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LTAT declares 2% dividend

Lowest ever annual dividend payout after profit halved

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KUALA LUMPUR: The Armed Forces Fund Board (LTAT) declared its lowest ever annual dividend payout after its net profit was halved.

LTAT yesterday said it will return 2% to members as dividend for the financial year ended Dec 31, 2018 (FY18).

The payout was substantially lower compared with its performance in recent years. The new management, however, said the previous high dividend payouts were more than the fund could afford.

The LTAT yesterday reported an unaudited net profit of RM221mil for FY18, which is a substantial decrease of 51.9% compared with the restated net profit of RM459.5mil for FY17.

Chairman General Tan Sri Mohd Zahidi Zainuddin warned of another tough year for the fund in 2019.

"LTAT is very close to my heart as I was a soldier before. It never gives me any pleasure to announce such a dividend for the soldiers who ensure the security of our country. I wish we could announce a higher dividend. However, it is definitely much better than announcing a dividend that we cannot afford to pay. I would like to reassure you that the current management and board continue to work hard to ensure a sustainable return moving forward," he said at the event to announce the fund's annual results.

Zahidi commented on the recent audit findings announced last week about the discrepancies in its financial accounts.

"If further investigations are needed, then the appropriate authorities will be referred to," Zahidi said at a press conference yesterday.

He said the board has taken additional steps to strengthen the fund following this episode to prevent a recurrence.

Chief executive Nik Amlizan Mohamed said on the sidelines of the press conference



Dividend time: Nik Amlizan and Zahidi at the press conference announcing the dividend.
— Bernama

that from the new board's observations so far, there were no misappropriation of funds.

"When I first joined LTAT on Oct 1, 2018, I came in thinking that everything is in place and I would just need to continue with what I inherited. So the first thing I asked for was the FY17's accounts and I was informed it was not yet out. So I asked why? And I was informed that they have not finalised the National Audit Department's (JAN) audit opinion. So I said it's already Oct 1 and we need to accept whatever opinion the JAN states," Nik Amlizan said.

She said that following a meeting with the JAN, the first finding was that in FY17, there were two land sales which were not supposed to be taken into consideration.

"And I was wondering whether there were more in the past. (I found) that there were a lot of corporate governance structures which were not in place such as the enterprise risk management framework. I asked for it but they gave me a framework without any meaningful substance," she said.

Explaining further on LTAT's financial results, Nik Amlizan said there were several factors causing this decrease in net profit in

FY18.

"LTAT was impacted by the qualified opinion issued by JAN for its FY17 accounts. As a result, premature income recognition of RM238.8mil in FY16 from two uncompleted land sales resulted in the requirement to restate LTAT's income for FY16 from RM595mil to RM356.2mil," she said.

In addition, it said that there was a premature income recognition of RM202.7mil due to two other uncompleted land sales in FY17 resulting in the income restatement for FY17 from RM662.2mil to RM459.5mil.

It said also that the five-year asset returns from FY14 to FY18 (after excluding one-off gains) were lower than the declared dividend rates which resulted in LTAT paying dividends at a rate that was higher than it could afford.

"The overpayment of dividends in the two years has impacted retained earnings which caused retained earnings for FY16 to nose-dive from RM384.7mil to RM65.9mil. Retained earnings for FY17 further dropped to an accumulated loss of (RM170.8mil) from positive retained earnings of RM65.9mil previously," Nik Amlizan said.