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# LTAT's actual profit for 2017 is 'significantly lower'

*The fund reported almost double the profit from the actual number for FY17*

#### IN PARLIAMENT

by ALIFAH ZAINUDDIN &  
DASHVEENJIT KAUR

THE new management of the Armed Forces Fund Board (LTAT) has revealed flawed accounting practices

to boost profit for the 2017 financial year (FY17) as the fund becomes the latest of many financial scandals hitting the country.

The fund, which distributes dividends to thousands of serving and retired military personnel, reported almost double the profit from the actual number for FY17 as selected transactions had been added to gloss the results.

The board declared a 12.5% total dividend for FY17, higher than the

average yearly dividend and bonuses of 11.3% since the board was established about 45 years ago.

The revelation at LTAT came after another government-guaranteed fund, Lembaga Tabung Haji, reported wrongful financial figures by adjusting standard accounting practices related to provisions to boost profits.

LTAT CEO Nik Amlizan Mohamed said the actual profit for 2017 was "significantly lower" than the reported figure due to unrecognised

impairments and the inclusion of an asset sale.

Nik Amlizan said the fund's actual profit for 2017 is RM370.56 million instead of RM662.7 million as RM88.9 million worth of impairments were omitted, while a RM202.71 million land sale was included in the financials.

"The National Audit Department's (NAD) findings clearly indicated that two transactions that took place were

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### No compliance of FRS 188

FROM P1 LTAT

a result of lapses in complying with financial reporting standards (FRS)," she told reporters during a press conference at the Parliament lobby yesterday.

The unrecognised impairments were from two LTAT investments in oil and gas (O&G) listed firms — Dayang Enterprise Holdings Bhd and Sapura Energy Bhd.

"The fair value for the shares of the companies as at the end of FY17 amounted to RM18.46 million compared to the purchase cost of RM107.36 million.

"Significant or prolonged decline in fair value below cost is consideration to determine impairment for the shares of these companies," she said.

The other questionable transactions are the land disposals in Cochrane and Bukit Jalil which should not have been recognised in the financial statements.

"The terms of the transactions were not completed in 2017," she said, adding that it is unclear whether the transactions had been completed after 2017.

According to the findings by NAD, the land sales did not comply with the FRS 188 related to revenue, materiality level against net profit, income, total assets and non-compliance to the property sale and purchase agreement clauses.

"As such, these findings — as highlighted in NAD's qualified opinion — caused LTAT's profit for FY17 to be reduced from RM662.17 million to RM370.56 million.

"On top of that, LTAT's retained earnings would drop drastically to negative retained earnings of RM31.6 million from positive retained earnings of RM259.99 million previously," she added.

Nik Amlizan said the financial reporting flaws were due to the failure of the previous management to apply FRS.

"The previous management failed to comply to certain standards and we will do all it takes to ensure such mistakes will not happen again under our new management," said Nik Amlizan who was appointed to the position in September last year.

Nik Amlizan, who was Retirement Fund Inc (KWAP) CIO prior to her appointment at LTAT, said presently no specific action has been prescribed for the accounting flaw.

She said the release of the actual FY18 accounts has been delayed due to the late submission of the FY17 accounts, add-



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ing that this will have a significant impact on last year's accounts.

"LTAT is in the middle of finalising its accounts for FY18 and we expect to announce it by July 2019," she added.

The delay in the issuing the financial statement has also caused a delay on the declaration of 2018 dividends to its beneficiaries, which was initially planned for February this year.

Meanwhile, Defence Minister Mohamad Sabu clarified in the Dewan Rakyat that Singapore's Hotel Royal Ltd's offer price to acquire Royale Chulan Bukit Bintang Hotel is almost twice the price quoted by Malaysian companies.

Responding to Datuk Seri Ismail Sabri Yaakob (Berasional Nasional) question if LTAT was facing cash constraints and the actual reason of the sale, Mohamad said the offer price of RM197 million was the highest bid received by the board's listed firm Boustead Holdings Bhd.

"The market price set by the market evaluator was RM192 million and the offer received from locals was around RM80 million, which was 100% lower.

"With the current market conditions, the hotel's occupancy rate is only 50% and because of that the sale has been depreciating," he added.

The statutory body, which manages the pension fund for members of the Malaysian Armed Forces, has a 59.45% stake in Boustead, which was the previous owner.

The final decision on the sale will be made by the Economic Planning Unit of the Prime Minister's Department, the minister added.