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CEO: LTAT 2017 profit RM370mil, not RM662mil

THE Armed Forces Fund Board (LTAT), in its 2017 financial year report, should register profits of RM370.56mil and not RM662.17mil as reported, said the board's chief executive Nik Amlizan Mohamed.

According to Nik Amlizan, this was due to unrecognised impairments and incomplete sales of two plots of lands in Cochrane and Bukit Jalil.

She said LTAT's financial statement recorded RM202.71mil from the two land deals, despite the transaction not being finalised in 2017.

Nik Amlizan said the unrecognised impairments consist of the value of two shares purchased by LTAT-Dayang Enterprise and Sapura Energy.

She said the two shares were

worth RM18.46mil, compared to the purchase cost of RM107.36mil.

"Significant or prolonged decline in fair value below cost is consideration to determine impairment for these two shares.

"As such, impact from these findings as highlighted in the National Audit Report's Qualified Opinion has caused LTAT's profits for the 2017 financial year to be reduced from RM662.17mil to RM370.56mil.

"In addition, LTAT's retained earnings would drop drastically to negative retained earnings of RM31.6mil from positive retained earnings of RM259.99mil previously."

Nik Amlizan said the previous LTAT management had not introduced the best practices, policies and guidelines.

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LTAT results overstated

Company expects its FY18 results to be 'profoundly impacted'

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PETALING JAYA: The government has exposed yet another financial discrepancy by a government-linked investment company that took place under the previous Barisan Nasional administration, a few months after serious financial mismanagement practices were unearthed in the Muslim pilgrimage fund Lembaga Tabung Haji.

Lembaga Tabung Angkatan Tentera (LTAT), which manages the Armed Forces' retirement fund, has been found to have overstated its net profit by a whopping 44% in financial year 2017 ended Dec 31 (FY17), following non-compliance of two previous transactions with the Financial Reporting Standards.

The financial discrepancy resulted in LTAT's net profit being reported at RM662.2mil previously, compared to the actual amount of only RM370.7mil.

Given the re-adjustment to its accounts, the Armed Forces retirement fund has hinted that its FY18 financial results would be negatively impacted.

However, it stopped short of saying whether LTAT would declare a lower dividend for FY18.

The revelation was made by LTAT's chief executive Nik Amlizan Mohamed yesterday.

This follows Defence Minister Mohamad Sabu's statement earlier this week while cam-

paigning for Pakatan Harapan in the Rantau by-election that LTAT's FY17 audit report was manipulated.

He had later clarified that he actually meant the financial report of LTAT, and not the audit report.

In a statement issued yesterday, Nik Amlizan said the National Audit Department had issued a qualified opinion pertaining to Note 33 and 13 of LTAT's FY17 financial statements.

As per the qualified opinion, Note 33 refers to the proceeds from land sales worth RM202.7mil, which should, not have been taken into account in the FY17 financial statements.

"This transaction does not comply with the Financial Reporting Standards 118 relating to revenue, and does not comply with the materiality level against net profit, income and total asset and non-compliance to the clauses in the property sale and purchase agreement," said Nik Amlizan.

Meanwhile, as for Note 13, it involves unrecognised impairments of RM88.9mil for two stocks held by LTAT.

In its FY17 financial statement, LTAT only recognised a total impairment of RM18.46mil instead of RM107.36mil.

"The fair value of the two shares as at end-FY17 amounted to RM18.46mil compared with the purchase cost of RM107.36mil.

"Significant or prolonged decline in the fair

value below cost is consideration to determine impairment for these two shares," Nik Amlizan added.

Overall, with the re-adjustment of LTAT's FY17 net profit to RM370.56mil, the fund's retained earnings would drop drastically to a retained loss of RM31.6mil from a positive retained earnings of RM259.99mil previously.

Nik Amlizan said that the release of LTAT's FY18 accounts has been delayed, following the late submission of its FY17 accounts.

"LTAT is also of the view that with the finalised audited accounts of FY17 being in negative territory for its retained earnings, this will have a profound impact on its results for FY18.

"We are in the midst of finalising our accounts for FY18 and we expect to announce our results by July 2019," she said.

LTAT underwent a major shake-up in its leadership after Pakatan Harapan became the ruling government following the 14th general election in 2018.

On Sept 7 last year, LTAT appointed Nik Amlizan as its new chief executive following the resignation of the long-serving Tan Sri Lodin Wok Kamaruddin as the fund's chief executive and board member.

In recent years, Lodin became one of the faces of the country's biggest financial scandal as the chairman of the controversial 1Malaysia Development Bhd.