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No police report for now — LTAT

The fund which declared record low dividend says no criminal intent behind financial irregularities found

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KUALA LUMPUR: The top management of Lembaga Tabung Angkatan Tentera (LTAT), which declared yesterday its lowest-ever annual dividend of 2% for 2018, does not believe there is any criminal element behind the financial irregularities that it found occurred under the leadership of Tan Sri Lodin Wok Kamaruddin.

So it does not expect to lodge a police report on the findings of the investigative audit it ordered for the period between 2017 and 2018 — at least not at this juncture.

"It's just mismanagement, there's no criminal intent," LTAT chairman General (Rtd) Tan Sri Dr Mohd Zahidi Zainuddin repeatedly told a press conference during which the group unveiled its dividend payout for the previous year.

However, both Mohd Zahidi and LTAT chief executive officer (CEO) Nik Amlizan Mohamed said should there be a need for further investigation, LTAT would refer the matter to the appropriate authorities.

Lodin stepped down as CEO of LTAT after 36 years, in September last year. LTAT said last Thursday that the audit by Ernst & Young had unearthed significant financial irregularities during Lodin's watch, like overstatement of LTAT's assets and overpayment of dividends, which impacted retained earnings, on top of weaknesses in operational, accounting and legal areas.

Meanwhile, the 2% dividend declared amounts to a total cash payout of RM161.2 million. In comparison, LTAT, which is also known as the Armed Forces Fund Board, had been paying annual dividends of at least 6% over the past four-and-a-half decades.

Asked if LTAT could return to give

LTAT's annual dividend and bonus payment

YEAR	DIVIDEND (%)	BONUS (%)	SPECIAL BONUS (%)
2009	7	1	6
2010	7	1	6
2011	7	1	7
2012	7	1	8
2013	7	1	8
2014	7	1	7
2015	6	0	6
2016	6	0	6
2017	6	0	6.5
2018	2	0	0

Source: Annual Report 2017

out at least 6% this year, Mohd Zahidi said: "We would definitely work hard and be responsible to ensure that our soldiers get the right returns in the future. Of course, it will take some time — 2019 will be another challenging year for us. But I think come 2020, we should be plain sailing."

"I wish we could announce higher dividends, but it is much better than announcing dividends that we cannot afford to pay," the chairman added. "A point to make is that no entity should pay dividends without funds to do so in place," he said.

He added that a premature income recognition of RM238.8 million in the financial year ended Dec 31, 2016 (FY16) from two uncompleted land sales had resulted in the group having to restate its net income for FY16 to RM356.2 million, from RM595 million.

Likewise, for FY17, LTAT had restated its net income to RM459.5 million, from the RM662.2 million it recorded previously, to reflect the premature income recognition of RM202.7 million from two other uncompleted land sales. The pre-

viously overstated net incomes had resulted in a dividend overpayment of RM329.3 million for FY16, and RM227.3 million for FY17.

For FY18, LTAT's gross income dropped 19.8% to RM423.9 million from RM528.4 million in FY17, while its unaudited net profit was 51.9% lower at RM221 million versus FY17's RM459.5 million.

This, Nik Amlizan said, is because LTAT's earnings were negatively impacted by the implementation of the Malaysian Financial Reporting Standard, under which it had to record an impairment of RM116.7 million for FY18, including for a large investment's impairment totalling RM55 million, and an expected credit loss of RM61.5 million.

There was also an impairment on Boustead Heavy Industries Corp Bhd that amounted to RM60.4 million, she said.

Nevertheless, the group registered retained earnings of RM38.7 million for FY18, compared with an accumulated loss of RM170.8 million for FY17.

Overreliance on Boustead

While Nik Amlizan acknowledged that LTAT is overly reliant on Boustead Group for returns, given its high exposure, which she said is not reflective of best investment practices — she stressed that LTAT still believes there is still deep value in the group.

"We are patient capital. So, we will not rush into making irresponsible decisions," she said.

And moving forward, LTAT will be reviewing all other investments it has, in line with market valuation, and any impairment necessary, adding that LTAT has started the ball rolling with the "big items."

But to talk about disposal at this juncture would be "very premature." "We have no intention of selling any

of our assets, [but we would consider] only if it benefits our members," she said.

Meanwhile, the fund is planning to form a fixed income department by next year to invest in government securities.

"We don't have any investment in Malaysian Government Securities, no government bonds as well, whereas [they are] actually quite a natural asset allocation for pension funds.

"We [will have to] come out with the risk appetite statement first, be-

cause we need to know the amount of risk that the board would allow the management to take. Then only we can do the strategic asset allocation," she said, adding the fund has welcomed its first chief investment officer.

As at end-2018, LTAT's total assets under management stood at RM9.4 billion, comprising 60% listed equities, 17% private equity, 10% property development, 8% fixed income (primarily LTAT investee companies), and 5% from property investment.