Financial Review

Revenue

In the year under review, the Group recorded a 5.7% decrease (RM193.3 million) in revenue, from RM3,415.1 million to RM3,221.8 million. This was mainly due to lower throughput services income by 6.9% (RM182.9 million) and lower utilities sales by 1.4% (RM10.4 million).

The decrease in throughput services income by 6.9% from RM2,657.9 million to RM2,475.0 million is mainly due to the lower passed-through of Internal Gas Consumption (IGC) cost, lower performance based income as a result of lower volume qualified and lower prices realised from the sale of Propane and Butane, and lower revenue from flowrate charge. Daily average volume of gas delivered into the PGU system was lower at 2,494 million standard cubic feet per day (mmscfd) in the current financial year, as compared to 2,542 mmscfd for the previous year. This is due to lower feedgas supply from domestic gas fields. As a result, sales gas delivered was lower at 2,178 mmscfd in the current financial year, as compared to 2,234 mmscfd for the previous year.

Utilities revenue decreased marginally by 1.4% (RM10.4 million) from RM757.2 million to RM746.8 million mainly due to lower sales of steam and industrial gases as a result of lower sales volume by 15.8% and 0.5% respectively. Electricity sales volume, on the other hand, increased by 9.1% due to higher offtake by customers.

	2010 (mmscfd)	2009 (mmscfd)	Increase/ (Decrease) (mmscfd)	%
Feedgas processed at the gas processing plants	2,151	2,247	(96)	(4.3)
Sales gas delivery from JDA	343	295	48	16.3
Total gas injected into the system	2,494	2,542	(48)	(1.9)
Total sales gas delivery	2,178	2,234	(56)	(2.5)

Liquid by-products	2010 (MT)	2009 (MT)	Increase/ (Decrease) (MT)	%
Ethane production	1,238,664	1,311,372	(72,708)	(5.5)
Propane production	1,232,532	1,344,009	(111,477)	(8.3)
Butane production	854,976	923,120	(68,144)	(7.4)

Utilities	2010	2009	Increase/ (Decrease)	%
Electricity (kwh)	1,750,777,848	1,605,167,701	145,610,147	9.1
Steam (MT)	3,976,382	4,720,352	(743,970)	(15.8)
Industrial Gases (Nm^3)	636,465,757	639,519,946	(3,054,189)	(0.5)

Operating Cost

Operating cost for the Group decreased by 6.9% (RM150.9 million) from RM2,194.4 million to RM2,043.5 million. This was mainly due to lower operating cost incurred for both the throughput services business and the utilities business by 7.4% (RM115.9 million) and 5.6% (RM35.0 million) respectively.

The lower operating cost was mainly attributable to downward revision of fuel gas price effective from March 2009 onwards, coupled with lower volume of IGC and realisation of the Group's various cost optimisation efforts.

Gross Profit

In the year under review, gross profit for the Group decreased by 3.5% (RM42.4 million) from RM1,220.7 million to RM1,178.3 million. Gross profit for the throughput services business decreased by 6.1% (RM67.0 million) from RM1,092.5 million to RM1,025.5 million. The decrease was mainly due to lower performance based income. Gross profit for the utilities business, on the other hand, increased by 19.2% (RM24.6 million) from RM128.2 million to RM152.8 million mainly due to lower cost of sales resulting from the gas price revision.

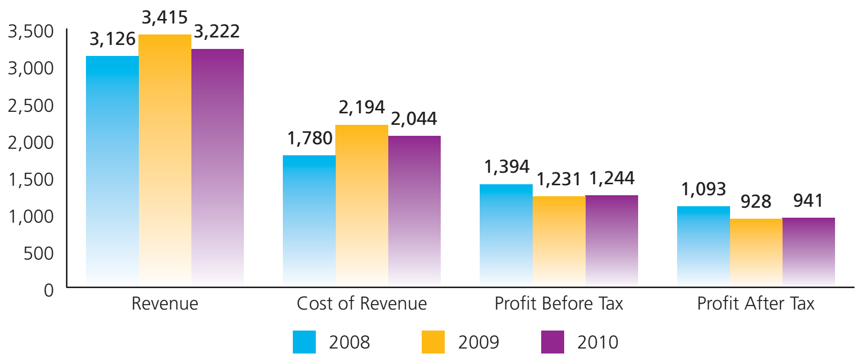
Other Income and Expenses

Other income and expenses for the Group was higher by RM77.0 million mainly due to higher net unrealised gain on retranslation of term loan and revaluation of Currency Exchange Agreement (CEA), in line with FRS 139, *Financial Instruments* of RM45.9 million, coupled with income from the provision of project management services particularly from Sabah-Sarawak Gas Pipeline (SSGP) project.

Income Statement

	Group		Company		Increase/(Decrease)	
	2010 RM million	2009 RM million	2010 RM million	2009 RM million	Against Group %	Against Company %
Throughput fees	2,475.0	2,657.9	2,475.0	2,657.9	(6.9)	(6.9)
Sale of industrial utilities	746.8	757.2	746.8	757.2	(1.4)	(1.4)
Revenue	**3,221.8**	**3,415.1**	**3,221.8**	**3,415.1**	**(5.7)**	**(5.7)**
Cost of throughput	(1,449.5)	(1,565.4)	(1,449.5)	(1,565.4)	(7.4)	(7.4)
Cost of industrial utilities	(594.0)	(629.0)	(594.0)	(629.0)	(5.6)	(5.6)
Cost of revenue	**(2,043.5)**	**(2,194.4)**	**(2,043.5)**	**(2,194.4)**	**(6.9)**	**(6.9)**
Gross profit	**1,178.3**	**1,220.7**	**1,178.3**	**1,220.7**	**(3.5)**	**(3.5)**
Administration expenses	(79.1)	(60.9)	(78.6)	(60.3)	29.9	30.3
Other expenses	(81.0)	(87.3)	(81.0)	(87.3)	(7.2)	(7.2)
Other income	193.6	122.9	239.8	187.4	57.5	28.0
Operating profit	**1,211.8**	**1,195.4**	**1,258.5**	**1,260.5**	**1.4**	**(0.2)**
Financing costs	(20.2)	(19.4)	(20.2)	(19.4)	4.1	4.1
Share of profit after tax of equity accounted associate and jointly controlled entity	52.2	55.4	–	–	(5.8)	–
Profit before tax	**1,243.8**	**1,231.4**	**1,238.3**	**1,241.1**	**1.0**	**(0.2)**
Taxation	(303.1)	(303.4)	(303.1)	(303.4)	(0.1)	(0.1)
Profit after tax	**940.7**	**928.0**	**935.2**	**937.7**	**1.4**	**(0.3)**
Earnings per share (sen)	**47.6**	**46.9**	**47.3**	**47.4**	**1.5**	**(0.2)**
Profit before tax / Revenue	**38.6%**	**36.1%**	**38.4%**	**36.3%**		
Profit after tax / Revenue	**29.2%**	**27.2%**	**29.0%**	**27.5%**		

Group Financial Performance (RM million)



Profit

The Group recorded higher profit before tax by 1.0% (RM12.4 million) from RM1,231.4 million to RM1,243.8 million.

Our associate company, GMSB contributed share of profit after tax of RM50.9 million whilst our jointly controlled entity, Industrial Gases Solutions Sdn. Bhd. (IGS), contributed share of profit after tax of RM1.3 million. The total share of profit after tax of equity accounted associate and jointly controlled entity amounted to RM52.2 million, a decrease of 5.8% (RM3.2 million) compared to the previous year.

Our subsidiary, Kimanis Power Sdn. Bhd. (formerly known as Kimanis Energy Venture Sdn. Bhd.) (KPSB) registered a RM0.5 million loss during the year.

Taxation expense at RM303.1 million was slightly lower by 0.1% (RM0.3 million) from RM303.4 million in the previous year. Effective tax rate was at 25.4% compared to 25.8% for the previous year, and approximates the statutory corporate tax rate.

As a result, profit after tax for the Group increased by 1.4% (RM12.7 million) from RM928.0 million in the previous year to RM940.7 million this year. Earnings per share (EPS) for the Group increased by 1.5% (0.7 sen) from 46.9 sen to 47.6 sen, with 2.6 sen attributed to our 20% interest in GMSB.

Dividends

During the year, the Group paid interim dividend of 15% per share under the single tier tax system amounting to RM296.8 million. The Board of Directors is recommending a final dividend of 30% per share under single tier system and 5% per share tax exempt, altogether amounting to RM692.6 million in respect of the financial year ended 31 March 2010. This, together with interim dividend, will result in total gross and net dividend of 50.0 sen per share, representing a payout ratio of 105.2% on the profit after tax for the financial year ended 31 March 2010.

Assets

Total assets for the Group decreased slightly by 0.3% (RM32.3 million) from RM9,867.1 million as at 31 March 2009 to RM9,834.7 million as at 31 March 2010.

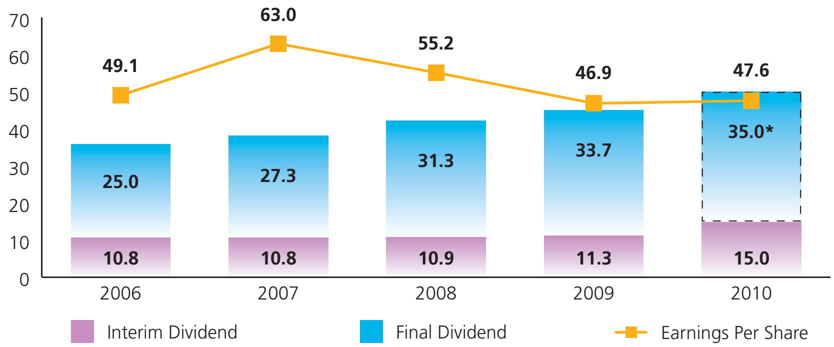
Property, plant and equipment decreased by 4.4% (RM298.2 million) from RM6,759.8 million as at 31 March 2009 to RM6,461.6 million as at 31 March 2010. This was mainly after the depreciation charges for the year of RM616.4 million and net additions of RM321.1 million.

Investment in associate increased by 2.8% (RM4.7 million) to RM174.0 million as at 31 March 2010 compared to RM169.3 million as at 31 March 2009, after taking into consideration our share of profit in GMSB of RM50.9 million and dividend received of RM46.2 million. In addition, investment in jointly controlled entity increased to RM4.5 million as at 31 March 2010 as compared to RM3.2 million as at 31 March 2009.

Fund and other investments of RM100.3 million comprise investments in Malaysian Government Securities and other unquoted securities held as at 31 March 2010.

Cash and cash equivalents increased by 12.2% (RM236.4 million) from RM1,945.1 million as at 31 March 2009 to RM2,181.5 million as at 31 March 2010. During the year, the Company paid dividend of RM964.0 million to the shareholders.

Earnings Per Share and Net Dividends Per Share (Sen)



* To be approved at the Company's Twenty Seventh Annual General Meeting on 22 July 2010

Liabilities

Total liabilities for the Group decreased marginally by 0.6% (RM11.0 million) from RM1,828.7 million as at 31 March 2009 to RM1,817.7 million as at 31 March 2010. The decrease was mainly due to lower deferred tax liabilities by 1.2% (RM14.0 million) and borrowings by 2.6% (RM11.9 million).

Deferred tax liabilities decreased by 1.2% (RM14.0 million) due to reversal of deferred tax liabilities as a result of reduction in the temporary differences between its tax base and its carrying amount in the balance sheet.

Borrowings decreased by 2.6% (RM11.9 million) from RM449.6 million as at 31 March 2009 to RM437.7 million as at 31 March 2010. The decrease was due to the retranslation of the unsecured term loan of RM566.6 million, offset by the revaluation of CEA of RM128.9 million, as a result of FRS 139 adoption.

Deferred income balance of RM13.6 million as at 31 March 2010 mainly represents the deferred amount relating to access right to our gas pipeline corridor granted to Trans Thai-Malaysia (Malaysia) Sdn. Bhd. for a period of 20 years from 1 April 2004 and access right to our gas pipeline corridor granted to Fiberail Sdn. Bhd. for a period of 20 years from 9 February 2006. The former was for the purpose of constructing and operating their pipeline system whilst the latter was for the purpose of constructing and operating their fiber optic network.

Equity

At the Group level, total equity attributable to the shareholders of the Company decreased by 0.3% (RM23.1 million) from RM8,039.0 million as at 31 March 2009 to RM8,015.9 million as at 31 March 2010. The decrease was due to dividends paid in the financial year of RM964.0 million, less net profit attributable to the shareholders of the Company of RM940.9 million.

Total equity was increased by the minority interest of RM1.1 million to RM8,017.0 million as at 31 March 2010. The minority interest consists of the minority shareholder's proportion of the share capital and reserves of KPSB.

Significant Event

On 31 March 2010, the Company entered into an Addendum to the Gas Processing Transmission Agreement (GPTA) with PETRONAS, for the period of 1 April 2010 to 31 March 2014.

The GPTA entered between the Company and PETRONAS is for duration of 20 years effective from 1 April 1994, whereby PETRONAS agrees to pay the Company a throughput fee for processing and transmission of gas to PETRONAS customers.

The GPTA provides for revision of the throughput fee terms at intervals to be agreed by PETRONAS and the Company. The initial term was for a period of six years commencing 1 April 1994 to 31 March 2000. This was followed by the 2nd Term and 3rd Term GPTA which were for a five year period, commencing 1 April 2000 to 31 March 2005 and 1 April 2005 to 31 March 2010 respectively.

The 4th Term GPTA in the Addendum shall be effective from 1 April 2010 to 31 March 2014. It entails clearer demarcation of terms and remuneration structure between processing and transportation of gas.

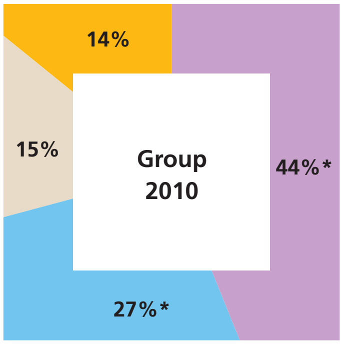
The revised terms do not introduce new operating risks to PGB; it merely enhances the operational obligations of the parties to the GPTA.

Statement of Value Added

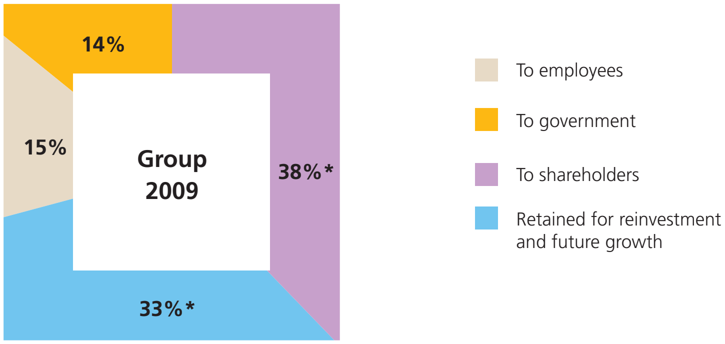
	Group		Company	
	2010 RM mil	2009 RM mil	**2010 RM mil**	2009 RM mil
Revenue	**3,221.8**	3,415.1	**3,221.8**	3,415.1
Purchase of goods and services	**(1,177.9)**	(1,303.5)	**(1,180.3)**	(1,303.1)
Value added	**2,043.9**	2,111.6	**2,041.5**	2,112.0
Other Expenses	**(81.0)**	(87.3)	**(81.0)**	(87.3)
Other Income	**193.6**	122.9	**239.8**	187.4
Financing costs	**(20.2)**	(19.4)	**(20.2)**	(19.4)
Share of profit after tax of equity accounted associate and jointly controlled entity	**52.2**	55.4	**–**	–
Value added available for distribution	**2,188.5**	2,183.2	**2,180.1**	2,192.7
Distribution				
To employees – Employment costs	**321.7**	317.5	**318.9**	317.5
To government – Taxation	**303.1**	303.4	**303.0**	303.4
To shareholders – Dividends	**964.0**	841.0	**964.0**	841.0
– Minority Interest	**(0.2)**	(0.7)	**–**	–
Retained for reinvestment and future growth				
Depreciation and amortisation	**623.0**	634.2	**622.9**	634.2
Retained profit	**(23.1)***	87.8	**(28.7)**	96.6
	2,188.5	2,183.2	**2,180.1**	2,192.7

* Decrease due to dividends paid in the financial year of RM964.0 million, less net profit attributable to the shareholders of the Company of RM940.9 million.

Distribution of Value Added



* For Company, 44% distributed to shareholders while 27% was retained for reinvestment and future growth.



* For Company, 38% distributed to shareholders while 33% was retained for reinvestment and future growth.

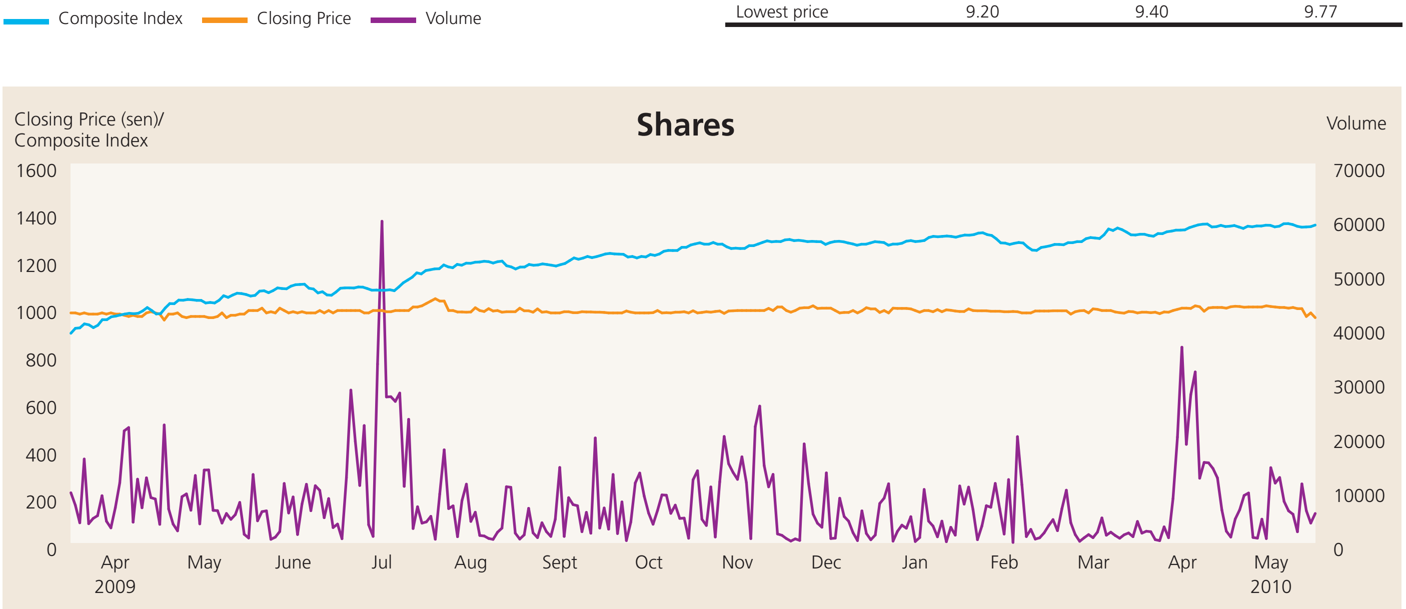
Financial Calendar

FINANCIAL YEAR FROM 1 APRIL 2009 TO 31 MARCH 2010

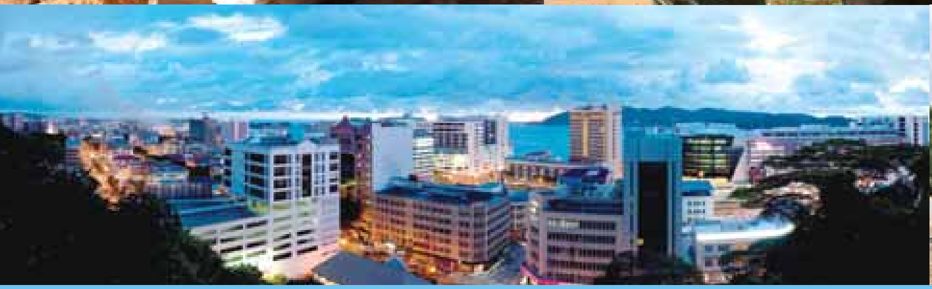
Results		
First Quarter ended 30 June 2009	Announced On	24 August 2009
Second Quarter ended 30 September 2009	Announced On	20 November 2009
Third Quarter ended 31 December 2009	Announced On	18 February 2010
Fourth Quarter ended 31 March 2010	Announced On	11 May 2010
Dividends		
Interim	Entitlement Date	7 December 2009
	Paid On	17 December 2009
Final	Entitlement Date	3 August 2010
	Payable On	17 August 2010
NOTICE OF ANNUAL GENERAL MEETING		30 June 2010
TWENTY SEVENTH ANNUAL GENERAL MEETING		22 July 2010

Performance of Shares

	For the Year Ended 31 March		April-May
	2009	2010	2010
Highest price	10.40	10.40	10.10
Lowest price	9.20	9.40	9.77






PGB, after more than 25 years of presence, is now spreading its wings into new business areas – full-fledged power producing; open access gas transmission; and engineering & project management services.

Transcending new possibilities is the name of the game to transform the Company from being a gas processing and gas transmission entity, to a world class gas and utilities player.

It will be an interesting journey and to these new challenges, PGB says – bring it on.

Taking on

Site preparation works at Kimanis Bay, Papar, Sabah, where the Kimanis Power Plant will be constructed.

KIMANIS POWER PLANT

Marking PGB's Entry into the World of Independent Power Producing...

The Kimanis Power Plant project undertaken by PGB and its joint-venture partner Yayasan Sabah is a major step forward from its core business of gas processing and transmission; to the business of independent power production.

This project, upon completion in 2014, will provide for the electricity needs of the people in the State of Sabah by injecting the additional megawatts once fully commissioned. It is the perfect blend of business sense and corporate responsibility.

THIRD PARTY ACCESS

Creating Open Access to PGB's infrastructure...

PGB is always pro-active in searching for new business opportunities. Enter what we call Third Party Access (TPA).

It is the simple analogy of allowing PGB's highway (the PGU network) to be used by more vehicles (the additional shippers or transporters), instead of just exclusively for PETRONAS. The additional vehicles will be charged a structured zonal-based tariff, thus enabling them to transport their gas molecules via the PGU network.

ENGINEERING & PROJECT MANAGEMENT SERVICES

Marketing Our Expertise and Building a Reputation Too...

The Company's engineering and project management arm has transcended its scope of services beyond the parameters of PGB, by providing expertise to external clients such as PETRONAS Carigali and MOX-Linde.

PGB's expertise as the country's premier gas pipeline constructor, owner and operator has enabled it to be appointed by PETRONAS Carigali as the main contractor for the monumental Sabah-Sarawak Gas Pipeline (SSGP) project, spanning 500 km from Kimanis in Sabah to Bintulu in Sarawak.

There is even a section of the SSGP, currently being constructed, with an elevation of almost 1000 metres, going over mountainous terrains, which is twice the height of the PETRONAS Twin Towers!

That is just one of the many projects currently undertaken by PGB via TFDD, which is fast making a reputation as a high-quality engineering and project management service provider.

New Possibilities

Efficiency through Innovation

At PETRONAS Gas Berhad (PGB), we highly encourage staff to be as innovative as possible in generating new ideas or initiatives which can help the Company grow, as well as optimise whatever available resources possible. Innovative or brilliant ideas do not necessarily have to originate from Senior Management level but at all levels.

That's how flexible we are in capturing ideas, in stretching the imagination of our staff within or even beyond the boundaries of our business and operations scope.

It is because of this too that PGB has been able to position itself over the years as an exemplary and highly responsible business entity via innovative approaches and practices in the effort to constantly raise the bar for standards of health, safety and environment; corporate excellence; financial excellence; best industry practices; and corporate social responsibility, among others.

Most of these ideas or initiatives are simple, the "why didn't I think of that" kind. And in most cases, it figures.

PGB in the News

Awards and Achievements

In the year under review, PGB was accredited for its continuous efforts to achieve high standards in Health, Safety and Environment (HSE) and its Corporate, Social and Responsibility (CSR) practices.

Awards:

1. Malaysian Society of Occupational Safety and Health (MSOSH) Awards Grand Award - Gas Processing Plant GPP B, Plant Operations Division (POD)
2. MSOSH Gold Merit Award - Export Terminal, POD
3. MSOSH Gold Merit Award - Centralised Utility Facilities (CUF) Gebeng
4. MSOSH Gold Merit Award - Technical and Facilities Development Division
5. MSOSH Gold Class 1 Award - Segamat Regional Office, Transmission Operations Division (TOD)
6. MSOSH Gold Class 1 Award - Kuantan Regional Office, TOD
7. MSOSH Gold Class 1 Award - Bintulu Regional Office, TOD
8. MSOSH Gold Class 1 Award - CUF Kertih
9. MSOSH Gold Class 2 Award - Shah Alam Regional Office, TOD
10. PETRONAS Group HSE Merit Award, in Health Category - PGB overall
11. Finalist Award: StarBiz-ICR Malaysia Corporate Responsibility Awards 2009 - PGB overall

Certifications:

1. CUF Kertih:
   a. Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 Occupational Health and Safety Management Systems;
   b. Malaysian Standards (MS) 1722:Part 1:2005 Occupational Health and Safety Management Systems (2008 version); and
   c. MS ISO 14001:2004 Environmental Management Systems (2007 version).
2. CUF Gebeng:
   a. Upgrade OHSAS 18001:1999 Occupational Health and Safety Management Systems to OHSAS 18001: 2007;
   b. Surveillance Audit for MS 1722:Part1:2005 Occupational Health and Safety Management Systems (2008 version); and
   c. Re-certification of MS ISO 14001:2004 Environmental Management Systems (2007 version).
3. TOD:
   a. OHSAS 18001: 2007 Occupational Health and Safety Management Systems;
   b. MS 1722:Part 1:2005 Occupational Health and Safety Management Systems; and
   c. MS ISO 14001:2004 Environmental Management Systems.

Achievements:

FinanceAsia Awards on Malaysia's Public Listed Companies

1. Third for Best Managed Company;
2. Third for Best Investor Relations; and
3. Fourth for Best Corporate Governance.

Mohd Shahrizal, Muhammad Khawarizmi and Nurul Asyikin participating in a fun learning activity under the *Program Bakti Pendidikan PETRONAS* (PBPP).

"Our big brothers and sisters from PGB make learning so much easier. It's great to have fun while we learn at the same time."

Mohd Shahrizal Mohd Yusof, Muhammad Khawarizmi Rusli and Nurul Asyikin Kamarudin
PBPP students, Year 6,
Sekolah Kebangsaan Kemasik, Terengganu.

Corporate Responsibilities

People development has been at the forefront of our Corporate Responsibility (CR) approach for many years with education being the core element, driving most activities conducted under the Company's CR realm.

What CR Means to Us

We at PETRONAS Gas Berhad (PGB) continuously seek ways to enrich the lives touched by the Company in geographies where we operate, be it internal stakeholders (staff) or external stakeholders ranging from communities, authorities, regulators, non-governmental organisations and shareholders.

People development has been at the forefront of our Corporate Responsibility (CR) approach for many years with education being the core element, driving most of the activities conducted under the Company's CR realm.

The goal is for beneficiaries and participants of these initiatives to obtain new skills that will hopefully enrich their lives and encourage them to become better individuals.

Our flagship *Program Bakti Pendidikan PETRONAS* (PBPP) for example, is testimony of our engagement through education. You can learn more about how the Company progressively, proactively and positively contributes to the society in the upcoming pages.

Staff development via continuous learning, up-skilling and training is also central in the Company's CR programmes. We are constantly helping our workforce to realise their maximum potentials in so far as their capabilities and talents by equipping them with all the necessary knowledge and know-how to adapt to the ever changing trends in a very dynamic and competitive industry.

Innovation among staff is also highly encouraged, in tandem with our aspirations to grow our business and at the same time, remain reliable in terms of operational excellence.

Commitment to the environment also tops the list of "must do, no compromise" among us at PGB. Health, Safety and Environment (HSE) practices of the highest order is the norm among us, anything less would be deemed as unacceptable.

Last but not least, to our shareholders, we are committed to creating high value for your investments through sound business strategies and guidance from the Management Team, coupled with effective execution of these strategies that endeavours to display exemplary corporate governance practices at all levels.

This is our pledge to you….


PETRONAS

CR in the Marketplace

The Company aspires to support the gas and utility industry in its pursuit to provide clean and efficient energy.

PGB is a socially responsible corporate citizen in our pursuit to establish a sustainable and profitable business model while maintaining strong ethical values. The Company is committed to do business the responsible way in its efforts to create value for its shareholders, customers, suppliers, industry as well as regulators. The management and staff have a duty to uphold the principles of integrity, professionalism, fairness and transparency in every business aspect they indulge.

As a gas throughput and utilities company, PGB is obliged to provide world class service levels and products to the nation collectively; supporting Malaysia to achieve greater heights. Not limited to being a good corporate citizen in the marketplace, the Company aspires to support the gas and utility industry in its pursuit to provide clean and efficient energy; and utility feed to the people.

Weaving together over 26 years of strong operational, people and financial excellence, the organisation continues to forge ahead in helping Malaysia's long term economic development and contributing to nation building. Natural gas being the cleanest source of energy amongst fossil fuels is clearly the frontrunner for a sustainable energy system. Our commitment was recently shown by the recent undertaking of the construction of a 300MW gas power plant in Kimanis to meet Sabah's increasing electricity demand arising from the State's economic growth.

Contributing knowledge and resources to create value to the gas business and its community

During the financial year, the Company had participated in international conferences in order to learn, discuss and share the latest technologies and best practices from industry players from around the world. The following are PGB's most notable efforts:

The 14th Asia Oil and Gas Conference held in Kuala Lumpur from 7-9 June 2009. The conference themed "Collective Approach in the New Paradigm" is focused on the issue of ensuring energy security and continuous supply of gas amid continued geopolitical instability and heightened security concerns in key oil and gas producing regions. PGB had sent a delegation headed by its Managing Director/Chief Executive Officer (MD/CEO) to participate in keynote addresses, forums, exhibitions and group discussions. The benefits to PGB included having firsthand account of views from industry captains on current challenges facing the industry and the way forward, networking with major industry players, being privy to new technology sightings and being able to participate in operational issues and improvement discussions.

The 24th World Gas Conference held in Buenos Aires, Argentina from 5-9 October 2009. The conference themed "The Global Energy Challenge: Reviewing the Strategies for Natural Gas" focused on the strategies for continued growth and development of natural gas as the fuel of choice.

FROM LEFT:

The Company participated in international forums and conferences to learn, discuss and share the latest technologies and best practices with industry players from around the world.

Natural gas being the cleanest source of energy amongst fossil fuels is clearly the frontrunner for a sustainable energy system.

In addition, PGB's staff presented a paper entitled "Managing Integrity of Feed Condensate Pipeline". PGB had sent a delegation headed by MD/CEO to participate in keynote addresses, forums, exhibitions and technical paper presentations. Benefits to PGB included having firsthand account of views by industry captains on the threat and opportunity presented by unconventional gas play, networking with leading gas business figures, being privy to new technology sightings and seeking potential collaborations with international gas transporters.

Domestically, PGB is a member of the Malaysian Gas Association ("MGA") and its MD/CEO serves on its council. The Company continuously support and sponsor MGA to advance knowledge in the area of gas technology, promote safety practices, stimulate the development of the gas industry in Malaysia and enhance understanding of the general public on the role of gas as a clean and efficient energy to the nation. The following are some of the MGA activities the Company had participated in:

- *Practical Environmental, Safety and Industrial Guidance for Student Engineers; 27 and 28 March 2010, Equatorial Hotel, Melaka*. PGB personnel educated 48 final-year engineering degree students from the Universiti Teknologi Malaysia (UTM) and the

FROM LEFT:

The Company is committed in continuously improving its processing, transmission and utilities facilities to maintain its world class operational standards.

PGB's business strategies are guided by good corporate governance practices at all times.

Universiti Teknikal Malaysia Melaka (UTeM) on the overview of the Company's operations particularly in the area of safety and health and its impact to the environment.

- *MGA Tea-Talk: 'Iraqi Petroleum Potential & Opportunities'; 25 February 2010, Malaysian Petroleum Club, Kuala Lumpur City Centre*. PGB sent representatives to scout business opportunities in Iraq and engaged in networking activities with members of the Iraqi Businessmen Union (IBU).
- *Technical Visits to Gas Plants and Facilities in Bintulu and the Bakun Hydro Dam Project Site; 15-16 December 2009*. PGB sent representative to be part of the visiting entourage. This event had been specially organised to provide opportunity for members to have access to onsite firsthand experience in viewing and gaining knowledge on the overall operations of the gas plant and facilities of MLNG, Shell and Murphy Oil. The trip to the Bakun Hydro Dam project site was added to expose members to a tour and briefing on this national project before its commissioning by next year.
- *Industry Dinner 2009; 13 November 2009, Kuala Lumpur Convention Centre*. PGB had jointly co-hosted this dinner to forge stronger bonds between and within the members towards beneficial and fruitful cooperation in the gas industry.
- *MGA FORUM 'Malaysian Natural Gas Industry Outlook - Opportunities & Challenges'; 14 May 2009, The Westin Hotel, Kuala Lumpur*. PGB sent representatives to participate in the forum to discuss and debate pertinent and pressing issues on the most efficient utilisations of finite gas resources, gas pricing and domestic gas supply and demand situation.

Commitment to Quality and World Class Products and Services

PGB is committed to quality. Quality is about exceeding expectations. We believe that our stakeholders' expectation of us is to be a world class gas and utilities company. Naturally, this understanding is extended to our products and services as well.

The Company's gas processing plants continue to maintain excellent reliability records for the year comparable to world class standards. Reliability for sales gas, ethane, propane and butane for the financial year are at 99.7%, 99.0%, 99.0% and 99.0% respectively.

PGB's gas transmission business through the Company's Peninsular pipeline network continues to maintain remarkable system reliability and system availability records of 99.97% and 99.84% respectively for the year ensuring secure and continuous flow of gas to end customers throughout Malaysia.

PGB is committed to delivering strong earnings and achieving sustainable long term shareholders' value.

The utilities business has also been clocking in remarkable results. Product delivery reliability for electricity, steam and industrial gases for the year under review are at 99.5%, 99.3% and 99.9% respectively.

These results were achieved while we continue to maintain the highest level of safety and environmental standards which will be further elaborated in CR in the Workplace and CR in the Environment.

To Our Customers,

We are committed to delivering world class services and products in line with the Company's vision and mission. Our processing, transmission and utilities facilities are running at par with world class operational standards. In spite of this, we continue to seek and carry out efforts to improve ourselves in order to serve you better.

As the sole national gas transporter, we cannot afford to rest on our laurels. We continue to improve. Our processing plants will be further upgraded and improved under the Plant Rejuvenation and Revamp Program in the coming years. It is about raising the bar and being highly reliable. We are also looking at using technology to your advantage as we are preparing to automate our billing generation and meter reading functions to improve accuracy.

During the financial year, we had conducted knowledge sharing sessions with international pipeline transporters namely N.V. Nederlandse Gasunie and International Gas Union with the objective of evaluating their respective business models in search of a best practice model most suited for us.

To Our Shareholders,

PETRONAS Gas Berhad is committed to delivering strong earnings to you and achieving sustainable long term shareholders' value guided by our vision and mission. Strategies executed and business decisions made by our executives shall be to the best interest of the shareholders and guided by exemplary corporate governance practices at all times.

In the capital markets, the Company has been renowned for its strong and consistent returns. Our dividends have been steadily growing from year to year. We believe that it is important for shareholders to view the Company as a safe investment with stable earnings.

To better understand our business, we had arranged a series of shareholder visits to our Centralised Utility Facilities in Pahang on 17 August 2009 and Gas Processing Plants in Terengganu on 2 November 2009 and 19 November 2009.

CR in the Workplace

PGB believes in continuously building and developing people with the right capabilities, competencies and leadership skills.

Throughout the years, Petronas Gas Berhad (PGB) has consistently placed high value on their human capital – and even more with the challenging economic situation and uncertainties during the year under review. The continuous support shown during these turbulent times has proven that there is no greater asset for the Company than its workforce. The Company's consistent and commendable performance during the year is mostly contributed by the deep commitment and dedication of its people who share the common spirit of being 'together as one' in achieving excellence. PGB believes in continuously building and developing its people with the right capabilities, competencies and most importantly, leadership skills.

PGB currently employs 2,184 staff in various parts of Malaysia. In FY2009/10, the Company's Human Resource strategies were focused on developing its people and accelerating capability. Emphasis was also given to the implementation of smooth succession plans for continuous availability of competent manpower to ensure uninterrupted business operations at all times. In warranting that its people are ready to live up to the challenge of adding value to PGB, efforts and initiatives have been put in motion towards equipping them with the necessary capability and competencies.

Developing Our Talents

Encouraging the Learning Culture

In the uncertain economic environment these days, people fiercely compete for opportunities everywhere. Hence, innovation and good business governance are recognised as key contributors to the expansion and growth of the business. Recognising the importance of innovation, the focus for the human resource throughout the year was to optimise and re-energise the staff by challenging yet encouraging them to be innovative. The Company continues to invest in developing and harnessing the functional and leadership development of its people through diverse programmes designed to equip them in order to raise the bar to bring PGB to greater heights, as well as gearing them up to assume bigger responsibilities when the opportunities arise.

The PETRONAS Accelerated Capability Development (ACD) which was introduced the year before remained as top priority where the technical staff are assessed and monitored on their competency gaps through a systematic coaching plan. The Company's training approach is further supported by competency checks on a regular basis in making sure that the necessary and critical knowledge is being utilised, retained and disseminated to the rest of the staff. This includes the annual ACD assessments and other competency-based assessments which require a predetermined passing level as one of the main criteria for gearing onto the next level of management. The year under review saw a total of 437 Technical Executives subjected to the assessments, all of which were equipped with Individual Coaching Plan and paired with technical

FROM LEFT:

The Company's Human Resource strategies are focused on developing its people and accelerating capability.

Training programmes play a major part in ensuring the development of capability and leadership values.

coaches to guide them in closing their technical gaps. Apart from the ACD assessments, the Company also focused its learning approach to deepen technical skills in developing current engineers into Technical Professionals (TP) with specialised skills. With the relentless efforts by staff and the encouragement from the Company, PGB now has 21 certified TPs who are subject matters experts and act as the reference points to other staff on their technical know-how and expertise in relevant areas.

More specific to the Company, PGB embarked on a new initiative of enhancing its people. The Career Enhancement Opportunity (CEO) programme was aimed to give new exposure and challenges for staff within and outside PGB. Identified staff and volunteers consisting of a mixture of junior engineers and experienced technicians were given opportunities to further enrich their experience, contribute their expertise and gain external exposure in new environments within PETRONAS Group of Companies, mostly overseas.

For the non-executives, the Company continues to leverage on the PETRONAS Competency Based Assessment System (PECAS) to develop and enhance the competencies of technical non-executives through a series of assessments. In FY2009/10, Non-Executive Technical (NET) Management was introduced as a structured programme to assess potential Non Executives to be appointed as Executives. Under this NET Management, PECAS completion and NET Competency Based Interview (CBI) were used to gauge the readiness of the staff. For the year under review, a total of 183 NETs successfully completed PECAS to progress in their career, out of which, 10 NETs were appointed as Executives upon passing their NET CBI. In addition to this, the Non-Technical Non Executives (NENT) were given similar opportunity to progress through the NENT Assessment, where 18 NENTs were upgraded to higher grades.

Training programmes play a major part in ensuring the development of capability and leadership values. During the year under review, the Company achieved 29,038 training days, averaging 13 training days per staff. The Company's training programmes blend elements of technical trainings to enhance skills of its staff, with health and safety and leadership trainings, which is implemented via traditional classroom learning, on-the-job trainings, attachments to taskforces and eLearning. Each employee is required to fulfill compulsory training days, and the completion of at least one online eLearning module. To further strengthen the Company's commitment to ensure staff development is given top priority, staff training days is continued to be incorporated in all Managers' Key Performance Indicators (KPIs). The PETRONAS eLearning, which offers a wide range of self-learning modules had seen all 2,184 employees completing 2,803 modules in the year. This interactive self learning has proved to be successful in encouraging staff to improve themselves without going for classroom or planned trainings. This not only assists PGB to inculcate the learning culture, but encourages the staff's commitment to self-develop.

The Building Leadership Programme remains as the main platform for identifying and grooming potential future leaders of the Company.

On top of these, the Company also leverages on the various structured training programmes organised by PETRONAS Management Training Center (PERMATA).

In supporting staff to enrich their competencies outside the regular trainings provided, the Company also encourages its staff to broaden their perspective of outlook by giving financial assistance for higher education under the Staff Development Programme (SDP). This financial assistance is awarded to potential and deserving staff pursuing their diploma, degree or masters programmes in related fields. As this self-driven learning is initiated by the staff themselves on part-time basis, not only do they still contribute their best to the Company, they bring along new and fresh ideas and knowledge to the workforce.

Looking Ahead

Planning for Future Leaders

The year under review recorded a staff mobility rate of 25.2% through the movement of staff within the Company as well as the PETRONAS Group. The Company believes that staff mobility plays a vital role in creating competitive advantage in developing its talents in different areas and geographical locations apart from enriching and motivating the employees.

In supporting the mobility exercise, it is the responsibility of the Company to ensure long-term succession for the sustainability of the business. The year under review saw numerous efforts in carrying out Talent Review sessions for the Technical Managers to identify top talents in order to have a pool of leaders being developed for succession. A Succession Planning exercise was conducted to discuss a total of 181 talents and their specific career development plans to prepare them for over 100 Technical Managerial and TP positions across the Company. This Succession Planning exercise is planned to be continued in the subsequent year for the Non-Technical Managerial positions.

In line with the above, the Building Leadership Programme (BLP) remains as the main platform in identifying and grooming potential future leaders for the Company. Currently, a total of 87 potential leaders have been identified across the Company, who are provided with intensified leadership development programmes, coaching and structured trainings.

The ability to take charge and embrace new challenges whilst sustaining high level of motivation is the focus of leadership development throughout the organisation. As it is the Company's belief that leadership culture is key for all levels of staff, various programmes were conducted to nurture and develop talents and newly appointed leaders in assuming their new roles. The Emerging Leadership Programme (ELP) was introduced last year with the objective of upskilling supervisors

FROM LEFT:

The Emerging Leadership Programme (ELP) was introduced with the objective of upskilling supervisors with leadership tools and techniques to become effective leaders.

Mentoring continues to be a key component of the Company's culture to provide a learning platform for new executives.

with leadership tools and techniques to become effective leaders. A total of 123 staff attended the programme which was conducted by in-house trainers consisting of PGB Senior Management levels.

For the senior and middle management level, the Company continues to leverage on PETRONAS' existing leadership programmes. During the year under review, three of PGB's Senior Management attended the Leadership Excellence at PETRONAS (LEAP) while five others attended the INSEAD Senior Management Development Programme with the aim of refining the soft skills of the Management team apart from enhancing their business excellence. For the newly appointed and potential Managers, the Maximising Your Leadership Success (MYLS), Management Development Programme, Business Management Excellence and Managing Motivation for Performance Improvement programmes were carried out to assist them to make a successful transition to higher responsibilities. For the year under review, a total of 52 staff attended the said programmes.

Apart from the specific leadership programmes, the Company also stressed upon the self motivation of its people. In line with this, numerous sessions were specifically designed and conducted to introduce tools and techniques to achieve both personal and business goals and enhance motivation. The high motivation of the people and their commitment to the Company is well reflected in the high reliability and productivity of the business throughout the year.

Mentoring continues to be a key component of the Company's culture to provide a platform for new executives and potential leaders under BLP to learn and acquire guidance through a mentoring relationship which will enable them to familiarise and adapt to business working environment and PETRONAS values. The Company further supported the mentoring programmes by organising various sharing sessions and in-house trainings to ensure its success.

Raising the Bar

Monitoring and Enhancing Staff Performance

In the Company's efforts to monitor the development of its people, the Management Committee members sit together with divisional HR personnel to discuss its human capital matters. During the year under review, a total of 12 sessions of Management Committee and 13 Human Resource Planning Committee meetings were conducted at various locations of the business operations to allow employees to reach out and get to know the Management.

The regular monitoring sessions are further complemented by the Intensified Performance Management System (IPMS), which is a complete and transparent appraisal system based on regular reviews on the employees' performance and leadership behaviours, coaching by immediate superiors and leadership qualities feedback for all the executives. The PETRONAS rewards and consequence management system in differentiating employees with strong performance and

FROM LEFT:

iHSE provides a solution that is innovative to enhance HSE knowledge management.

Safety is always the top priority for every staff and at every area of the Company's operations.

outstanding leadership, against marginal performers who need specific development plans to improve, continued for the second year and proved to be essential in supporting the Company's high performance culture.

Communication is Key!

Staff Engagement and Management Commitment

Regular staff communication and engagement are important to the Company to maintain the harmonious working environment. Various engagement sessions with the staff were conducted in all its business locations with the aim of being transparent and open with all level of employees on the Company's performance and current business updates. Throughout the year, the Company conducted a total of 52 formal engagement sessions, and numerous informal sessions to give the opportunity for staff to share their ideas and concerns as well as keeping abreast with the latest development of the Company.

On top of the regular communication sessions, the Company also carried out specific engagements to address different levels of employees, namely the PGB Managers Forums, Young Leaders Forums and Non-Executive Forums to establish network, raise concerns and share new and current information with each other for the betterment of the fraternity. Regular weekly 'tazkirah' sessions were also conducted by respective departments as a platform for employees to strengthen and align to PETRONAS shared values.

Zooming into the matters concerning the welfare and development of the Non-Executives, the Company coordinated quarterly engagement sessions between the management with *'Kesatuan Kakitangan Petroliam Nasional Berhad'* (KAPENAS). A total of four sessions were carried out in the year under review to enhance the good relationship with the Non-Executives and facilitate immediate action on issues to be resolved quickly and amicably. On top of that, the Company also takes extra effort in having regular engagements with the government regulatory bodies in order to foster good relations and be updated on the latest developments.

All the communication and engagement will not be successful without the support from its people. The Company has been blessed with the unwavering and continuous commitment from the management and staff who act as advocates to the human resource practices, whether as speakers, mentors, interview panels and assessors as part of their role. In the year under review, people management activities have been incorporated as part of all managers' Key Performance Indicators (KPI). It is encouraging to note that the management took upon them the responsibility with great enthusiasm and had given their full support in carrying out the activities as part of their roles.

Health, Safety and Environment Information Management System (HSEIMS), an initiative embarked by PETRONAS Group has been successfully deployed at PGB.

Keeping Safe, Keeping Healthy

The Company takes employees' health and safety seriously. PGB continues maintaining high standards of PETRONAS Health, Safety and Environment Management Systems (HSEMS) by adhering to the set standards and focusing on compliance to the established procedure and processes through the implementation of the HSEMS Audits.

Safety Matters!

The Company has recorded zero Loss Time Injury (LTI) with more than 12 million Safe Man-hours since the last recorded LTI. However, the year under review saw one incident that has drawn public attention, which was the Mercaptan release incident at the Shah Alam City Gate site. The incident has triggered the roles of Emergency Response Team (ERT), Public Affairs and General Services (PAGS) and HSE practitioner in dealing with the public, media and authorities, in addition to the typical emergency response such as risk and impact assessment, chemical monitoring and rectification works. Several engagements related to this incident were carried out with Royal Malaysian Police (RMP), Fire and Rescue Department Malaysia (FRDM), Department of Environment (DOE), Department of Occupational Safety and Health (DOSH), hospitals and local politicians. On top of that, an Investigation Team was formed led by PETRONAS Group HSE Division (GHSED) to find the root cause and remedial actions. A temporary roof fencing enclosure was built at the station to ensure any further Mercaptan release will be confined within the station and continuous site monitoring was carried out. In ensuring that the incident does not recur, the Company is currently using other methods of Mercaptan transfer and will construct a permanent enclosure building in FY 2010/11.

Health, Safety and Environment Information Management System (HSEIMS), an initiative embarked by PETRONAS Group has been successfully deployed at PGB as one of the earliest pilot. HSEIMS or commonly known as iHSE provides a solution that is innovative to enhance HSE knowledge management. Towards the implementation of iHSE, numerous communications were conducted to all staff. Line personnel at each division were trained on iHSE; in addition, the iHSE online simulator was made available on the PGB intranet to assist the users on the usage of iHSE.

To further enhance safety at the workplace, the Hand and Finger Injury Prevention Programme was introduced with the objectives of creating awareness on hand and finger safety, conducting site inspection and auditing on hand and finger injury hazards to enhance existing control measures at the workplace.

During the year under review, the Company conducted four full scale emergency exercises which were aimed at testing the implementation of PGB's emergency preparedness and response plan in facing any emergency. The exercise involved authorities such RMP, FRDM, Civil Defense Department (JPA), Ministry of Health (MOH), DOE, DOSH as well as representative from GHSED and other PETRONAS Operating Units.

FROM LEFT:

The Company remains committed in providing a safe and conducive work environment for its employees.

Preventive measures in protecting staff from H1N1 were carried out during the pandemic spread in the year under review.

As part of the Company's strategy on effective communication and engagement to stakeholders, PGB has conducted more than 50 engagement sessions with the community and regulatory bodies to build a good rapport towards a better cooperation and mutual understanding of legal requirements and PGB's HSE expectation.

A Healthy Workforce is a Productive Workforce

The culture of health and wellness are continuously sustained through promotion of active and healthy lifestyle. As a continuation from the previous year, a second round measurement of health parameters (blood pressure and Body Mass Index) were conducted and analysed in the year under review to gauge the performance of the on-going intervention programmes such as Stop Smoking and Weight Management. The results are also used to plan the next financial year's lifestyle intervention programmes. The staff themselves take own initiative together with the respective divisions and individual groups to organise exercise sessions, from bowling indoors to treasure hunts and aerobics outdoors. This allows staff to have a good balance of work and play in PGB.

As part of the Company's commitment to ensure that staff stays healthy, employees and their immediate family members are provided with comprehensive medical care. With the H1N1 pandemic cases on the rise for a large part of the year under review, the Company continuously took preventive measures in protecting its employees by sharing tips and advice on the prevention and management of the H1N1 spread via electronic means and circulars. The Company prepared an Emergency Response Procedure (ERP) to ensure the readiness of staff in handling pandemic influenza. This ERP includes detailed steps and procedures with regards to evacuation and quarantine for affected staff, decontamination, Personal Protection Equipment and the Company's engagement with external parties. Health professionals were also invited to educate the employees on the matter, on top of other health talks and forums conducted with healthcare specialists.

The 'Al-Falah' Programmes, which aims to enhance employees' physical, financial, emotional and psychological health, has also progressed to its second year which saw 357 employees attending a total of 18 sessions throughout the year. In addition to this programme, a special monthly counseling programme was introduced for employees in the effort to provide an avenue for one-to-one counseling with appointed internal counselors.

The Company continuously manages health risks arising from its operations through a structured Health Risk Assessment (HRA) programme. The scope of the HRA encompass five major health hazards,

In achieving the Company's goals, we will hold steadfast to the PETRONAS shared values of loyalty, professionalism, integrity and cohesiveness.

which are hazardous chemicals, physical (noise, vibration, thermal stress, radiation and pressure), ergonomics, biological and psychosocial. The HRA is carried out during routine plant and transmission operations, plant turnaround and project management activities as well as at the Company' office premises.

During the year under review, HRA was carried out at Sabah-Sarawak Gas Pipeline (SSGP) project site, which happened to be the first HRA carried out during a project stage in PETRONAS Group of Companies, aimed to assess and control any health risks from activities carried out during SSGP project. The mitigation measures were proposed for the health risks identified and the effectiveness of the proposed measures are continuously reviewed to ensure the protection of workers' health.

In addition, emphasis was given on the impact of SSGP project on the surrounding community, and vice versa. Accordingly, a Health Impact Assessment (HIA) was carried out to study potential impact, with inputs from the Social Impact Assessment (SIA) and Environmental Impact Assessment (EIA). Issues such as communicable diseases, drugs and alcohol abuse, and medical emergency preparedness are assessed and the mitigation measures are recommended for implementation throughout the project cycle.

Where Do We Go From Here?

Charting the Way Forward

In line with the Company's vision of being a world class gas and utilities company, a three-year Leadership and Capability Roadmap is drawn up detailing its year-to-year targets in supporting the expansion and growth. This roadmap charts the way forward and sets the Company's target in capability and leadership development, as well as mindset and behaviour change.

In achieving the Company's goals and ensuring that PGB continue harvesting the fruits of its labour, it is vital to always refer to the core PETRONAS values of loyalty, professionalism, integrity and cohesiveness. This, coupled with the relentless effort in continuous development of its people, will not only ensure the Company's future growth and operational excellence but also reinforce its relationship with the stakeholders in years to come.

CR in the Environment

PGB places high emphasis on the conservation and preservation of the environment.

Our Commitment to the Environment

PETRONAS Gas Berhad (PGB) places high emphasis on the conservation and preservation of the environment. The Company is aware there will always be a balancing act to play between the organisation's resources, its Health, Safety and Environment (HSE) system and the environment in order to continue maintaining its business operations in a sustainable manner.

PGB continues to improve its HSE practices in-line with the PGB Health Safety and Environmental Management System (HSEMS), which is a set of control parameters that is used to proactively manage all the HSE hazards and consequences which are associated with the business activity and to provide assurance to all stakeholders that HSE risks in the business are being managed to a level that is as low as reasonably practicable. In the year under review, the HSEMS was improved through the integration of procedures and work instructions relating to environmental risks. This is to ensure compliance with ISO14001:2004.

More focus were given on environmental improvement initiatives such as management of schedule wastes, minimising black smoke flaring and greenhouse gas (GHG) emission in order to ensure that the Company is operating in safe and clean environment and to comply to the legal and business requirements. As a result, PGB Centralised Utility Facilities (CUF) has received the ISO 14001:2004 recertification while PGB Transmission Operations Division (TOD) received the MS ISO 14001:2004 certification for all its Regional Offices. The Company has now started focusing on getting the ISO certification for Plant Operations Division (POD).

The Company is supporting the walk-the-talk approach derived from the Bali Road Map 2007 and CoP15 Copenhagen 2009 in demonstrating its commitment to the 1997 Kyoto Protocol, of which Malaysia is a signatory, with regards to reducing the emission of GHG. In early July 2009, the Company, together with Gas Business Unit (GBU) of PETRONAS and Mitsubishi Corporation had jointly organised the

PGB continues to improve its HSE practices in-line with the Company's Health, Safety and Environment Management System (HSEMS).

Clean Development Mechanism (CDM) Workshop which was aimed to discuss on the process flow and requirements for CDM. CDM is an arrangement under the Kyoto Protocol that allows industrialised countries with GHG reduction commitment to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reduction initiatives in their own countries.

PGB's commitment in environmental conservation was enhanced by the GHG Sangea Reporting Workshop and Site Verification Exercise that were organised from 4 to 5 October 2009. These efforts ensured that the GHG reporting, using the International Petroleum Industry Environmental Conservation Association (IPIECA) Petroleum Industry Guideline and GHG data monitoring are accurate and reliable. In the year under review, the Company had trained more than 20 staff on the use of the Sangea software in order to provide relevant and accurate operational production data for estimation of carbon dioxide equivalent (CO2e) emission.

FROM LEFT:

The Company emphasises on the importance of scheduled waste management to ensure full compliance to the scheduled wastes regulations.

PGB was accredited for its efforts to achieve the highest standards in HSE management.

The Company also emphasised on the importance of scheduled waste management via initiatives such as e-POWERS (PGB Waste Request System), a system that uses electronic notification in managing scheduled wastes request. The scheduled waste disposal uses the Department of Environment's (DOE) web-base e-Consignment notes to ensure full compliance to the Scheduled Wastes Regulation 2005. Several training sessions for scheduled wastes focal persons were jointly organised with DOE Putrajaya during the financial year.

As part of PGB's sustainable environmental development efforts, several programmes were conducted for Sabah-Sarawak Gas Pipeline project to ensure environmental awareness among the project team and to verify environmental quality monitoring requirements. In addition, PGB's Sitiawan Regional Office had organised the Ownership, Unity and Satisfaction (OURs) programme for the staff and their family members on the importance of protecting turtles as part of sustainable development and preserving global biodiversity.

Awards

In the year under review, PGB was accredited for its continuous efforts to achieve highest standard in HSE management system. The Company received nine Malaysian Society of Occupational Safety and Health (MSOSH) Awards.

1. MSOSH Grand Award for Gas Processing Plant (GPP) B, POD;
2. MSOSH Gold Merit Award for Export Terminal, POD;
3. MSOSH Gold Merit Award for Centralised Utility Facilities (CUF) in Gebeng;
4. MSOSH Gold Merit Award for Technical & Facilities Development Division (TFDD);
5. MSOSH Gold Class 1 Award for Segamat Regional Office, TOD;
6. MSOSH Gold Class 1 Award for Kuantan Regional Office, TOD;
7. MSOSH Gold Class 1 Award for Bintulu Regional Office, TOD;
8. MSOSH Gold Class 1 Award for CUF in Kertih; and
9. MSOSH Gold Class 2 Award for Shah Alam Regional Office, TOD.

PGB will continuously strive for higher levels of HSE excellence.

At PETRONAS level, PGB once again received the Merit Award in Health Category for its success in conducting the Avian Influenza Emergency Preparedness Exercise which was carried out on 23 November 2008.

Certifications

As part of the efforts to enhance the Company's HSEMS, CUF Kertih had successfully undergone surveillance audit which was conducted from 8 to 9 June 2009 for:

i. OHSAS 18001:2007 Occupational Health and Safety Management Systems;

ii. MS 1722:Part 1:2005 Occupational Health and Safety Management Systems (2008 version); and

iii. MS ISO 14001:2004 Environmental Management Systems (2007 version).

CUF Gebeng was audited from 10 to 11 June 2009 for:

i. Upgrade OHSAS 18001:1999 Occupational Health and Safety Management Systems to OHSAS 18001: 2007;

ii. Surveillance Audit for MS 1722:Part 1:2005 Occupational Health and Safety Management Systems (2008 version); and

iii. Re-certification of MS ISO 14001:2004 Environmental Management Systems (2007 version).

TOD has been certified with Integrated Management System (IMS) which comprises three certifications:

i. OHSAS 18001: 2007 Occupational Health and Safety Management Systems;

ii. MS 1722:Part 1:2005 Occupational Health and Safety Management Systems; and

iii. MS ISO 14001:2004 Environmental Management Systems on February 2010.

CR in the Community

The year under review saw the adoption of a fourth school by the Company under the PBPP.

PGB strives to create sustainable value for the society with the hope of aspiring people everywhere. The Company continues to implement a broad range of Corporate Social Responsibility (CSR) programmes where it operates. Among these initiatives are the *Program BAKTI Pendidikan PETRONAS* (PBPP), interaction activities with the local authorities, public awareness programmes and other social responsibility programmes.

Program BAKTI Pendidikan PETRONAS

The Company has adopted three schools under the PBPP namely Sekolah Kebangsaan Santong in Paka, Terengganu, Sekolah Kebangsaan Kemasik in Kemasik, Terengganu and Sekolah Kebangsaan Pinang Tunggal in Kepala Batas, Pulau Pinang. The programme was initiated in 2002 by PETRONAS, with support and involvement by the Company since 2006. Through our participation, around 560 students have benefited from this programme.

The year under review saw the adoption of a fourth school by the Company under the PBPP. Sekolah Kebangsaan Batu Anam in Segamat, Johor was successfully adopted on 4 July 2010 and officially launched by Dato' Hajah Noor Rezan, the Timbalan Ketua Pengarah Pelajaran Malaysia, Operasi Pendidikan Kementerian Pelajaran Malaysia.

PBPP is a structured and integrated long-term education programme focusing on marginally performing school children. The programme enhances the teaching approach to improve academic achievements specifically in Mathematics, English and Science for standard four, five and six students. The programme also gives equal emphasis on soft skills through scheduled Fun Learning sessions conducted by PGB staff volunteers who selflessly invest their time and energy on a monthly basis.

Apart from these, the students were also taken for yearly educational field trips to PETRONAS' experiential learning facilities such as PETROSAINS, Aquaria, PETRONAS Twin Towers, KLCC Park and Sepang International Circuit. Students who will be sitting for the Standard Six *Ujian Penilaian Sekolah Rendah* (UPSR) examination also participated in the motivational camp designed by our staff volunteers. As recognition for the students' overall achievements, an annual prize giving ceremony was organised by the Company to acknowledge their

FROM LEFT:

PBPP enhances the teaching approach to improve the academic achievements of marginally performing school children.

Ninety two percent of PBPP students who sat for UPSR during the year passed the examination, of which 16 students obtained 5As whilst 20 students scored 3As and more.

efforts in achieving outstanding results and demonstrating significant improvements at school.

The year under review saw the graduation of the pioneer batch of PBPP. From the 80 students involved in the PBPP that sat for the UPSR examination, 92% passed the examination of which 16 students obtained 5As whilst 20 students scored 3As and more. This is a significant improvement in comparison with 2008 result, with higher number of students obtaining 5As compared to previous year. The remarkable achievement of the students under PBPP is a success that the Company is proud to be part of.

The Company's efforts in supporting the PBPP was once again given due recognition at national level where PGB was short-listed for the Star Biz-ICR Malaysia Corporate Social Responsibility Award under the Community Category.

FROM LEFT:

Local communities within the vicinity of our plant and facilities were briefed through public awareness programmes on preventive and safety control measures.

The Company's CSR programmes encompass a wide range of activities, from assisting the physically challenged and single mothers, to giving motivation and moral support to orphans and the underprivileged.

Corporate Social Responsibilities

The Company continues to carry out a series of Corporate Social Responsibility programmes encompassing a wide range of activities. From assisting the physically challenged and single mothers, to giving motivation and moral support to orphans and the underprivileged, our staff commitment in working together, to contribute back to the community was exemplary.

Under the tagline *Bakti Dihulur, Kasih Disemai* which means every act of kindness, instils the spirit of caring for each other, CSR activities were intensified and saw a larger participation. Senior Management and staff, together with their family members contributed their personal time, energy and money for these CSR activities. Through these personal contributions, the Company was able to conduct on average of one CSR activity per week.

A total of 60 CSR activities were carried out with the communities in the area where the Company operates. These activities focused mainly on improving the well-being of single mothers and the under privileged. Total amount contributed by Senior Management and staff is RM93,516.80.

Other Stakeholder Engagements

The Company also conducted public awareness programmes to engage with the local communities within the vicinity of our plant and facilities. Through these engagements, we were able to create awareness on preventive and safety control measures which need to be carried out along our pipeline route. The public was also made aware of how to activate emergency procedures should the unexpected occur. This public awareness programme is a joint effort between the Company and relevant local authorities such as FRDM, representatives from the Municipality Council and Land Department.

The Company recognises the importance of fostering good relations with relevant local authorities and media to promote better understanding of our business. Through this good relationship, the Company was also able to understand the regulatory requirements of the different agencies. Such activities to foster relationship and enhance rapport include plant visits, sporting activities and regular engagement sessions.

Another equally important group of stakeholders are the Company's business partners. Through the annual Contractors Forum, the Company continues to strengthen its relationship with its suppliers. This is the fifth year the forum has been conducted with the aim to improve efficiency in supply chain management in order to support our operations. The forum promotes open discussion between the Company and its suppliers to facilitate effective working relationship. During the forum both parties were able to openly surface and discuss areas for improvement. The forum was also used as a platform to recognise suppliers who have excelled in their provision of services and product delivery, or who have demonstrated exemplary Health Safety and Environment practice. This encourages the suppliers to provide the highest quality of products and services at all times and to continuously improve their performance.

Senior Management and staff, together with their family members contributed personal time, energy and money in making our CSR initiatives a success.

A

Calendar of Events

4 April 2009

Corporate Social Responsibility (CSR) Programme at Pantai Kuala Paka

Maintenance Department of Gas Processing Plant Complex A (GPP A) had successfully organised the environmental CSR programme at Pantai Kuala Paka with the theme *"Cakna Insan, Cakna Alam, Cakna Ugama"*. The program which was jointly organised by PGB, JKKK Kampung Pantai, Majlis Perbandaran Dungun (MPD), Royal Malaysian Police (RMP) Paka and Residence Resort Paka, aimed to instil the value of being responsible to the environment amongst staff, their family and the community.

28 April 2009

Centralised Utility Facilities' (CUF) Sharing Session

Sharing Forum among the technical executives and non-executives was successfully conducted as a platform for them to share knowledge and experience. A total of 84 staff from various departments participated in the forum.

19 - 21 June 2009

PGB School of Leaders Project (SoLP)

As part of the Company's effort to support the implementation of PETRONAS' Corporate Social Investment, through the "School of Leaders Project" (SoLP), a motivational camp was held for 39 *Program Bakti Pendidikan PETRONAS* (PBPP) students from Sekolah Kebangsaan Pinang Tunggal, Kepala Batas, Penang. The 3-day camp aimed to motivate and boost the morale of the standard six students who will be sitting for their UPSR examination.

2 July 2009

PGB Re-certified with ISO 9001:2008

The Company has been successfully re-certified with ISO 9001:2008. The audit exercise was conducted by three Standards and Industrial Research Institute of Malaysia Quality Assurance System (SIRIM QAS) auditors covering eight PGB sites, which include PGB Head Office in KL, GPP Complex A and B, CUF in Kertih, Export Terminal (ET) in Kemaman, Gurun Regional Office, Setiawan Regional Office and Seremban Regional Office. The Company has retained its ISO certification for 14 years.

5 July 2009 A

Sekolah Kebangsaan Batu Anam, Segamat was Selected as the 4th PGB Adopted School under PBPP

Sekolah Kebangsaan Batu Anam, Segamat was selected as the new adopted school under PBPP and is the first school from the state of Johor to join the Programme. Deputy Director General of Education, Datuk Noor Rezan Bapoo Hashim officiated the Launching Ceremony.

10 - 11 July 2009

PBPP Monsoon Camp 2009 Programme for Standard Six Students

A group of 36 junior employees from Plant Operations Division (POD) and CUF spent their weekend with 54 standard six PBPP students from Sekolah Kebangsaan Santong and Kemasik for the PBPP Monsoon Camp at Agro Resort Semuji, Kuantan. The program aimed to aspire and nurture the students into becoming champions in their endeavours and accordingly, motivating them to strive for excellent results in their upcoming UPSR examination.

22 July 2009

PGB's 26th Annual General Meeting

The Company's 26th Annual General Meeting was held at Nikko Hotel, Kuala Lumpur.

7 August 2009

PGB Head Office Health, Safety and Environment (HSE) Day 2009

To encourage healthy life-style among employees, the Company organised the HSE Day at its Head Office, Kuala Lumpur.

7 August 2009 B

PGB Received Nine MSOSH Awards for HSE

The Company was accredited with nine Malaysian Society for Occupational Safety and Health (MSOSH) Awards. One Grand Award, three Gold Merit Awards, four Gold Class 1 Awards and one Gold Class 2 Award were received for its HSE performance in operations.

8 August 2009

CSR Activity in Kg. Shukor, Pasir Raja, Hulu Dungun, Terengganu

As a responsible corporate citizen, the Company organised a CSR programme at Kg Shukor, Pasir Raja, Hulu Dungun, Terengganu. Two hundred participants comprising employees of POD and their families, and residents of Kampung Shukor participated in the programme. The programme involved presentation of contribution to the needy and *gotong-royong* in the surrounding area.

14 August 2009 C

CSR by Export Terminal (ET)

The Company's ET organised a CSR activity at the blind citizen's village in Taman Rahmat, Kampung Pulau Kerangga, Marang, Terengganu. Other than to present some token contributions, the programme also helped to strengthen relationships among employees, their families and the society specifically the unfortunates by coming together to lend a helping hand.

17 August 2009

Shareholders Visit to PGB Operations

A group of shareholders was given a guided plant tour to the Company's facilities in Gebeng, Kuantan and Kertih, Terengganu to increase their knowledge on throughput and utilities operations.

20 August 2009

Transmission Operations Division (TOD) HSE Day at East Coast Regional Office hosted by Kertih Regional Office (RO)

TOD organised its annual HSE Day at Kertih RO with the theme "Strengthening HSE Performance in Challenging Times". En. Nordin B Ghani, General Manager of TOD officiated the Launching Ceremony. Two hundred participants comprising employees from TOD and Head of Departments from local authorities participated in this event.

26 August 2009

Merdeka Celebration at POD

POD celebrated the 52nd Merdeka Celebration at GPP A. The event was filled with interesting activities such as showing of movie clips from the famous merdeka movie – Bukit Kepong to remind employees on the importance of independence, poem recital, Tazkirah, recital of Rukunegara and the raising of Jalur Gemilang.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9 September 2009

Safe Driving Campaign at POD

POD organised a Safe Driving Campaign together with Jabatan Keselamatan Jalan Raya (JKJR) and Jabatan Pengangkutan Jalan (JPJ) Kuala Terengganu at GPP A as a reminder and at the same time to provide awareness on road safety to employees in conjunction with the upcoming Hari Raya *balik kampung* activities.

11 September 2009

Majlis Sentuhan Kasih 2009 dan Majlis Berbuka Puasa

The Company, together with PETRONAS East Cost Regional Office organised *Program Sentuhan Kasih dan Majlis Berbuka Puasa* at Dewan Seri Intan, Kertih, Terengganu. The Company presented gifts to 20 selected poor students from its adopted schools, Sekolah Kebangsaan Kemasik, Kemasik and Sekolah Kebangsaan Santong, Paka, Terengganu.

2 October 2009 D

PGB Head Office Hari Raya Celebration with Orphans and Stakeholders

To continue with the spirit of togetherness with the society and stakeholders in celebrating Aidilfitri, the Company organised Majlis Hari Raya PETRONAS Gas Berhad with orphans from Asrama Darul Falah Perkim (ASDAF), local authorities and customers at Saloma Bistro and Theatre Restaurant, Kuala Lumpur.

28 October 2009 E

Lady Engineers Meeting and Leadership Coaching

The Company conducted a Lady Engineers Meeting and Leadership Coaching Workshop at GPP A, which provided a good platform for lady engineers to provide feedback, establish network, share experience, highlight issues and concerns and also provide support and encouragement to each other for the betterment of the fraternity.

11-12 November 2009

PGB Managers Forum 2009

The Company organised PGB Managers Forum to cascade PGB's objectives and to discover innovative ways to generate growth and optimise cost for the business.

12 November 2009

Human Resource Management Department of POD Organised CSR Programme at Sekolah Kebangsaan Pengkalan Ranggon, Kertih

To further continue with the spirit of *"Bakti Di Hulur Kasih Di Semai"*, the Human Resource Management of POD organised a CSR at Sekolah Kebangsaan Pengkalan Ranggon, Kertih, Terengganu. The main objective of the programme was to provide motivation to the students who were at the time preparing for their examination. *Gotong-royong* at the school was also carried out during the programme.

18 November 2009

Control of Industrial Major Accident Hazards (CIMAH) Programme at ET

The Company organised CIMAH programme with the community entitled *"Majlis Penerangan Kawalan Terhadap Bahaya Kemalangan Besar Dalam Industri"* at Kawasan Rekreasi Telaga Simpul, Chukai, Terengganu to create awareness and provide better understanding of its operations, and to share preventive measures that are in place to ensure the safety of stakeholders in the surrounding areas.

F

23 November 2009

Visit from Lukoil Russia, Toyo Japan and Toyo Engineering and Construction Sdn. Bhd. to GPP A

A delegation comprising nine personnel from Lukoil Russia, Toyo Japan and Toyo Engineering and Construction Sdn. Bhd. visited the Company's GPP A in Kertih to have a better understanding of gas processing operations.

26 November 2009

F

Ground-breaking Ceremony for Kimanis Power Plant

To mark an important milestone of the Kimanis Power Plant project, PGB together with its joint venture partner, Yayasan Sabah, organised the ground-breaking ceremony of the Kimanis Power Plant in Kimanis Bay, Papar, Sabah. The Chief Minister of Sabah, The Most Honourable Datuk Seri Panglima Musa Haji Aman graced the event by leading the ground-breaking ceremony.

9 December 2009

TOD Organised Emergency Response Exercise 'Ex-TERICS 8 2009' in Pasir Gudang

TOD and Majlis Perbandaran Pasir Gudang (MPPG), through Pasir Gudang Emergency Mutual Aid (PAGEMA) jointly organised an emergency response exercise called 'Ex-TERICS 8 2009' at the Pasir Gudang Industrial Area. The drill was conducted to test the implementation of TOD's and PAGEMA's Emergency Response Plans and at the same time to expose, familiarise and develop skills and knowledge of all PAGEMA members in facing emergency situations.

12 December 2009

GPP A CIMAH Day for Community at Kampung Labohan, Kertih, Terengganu

To create awareness and provide better understanding of PGB operations, and ensure safety of the community in the surrounding areas, GPP A organised CIMAH programme at Kampung Labohan, Kertih, Terengganu. The programme received overwhelming response from the community.

24 December 2009

***'Basah'* Emergency Response Exercise at Centralised Utility Facilities (CUF) Gebeng**

To evaluate and test the Company's emergency responses and preparedness, PGB organised an emergency drill at CUF Gebeng, Pahang. Representatives from the local authorities, Group HSE PETRONAS and Methyl-Tertiary-Butyl-Ether (MTBE) Malaysia Emergency Response Center (ERC) Team were invited to join the exercise to test their response time and improve coordination among the parties.

14 January 2010

TOD Shah Alam Organised Public Awareness Programme

TOD Shah Alam successfully organised a public awareness briefing with local authorities. The purpose of this briefing is to provide more information on the operations of gas transmission as well as specific information on safety at the area. Representatives from Majlis Bandaraya Shah Alam, Subang Jaya Municipal Council, Sepang Municipal Council, Klang Municipal Council, Public Work Department, Department of Occupational Safety & Health (DOSH), Department of Environment (DOE), Fire and Rescue Department Malaysia (FRDM) and Royal Malaysian Police (RMP) were present at the briefing. This session was also attended by Director of DOSH Selangor, Tuan Haji Ir. Amir Yahya.

16 January 2010

CUF Customers' Day

CUF organised a CUF Customers' Day at Suria Cherating Beach Resort, Cherating, Pahang. As part of CUF's Customer Relationship Management, this was the first time CUF was able to integrate all of its 11 customers from both Gebeng and Kerteh under one roof. The programme objectives were to foster solid and harmonious relationships between CUF employees and its customers as well as to provide an avenue for the customers to network among themselves.

18 January 2010 G

4th Technical and Facilities Development Division's (TFDD) Sharing Conference

PGB's TFDD organised its 4th TFDD Sharing Forum with the aim to share information, ideas and lessons learnt among PGB staff. Six papers on subjects reflecting the theme 'Towards Continuous Growth and Sustainability', were presented and shared with the audience.

23 January 2010

PGB CSR Programme in Hulu Langat

The Company organised CSR Programmes at two houses of poor citizens in Batu 17 and 19, Hulu Langat, Selangor. Around 100 staff and family members were involved to make the programmes successful.

26 January 2010

Friendly Bowling Match with Government Agencies

As part of the Company's effort to reach out and strengthen its networking with government agencies, HRM team from POD and CUF conducted a friendly bowling match with local government agencies at U-Bowl centre, Mesra Mall, Kertih, Terengganu. The participants were from local government agencies based in Terengganu i.e PERKESO, KWSP, LHDN, Jabatan Tenaga Kerja and Jabatan Perhubungan Perusahaan.

30 January 2010

CUF Gebeng Annual Futsal

CUF Gebeng organised Annual Futsal Tournament to promote healthy lifestyle and to strengthen relationship among CUF junior and senior employees.

3 - 4 February 2010

CUF Won PETRONAS Maintenance Management System (PMMS) Best Practises Award

CUF's Best Practice on "Introducing CUF PMMS Manual and MMS AXIS Portal" was acknowledged as the top 3 best PETRONAS Maintenance Management System (PMMS) best practices during the year under review at Le Maridien Hotel, Kota Kinabalu. The forum focused on continuous improvement and business value creation for maintenance and was participated by all PETRONAS Operating Units.

8 - 9 February 2010 H

CUF HSE and CIMAH Day

CUF organised its annual HSE Day at CUF Kertih with the theme "Instilling 'HSE at Heart' Brings HSE Culture of Excellence" to inculcate HSE awareness amongst CUF employees. In conjunction with this event, CUF also conducted its bi-annual CIMAH briefing to the local authorities, schools and representatives from the nearby village.

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9 - 10 February 2010

PGB Young Professionals Club organised Futsal Tournament for POD and CUF

The PGB Young Professionals Club organised Futsal Tournament at SportsPlanet Futsal, Mesra Mall, Kertih Terengganu. Sixteen teams participated in the tournament which was made up of 11 all-men and 5 all-ladies teams comprising executive and non-executive staff from POD and CUF. The tournament aimed at strengthening relationship among staff whilst promoting healthy lifestyle.

22 - 23 February 2010

PGB Sharing Forum 2010

The Company organised PGB Sharing Forum with theme "Collaborate 2 Innovate" at Flamingo Hotel, Ampang. The forum is part of PGB Knowledge Management's effort to provide a platform to share information and knowledge among staff from different division. It was also aimed to create a sense of belonging among employees to drive and instill innovative culture to promote value creation in line the Company's aspiration.

1 March 2010

PGB Signed High Pressure Steam Supply Agreement with BASF PETRONAS Chemicals

The Company signed an agreement with BASF PETRONAS Chemicals (BPC) to supply high pressure steam from CUF Gebeng to BPC. PGB Managing Director/Chief Executive Officer, Encik Samsudin Miskon and BASF PETRONAS Chemicals (BPC) Director of Operations, Mr. CongJun Xue signed the agreement at the signing ceremony held in Swiss Garden Resort, Sg. Karang, Kuantan, Pahang.

1-2 March 2010

PGB Risk Management Forum 2010

To promote organisational learning among staff in the Company, PGB held its 2nd Annual Risk Management Forum 2010 themed "PGB Value Innovation from Value Within (VIVA): Building Capabilities, Upholding Integrity" in Kertih, Terengganu.

3 March 2010

***Gotong-Royong* Activity at GPP 2**

To preserve cleanliness at workplace and to strengthen bond between staff, a *gotong-royong* activity was organised and participated by 114 staff and contractors at GPP 2.

17 March 2010 I

TOD Received Integrated Management System (IMS) Certification

TOD was certified with HSE Integrated Management System (IMS) which consists of OHSAS 18001:2007, MS 1722: Part1:2005 and MS ISO 14001:2004 by SIRIM QAS International Sdn. Bhd. Puan Khalidah Mustafa, Managing Director of SIRIM QAS Sdn. Bhd. presented the certificates to TOD Management in a ceremony at Holiday Inn, Shah Alam.

21 March 2010

***Hari Anugerah Cemerlang Program Bakti Pendidikan PETRONAS* (PBPP) 2010**

Students from the adopted schools under PBPP programme who have achieved improvement in their academic performance were recognised at the *Hari Anugerah Cemerlang* PBPP *Zon Utara* in Gurun, Kedah.

Munirah sharing the values of caring for the environment with little Zafrie.

“I believe that caring for the environment also means that we’re caring for our future generations.”

Munirah Mohd Arabee
Executive (Product Account GPP B), Plant Operations Division, Kertih

Corporate Governance

Corporate Governance Statement

The Board of Directors (Board) of PETRONAS Gas Berhad recognises that its primary responsibility is to safeguard and promote the interests of the shareholders and to enhance the long-term value of the Company. The Board continuously strives and is fully committed to maintaining high standards of corporate governance throughout the organisation and to safeguard the interests of the shareholders.

The Board in this Corporate Governance Statement complies with paragraph 15.25 of the Main Market Listing Requirements (MMLR) and has applied in full the Principles of Corporate Governance and the Best Practices in Corporate Governance as set out in the Malaysian Code on Corporate Governance (Revised 2007).

The Board and Board Committees

1. Principal Responsibilities of the Board

The Board is generally entrusted with the responsibility to exercise reasonable and proper care of the Company's resources for the best interests of its shareholders and to safeguard the Company's assets.

The Board is also accountable under the law for the Company's activities, strategy and financial performance. The Board plays an active role in the strategy development and planning process whereby the Company through its Management presents to the Board the proposed strategies for a particular financial year and the ensuing years for Board's approval. Particular attention is given to ensure that the strategies proposed by the Management of the Company are fully discussed and critically examined by the Directors. In discharging their duties with reasonable care, skill and diligence, the Directors will be accorded with sufficient information on any subject matter so as to enable the Directors to make the business judgment in the best interest of the Company.

The Board will, in advance, approve the Company's Plans and Budget including cash flow forecast for the year and projections for the four subsequent years, preparation of which is one of the key responsibilities of the Managing Director/Chief Executive Officer (MD/CEO). These are prepared by the respective operating units and support services units and reviewed by the Company's Management Committee (MC) before submission for the Board's approval. The Company's business performance results are reviewed periodically by both the Management and the Board. Results are reported to the Board on a quarterly basis together with an in-depth explanation and analysis of variances to the budget by the MD/CEO.

Another dimension of the responsibility entrusted on the Board is overseeing the risks framework of the Company whereby the Company advises the Board Audit Committee (BAC) and the Board on areas of risks faced by the Company from the high to low level, and adequacy of control and mitigation throughout the Company.

2. An Effective Board Composition

The Board comprises of eight Directors including the Independent Non-Executive Directors who have been selected based on their character, calibre, extensive experience and expertise in a wide range of related and unrelated industries, as well as their ability to add strength to the stewardship of the Company.

The Board is satisfied with its existing number and composition. It is also of the view that its members have the mix of skills, knowledge, experience and strength in qualities which are relevant to enable the Board to carry out its responsibilities in an effective and competent manner as well as providing balance and independence of the Board.

As at the date of this report, the Board comprises the following:

Executive Director (also the MD/CEO)	1/8	(12.5%)
Independent Non-Executive Directors	4/8	(50.0 %)
Non-Independent Non-Executive Directors (including the Chairman)	3/8	(37.5%)

The profile of each Director is presented in the Board of Directors' Profile on pages 16 to 19 of the Annual Report.

There is a clear demarcation of responsibilities within the Company to ensure a balance of power and authority. The positions of Chairman and Managing Director are separately held. The Chairman is primarily responsible for running the Board and ensuring that all Directors have full and timely access to all relevant information, which is necessary for informed decision-making. The Managing Director who is also the Chief Executive Officer oversees the implementation of Board policies, the day-to-day running of the business and operational decision-making. The MD/CEO also manages the respective responsibilities of the divisions and departments in the Company and he is assisted in the management of the business by the MC, which he consults regularly. The distinct and separate roles of the Chairman and the MD/CEO ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

All Non-Executive Directors have the necessary expertise and skill to ensure that the strategies proposed by the Management are fully evaluated, taking into account the long-term interests of the shareholders. They review and engage with the Management and provide input to the strategy development and the planning process of the Company. In doing so, the Non-Executive Directors considered and rationalised the initiatives and priorities towards developing value proposition for the Company to enhance its competitiveness in achieving the Company's target.

In addition, they contribute to policy formulation and are actively involved in decision-making. They provide guidance and promote professionalism and competence among Management and employees.

The Directors who are nominated as representatives of Petroliam Nasional Berhad (PETRONAS) when making any decisions, always act in the best interest of the Company in line with Section 132 (1E) of the Companies Act, 1965 in Malaysia.

During deliberation of the Board papers at the Board meetings, any director who is faced with any conflict of duties or conflict of interests declares his interests and refrains himself from participating in the discussions of such Board papers.

The presence of the Independent Non-Executive Directors is essential in providing unbiased and independent views, advice and judgement, as well as safeguarding the interests of other parties such as minority shareholders of the Company. The concept of independence adopted by the Board is in accordance with the definition of an Independent Director in Paragraph 1.01 of the MMLR. Any new Director is given a comprehensive understanding of the operations of the Company through regular briefings on Company history and financial control systems. In addition, plant visits are arranged to ensure first-hand understandings of the Company's operations.

Dato' Sadasivan s/o N.N. Pillay has been appointed as the Senior Independent Non-Executive Director to whom any concerns pertaining to the Company may be conveyed.

3. Board Structures and Procedures

a. Board and Board Committee Meetings

Board meetings are scheduled in advance before the beginning of the new financial year to enable the Directors to plan ahead their schedules to fit the series of meeting in the year. Board meetings are held at quarterly intervals with additional meetings held whenever necessary. The Board met four times during the year under review. Most of the Directors attended all the Board meetings. The details of the attendance of the Directors for the year under review are as follows:

Table 1 : Attendance Record

Name of Directors	Attendance
Datuk Wan Zulkiflee bin Wan Ariffin	4/4
Dato' Sadasivan s/o N.N. Pillay	3/4
Dato' Chew Kong Seng	4/4
Datuk Mohd Zain bin Haji Abdul Majid	4/4
Muri bin Muhammad	3/4
Dato' Mohammed Azhar bin Osman Khairuddin	4/4
Samsudin bin Miskon	4/4
Farehana binti Hanapiah	3/4

b. Supply of and Access to Information

Prior to the Board meetings, every Director is given an agenda and a set of Board papers covering the agenda items to facilitate informed decision-making. The Board papers contain quantitative information and other related performance factors which will enable the Directors to have a good assessment of the subject in hand prior to arriving to the decision.

The MD/CEO leads the presentation of Board papers and provides comprehensive explanation on pertinent issues. All proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of Companies Act, 1965 in Malaysia. Minutes of the Board meetings which include a record of the decisions and resolutions of the Board meetings are properly maintained by the Company Secretary.

The Board is kept updated on the Company's activities and operations on a regular basis. All Directors have full access to information, including monthly reports on Company activities, both financial and operational.

In addition, whenever independent professional advice is required by the Directors, outside experts may, and have been engaged at the Company's expense.

The Directors have access to the advice and services of the Company Secretaries, whose appointments and resignations are subject to the Board's approval. The Chairman is always accorded with strong and positive support of the Company Secretaries in ensuring the effective functioning of the Board.

The Board is fully aware of, and acts on any matters for decision to ensure proper direction and control of the Company. Such matters, outlined in the Company's Limits of Authority, clearly establish the authority of the Board and the Management.

The Board may, whenever required, as provided by the Articles of Association, set up Board Committees delegated with specific powers and responsibilities.

c. Training of Directors

In compliance with the Main Market Listing Requirements, the Directors are mindful that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments of the industry as well as the new statutory and regulatory requirements.

During the financial year, the members of the Board have attended relevant development and training programmes, either attended by the Directors according to their individual needs or as arranged by the Company Secretaries, to enhance their ability in discharging their duties and responsibilities more effectively. The details of which are set out on pages 173 to 174 of the Annual Report.

4. Re-election of Directors

Pursuant to Article 93 of the Company's Articles of Association, an election of Directors shall take place each year at the Annual General Meeting (AGM) of the Company where one-third of the Directors who are longest in office shall retire and, if eligible, may offer themselves for re-election. In accordance with the Company's Articles of Association, at the 26th AGM held on 22 July 2009, three Directors retired by rotation and were re-elected to the Board by the shareholders.

Pursuant to Section 129 of the Companies Act, 1965, in Malaysia, a Director who is over 70 years of age must retire at the AGM of the Company, and may be reappointed by shareholders with not less than a three-fourth majority. At the 26th AGM held on 22 July 2009, two Directors were reappointed pursuant to this provision.

The Directors' who attained the age of 70 years have thus far been re-elected and re-appointed pursuant to Article 93 of the Company's Articles of Association as they are highly regarded personalities in the business community. They have demonstrated to the Board that they exercise independent judgement and have acted in the best interest of the Company and ensured that the varied competing interests of all stakeholders are respected without compromising financial performance and accountability of the Company.

Directors' Nomination and Remuneration

The Board as a whole also acts as the Nomination and Remuneration Committee and in this respect undertakes the following functions:

- to assess and recommend new Directors to the Board;
- to review annually the mix of skills and experience, and other qualities to enable the Board to function completely and efficiently;
- to implement a formal appraisal process for the evaluation of the effectiveness of the Board as a whole, the committees and the individual contribution of each Board member; and
- to recommend to the Board the remuneration of all Non-Executive Directors; individual Directors do not participate in the discussion relating to their own remuneration.

The Board will deliberate on the above during the normal proceedings of the meeting of Directors.

With the exception of the MD/CEO, all Non-Executive Directors are paid Directors' fees as approved by the shareholders at the AGM, based on the recommendation of the Board. For the year under review, the breakdown of fees received by each Director is as follows:

Table 2: Details of Directors' Fees

Directors' Name		Directors' Fees (RM)	Board Meeting Attendance Fees (RM)	BAC Meeting Attendance Fees (RM)	Total (RM)
Datuk Wan Zulkiflee bin Wan Ariffin	Non-Executive	108,000	16,000	–	124,000
Dato' Sadasivan s/o N.N. Pillay	Non-Executive	72,000	9,000	12,000	93,000
Dato' Chew Kong Seng	Non-Executive	72,000	12,000	8,000	92,000
Datuk Mohd Zain bin Haji Abdul Majid	Non-Executive	72,000	12,000	8,000	92,000
Muri bin Muhammad	Non-Executive	72,000	9,000	-	81,000
Dato' Mohammed Azhar bin Osman Khairuddin	Non-Executive	72,000	12,000	6,000	90,000
Farehana binti Hanapiah	Non-Executive	63,290	9,000	–	72,290
Datuk (Dr) Abdul Rahim bin Haji Hashim*	Non-Executive	8,710	–	–	8,710
Total		**540,000**	**79,000**	**34,000**	**653,000**

* Resigned as Director of the Company on 27 April 2009.

The MD/CEO, an employee of PETRONAS, is seconded to the Company as an Executive Director. The MD/CEO as well as the other Directors representing PETRONAS, possess a mix of skills, knowledge, expertise and experience, each contibuting towards safeguarding the interests of the Company. At the same time, their presence gives the Board a deeper insight into PETRONAS' operations with greater accountability for the Company's performance, both financial and operational. In consideration of the service of the MD/CEO, the Company is required to pay a management fee to cover all payroll-related costs and benefits ordinarily incurred by him in the course of his employment. During the year, the Company paid RM 736,800 as management fee. The Company also reimburses all reasonable expenses incurred by the Directors, where relevant, in the course of carrying out their duties as Directors.

In addition to the MD/CEO, other Management staff have been seconded from PETRONAS. Their training and succession planning are aligned to PETRONAS' Human Resources Division. The Board ensures that only appropriate personnel with the relevant skills and experience are appointed to Management positions of the Company. The Board further ensures that the members of the MC of the Company are rewarded based on performance.

Audit Committee

The Audit Committee comprises mainly the Independent Non-Executive Directors has specific terms of reference including the review of the interim and full year financial statements and preliminary announcements, internal financial controls and the reports of the Group Internal Audit Division of PETRONAS. It ensures the adequacy and integrity of the Company's internal control system and management information system and that they are in compliance with the Company's policies and procedures, applicable laws and regulations and Main Market Listing Requirements. The Audit Committee monitors the effective implementation of programmes to ensure compliance to the Company's Risk Management Policy. It will continue to ensure that the principal risks facing the Company are identified and monitored and appropriate measures are undertaken to manage these risks. The Audit Committee Terms of Reference and the Audit Committee Report are detailed out in pages 107 to 108 and 104 to 106 respectively in the Annual Report.

Relationships with Shareholders

1. Engagements with Shareholders

The Company recognises the importance of timely, fair and equal dissemination of information to shareholders and public generally. In this regard, it adheres strictly to the disclosure requirements of Bursa Malaysia Securities Berhad. Besides the announcement via Bursa LINK, the Company communicates regularly with the shareholders through the annual report and the quarterly financial reports. Analyst briefings are held regularly in connection with the financial results and material contracts entered into by the Company, following announcements to Bursa Malaysia.

Institutional investors and analysts are also given the opportunity to meet with the Management on performance, corporate governance and other matters affecting the shareholders' interests.

In providing shareholders with the opportunity to gain first-hand exposure on the Company's operations, several visits to Gas Processing Plants located in Kertih and Paka, Terengganu, as well as its Centralised Utility Facilities located in Kertih, Terengganu and Gebeng, Pahang, were organised during the year. Shareholders were given a presentation on the Company's operations and were provided the opportunity to ask for more information in respect of the plant operations. The Management believes that shareholders, by having a better understanding of the Company's activities, will have a greater sense of belonging to the Company. Such two-way communication increases corporate transparency and helps shareholders take a longer term view of their investment based on a better understanding of the Company's corporate strategy and operations.

The Company has long established its website to allow the public particularly the shareholders, investors and analysts to have access to information such as corporate profile, contact details of designated persons and announcements made to Bursa Malaysia Securities Berhad and enhancements of the website was undertaken in August 2009 in compliance with MMLR.

In all circumstances, the Company preserves confidentiality with regard to undisclosed material information about the Company and continuously stresses the importance of timely, fair and equal dissemination of information to the shareholders and the public generally.

2. AGM

The AGM is a crucial mechanism in shareholders communication. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report 21 days before the meeting. At each AGM, the Board provides shareholders with an opportunity to ask questions on the progress and performance of the Company, without limiting the time and types of questions asked, prior to seeking approval by show of hands from members and proxies on the Audited Accounts.

During the meeting, the Chairman and Board members respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification on issues and concerns raised by the shareholders. The status of all resolutions proposed at the AGM is submitted to the Bursa Malaysia Securities Berhad at the end of the meeting day. A summary of the discussions at the AGM is kept by the Management for future reference.

The Board has ensured that where there is special business included in the notice of the Annual or Extraordinary General Meeting, each item of the special business is accompanied by a full explanation of the effects of the proposed resolution.

Accountability and Audit

1. Financial Reporting

The Board aims to present a balanced and understandable assessment of the Company's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. The Directors' responsibility statement is enclosed in page 109 of the Annual Report.

2. Internal Control

The Board continues to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. The principle is further elaborated under the Internal Control Statement by the Directors in pages 100 to 103 of the Annual Report.

3. Relationship with the Auditors

The external auditors, Messrs. KPMG Desa Megat & Co., have continued to report to members of the Company on their opinions which are included as part of the Company's financial reports with respect to their audit on each year's statutory financial statements. In so doing, the Company has established a transparent arrangement with the auditors to meet the auditors' professional requirements. From time to time, the auditors highlight to the BAC and the Board on matters that require the Board's attention. The Report by the BAC on the review of audit reports is enclosed in pages 104 to 106 of the Annual Report.

This statement is made in accordance with the resolution of the Board of Directors dated 11 May 2010.

Datuk Wan Zulkiflee bin Wan Ariffin
Chairman

Samsudin bin Miskon
Managing Director/Chief Executive Officer

Additional Compliance Information

1. Non-Audit fees

The amount of non-audit fees paid and payable to the external auditors by the Company for the financial year ended 31 March 2010 was RM15,835 (2009 : RM10,000.)

2. Sanctions

During the financial year, there were no sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory bodies.

3. Material Contracts

There were no material contracts entered into by the Company during the financial year, other than the Gas Processing and Transmission Agreement entered since 1 April 1994 between the Company and its substantial shareholder, Petroliam Nasional Berhad (PETRONAS), for the provision of separating natural gas into its components and storing, transporting and distributing such components thereof for a fee.

The Company had, on 31 March 2010 entered into with PETRONAS, an Addendum to the Gas Processing and Transmission Agreement in respect of the revision to the throughput fee structure, for the period from 1 April 2010 to 31 March 2014.

The revised terms in the Addendum entails clearer demarcation of terms and remuneration structure between processing and transportation of gas.

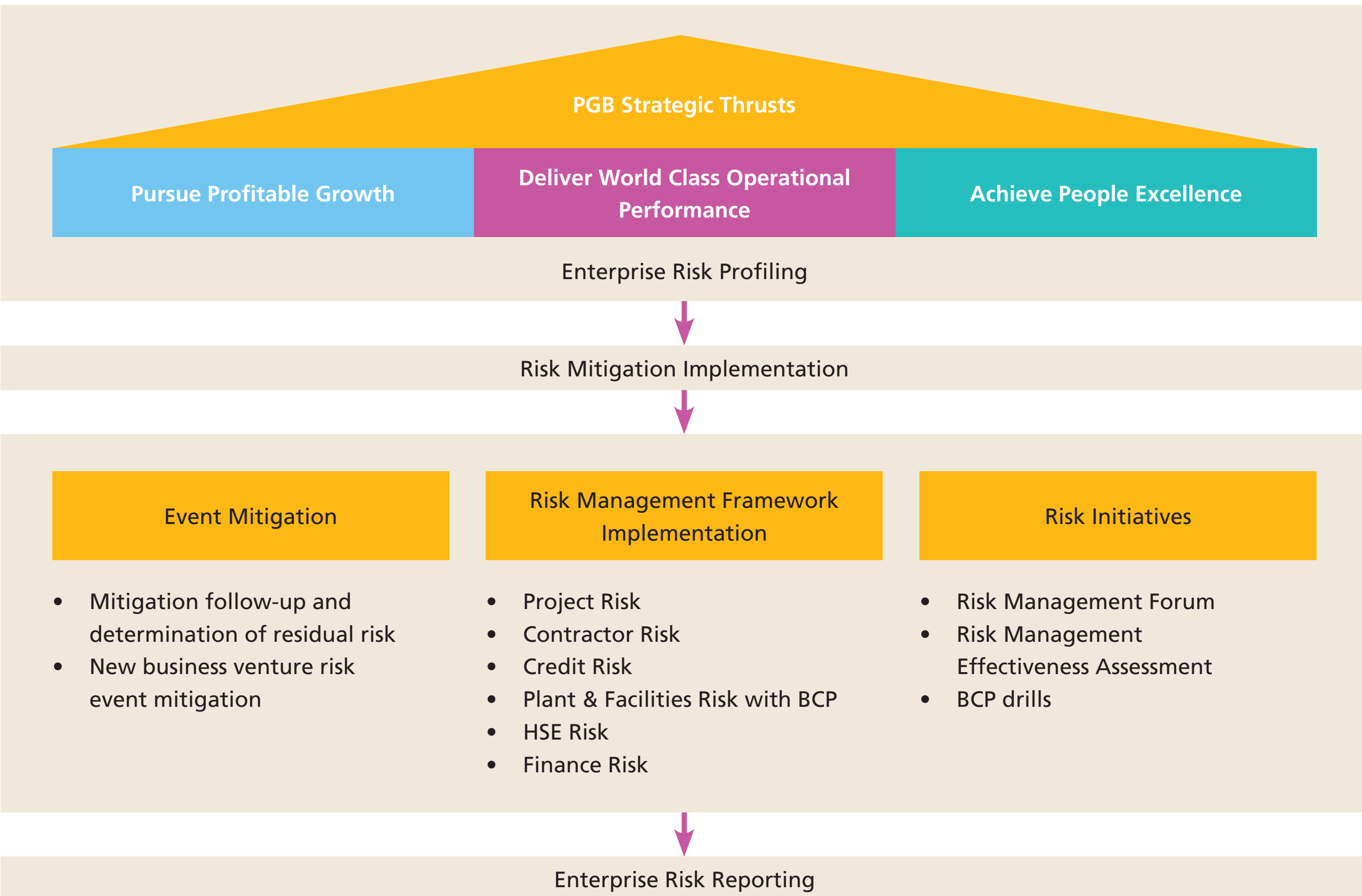
Internal Control Statement

The Company adopts PETRONAS' shared values of loyalty, integrity, professionalism and cohesiveness which set the tone for an effective internal control culture.

Board's Accountability

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets and for reviewing the adequacy and integrity of the system. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure of achieving the corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or losses. The system of internal control covers, inter alia, risk management, financial, organisational, operational and compliance controls. The Board confirms that there is an ongoing process of identifying, evaluating and managing all significant risks faced by the Company, that has been in place for the year and up to the date of approval of the Annual Report and Financial Statements, and that this process is regularly reviewed by the Board so as to be in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

PETRONAS Gas Berhad (PGB) Enterprise Risk Management



PGB Enterprise Risk Management system

Risk management is firmly embedded in the Company's management system. It is the Company's policy to adopt an effective and progressive enterprise risk management system to identify, analyse, appraise and monitor the risks facing the Company and to take specific measures to mitigate the risks.

The Company, through its Risk Management Department (RMD), provides regular updates to the Board Audit Committee (BAC) in the form of the Enterprise Risk Report which reports on the Company's risk profile and status of risk mitigation implementation i.e. event mitigation, risk management framework implementation and risk initiatives.

Event Mitigation

Detailed risk events arising from PGB business, together with existing controls and risk levels are discussed and approved by the BAC together with the appropriate risk mitigations to address the risks. The risk mitigations identified are monitored for completion and the resultant residual risks are determined to reduce the risks to an acceptable level as approved by the BAC.

In addition, for new business ventures, risk assessments are also conducted and reported as part of the business development proposal to Management.

Risk Management Framework Implementation

Project Risk

The Company continues to implement Project Risk Management processes on its critical projects. Project Risk Management reports are submitted to the relevant heads of divisions together with the mitigation plans to eliminate or reduce risk exposures identified. During the year, to enhance project risk management capability, the Company implemented the Project Risk Management (PRisMa) system, previously known as Project Risk Management Database (PRMD) system, to capture all information relating to project risk management activities, e.g. risk assessment, independent review and lessons learnt, in one platform to be shared across PETRONAS Group. The data capture enables efficient monitoring to enhance Project Risk Management Reporting.

Contractor Risk

Contractor risk is managed through Contractor Risk Assessments, led by the Supply Chain Management Department whereby technical and commercial evaluation exercises were conducted prior to the award of contracts. During the year, the contractor evaluation processes were enhanced to include additional requirements in order to mitigate the risk of contractor non-performance.

The Company is represented in the PETRONAS Project and Contractor Risk Council (PCRC), which establishes and coordinates the PETRONAS Groupwide risk management approach on project and contractor risk.

Credit Risk

To reduce its credit risk exposure, the Company continues to apply the Credit Risk Management processes whereby the customers are assessed using the PETRONAS' Credit Risk Rating System to ensure alignment with the credit assessment process adopted by the PETRONAS Group. The system evaluates the credit worthiness and assigns credit risk ratings to all the Company's external customers. Annual reviews are conducted on the assigned credit risk ratings of these customers while the trend of the customers' financials are also analysed to detect early signs of financial distress and provide early warning to Management. In addition, Credit Value at Risk (CVaR), which measures potential loss from customers' overdue balances, is monitored against the established Credit Risk Tolerance Limit (CRTL) to ensure that CVaR exceeding CRTL is promptly highlighted to Management. Reporting on Credit Risk is captured in the PGB Credit Risk Management Dashboard.

The Company is represented in the PETRONAS Credit and Trading Risk Council, which establishes and coordinates the PETRONAS Groupwide risk management approach on credit and trading risk.

Plant and Facilities Risk with Business Continuity Plan

To enhance risk management at operational level, the Company developed the Plant and Facilities Risk Management (PFRM) Policy, which was endorsed by PGB Management Committee and approved by the Managing Director/Chief Executive Officer (MD/CEO) in November 2009. The PFRM Policy establishes the appropriate mechanism to embed risk assessment, monitoring and reporting of the plant and facilities operations as a divisional line responsibility. In addition, the plant and facilities risks of the Divisions were also reviewed to reflect the latest risk profile where the status of mitigation actions were monitored and reported at the divisional level.

During the year, the Company also developed additional Business Continuity Plan (BCP) procedures to complement the Company and Divisions' BCPs with the objective of providing guidelines on key personnel's responsibilities and ensuring timely business recovery in the event of business interruptions due to disaster or crisis.

Health, Safety and Environment (HSE) Risk

In carrying out all business activities, the Company leverages on the PETRONAS HSE Management System (HSEMS) to manage HSE risk and ensure that operations are in tandem with HSE regulatory requirements. The HSEMS process ensures that HSE risk within the business is managed effectively.

Finance Risk

Pursuant to the Board's approval on the adoption of the PETRONAS Corporate Financial Policy (CFP), PGB is developing the supporting guidelines on liquidity management, financing, banking, asset liability management and foreign exchange management. The establishment of the CFP supporting guidelines helps the Company to manage its finance risk exposures that includes counterparty risk, liquidity risk, foreign exchange risk and interest rate risk.

The Company is represented in the Finance Risk Council (FRC), which proactively reviews and monitors finance risk exposures at PETRONAS Group level and makes appropriate recommendations to companies within the Group.

Risk Initiatives

During the year, the Company continued to conduct the PGB Risk Management Forum as an annual event. As part of enhancing risk management awareness and capability building in the Company, this year's forum was attended by personnel across various functions within the Company as well as risk practitioners across PETRONAS Group.

To further enhance the effectiveness of risk management implementation, situational assessments on Project Risk as well as Plant and Facilities Risk with BCP were conducted to determine the adequacy and effectiveness of risk management function and practices, in which the Company was rated highly among its peers within PETRONAS in both areas. The findings also served as a basis for the Company to develop intervention plans to achieve a more proactive and effective risk management culture.

To test and improve the effectiveness of the procedures as well as the readiness of Management in handling crisis situations, five BCP drills were conducted at divisional levels to simulate crisis situations.

The Company benefits from being part of the PETRONAS Group, which has an established Risk Management Committee that primarily provides guidance and recommends strategies and policies. The committee also coordinates groupwide risk management awareness and capability building, monitors risk exposures and plans responses to potential major risk events for the PETRONAS Group.

Moving Forward

The Company continues to incorporate risk management within its business processes and activities to ensure that risks are being mitigated through effective risk management practices. In light of the Company's aspirations going forward, risk management will play a significant role to ensure that risks from new ventures are ascertained and mitigated to reduce the risks to an acceptable level.

The Company will continue to conduct periodic review of its business processes and activities as well as provide risk management training for its employees to ensure full understanding and commitment on effective risk management practices and contribute to business excellence for the Company.

In addition, the Company will continue with its BCP drill exercises at the company and division levels to enhance its readiness to address disaster or crisis situations and its resilience to effectively resume operations.

Internal Audit Function

The internal audit function of the Company is outsourced to the Group Internal Audit Division of PETRONAS (GIAD). They maintain their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the Company's BAC.

Internal audits are undertaken to provide independent assessments of the Company's internal control systems, in anticipating potential risk exposures over certain business processes and in ascertaining the proper conduct of business within the Company. The BAC has full access to reports on all audits performed by the internal auditors.

The internal audit function reviews the internal controls of various activities of the Company's businesses based on the annual internal audit plan, which is presented to the BAC for approval. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the operating divisions of the Company. During the year, PETRONAS engaged an independent consultant to assess GIAD's practices, efficiency and effectiveness against the International Internal Auditing Standards in order to further strengthen the internal control quality of GIAD.

All GIAD audit reports are reviewed by the BAC and forwarded for Management attention and necessary corrective action. The Management is responsible for ensuring that appropriate corrective actions are taken on the reported areas for improvement within the required time frame. The status of audit issues are submitted to the BAC on a quarterly basis.

The internal audit cost incurred for the year ended 31 March 2010 was RM216,000. The key activities of the internal audit function are set out in the BAC Report on page106.

Other Risks Control Processes

Apart from risk management and internal audit, the Company has the following control processes in place:

- The Board meets at least quarterly in order to maintain full and effective supervision. The MD/CEO will lead the presentation of Board Papers and provide comprehensive explanation on pertinent issues. In arriving at any decisions based on recommendations by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Company's activities and its operations on a regular basis.
- The Board reviews any significant issues arising from changes in the business environment, which may result in significant risks to the Company. The General Manager of Finance Division provides the Board with quarterly financial information. These include, amongst others, the monitoring of results against budget, with major variances being followed up and Management action taken, where necessary. Where areas for improvement in the system are identified, the Board considers the views and recommendations made by the BAC and Management.
- A documented Limits of Authority with clear lines of accountability and responsibility sets out the decisions that need to be taken and the appropriate approving authority at various levels of Management including matters that require the Board's approval.
- An organisational structure, as set out on page 12 of the Annual Report, with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides a documented and auditable trail of accountability.
- During the year, the Systems and Control Section of Finance Division had conducted attestation exercises on gas accounting activities and property, plant and equipment activities. The attestation exercises were carried out to provide assurance to the Management on the Company's compliance to policies and guidelines and on the integrity of records and financial information. At the end of each attestation exercise, reports were presented to the PGB Management Committee highlighting findings and the agreed corrective actions. All corrective actions based on findings identified from the attestation exercise will be monitored until the issues are resolved.
- Tender Committees' structure with defined level of responsibilities has been established to review all major contracts. Subsequent to the review by the relevant Tender Committees, the contracts will be subject to approval by the relevant approving authority who is independent from the Tender Committees. Tenders are called for and are awarded based on factors such as capability, quality, track record, speed of delivery and cost.
- Internal control procedures are documented in standard operating procedure manuals with established guidelines on business planning, capital expenditure, financial operations, performance reporting, plant and transmission operations, supply chain management, human resource, information technology and health, safety and environment.

Weaknesses in Internal Control that Result in Material Losses

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Management continues to take measures to strengthen the internal control environment.

Review of This Statement

Pursuant to paragraph 15.23 of the Main Market Listing Requirement, the external auditors have reviewed this Internal Control Statement for inclusion in the Annual Report for financial year ended 31 March 2010.

This Internal Control Statement is made in accordance with the resolution of the Board dated 11 May 2010.

Datuk Wan Zulkiflee bin Wan Ariffin
Chairman

Samsudin bin Miskon
Managing Director/Chief Executive Officer

11 May 2010

Board Audit Committee Report

The Board Audit Committee (BAC) of PETRONAS Gas Berhad is pleased to present the Audit Committee Report for the year ended 31 March 2010 in compliance with paragraph 15.15 of Main Market Listing Requirement (MMLR).

Composition

The BAC was formed by the Board pursuant to its meeting on 14 August 1995. Currently the BAC comprises four directors as follows:

1. Dato' Sadasivan s/o N.N. Pillay
   - Chairman
   (Senior Independent Non-Executive Director)
2. Dato' Chew Kong Seng
   (Independent Non-Executive Director)
3. Datuk Mohd Zain bin Haji Abdul Majid
   (Independent Non-Executive Director)
4. Dato' Mohammed Azhar bin Osman Khairuddin
   (Non-Independent Non-Executive Director)

In line with the Malaysian Code of Corporate Governance and paragraph 15.09(1)(b) of the MMLR, all four BAC members are Non-Executive Directors, three of whom are Independent Directors. All three Independent Directors satisfy the test of independence under paragraph 1.01 of the MMLR.

Dato' Chew Kong Seng is a Fellow of the Institute of Chartered Accountant in England and Wales and member of both the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. In this regard, the Company is in compliance with paragraph 15.10(1)(c)(i) of the MMLR.

Terms Of Reference

The BAC is governed by the Terms of Reference as stipulated on pages 107 to 108 of the Annual Report. All the requirements under the Terms of Reference were fully complied with.

Meetings

During the year, the BAC met four times. Meeting attendance record of the members is as follows:

Name of Directors	Attendance
Dato' Sadasivan s/o N.N. Pillay	4/4
Dato' Chew Kong Seng	4/4
Datuk Mohd Zain bin Haji Abdul Majid	4/4
Dato' Mohammed Azhar bin Osman Khairuddin	3/4

By invitation, the Managing Director/Chief Executive Officer (MD/CEO), Company Secretary, General Manager of Finance Division, Head of Risk Management Department, external and internal auditors were also present during deliberations which required their inputs and advice.

The Head of Group Internal Audit Division of PETRONAS (GIAD) was present at all BAC meetings to present the internal audit reports to the BAC. Relevant members of the Management were at times invited to brief the BAC on specific issues arising from the audit findings. The partner of the external auditors also attends the BAC meetings to present the external audit plan for the year as well as the outcome of the external audit conducted on the Company.

FROM LEFT:

Dato' Chew Kong Seng

Dato' Sadasivan s/o N.N. Pillay

Dato' Mohammed Azhar bin Osman Khairuddin

Datuk Mohd Zain bin Haji Abdul Majid

Deliberations during the BAC meetings included performance review of the Company, the proposed annual and interim financial reporting to Bursa Malaysia Securities Berhad, the status of open audit findings together with the agreed corrective actions and risk management activities.

It is common practice that the draft BAC minutes are circulated to the BAC members prior to the Board meeting, subsequent to the BAC meeting. This assists the BAC Chairman to effectively convey to the Board matters deliberated during the BAC meeting. Minutes of the BAC meetings are tabled for confirmation during the next BAC meeting, after which it is distributed to the Board for notation. In addition to communicating to the Board on matters deliberated during the BAC meeting, the BAC Chairman also recommends to the Board the approval of annual and interim financial statements.

Summary of Activities

The following activities were carried out by the BAC during the financial year ended 31 March 2010:

1. Reviewed the annual internal audit plan for the following financial year including its scope, basis of assessments and potential risk areas.
2. Reviewed and deliberated audit reports by GIAD and monitored all corrective actions on audit findings identified until all issues are resolved.
3. Reviewed the quality assessment on GIAD against the standards of International Internal Auditing (IIA).
4. Reviewed the annual and interim financial reporting to Bursa Malaysia Securities Berhad before recommending the same for approval by the Board upon being satisfied that the said financial results and announcements complied with applicable approved Financial Reporting Standards (FRSs), MMLR and other relevant regulatory requirements.
5. Reviewed potential impact of FRS7 'Financial Instruments: Disclosures' to the Company's financial statement.
6. Reviewed the Company's annual and quarterly management accounts.
7. Reviewed the appointment of external auditors and their remuneration thereof.
8. Reviewed the external auditor's audit strategy and scope for the statutory and Information Technology (IT) audit of the Company for the financial year ended 31 March 2010.
9. Reviewed with the external auditors the results of the statutory and IT audit, the audit report and the Management Letter which includes the Management's response.
10. Reviewed the audited financial statements of the Group and the Company prior to submission to the Board for their consideration and approval, upon being satisfied that, inter alia, they were drawn up in accordance with the provisions of the Companies Act, 1965 in Malaysia and the applicable approved FRSs. The review also included relevant statements in relation to the financial statements, being the Corporate Governance Statement, Internal Control Statement, Statement of Directors' Responsibilities and Audit Committee Report.

11. Reviewed the Company's Enterprise Risk Report and deliberated on the risk exposures and the required mitigation plans.
12. Reviewed the Company's growth opportunities within its core business of gas processing and transportation, and utilities.

Internal Audit

The internal audit function of the Company was carried out by GIAD. They maintained at all times their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the BAC.

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Company's internal control systems in anticipating potential risk exposures over key business processes within the Company. The BAC has full access to internal auditors and received reports on all audits performed.

During the year, the internal auditors had carried out audits according to the internal audit plan which had been approved by the BAC. Internal audits were carried out to provide assurance that internal controls are established and operating as intended to achieve effective and efficient operations and adherence to applicable policies, guidelines and procedures. The audits conducted during the year were:

- Gas Processing Plant Complex B Maintenance and Technical Services activities. The audit scope includes review of overall governance, maintenance management and technical services activities.
- Public Affairs and General Services activities. The audit scope includes review of overall governance, purchasing and contracting activities, cost monitoring activities and management of corporate social responsibility activities.
- Plant Operations Division and Centralised Utility Facilities inventory and warehouse activities. The audit scope includes review of overall management, inventory and warehouse management and finance related activities.
- Procurement activities. The audit scope includes review of overall governance, contracting and procurement activities.
- IT Network and Infrastructure. The audit scope includes review of network configuration settings and access controls.

The resulting reports from the audits were reviewed by the BAC and subsequently forwarded to the Management for the necessary corrective actions. The Management is responsible for ensuring that corrective actions are taken within the required time frame.

Reporting to the Exchange

During the year, the BAC is of the view that the Company is in compliance with the MMLR and as such, the reporting to Bursa Malaysia Securities Berhad under paragraph 15.16 of the MMLR is not required.

Dato' Sadasivan s/o N.N. Pillay
Chairman
Board Audit Committee

11 May 2010

Board Audit Committee's Terms of Reference

Constitution

The Board Audit Committee (BAC) was formed by the Board pursuant to its meeting on 14 August 1995.

Membership

The members of the BAC shall be appointed by the Board from amongst their number and shall consist of not less than three members. In line with the Malaysian Code of Corporate Governance, all BAC members including the Chairman shall be Non-Executive Directors. The majority of the BAC members including the Chairman shall be Independent Directors. An Independent Director shall be a director who fulfills the requirements as provided in the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR).

All BAC members must be financially literate with at least one member of the BAC:

a) shall be a member of the Malaysian Institute of Accountants; or
b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three years' working experience; and
    i) passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    ii) is a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; and
c) fulfills such other requirements as prescribed or approved by Bursa Malaysia.

The members of the BAC shall elect a Chairman from amongst their number who shall be an Independent Director.

If a member of the BAC resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three, the Board shall within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

No alternate director can be appointed as a member of the BAC.

The terms of office and performance of the BAC and each of its members shall be reviewed by the Board periodically to determine whether the BAC and/or its members have carried out its duties in accordance with its Terms of Reference.

Meeting

To form a quorum, the majority of the members present must be Independent Directors and one of whom shall be the Chairman of the BAC. The BAC shall be able to convene meetings with the external auditors, internal auditors or both without the presence of any other directors or employees whenever it deems necessary. The external auditors and internal auditors have the right to appear and be heard at any meeting of the BAC and shall appear before the Committee when required to do so by the BAC.

The Company Secretary or in his/her absence, his/her deputy shall be the Secretary of the BAC. Minutes of the meetings shall be duly entered in the books provided therefor.

Meetings shall be held not less than four times a year. The external auditors may request a meeting if they consider it necessary. The Chairman of the BAC shall convene a meeting of the Committee to consider any matters the external auditor believes should be brought to the attention of the Board or shareholders.

Authority

The BAC is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the BAC.

The BAC is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The BAC is authorised by the Board to communicate directly with internal and external auditors, as well as the members of Management such as the Chairman of the Company and Managing Director/Chief Executive Officer on a continuous basis in order to be informed and updated with matters related to the Company.

Duties and Functions

The duties and functions of the BAC shall be:

1) External Audit

a) To consider the appointment of the external auditors, the audit fees and any question in relation to resignation or dismissal of the external auditors before making recommendation to the Board; and

b) To review and discuss with the external auditors, before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved.

2) Internal Audit

a) To review the internal audit plan, consider the major findings of internal audits and Management's responses, and ensure coordination between the internal and external auditors;

b) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

c) To review the audit reports;

d) To direct and where appropriate supervise any special project or investigation considered necessary;

e) To prepare periodic reports to the Board summarising the work performed in fulfilling the BAC's primary responsibilities; and

f) To determine the remit of internal audit function which reports directly to the BAC. The internal audit function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care.

3) Financial Reporting Review

To review with the Management and the external auditors the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:

i. any change in accounting policies and practices;

ii. significant and unusual events;

iii. major judgemental areas;

iv. significant adjustments resulting from the audit;

v. the going concern assumption;

vi. compliance with accounting standards; and

vii. compliance with other legal requirements and MMLR.

4) Related Party Transactions

To review any related party transaction and conflict of interest situation that may arise in the Company including any transaction, procedure or course of conduct that raises questions of management integrity.

5) Internal Control

To keep under review the effectiveness of internal control systems and the internal and/or external auditors' evaluation of these systems and in particular review the external auditors' Management Letter and Management's responses.

6) Other Matters

a) To arrange for periodic reports from Management, the external auditors and the internal auditors to assess the impact of significant regulatory changes and accounting or reporting developments proposed by accounting and other bodies, or any significant matter that may have a bearing on the annual examination;

b) To discuss problems and reservations arising from the internal audit, interim and final audits, and matters the internal and external auditors may wish to discuss (in the absence of Management where necessary);

c) Where the BAC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the BAC must promptly report such matter to the Securities Commission; and

d) Carrying out any other functions that may be mutually agreed upon by BAC and the Board.

Reporting Procedures

The Secretary shall circulate the minutes of meetings of the BAC to all members of the Board.

Statement of Directors' Responsibility

IN RELATION TO THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company as set out on pages 110 to 164, are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2010 and of the results of its operations and cash flows for the year ended on that date.

The Directors consider that in preparing the financial statements of the Group and of the Company:

- appropriate accounting policies have been used and consistently applied;
- reasonable and prudent judgements and estimates have been made;
- all Financial Reporting Standards and the Companies Act, 1965 in Malaysia have been followed; and
- prepared on a going concern basis.

The Directors are responsible for ensuring that the accounting and other records and registers required by the Companies Act, 1965 in Malaysia to be retained by the Group have been properly kept in accordance with the provisions of the said Act.

The Directors also have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

financial statements

Directors' Report

FOR THE YEAR ENDED 31 MARCH 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2010.

Principal Activities

The principal activities of the Company in the course of the financial year remained unchanged and consist of separating natural gas into its components and storing, transporting and distributing such components thereof for a fee and the sale of industrial utilities.

The principal activities of the subsidiary, associate and jointly controlled entity are stated in Note 5, Note 6 and Note 7 to the financial statements respectively.

There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year	940,689	935,194
Attributable to:		
Shareholders of the Company	940,896	935,194
Minority interest	(207)	–
Profit for the year	940,689	935,194

Dividends

The amounts paid by way of dividends by the Company since the end of the previous financial year are as follows:

(i) as proposed in last year's report, a final dividend of 9.9% per share under single tier system, 20% per share tax exempt and 5.1% per share less 25% tax, altogether amounting to RM667,180,000 in respect of the financial year ended 31 March 2009 was paid on 19 August 2009; and

(ii) an interim dividend of 15% per share under single tier system, amounting to RM296,809,000 in respect of the financial year ended 31 March 2010 was paid on 17 December 2009.

The Directors propose a final dividend of 30% per share under single tier system and 5% per share tax exempt, amounting to RM692,556,000 in respect of the financial year ended 31 March 2010. The proposed final dividend of 30% per share under single tier system and 5% per share tax exempt has not been accounted for in the financial statements.

Reserves and Provisions

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

Directors of the Company

Directors who served since the date of the last report are:

Datuk Wan Zulkiflee bin Wan Ariffin
Dato' Sadasivan s/o N.N. Pillay
Dato' Chew Kong Seng
Datuk Mohd Zain bin Haji Abdul Majid
Muri bin Muhammad
Dato' Mohammed Azhar bin Osman Khairuddin
Samsudin bin Miskon
Farehana binti Hanapiah

In accordance with Article 93 of the Company's Articles of Association, Muri bin Muhammad and Farehana binti Hanapiah retire by rotation from the Board at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965 in Malaysia, Dato' Chew Kong Seng, Datuk Mohd Zain bin Haji Abdul Majid and Dato' Sadasivan s/o N.N. Pillay who are retiring at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

Directors' Interests

The Directors in office at the end of the year who have interests in the shares of the Company and of its related corporations other than wholly-owned subsidiaries as recorded in the Register of Directors' Shareholdings are as follows:

	Number of shares in the Company			
Name	Balance at 1.4.2009	Bought	Sold	Balance at 31.3.2010
Muri bin Muhammad	7,000	–	–	**7,000**
Dato' Mohammed Azhar bin Osman Khairuddin	5,000	–	–	**5,000**

	Number of shares in PETRONAS Dagangan Berhad			
Name	Balance at 1.4.2009	Bought	Sold	Balance at 31.3.2010
Muri bin Muhammad	10,000	–	–	**10,000**

None of the other Directors holding office at 31 March 2010 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or of a related corporation or the fixed salary of a full time employee of the Company or of a related corporation), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of Shares

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

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

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and

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

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 March 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant Event

The significant event during the financial year is in relation to the Addendum to Gas Processing and Transmission Agreement ("GPTA") for period 1 April 2010 to 31 March 2014 which was entered between the Company and PETRONAS on 31 March 2010.

The GPTA entered between the Company and PETRONAS is for a duration of 20 years effective 1 April 1994, whereby PETRONAS agrees to pay the Company a throughput fee for processing and transmission of gas to PETRONAS customers.

The GPTA provides for revision of throughput fee terms at intervals to be agreed by the Company and PETRONAS. Previously, the throughput fee was revised between 1 April 1994 to 31 March 2000, 1 April 2000 to 31 March 2005, and 1 April 2005 to 31 March 2010 respectively.

Auditors

The auditors, Messrs KPMG Desa Megat & Co., have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Wan Zulkiflee bin Wan Ariffin

Samsudin bin Miskon

Kuala Lumpur,
11 May 2010

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 117 to 163, are 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 state of affairs of the Group and of the Company at 31 March 2010 and of the results of their operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Wan Zulkiflee bin Wan Ariffin

Samsudin bin Miskon

Kuala Lumpur,
11 May 2010

Statutory Declaration

I, **Liza bt Mustapha**, the officer primarily responsible for the financial management of **PETRONAS GAS BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 117 to 163, are, to the best of my knowledge and belief, 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 **Liza bt Mustapha** in Kuala Lumpur on 11 May 2010

BEFORE ME:

PESURUHJAYA SUMPAH
No: W 327
Mohd Radzi
Bin Yasin
MALAYSIA

No: 86, Tingkat Bawah
Jalan Putra
50350 KUALA LUMPUR

Balance Sheets

AT 31 MARCH 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
ASSETS					
Property, plant and equipment	3	**6,461,614**	6,759,762	**6,440,668**	6,757,081
Prepaid lease payments	4	**446,594**	452,563	**446,594**	452,563
Investment in subsidiary	5	**–**	–	**3,000**	–
Investment in associate	6	**174,036**	169,341	**103,336**	103,336
Investment in jointly controlled entity	7	**4,481**	3,162	**250**	250
TOTAL NON-CURRENT ASSETS		**7,086,725**	7,384,828	**6,993,848**	7,313,230
Trade and other inventories	8	**144,017**	146,413	**144,017**	146,413
Trade and other receivables	9	**322,228**	319,810	**338,373**	325,190
Fund and other investments	10	**100,252**	70,863	**100,252**	70,863
Cash and cash equivalents	11	**2,181,502**	1,945,136	**2,173,921**	1,945,136
TOTAL CURRENT ASSETS		**2,747,999**	2,482,222	**2,756,563**	2,487,602
TOTAL ASSETS		**9,834,724**	9,867,050	**9,750,411**	9,800,832
EQUITY					
Share capital	12	**1,978,732**	1,978,732	**1,978,732**	1,978,732
Reserves	13	**6,037,138**	6,060,231	**5,964,164**	5,992,959
Total equity attributable to the shareholders of the Company		**8,015,870**	8,038,963	**7,942,896**	7,971,691
Minority shareholder's interests	14	**1,131**	(662)	**–**	–
TOTAL EQUITY		**8,017,001**	8,038,301	**7,942,896**	7,971,691
LIABILITIES					
Borrowings	15	**437,682**	449,625	**437,682**	449,625
Deferred tax	16	**1,132,000**	1,146,000	**1,132,000**	1,146,000
Deferred income	17	**13,597**	15,331	**13,597**	15,331
TOTAL NON-CURRENT LIABILITIES		**1,583,279**	1,610,956	**1,583,279**	1,610,956
Trade and other payables	18	**202,230**	195,262	**192,022**	195,654
Taxation		**32,214**	22,531	**32,214**	22,531
TOTAL CURRENT LIABILITIES		**234,444**	217,793	**224,236**	218,185
TOTAL LIABILITIES		**1,817,723**	1,828,749	**1,807,515**	1,829,141
TOTAL EQUITY AND LIABILITIES		**9,834,724**	9,867,050	**9,750,411**	9,800,832

The notes set out on pages 121 to 163 are an integral part of these financial statements

Income Statements

FOR THE YEAR ENDED 31 MARCH 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Revenue	19	**3,221,843**	3,415,141	**3,221,843**	3,415,141
Cost of revenue	19	**(2,043,483)**	(2,194,403)	**(2,043,483)**	(2,194,403)
Gross profit	19	**1,178,360**	1,220,738	**1,178,360**	1,220,738
Administration expenses		**(79,082)**	(60,893)	**(78,611)**	(60,363)
Other expenses		**(81,030)**	(87,312)	**(81,030)**	(87,312)
Other income		**193,582**	122,857	**239,776**	187,409
Operating profit	20	**1,211,830**	1,195,390	**1,258,495**	1,260,472
Financing costs	23	**(20,235)**	(19,402)	**(20,235)**	(19,402)
Share of profit after tax of equity accounted associate and jointly controlled entity		**52,208**	55,457	**–**	–
Profit before taxation		**1,243,803**	1,231,445	**1,238,260**	1,241,070
Tax expense	24	**(303,114)**	(303,415)	**(303,066)**	(303,415)
PROFIT FOR THE YEAR		**940,689**	928,030	**935,194**	937,655
Attributable to:					
Shareholders of the Company		**940,896**	928,692	**935,194**	937,655
Minority Interest	14	**(207)**	(662)	**–**	–
PROFIT FOR THE YEAR		**940,689**	928,030	**935,194**	937,655
Dividends per ordinary share – net	25	**50.0 sen**	45.0 sen	**50.0 sen**	45.0 sen
Basic and diluted earnings per ordinary share	26	**47.6 sen**	46.9 sen	**47.3 sen**	47.4 sen

The notes set out on pages 121 to 163 are an integral part of these financial statements

Statements of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2010

	Note	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
		Attributable to shareholders of the Company					
		Non-distributable		*Distributable*			
Group							
Balance at 1 April 2008		1,978,732	1,186,472	4,786,028	7,951,232	–	7,951,232
Profit for the year		–	–	928,692	928,692	(662)	928,030
Dividends – 2008 final	25	–	–	(618,354)	(618,354)	–	(618,354)
– 2009 interim	25	–	–	(222,607)	(222,607)	–	(222,607)
Balance at 31 March 2009		**1,978,732**	**1,186,472**	**4,873,759**	**8,038,963**	**(662)**	**8,038,301**
Profit for the year		**–**	**–**	**940,896**	**940,896**	**(207)**	**940,689**
Dividends – 2009 final	25	**–**	**–**	**(667,180)**	**(667,180)**	**–**	**(667,180)**
– 2010 interim	25	**–**	**–**	**(296,809)**	**(296,809)**	**–**	**(296,809)**
Issue of ordinary share capital to Minority Interest		**–**	**–**	**–**	**–**	**2,000**	**2,000**
Balance at 31 March 2010		**1,978,732**	**1,186,472**	**4,850,666**	**8,015,870**	**1,131**	**8,017,001**
		Note 12	Note 13	Note 13		Note 14	

	Note	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000
		Attributable to shareholders of the Company			
		Non-distributable		*Distributable*	
Company					
Balance at 1 April 2008		1,978,732	1,186,472	4,709,793	7,874,997
Profit for the year		–	–	937,655	937,655
Dividends – 2008 final	25	–	–	(618,354)	(618,354)
– 2009 interim	25	–	–	(222,607)	(222,607)
Balance at 31 March 2009		**1,978,732**	**1,186,472**	**4,806,487**	**7,971,691**
Profit for the year		**–**	**–**	**935,194**	**935,194**
Dividends – 2009 final	25	**–**	**–**	**(667,180)**	**(667,180)**
– 2010 interim	25	**–**	**–**	**(296,809)**	**(296,809)**
Balance at 31 March 2010		**1,978,732**	**1,186,472**	**4,777,692**	**7,942,896**
		Note 12	Note 13	Note 13	

The notes set out on pages 121 to 163 are an integral part of these financial statements

Cash Flow Statements

FOR THE YEAR ENDED 31 MARCH 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**3,283,369**	3,353,137	**3,283,369**	3,354,187
Cash paid to suppliers and employees		**(1,485,916)**	(1,611,314)	**(1,488,609)**	(1,607,342)
		1,797,453	1,741,823	**1,794,760**	1,746,845
Interest income from fund and other investments		**36,215**	68,268	**36,215**	68,195
Taxation paid		**(295,882)**	(389,348)	**(295,834)**	(389,348)
Net cash generated from operating activities		**1,537,786**	1,420,743	**1,535,141**	1,425,692
CASH FLOWS FROM INVESTING ACTIVITIES					
Advance to subsidiary		**–**	–	**(9,300)**	(4,578)
Subscription of additional shares in subsidiary	5	**–**	–	**(3,000)**	–
Purchase of fund and other investments		**(50,033)**	(69,699)	**(50,033)**	(69,699)
Dividends received		**34,645**	57,231	**34,645**	57,231
Purchase of property, plant and equipment		**(329,642)**	(298,442)	**(314,078)**	(295,761)
Proceeds from disposal of other investments		**20,011**	–	**20,011**	–
Proceeds from disposal of property, plant and equipment		**424**	17	**424**	17
Payment for prepaid lease		**(639)**	(15,646)	**(639)**	(15,646)
Net cash used in investing activities		**(325,234)**	(326,539)	**(321,970)**	(328,436)
CASH FLOWS FROM FINANCING ACTIVITIES					
Financing costs paid		**(20,397)**	(18,964)	**(20,397)**	(18,964)
Dividends paid		**(963,989)**	(840,961)	**(963,989)**	(840,961)
Advance from minority shareholder		**6,200**	3,052	**–**	–
Issue of ordinary share capital to Minority Interest		**2,000**	–	**–**	–
Net cash used in financing activities		**(976,186)**	(856,873)	**(984,386)**	(859,925)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**236,366**	237,331	**228,785**	237,331
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,945,136**	1,707,805	**1,945,136**	1,707,805
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	**2,181,502**	1,945,136	**2,173,921**	1,945,136

The notes set out on pages 121 to 163 are an integral part of these financial statements

PETRONAS GAS BERHAD is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is:

Registered office and principal place of business
Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur

The Company is principally engaged in separating natural gas into its components and storing, transporting and distributing such components thereof for a fee and the sale of industrial utilities. The principal activities of its subsidiary, associate and jointly controlled entity are stated in Note 5, Note 6 and Note 7 to the financial statements respectively.

The holding company as well as the ultimate holding company during the financial year is Petroliam Nasional Berhad (PETRONAS), a company incorporated in Malaysia.

The consolidated financial statements as at and for the financial year ended 31 March 2010 comprise the Company and its subsidiary, and the Group's interest in an associate and a jointly controlled entity.

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

As of 1 April 2009, the Group and the Company have early adopted the following FRSs which are effective for annual periods beginning on or after 1 January 2010:

(i) FRS 7, *Financial Instruments: Disclosures;*
(ii) FRS 123, *Borrowing Costs (revised);* and
(iii) Amendment to FRS 123, *Borrowing Costs.*

The adoption of FRS 7 does not result in significant changes in the accounting policies other than extended disclosures on financial instruments as set out in Note 31.

The adoption of FRS 123 (revised) and Amendment to FRS 123 did not have any impact on these financial statements.

The Malaysian Accounting Standards Board (MASB) has also issued FRSs, Interpretations and Amendments to FRSs and Interpretations which are effective for annual periods beginning on or after 1 July 2009, 1 January 2010, 1 March 2010, 1 July 2010 and 1 January 2011:

(i) FRSs, Interpretations and Amendments to FRSs and Interpretations that are relevant to the Group and the Company and their impacts on the financial statements in the period of initial application are set out in Note 33; and

(ii) FRSs, Interpretations and Amendments to FRSs and Interpretations that are not relevant to the Group and the Company are set out in Note 34.

The financial statements were approved and authorised for issue by the Board of Directors on 11 May 2010.

1. BASIS OF PREPARATION (CONT'D.)

1.2 Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis, unless otherwise stated.

The methods used to measure fair value are stated in Note 2.8.

1.3 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 Group and the Company's financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

1.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

(i) Note 3 : Property, Plant and Equipment;
(ii) Note 16 : Deferred Tax; and
(iii) Note 31 : Financial Instruments.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of consolidation

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiary is consolidated using the purchase method of accounting.

The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of consolidation (Cont'd.)

Minority interests at the balance sheet date, being the portion of the net assets of the subsidiary attributable to equity interests that is not owned by the Company, whether directly or indirectly through the subsidiary, is presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total income statement for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2.2 Associate

An associate is an entity in which the Group has significant influence, including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

An associate is accounted for in the consolidated financial statements of the Group using the equity method less any impairment losses, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of post-acquisition profits or losses of the equity accounted associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated balance sheet. These amounts are taken from the latest audited financial statements and management financial statements of the associate.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Unrealised profits arising from transactions between the Group and its associate are eliminated to the extent of the Group's interests in the associate. Unrealised losses on such transaction are also eliminated partially, unless cost cannot be recovered.

2.3 Jointly controlled entity

The Group has an interest in a joint venture which is a jointly controlled entity. A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. A jointly controlled entity involves the establishment of a separate entity in which each venturer has an interest.

Investment in the jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Property, plant and equipment and depreciation

Freehold land and projects-in-progress are stated at cost and are not depreciated. Other property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, and the estimated costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The net book value of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the income statement accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation for property, plant and equipment other than freehold land and projects-in-progress, is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Buildings are depreciated over 50 years or over the remaining land lease period, whichever is shorter.

The estimated useful lives of the other property, plant and equipment are as follows:

Plant and pipelines	5 – 30 years
Expendable capital improvements	3 years
Office equipment, furniture and fittings	6 – 7 years
Other plant and equipment	5 – 7 years
Computer hardware and software	5 years
Motor vehicles	4 years
Plant turnaround/major inspection	3 – 7 years

Expenditure for routine replacements and repairs is written off immediately in the income statement as and when incurred.

Property, plant and equipment individually costing less than RM5,000 are expensed off in the year of purchase.

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and 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 economics 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Leased assets – prepaid lease payments

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, that are amortised over the lease term in accordance with the pattern of benefits provided.

Leasehold land is classified into long lease and short lease. Long lease is defined as a lease with an unexpired lease period of fifty years or more. Short lease is defined as a lease with an unexpired lease period of less than fifty years.

Payments made under operating leases are recognised as an expense in the income statements on a straight-line basis over the term of the lease.

2.6 Investments

Long term investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment loss, if any, in the Company's financial statements.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any.

2.7 Intangible asset – goodwill

Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities.

Goodwill arising from acquisitions represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities and contingent liabilities of the acquiree.

When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Goodwill is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

In respect of equity accounted investee, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

2.8 Non-derivative Financial instruments

(i) Financial assets

Initial recognition

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The Group and the Company determine the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Non-derivative Financial instruments (Cont'd.)

(i) Financial assets (Cont'd.)

Initial recognition (Cont'd.)

Purchases or sales that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

The Group's and the Company's financial assets include cash and cash equivalents, trade and other receivables, investments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with gains or losses recognised in the income statement. The methods used to measure fair value are stated in note 2.8(iv).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, such financial assets are carried at amortised cost, using the effective interest rate method, less impairment losses.

Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Financial liabilities

Initial recognition

Financial liabilities within the scope of FRS 139 are classified as loans and borrowings and financial liabilities at fair value through profit or loss. The Group and the Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value less, in the case of loans and borrowings, any directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Non-derivative Financial instruments (Cont'd.)

(ii) Financial liabilities (Cont'd.)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method as stated in note 2.8(v).

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, the fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment.

(v) Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method. This method uses effective interest rate that exactly discounts estimated future cash receipts of payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

(vi) Derecognition of financial instruments

Financial assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group and the Company have transferred their rights to receive cash flows from the asset or have assume an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Derivative Financial instruments

Initial recognition and subsequent measurement

The Group and the Company uses derivative financial instruments such as forward currency contracts to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year are taken directly to the income statement.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when the Group or the Company becomes a party to them, including at the date of a business combination.

Embedded derivatives are measured at fair value at each balance sheet date. Any gains or losses arising from changes in fair value are taken directly to the income statement.

2.10 Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged decline in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Impairment (Cont'd.)

(i) Financial assets (Cont'd.)

Loans and receivables

For loans and receivables carried at amortised cost, individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

(ii) Non-financial assets

The carrying amount of assets, other than inventories (refer Note 2.12), deferred tax assets (refer Note 2.15) and financial assets (financial assets in this context exclude investments in subsidiary, associate and jointly controlled entity), are reviewed at each reporting date to determine whether there is any indication of impairment. The carrying amounts of certain classes of assets are reviewed whenever events or changes in circumstances indicate that the carrying value may be impaired, as described in the respective assets' accounting policies.

When indication of assets impairment exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or the cash-generating-unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

A cash-generating-unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses recognised in respect of cash-generating-units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value in use. In assessing value in use, 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 cash-generating-unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed in a subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. 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 had been recognised.

Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have insignificant risk of changes in value.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of material stores and spares consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

Cost of liquefied gases and water is determined on a weighted average basis.

2.13 Provisions

A provision is recognised if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Employee benefits

(i) Short term benefits

Wages and 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.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (EPF). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Defined benefit plans

In the previous year, the Group and the Company contributed monthly to the PETRONAS Retirement Benefit Fund (The Scheme). The Scheme was a funded defined benefit plan. The Trustees commenced dissolution of the Scheme and the Group and the Company ceased to contribute to the Scheme. The assets of the fund were transferred to EPF.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

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, unabsorbed capital allowances, 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, unabsorbed capital allowances, 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 statutory tax rates at the balance sheet date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefits will be realised.

2.16 Foreign currency transactions

In preparing financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency are translated to the functional currency at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date have been retranslated to the functional currency at rates of exchange ruling on the balance sheet date. Gains and losses on exchange arising from translation of monetary assets and liabilities are dealt with in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

2.17 Financing costs

Financing costs comprise interest payable on borrowings.

All interest, finance charges and other costs incurred in connection with borrowings are expensed off as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.18 Revenue

Revenue from throughput fees is recognised in the income statement based on actual and estimates of work done in respect of services rendered for separating natural gas into its components and the storing, transporting and distributing of such components.

Revenue from sale of industrial utilities is recognised in the income statement based on certification of utilities distributed to the buyer at pre-determined rates.

2.19 Deferred income

Deferred income is recognised in the income statement on a time proportion basis over the agreed contract period or applicable period.

2.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

2.21 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. PROPERTY, PLANT AND EQUIPMENT

Group	At 1.4.2009 RM'000	Additions RM'000	Disposals/ Write offs RM'000	Transfers RM'000	At 31.3.2010 RM'000
At cost					
Freehold land	**1,224**	**–**	**–**	**–**	**1,224**
Buildings	**187,346**	**1,017**	**–**	**2,896**	**191,259**
Plant and pipelines	**13,263,124**	**3,254**	**(96)**	**218,762**	**13,485,044**
Expendable capital improvements	**800**	**–**	**–**	**–**	**800**
Office equipment, furniture and fittings	**60,015**	**474**	**(759)**	**1,083**	**60,813**
Other plant and equipment	**80,765**	**6,629**	**(658)**	**12,990**	**99,726**
Computer hardware and software	**51,319**	**642**	**(3,437)**	**7,542**	**56,066**
Motor vehicles	**28,145**	**3,228**	**(2,373)**	**–**	**29,000**
Plant turnaround/major inspection	**166,655**	**–**	**–**	**82,190**	**248,845**
Projects-in-progress	**394,039**	**305,834**	**(2,244)**	**(326,053)**	**371,576**
	14,233,432	**321,078**	**(9,567)**	**(590)** [(a)]	**14,544,353**

Group	At 1.4.2009 RM'000	Charge for the year RM'000	Disposals/ Write offs RM'000	Transfers RM'000	Impairment RM'000	At 31.3.2010 RM'000
Accumulated depreciation						
Freehold land	**–**	**–**	**–**	**–**	**–**	**–**
Buildings	**44,490**	**4,026**	**–**	**–**	**–**	**48,516**
Plant and pipelines	**7,202,836**	**544,210**	**(96)**	**(265)**	**–**	**7,746,685**
Expendable capital improvements	**800**	**–**	**–**	**–**	**–**	**800**
Office equipment, furniture and fittings	**54,452**	**1,514**	**(757)**	**–**	**–**	**55,209**
Other plant and equipment	**51,968**	**6,672**	**(656)**	**265**	**–**	**58,249**
Computer hardware and software	**43,493**	**3,121**	**(3,437)**	**–**	**–**	**43,177**
Motor vehicles	**22,325**	**2,010**	**(2,353)**	**–**	**–**	**21,982**
Plant turnaround/major inspection	**53,306**	**54,815**	**–**	**–**	**–**	**108,121**
Projects-in-progress	**–**	**–**	**–**	**–**	**–**	**–**
	7,473,670	**616,368**	**(7,299)**	**–**	**–**	**8,082,739**

[(a)] *This is in relation to property, plant and equipment expensed off of RM590,000 (2009 – RM718,000) and capitalisation of projects-in-progress to prepaid lease payments of nil (2009 – RM29,000).*

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

Group	At 1.4.2008 RM'000	Additions RM'000	Disposals/ Write offs RM'000	Transfers RM'000	At 31.3.2009 RM'000
At cost					
Freehold land	1,224	–	–	–	1,224
Buildings	172,823	753	–	13,770	187,346
Plant and pipelines	13,077,850	6,867	(1,500)	179,907	13,263,124
Expendable capital improvements	800	–	–	–	800
Office equipment, furniture and fittings	58,141	531	(325)	1,668	60,015
Other plant and equipment	69,314	11,313	(428)	566	80,765
Computer hardware and software	47,078	1,387	(249)	3,103	51,319
Motor vehicles	22,843	5,475	(173)	–	28,145
Plant turnaround/major inspection	83,016	–	–	83,639	166,655
Projects-in-progress	366,079	311,360	–	(283,400)	394,039
	13,899,168	337,686	(2,675)	(747)[(a)]	14,233,432

Group	At 1.4.2008 RM'000	Charge for the year RM'000	Disposals/ Write offs RM'000	Transfers RM'000	Impairment RM'000	At 31.3.2009 RM'000
Accumulated depreciation						
Freehold land	–	–	–	–	–	–
Buildings	40,334	4,156	–	–	–	44,490
Plant and pipelines	6,626,860	565,946	(1,173)	(1,038)	12,241	7,202,836
Expendable capital improvements	800	–	–	–	–	800
Office equipment, furniture and fittings	53,176	1,601	(325)	–	–	54,452
Other plant and equipment	45,857	6,535	(420)	(4)	–	51,968
Computer hardware and software	40,034	3,390	(237)	306	–	43,493
Motor vehicles	20,931	1,540	(146)	–	–	22,325
Plant turnaround/major inspection	20,383	32,187	–	736	–	53,306
Projects-in-progress	–	–	–	–	–	–
	6,848,375	615,355	(2,301)	–	12,241	7,473,670

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

Company	At 1.4.2009 RM'000	Additions RM'000	Disposals/ Write offs RM'000	Transfers RM'000	At 31.3.2010 RM'000
At cost					
Freehold land	**1,224**	**–**	**–**	**–**	**1,224**
Buildings	**187,346**	**813**	**–**	**2,896**	**191,055**
Plant and pipelines	**13,263,124**	**3,254**	**(96)**	**218,762**	**13,485,044**
Expendable capital improvements	**800**	**–**	**–**	**–**	**800**
Office equipment, furniture and fittings	**60,015**	**356**	**(759)**	**1,083**	**60,695**
Other plant and equipment	**80,765**	**6,629**	**(658)**	**12,990**	**99,726**
Computer hardware and software	**51,319**	**225**	**(3,437)**	**7,542**	**55,649**
Motor vehicles	**28,145**	**3,050**	**(2,373)**	**–**	**28,822**
Plant turnaround/major inspection	**166,655**	**–**	**–**	**82,190**	**248,845**
Projects-in-progress	**391,358**	**288,422**	**(2,244)**	**(326,053)**	**351,483**
	14,230,751	**302,749**	**(9,567)**	**(590)** [(a)]	**14,523,343**

Company	At 1.4.2009 RM'000	Charge for the year RM'000	Disposals/ Write offs RM'000	Transfers RM'000	Impairment RM'000	At 31.3.2010 RM'000
Accumulated depreciation						
Freehold land	**–**	**–**	**–**	**–**	**–**	**–**
Buildings	**44,490**	**4,006**	**–**	**–**	**–**	**48,496**
Plant and pipelines	**7,202,836**	**544,210**	**(96)**	**(265)**	**–**	**7,746,685**
Expendable capital improvements	**800**	**–**	**–**	**–**	**–**	**800**
Office equipment, furniture and fittings	**54,452**	**1,505**	**(757)**	**–**	**–**	**55,200**
Other plant and equipment	**51,968**	**6,672**	**(656)**	**265**	**–**	**58,249**
Computer hardware and software	**43,493**	**3,105**	**(3,437)**	**–**	**–**	**43,161**
Motor vehicles	**22,325**	**1,991**	**(2,353)**	**–**	**–**	**21,963**
Plant turnaround/major inspection	**53,306**	**54,815**	**–**	**–**	**–**	**108,121**
Projects-in-progress	**–**	**–**	**–**	**–**	**–**	**–**
	7,473,670	**616,304**	**(7,299)**	**–**	**–**	**8,082,675**

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

Company	At 1.4.2008 RM'000	Additions RM'000	Disposals/ Write offs RM'000	Transfers RM'000	At 31.3.2009 RM'000
At cost					
Freehold land	1,224	–	–	–	1,224
Buildings	172,823	753	–	13,770	187,346
Plant and pipelines	13,077,850	6,867	(1,500)	179,907	13,263,124
Expendable capital improvements	800	–	–	–	800
Office equipment, furniture and fittings	58,141	531	(325)	1,668	60,015
Other plant and equipment	69,314	11,313	(428)	566	80,765
Computer hardware and software	47,078	1,387	(249)	3,103	51,319
Motor vehicles	22,843	5,475	(173)	–	28,145
Plant turnaround/major inspection	83,016	–	–	83,639	166,655
Projects-in-progress	366,079	308,679	–	(283,400)	391,358
	13,899,168	335,005	(2,675)	(747) [(a)]	14,230,751

Company	At 1.4.2008 RM'000	Charge for the year RM'000	Disposals/ Write offs RM'000	Transfers RM'000	Impairment RM'000	At 31.3.2009 RM'000
Accumulated depreciation						
Freehold land	–	–	–	–	–	–
Buildings	40,334	4,156	–	–	–	44,490
Plant and pipelines	6,626,860	565,946	(1,173)	(1,038)	12,241	7,202,836
Expendable capital improvements	800	–	–	–	–	800
Office equipment, furniture and fittings	53,176	1,601	(325)	–	–	54,452
Other plant and equipment	45,857	6,535	(420)	(4)	–	51,968
Computer hardware and software	40,034	3,390	(237)	306	–	43,493
Motor vehicles	20,931	1,540	(146)	–	–	22,325
Plant turnaround/major inspection	20,383	32,187	–	736	–	53,306
Projects-in-progress	–	–	–	–	–	–
	6,848,375	615,355	(2,301)	–	12,241	7,473,670

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

Group

	Carrying Amount 2010 RM'000	Carrying Amount 2009 RM'000
Freehold land	**1,224**	1,224
Buildings	**142,743**	142,856
Plant and pipelines	**5,738,359**	6,060,288
Expendable capital improvements	**–**	–
Office equipment, furniture and fittings	**5,604**	5,563
Other plant and equipment	**41,477**	28,797
Computer hardware and software	**12,889**	7,826
Motor vehicles	**7,018**	5,820
Plant turnaround/major inspection	**140,724**	113,349
Projects-in-progress	**371,576**	394,039
	6,461,614	6,759,762

Company

	Carrying Amount 2010 RM'000	Carrying Amount 2009 RM'000
Freehold land	**1,224**	1,224
Buildings	**142,559**	142,856
Plant and pipelines	**5,738,359**	6,060,288
Expendable capital improvements	**–**	–
Office equipment, furniture and fittings	**5,495**	5,563
Other plant and equipment	**41,477**	28,797
Computer hardware and software	**12,488**	7,826
Motor vehicles	**6,859**	5,820
Plant turnaround/major inspection	**140,724**	113,349
Projects-in-progress	**351,483**	391,358
	6,440,668	6,757,081

4. PREPAID LEASE PAYMENTS

Group/Company	At 1.4.2009 RM'000	Additions RM'000	Transfers RM'000	At 31.3.2010 RM'000
2010				
At cost				
Leasehold land				
– long lease	387,960	639	(19,984)	**368,615**
– short lease	141,742	–	19,984	**161,726**
	529,702	**639**	**–**	**530,341**

	At 1.4.2009 RM'000	Charge for for the year RM'000	Transfers RM'000	At 31.3.2010 RM'000
Accumulated amortisation				
Leasehold land				
– long lease	48,975	4,256	(3,370)	**49,861**
– short lease	28,164	2,352	3,370	**33,886**
	77,139	**6,608**	**–**	**83,747**

Group/Company	At 1.4.2008 RM'000	Additions RM'000	Transfers RM'000	At 31.3.2009 RM'000
2009				
At cost				
Leasehold land				
– long lease	484,627	15,646	(112,313)	387,960
– short lease	29,400	–	112,342	141,742
	514,027	15,646	29	529,702

	At 1.4.2008 RM'000	Charge for for the year RM'000	Transfers RM'000	At 31.3.2009 RM'000
Accumulated amortisation				
Leasehold land				
– long lease	62,868	6,457	(20,350)	48,975
– short lease	7,668	146	20,350	28,164
	70,536	6,603	–	77,139

Group/Company	Carrying Amount 2010 RM'000	2009 RM'000
Leasehold land:		
– long lease	**318,754**	338,985
– short lease	**127,840**	113,578
	446,594	452,563

The titles to certain leasehold lands are in the process of being registered in the Company's name.

5. INVESTMENT IN SUBSIDIARY

Company	2010 RM'000	2009 RM'000
Investment at cost:		
– unquoted shares	**3,000**	–

Details of the subsidiary are as follows:

Name of company	Principal activities	Country of incorporation	Effective percentage holding 2010 %	Effective percentage holding 2009 %
Kimanis Power Sdn. Bhd. (formerly known as Kimanis Energy Venture Sdn. Bhd.)	Generation and sale of electricity	Malaysia	**60**	50

On 26 May 2009, Kimanis Power Sdn. Bhd. (KPSB) shareholders have approved the increase in authorised share capital from RM100,000 to RM500,000,000 and issued share capital from RM2 to RM5,000,000. This has resulted in the Company and NRG Consortium Sdn. Bhd. owning 60:40 of equity participation in KPSB.

6. INVESTMENT IN ASSOCIATE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Investment at cost:				
– unquoted shares	**103,336**	103,336	**103,336**	103,336
Share of post-acquisition profits and reserves	**70,700**	66,005	**–**	–
	174,036	169,341	**103,336**	103,336

Details of the associate are as follows:

Name of company	Principal activities	Country of incorporation	Accounting period ended	Effective percentage holding 2010 %	Effective percentage holding 2009 %
Gas Malaysia Sdn. Bhd.	Selling, marketing, distribution and promotion of natural gas	Malaysia	31 December	**20**	20

6. INVESTMENT IN ASSOCIATE (CONT'D.)

Summary of financial information on associate as per the audited financial statements for accounting period ended 31 December is as follows:

	Revenue (100%) RM'000	Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
Gas Malaysia Sdn. Bhd.				
2009	1,753,146	243,146	1,432,667	390,151
2008	1,879,617	269,326	1,409,272	422,157

7. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Investment at cost:				
– unquoted shares	**250**	250	**250**	250
Share of post-acquisition profits and reserves	**4,231**	2,912	**–**	–
	4,481	3,162	**250**	250

Details of the jointly controlled entity are as follows:

Name of company	Principal activities	Country of incorporation	Accounting period ended	Effective percentage holding 2010 %	Effective percentage holding 2009 %
Industrial Gases Solutions Sdn. Bhd.	Selling, marketing, distribution and promotion of industrial gas	Malaysia	31 December	**50**	50

Summary of financial information on jointly controlled entity as per the audited financial statements for accounting period ended 31 December is as follows:

	Revenue (100%) RM'000	Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
Industrial Gases Solutions Sdn. Bhd.				
2009	12,934	3,022	9,506	1,925
2008	10,360	1,960	6,024	1,466

8. TRADE AND OTHER INVENTORIES

Group/Company	2010 RM'000	2009 RM'000
At cost:		
Liquefied gases and water	**384**	379
Maintenance materials and spares	**143,633**	146,034
	144,017	146,413

Maintenance materials and spares amounting to RM2,537,000 were written off during the financial year (2009 – RM4,168,000).

9. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables		**12,811**	5,619	**12,811**	5,619
Other receivables	9.1	**16,442**	5,661	**16,430**	5,661
Deposits		**1,021**	1,001	**1,021**	1,001
Prepayments		**20,181**	14,164	**20,164**	14,164
Amounts due from:					
Holding company	9.2	**105,526**	111,118	**105,526**	111,118
Related companies	9.3	**145,203**	82,384	**145,203**	82,384
Subsidiary		**–**	–	**2,296**	802
Jointly controlled entity					
– Trade		**931**	1,275	**931**	1,275
Related parties					
– Trade	9.4	**20,113**	98,588	**20,113**	98,588
Advance to subsidiary	9.5	**–**	–	**13,878**	4,578
		322,228	319,810	**338,373**	325,190

9.1 Included in other receivables of the Company is interest receivable of RM10,788,000 (2009 – RM1,853,000).

9.2 The amount due from holding company relates to:

Group/Company	2010 RM'000	2009 RM'000
Trade	**129,221**	178,394
Non-trade	**(23,695)**	(67,276)
	105,526	111,118

9. TRADE AND OTHER RECEIVABLES (CONT'D.)

9.3 The amounts due from related companies relate to:

Group/Company	2010 RM'000	2009 RM'000
Trade	**118,979**	74,334
Non-trade	**26,224**	8,050
	145,203	82,384

9.4 The amounts due from related parties are in relation to associates and jointly controlled entities of the holding company.

9.5 The advance to subsidiary relates to capital contribution which will be converted to ordinary shares in KPSB, upon obtaining necessary approvals from the shareholders of KPSB.

The credit period granted for trade receivables is 30 days (2009 – 30 days). The trade and non-trade receivables arose from the normal course of business.

10. FUND AND OTHER INVESTMENTS

Group/Company	2010 RM'000	2009 RM'000
Current		
Fair value through profit or loss financial assets:		
Malaysian Government Securities	**60,036**	45,539
Other unquoted securities	**40,216**	25,324
	100,252	70,863

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits	**2,173,858**	1,944,889	**2,173,858**	1,944,889
Cash and bank balances	**7,644**	247	**63**	247
	2,181,502	1,945,136	**2,173,921**	1,945,136
Deposits with licensed financial institutions:				
Banks	**2,123,746**	1,939,796	**2,123,746**	1,939,796
Other corporations	**50,112**	5,093	**50,112**	5,093
	2,173,858	1,944,889	**2,173,858**	1,944,889

12. SHARE CAPITAL

Group/Company	2010 RM'000	2009 RM'000
Authorised:		
2,000,000,000 ordinary shares of RM1 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,978,732,000 ordinary shares of RM1 each	**1,978,732**	1,978,732

13. RESERVES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-distributable:				
Share premium	**1,186,472**	1,186,472	**1,186,472**	1,186,472
Distributable:				
Unappropriated profits	**4,850,666**	4,873,759	**4,777,692**	4,806,487
	6,037,138	6,060,231	**5,964,164**	5,992,959

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax exempt account to distribute approximately RM122,114,000 of its unappropriated profits at 31 March 2010, if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As at 31 March 2010, Section 108 tax credit has been fully utilised.

14. MINORITY SHAREHOLDER'S INTEREST

This consists of the minority shareholder's proportion of share capital and reserves of the subsidiary.

15. BORROWINGS

Group/Company	2010 RM'000	2009 RM'000
Non-current		
Term loan – unsecured	**566,640**	591,432
Derivative asset – Currency Exchange Agreement (CEA)	**(128,958)**	(141,807)
Total	**437,682**	449,625

15. BORROWINGS (CONT'D.)

Terms and debt repayment schedule

	Total RM'000	2 – 5 years RM'000
Term loan – unsecured (net of CEA)		
2010 – 3.4%	**437,682**	**437,682**
2009 – 3.4%	449,625	449,625

The unsecured term loan comprising the 6th series 3.4% Samurai Bond was on lent from PETRONAS to the Company on 21 April 1997. The term loan represents an amount equivalent to Yen 16 billion. Under the CEA with PETRONAS, the repayment of the principal amount is at a fixed exchange rate of 100 Yen – RM2.838. The loan is due for payment in year 2013.

The underlying Yen 16 billion term loan and the CEA are valued and accounted separately at each reporting date. The term loan is translated at the spot rate at the reporting date whereas the CEA, being a derivative asset, is fair valued. The fair value of the CEA is determined based on the difference in discounted cash flow using forward exchange rate and contracted rate. Any increase or decrease in the translation or valuation is recorded accordingly in the financial statements. The volatility and the impact to the financial statements are dependent on the exchange rate and interest rate movement.

For the purpose of presentation of the financial statements, both the term loan and the CEA are netted off since the conditions of legally enforceable right and the intention to settle on net basis are met.

The net unrealised gain arising from retranslation of term loan and revaluation of CEA during the year was RM11,943,000 (2009 – net unrealised loss of RM33,973,000).

16. DEFERRED TAX

The components and movements of deferred tax during the financial year are as follows:

Group/Company	As at 1.4.2009 RM'000	Charged/ (Credited) to Income Statement RM'000	As at 31.3.2010 RM'000
Property, plant and equipment	1,148,818	(17,400)	**1,131,418**
Financial instrument valuation	35,742	(3,212)	**32,530**
Deferred income	(4,228)	414	**(3,814)**
Foreign currency translation	(34,332)	6,198	**(28,134)**
Total	1,146,000	(14,000)	**1,132,000**

16. DEFERRED TAX (CONT'D.)

Group/Company	As at 1.4.2008 RM'000	Effect of adopting FRS 139 RM'000	Charged/ (Credited) to Income Statement RM'000	As at 31.3.2009 RM'000
Property, plant and equipment	1,167,900	–	(19,082)	1,148,818
Financial instrument valuation	–	25,299	10,443	35,742
Deferred income	(4,900)	–	672	(4,228)
Foreign currency translation	–	(15,687)	(18,645)	(34,332)
Total	1,163,000	9,612	(26,612)	1,146,000

17. DEFERRED INCOME

Group/Company	Note	2010 RM'000	2009 RM'000
At 1 April		**19,438**	23,545
Less: Recognised in the income statement		**(3,101)**	(4,107)
At 31 March		**16,337**	19,438
Analysis of deferred income:			
Current	18	**2,740**	4,107
Non-current		**13,597**	15,331
		16,337	19,438

Deferred income mainly refers to the payment received in advance from third party, related companies and related parties for the rights given to these parties to use the Company's property, plant and equipment over a period of time. The deferred income is recognised on a time apportionment basis over the period.

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade payables	18.1	**154**	143	**154**	143
Other payables and accruals	18.2	**182,223**	181,053	**181,267**	181,012
Amount due to related companies	18.3	**7,861**	6,907	**7,861**	6,907
Amount due to subsidiary	18.4	**–**	–	**–**	3,485
Advance from minority shareholder	18.5	**9,252**	3,052	**–**	–
Deferred income	17	**2,740**	4,107	**2,740**	4,107
		202,230	195,262	**192,022**	195,654

18. TRADE AND OTHER PAYABLES (CONT'D.)

18.1 The credit period granted to the Company is 30 days (2009 – 30 days).

18.2 Included in other payables and accruals are amounts owing to suppliers and contractors for purchase of property, plant and equipment of approximately RM167,750,000 (2009 – RM176,314,000) for the Group and RM164,985,000 (2009 – RM176,314,000) for the Company. Also included in other payables are interest payable of RM3,700,000 (2009 – RM3,862,000).

18.3 The amounts due to related companies are non-trade in nature. These payables arose from the normal course of business.

18.4 The amount due to subsidiary in previous year relates to cash held by the Company on behalf of the subsidiary.

18.5 The advance from minority shareholder relates to capital contribution which will be converted to ordinary share capital, upon obtaining necessary approvals from shareholders of KPSB.

19. GROSS PROFIT

Group/Company	2010 RM'000	2009 RM'000
Revenue		
– throughput fees	**2,475,042**	2,657,990
– sale of industrial utilities	**746,801**	757,151
	3,221,843	3,415,141
Cost of revenue		
– cost of throughput	**1,449,505**	1,565,432
– cost of industrial utilities	**593,978**	628,971
	2,043,483	2,194,403
Gross profit	**1,178,360**	1,220,738

20. OPERATING PROFIT

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Operating profit is arrived at after charging:				
Audit fees	**184**	177	**178**	177
Under provision of audit fees in prior years	**6**	–	**–**	–
Contribution to retirement benefits	**–**	7,294	**–**	7,294
Contribution to Employees Provident Fund	**48,938**	26,523	**48,938**	26,523
Depreciation of property, plant and equipment	**616,368**	615,355	**616,304**	615,355
Amortisation of prepaid lease payments	**6,608**	6,603	**6,608**	6,603
Impairment loss on property, plant and equipment	**–**	12,241	**–**	12,241
Maintenance materials and spares written off	**2,537**	4,168	**2,537**	4,168
Property, plant and equipment expensed off	**936**	1,607	**894**	1,607
Property, plant and equipment written off	**2,248**	374	**2,248**	374
Rental of equipment and motor vehicles	**8,250**	7,930	**8,241**	7,930
Rental of land and buildings	**6,103**	5,302	**6,054**	5,302
Unrealised loss on retranslation of term loan	**–**	74,582	**–**	74,582
Unrealised loss on CEA Revaluation	**12,849**	–	**12,849**	–
Unrealised loss on changes in values of Malaysia Government Securities and other unquoted securities	**644**	–	**644**	–
and crediting:				
Dividend income from associate	**–**	–	**46,194**	62,774
Gain on realised foreign exchange	**735**	180	**735**	180
Gain on disposal of other investments	**11**	–	**11**	–
Gain on disposal of property, plant and equipment	**404**	17	**404**	17
Interest income from fund and other investments	**45,150**	60,506	**45,150**	60,433
Rental income on land and buildings	**293**	235	**293**	235
Unrealised gain on retranslation of term loan	**24,792**	–	**24,792**	–
Unrealised gain on CEA Revaluation	**–**	40,609	**–**	40,609
Unrealised gain on changes in values of Malaysia Government Securities and other unquoted securities	**–**	1,163	**–**	1,163

21. EMPLOYEE INFORMATION

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Staff costs	**321,691**	317,546	**318,946**	317,546

Included in staff costs are manpower expenses capitalised to projects-in-progress of RM31,547,000 (2009 – RM37,463,000) for the Group and RM28,802,000 (2009 – RM37,463,000) for the Company.

22. KEY MANAGEMENT PERSONNEL COMPENSATION

Group/Company	2010 RM'000	2009 RM'000
Directors		
Fees	**653**	327
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	**44**	46
	697	373

The Company pays management fee to the holding company in relation to services of key management personnel of the Company as disclosed in Note 28.

23. FINANCING COSTS

Group/Company	2010 RM'000	2009 RM'000
Interest expense on:		
Term loan – unsecured	**20,235**	19,402

24. TAX EXPENSES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expense				
– current year	**317,013**	324,224	**316,983**	324,224
– under provision in prior year	**101**	5,803	**83**	5,803
	317,114	330,027	**317,066**	330,027
Deferred tax expense				
– reversal of temporary differences	**(8,369)**	(26,131)	**(8,369)**	(26,131)
– over provision in prior year	**(5,631)**	(481)	**(5,631)**	(481)
	(14,000)	(26,612)	**(14,000)**	(26,612)
Tax expense	**303,114**	303,415	**303,066**	303,415
Tax expense on share of profit of associate	**17,353**	17,411	**–**	–
Tax expense on share of profit of jointly controlled entity	**532**	407	**–**	–
Total tax expense	**320,999**	321,233	**303,066**	303,415

Corporate tax rate for year of assessment 2010 is at 25% (2009 – 25%). Deferred tax assets and liabilities are measured using this tax rate.

24. TAX EXPENSES (CONT'D.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before taxation	**1,243,803**	1,231,445	**1,238,260**	1,241,070
Income tax using Malaysian statutory tax rate at 25% (2009 – 25%)	**310,951**	307,861	**309,565**	310,268
Non-deductible expenses	**21,262**	15,560	**3,723**	4,016
Income not subject to tax	**–**	–	**–**	(10,151)
Utilisation of reinvestment allowance	**(4,674)**	(6,040)	**(4,674)**	(6,040)
Utilisation of investment tax allowance	**–**	(1,464)	**–**	–
Current year tax losses not recognised	**–**	402	**–**	–
Effect of changes in Malaysian statutory tax rate on deferred tax	**–**	(1,234)	**–**	–
Utilisation of unabsorbed capital allowance	**(104)**	–	**–**	–
	327,435	315,085	**308,614**	298,093
(Over)/under provision in prior years	**(6,436)**	6,148	**(5,548)**	5,322
Tax expense	**320,999**	321,233	**303,066**	303,415

25. DIVIDENDS

Group/Company	2010 RM'000	2009 RM'000
Ordinary		
Final paid:		
2009 – 9.9% per share under single tier system, 20% per share tax exempt and 5.1% per share less 25% tax (2008 – 20% per share tax exempt and 15% per share less 25% tax)	**667,180**	618,354
Interim paid:		
2010 – 15% per share under single tier system (2009 – 15% per share less 25% tax)	**296,809**	222,607
	963,989	840,961

The proposed final dividend of 30% per share under single tier system and 5% per share tax exempt (2009 – 9.9% per share under single tier system, 20% per share tax exempt and 5.1% per share less 25% tax) amounting to RM692,556,000 (2009 – RM667,180,000) has not been accounted for in the financial statements.

25. DIVIDENDS (CONT'D.)

The net dividend per ordinary share as disclosed in the income statement for the financial year ended 31 March 2010 on page 118 takes into account the total interim and proposed final dividends for the financial year as follows:

Group/Company	2010 Sen	2009 Sen
Interim dividend per ordinary share paid – net	**15.0**	11.3
Final dividend per ordinary share proposed – net	**35.0**	33.7
	50.0	45.0

26. EARNINGS PER SHARE

Basic earnings per share

The earnings per share (EPS) is derived based on the net profit attributable to ordinary shareholders of RM940,896,000 (2009 – RM928,692,000) and on the number of ordinary shares outstanding during the year of 1,978,732,000 (2009 – 1,978,732,000).

Diluted earnings per share

The Company has not issued any dilutive potential ordinary shares, hence, the diluted EPS is the same as the basic EPS.

27. CAPITAL COMMITMENTS

Outstanding commitments in respect of capital expenditure at balance sheet date not provided for in the financial statements are:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Property, plant and equipment:				
Approved and contracted for				
Less than one year	**96,199**	86,865	**50,933**	79,403
Between one and five years	**60,113**	18,022	**23,579**	18,022
Approved but not contracted for				
Less than one year	**75,405**	48,554	**75,405**	48,554
Between one and five years	**1,323,025**	63,919	**1,323,025**	63,919
	1,554,742	217,360	**1,472,942**	209,898

28. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

Group/Company	2010 RM'000	2009 RM'000
Holding company:		
Throughput fee income	**2,475,042**	2,657,990
Purchase of fuel gas	**(758,091)**	(882,223)
Rental of office premises	**(5,610)**	(4,905)
Management fees	**(737)**	(737)
Related companies:		
Aromatics Malaysia Sdn. Bhd.		
Sale of industrial utilities	**37,672**	37,721
Vinyl Chloride (Malaysia) Sdn. Bhd.		
Sale of industrial utilities	**53,759**	51,703
PETRONAS Ammonia Sdn. Bhd.		
Sale of industrial utilities	**98,207**	94,511
MTBE Malaysia Sdn. Bhd.		
Sale of industrial utilities	**89,393**	94,716
Petlin (Malaysia) Sdn. Bhd.		
Sale of industrial utilities	**53,301**	56,534
Bekalan Air KIPC Sdn. Bhd.		
Purchase of treated water	**(10,235)**	(14,836)
Management fee income	**500**	500
PETRONAS Carigali Sdn. Bhd.		
Lease income on equipment	**1,441**	1,441
Project management fee	**44,876**	9,995
CEFS Response		
Contribution for emergency response services	**(8,661)**	(8,435)
Optimal Group of Companies		
Sale of industrial utilities	**105,008**	–
Jointly controlled entity:		
Industrial Gases Solutions Sdn. Bhd.		
Sale of industrial utilities	**5,839**	6,444

28. RELATED PARTY TRANSACTIONS (CONT'D.)

Group/Company	2010 RM'000	2009 RM'000
Associates and jointly controlled entities of the holding company:		
Kertih Terminal Sdn. Bhd.		
Sale of industrial utilities	**6,651**	6,069
BASF PETRONAS Chemicals Sdn. Bhd.		
Sale of industrial utilities	**73,836**	69,775
BP PETRONAS Acetyls Sdn. Bhd.		
Sale of industrial utilities	**37,409**	31,726
Optimal Group of Companies		
Sale of industrial utilities	**109,160**	257,569
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.		
Access right of way fee	**945**	945
Annual operations and maintenance fee	**1,000**	1,000

Company	2010 RM'000	2009 RM'000
Subsidiary company:		
Project management services	**–**	2,212

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled with cash.

Included in the management fees paid to the holding company is payment for services of certain key management personnel of the Company.

Information regarding outstanding balances arising from related party transactions as at 31 March 2010 is disclosed in Note 9 and Note 18.

On 30 September 2009, Optimal Group of Companies has been classified as related company pursuant to completion of share acquisition by PETRONAS.

29. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments which are based on the internal reporting structure presented to the management of the Company.

The Group's principal business segments are services rendered for separating natural gas into its components and the storing, transporting and distributing such components, and sale of industrial utilities.

The Group operates only in Malaysia and accordingly, information by geographical location of the Group's operations is not presented.

The segmental information in respect of the associate and jointly controlled entity is not presented as the contribution of the associate and jointly controlled entity and the carrying amount of investment in the associate and jointly controlled entity are not material and have been reflected in the income statement and balance sheet of the Group. Details of the associate and jointly controlled entity are disclosed in Note 6 and Note 7 to the financial statements respectively.

Business segments	Throughput Services		Utilities		Total	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	**2,475,042**	2,657,990	**746,801**	757,151	**3,221,843**	3,415,141
Segment results	**1,025,537**	1,092,558	**152,823**	128,180	**1,178,360**	1,220,738
Unallocated income/(expenses)					**33,470**	(25,348)
Operating profit					**1,211,830**	1,195,390
Financing costs					**(20,235)**	(19,402)
Share of profit after tax of equity accounted associate and jointly controlled entity					**52,208**	55,457
Profit before taxation					**1,243,803**	1,231,445
Tax expense					**(303,114)**	(303,415)
Profit for the year					**940,689**	928,030
Segment assets	**5,524,085**	5,724,093	**1,813,094**	1,962,515	**7,337,179**	7,686,608
Investment in associate					**174,036**	169,341
Investment in jointly controlled entity					**4,481**	3,162
Unallocated assets					**2,319,028**	2,007,939
Total assets					**9,834,724**	9,867,050

29. SEGMENTAL INFORMATION (CONT'D.)

Business segments	Throughput Services		Utilities		Total	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Segment liabilities	**169,038**	151,809	**38,015**	38,333	**207,053**	190,142
Unallocated liabilities					**1,610,670**	1,638,607
Total liabilities					**1,817,723**	1,828,749
Capital expenditure	**267,379**	323,503	**36,009**	27,148	**303,388**	350,651
Unallocated capital expenditure	**–**	–	**–**	–	**18,329**	2,681
Depreciation and amortisation	**465,150**	469,185	**157,762**	152,773	**622,912**	621,958
Unallocated depreciation and amortisation	**–**	–	**–**	–	**64**	–
Other unallocated non-cash (income)/expenses	**–**	–	**–**	–	**(11,943)**	46,214

Other unallocated non-cash (income)/expenses consist of net unrealised (gain)/loss from the retranslation of term loan and revaluation of CEA and impairment of assets.

The Group does not have significant non-cash expenses other than those disclosed above.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and income, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

30. HOLDING COMPANY

The holding company as well as the ultimate holding company is Petroliam Nasional Berhad (PETRONAS), a company incorporated in Malaysia.

31. FINANCIAL INSTRUMENTS

Certain comparatives figures have not been presented for 31 March 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

Financial Risk Management

The Group and the Company are exposed to various risks that are particular to its core business which consists of separating natural gas into its components and storing, transporting and distributing such components thereof for a fee and the sale of industrial utilities. These risks arise in the normal course of the Group and the Company's business.

The Group has a Group Risk Management Framework and Guideline that sets the foundation for the establishment of effective risk management across the PETRONAS Group.

The Group and the Company's goal in risk management is to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, the Group and the Company adopts appropriate measures to mitigate these risks in accordance with its view of the balance between risk and reward.

The Group and the Company have exposure to credit risk, liquidity risk and market risk arising from its use of financial instruments in the normal course of the Group and the Company's business.

Credit Risk

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. Credit risk arises from its operating activities, primarily from trade receivables and long term receivables and from its investing activities, primarily for fund and other investment excluding Malaysia Government Securities and Treasury Bills. The credit risk arising from the Group and the Company's normal operations are controlled by individual operating units within the Group Risk Management Framework and Guideline.

Receivables

The Group and the Company minimises credit risk by entering into contracts with highly credit rated counterparties. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified. Depending on the creditworthiness of the counterparty, the Group and the Company shall determine terms of credits consisting of credit period, security requirements and credit limit, and frequency of creditworthiness review.

The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

A significant portion of these receivables are related companies.

The Group and the Company uses ageing analysis and credit term review to monitor the credit quality of the receivables. Any receivables having any significant balances past due are monitored closely.

Receivables from third party customers are secured by financial guarantee given by bank. No collateral is required for amounts due from related parties.

At the balance sheet date, the significant concentration of credit risk is represented by the amount due from holding company, related companies, jointly controlled entity and related parties arising from the normal course of business. This constitutes more than 95% of the total trade receivables of the Group.

31. FINANCIAL INSTRUMENTS (CONT'D.)

Receivables (Cont'd.)

The ageing of trade receivables as at the reporting date is as follows:

Group/Company	2010 RM'000
Current	**273,156**
Past due 1 to 30 days	**4,738**
Past due 31 to 60 days	**987**
Past due 61 to 90 days	**461**
Past due more than 90 days	**2,713**
	282,055

There were no renegotiated balances outstanding as at 31 March 2010.

Fund and other investments

The Group has a Group Treasury Investment Guideline that defines the parameters within which the investment activities shall operate to achieve the Group's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters. In accordance with the guideline, investments are only allowed with highly credit rated counterparties.

The maximum exposure to credit risk is represented by the carrying amounts in the balance sheet.

As at the reporting date, the Group and the Company has only invested in domestic securitites.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

The fund and other investments are unsecured.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises due to inability to liquidate an asset and from the requirement to raise funds for the business on an ongoing basis as a result of existing and future commitments which are not funded from internal resources.

The Group manages assets liquidity risk by maintaining sufficient cash and liquid marketable assets.

31. FINANCIAL INSTRUMENTS (CONT'D.)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

Group 2010	Carrying amount RM'000	Effective interest rate %	Contractual cash flow* RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000
Financial liabilities						
Unsecured term loan from holding company						
Fixed rate loan	**437,682**	**3.4**	**521,531**	**19,266**	**19,266**	**482,999**
Trade and other payables	**199,490**	**–**	**199,490**	**199,490**	**–**	**–**

Company 2010	Carrying amount RM'000	Effective interest rate %	Contractual cash flow* RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000
Financial liabilities						
Unsecured term loan from holding company						
Fixed rate loan	**437,682**	**3.4**	**521,531**	**19,266**	**19,266**	**482,999**
Trade and other payables	**189,282**	**–**	**189,282**	**189,282**	**–**	**–**

* *The contractual cashflow is inclusive of the principal and interest due to FRS 139 measurements*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk and commodity risk.

Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group and the Company are exposed to interest rate risk as a result of their investing and financing activities. The Group's investments in fixed-rate debt securities are exposed to a risk of change in their fair value due to changes in interest rates.

All interest rate risks are monitored and managed proactively by PETRONAS Group Treasury Division based on guidance from Group Risk Management Framework and Guideline.

31. FINANCIAL INSTRUMENTS (CONT'D.)

Interest Rate Risk (Cont'd.)

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

Group/Company	2010 RM'000
Fixed rate instruments	
Financial assets	**100,252**

Fair value sensitivity analysis for fixed rate instruments

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following securities:

Group/Company 2010	+/– Change in interest b.p.s.	Profit or loss RM'000
Local securities	**44.54 b.p.s**	**813**

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's exposure to the risk of changes in foreign currency exchange rate arises as a natural consequence of the Group and the Company engaging in business activities such as purchases and borrowings that are denominated in a currency other than the respective functional currencies of the individual entities in the Group.

The Group and the Company operates predominantly in Malaysia and transacts mainly in Malaysian Ringgit. As such, it is not exposed to any significant foreign currency risk.

The Group's and Company's exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

Group/Company	2010 RM'000
Denominated in	
USD	**26,026**
GBP	**6,134**
EUR	**1,052**
SGD	**66**
JPY	**32,400**
	65,678

31. FINANCIAL INSTRUMENTS (CONT'D.)

Currency risk sensitivity analysis

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following currency exchange rates:

Group/Company 2010	+/– Change in currency rate %	Effect on profit or loss RM'000
USD	**5**	**1,301**
GBP	**10**	**613**
EUR	**5**	**53**
SGD	**5**	**3**
JPY	**5**	**1,620**

This analysis assumes all other variables, in particular interest rates, remain constant.

Fair Value

The Group's and the Company's financial instruments consist of cash and cash equivalents, investments and loans, trade and other receivables, borrowings, trade and other payables and various debt and currency management instruments.

Cash and cash equivalents, trade and other receivables and trade and other payables are carried at amortised costs, which are not materially different from their fair values.

The aggregate fair values and their categories of the financial assets and liabilities carried on the balance sheet as at 31 March 2010 are represented in the following table:

Group	2010		2009	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Fair value through profit or loss:				
Malaysian Government Securities	**60,036**	**60,036**	45,539	45,539
Other unquoted securities	**40,216**	**40,216**	25,324	25,324
Loan and receivables:				
Trade and other receivables	**322,228**	**322,228**	319,810	319,810
Cash and cash equivalents	**2,181,502**	**2,181,502**	1,945,136	1,945,136
Financial liabilities				
Financial liabilities measured at amortised cost:				
Term loan – unsecured (net of CEA)	**437,682**	**446,453**	449,625	434,425
Trade and other payables	**202,230**	**202,230**	195,262	195,262

31. FINANCIAL INSTRUMENTS (CONT'D.)

Fair Value (Cont'd)

Company	2010 Carrying amount RM'000	2010 Fair value RM'000	2009 Carrying amount RM'000	2009 Fair value RM'000
Financial assets				
Fair value through profit or loss:				
Malaysian Government Securities	**60,036**	**60,036**	45,539	45,539
Other unquoted securities	**40,216**	**40,216**	25,324	25,324
Loan and receivables:				
Trade and other receivables	**338,373**	**338,373**	325,190	325,190
Cash and cash equivalents	**2,173,921**	**2,173,921**	1,945,136	1,945,136
Financial liabilities				
Financial liabilities measured at amortised cost:				
Term loan – unsecured (net of CEA)	**437,682**	**446,453**	449,625	434,425
Trade and other payables	**192,022**	**192,022**	195,654	195,654

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

As at 31 March 2010, the term loan and the CEA are fair valued separately. The fair value of the term loan is derived from the price sourced from third party and translated at the spot rate at the balance sheet date. The fair value of the CEA (i.e. Note 15) is netted off against the fair value of the term loan.

32. CAPITAL MANAGEMENT

The Group and the Company defines capital as its total equity and debt. As a subsidiary of PETRONAS, the Group's and the Company's approach in managing capital is set out in the PETRONAS Group Corporate Financial Policy.

The Group and the Company monitors and maintains a prudent level of total debt to total asset ratio to ensure compliance with covenants under debt and shareholders' agreements and regulatory requirements if any.

There were no changes in the Group's and the Company's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Group and the Company is required to maintain consolidated shareholders' equity to or not less than 25% of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Group and the Company has complied with this requirement.

33. FRS, INTERPRETATIONS AND AMENDMENTS TO FRS AND INTERPRETATIONS NOT EARLY ADOPTED

The MASB has issued the following FRSs, Interpretations and Amendments to FRSs and Interpretations applicable to the Group and the Company which are effective for annual periods beginning on or after 1 January 2010 (unless otherwise stated):

(i) FRS 3, *Business Combinations* (revised) (effective for annual periods beginning on or after 1 July 2010);

(ii) FRS 8, *Operating Segments* (effective for annual periods beginning on or after 1 July 2009);

(iii) FRS 101, *Presentation of Financial Statements* (revised);

(iv) FRS 127, *Consolidated and Separate Financial Statements* (revised) (effective for annual periods beginning on or after 1 July 2010);

(v) Amendment to FRS 1, *First-time Adoption of Financial Reporting Standard and FRS 127, Consolidated and Separate Financial Statements; Cost of and Investment in a Subsidiary, Jointly Controlled Entity or Associate;*

(vi) Amendment to FRS 1, *First-time Adoption of Financial Reporting Standard - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters* (effective for annual periods beginning on or after 1 January 2011);

(vii) Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* (effective for annual periods beginning on or after 1 January 2011);

(viii) Amendment to FRS 8, *Operating Segments* (effective for annual periods beginning on or after 1 July 2010);

(ix) Amendment to FRS 107, *Cash Flow Statements;*

(x) Amendment to FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors;*

(xi) Amendment to FRS 110, *Events After the Balance Sheet Date;*

(xii) Amendment to FRS 116, *Property, Plant and Equipment;*

(xiii) Amendment to FRS 117, *Leases;*

(xiv) Amendment to FRS 118, *Revenue*;

(xv) Amendment to FRS 119, *Employee Benefits;*

(xvi) Amendment to FRS 127, *Consolidated and Separate Financial Statements;*

(xvii) Amendment to FRS 128, *Investments in Associates;*

(xviii) Amendment to FRS 131, *Interests in Joint Ventures;*

(xix) Amendments to FRS 132, *Financial Instruments: Presentation (Puttable Financial Instruments and Obligations Arising on Liquidation/ Separation of Compound Instruments);*

33. FRS, INTERPRETATIONS AND AMENDMENTS TO FRS AND INTERPRETATIONS NOT EARLY ADOPTED (CONT'D.)

(xx) Amendments to FRS 132, *Financial Instruments: Presentation (Classification of Rights Issue)* (effective for annual periods beginning on or after 1 March 2010);

(xxi) Amendment to FRS 134, *Interim Financial Reporting;*

(xxii) Amendment to FRS 136, *Impairment of Assets;*

(xxiii) Amendments to FRS 139, *Financial Instruments: Recognition and Measurement,* FRS 7, *Financial Instruments: Disclosures* and IC Interpretation 9, *Reassessment of Embedded Derivatives;*

(xxiv) Amendments to FRS 139, *Financial Instruments: Recognition and Measurement (Reclassification of Financial Asset/Collective Assessment of Impairment for Banking Institutions);* and

(xxv) Amendments to IC 9, *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 July 2010).

Initial application of these FRSs, Interpretations and Amendments to FRSs and Interpretations for the Group and the Company will be effective:

(i) from the annual period 1 April 2010 for FRSs, Interpretations and Amendments to FRSs and Interpretations which are effective for annual periods beginning on or after 1 July 2009, 1 January 2010 and 1 March 2010; and

(ii) from the annual period beginning 1 April 2011 for FRSs, Interpretations and Amendments to FRSs and Interpretations which are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011.

The adoption of these FRSs, Interpretations and Amendments to FRSs and Interpretations other than FRS 8 and Amendment to FRS 8, are not expected to have any material impact on the financial statements of the Group and of the Company in the period of initial application.

FRS 8 addresses the presentation of financial information to management. Currently, the Group presents segment information in respect of its business and geographical segments. FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Therefore, on adoption of FRS 8, the Group intends to present segment information in respect of its operating segments as Gas Processing business, Gas Transmission business and Utilities business.

34. FRS, INTERPRETATIONS AND AMENDMENTS TO FRS AND INTERPRETATIONS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued FRSs, Interpretations and Amendments to FRSs and Interpretations which are effective for annual periods beginning on or after 1 January 2010 (unless otherwise stated), but for which are not relevant to the operations of the Group and of the Company and hence, no further disclosure is warranted:

(i) Amendments to FRS 2, *Share-based Payment* (effective for annual periods beginning on or after 1 July 2010);

(ii) Amendment to FRS 2, *Share-based Payment; Vesting Conditions and Cancellations;*

(iii) Amendment to FRS 120, *Accounting for Government Grants and Disclosure of Government Assistance;*

(iv) Amendment to FRS 129, *Financial Reporting in Hyperinflationary Economies;*

(v) IC Interpretation 11 FRS 2, *Group and Treasury Share Transactions;*

(vi) FRS 1, *First-time Adoption of Financial Reporting Standards* (revised) (effective for annual periods beginning on or after 1 July 2010);

(vii) FRS 4, *Insurance Contracts;*

(viii) Amendment to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations;*

(ix) Amendment to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (effective for annual periods beginning on or after 1 July 2010);

(x) Amendment to FRS 138, *Intangible Assets* (effective for annual periods beginning on or after 1 July 2010);

(xi) Amendment to FRS 140, *Investment Property;*

(xii) IC Interpretation 12, *Service Concession Agreements* (effective for annual periods beginning on or after 1 July 2010);

(xiii) IC Interpretation 13, *Customer Loyalty Program;*

(xiv) IC Interpretation 14 FRS 119, *The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction;*

(xv) IC Interpretation 15, *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 July 2010);

(xvi) IC Interpretation 16, *Hedges of a Net investment in a Foreign Operation* (effective for annual periods beginning on or after 1 July 2010); and

(xvii) IC Interpretation 17, *Distribution of Non-cash Assets to Owner* (effective for annual periods beginning on or after 1 July 2010).

Report of the Auditors

TO THE MEMBERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **PETRONAS GAS BERHAD**, which comprise the balance sheets as at 31 March 2010 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 117 to 163.

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 Company'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 Company'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 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 of 31 March 2010 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 subsidiary have been properly kept in accordance with the provisions of the Act.

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

(c) Our audit report on the accounts of the subsidiary did not contain any qualification or any adverse comment 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.

KPMG Desa Megat & Co.

KPMG Desa Megat & Co.
Firm Number: AF 0759
Chartered Accountants

Hasman Yusri Yusoff
Approval Number: 2583/08/10(J)
Chartered Accountant

Petaling Jaya,
11 May 2010

other information

Summary of Landed Property, Plant and Equipment

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2010 as set out below:

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Carrying Amount as at 31 March 2010 (RM'000)
TERENGGANU							
Gas Processing Plants, Kertih Km 105, Jalan Kuantan-Kuala Terengganu 24300 Kertih, Kemaman Terengganu Darul Iman		Leasehold Expiry :	Leasehold land				927,282
Lot No. 1903	30.09.1991	28.02.2043 (Sub-Lease 60 years)	Plant	87.7			
			GPP 1		25.5	95,998	
			GPP 2		17.6	123,310	
			GPP 3		17.4	123,310	
Lot No. 3541	30.09.1991	03.04.2050 (60 years)	GPP 4 / DPCU 2	34.6	15.7	266,400	
			Compressor Station		18.3	65,010	
Lot No. 1902	30.09.1991	26.02.2082 (99 years)	Office	2.7			
			Administration building 1		24.6	1,282	
			Administration building 2		19.9	6,892	
			Fire station		22.0	3,248	
Gas Processing Plants, Paka Km 8, Kg. Tok Arun, Off Jalan Santong 23100 Paka, Dungun Terengganu Darul Iman		Leasehold Expiry :	Leasehold land				1,329,274
Lot No. 7346	03.08.1997	13.07.2058 (60 years)	Plant	189.6			
			GPP 5		11.1	200,000	
			GPP 6		10.4	220,000	
			DPCU 3		11.6	60,000	
			Office				
			Administration building		12.4	12,220	
Lot No. 7220	03.08.1997	20.06.2058 (60 years)	(Vacant)	27.0			

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2010 as set out below (Cont'd.):

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Carrying Amount as at 31 March 2010 (RM'000)
Export Terminal Operation Tanjung Sulong, 24000 Kemaman, Terengganu Darul Iman		Leasehold Expiry :	Leasehold land				149,403
Lot No. 1314	24.07.1993	19.03.2025 (40 years)	Plant Unit 1, 2 ,3, 4	9.7	25.4	1,146	
			Office Administration building				
Lot No. 1333	24.07.1993	11.03.2027 (40 years)	Marine facility Breakwater Jetty	2.7	25.4		
Centralised Utility Facilities (CUF) Operations, Kertih Kertih Integrated Petrochemical Complex, Km 105, Jalan Kuantan - Kuala Terengganu, 24300 Kertih, Kemaman, Terengganu Darul Iman		Leasehold Expiry :	Leasehold land				1,084,552
			Plant				
			CGN B		10.3	667	
			CGN C		10.3	667	
			CGN D, E, F		9.8	2,000	
			Water Plant		9.8	2,000	
			CGN G		8.9	667	
			ASU		9.0	15,451	
			Lab & Workshop		9.0	729	
Lot No. 8065	21.12.1999	19.08.2060 (60 years)	Control Room	37.1	8.8	1,820	
			Office Administration building		9.1	514	
PAHANG							
Kuantan Regional Operations Office Lot 1, Sector 1, Bandar Indera Mahkota 25200 Kuantan Pahang Darul Makmur		Leasehold Expiry :	Leasehold land				9,149
Lot No. PT16756	04.01.1989	04.01.2088 (99 years)	Office Regional Office	11.2	18.4	2,428	

Summary of Landed Property, Plant and Equipment

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2010 as set out below (Cont'd.):

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Carrying Amount as at 31 March 2010 (RM'000)
Kuantan Compressor Station, Kampung Mahkota, Km 19, Jalan Gambang, 26070 Kuantan, Pahang Darul Makmur		Leasehold Expiry :	Leasehold land				182,930
Lot No. PT60398	04.01.1989	26.08.2101 (99 years)	Plant	20.1			
			Compressor Station		16.3	1,142	
			Compressor Station		0.4	4,378	
Centralised Utility Facilities (CUF) Operations, Gebeng Lot 139A, Gebeng Industrial Area, Phase III 26080 Kuantan, Pahang Darul Makmur	17.11.1999	Leasehold Expiry : To be determined (possibly 99 years)	Leasehold land	18.8			514,715
			Plant				
			CGN A		10.3	667	
			CGN B		10.3	667	
			CGN C		10.3	667	
			N2GEN		10.3	360	
			Water Plant		9.8	2,000	
			Office				
			Maintenance building		8.8	1,015	
			Warehouse		8.8	1,004	
JOHOR							
Segamat Operation Centre, Gas Transmission System, Km 10, Lebuhraya Segamat-Kuantan 85000 Segamat, Johor Darul Takzim		Leasehold Expiry :	Leasehold land				80,445
Lot No. PTD564	22.09.1991	18.02.2102 (99 years)	Plant	61.3			
			Compressor Station		12.2	2,792	
			Office				
			Operation Centre		18.6	8,080	

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2010 as set out below (Cont'd.):

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Carrying Amount as at 31 March 2010 (RM'000)
Pasir Gudang Regional Operations Office, PLO 332, Jalan Perak 4, Pasir Gudang Industrial Area, 81700 Pasir Gudang, Johor Darul Takzim		Leasehold Expiry :	Leasehold land				6,449
Lot No. PTD84942	23.04.1989	22.04.2088 (99 years)	Office Regional Office	4.1	18.7	2,428	
NEGERI SEMBILAN							
Seremban Regional Operations Office, Km 11, Jalan Seremban - Tampin, 71450 Sg. Gadut, Seremban, Negeri Sembilan Darul Khusus			Freehold land				7,584
Lot No. PT1131	16.02.1994	Freehold	Office Regional Office	15.1	18.6	2,428	
SELANGOR							
Shah Alam Regional Operations Office, Lot 1, Jalan Jemuju Lima 16/13E Shah Alam Industrial Area, Section 16 40200 Shah Alam, Selangor Darul Ehsan		Leasehold Expiry:	Leasehold land				8,045
Lot No. PT606	12.10.1990	11.10.2089 (99 years)	Office Regional Office	2.9	18.3	2,428	
Meru Compressor Station, Lot 1586 (G3907) Mukim of Jeram District of Kuala Selangor Darul Ehsan		Leasehold Expiry:	Leasehold land (Vacant)	5.4	N/A	N/A	1,163
Lot No. PT6875	04.08.1998	10.08.2107 (99 years)					

Summary of Landed Property, Plant and Equipment

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2010 as set out below (Cont'd.):

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Carrying Amount as at 31 March 2010 (RM'000)
PERAK							
Sitiawan Regional Operations Office, Lot 33263, Jalan Dato' Ahmad Yunus, 32000 Sitiawan, Perak Darul Ridzuan		Leasehold Expiry:	Leasehold land				4,879
Lot No. PT4535	04.11.1997	27.06.2101 (99 years)	Office Regional Office	3.2	12.4	1,604	
KEDAH							
Gurun Regional Operations Office, Km 1, Jalan Jeniang PO Box 31, 08300 Gurun, Kedah Darul Aman		Leasehold Expiry:	Leasehold land				5,407
Lot No. PT5841	18.12.1997	22.04.2102 (99 years)	Office Regional Office	2.9	11.5	1,604	
SARAWAK							
Miri Operations Office, Lot 2075, Block 4, Jalan Cattleya 2B, Piasau Industrial Area, PO Box 1504, 98008 Miri, Sarawak	N/A		Pipeline Meter Station Pipeline across 42.2 km	N/A – located along road reserve area	20	2,066	10,402
Bintulu Gas Meter Station, Kidurong Industrial Area, Part of Lot 155 Block 20 Kemena Land District, 97007 Bintulu, Sarawak			Pipeline Meter Station Pipeline across 4.2 km	0.1	13.4	630	3,652
Lot No. 1646	21.10.2004	16.07.2067 (60 years)					

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2010 as set out below (Cont'd.):

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Carrying Amount as at 31 March 2010 (RM'000)
PIPELINES							
PGU I – total gas pipeline comprises 6 km from Kertih to Paka, Terengganu & 32 km from Kertih to Teluk Kalong, Terengganu and two 40kms of lateral line from the GPPs to the Export Terminal in Tanjung Sulong, Terengganu.	20.03.1985	Leasehold Expiry: (40, 60 and 99 years)	Pipelines Pipelines in leasehold land Terengganu : 49 lots	 Terengganu: 272.1	25.5	N/A	28,598
PGU II – total gas pipeline comprises Sector 1 – 233 km from Teluk Kalong, Terengganu to Segamat, Johor, Sector 2 – 241 km from Segamat, Johor to Kapar, Selangor, & Sector 3 - 211 km from Segamat, Johor to Singapore.	01.01.1992	Leasehold Expiry: (99 years)	Pipelines Pipelines in leasehold land Terengganu : 20 lots Pahang : 325 lots Johor : 641 lots (Inclusive Loop 1 & Loop 2) Melaka : 141 lots Negeri Sembilan : 267 lots Selangor : 137 lots	 Terengganu: 81.1 Pahang : 516.0 Johor : 961.7 Melaka : 192.4 Negeri Sembilan : 462.7 Selangor : 278.9	18.3	N/A	553,167

Summary of Landed Property, Plant and Equipment

A summary of the landed property, plant and equipment of PETRONAS Gas Berhad as at 31 March 2010 as set out below (Cont'd.):

Location	Acquisition Date	Tenure	Description and usage	Land Area (hectare)	Age of Plant and Building (years)	Build-up Area (sq. m)	Carrying Amount as at 31 March 2010 (RM'000)
PGU III – total gas pipeline comprises Sector 1 - 184 km from Meru, Selangor to Lumut, Perak, Sector 2 - 176 km from Lumut, Perak to Gurun, Kedah, Sector 3 - 90 km of NPS 36" mainline from Gurun to Pauh, Perlis.	06.01.1996	Leasehold Expiry: (99 years)	Pipelines Pipelines in leasehold land Selangor : 92 lots WP Kuala Lumpur : 14 lots Perak: 360 lots Penang : 97 lots Kedah : 265 lots Perlis : 74 lots	Selangor : 178.6 WP Kuala Lumpur : 17.9 Perak : 543.7 Penang: 119.5 Kedah: 492.2 Perlis: 87.3	Sector 1: 14.3 Sector 2&3: 12.4	N/A N/A	620,814
PGU Loop 1 – total gas pipeline of 265 km from Kertih, Terengganu to Segamat, Johor.	04.10.1999		Pipelines Pipelines in leasehold land Terengganu: 77 lots Pahang: 363 lots	Terengganu: 142.2 Pahang: 127.6	10.6	N/A	384,437
PGU Loop 2 – total gas pipeline of 226 km from Segamat, Johor to Meru, Selangor.	01.11.2000		Pipelines Pipelines in leasehold land (Part of PGU's document of title)		9.6	N/A	416,389
TOTAL							**6,328,736**

Abbreviations:
ASU : Air Separation Unit
CGN : Cogenerator Plant
DPCU : Dew Point Control Unit Plant
GPP : Gas Processing Plant
N2GEN : Nitrogen Generator

Training Programmes and Conferences Attended by Directors

1.	**Datuk Wan Zulkiflee bin Wan Ariffin**	
	• Wood MacKenzie National Oil Companies Forum in Langkawi: Deliver the Opening Address	April 2009
	• Intergas-V in Cairo	May 2009
	• 14th Asia Oil & Gas Conference (AOGC)	June 2009
	• Training on Financial Reporting Standard (FRS) 139, *Financial Instruments* and FRS 112, *Income Taxes*	July 2009
	• World Gas Conference 2009	October 2009
	• ASCOPE Conference	November 2009
2.	**Samsudin bin Miskon**	
	• Shell Global Solutions' Regional Symposium 2009	June 2009
	• 14th Asia Oil & Gas Conference (AOGC)	June 2009
	• Training on Financial Reporting Standard (FRS) 139, *Financial Instruments* and FRS 112, *Income Taxes*	July 2009
	• PETRONAS Group HSE Forum 2009	July 2009
	• Al-Falah Program for PGB Management Committee and KAPENAS	September 2009
	• MD/CEOs Away Day	September 2009
	• World Gas Conference 2009	October 2009
	• PETRONAS Gas Berhad Risk Management Forum	March 2010
3.	**Dato' Sadasivan s/o N.N. Pillay**	
	• Director's Briefing of FRS 139 and Corporate Governance	April 2009
	• Training on Financial Reporting Standard (FRS) 139, *Financial Instruments* and FRS 112, *Income Taxes*	July 2009
	• Corporate Governance Guide: Towards Boardroom Excellence	July 2009
	• Audit Committee Institute Roundtable Discussion entitled "Economic Downturn and Risk Oversight: Re-addressing Risk in the Wake of Market Turmoil"	July 2009
	• Directors' Training : Corporate Governance	July 2009

Training Programmes and Conferences Attended by Directors

4.	**Dato' Chew Kong Seng**	
	• Doing Better Deals	May 2009
	• Corporate Governance Week	June 2009
	• Training on Financial Reporting Standard (FRS) 139, *Financial Instruments* and FRS 112, *Income Taxes*	July 2009
	• Audit Committee Institute Roundtable Discussion entitled "Economic Downturn and Risk Oversight: Re-addressing Risk in the Wake of Market Turmoil"	July 2009
	• Corporate Responsibility (CR) Overview and Identifying CR Risks and Opportunities For Companies	November 2009
	• Corporate Responsibility Practices In The Context of Market Place	January 2010
	• Going Forward: Risk and Reform Implication For Audit Committee Oversight	March 2010
5.	**Datuk Mohd Zain bin Haji Abdul Majid**	
	• Training on Financial Reporting Standard (FRS) 139, *Financial Instruments* and FRS 112, *Income Taxes*	July 2009
	• Directors Duties & Governance Conference 2010: Towards Boardroom Excellence & Corporate Governance Best Practices	January 2010
6.	**Muri bin Muhammad**	
	• Training on Financial Reporting Standard (FRS) 139, *Financial Instruments* and FRS 112, *Income Taxes*	July 2009
	• Australian Pipeline Industry Association Convention In Cairns	October 2009
7.	**Dato' Mohammed Azhar bin Osman Khairuddin**	
	• 14th Asia Oil & Gas Conference (AOGC)	June 2009
	• Training on Financial Reporting Standard (FRS) 139, *Financial Instruments* and FRS 112, *Income Taxes*	July 2009
	• Global Conference- presented a paper entitled "Strategic Philanthropy for Sustainability"	June 2009
	• MD/CEOs Away Day	September 2009
	• PETRONAS Management Forum – presented a paper on "Shared Values"	November 2009
8.	**Farehana binti Hanapiah**	
	• Training on Financial Reporting Standard (FRS) 139, *Financial Instruments* and FRS 112, *Income Taxes*	July 2009
	• 2009 Petroleum Economic Symposium	November 2009
	• PC Energy Client Seminar	November 2009

Analysis of Shareholdings

AS AT 31 MAY 2010

Category	No. of Shareholders	% of Total Shareholders	No. of Shares	% of Total Shareholdings
Less than 100	102	0.92	1,520	0.00
100 - 1,000	8,224	73.81	7,952,234	0.4
1,001 - 10,000	2,348	21.07	7,818,266	0.4
10,001 - 100,000	313	2.81	10,431,884	0.53
100,001 to less than 5% of issued shares	152	1.36	288,730,411	14.59
5% and above of issued shares	3	0.03	1,663,797,600	84.08
Total	**11,142**	**100**	**1,978,731,915**	**100**

Classification of Shareholders

	No. of Shareholders		No. of Shares		% of Total Shareholdings	
Category of Shareholders	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
INDIVIDUAL	9,915	95	16,026,943	401,100	0.81	0.02
BODY CORPORATE						
Banks/finance companies	59	–	653,016,400	–	33.00	0.00
Investments trusts/foundation/charities	7	–	170,000	–	0.01	0.00
Other types of companies	238	8	7,156,902	105,500	0.36	0.01
GOVERNMENT AGENCIES/INSTITUTIONS	12	–	2,899,200	–	0.15	0.00
NOMINEES	577	231	1,252,397,712	46,558,158	63.29	2.35
OTHERS	–	–	–	–	–	0.00
Total	**10,808**	**334**	**1,931,667,157**	**47,064,758**	**97.62**	**2.38**

List of Directors' Shareholdings

No.	Name	No. of Shares	% of Total Shareholdings
1	Datuk Wan Zulkiflee bin Wan Ariffin	–	0.00
2	Samsudin bin Miskon	–	0.00
3	Dato' Sadasivan s/o N.N. Pillay	–	0.00
4	Dato' Chew Kong Seng	–	0.00
5	Datuk Mohd Zain bin Haji Abdul Majid	–	0.00
6	Muri bin Muhammad - *Mayban Securities Nominees (Tempatan) Sdn Bhd	7,000	0.00
7	Dato' Mohammed Azhar bin Osman Khairuddin	5,000	0.00
8	Farehana Binti Hanapiah	–	0.00

* Shares held in nominees' name

Analysis of Shareholdings

AS AT 31 MAY 2010

List of Directors' Shareholdings in PETRONAS Dagangan Berhad

No.	Name	No. of Shares	% of Total Shareholdings
1	Datuk Wan Zulkiflee bin Wan Ariffin	0	0.00
2	Samsudin bin Miskon	0	0.00
3	Dato' Sadasivan s/o N.N. Pillay	0	0.00
4	Dato' Chew Kong Seng	0	0.00
5	Datuk Mohd Zain bin Haji Abdul Majid	0	0.00
6	Muri bin Muhammad - *Mayban Securities Nominees (Tempatan) Sdn Bhd	10,000	0.00
7	Dato' Mohammed Azhar bin Osman Khairuddin	0	0.00
8	Farehana Binti Hanapiah	0	0.00

* Shares held in nominees' name

List of Directors' Shareholdings in KLCC Property Holdings Berhad

No.	Name	No. of Shares	% of Total Shareholdings
1	Datuk Wan Zulkiflee bin Wan Ariffin	0	0.00
2	Samsudin bin Miskon	0	0.00
3	Dato' Sadasivan s/o N.N. Pillay	0	0.00
4	Dato' Chew Kong Seng	0	0.00
5	Datuk Mohd Zain bin Haji Abdul Majid	0	0.00
6	Muri bin Muhammad	0	0.00
7	Dato' Mohammed Azhar bin Osman Khairuddin	0	0.00
8	Farehana Binti Hanapiah	0	0.00

List of Top 30 Shareholders

No.	Name	No. of Shares	%
1	Cartaban Nominees (Tempatan) Sdn Bhd (Petroliam Nasional Berhad (Strategic Inv))	1,199,768,000	60.63
2	Employees Provident Fund Board	294,210,100	14.87
3	Kumpulan Wang Persaraan (Diperbadankan)	169,819,500	8.58
4	Amanahraya Trustees Berhad (Skim Amanah Saham Bumiputera)	39,304,100	1.99
5	Amanahraya Trustees Berhad (Amanah Saham Wawasan 2020)	38,201,000	1.93
6	Amanahraya Trustees Berhad (Amanah Saham Malaysia)	31,661,200	1.60
7	Valuecap Sdn Bhd	22,993,400	1.16
8	Permodalan Nasional Berhad	14,450,400	0.73
9	Malaysia Nominees (Tempatan) Sendirian Berhad (Great Eastern Life Assurance (Malaysia) Berhad (PAR 1))	12,739,000	0.64
10	Citigroup Nominees (Tempatan) Sdn Bhd (Exempt An For Prudential Fund Management Berhad)	10,300,500	0.52
11	Amanahraya Trustees Berhad (Amanah Saham Didik)	8,002,700	0.40

List of Top 30 Shareholders (Cont'd)

No.	Name	No. of Shares	%
12	HSBC Nominees (Asing) Sdn Bhd (BBH and Co. Boston for Vanguard Emerging Markets Stock Index Fund)	6,227,346	0.31
13	Citigroup Nominees (Tempatan) Sdn Bhd (Exempt An For American International Assurance Berhad)	6,016,000	0.30
14	Cartaban Nominees (Asing) Sdn Bhd (Exempt An For State Street Bank & Trust Company (West CLT0D67))	5,890,160	0.30
15	Amanahraya Trustees Berhad (Public Islamic Dividend Fund)	5,528,400	0.28
16	Amanahraya Trustees Berhad (As 1Malaysia)	5,000,000	0.25
17	Pertubuhan Keselamatan Sosial	4,381,500	0.22
18	HSBC Nominees (Asing) Sdn Bhd (Exempt An For JPMorgan Chase Bank, National Association (U.A.E))	4,291,465	0.22
19	Amanahraya Trustees Berhad (Public Islamic Equity Fund)	3,863,200	0.20
20	Mayban Nominess (Tempatan) Sdn Bhd (Mayban Trustees Berhad For Public Ittikal Fund (N14011970240))	2,985,800	0.15
21	HSBC Nominees (Asing) Sdn Bhd (Exempt An For The Hongkong and Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	2,155,100	0.11
22	Bank Kerjasama Rakyat Malaysia Berhad (As Beneficial Owner)	2,000,100	0.10
23	Amanahraya Trustees Berhad (Sekim Amanah Saham Nasional)	2,000,000	0.10
24	Am Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board (A/C1))	1,880,500	0.10
25	Amanahraya Trustees Berhad (Public Islamic Sector Select Fund)	1,830,000	0.09
26	Amanahraya Trustees Berhad (Public Islamic Optimal Growth Fund)	1,689,100	0.09
27	RHB Nominess (Tempatan) Sdn Bhd (RHB Investment Management Sdn Bhd For Kumpulan Wang Simpanan Pekerja)	1,650,000	0.08
28	Employees Provident Fund Board	1,497,600	0.08
29	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad (Exempt An For Deutsche Trustees Malaysia Berhad (MYETF-DJIM25))	1,390,700	0.07
30	HSBC Nominees (Asing) Sdn Bhd (Exempt An For JPMorgan Chase Bank, National Association (Norges Bk Lend))	1,372,300	0.07
	TOTAL	**1,903,099,171**	**96.18**

List of Substantial Shareholders

No.	Name	No. of Shares	% of Total Shareholdings
1	Cartaban Nominees (Tempatan) Sdn Bhd (Petroliam Nasional Berhad (Strategic Inv) & Petroleum Research Fund)	1,200,304,400	60.66
2	Employees Provident Fund Board	301,392,300	15.23
3	Kumpulan Wang Persaraan (Diperbadankan)	169,819,500	8.58

Corporate Directory

PETRONAS Gas Berhad

Level 49-51, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Telephone : + 6 03 2051 5000
Fax : + 6 03 2051 6555 (Corporate Secretary)
+ 6 03 2051 6992 (General)

Operations / Regional Offices

Gas Processing Plants, Kertih
Km 105, Jalan Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Telephone : + 6 09 831 2345
Fax : + 6 09 827 1710

Gas Processing Plants, Paka
Km 8, Kg. Tok Arun, Off Jalan Santong
23100 Paka, Dungun
Terengganu Darul Iman
Telephone : + 6 09 831 5656
Fax : + 6 09 827 4578

Export Terminal Operation
Tanjung Sulong
24000 Kemaman
Terengganu Darul Iman
Telephone : + 6 09 862 4321
Fax : + 6 09 863 1146

Centralised Utility Facilities (CUF) Operations, Kertih
Kertih Integrated Petrochemical Complex
Km 105, Jalan Kuantan-Kuala Terengganu
24300 Kertih, Kemaman
Terengganu Darul Iman
Telephone : + 6 09 830 5500
Fax : + 6 09 830 5514

Centralised Utility Facilities (CUF) Operations, Gebeng
Lot 139A, Gebeng Industrial Area
Fasa III, 26080 Kuantan
Pahang Darul Makmur
Telephone : + 6 09 586 3300
Fax : + 6 09 586 3311

Segamat Operation Centre, Gas Transmission System
Km 10, Lebuhraya Segamat-Kuantan
85000 Segamat
Johor Darul Takzim
Telephone : + 6 07 935 3000
Fax : + 6 07 931 6521

Pasir Gudang Regional Operations Office
PLO 332, Jalan Perak 4
Pasir Gudang Industrial Area
81700 Pasir Gudang
Johor Darul Takzim
Telephone : + 6 07 251 0333
Fax : + 6 07 251 0400

Seremban Regional Operations Office
Km 11, Jalan Seremban-Tampin
71450 Sg. Gadut, Seremban
Negeri Sembilan Darul Khusus
Telephone : + 6 06 677 6777
Fax : + 6 06 677 7799

Shah Alam Regional Operations Office
Lot 1, Jalan Jemuju Lima 16/13E
Shah Alam Industrial Area, Section 16
40200 Shah Alam
Selangor Darul Ehsan
Telephone : + 6 03 5510 6222
Fax : + 6 03 5510 1528

Sitiawan Regional Operations Office
Lot 33263, Jalan Dato' Ahmad Yunus
32000 Sitiawan
Perak Darul Ridzuan
Telephone : + 6 05 692 5611/12/13/14
Fax : + 6 05 692 5615

Gurun Regional Operations Office
Km 1, Jalan Jeniang, P.O. Box 31
08300 Gurun
Kedah Darul Aman
Telephone : + 6 04 468 5518
Fax : + 6 04 468 5519

Kuantan Regional Operations Office
Lot 1, Sector 1, Bandar Indera Mahkota
25200 Kuantan
Pahang Darul Makmur
Telephone : + 6 09 573 2802
Fax : + 6 09 573 2813

Kertih Regional Operations Office
Level 1, PETRONAS East Coast Regional Office, 24300 Kertih, Kemaman
Terengganu Darul Iman
Telephone : + 6 09 867 3500
Fax : + 6 09 864 0375

Miri Operations Office
Lot 2075, Block 4, Jalan Cattleya 2B
Piasau Industrial Area, P.O. Box 1504
98008 Miri
Sarawak
Telephone : + 6 085 661 144
Fax : + 6 085 656 362

Bintulu Operations Office
Lot 1622 & 1623, Ground Floor
Jalan Sommerville, P.O. Box 2190
97011 Bintulu
Sarawak
Telephone : + 6 086 316 517
Fax : + 6 086 311 960

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty Seventh Annual General Meeting of the Company will be held at Ballroom 1, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088, Kuala Lumpur on Thursday, 22 July 2010 at 10.00 a.m. to consider the following matters:

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 March 2010 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To approve the payment of final dividend of 30% per ordinary share under the single tier system and 5% per ordinary share tax exempt in respect of the financial year ended 31 March 2010. **(Resolution 2)**

3. To re-elect the following Directors pursuant to Article 93 of the Company's Articles of Association:
   (a) Muri bin Muhammad **(Resolution 3)**
   (b) Farehana binti Hanapiah **(Resolution 4)**

4. To approve the Directors' fees in the sum of RM 653,000 in respect of the financial year ended 31 March 2010. **(Resolution 5)**

5. To re-appoint Messrs. KPMG Desa Megat & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

As Special Business

6. To consider and, if thought fit, to pass the following Resolutions in accordance with Section 129 (6) of the Companies Act, 1965 in Malaysia:

   (a) "THAT Dato' Chew Kong Seng retiring in accordance with Section 129 of the Companies Act, 1965 in Malaysia be and is hereby re-appointed a Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company." **(Resolution 7)**

   (b) "THAT Datuk Mohd Zain bin Haji Abdul Majid retiring in accordance with Section 129 of the Companies Act, 1965 in Malaysia be and is hereby re-appointed a Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company." **(Resolution 8)**

   (c) "THAT Dato' Sadasivan s/o N.N. Pillay retiring in accordance with Section 129 of the Companies Act, 1965 in Malaysia be and is hereby re-appointed a Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company." **(Resolution 9)**

7. To consider and, if thought fit, to pass the following Special Resolution:

   PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

   "THAT the existing Article 136 of the Articles of Association of the Company be deleted in its entirety and substituted therefor by the following new Article 136:

   Existing Article 136
   136. Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

   Proposed Article 136
   136. Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or paid via electronic transfer of remittance to the account provided by the holder who is named on the Register of Members and/or Record of Depositors. Every such cheque or warrant or electronic transfer of remittance shall be made payable to the order of the person to whom it is sent or remitted, and the payment of any such cheque or warrant or electronic transfer of remittance shall operate as a good discharge to the Company in respect of the dividend, interest or other money payable in cash represented thereby notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon, or the instruction for the electronic transfer of remittance, has been forged. Every such cheque or warrant or electronic transfer of remittance shall be sent or remitted at the risk of the person entitled to the money thereby represented."
   (Resolution 10)

8. To transact any other business for which due notice has been given.

Notice of Dividend Entitlement and Payment

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of members at the Twenty Seventh Annual General Meeting to be held on 22 July 2010, a final dividend of 30% per ordinary share under the single tier system and 5% per ordinary share tax exempt will be paid on 17 August 2010 to shareholders whose names appear in the Register of Depositors on 3 August 2010.

A Depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 3 August 2010 in respect of ordinary transfers.

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Noryati binti Mohd Noor (LS 0008877)
Yeap Kok Leong (MAICSA 0862549)
Company Secretaries

Kuala Lumpur
30 June 2010

Notes:

1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead and where a holder appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company, an advocate, an approved Company auditor, or a person approved by the Registrar, and shall be entitled to vote on a show of hands on any question at any General Meeting.

2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy but not more than two proxies in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or if the member is a corporation, either under seal or under the hand of an officer or attorney duly authorised and shall be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn. Bhd., Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, at least 48 hours before the meeting, or if the meeting is adjourned at least 48 hours before the time fixed for the adjourned meeting.

   If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.

4. **Explanatory Notes on Special Business:**
   Section 129 of the Companies Act, 1965
   Pursuant to Section 129 of the Companies Act, 1965 in Malaysia, the proposed Resolution 7, Resolution 8 and Resolution 9 are to seek shareholders' approval on the re-appointment of Directors who are over the age of seventy.

   Proposed Amendment to the Articles of Association of the Company
   The proposed Resolution 10 if passed, will allow for payment of dividend, bonus, interest or other money payable in cash in respect of shares of the Company by way of telegraphic transfer or electronic transfer or remittance and will bring the Articles of Association of the Company in line with the amendments to the Main Market Listing Requirements with regard to e-Dividend payment.

Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements appended hereunder are:-

Directors Standing for Re-Election and Re-Appointment

Directors who are standing for re-election and re-appointment at the Twenty Seventh Annual General Meeting of the Company which will be held at Ballroom 1, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088, Kuala Lumpur on Thursday, 22 July 2010 at 10.00 a.m. of the Company are:-

(a) Muri bin Muhammad

(b) Farehana binti Hanapiah

(c) Dato' Chew Kong Seng

(d) Datuk Mohd Zain bin Haji Abdul Majid

(e) Dato' Sadasivan s/o N.N. Pillay

Details of Directors standing for re-election as in Agenda 3 of the Notice of Annual General Meeting

(a) Muri bin Muhammad

Age	67
Nationality	Malaysian
Qualification	Master of Science in Biological Oceanography, Dalhousie University, Halifax, Canada
Position in the Company	Independent Non-Executive Director
Number of board meetings attended during the year	3/4 (75%)
Working experience	• Member of the Energy Commission of Malaysia • Advisor to Gas Business of PETRONAS • Vice President, Gas Business of PETRONAS • Managing Director/Chief Executive Officer of Malaysian LNG Sdn. Bhd. • Managing Director/Chief Executive Officer of ASEAN Bintulu Fertilizer Sdn. Bhd.
Directorships in other public companies	Nil
Securities holdings in the Company	7,000
Family relationships with any directors and/or major shareholders of the Company	Nil
Conflict of interest with the Company	Nil
List of conviction for offences within the past 10 years other than traffic offences	Nil

Details of Directors standing for re-election as in Agenda 3 of the Notice of Annual General Meeting (Cont'd)

(b) Farehana binti Hanapiah

Age	42
Nationality	Malaysian
Qualification	• Bachelor Degree in Commerce and Administration, Victoria University of Wellington, New Zealand • Member of the Institute of Chartered Accountants of New Zealand • Diploma in International Management Program from INSEAD, France
Position in the Company	Non-Independent Non-Executive Director
Number of board meetings attended during the year	3/4 (75%)
Working experience	• General Manager of Group Strategic Planning, PETRONAS • Internal Auditor, PETRONAS
Directorships in other public companies	Nil
Securities holdings in the Company	Nil
Family relationships with any directors and/or major shareholders of the Company	Nil
Conflict of interest with the Company	Nil
List of conviction for offences within the past 10 years other than traffic offences	Nil

Details of Directors standing for re-appointment as in Agenda 6 of the Notice of Annual General Meeting

(a) Dato' Chew Kong Seng

Age	72
Nationality	Malaysian
Qualification	• Fellow of the Institute of Chartered Accountants in England and Wales • Member of the Malaysian Institute of Certified Public Accountants • Member of the Malaysian Institute of Accountants
Position in the Company	Independent Non-Executive Director
Number of board meetings attended during the year	4/4 (100%)
Working experience	• Executive Director of Sarawak Enterprise Corporation Bhd • Managing Partner of Ernst & Young • Partner-in-charge of Turquand Young & Co (now known as Ernst & Young), Sarawak Office • Tax Officer in the Inland Revenue Department and Stoy Hayward & Co. in UK
Directorships in other public companies	• PETRONAS Dagangan Berhad • AEON Co. (M) Bhd • PBA Holdings Berhad • Encorp Berhad • GuocoLand (Malaysia) Berhad
Securities holdings in the Company	Nil
Family relationships with any directors and/or major shareholders of the Company	Nil
Conflict of interest with the Company	Nil
List of conviction for offences within the past 10 years other than traffic offences	Nil

Details of Directors standing for re-appointment as in Agenda 6 of the Notice of Annual General Meeting (Cont'd)

(b) Datuk Mohd Zain bin Haji Abdul Majid

Age	71
Nationality	Malaysian
Qualification	• Economics, University of Glasgow • Law, University of London • Fellow of the Economic Development Institute of the World Bank, Washington • Senior Executive Programme, London Business School
Position in the Company	Independent Non-Executive Director
Number of board meetings attended during the year	4/4 (100%)
Working experience	• Director-General of the Malaysian Industrial Development Authority (MIDA) • Executive Chairman of the Urban Development Authority • Chief Executive of the Malaysian Employers Federation
Directorships in other public companies	Nil
Securities holdings in the Company	Nil
Family relationships with any directors and/or major shareholders of the Company	Nil
Conflict of interest with the Company	Nil
List of conviction for offences within the past 10 years other than traffic offences	Nil

Details of Directors standing for re-appointment as in Agenda 6 of the Notice of Annual General Meeting (Cont'd)

(c) Dato' Sadasivan s/o N.N. Pillay

Age	70
Nationality	Malaysian
Qualification	Economics, University of Malaya
Position in the Company	Senior Independent Non-Executive Director
Number of board meetings attended during the year	3/4 (75%)
Working experience	• Executive Chairman, SKA Management Consultants Sdn. Bhd. • Director-General of Malaysian Industrial Development Authority (MIDA) • Economic Development Board Singapore
Directorships in other public companies	• APM Automotive Holdings Berhad • Leader Universal Holdings Berhad • Malaysian Airline System Berhad • Yeo Hiap Seng (Malaysia) Berhad
Securities holdings in the Company	Nil
Family relationships with any directors and/or major shareholders of the Company	Nil
Conflict of interest with the Company	Nil
List of conviction for offences within the past 10 years other than traffic offences	Nil

Proxy Form

No. of Shares Held	

I/We ____
(Full Name In Capital Letters)

of ____
(Full Address)

being a *Member/Members of PETRONAS GAS BERHAD, do hereby appoint ______________________
(Full Name In Capital Letters)

______________ of ____
(Full Address)

______________ or failing him ____
(Full Name In Capital Letters)

of ____
(Full Address)

or failing him, the CHAIRMAN OF MEETING, as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty Seventh Annual General Meeting to be held at Ballroom 1, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088, Kuala Lumpur on Thursday, 22 July 2010 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your votes to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain from voting at his discretion.

No.	Resolutions	For	Against
ORDINARY BUSINESS			
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2010 together with the Reports of the Directors and Auditors.		
2.	To approve the payment of final dividend of 30% per ordinary share under the single tier system and 5% per ordinary share tax exempt in respect of the financial year ended 31 March 2010.		
3.	To re-elect Muri bin Muhammad as Director under Article 93 of the Company's Articles of Association.		
4.	To re-elect Farehana binti Hanapiah as Director under Article 93 of the Company's Articles of Association.		
5.	To approve the Directors' fees in the sum of RM 653,000 in respect of the financial year ended 31 March 2010.		
6.	To re-appoint Messrs. KPMG Desa Megat & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
7.	To re-appoint Dato' Chew Kong Seng as Director in accordance with Section 129 (6) of the Companies Act, 1965.		
8.	To re-appoint Datuk Mohd Zain bin Haji Abdul Majid as Director in accordance with Section 129 (6) of the Companies Act, 1965.		
9.	To re-appoint Dato' Sadasivan s/o N.N. Pillay as Director in accordance with Section 129 (6) of the Companies Act, 1965.		
10.	Special Resolution: To approve the Proposed Amendment To The Articles Of Association Of The Company.		
11.	To transact any other business for which due notice has been given.		

* Strike out whichever not applicable.

As witness my/our hand this __________ day of ________________ 2010.

____
Signature of Member/Common Seal

Notes:

1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead and where a holder appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company, an advocate, an approved Company auditor, or a person approved by the Registrar, and shall be entitled to vote on a show of hands on any question at any General Meeting.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy but not more than two proxies in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or if the member is a corporation, either under seal or under the hand of an officer or attorney duly authorised and shall be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, at least 48 hours before the meeting, or if the meeting is adjourned at least 48 hours before the time fixed for the adjourned meeting.

   If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed by an attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.

fold here

Affix
Stamp

Symphony Share Registrars Sdn Bhd
Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46, 47301 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

fold here

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