	346	360
TOTAL EQUITY AND LIABILITIES		4,732,444	4,655,852	772,929	773,642

The accompanying notes form an integral part of the financial statements.

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Statements of Changes in Equity
For the year ended 31 December 2009

		Attributable to equity holders of the Company			
			Non-Distributable	*Distributable*	
	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
Group					
At 1 January 2008		75,000	15,151	1,487,494	1,577,645
Profit for the year, representing total recognised income and expenses for the year		-	-	1,140,715	1,140,715
Issue of 27,500,000 new ordinary shares pursuant to the transfer of 3G spectrum		2,750	682,000	-	684,750
Share issuance and listing expenses		-	(5,246)	-	(5,246)
Dividend for the financial year ended 31 December 2007					
- final	10	-	-	(451,067)	(451,067)
Dividend for the financial year ended 31 December 2008					
- interim	10	-	-	(443,175)	(443,175)
- special	10	-	-	(606,450)	(606,450)
At 31 December 2008		77,750	691,905	1,127,517	1,897,172
Profit for the year, representing total recognised income and expenses for the year		-	-	1,000,471	1,000,471
Dividend for the financial year ended 31 December 2008					
- final	10	-	-	(412,075)	(412,075)
Dividend for the financial year ended 31 December 2009					
- interim	10	-	-	(380,975)	(380,975)
- special	10	-	-	(583,125)	(583,125)
At 31 December 2009		77,750	691,905	751,813	1,521,468

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Statements of Changes in Equity
For the year ended 31 December 2009 (cont'd.)

		Attributable to equity holders of the Company			
			Non-Distributable	*Distributable*	
	Note	**Share capital RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Total RM'000**
Company					
At 1 January 2008		75,000	15,151	20,757	110,908
Profit for the year, representing total recognised income and expenses for the year		-	-	1,483,562	1,483,562
Issue of 27,500,000 new ordinary shares pursuant to the transfer of 3G spectrum		2,750	682,000	-	684,750
Share issuance and listing expenses		-	(5,246)	-	(5,246)
Dividend for the financial year ended 31 December 2007					
- final	10	-	-	(451,067)	(451,067)
Dividend for the financial year ended 31 December 2008					
- interim	10	-	-	(443,175)	(443,175)
- special	10	-	-	(606,450)	(606,450)
At 31 December 2008		77,750	691,905	3,627	773,282
Profit for the year, representing total recognised income and expenses for the year		-	-	1,375,476	1,375,476
Dividend for the financial year ended 31 December 2008					
- final	10	-	-	(412,075)	(412,075)
Dividend for the financial year ended 31 December 2009					
- interim	10	-	-	(380,975)	(380,975)
- special	10	-	-	(583,125)	(583,125)
At 31 December 2009		77,750	691,905	2,928	772,583

The accompanying notes form an integral part of the financial statements.

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Cash Flow Statements
For the year ended 31 December 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash flows from operating activities					
Profit before tax		1,366,455	1,546,896	1,375,502	1,483,709
Adjustments for:					
Amortisation expenses of intangible assets	12	138,615	62,823	-	-
Amortisation expenses of prepaid lease payments		223	223	-	-
Allowance for doubtful debts		70,452	33,277	-	-
Dividend income		-	-	(1,375,857)	(1,485,286)
Depreciation expenses and impairment losses	11	592,283	572,940	-	-
Dividend income on short-term investment		(248)	(229)	-	-
Finance costs	6	40,590	12,361	-	-
Fair value adjustment on short-term investment		38	(75)	-	-
Loss/(gain) on disposal of property, plant and equipment		3,693	(1,216)	-	-
Interest income		(13,609)	(24,120)	(98)	(275)
Property, plant and equipment written-off		1,474	5,592	-	-
Provision for liabilities		210,131	237,322	-	-
Share-based payment		1,033	74	-	-
Unrealised foreign exchange loss/(gain)		207	(32)	-	-
Operating profit/(loss) before working capital changes		2,411,337	2,445,836	(453)	(1,852)

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Cash Flow Statements
For the year ended 31 December 2009 (cont'd.)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cash flows from operating activities (cont'd.)					
Decrease/(increase) in inventories		3,992	(8,394)	-	-
(Increase)/decrease in receivables		(70,436)	(103,319)	(37)	56
Decrease in amount due from a subsidiary		-	-	571	17,366
(Decrease)/increase in payables		(78,249)	314,095	(55)	(100)
Increase in deferred revenue		7,063	38,922	-	-
Cash generated from operations		2,273,707	2,687,140	26	15,470
Interest paid		(26,164)	(11,937)	-	-
Payments for provisions	21	(245,570)	(234,159)	-	-
Taxes paid		(346,793)	(402,553)	(26)	-
Net cash generated from operating activities		1,655,180	2,038,491	-	15,470

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Cash Flow Statements
For the year ended 31 December 2009 (cont'd.)

		Group		Company	
		2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets		(717,405)	(896,770)	-	-
Dividends received from a subsidiary		-	-	1,375,857	1,485,212
Purchase of short-term investment		-	(10,000)	-	-
Interest received		13,649	24,750	98	275
Proceeds from disposal of property, plant and equipment		170	376	-	-
Net cash (used in)/generated from investing activities		(703,586)	(881,644)	1,375,955	1,485,487
Cash flows from financing activities					
Repayment of borrowings	19	(300,000)	(100,000)	-	-
Proceeds from borrowings	19	823,489	197,978	-	-
Dividends paid	10	(1,376,175)	(1,500,692)	(1,376,175)	(1,500,692)
Net cash used in financing activities		(852,686)	(1,402,714)	(1,376,175)	(1,500,692)
Net increase/(decrease) in cash and cash equivalents		98,908	(245,867)	(220)	265
Cash and cash equivalents at beginning of year		331,277	577,144	334	69
Cash and cash equivalents at end of year	17	430,185	331,277	114	334

The accompanying notes form an integral part of the financial statements.

1. Corporate Information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 13 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business is located at Lot 10, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan.

The immediate holding and ultimate holding companies of the Company are Telenor Asia Pte Ltd and Telenor ASA, incorporated in Singapore and Norway respectively. The ultimate holding company is listed on the Oslo Stock Exchange, Norway.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 March 2010.

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below. The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia.

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

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are entities over which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group has such power over another entity.

2. Significant Accounting Policies (cont'd.)

(b) Basis of consolidation (cont'd.)

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary over the cost of acquisition is recognised immediately in the income statement.

Intragroup transactions, balances and resulting unrealised gains are eliminated in full on consolidation and the consolidated financial statements reflect only external transactions. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(c) Investments in subsidiaries

The Company's investments in subsidiaries are held for long-term and are stated at cost less any accumulated impairment losses. On the disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(d) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Cost includes expenditure that is attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other items used for repair and maintenance are charged to the income statement during the period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment, except for freehold land and capital work-in-progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land and capital work-in-progress are stated at cost.

2. Significant Accounting Policies (cont'd.)

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

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress is also not depreciated as these assets are not available for intended use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates or periods:

Freehold buildings	2.0%
Leasehold buildings	30 to 99 years
Motor vehicles	20.0%
Computer systems	20.0% - 33.3%
Furniture and fittings	20.0%
Telecommunications network	3.3% - 33.3%

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

(e) Impairment of property, plant and equipment, intangible assets and investments in subsidiaries

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying amounts of the assets with their recoverable amounts.

For assets with an indefinite useful life and intangible assets not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indication of impairment is evident.

Recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. For such assets, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. An impairment is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount, and the impairment loss is recognised as an expense in the income statement in the period in which it arises.

2. Significant Accounting Policies (cont'd.)

(e) Impairment of property, plant and equipment, intangible assets and investments in subsidiaries (cont'd.)

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised in prior years. The reversal is recognised in the income statement.

(f) Intangible assets

Intangible assets acquired separately are initially recorded at cost. Following initial recognition, intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated useful lives, and the amortisation periods and amortisation method are reviewed at least at each balance sheet date. Such assets are assessed for impairment whenever there is an indication that they may be impaired.

(i) 3G spectrum

Expenditure for the acquisition of the 3G spectrum are capitalised under intangible assets. The amount is amortised using the straight-line method over the shorter of their estimated useful life or remaining spectrum period up to 1 April 2018. Amortisation on the 3G spectrum commenced upon the commercial launch of the Group's 3G broadband services during the year.

2. Significant Accounting Policies (cont'd.)

(f) Intangible assets (cont'd.)

(ii) Computer software

Costs incurred to acquire computer software, that are not an integral part of the related hardware, are capitalised as intangible assets and amortised on a straight-line basis over the estimated useful life of 3 years.

(iii) License fee

License fees are capitalised and amortised over the period of the licenses. The license fees were fully amortised during the year.

(g) Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of trading merchandise comprises costs of purchases and other incidental costs incurred in bringing these merchandise to their present condition and location.

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

(h) Provision for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where 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 to the present value of the expenditure expected to be required to settle the obligation.

(i) Customer loyalty programme

Customer loyalty programme costs are provided based on management's best estimate on the amount of incentives realisable to the customers based on the past trend of customers' usage and utilisation.

2. Significant Accounting Policies (cont'd.)

(h) Provision for liabilities (cont'd.)

(ii) Employee leave entitlements

Employees' entitlement to annual leave are recognised when the associated services performed by employees increase their entitlement to annual leave. A provision is made for the estimated liability for the annual leave as a result of services rendered by employees up to the balance sheet date.

(iii) Site decommissioning and restoration costs

Provision for site decommissioning and restoration costs is in respect of management's best estimate on the costs necessary to be incurred to decommission and restore the telecommunications sites.

The estimated amount is determined after taking into consideration the time value of money, and the initial estimated sum is capitalised as part of the cost for property, plant and equipment. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(iv) Defined benefit plan

Provision for defined benefit plan for eligible employees is as disclosed in Note 2(j)(iii) to the financial statements.

(i) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. For the purpose of lease classification, the land and buildings elements of leases of land and buildings are considered separately.

Operating lease payments, net of any incentives received from the lessor, are recognised as an expense in the income statement on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. Significant Accounting Policies (cont'd.)

(i) Leases (cont'd.)

For leases of land and buildings, the minimum lease payments or up-front payments made are allocated, wherever necessary, between the land and buildings in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease. Up-front payments incurred to acquire leasehold land are classified as prepaid lease payments and are amortised on a straight-line basis over the lease term.

(j) Employee benefits

(i) 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. 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. Where payment or settlement is deferred and the effect would be material, these amounts are discounted to their present value.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund, and will have no legal or constructive obligation to make further contributions in future. The contributions are recognised as an expense in the income statement as incurred.

2. Significant Accounting Policies (cont'd.)

(j) Employee benefits (cont'd.)

(iii) Defined benefit plan

The Group operates an unfunded defined benefit plan for its eligible employees. The benefits are calculated based on the length of service and the agreed percentages of eligible employees' salaries over the period of their employment and are payable upon resignation after completion of the minimum employment period of 10 years or upon retirement age of 55 years. The Group's obligations under the retirement benefit scheme, 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. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the eligible employees when the cumulative unrecognised actuarial gains or losses for the retirement benefit scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

Gains or losses on the curtailment of a defined benefit plan will be recognised when the curtailment occurs. The gains or losses would comprise any resulting change in the present value of the defined benefit obligation and any related actuarial gains and losses and past service costs that had not previously been recognised.

The Group amended the defined benefit plan effective from 1 January 2006 to restrict new entries into the plan and the benefits payable are to be calculated based on the employees' length of service up to 31 December 2005.

2. Significant Accounting Policies (cont'd.)

(j) Employee benefits (cont'd.)

(iv) Share-based payment

The Group operates a scheme to award its eligible employees with the Company's shares. The eligible employees, who have served for more than 10 years, are entitled to certain number of shares which are directly acquired under the employees' names in the open market. The maximum entitlement of this benefit is capped to a certain amount as determined by the Group. The transactions are recorded as share-based cash-settled transactions, and the expense recognised under this scheme is determined by reference to the number of employees qualifying for the scheme, the number of shares entitled and the market price of the shares (capped at the maximum entitlement) at each balance sheet date.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year, measured using the tax rates that have been enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

2. Significant Accounting Policies (cont'd.)

(l) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Short-term investment

Short-term investment comprises a cash management fund. The short-term investment is recorded at fair value, with subsequent changes in fair value recognised in the income statement.

(ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, money on call and deposits with licensed banks. For the purpose of the cash flow statements, cash and cash equivalents are net of outstanding bank overdrafts, if any.

(iii) Receivables

Receivables are carried at anticipated realisable values, which is cost less allowances for doubtful debts. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2. Significant Accounting Policies (cont'd.)

(I) Financial instruments (cont'd.)

(v) Borrowings (cont'd.)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs directly attributable to the acquisition, construction and installation of property, plant and equipment, if any, are capitalised during the period of time necessary to prepare the assets, until they are ready for their intended use.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(vi) Derivative financial instruments

Derivative financial instruments comprise forward contracts in the foreign exchange market. Derivatives are stated at fair value which is equivalent to the unrealised gain or loss from marking to market the derivative, using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other payables in the balance sheet. The resultant gains and losses from derivatives held from trading purposes are recognised in the income statement.

(vii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2. Significant Accounting Policies (cont'd.)

(m) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue

Revenue relating to provision of telecommunications and related services are recognised net of rebates and discounts upon the transfer of risks and rewards when goods are delivered and services are performed. Revenue from prepaid services that have been sold to customers but where services have not been rendered at the balance sheet date is deferred.

(ii) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(iii) Dividend income

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

(n) Government grants

As a universal service provider ("USP"), the Group is entitled to claim certain qualified expenses from the Malaysian Communications and Multimedia Commission ("SKMM") in relation to USP projects. These claims are treated as government grants and recognised at their fair value where there is reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Grant relating to assets is recognised as income over the life of the depreciable assets by way of a reduced depreciation charge. Grant relating to income is recognised in the income statement by crediting directly against the related expense.

2. Significant Accounting Policies (cont'd.)

(o) Foreign currency transactions

(i) 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 of the Group are presented in RM, which is also the functional currency of all entities in the Group.

(ii) Foreign currency transactions

Transactions in foreign currencies are initially converted into RM at exchange rates ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into RM at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition.

All exchange rate differences are taken to the income statement.

3. Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year's financial statements.

The Group and the Company have not early adopted the following FRSs and IC Int. which have effective dates as follow:

FRSs and IC Int.		Effective for financial periods beginning on or after
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations (revised)	1 July 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements (revised)	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements (amended)	1 July 2010

3. Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd.)

FRSs and IC Int.		Effective for financial periods beginning on or after
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS 139, FRS 7 and IC Int. 9	Financial Instruments: Recognition and Measurement, Financial Instruments: Disclosures, and Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRSs	Improvements to FRSs (2009)	1 January 2010
IC Int. 9	Reassessment of Embedded Derivatives	1 January 2010
IC Int. 10	Interim Financial Reporting and Impairment	1 January 2010
IC Int. 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Int. 13	Customer Loyalty Programmes	1 January 2010
IC Int. 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Int. 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Int. 9	Reassessment of Embedded Derivatives	1 July 2010

3. Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd.)

The adoption of the above is not expected to have any significant effects on the financial statements of the Group and of the Company upon their initial application other than as discussed below:

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income - presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group and the Company are currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

Amendments to FRSs ‘Improvements to FRSs (2009)’ - FRS 117: Leases

FRS 117 clarifies on the classification of leases of land and buildings. The resulting effect of this Standard taking effect is the reclassification of prepaid leases on land back into property, plant and equipment, rather than being separately classified under prepaid lease payments on the consolidated balance sheet.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7.

FRS 7 is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group’s and Company’s exposure to risks, enhanced disclosure regarding components of the Group’s and Company’s financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

4. Significant Accounting Estimates and Judgements and Key Sources of Estimation Uncertainty

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects on the amounts recognised in the financial statements.

The management makes 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.

The following represents a summary of the critical accounting estimates and the associated key sources of estimation uncertainty:

(a) Depreciation and amortisation

Depreciation and amortisation are based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, which could potentially impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses.

(b) Impairment

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and change the recoverable amounts of assets and impairment losses needed.

4. Significant Accounting Estimates and Judgements and Key Sources of Estimation Uncertainty (cont'd.)

(c) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the balance sheet date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the balance sheet date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the income statement in the period in which actual realisation and settlement occurs.

(d) Provision for liabilities

Provisions for liabilities are based on management's judgement on the likelihood of liabilities crystalising and best estimates on the amounts required to settle the liabilities arising from legal and constructive obligations. A change in circumstances which could cause estimates to change include changes in market trends and conditions, regulatory environment, employees' and customers' behaviours and other factors that may change the amount of provisions in the balance sheet. The difference between the actual amount and the estimated amount would be recognised in the income statement in the period in which the change occurs.

5. Revenue

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Telecommunications revenue	4,909,565	4,814,475	-	-
Dividend	-	-	1,375,857	1,485,286
	4,909,565	4,814,475	1,375,857	1,485,286

6. Finance Costs

	Group	
	2009 RM'000	2008 RM'000
Interest expense	38,569	11,491
Others	2,021	870
	40,590	12,361

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7. Profit Before Tax

Profit before tax is derived after deducting/(crediting):

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Allowance for doubtful debts	70,452	33,277	-	-
Amortisation expense for:				
- intangible assets	138,615	62,823	-	-
- prepaid lease payments	223	223	-	-
Auditors' remuneration:				
- statutory audit	290	284	27	27
- other services	185	203	8	8
Directors' emoluments	264	264	27	26
Employee benefits:				
- defined contribution plan	22,126	21,896	-	-
- defined benefit plan	123	126	-	-
- share-based payment	1,033	74	-	-
Lease of transmission facilities	85,597	63,909	-	-
Provision for:				
- customer loyalty programme	209,432	236,054	-	-
- employee leave entitlements	576	1,142	-	-
- site decommissioning and restoration costs	1,168	1,085	-	-
Rental of equipment	3,348	4,290	-	-
Rental of land and buildings	205,035	158,158	-	-
Foreign exchange loss	5,614	5,911	-	-
Property, plant and equipment written-off	1,474	5,592	-	-
Fair value adjustment on short-term investment	38	(75)	-	-
Loss/(gain) on disposal of property, plant and equipment	3,693	(1,216)	-	-
Dividend income from:				
- a subsidiary	-	-	(1,375,857)	(1,485,286)
- short-term investment	(248)	(229)	-	-
Government grant received	-	(200)	-	-
Bad debts recovered	(4,331)	(4,977)	-	-

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8. Taxation

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax:				
Current tax expense	286,595	397,492	25	148
Under/(over)accrual in prior years	59,452	(7,316)	1	(1)
	346,047	390,176	26	147
Deferred taxation (Note 20):				
Relating to origination and reversal of temporary differences	77,674	10,693	-	-
Relating to changes in tax rates	-	(1,224)	-	-
(Over)/underaccrual in prior years	(57,737)	6,536	-	-
	19,937	16,005	-	-
	365,984	406,181	26	147

Current tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated taxable profit for the year.

Reconciliations of income tax expense/rate applicable to profit before tax at the statutory income tax rate to income tax expense/rate at the effective income tax rate of the Group and of the Company are as follow:

	2009		2008	
	%	**RM'000**	**%**	**RM'000**
Group				
Profit before tax		1,366,455		1,546,896
Taxation at Malaysian statutory tax rate	25.0	341,614	26.0	402,193
Effect of changes in tax rates on opening balance of deferred tax	-	-	(0.0)	(1,224)
Effect of expenses not deductible	1.6	22,655	0.4	5,992
(Over)/underaccrual of deferred tax in prior years	(4.2)	(57,737)	0.4	6,536
Under/(over)accrual of tax expense in prior years	4.4	59,452	(0.5)	(7,316)
Effective tax rate/income tax for the year	26.8	365,984	26.3	406,181

8. **Taxation (cont'd.)**

	2009		2008	
	%	RM'000	%	RM'000
Company				
Profit before tax		1,375,502		1,483,709
Taxation at Malaysian statutory tax rate	25.0	343,876	26.0	385,764
Effect of expenses not deductible	0.0	113	0.0	470
Income not subjected to tax	(25.0)	(343,964)	(26.0)	(386,086)
Under/(over)accrual of tax expense in prior years	0.0	1	(0.0)	(1)
Effective tax rate/income tax for the year	0.0	26	0.0	147

There were tax savings effects for the Group of approximately RM261 million (2008: RM177 million) arising from the utilisation of capital allowances by a subsidiary.

9. **Earnings Per Ordinary Share**

Earnings per ordinary share is calculated by dividing profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2009	2008
Profit attributable to equity holders of the Company (RM'000)	1,000,471	1,140,715
Weighted average number of ordinary shares in issue ('000)	777,500	767,958
Basic earnings per share (sen)	128.7	148.5

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10. Dividends

	Group/Company 2009 RM'000	Group/Company 2008 RM'000
Recognised during the year:		
Final dividend for 2008: 53.0 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares	412,075	-
First interim dividend for 2009: 49.0 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares	380,975	-
Special dividend for 2009: 75.0 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares	583,125	-
Final dividend for 2007: 4.75 sen, less 26% income tax, and 54.5 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares (58.0 sen per ordinary share)	-	451,067
Interim dividend for 2008: 57.0 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares	-	443,175
Special dividend for 2008: 78.0 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares	-	606,450
Interim dividend declared/final dividend proposed subsequent to the balance sheet date (not recognised as at 31 December):		
Second interim dividend for 2009: 54.0 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares	419,850	-
Final dividend for 2008: 53.0 sen single-tier exempt dividend per ordinary share, on 777.5 million ordinary shares	-	412,075

The Board of Directors had on 3 February 2010, declared a second interim dividend of 54.0 sen single-tier exempt dividend per ordinary share in respect of the financial year ended 31 December 2009. The financial statements for the current financial year do not reflect this second interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2010.

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11. Property, Plant and Equipment

Group	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost										
At 1 January 2009	29,638	69,277	2,293	6,866	25,612	235,001	98,638	5,726,183	261,221	6,454,729
Additions	-	-	-	-	-	-	-	13,501	609,589	623,090
Write-offs	-	-	-	-	-	-	-	(727)	(919)	(1,646)
Disposals	-	-	-	-	(251)	(906)	-	(53,406)	-	(54,563)
Transfers	-	716	4,348	-	-	71,687	17,813	639,916	(734,480)	-
At 31 December 2009	29,638	69,993	6,641	6,866	25,361	305,782	116,451	6,325,467	135,411	7,021,610
Accumulated Depreciation and Impairment Losses										
At 1 January 2009										
Accumulated depreciation	-	3,994	209	2,051	19,016	165,162	64,071	3,316,242	-	3,570,745
Accumulated impairment losses	-	-	-	-	-	-	398	13,471	-	13,869
	-	3,994	209	2,051	19,016	165,162	64,469	3,329,713	-	3,584,614

11. Property, Plant and Equipment (cont'd.)

Group	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation expenses for the year	-	1,343	40	153	412	29,819	12,480	548,036	-	592,283
Write-offs	-	-	-	-	-	-	-	(172)	-	(172)
Disposals	-	-	-	-	(118)	(899)	-	(50,218)	-	(51,235)
At 31 December 2009	-	5,337	249	2,204	19,310	194,082	76,949	3,827,359	-	4,125,490
Analysed as:										
Accumulated depreciation	-	5,337	249	2,204	19,310	194,082	76,551	3,813,888	-	4,111,621
Accumulated impairment losses	-	-	-	-	-	-	398	13,471	-	13,869
	-	5,337	249	2,204	19,310	194,082	76,949	3,827,359	-	4,125,490
Carrying Amount										
At 31 December 2009	29,638	64,656	6,392	4,662	6,051	111,700	39,502	2,498,108	135,411	2,896,120

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11. Property, Plant and Equipment (cont'd.)

Group	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Cost										
At 1 January 2008	13,912	69,277	2,293	6,827	24,868	221,885	89,388	5,071,316	224,415	5,724,181
Additions	-	-	-	-	-	-	-	4,936	750,955	755,891
Reclassification/ transfers	15,726	-	-	39	744	15,028	10,143	701,417	(713,011)	30,086
Write-offs	-	-	-	-	-	(1,208)	(778)	(19,855)	-	(21,841)
Disposals	-	-	-	-	-	(704)	(115)	(31,631)	(1,138)	(33,588)
At 31 December 2008	29,638	69,277	2,293	6,866	25,612	235,001	98,638	5,726,183	261,221	6,454,729
Accumulated Depreciation and Impairment Losses										
At 1 January 2008										
Accumulated depreciation	-	2,656	185	1,896	16,849	137,652	55,076	2,816,946	-	3,031,260
Accumulated impairment losses	-	-	-	-	-	-	592	15,774	-	16,366
	-	2,656	185	1,896	16,849	137,652	55,668	2,832,720	-	3,047,626

11. Property, Plant and Equipment (cont'd.)

Group	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Motor vehicles RM'000	Computer systems RM'000	Furniture and fittings RM'000	Tele-communi-cations network RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation expenses for the year	-	1,338	24	155	2,051	29,399	9,687	530,286	-	572,940
Reversal of impairment loss*	-	-	-	-	-	-	(194)	(2,303)	-	(2,497)
Reclassification/ transfers	-	-	-	-	116	-	-	3,675	-	3,791
Write-offs	-	-	-	-	-	(1,208)	(584)	(11,960)	-	(13,752)
Disposals	-	-	-	-	-	(681)	(108)	(22,705)	-	(23,494)
At 31 December 2008	-	3,994	209	2,051	19,016	165,162	64,469	3,329,713	-	3,584,614
Analysed as:										
Accumulated depreciation	-	3,994	209	2,051	19,016	165,162	64,071	3,316,242	-	3,570,745
Accumulated impairment losses	-	-	-	-	-	-	398	13,471	-	13,869
	-	3,994	209	2,051	19,016	165,162	64,469	3,329,713	-	3,584,614
Carrying Amount										
At 31 December 2008	29,638	65,283	2,084	4,815	6,596	69,839	34,169	2,396,470	261,221	2,870,115

* The reversal of impairment loss was in respect of impaired assets disposed/written off.

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11. Property, Plant and Equipment (cont'd.)

No interest was capitalised during the current and previous financial year in respect of the property, plant and equipment of the Group.

Included in additions for the year is an amount of RM987,000 (2008: RM809,000) relating to the provision for site decommissioning and restoration costs.

Government grants of RM23.0 million (2008: RM4.5 million) relating to assets, were deducted before arriving at the carrying amount of property, plant and equipment as at 31 December 2009.

12. Intangible Assets

Group	3G spectrum RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Cost				
At 1 January 2009	695,066	606,203	1,300	1,302,569
Additions	-	95,305	-	95,305
Disposals	-	(1,038)	-	(1,038)
At 31 December 2009	695,066	700,470	1,300	1,396,836
Accumulated Amortisation				
At 1 January 2009	-	307,598	952	308,550
Amortisation expenses for the year	69,507	68,760	348	138,615
Disposals	-	(503)	-	(503)
At 31 December 2009	69,507	375,855	1,300	446,662
Carrying Amount				
At 31 December 2009	625,559	324,615	-	950,174

12. Intangible Assets (cont'd.)

Group	3G spectrum RM'000	Computer software RM'000	Licenses RM'000	Total RM'000
Cost				
At 1 January 2008	-	499,112	1,300	500,412
Additions	695,066	136,772	-	831,838
Reclassification to property, plant and equipment	-	(29,680)	-	(29,680)
Disposal	-	(1)	-	(1)
At 31 December 2008	695,066	606,203	1,300	1,302,569
Accumulated Amortisation				
At 1 January 2008	-	248,510	892	249,402
Amortisation expenses for the year	-	62,763	60	62,823
Reclassification to property, plant and equipment	-	(3,674)	-	(3,674)
Disposal	-	(1)	-	(1)
At 31 December 2008	-	307,598	952	308,550
Carrying Amount				
At 31 December 2008	695,066	298,605	348	994,019

Amortisation on the 3G spectrum commenced upon the commercial launch of the Group's 3G broadband services during the year.

13. Investments in Subsidiaries

	Company 2009 RM'000	Company 2008 RM'000
Unquoted shares at cost		
At 1 January 2009	75,000	75,000
Subscription of new shares issued by DiGi Telecommunications Sdn Bhd ("DTSB") by way of capitalisation of amount due to the Company (Note 31(ii))	697,751	-
At 31 December 2009	772,751	75,000

13. Investments in Subsidiaries (cont'd.)

Details of the subsidiaries, which are incorporated in Malaysia, are as follow:

Name of company	Equity interest held (%) 2009	2008	Principal activities
DTSB	100	100	Establishment, maintenance and provision of telecommunications and related services
Pay By Mobile Sdn Bhd ("PBM") (Note 31(i))	100	-	Dormant
Subsidiaries of DTSB			
DiGi Services Sdn Bhd	100	100	Property holding, renting of premises and other related services
Djuice.Com Sdn Bhd	100	100	Dormant

14. Inventories

	Group 2009 RM'000	2008 RM'000
Trading merchandise	13,061	17,053

15. Trade and Other Receivables

	Group 2009 RM'000	2008 RM'000	Company 2009 RM'000	2008 RM'000
Trade receivables	298,612	312,696	-	-
Other receivables	34,233	40,730	59	22
Deposits	48,095	42,618	5	5
Prepayments	70,701	45,069	-	-
	451,641	441,113	64	27
Allowance for doubtful debts	(31,305)	(20,306)	-	-
	420,336	420,807	64	27

15. Trade and Other Receivables (cont'd.)

The Group's trade receivables are subject to normal trade credit terms and are short-term in nature.

During the financial year, the Group had written off approximately RM59.4 million (2008: RM26.9 million) of trade receivables balance against the allowance for doubtful debts.

At 31 December 2009, the Group's trade receivables balance included exposure to foreign currency denominated in United States Dollars and Special Drawing Rights amounting to RM13.6 million (2008: RM14.5 million) and RM17.3 million (2008: RM24.1 million) respectively.

16. Short-term Investment

	Group	
	2009	2008
	RM'000	RM'000
Cash management fund, at market value	10,514	10,304

The short-term investment relates to a short to medium-term investment in a unit trust fund. The investment can be redeemed within 2 business days upon receipt of application from the Group.

17. Cash and Cash Equivalents

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	19,269	16,383	114	334
Money on call with licensed bank	69,299	65,772	-	-
Deposits with licensed banks	341,617	249,122	-	-
	430,185	331,277	114	334

At 31 December 2009, the Group's cash and cash equivalents included an amount of foreign currency denominated in United States Dollars amounting to RM8.5 million (2008: RM6.7 million).

17. Cash and Cash Equivalents (cont'd.)

The weighted average effective interest rates of money on call and deposits at the balance sheet date are as follow:

	Group	
	2009	2008
	%	%
Money on call with licensed bank	1.8	3.0
Deposits with licensed banks	2.1	3.3

The deposits of the Group placed with licensed banks will mature within 1 month (2008: 1 to 3 months) from the financial year end.

18. Share Capital

	Group/Company			
	Number of ordinary shares of 10 sen each		Amount	
	2009	2008	2009	2008
	'000	'000	RM'000	RM'000
Authorised	10,000,000	10,000,000	1,000,000	1,000,000
Issued and fully paid	777,500	777,500	77,750	77,750

19. Borrowings

	Group	
	2009	2008
	RM'000	RM'000
Non-current (unsecured)		
Fixed-rate term loan I ("FRTL I")	-	100,000
Fixed-rate term loan II ("FRTL II")	472,167	-
Medium-term notes ("MTN")	299,843	-
	772,010	100,000
Current (unsecured)		
FRTL I	100,000	100,000
Commercial papers ("CP")	49,829	197,821
	149,829	297,821

19. Borrowings (cont'd.)

The weighted average effective interest rates at the balance sheet date for borrowings are as follow:

	Group 2009 %	Group 2008 %
FRTL I	5.2	4.9
FRTL II	5.3	-
MTN	4.7	-
CP	2.4	4.1

The above borrowings are denominated in RM.

FRTL I comprises 3 tranches of RM100.0 million each, of which only the final tranche remains outstanding as at 31 December 2009. The remaining tranche is subject to an interest rate of 5.2% per annum, and is repayable in April 2010.

FRTL II drawn-down during the year, comprising of 3 tranches of RM150.0 million, RM150.0 million and RM175.0 million respectively, repayable on a bullet basis on January 2012, January 2013 and January 2014 respectively.

MTN issued during the year, comprising of 2 tranches of RM100.0 million and RM200.0 million respectively in nominal value, to be redeemed in July 2012 and July 2014 respectively.

CP issued during the year, amounting to RM50.0 million in nominal value, to be redeemed in February 2010.

20. Deferred Tax Liabilities

	Group 2009 RM'000	Group 2008 RM'000
At 1 January	371,526	355,521
Recognised in the income statement (Note 8)	19,937	16,005
At 31 December	391,463	371,526

Presented after appropriate offsetting as follows:

	Group 2009 RM'000	Group 2008 RM'000
Deferred tax liabilities	496,342	380,985
Deferred tax assets	(104,879)	(9,459)
	391,463	371,526

20. Deferred Tax Liabilities (cont'd.)

The components and movements of recognised deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follow:

Deferred tax liabilities:

	Property, plant and equipment and intangible assets RM'000	Others RM'000	Total RM'000
At 1 January 2009	380,985	-	380,985
Recognised in the income statement	115,357	-	115,357
At 31 December 2009	496,342	-	496,342
At 1 January 2008	363,126	273	363,399
Recognised in the income statement	17,859	(273)	17,586
At 31 December 2008	380,985	-	380,985

Deferred tax assets:

	Deferred revenue RM'000	Others RM'000	Total RM'000
At 1 January 2009	-	(9,459)	(9,459)
Recognised in the income statement	(76,285)	(19,135)	(95,420)
At 31 December 2009	(76,285)	(28,594)	(104,879)
At 1 January 2008	-	(7,878)	(7,878)
Recognised in the income statement	-	(1,581)	(1,581)
At 31 December 2008	-	(9,459)	(9,459)

Others relate to deferred tax assets arising from temporary taxable differences on trade receivables and payables, and provisions.

21. Provision for Liabilities

Group	Site decommissioning and restoration costs RM'000	Defined benefit plan RM'000	Total RM'000
Non-current			
At 1 January 2009	18,055	1,976	20,031
Capitalised as property, plant and equipment	987	-	987
Recognised in the income statement	1,168	123	1,291
Paid during the year	(445)	(147)	(592)
At 31 December 2009	19,765	1,952	21,717
		Note 24	
At 1 January 2008	16,161	2,109	18,270
Capitalised as property, plant and equipment	809	-	809
Recognised in the income statement	1,085	126	1,211
Paid during the year	-	(259)	(259)
At 31 December 2008	18,055	1,976	20,031
		Note 24	

Group	Customer loyalty programme RM'000	Employee leave entitlement RM'000	Total RM'000
Current			
At 1 January 2009	99,886	6,141	106,027
Recognised in the income statement	209,432	576	210,008
Paid during the year	(244,978)	-	(244,978)
At 31 December 2009	64,340	6,717	71,057
At 1 January 2008	97,732	4,999	102,731
Recognised in the income statement	236,054	1,142	237,196
Paid during the year	(233,900)	-	(233,900)
At 31 December 2008	99,886	6,141	106,027

22. Trade and Other Payables

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Trade payables	201,152	215,568	-	-
Other payables	88,412	258,136	-	-
Accruals	1,128,503	1,014,578	305	360
Customer deposits	10,881	5,358	-	-
	1,428,948	1,493,640	305	360

At 31 December 2009, the Group's trade and other payables balances included exposure to foreign currency denominated in United States Dollars and Special Drawing Rights amounting to RM125.2 million (2008: RM108.8 million) and RM9.6 million (2008: RM31.5 million) respectively.

23. Amount due to a Subsidiary

The amount due to a subsidiary is non-trade in nature, unsecured, interest-free, with no fixed term of repayment.

24. Defined Benefit Plan

The Group operates an unfunded defined benefit plan for its eligible employees. The estimated obligations under the retirement benefit scheme are determined based on actuarial valuation by a qualified independent actuary on 2 January 2008.

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

	Group	
	2009	2008
	RM'000	RM'000
Present value of unfunded obligations	1,952	1,976
Unrecognised experience loss	-	-
Net liability	1,952	1,976

24. Defined Benefit Plan (cont'd.)

The amounts recognised in the income statement, included under staff expenses, are as follow:

	Group 2009 RM'000	Group 2008 RM'000
Interest on obligations, representing increase in provision for defined benefit plan	123	126

Principal actuarial assumption used:

	Group 2009 %	Group 2008 %
Rate per annum:		
Discount rate	5.8	5.8

25. Non-cash Transaction

The principal non-cash transaction of the Company during the year was the capitalisation of amount due from a subsidiary as disclosed in Note 31(ii) to the financial statements.

26. Commitments

	Group 2009 RM'000	Group 2008 RM'000
(a) Capital commitments		
Capital expenditure in respect of property, plant and equipment and intangible assets		
Approved and contracted for	128,000	309,000
Approved but not contracted for	721,000	703,000

26. Commitments (cont'd.)

	Group 2009 RM'000	2008 RM'000
(b) Non-cancellable operating lease commitments		
Future minimum lease payments:		
Less than 1 year	141,520	159,655
Between 1 and 5 years	424,183	394,576
More than 5 years	105,515	178,497
	671,218	732,728

Operating lease payments represent rentals payable by the Group for lease of transmission facilities and sites to support its telecommunications operations. The tenure of these leases range between 1 to 10 years, with options to renew. None of the leases included contingent rentals.

27. Contingent Liabilities

	Group 2009 RM'000	2008 RM'000
Unsecured		
Guarantees given to third parties for public infrastructure works	7,206	5,793
Guarantee given to SKMM on the transfer of 3G spectrum	50,000	50,000
	57,206	55,793

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28. Significant Related Party Disclosures

(a) Sales and purchases of services

Controlling related party relationships are as follow:

(i) The ultimate holding company is as disclosed in Note 1 to the financial statements.

(ii) The Company's subsidiaries are as disclosed in Note 13 to the financial statements.

Significant transactions and balances with related parties of the Group during the year are as follow:

	Transactions		Balance due (to)/from at	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
With the ultimate holding company and fellow subsidiary companies				
- *Telenor ASA*				
Consultancy services rendered	17,346	13,683	(9,723)	(5,880)
- *Telenor Consult AS*				
Personnel services rendered	16,090	17,848	(1,361)	(4,593)
- *Telenor Global Services AS*			(686)	(2,128)
Sales of interconnection services on international traffic	590	288		
Purchases of interconnection services on international traffic	3,667	6,796		
Purchases of IP transit	306	-		

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28. Significant Related Party Disclosures (cont'd.)

(a) Sales and purchases of services (cont'd.)

	Transactions		Balance due (to)/from at	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
With the ultimate holding company and fellow subsidiary companies (cont'd.)				
- *Telenor LDI Communication (Private) Limited*			(346)	(1,456)
Sales of interconnection services on international traffic	972	941		
Purchases of interconnection services on international traffic	6,476	5,627		
- *Total Access Communication Public Company Limited*			(752)	(486)
Sales of roaming services on international traffic	364	495		
Purchases of roaming services on international traffic	4,011	3,165		
- *DTAC Network Co. Ltd*			431	50
Sales of interconnection services on international traffic	1,553	565		
Purchases of interconnection services on international traffic	17	52		

28. Significant Related Party Disclosures (cont'd.)

(b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including directors of that entity.

The remuneration of key management personnel during the year was as follows:

	Group	
	2009	**2008**
	RM'000	**RM'000**
Short term employee benefit	12,484	13,983
Post-employment benefits	543	227
Share-based payment	224	534
	13,251	14,744

Included in the compensation of key management personnel of the Group are other emoluments of RM264,000 (2008: RM264,000) paid to 2 (2008: 2) non-executive directors of the Company.

29. Financial Instruments

(a) Financial risk management objectives and policies

In the normal course of conducting its business activities, the Group is exposed to a variety of financial risks, which include credit, currency, liquidity and interest rate risk. The Group's overall risk management programme seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

(b) Credit risk

The Group's credit risk arises in the normal course of business primarily with respect to trade and other receivables and cash and cash equivalents. Credit risk is managed through formalised policies on credit assessment and approvals, credit limits and monitoring procedures. Short-term investments, money on call and deposits are placed only with licensed banks and unit trust fund.

The maximum credit risk exposure in respect of trade receivables is limited to the carrying value of the receivables less allowance for doubtful debts as stated in the financial statements, whereas, the maximum exposure for other receivables, cash and cash equivalents are the reported carrying values in the financial statements.

At balance sheet date, there were no significant concentrations of credit risk.

29. Financial Instruments (cont'd.)

(c) Foreign currency risk

The Group is exposed to foreign currency risk as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. The currencies giving rise to this risk are primarily the United States Dollar and Special Drawing Rights. Exposure to foreign currency risk is monitored on an ongoing basis and when considered necessary, the Group will consider using effective financial instruments to hedge its foreign currency risk, in accordance with its foreign currency hedging policy.

There were no off balance sheet financial instruments as at the date of this report. As at 31 December 2009, the Group's outstanding foreign currency forward contracts for the purpose of hedging certain trade payables, totaled USD10.3 million (Notional amount: RM35.5 million). The effects of changes in the fair values of these derivative financial instruments have already been included in the financial statements.

(d) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management, for working capital purposes and to mitigate the effects of fluctuations in cash flows. The Group invests only in highly liquid cash management funds.

The Group has remaining commercial papers and medium-term notes facility with an aggregate nominal value of up to RM350.0 million as an alternative source of financing which can be executed when required.

(e) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk primarily from the deposit placements and interest-bearing financial liabilities. The Group manages its interest rate risk for the interest-earning deposit placements by placing such balances on varying maturities and interest rate terms.

The Group's policy in dealing with interest-bearing financial liabilities is to minimise the interest expense by obtaining the most favourable interest rates available.

29. Financial Instruments (cont'd.)

(f) Fair values

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and cash equivalents

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Trade receivables and payables

The carrying amounts approximate fair values because these are subject to normal trade credit terms and are short-term in nature.

(iii) Amount due to a subsidiary

No disclosure of fair value is made for the amount due to a subsidiary as it is not practicable to determine its fair value with sufficient reliability due principally to lack of a fixed repayment term.

(iv) Short-term investment and borrowings

The fair value of the short-term investment is based on its market value existing as at the balance sheet date.

The fair values of the FRTL II and MTN have been determined by discounting the expected future cash flows using the current interest rates for similar instruments at the balance sheet date.

The carrying amounts of the FRTL I and CP both approximate their fair values due to the relatively short-term maturity of these financial instruments.

29. Financial Instruments (cont'd.)

(f) Fair values (cont'd.)

(iv) Short-term investment and borrowings (cont'd.)

The carrying amount and fair value of the financial liabilities of the Group at the balance sheet date are as follows:

	Note	Carrying amount RM'000	Fair value RM'000
Group			
At 31 December 2009:			
Financial liabilities			
FRTL II	19	472,167	474,618
MTN	19	299,843	310,871
		772,010	785,489
At 31 December 2008:			
Financial liability			
FRTL I	19	200,000	199,874

30. Segmental Information

Segmental information is not presented as the Group is primarily engaged in the provision of mobile communication services and its related products in Malaysia.

31. Significant Events

Significant events during the year are as follow:

(i) The Company had on 10 February 2009, incorporated a wholly-owned subsidiary - PBM, under the Companies Act,1965. PBM has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 and an issued and paid-up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. Its intended principal activities include the provision of financial services related to remittance of money and provision of services and products which use electronic payment as its main mode of payment; and

(ii) During the year, the Company had subscribed for approximately 357.1 million new ordinary shares of RM1.00 per share issued by DTSB, at approximately RM1.95 per share, totaling RM697.8 million, by way of capitalisation of the amount owing to the Company. DTSB remains a wholly-owned subsidiary of the Company as at 31 December 2009.

32. Subsequent Event

Subsequent to the balance sheet date, the Group had issued medium-term notes amounting to RM250.0 million in nominal value, to be redeemed in February 2015.