

2019 LAPORAN TAHUNAN ANNUAL REPORT

www.ltat.org.my



Kami di LTAT sedang melaksanakan Pelan Transformasi (2019-2023) bagi mengukuhkan semula portfolio pelaburan serta menambahbaik kualiti perkhidmatan kami. Pelan ini selaras dengan aspirasi kami untuk menjadi sebuah organisasi pengurusan dana persaraan bertaraf dunia untuk anggota Angkatan Tentera Malaysia.

We at LTAT are embarking on a Transformation Plan (2019-2023) to strengthen our investment portfolio and improve the quality of our services. This plan is aligned with our aspiration to become a world class retirement fund for the members of the Malaysian Armed Forces.

# ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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## LEMBAGA TABUNG ANGKATAN TENTERA

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# **QUALITY** POLICY

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ANNUAL REPORT 019

LTAT is committed to be a respectable organisation to excel in the management of contributors' fund and endeavour to fulfill customers' expectations in terms of services rendered and return on contributors fund and continually improve the effectiveness of the quality management system.

ISO 9001:2015 | ISO/IEC 20000-1:2011 | ISO/IEC 27000:2013

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# **CHAIRMAN'S** STATEMENT

The Honourable Minister of Defence,

We, members of the Lembaga Tabung Angkatan Tentera, have the honour to present, in accordance with Section 17(4) of the Tabung Angkatan Tentera Act 1973 [Act 101], our accounts for the year ended 31 December 2019.

On behalf of the Lembaga,

1.

GENERAL DATO' SERI DIRAJA TAN SRI (DR) MOHD ZAHIDI BIN HAJI ZAINUDDIN (RETIRED) Chairman

# BACKGROUND

Lembaga Tabung Angkatan Tentera, better known as LTAT was established in August 1972 by an Act of Parliament which is the Tabung Angkatan Tentera Act 1973 [Act 101].

#### >> LTAT OBJECTIVE

LTAT has two objectives. The first objective is to provide retirement benefit and other benefits to officers and members of the other ranks in the armed forces and to enable Mobilised Members of the Volunteer Forces in the service to participate in a saving scheme.

Promote socio-economic development and welfare for retiring or retired members of the armed forces and Volunteer Forces in the service.

### >> CONTRIBUTIONS

Under the LTAT scheme, contributors are required to contribute 10% of their monthly salary with the Government as employer contributing 15% to LTAT. For voluntary contributors, contributions are minimum of RM25 with a maximum of RM2,000 monthly.

# VISION

To become a leading fund management organization that provides outstanding investment returns and excellent customer-oriented services



Committed to optimise the retirement benefits and deliver excellent services sustainably to members of the Armed Forces through best practices and standards

# PILLARS STRATEGIC DIRECTION



To gain trust and confidence of the stakeholders by protecting the funds and to generate returns



#### ENHANCING SUSTAINABLE INVESTMENT RETURN

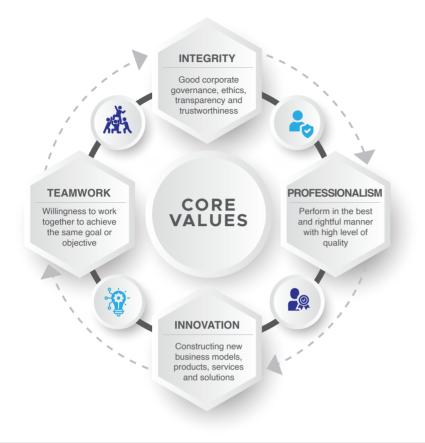
Strengthening future growth and return on investment



#### ENHANCING STRATEGIC STAKEHOLDERS MANAGEMENT

To provide outstanding services and effective communication to fulfil stakeholders' expectation

### BACKGROUND





Facilitate employees activities to enhance productivity and satisfaction, and to deliver outstanding services to stakeholders



Identifying, selecting, developing, upskilling and retaining specific talent

#### BENEFITS FOR SERVING MEMBERS OF THE ARMED FORCES

#### Lump Sum Withdrawal Inclusive Of Dividends And Bonuses

Compulsory non-pensionable contributor receives his retirement benefit in the form of a lump sum payment inclusive of Government contributions and cumulative yearly dividends and bonuses when he passes away (next-of-kin), retires or is discharged from service, or attains the age of 50.

Compulsory contributor who is pensionable receives his retirement benefit in the form of lump sum payment of only his portion of contribution together with the cumulative yearly dividends and bonuses when he passes away (next-of-kin), retires or is discharged from service, or attains the age of 50. The Government portion is paid to Retirement Fund Incorporated or KWAP for payment as monthly pension.

Voluntary contributor may withdraw his savings at any time and is allowed to contribute for the second time after their first withdrawal.

# Death And Disablement Benefits Scheme

All contributors are automatically covered under the LTAT Death and Disablement Benefits Scheme. This scheme is designed to provide the contributors with a fair sum of money upon discharge from service due to infirmity of mind or body, or the nextof-kin upon death while in service.

### BACKGROUND

# BENEFITS FOR SERVING MEMBERS OF THE ARMED FORCES (continued)

#### Partial Withdrawal To Purchase A House

A contributor is allowed to withdraw not more than 40% of his contribution or 10% of the cost of the immovable property, whichever is lower, to purchase a first residential house or land for building a house.

# BENEFITS FOR THE RETIRING AND RETIRED MEMBERS OF THE ARMED FORCES

#### **Retraining Program For The Retiring And Retired Members**

Various training programs to retiring and retired members of the armed forces to prepare them for a second career at Perbadanan Hal Ehwal Bekas Angkatan Tentera or PERHEBAT, a wholly-owned corporation of LTAT which was established in 1994.

# WHOLLY-OWNED CORPORATIONS OF LEMBAGA TABUNG ANGKATAN TENTERA

#### Perwira Niaga Malaysia (PERNAMA)

Perwira Niaga Malaysia or PERNAMA, LTAT's wholly-owned corporation established in 1983, operates a network of retail outlets at military camps nationwide selling consumer products, some at duty-free prices, to members of the armed forces, veterans and their families.

#### Perbadanan Perwira Harta Malaysia (PPHM)

Perbadanan Perwira Harta Malaysia or PPHM, another wholly-owned corporation of LTAT established in 1984, is involved in business activities related to acquisition, purchasing, possession, renting, leasing, construction, development and sales of property, provision of project management services and property maintenance activities on behalf of LTAT.

#### Perbadanan Hal Ehwal Bekas Angkatan Tentera (PERHEBAT)

Perbadanan Hal Ehwal Bekas Angkatan Tentera or PERHEBAT, the third whollyowned corporation of LTAT established in 1994, offers various training and retraining programmes in the technical, vocational and professional fields and entrepreneurial development for the retiring and retired personnel of the armed forces.

#### 33333

#### Address

12th Floor Bangunan LTAT Jalan Bukit Bintang P.O. Box 11542 50748 Kuala Lumpur

Auditors Auditor General Malaysia

Principal Banker Affin Bank Berhad

Official Portal www.ltat.org.my

### CODE

TAT Board members is fully committed ensure that to the hiahest standards of Corporate Governance as outlined in the Malaysian Code of Corporate Governance, is applied to LTAT and the Group as an integral part of its efforts to discharge its responsibilities in managing LTAT's assets and administering contributors' monies. The Board members are pleased to report that LTAT and the Group have adopted the principles and complied with the Best Practices as outlined in the Code.

#### THE BOARD MEMBERS

#### **Composition of the Board**

LTAT recognises the important role played by the Board members and the Investment Panel in the formulation and determination of LTAT's direction and operations. LTAT's Board members shall consist of:

- A Chairman who shall be the Secretary General of the Ministry of Defence or such other person as may be appointed by the Minister;
- A Deputy Chairman who is a representative of the Ministry of Defence;
- iii. The Deputy Secretary General to the Treasury;
- iv. The Chief Executive who shall be an ex-officio member;
- v. Four (4) members to be appointed by the Minister to represent the contributors, one of whom shall be the Chief of the Defence Forces; and

vi. Such other members, not exceeding four (4) in numbers to be appointed by the Minister.

The Board members is responsible for the corporate governance in LTAT and the Group including the direction of its strategic development, and the setting of objectives for the management and monitoring the accomplishment of those objectives.

#### **Integrity of the Board Members**

The decision by the Board members is not influenced by any party and if there is any conflict of interest, the Board member shall exempt himself/herself from taking part in any deliberation (except by the invitation of the Board) or decision relating to matters involving their interests, personal interests or that related to shareholders whom he/ she represents.

The Board is a body established to administer LTAT in such a manner as would further enhance the respective interests of the contributors as well as the retiring and retired personnel of the Malaysian Armed Forces and Mobilised Members of the Volunteer Forces. The function of the Board is to formulate administration and management policies and procedures, and to ensure that LTAT achieves its objectives with success and excellence.

#### **Board Meeting**

The Board shall meet at least once in every six (6) months as stated in the First Schedule 4(1) under Section 4(4) of the Tabung Angkatan Tentera Act 1973 [Act 101]. The Chairman or any member presiding in the absence of the Chairman and three (3) other members shall form a quorum at any meeting of the Board. At every meeting, the Board members shall consider and make decision on proposals pertaining to administration and operations, policies, LTAT's current and strategic issues and approval of LTAT's financial statements. In 2019, LTAT has convened thirteen (13) Board meetings.

All Board members are supplied with accurate and complete information before every Board meeting to enable them to participate in those meetings, understanding the issues to be discussed in order to make an informed decision. The Board may engage with independent professional advisers to enable them to effectively discharge its duties and responsibilities as stated in the Tabung Angkatan Tentera Act 1973 [Act 101] under Section 5(3).

#### **Retirement and Reappointment**

The Chairman and other members of the Board appointed under Section 4(3) (d) (other than the Chief of the Defence Forces) and Section 4(3) (e) of the Tabung Angkatan Tentera Act 1973 [Act 101] shall serve for such period, not exceeding three (3) years, as specified in their letters of appointment. The appointment of the Chief of the Defence Forces shall be by virtue of his office. The Board members are eligible for reappointment.

#### **Board Remuneration**

The Board members who are appointed may be paid such allowances, including travelling and subsistence allowances, as determined by the Board from time to time subject to such limits and conditions as the Minister may impose.

#### **INVESTMENT PANEL**

# Composition of Investment Panel

The Investment Panel is a body established under Section 6 (1), (2) and (3) of the Tabung Angkatan Tentera Act 1973 [Act 101] to assist the Board in all matters pertaining to LTAT's investments. The Investment Panel consists of the following:

- A Chairman who shall be appointed by the Minister on the advice of the Board;
- ii. The Chief of the Defence Forces;
- iii. The Deputy Secretary General to the Treasury; and
- iv. Two (2) other members with business or financial experience to be appointed by the Minister.

#### **Investment Panel Meeting**

The Investment Panel shall meet before the Board meets and/or as and when required by the Board. The Chairman and two (2) other members of the Investment Panel shall form a quorum at any meeting of the Investment Panel. In 2019, LTAT has convened eight (8) Investment Panel meetings.

#### **Retirement and Reappointment**

An Investment Panel member shall serve for such period as specified by LTAT and they shall be eligible for reappointment.

#### **Investment Panel Remuneration**

The Investment Panel members who are appointed may be paid allowances, including travelling and subsistence allowances, as the Board may determine from time to time subject to such limits and conditions as the Minister may impose.

#### **BOARD COMMITTEE**

The Board, for the purpose of assisting in the performance of its functions may establish such committees consisting of such persons as the Board may think fit to assist in executing its responsibilities to ensure the corporate governance is being implemented efficiently and methodically.

The following sub-committees of the Board was established to assist the execution of its duties are as follows:

- i. Risk Board;
- ii. Audit Committee;
- iii. Procurement Board;
- iv. Remuneration and Service Scheme Committee;
- v. Interview Committee

#### **Risk Board**

The Board in its meeting dated 30 November 2018 has approved the establishment of the Risk Board which establishment formed part of LTAT's Transformation Plan. The Risk Board will monitor and proposed LTAT's risk management policy and procedure.

List of Risk Board members for 2019:

Chairperson

1. YBhg. Dato' Maznah binti Abdul Jalil

Member

- 1. YBhg. Lt. General Dato' Sri Ackbal bin Hj Abdul Samad RMAF
- 2. YBrs. Cik Che Zakiah binti Che Din

#### >> Audit Committee

Audit Committee was established to assist the Board in reviewing, evaluating and reporting matters pertaining to audit including audit plans, internal policies and procedures, deliberating the internal auditor's reports and the Auditor General's reports and to ensure the effectiveness of LTAT's internal control system.

List of Audit Committee members for 2019:

Chairman

- 1. YBhg. Dato' Halimi bin Abd. Manaf (Ceased to be a member on 12 April 2019)
- 2. YBhg. Datuk Seri Mohd Zuki bin Ali

(Appointed effective from 17 April 2019)

Member

- 1. YBhg. Dato' Asri bin Hamidon
- 2. YBhg. Lt. General Dato' Hasagaya bin Abdullah
- 3. YBrs. Tuan Akhramsyah Muammar Ubaidah bin Sanusi

#### Procurement Board

The Procurement Board comprises of members appointed by the Board to consider and decide on LTAT's procurements amounting to more than RM500,000 but not more than RM100 million for every single item, or every class item, or project, or contract. Procurement amounting to more than RM100 million, will be presented to the Board for approval.

List of Procurement Board members for 2019:

Chairman

- 1. YBhg. Dato' Halimi bin Abd. Manaf (Ceased to be a member on 12 April 2019)
- 2. YBhg. Datuk Seri Mohd Zuki bin Ali (Appointed effective from 17 April 2019)

Member

- 1. YBhg. Lt. General Dato' Sri Ackbal bin Hj Abdul Samad RMAF
- 2. YBhg. Lt. General Dato' Hasagaya bin Abdullah
- 3. YBrs. Puan Nik Amlizan Mohamed

#### >> Remuneration and Service Scheme Committee

This Committee was set by the Board to conduct detailed studies on proposals pertaining to new schemes of service.

List of Remuneration and Service Scheme Committee members for 2019:

Chairman

- 1. YBhg. Dato' Halimi bin Abd. Manaf (Ceased to be a member on 12 April 2019)
- 2. YBhg. Datuk Seri Mohd Zuki bin Ali (Appointed effective from 17 April 2019)

Member

- 1. YBhg. Lt. General Dato' Sri Ackbal bin Haji Abdul Samad RMAF
- 2. YBhg. Vice Admiral Datuk Khairul Anuar bin Yahya (Ceased to be a member on 31 October 2019)
- 3. YBhg. Vice Admiral Dato' Abdul Rahman bin Ayob (Appointed effective from 10 December 2019)
- 4. YBrs. Puan Nik Amlizan Mohamed

#### Interview Committee

The Interview Committee consists of members appointed by the Board, to be responsible for interviewing, appointing, and confirming LTAT's officers.

List of Interview Committee members for 2019:

Chairman

1. YBhg. Lt. General Dato' Sri Ackbal bin Haji Abdul Samad RMAF

Member

- 1. YBhg. Lt General Dato' Hasagaya bin Abdullah
- 2. YBhg. Vice Admiral Datuk Khairul Anuar bin Yahya (Ceased to be a member on 31 October 2019)
- 3. YBhg. Vice Admiral Dato' Abdul Rahman bin Ayob (Appointed effective from 10 December 2019)
- 4. YBrs. Puan Nik Amlizan binti Mohamed

The Board authorises the Chief Executive to interview, employ and confirm the employment of the officers and staff for Grade 23 and below, and the Committee consists of:

#### For Grade 23:

- a. Chief Executive/Deputy Chief Executive as Chairman
- b. General Manager Investment
- c. General Manager (Operation)

#### For Grade 21 and below:

- a. Chief Executive/Deputy Chief Executive as Chairman
- b. General Manager Investment
- c. General Manager (Operation)
- d. Human Resource and Administration Manager

### **BOARD COMMITTEE (continued)**

#### **Other Sub-Committees**

Other sub-committees were established to oversee specific matters pertaining to LTAT's operations and investments. Each committee operates within clearly defined terms of reference. The committees are:

COMMITTEE	KEY FUNCTION	
Investment Committee	To assist the Investment Panel and Board in considering investment opportunities     and other corporate exercise	
	To approve acquisitions, disposals, and capital expenditure	
Disciplinary Committee	<ul> <li>Responsible for considering and determining the disciplinary punishment against officers and staff of LTAT for breaking the rules and regulations of the terms of services</li> </ul>	
Financial Management and Accounts	To monitor, detect and supervise all matters pertaining to Finance and accounts	
Committee	To prepare quarterly reports	
	To monitor the execution of matters related to risk management	
	Setting up the Risk Management Framework	
Risk Management Committee	Checking the infrastructure of Risk Management	
	<ul> <li>Make appropriate recommendations on various risks involved in existing and new business activities</li> </ul>	
	Reporting issues related to risk to the Board	
Quality Management System Special Committee	<ul> <li>To make appropriate recommendation on the overall quality management system of LTAT</li> </ul>	
IT Services Management System Special Committee	<ul> <li>To make appropriate recommendation on the overall IT services management system</li> </ul>	
Information Security Management System Committee	<ul> <li>To make appropriate recommendation on the overall information security management system</li> </ul>	
Asset Management Committee	To plan, monitor and supervise all aspects of LTAT's asset	

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# ACCOUNTABILITY AND AUDITING

#### **Financial Reports**

As a statutory body, LTAT is required to submit its accounts to be audited by the Auditor General's Office every year. Its audited accounts are then tabled to the Parliament for adoption. The Board also ensures that the accounting records are disclosed with reasonable accuracy and provides a true and fair view of the state of affairs of LTAT at the end of the financial year based on applicable accounting standards.

The Board, pursuant to the Tabung Angkatan Tentera Act 1973 [Act 101] shall ensure the following:

- The Board shall, not later than one month before the commencement of each financial year, consider and approve an estimate of the expenditure of the Board (including capital expenditure) for the ensuing year;
- The Board is responsible for instructing that the financial statements and other financial reports of LTAT are prepared according to the relevant and approved accounting standards;
- The Board must ensure that all financial reports are audited annually by the Auditor General or any other auditor appointed by the Board with the approval of the Minister of Finance;
- As soon as the accounts have been audited, after the end of each financial year, the Board shall cause that a copy of the statement of accounts be submitted to the Minister, together with a copy of any audit observation. The Minister shall cause that a copy of every such statement and observation to be tabled before each Parliament sitting; and
- The Board shall, not later than the thirtieth (30) day of June in each

year, cause to make and submit to the Minister a report dealing with the activities of LTAT during the preceding financial year and containing such information relating to the proceedings and policy of LTAT as the Minister may from time to time direct. The Minister shall cause that a copy of every such report be laid before each Parliamentary sitting.

#### **OTHER MATTERS**

#### **Board Charter**

The Board Charter has been developed to emphasize LTAT's Board member's commitment to the highest standards of corporate governance practice and to clearly set out the role, composition, and responsibilities of the Board of LTAT. It adopts best practices, guidelines, applicable rules and regulations, processes, and procedures to guide the Board in the discharge of its duties and responsibilities such as the Guidelines on Conduct of Directors of Listed Issuers and their Subsidiaries by the Securities Commission. The Board Charter shall form an integral part of each of the Board's duties and responsibilities.

#### **Relationship With Auditors**

The Board has a formal and transparent relationship with the Auditor General's Office and private auditors for LTAT's subsidiaries. The audit findings on LTAT will be scrutinized by the Chief Executive before any further action is taken. Answers to the audit findings will be presented formally in the Exit Conference Meeting and continuous monitoring will be done by officers at every division and department for audit observations received.

# Communications With The Contributors

The Board recognises the need for

Lembaga Tabung Angkatan Tentera to communicate accurate information on the performance of LTAT and other matters involving the interest of the contributors. Among the methods used by LTAT to communicate with the contributors on LTAT's activities and financial performance are through Annual Reports, Members' Contribution Statement, Customers' Care Program, Press Statements, Official Portal, Briefings, Social Media (Facebook, Twitter, Instagram) and other announcements through the media.

# BOARD RESPONSIBILITIES ON FINANCIAL REPORTING

The Board is responsible in ensuring that the Financial Statements is prepared in compliance with the applicable and approved accounting standards that give a fair and true picture of LTAT's and Group's financial performances. This includes the results and Cash Flow Statements of LTAT and its Group for the current financial year. The Board shall ensure that the process of preparing the Financial Statements is founded on a going concern basis, based on reasonable assumptions and sufficient sources for LTAT and its Group to continue operations for a specific period of time. The Board is also fully responsible for taking steps to ensure the safety of the Group's assets and reducing the operational and financial risks.

#### **INTERNAL CONTROL**

The Board has taken the responsibility to identify, evaluate and review the adequacy and effectiveness of the internal control system in LTAT to ensure compliance with laws, regulations and relevant guidelines. Information on the internal control system in LTAT is presented in the Statement of Internal Control in the Annual Report, giving a complete overview regarding the status of LTAT's internal control.



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YM Raja Tan Sri Dato' Seri Aman Bin Raja Haji Ahmad Chairman

> Attendance 2019 8 out of 8 meetings



YBhg. General Tan Sri Dato' Seri Panglima Haji Zulkifli Bin Haji Zainal Abidin Chief of the Defence Force

> Attendance 2019 6 out of 8 meetings



YBhg. Dato' Asri Bin Hamidon Deputy Secretary General of Treasury (Investment)

> Attendance 2019 2 out of 8 meetings

> > .



YBrs. Encik Mohd Suffian Bin Haron

Attendance 2019 6 out of 8 meetings



YBrs. Cik Che Zakiah Binti Che Din

Attendance 2019 8 out of 8 meetings

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# **STATEMENT OF INTERNAL CONTROL**

#### RESPONSIBILITY

he Board acknowledges responsibility towards its maintaining a sound and effective system of internal control. The internal control system of LTAT serves to manage, rather than eliminate the risk of failure to absolutely achieve organizational objectives. It can therefore, only provide reasonable but not absolute assurance of the effectiveness of the organization and against material misstatement or visible loss.

#### KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the internal control of LTAT are as follows:

- Clearly defined terms of reference that outlines the role and responsibilities of the Board, Investment Panel, and Audit Committee;
- Clearly defined organizational structure that outlines the authority limits and lines of responsibilities at all levels to ensure accountability for risk management and control;
- The responsibilities of the Board and Investment Panel are noted in the Statement of Corporate Governance;
- Regular Audit Committee meetings are held to review, evaluate and deliberate findings based on the internal audit reports and reports from the office of the Auditor General, concerning financial reports and the effectiveness of the internal control operation on LTAT's activities, which are subsequently presented to the Board for approval. Management is responsible for the follow up action on the respective findings;

- Management meetings held by the Chief Executive together with Senior Officers and Heads of Department focus on monitoring and evaluating the process of risk management, income performance, customer service, finance, administration, investments and quality systems;
- The Financial Procedures outline the overall policy and procedure pertaining to LTAT's management of financial and accounting matters to guide staff in their daily responsibilities and is updated regularly and when necessary;
- The annual budgets are prepared by the operating units, reviewed by the management and approved by the Board;
- Documented manual procedures and work instructions clearly outlining the internal control processes in carrying out LTAT's day to-day activities which are embedded in the ISO 9001:2015, ISO/IEC 20000-1:2011 and ISO/IEC 27001:2013 Quality Management System. These documents are reviewed, audited and updated regularly;
- A development and assessment system for staff's training program to ensure staff acquire the necessary training and are competent in discharging their duties and responsibilities;
- As part of its continuous effort to enhance corporate governance in the organization, LTAT has established a Whistleblowing Policy to further heighten the prevention and detection of wrongdoings, corruption, and misused of powers effectively;

- A comprehensive information communication system whereby monthly financial statement. reports from various investment companies of LTAT. Kev Performance Indicators and any reports on the changes and weaknesses in the risk profile is reported regularly to the Management, the Board and Investment Panel:
- An Information Technology Security Policy that outlines the significant policies and procedures to ensure the protection of IT assets in terms of confidentiality, integrity and availability of information, data and its application in LTAT;
- The implementation of Integrity Pact is to further strengthened the effort to enhance the integrity and transparency in LTAT's procurement;
- LTAT has appointed a representative from the Board and Certified Integrity Officer (CeIO) to strengthen the integrity management system and create a culture of good governance in LTAT, LTAT's wholly-owned Corporation and its group of companies; and
- LTAT has appointed a Chief Information Security Officer and Information and Communication Technology Security Officer. responsible to assist LTAT's Management to all matters relating to Information and Communication Technology (ICT) management system so that it was being implemented according to the standards and compliance with LTAT's ICT Security Policy to ensure contributors information are adequately protected.

### STATEMENT OF INTERNAL CONTROL

# FUNCTIONS OF THE INTERNAL AUDIT DEPARTMENT

The main function of the Internal Audit Department is to provide the Board with the assurance it requires regarding the adequacy, effectiveness and integrity of the internal control system.

The function of internal audit is to review the internal control in key activities of LTAT and its Group based on the Annual Internal Audit Plan which is presented to the Audit Committee for approval. The internal audit process adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of business units. Internal Audit also serves to review the level of compliance on LTAT's policy, procedures, guidelines as well as rules and regulations.

The internal audit reports are reviewed by the Audit Committee. The Management is responsible for ensuring that corrective actions to address the weaknesses that has been reported are taken within the required time frame. The Audit Committee has full access to both internal auditors and auditors from the office of the Auditor General.

#### **RISK MANAGEMENT**

LTAT is truly committed to ensure that the Risk Management Framework plays a key role in establishing good corporate governance practices in LTAT. As such, LTAT has established a Risk Management Framework in order for risks to be accounted for in all decision making processes and ensuring that reasonable steps are taken to minimize exposure to risks after the identification of such risks. In relation to this, LTAT has set up a Risk Board at the Board level and Risk Management Committee at the management level. The function of Risk Management Department has also been enhanced to enable the risks to be managed more effectively. In view of greater challenges ahead, LTAT continues to tighten its monitoring of every risk situation and to scrutinize each one closely to ensure that appropriate risk management steps are taken.

#### MONITORING AND REVIEW OF THE ADEQUACY AND INTEGRITY OF INTERNAL CONTROL SYSTEM

The processes of monitoring and review of the adequacy and integrity of LTAT's internal control system include:

- Continuous deliberation and follow-up action geared towards improvement by the top managements and Heads of Department in the Management meetings on the internal control system and risk management;
- Regular confirmation by the Chief Executive and the Board on the effectiveness of the internal control system on a yearly basis in the annual financial report;
- Periodic audit on the compliance of internal control procedures and regular reviews of all findings and recommendations of the internal audit function by the Audit Committee and Risk Board in its regular meetings;
- Proof of compliance of quality management system standards through the ISO 9001:2015

Certification and IT service management system for internal customer through ISO/ IEC 20000-1:2011 Certification by Lloyd's Register Quality Assurance and Information Security Management System through ISO/IEC 27001:2013 Certification by SIRIM QAS International Sdn. Bhd., an auditor authorized by the Government: and

 Confirmation from the Office of the Auditor General through the Auditor General's Certificate on Financial and Management Reports.

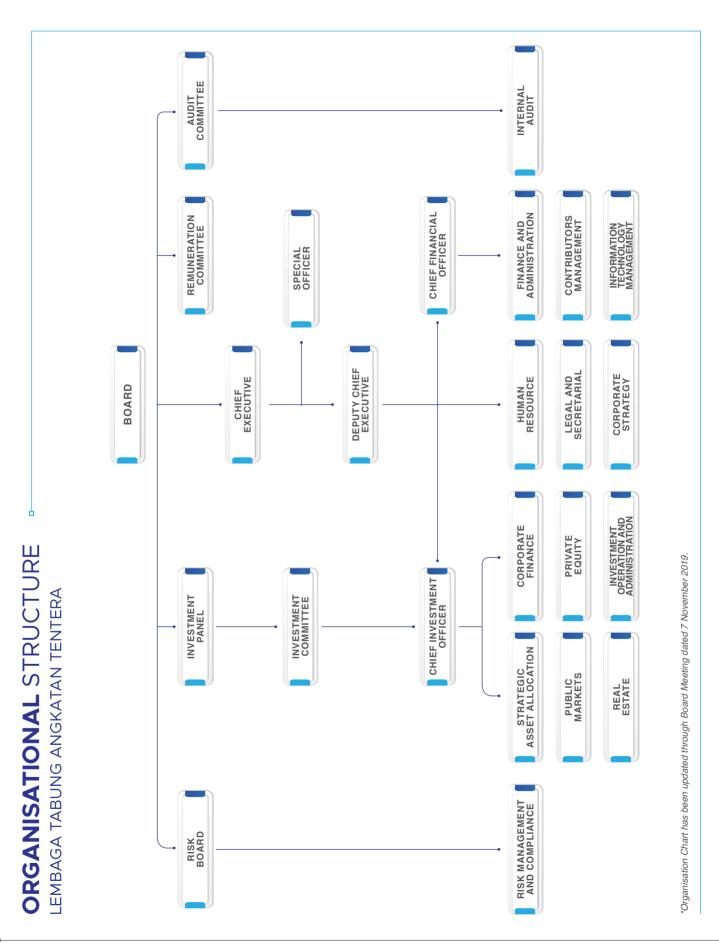
The management will continue to take measures to strengthen the internal control environment of LTAT.

#### CONCLUSION

For the year 2019, no material losses incurred as a result of weaknesses in the internal control of LTAT and its Group.

The internal control systems of LTAT and its Group covers risk management as well as financial control, operations. and compliance control. While the insurable risk, or it's insurance coverage which can be purchased and other risks faced by the Group (excluding the associate companies) are reported and managed by the respective Board. The Board is in the view that the internal control system of LTAT's Group needs to be reviewed to prevent fraud or any loopholes in the operation to safeguard shareholders' investments, client's interests, and the Group's assets.

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# **CHAIRMAN'S** REVIEW

GENERAL DATO' SERI DIRAJA TAN SRI (DR.) MOHD ZAHIDI BIN HJ ZAINUDDIN (RETIRED) Chairman

LEMBAGA TABUNG ANGKATAN TENTERA

### CHAIRMAN'S REVIEW

019 was a challenging year for LTAT as we began to intensify efforts to preserve and grow the value of our contributors' money. As a pension fund management organization, it has always been our utmost priority to provide optimum investment returns and services to our contributors, while at the same time, strengthening and restructuring the existing investment portfolio to ensure that LTAT remains relevant and able to generate consistent investment returns over the medium and longterm horizons.

Against this backdrop, on behalf of the Board, I hereby present the Fortyseventh Annual Report and Financial Statements of Lembaga Tabung Angkatan Tentera and the thirty-eighth Financial Statements of the LTAT Group for the financial year ended 31 December 2019.

#### A CHALLENGING LANDSCAPE

The year 2019 was filled with memorable events that ultimately led to economic and equity market instability. The economic standoff between the United States and China, and the uncertainty in Europe and the United Kingdom (UK) over Brexit ultimately had a significant impact on the global economic growth and equity markets. Malaysia, with high reliance on the export economy, was not spared. Against this challenging situation, Malaysia recorded a slower growth of 4.3% in 2019 as compared to 4.7% in the previous year.

This event has led to a major blow to LTAT when its two major investments in Boustead Holdings Berhad and Affin Bank Berhad, did not provide any returns in 2019 due to weak financial performance and impairments across key business sectors in the Boustead Group such as in Heavy Industries, Plantation, Property, and Pharmaceutical. In the past, LTAT's investments in both companies generated between 45% to 55% of LTAT's overall gross income during the year. Investments in these two subsidiaries accounted for approximately 50% of LTAT's Asset Under Management (AUM) amounting to almost RM9.5 billion.

Despite operating in a challenging environment, LTAT has declared a dividend payment of 2.5% in respect of the financial year ended 31 December 2019. This rate is better than the 2.0% declared for the previous financial year, backed by the continued support by the Government that eventually enabled LTAT to continue to accomplish its responsibilities to the contributors being the Members of the Malaysian Armed Forces who have sacrificed themselves to defend the sovereignty of the country.

At present, the Board and the new management team are working diligently to improve LTAT's financial performance. Therefore, LTAT has taken the initiative to review its investment portfolios, operations, and business activities by introducing its 5-year Transformation Plan (2019-2023) to ensure strengthening corporate governance. its the sustainability of LTAT's investment portfolio, and to safeguard and growth of the contributors' fund. This will involve formulating and implementing frameworks and undertaking strategic initiatives towards enhancing sustainable returns, ensuring effective management of investment and liquidity, and driving operational and organizational excellence.

#### LTAT TRANSFORMATION PLAN

#### The Restructuring of LTAT

LTAT embarked on its first-ever inclusive transformation journey in 2019. This strategic direction was crafted internally under the leadership of Puan Nik Amlizan Mohamed who was appointed as the new Chief Executive on 1 October 2018. The initial big step was obtaining the Board's approval in November 2018 for LTAT to undertake a restructuring plan. In 2019, LTAT's restructuring process started with the reviewing of its key operations, undertaking investment portfolio assessment, outlining the strategy for service improvement and quality, having visible and effective succession plans through comprehensive talent management, embarking on sustainable and strategic business planning, and making changes in work culture. LTAT also made changes in the organizational structure and reviewed existing business processes to elevate and improve its operations.

Several approaches have been taken to improve LTAT's corporate governance where LTAT has introduced the Risk Board which aims to evaluate and mitigate operational risk and formalised the Investment Committee which will be responsible to carefully evaluate new investment proposals before being presented to the Investment Panel and Board for consideration and approval. In the absence of the Investment Committee in the past, the investment decision is concentrated in the executive power of the Chief Executive. In addition, LTAT also improved the role of each existing department and introduced two new stand-alone departments, namely the Human Resource Department, and the Legal and Secretarial Department. LTAT also created its first post for Chief Investment Officer to better manage the Investment Division.

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### CHAIRMAN'S REVIEW

#### **New Business Models and Strategic Directions**

The second phase of LTAT's transformation journey began with the Board Retreat which was held on 25 to 27 January 2019 at Grand Lexis Port Dickson, Negeri Sembilan. Through this program, members of the Board and Investment Panel were introduced to LTAT's new business model and six Pillars of Strategic Direction.

LTAT's new business model focuses on its purpose of existence, business direction, and strategy to overcome future challenges. The six pillars of LTAT's Strategic Direction cover various aspects of LTAT's strategic planning crucial for LTAT's survival to meet new challenges as follows:



### PILLAR 1:

#### New Vision, Mission and 4 Core Values

LTAT has reviewed and introduced additional elements in its vision and mission statements as the new mandate going forward to face future challenges and to realign LTAT's business direction towards its main objectives. The new vision, mission, and core values of LTAT have been realigned by emphasizing LTAT's main role and objectives to ensure its objectives continue to be implemented to maintain its mandate and responsibility as a pension fund to ATM members. LTAT's core values represent the new work culture expectations to each of its employees that also would reflect standards or qualities employees hold in high regard. Our core values are:

#### (i) Integrity

Good corporate governance, ethics, transparency, and trustworthiness

#### (ii) Professionalism

Perform in the best and rightful manner with a high level of quality

#### (iii) Innovation

Constructing new business models, products, services, and solutions

#### (iv) Teamwork

Willingness to work together to achieve the same goal or objective

#### PILLAR 2:

# Strengthening Corporate Governance

Strong governance provides the structural foundation that is vital for the long-term performance of any organization. LTAT acknowledges the key role played by the Board, the Investment Panel, and the Management team in formulating and determining LTAT's operation and direction including monitoring actions, policies, procedures, and decision making on businesses and stakeholders. LTAT believes that a resilient corporate governance structure plays an important role in helping LTAT to manage contributors' funds more effectively. LTAT and its Group of companies have applied and adopted the principles outlined in the Malaysian Code on Corporate Governance as an integral part of its effort to discharge its responsibilities in managing LTAT's assets and administering contributors' funds.

### CHAIRMAN'S REVIEW

#### PILLAR 3: Enhancing Sustainable Investment Returns

LTAT is committed to ensuring that the contributors' funds remain safe, stable, and provide sustainable returns to contributors. Embarking on a strategy to maintain sustainable and consistent returns for the long term requires LTAT to identify new, viable and profitable investments with acceptable levels of risk tolerance. To achieve higher returns in the future, LTAT plans to implement the Strategic Asset Allocation (SAA) framework by reviewing its allocation of assets, sources of income, and overall investment performance for the past few years. Through the SAA framework, LTAT aspires to be able to achieve sustainable income in the long term through a diversified mix of asset classes while optimizing risks to provide stability in different market conditions. By implementing SAA, it is expected to enable LTAT to remain resilient even during down-market cycles. The SAA framework is slated for Board's approval later in 2020.

The Board also approved the Investment Policy and Guidelines (IPG) in November 2019 aimed at setting up the policy and guidelines for inclusive and holistic investment activities. The IPG will be used as a working document to streamline overall current and future investment aspects diligently and effectively.

#### PILLAR 4: Enhancing Strategic Stakeholder Management

LTAT is aware that relationship with stakeholders is a critical component to ensure that the establishment objectives of LTAT can be implemented through the cooperation and mutual understanding between Ministries, contributors, and other agencies. The management that met the expectations and agreed objectives will foster a positive relationship with the stakeholders. LTAT has carried out several new and continued on current activities to improve on service deliverables to stakeholders such as One Stop Centre, Service Counter, i-Wira system, e-Kiosk machines, Customer Day Program, and other corporate social responsibility activities.

#### PILLAR 5: Improving Infrastructure

Infrastructure that includes fixed assets such as office buildings, equipment, and accessibility to internet connection, as well as the computer system, is the basic building blocks to enable LTAT to continue providing excellent services to its stakeholders. LTAT aims to provide a conducive Information Communication Technology (ICT) environment including providing a modern ICT infrastructure network and improving or upgrading its network infrastructure in terms of security and intelligence through the implementation of the Blueprint of Strategic Technology Infrastructure. LTAT also strived to create a conducive and healthy working environment for the convenience of employees and stakeholders it served. It emphasized on utilizing environmentally friendly construction technology in Bangunan LTAT that has a positive impact on the environment and cost-saving to support a healthier, happier, and productive working life.

#### PILLAR 6: Building Talent Management

Talent management is a part of Human Resource Strategic Plan to increase the value of a business. The success of an organization to achieve its goals is through recruitment, retention, training development as well as recognition and appreciation for the talent. The newly created Human Resource Department will play an important role in LTAT to maintain a competent workforce in line with the needs of the industry. In 2019, LTAT appointed the Chief Investment Officer and Head of Human Resource Department to improve investment management and talent management in LTAT.

#### **MOVING FORWARD**

Based on the challenging global and domestic landscape, the task to restructure LTAT's legacy investment portfolio via the Investment Turnaround Plan needs to be implemented diligently and swiftly. LTAT must come up with a more dynamic organization management plan to be competitive and resilient to face all challenges.

To elevate LTAT or put it on par with other domestic fund management organizations, we should embrace changes brought about by our Transformation Plan more dynamically its lona-term significance. for Improvements require complete change, commitment, and trust from the whole organization. Building up employees' confidence to accept changes will not happen in a short period of time, on top of support and awareness required from all parties. It is possible to face difficult situations initially, but with the best mindset and execution, we will thrive in achieving the desired outcome. We believe that all the efforts made will be rewarded accordingly by Allah SWT.

In conclusion, I believe that LTAT is on the right track to regain its dominance through the implementation of its 5-year Transformation Plan (2019-2023) via 6 Pillars of Strategic Direction. LTAT is committed to give an optimum return on its investment and provide the best service to our contributors being the serving members of the armed forces. LTAT is also committed to identify viable and feasible investment opportunities along with reinforcing our core function in managing funds via good corporate governance.

### CHAIRMAN'S REVIEW

#### ACKNOWLEDGEMENT

I am proud of the enthusiasm and commitment given by the Management and staff of LTAT to implement the Transformation Plan. They have worked hard every day to ensure the execution of strategic plans accordingly to realign LTAT on the right track to provide a better future and preserving the well-being of its contributors.

I would like to take this opportunity to extend my appreciation to the Ministry of Defence, the Ministry of Finance, and other stakeholders for their trust and support. I would also like to express my sincere appreciation to the Board, the Investment Panel, the Chief Executive, and the Management team for their continuous contributions in fulfilling LTAT's mandate.

To all the staff, I appreciate and thank you for your continuous dedication and commitment to strive together with LTAT as we faced these uncertain times. This encouragement has helped LTAT to reaffirm its resilience in dealing with and addressing future challenges.

To our contributors who are the serving members of the Malaysian Armed Forces, we sincerely thank you for your continuous support and trust in LTAT. As we move together into 2020, we reaffirm our commitment to continue to overcome the challenges whilst improving our efficiency and delivering the best possible returns to our contributors.

GENERAL DATO' SERI DIRAJA TAN SRI (DR.) MOHD ZAHIDI BIN HJ ZAINUDDIN (RETIRED) Chairman

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# CHIEF EXECUTIVE'S REVIEW

PUAN NIK AMLIZAN BINTI MOHAMED Chief Executive

### CHIEF EXECUTIVE'S REVIEW

Transformation Plan he introduced by LTAT in 2019 was intended to bring LTAT back on track for sustainability and competitiveness while generating good returns constantly for its contributors. Hence, our priority in 2019 was to stay focus and committed to delivering various incentives under 6 Pillars of Strategic Direction. Although 2019 was a difficult year for us, the Management was committed to improve LTAT's performance, extending exceptional services, and creating value add to our contributors.

As the Chief Executive, my key responsibility was to ensure LTAT remains relevant in delivering the best services to the contributors by embarking on an investment portfolio turnaround plan to drive profitability while striving for future sustainable returns. I am pleased to report that at the strategic planning level, significant progress was achieved throughout 2019 in its journey to put LTAT on a stronger foundation for long-term growth opportunities.

#### FINANCIAL PERFORMANCE

Total income for the financial year ended 31 December 2019 has declined by 53.9% to RM195.2 million as compared to RM423.9 million achieved in the previous year. The decline was attributed to the poor performance of LTAT's investments in its subsidiaries during the financial year under review, in particular, no dividend received from Boustead Holdings Berhad and Affin Bank Berhad.

Dividend income from LTAT's investments in subsidiaries and associated companies as well as investments in securities listed on Bursa Malaysia contributed RM117.4

million to LTAT's income, a decreased of 120.7% from RM259.2 million recorded in 2018.

Rental income received on properties owned by LTAT for 2019 was RM32.0 million, a decrease of 2.0% compared to RM32.7 million in 2018.

Investment in fixed income instruments generated a total income of RM30.9 million, lower by 30.0% as compared to RM40.1 million achieved in the previous year.

LTAT also generated income from its deposits in licensed banks amounting to RM9.2 million, profit from the sale of shares amounting to RM6.3 million, and other income of RM1.6 million for the financial year 2019. For comparison, total income from this category was RM17.1 million, an increase of 271.7% over the same period last year of RM4.6 million.

#### **Retained Earnings**

A detailed breakdown of Retained Earnings as of 31 December 2019 is as follows:

	RM Million	RM Million
Balance as of 1 January, as restated Net profit for the year		38.7 92.8
Total profit for the year		131.5
Transfer to retained earnings on de-recognition of investments at fair value through other comprehensive income		(14.1)
Transfer to retained profits Adjustment on contributions/dividends Dividends at 2.5% for the year Payment to Death and Disablement Benefit Scheme	(5.0) 178.4 (220.9) (6.4)	(53.9)
Balance Retained Earnings as of 31 December 2019		63.5

#### **Dividend Payment**

Based on the net income and retained earnings achieved in 2019, LTAT has declared a dividend of 2.5% to the contributors amounting to RM220.9 million as compared to 2.0% dividend amounting to RM161.2 million paid for the financial year 2018.





### CHIEF EXECUTIVE'S REVIEW

#### **NEW INVESTMENT**

During the year under review, LTAT invested RM295.9 million which comprised of investment in property development in progress amounting to RM202.0 million, purchase of investments at the fair value of other comprehensive income of RM92.5 million, and property investment of RM1.4 million. As of 31 December 2019, LTAT's total Asset Under Management (AUM) increased by 4.4% to RM9.4 billion as compared to RM9.0 billion recorded in 2018.



#### **TOTAL ASSETS**

LTAT's total assets for 2019 stood at RM9.6 billion, an increase of 2.9% compared to RM9.4 billion in 2018. LTAT also recorded higher retained earnings for the year under review amounting to RM63.5 million as compared to retained earnings of RM38.7 million in the previous year.



# PERFORMANCE OF THE GROUP

The Group registered RM808.1 million net losses for 2019 as compared to RM169.1 million net losses for the previous year. The loss increases of 378% at the Group level was mainly due to higher impairment of goodwill of 3 companies namely Boustead Naval Shipyard Sdn Bhd, IRAT Properties Sdn Bhd, and Boustead Heavy Industries Corporation Bhd amounting to RM1.5 billion in 2019.

The Group's total assets stood at RM87.7 billion as compared to RM96.7 billion in 2018 mainly due to the decrease in loan and receivables by RM3.1 billion to RM47.4 billion in 2019, lower advances and financing by Affin Bank Berhad as compared to RM50.5 billion in 2018. Apart from that, the Group's investment at fair value in other comprehensive income has dropped by RM2.9 billion to RM13.6 billion in 2019 due to the sale of share in Affin Bank Bhd as compared to RM16.5 billion in 2018.

# MEMBERS CONTRIBUTION ACCOUNT

#### **Members' Contribution**

Members' contributions received in 2019 increased by 4.5% to RM923.9 million from RM883.8 million in 2018. The cumulative balance of member contribution as of 31 December 2019 stood at RM9.07 billion, an increase of 2.8% from RM8.82 billion in 2018.

#### **End of Service Withdrawal**

In 2019, a total of 6,463 withdrawal applications were received from contributors involving the withdrawal of RM682.9 million, a decrease of 9.2% as compared to RM752.4 million paid to 7,850 contributors in 2018.

#### Housing Withdrawal

For the year under review, a total of RM25.3 million was paid to 3,033 members to purchase their first residential properties or plots of land to build a house, reflecting an increase of 10.5% as compared to RM22.9 million paid to 2,692 members in 2018.

# Death and Disablement Benefits Scheme

Under the Death and Disablement Benefits Scheme, LTAT made out payments amounting RM6.4 million to 174 recipients or their beneficiaries during the year under review, a decrease of 5.9% as compared to RM6.8 million paid to 175 recipients or their beneficiaries in 2018.

# PERFORMANCE OF LTAT'S CORPORATIONS

Perwira Niaga Malaysia (PERNAMA)

PERNAMA recorded annual sales revenue of RM294.6 million in 2019, a decrease of 4.5% from RM308.5 million in 2018. However, PERNAMA generated a pre-tax profit of RM13.8 million, an increase of 142.1% as compared to RM5.7 million reported in the previous year.

PERNAMA's accumulated profit for 2019 increased by 42% to RM29.1 million as compared to RM20.5 million recorded in the previous year. For the financial year ended 31 December 2019, PERNAMA made dividend payment of RM960,000 to LTAT.



PERNAMA DIVIDEND

### CHIEF EXECUTIVE'S REVIEW

#### Perbadanan Perwira Harta Malaysia (PPHM)

For the financial year ended 31 December 2019, PPHM recorded operating revenue of RM100.6 million, reflecting a significant increase of 510.2% from RM16.5 million in 2018. The increase was largely contributed by the late payment charges received from Bandar Malavsia Sdn Bhd for the relocation of the Kuala Lumpur Airforce Base (PUKL) in Sungai Besi amounting to RM88.3 million. On top of that, PPHM also received project management fees of RM9.5 million, contract work income of RM857.000. maintenance fees building of RM195,000, insurance commissions of RM81.000 as well as interest earned on fixed deposits of RM1.6 million.

During 2019, PPHM continued to complete the final phase of construction works for the relocation of the PUKL project to 8 new locations. The project was fully completed and handed over to the Government in December 2019. PPHM made a dividend payment amounting RM730,000 to LTAT for the financial year ended 31 December 2019.



PPHM DIVIDEND **RM730,000** 

#### Perbadanan Hal Ehwal Bekas Angkatan Tentera (PERHEBAT)

In 2019, PERHEBAT received an annual grant of RM28.0 million from the Government to finance its operation and training programs. PERHEBAT has successfully trained 10,698 retiring ATM personnel and veterans as compared to 11,447 persons in the previous year. The reduced number of trainees is due to the ATM personnel who are expected to retire but have continued their services. As such,

analysis on the outcome and impact on the Veterans Socio-economic Development Program or PPSEV have been made and PERHEBAT has decided to focus more on courses that provide a greater impact on the target group. Therefore, training focus was given to the target group who are in need and more productive.

For the PPSEV Program, a total of 645 non-pensionable ATM veterans have participated in various programs compared to 1,687 veterans in the previous year. This program aims to assist them in entrepreneurship and job placement as skilled workers.

# BENEFITS, SERVICES, AND FACILITIES

LTAT is committed to improving and strengthening our delivery services to the contributors by undertaking the following initiatives:

#### e-Kiosk

LTAT e-Kiosk's facilities are provided to assist members to get up-to-date information on their contribution accounts. The e-kiosk allows members to check through their account's details, printing contribution statements, checking the beneficiary's nomination status and fingerprint as well as to check the eligibility requirements for withdrawals. To date, a total of 77 e-Kiosk facilities are in operation nationwide, providing members with easy access at the touch of a button.

#### i-Wira System

The i-Wira system is an alternative to the e-Kiosk services. This online system enables contributors to review the latest information on their contribution statements, information on account's nomination, Affin Hwang Asset Management's unit trust information, withdrawal records and enables contributors to make complaints, queries, or suggestions using internet links. LTAT also planned to develop the i-Wira system using smart applications to provide contributors with access to information on their contributions anytime and anywhere.

# Customers Engagement Day and Briefing Program

In 2019, LTAT has successfully conducted 103 briefing programs at military camps throughout the country as compared to our target of 80 programs. The purpose of this program is to deliver the latest information as well as to obtain feedback from contributors on the services offered by LTAT.

#### CORPORATE SOCIAL RESPONSIBILITY (CSR)

LTAT continued to provide various CSR initiatives to members of the Armed Forces and their children as follows:

#### **Academic Excellence Award**

A total of RM178,900 has been disbursed via Yayasan LTAT for Academic Excellence Award to 457 children of the Armed Forces personnel who performed well in their academic studies.

#### Wisma Bintara Complex

The LTAT Group also financed the construction of the Wisma Bintara Complex at Jalan Padang Tembak, Kuala Lumpur at an estimated cost of RM30.0 million. This complex is to be occupied by the Malaysian Armed Forces Bintara members consisting of Senior Non-Commissioned Officer (NCO) ranking from Sergeant to First Warrant Officer. The fully furnished residential building is currently being constructed and is expected to be completed by end of 2020.

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### CHIEF EXECUTIVE'S REVIEW

#### CORPORATE SOCIAL RESPONSIBILITY (CSR) (continued)

#### **Other Contributions**

LTAT has contributed RM200,000 in 2019 to the Malaysian Armed Forces Veteran Association (PVATM) and *Tabung Kebajikan Angkatan Tentera* for Warriors' Fund Campaign 2019 and Hari Raya contributions. In addition, LTAT also paid RM43,000 to finance other CSR activities. To date, under its various CSR programs, LTAT has spent a total of RM255.3 million on various welfare programs benefitting more than 62,000 eligible serving members of the Armed Forces and their families over the years.

#### **KEY PERFORMANCE INDICATORS**

The achievement of LTAT's key performance indicators for the financial year 2019 is as follows:

KEY PERFORMANCE INDICATORS	TARGET 2019	2019 ACHIEVEMENT
Return on Investment	6.5%	2.1%
Financial & Management Report for the financial year 2019	Clean Audit Certificate	Qualified Opinion from the National Audit Department
Transformational initiatives implemented	30	41
Cybersecurity threat and IT safety incident	0	0
Talent management program	4	6
Cost to fund size ratio	Not Exceeding 1.0%	0.8%
Customers' Satisfaction Index	92.0%	92.3%

#### HUMAN CAPITAL DEVELOPMENT

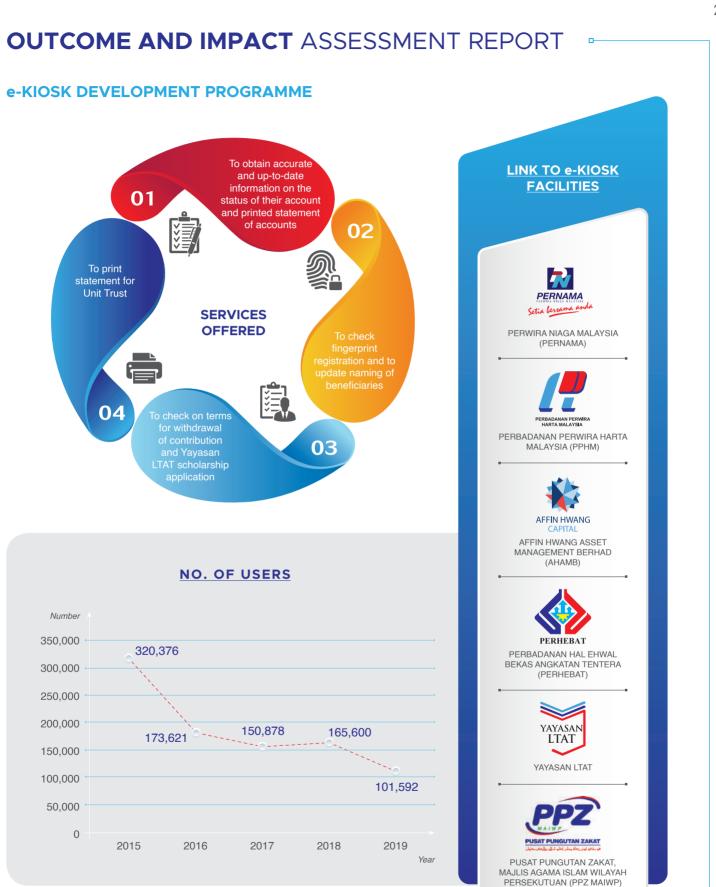
LTAT emphasized on human capital development among its employees. This inspiration is encapsulated in LTAT's 6th Pillar of strategic direction, which is Building Talent Management. LTAT acknowledged that employees are the key assets in the organization, hence they must be cared for, developed, and supervised so that they can grow in line with LTAT's new business model and Transformation Plan. Various reforms have been implemented throughout 2019, including the first-ever Team Building program held on 14 to 15 September 2019 to increase the employee's commitment towards teamwork and motivate them for career progression opportunities within LTAT.

#### **FUTURE PROSPECTS**

The Board members, Investment Panel, and the Management of LTAT will continue to identify and venture into profitable and viable investment opportunities as well as to review the existing investment portfolio and strive for sustainable returns to the contributors.

Moving forward, LTAT will be reviewing all other investments in line with the market valuation as well as restructuring its investment portfolio to enhance the value of the asset. In this respect, LTAT planned to develop its Strategic Asset Allocation (SAA) Framework next year being one of the transformational initiatives under Pillar No. 3 that is Enhancing Sustainable Investment Return. It is expected that the SAA framework will take between 3 to 5 years to be fully operationalized, but we strongly believe that it will put LTAT back on right track for better financial performance that would lead to sustainable future dividend rates.

LTAT also created the Investment Policy and Guidelines (IPG) to set out holistic and inclusive investment activities. It was formulated in view of undertaking investment activities with better potential during the year and future endeavours. The IPG was approved by the Board in November 2019. Similar to past years, we will always be on the lookout for improvement and investment opportunities for a significant future.



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Tanah Merah Camp

#### TERENGGANU

ANNUAL REPORT 2019

Sri Pantai Camp, Seberang Takir Pangkalan Udara Gong Kedak, Jerteh

### MELAKA

- Terendak Camp Sungai Udang Camp
- Lok Kawi Camp, Kota Kinabalu
- Pangkalan TLDM Sepanggar, Kota Kinabalu
- Sri Kinabatangan Camp, Sandakan
- Kabota Camp, Tawau
- Pangkalan TUDM Labuan
- **TLDM Semporna Camp**
- Paradise Camp, Kota Belud

### WITHDRAWAL SCHEMES

#### WITHDRAWAL OF CONTRIBUTION

When a contributor is discharged from service, retires or attains the age of 50. For the compulsory contributor who is pensionable, the Government portion is remitted to Kumpulan Wang Persaraan *(Diperbadankan)* or KWAP for payment as monthly pension.



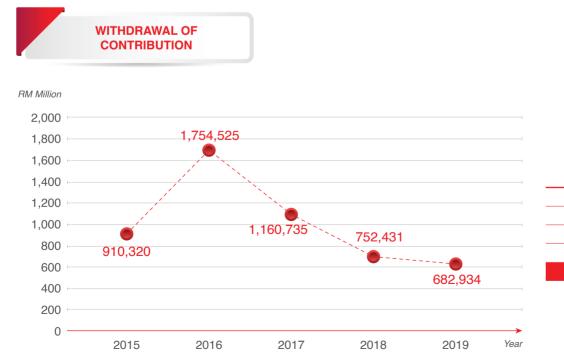
#### HOUSING WITHDRAWAL SCHEME

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A contributor is allowed to withdraw not more than 40% of their contributions or 10% of the cost of the property whichever is lower, to purchase a first residential house or a piece of land to build a house.

#### DEATH AND DISABLEMENT BENEFITS SCHEME

Death Benefit is paid to the dependent of the contributor who passes away whilst in service, while disability benefit is paid to a contributor who discharged from the service due to mental or physical handicaps.

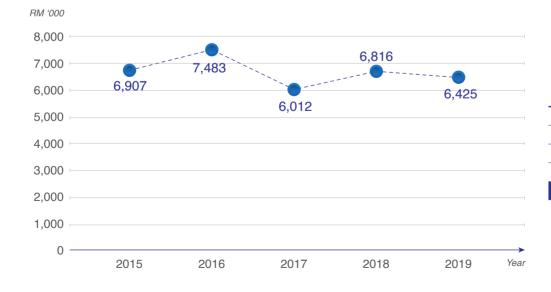


No. of Withdrawals		
2015	6,408	
2016	11,179	
2017	8,322	
2018	7,850	
2019	6,463	



No. of Withdrawals		
2015	2,055	
2016	1,952	
2017	2,401	
2018	2,692	
2019	3,033	

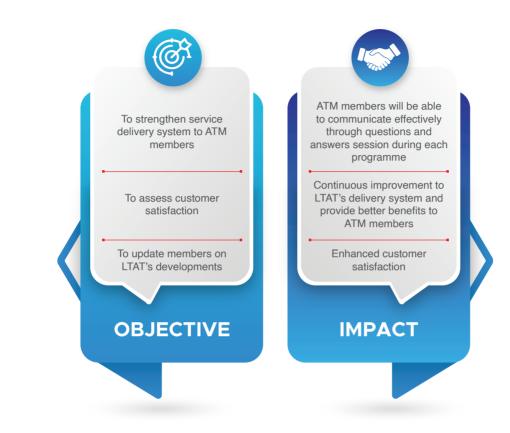




No. of Withdrawals		
2015	223	
2016	225	
2017	183	
2018	175	
2019	174	

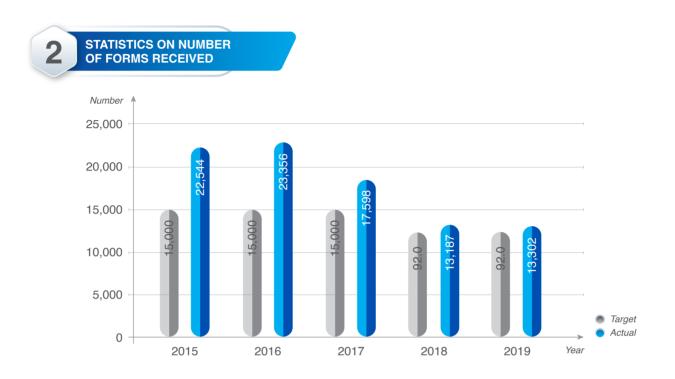
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### **BRIEFING PROGRAM AND CUSTOMER CARE PROGRAM**





### **CUSTOMER SATISFACTION SURVEY**







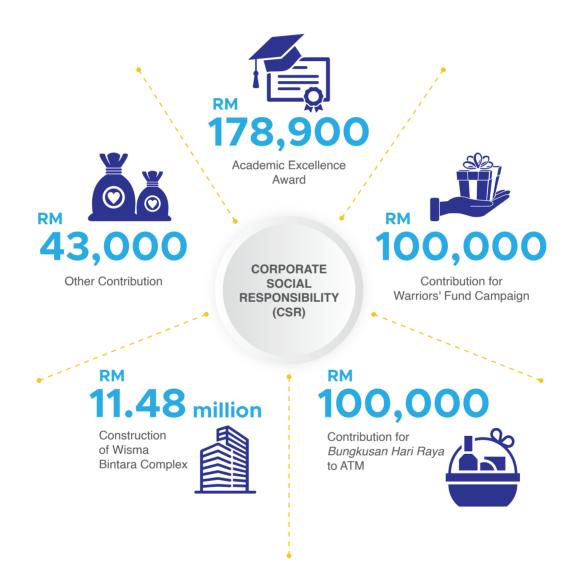
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## OUTCOME AND IMPACT ASSESSMENT REPORT

### **CORPORATE SOCIAL RESPONSIBILITY OF LTAT**

LTAT provides various Corporate Social Responsibility initiatives in accordance with its mandates to eligible members of the Armed forces and their children as follows:



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# **ANALYSIS OF FINANCIAL PERFORMANCE**

## LTAT'S FIVE YEARS FINANCIAL PERFORMANCE

### INCOME AND TOTAL DIVIDEND PAYMENT (RM Million)

	2019	2018	2017	2016	2015
1. TOTAL INCOME (Including other income)	195.2	423.9	528.5	572.3	766.8
2. OPERATING EXPENSES	75.0	76.6	66.2	77.7	63.8
3. COST TO ASSETS RATIO (%)**	0.8	0.8	0.7	0.8	0.7
4. NET PROFIT FOR THE YEAR	92.8	221.0	459.5	356.2	684.5
5. DIVIDEND, BONUS AND SPECIAL B FOR MEMBERS (%)	ONUS 2.5	2.0	8.27	7.99	8.10

\*\* New KPI beginning 2018

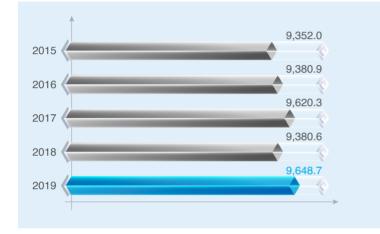
### ASSET, EQUITY AND LIABILITY (RM Million)

		2019	2018	2017	2016	2015
1.	TOTAL ASSETS	9,648.7	9,380.6	9,620.3	9,380.9	9,352.0
	Non Current Assets	7,357.0	7,607.5	8,055.7	8,554.4	7,900.0
	Current Assets	2,291.7	1,773.1	1,564.6	826.5	1,452.0
2.	TOTAL EQUITY	9,146.7	8,867.8	8,814.6	8,587.0	9,067.1
	Member's Contribution Account	9,071.1	8,822.6	8,787.3	8,616.6	9,054.8
	Reserve Fund	181.4	176.5	175.7	172.3	181.1
	Other Comprehensive Income Reserve	(169.3)	(170.0)	-	-	-
	Available for Sale Securities Reserve	-	-	22.4	(267.8)	(564.1)
	Assets Revaluation Reserve	-	-	-	-	10.6
	Accumulated Profits/ Retained Profit	63.5	38.7	(170.8)	65.9	384.7
3.	TOTAL LIABILITIES	502.0	512.8	805.7	793.9	284.9
4.	TOTAL EQUITY AND LIABILITIES	9,648.7	9,380.6	9,620.3	9,380.9	9,352.0

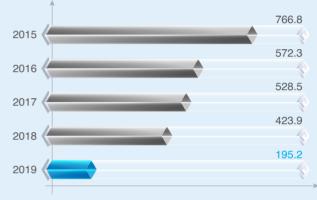
## ANALYSIS OF FINANCIAL PERFORMANCE

### LTAT'S FIVE YEARS FINANCIAL PERFORMANCE (continued)

ASSET (RM Million) Year ended 31 December



INCOME (RM Million) Year ended 31 December



### MEMBER'S CONTRIBUTION ACCOUNT

(RM Million) Year ended 31 December



9,054.8 2015 2016 2016 8,616.6 2017 8,822.6 2018 9,071.1 2019



## ANALYSIS OF FINANCIAL PERFORMANCE

## **GROUP'S FIVE YEARS FINANCIAL PERFORMANCE**

### **INCOME** (RM Million)

	2019	*2018	2017	2016	2015
1. TOTAL INCOME (Including other operating income)	15,248.2	13,607.8	15,002.6	13,126.7	13,001.8
2. PROFIT/ (LOSS) BEFORE TAXATION AND ZAKAT	(566.2)	54.5	1,738.7	1,489.5	1,052.6
3. PROFIT/ (LOSS) FOR THE YEAR	(808.1)	(169.1)	1,362.3	1,161.9	777.9

\* Restated

### ASSET, EQUITY AND LIABILITY (RM Million)

		2019	*2018	2017	2016	2015
1.	TOTAL ASSETS	87,670.1	96,681.1	91,792.5	89,131.2	87,788.8
	Non Current Assets	28,213.7	32,206.5	32,027.1	31,444.0	30,710.5
	Current Assets	59,456.4	64,474.5	59,765.4	57,687.2	57,078.3
2.	TOTAL EQUITY	17,035.9	18,173.0	19,772.9	18,754.3	18,574.5
	Member's Contribution Account	9,071.1	8,822.6	8,787.3	8,616.6	9,054.8
	• Reserves	932.8	1,016.1	1,072.9	1,302.5	926.9
	• Funds	2.5	2.8	2.8	4.2	37.6
	Retained Earnings/(Accumulated Losses)	(454.7)	(74.7)	1,061.4	691.0	1,169.3
	Non-Controlling Interests	7,020.6	7,343.8	7,786.2	7,077.7	6,323.6
	Perpetual Sukuk	463.6	1,062.5	1,062.3	1,062.3	1,062.3
3.	TOTAL LIABILITIES	70,634.2	78,508.0	72,019.6	70,376.9	69,214.3
4.	TOTAL EQUITY AND LIABILITIES	87,670.1	96,681.1	91,792.5	89,131.2	87,788.8

\* Restated

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## ANALYSIS OF FINANCIAL PERFORMANCE

## **GROUP FIVE YEARS FINANCIAL PERFORMANCE (continued)**

INCOME (RM Million) Year ended 31 December



### ASSET (RM Million) Year ended 31 December





# **FINANCIAL STATEMENTS**

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### CERTIFICATE OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LEMBAGA TABUNG ANGKATAN TENTERA FOR THE YEAR ENDED 31 DECEMBER 2019

### Certificate on the Audit of the Financial Statements

### **Qualified Opinion**

I have audited the financial statements of Lembaga Tabung Angkatan Tentera which comprise the Statement of Financial Position as at 31 December 2019 of the Group and Lembaga Tabung Angkatan Tentera, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Change in Equity and Statement of Cash Flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies, as set out on pages 1 to 85.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section, the accompanying financial statements give a true and fair view of the financial position of the Lembaga Tabung Angkatan Tentera as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards (MFRS) and Tabung Angkatan Tentera Act 1973 (Act 101).

### **Basis for Qualified Opinion**

The audit was conducted in accordance with the Audit Act 1957 and the International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my Certificate. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Qualified Opinion.

#### Investment in Subsidiary Company

In accordance to Note 10 of the Financial Statements, investment in seven (7) subsidiary companies in 2019 amounted to RM5.108 billion. This amount includes investment in Boustead Holdings Berhad of RM2.551 billion and Boustead Naval Shipyards Sdn Bhd of RM33.62 million. As at 31 December 2019, the market value of Boustead Holdings Berhad was RM1.144 billion and a negative net tangible asset of RM64.87 million for Boustead Naval Shipyards Sdn Bhd respectively. However, in accordance to Malaysian Financial Reporting Standard (MFRS) 136 Impairment of Assets, Lembaga Tabung Angkatan Tentera did not provide impairment for Boustead Holdings Berhad amounted to RM1.407 billion and Boustead Naval Shipyards Sdn Bhd amounted to RM31.81 million. This has resulted the current year profit and investment in subsidiaries overstated by RM1.439 billion.

### Independence and Other Ethical Responsibilities

I am independent of the Group and of the Lembaga Tabung Angkatan Tentera and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

### Information Other than the Financial Statements and Auditor's Certificate Thereon

The Board of Lembaga Tabung Angkatan Tentera is responsible for the other information in the Annual Report. My opinion on the financial statements of the Lembaga Tabung Angkatan Tentera and of the Group does not cover the information other than the financial statements and Auditor's Certificate thereon and I do not express any form of assurance conclusion thereon.

### Responsibilities of the Board for the Financial Statements

The Board is responsible for the preparation of financial statements of the Lembaga Tabung Angkatan Tentera and of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards (MFRS) and Tabung Angkatan Tentera Act 1973 (Act 101). The Board is also responsible for such internal control as it is necessary to enable the preparation of the financial statements of Lembaga Tabung Angkatan Tentera and of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Lembaga Tabung Angkatan Tentera and of the Group, the Board is responsible for assessing the Lembaga Tabung Angkatan Tentera and of the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

#### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements of the Lembaga Tabung Angkatan Tentera and of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. Identify and assess the risks of material misstatement of the financial statements of Lembaga Tabung Angkatan Tentera and of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit 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 Lembaga Tabung Angkatan Tentera and of the Group's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- d. Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Lembaga Tabung Angkatan Tentera or the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I have to draw attention in my auditor's report to the related disclosures in the financial statements of the Lembaga Tabung Angkatan Tentera and of the Group's or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of Auditor's Certificate.

- e. Evaluate the overall presentation of the financial statements of the Lembaga Tabung Angkatan Tentera and of the Group including the disclosures that achieve fair presentation.
- f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of Tabung Angkatan Tentera Act 1973 (Act 101), I also report:

- a. The subsidiaries of which I have not acted as auditors, are disclosed in Note 10 to the financial statements.
- b. In my opinion, the accounting and other records required by the Act to be kept by the Lembaga Tabung Angkatan Tentera have been properly kept in accordance with the provisions of the Act.
- c. Investment by the Lembaga Tabung Angkatan Tentera

According to Section 15 (1) (a) of Act 101, Lembaga Tabung Angkatan Tentera may invest not less than 70% in authorised investments or under the Trustee Act 1949. However, Lembaga Tabung Angkatan Tentera have only made total investments of RM2.944 billion or 31% which is less than 39% of the set limit.

Section 15 (1) (b) of Act 101 permits Lembaga Tabung Angkatan Tentera to invest not more than 30% in equity investment whether it is not listed or listed on a stock exchange established in Malaysia. However, Lembaga Tabung Angkatan Tentera have made a total investment worth of RM6.499 billion or 69% which is more than 39% of the set limit.

### **Other Matters**

- a. I would like to draw attention of the followings :
  - On 18 May 2020, Lembaga Tabung Angkatan Tentera declared dividend for the year 2019 at 2.5% equivalent to RM220.88 million. However, Actuary's Dividend

Payment Proposal Report 2019 indicated 2.5% dividend payment would undermine the ability of Lembaga Tabung Angkatan Tentera to pay its liabilities. To realise the dividend payment, the Government has approved Lembaga Tabung Angkatan Tentera to exclude the remaining dividend payment for Government contribution of RM178.38 million to Kumpulan Wang Amanah Persaraan (KWAP). This exemption resulted in the increased of accumulated profit of RM92.80 million to RM271.18 million in 2019. This profit was not derived from the principal activities of Lembaga Tabung Angkatan Tentera.

- ii. In accordance to Malaysian Financial Reporting Standards (MFRS) 137 Provisions, Contingent Liabilities and Contingent Assets, total contributions made by the Malaysian Armed Forces which has been classified as equity meets the recognition criteria as a liability. Lembaga Tabung Angkatan Tentera has a legal obligation to repay the Malaysian Armed Forces' contributions with dividend altogether upon withdrawal as required by Section 9 and 10 of Act 101. Cash outflows are measured reliably as withdrawals expected to be made when it fulfils the requirements of Section 12 of Act 101. Lembaga Tabung Angkatan Tentera needs to make a provision in order to reimburse the contribution with dividends for the said purpose.
- iii. The Scheme and Term of Service embedded in Lembaga Tabung Angkatan Tentera includes a Cash Award in lieu of Accumulated Leave. Nevertheless, the accounting policy of Lembaga Tabung Angkatan Tentera's employee benefit did not take into account of the Cash Award in lieu of Accumulated Leave pursuant to Malaysian Financial Reporting Standards (MFRS) 119 Employee Benefit.
- b. This certificate is made solely for Members of the Board in accordance with Tabung Angkatan Tentera Act 1973 (Act 101) and for no other purpose. I do not assume responsibility to any other person for the content of this report.

(DATUK NIK AZMAN NIK ABDUL MAJID) AUDITOR GENERAL MALAYSIA

PUTRAJAYA 21 JANUARY 2021



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### LEMBAGA TABUNG ANGKATAN TENTERA Established Under Tabung Angkatan Tentera Act 1973 (Act 101)

### STATEMENT OF THE CHAIRMAN AND A BOARD MEMBER

We, Gen. Dato' Seri Diraja Tan Sri (Dr.) Mohd Zahidi Bin Hj Zainuddin (Retired) and Lt. Gen. Dato' Hasagaya Bin Abdullah being the Chairman and a Board Member of the Lembaga Tabung Angkatan Tentera, do hereby state that, in the opinion of the Board, the accompanying Financial Statements comprising of the Statements of Financial Position, Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows and Notes to the Financial Statements are drawn up so as to give a true and fair view of the state of affairs of Lembaga Tabung Angkatan Tentera and the Group as at 31 December 2019 and of the results and the cash flows for the year ended on that date.

On Behalf of the Board,

On Behalf of the Board,

GEN. DATO' SERI DIRAJA TANSRI (DR.) MOHD ZAHIDI BIN HJ ZAINUDDIN (Retired)

### CHAIRMAN

DATE: 17 SEP 2020 KUALA LUMPUR

gazomelal

T. GEN. DATO' HASAGAYA BIN ABDULLAH

### **BOARD MEMBER**

DATE: 17 SEP 2020 KUALA LUMPUR

### LEMBAGA TABUNG ANGKATAN TENTERA Established Under Tabung Angkatan Tentera Act 1973 (Act 101)

### STATUTORY DECLARATION BY PRINCIPAL OFFICER RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF LEMBAGA TABUNG ANGKATAN TENTERA

I, Nik Amlizan Mohamed, being the principal officer primarily responsible for the financial management and accounting records of Lembaga Tabung Angkatan Tentera, do sincerely declare that the Statements Of Financial Position, Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes In Equity, Statements of Cash Flows and Notes to the Financial Statements are in my opinion 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 above named in Kuala Lumpur on 17 SEP 2020

NIK AMLIZAN MOHAMED

Before me

HJAYA W 678 KAPT (B) AFFANDI **BIN AHMAD** JAN 2019 - 31 DIS 2021 No. 86, Jalan utra 50350 Kuala Lumpur



## **CERTIFICATE OF APPROVAL**

This is to certify that the Quality Management System of:

# Lembaga Tabung Angkatan Tentera Tingkat 12, Bangunan LTAT Jalan Bukit Bintang 50748 Kuala Lumpur Malaysia

has been approved by Lloyd's Register Quality Assurance to the following Quality Management System Standards:

## ISO 9001:2015 EN ISO 9001:2015 BS EN ISO 9001:2015 MS ISO 9001:2015

The Quality Management System is applicable to:

## Management of contribution fund for members of the Malaysian armed forces.

Approval Certificate No: KLR 0403648 Original Approval: 05 April 2002

Current Certificate: 11 April 2017

Certificate Expiry: 04 April 2020

Schanes

Issued by: Lloyd's Register of Shipping (M) Bhd for and on behalf of Lloyd's Register Quality Assurance Ltd.



Lloyd's Register of Shipping (M) Bhd (111008-K), Level 28, Tower A, Naza Tower Platinum Park, No. 10, 50088 Persiaran KLCC, Kuala Lumpur, Malaysia For and on behalf of Lloyd's Register Quality Assurance Ltd., 1 Trinity Park, Bickenhill Lane, Birmingham, B37 7ES, United Kingdom

toyd's Register Group Limited, its affiliates and subsidiaries, including Lloyd's Register Quality Assurance Limited (LRQA), and their respective officers, employees or agents are, individually and collectively, referred to in this clause v1 Lloyd's Register'. Lloyd's Register assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless and person has as gined a contract; with the relevant Lloyd's Register entity for the provision of this information or advice and in that cause any responsibility or infailing is exclusively and collicions et our in that contract



# **Certificate of Approval**

This is to certify that:

# Lembaga Tabung Angkatan Tentera (LTAT)

9-12 Floor, Bangunan LTAT, Jalan Bukit Bintang, 50748 Kuala Lumpur, Malaysia

has been approved to the following standards:

ISO/IEC 20000-1:2011

Basem Obaid - Global Head of Training and Improvement Services Issued by: Lloyd's Register of Shipping (M) Bhd for and on behalf of: Lloyd's Register Quality Assurance Limited

> Original approval date: 16 October 2009 Certificate number: 10159040 Approval number(s): 0049759

Current issue date: 11 December 2018 Expiry date: 10 December 2021

The scope of this approval is applicable to:

The IT service management system that supports the provision of IT services to LTAT's internal customers.



tes and subsidiaries, including Loyd's Register Quality Assurance Limited (LRQA), and their respective officers, employees or agents are, individually and collectively, referred to in this cla es no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howevery provided, unless that egister Group Lin Joyd's Register entity for the provision of this information or advice and in that case any responsibility (M) Bhd, Level 28, Tower A, Naza Tower Platinum Park, No. 10, 50088 Persiaran KLCC, Kuala Lui or liability is exclusively on the terms and conditions set out in that contract. npur, Malaysia for and on behalf of: Lloyd's Register Quality Assurance Limited, 1 Trinity Park, Page 1 of 1

THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

SIRIM QAS International Sdn. Bhd. has issued an IQNet recognized certificate that the organization:

### LEMBAGA TABUNG ANGKATAN TENTERA

TINGKAT 12, BANGUNAN LTAT JALAN BUKIT BINTANG 50748 KUALA LUMPUR WILAYAH PERSEKUTUAN MALAYSIA

has implemented and maintains an

### INFORMATION SECURITY MANAGEMENT SYSTEM

for the following scope:

INFORMATION SECURITY MANAGEMENT SYSTEM FOR THE MANAGEMENT OF MEMBERS' CONTRIBUTIONS USING THE SCAB SYSTEM.

THIS IS IN ACCORDANCE TO STATEMENT OF APPLICABILITY: ISSUE 05 (17 APRIL 2018)

which fulfils the requirements of the following standard:

### ISO/IEC 27001:2013

Issued on : 04 June 2018

First issued on : 02 July 2015

Expires on : 01 July 2021

This attestation is directly linked to the IQNet Partner's original certificate and shall not be used as a stand-alone document

Registration Number : MY - ISMS 00250

Alex Stoichitoiu President of IQNet

Mohd Azanuddin Salleh Managing Director SIRIM QAS International Sdn Bhd



IQNet Partners\*: AENOR Spain AFNOR Certification France APCER Portugal CCC Cyprus CISQ Italy CQC China CQM China CQS Czech Republic Cro Cert Croatia DQS Holding GmbH Germany FCAV Brazil FONDONORMA Venezuela ICONTEC Colombia Inspecta Sertificinti Oy Finland INTECO Costa Rica IRAM Argentina JQA Japan KFQ Korea MIRTEC Greece MSZT Hungary Nemko AS Norway NSAI Ireland NYCE-SIGE Mexico PCBC Poland Quality Austria Austria RR Russia SII Israel SIQ Slovenia SIRIM QAS International Malaysia SQS Switzerland SRAC Romania TEST St Petersburg Russia TSE Turkey YUQS Serbia IQNet is represented in the USA by: AFNOR Certification, CISQ, DQS Holding GmbH and NSAI Inc.

\*\* The list of IONet partners is valid at the time of issue of this certificate. Undated information is available under www.ionet-certification.com



# **GROUP FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

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# <sup>294</sup> LEMBAGA TABUNG ANGKATAN TENTERA

ESTABLISHED UNDER TABUNG ANGKATAN TENTERA ACT 1973 (ACT 101)

# **STATEMENTS OF FINANCIAL POSITION**

As At 31 December 2019

			GROUP		LT	AT
		31 December 2019	31 December 2018 Restated	1 January 2018 Restated	31 December 2019	31 December 2018
N	lote	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Non-Current Assets						
Associated companies Investment in joint ventures Investment at fair value through other comprehensive income Available for sale securities Investment at fair value through profit or loss Held to maturity securities Investment at amortised cost	3 4 5 6 7 8 9 10 11 12 13 14 15 16	5,733,663 847,062 2,462,721 2,415,974 - 321,225 - 1,606,980 547,673 13,626,144 - - - 145,066 120,625	7,718,673 748,734 - 2,106,093 49,567 207,107 1,908,091 - 1,546,690 537,661 16,457,479 - - - 163,027 189,149	7,438,060 614,513 - 2,084,386 51,707 2,641,113 - 1,473,812 522,234 - 16,193,799 - 128,639 - 85,278	76,825 - 986 453,100 - - 5,107,940 201,698 - 1,016,522 - 150,045 - 287,989	78,694 - 453,472 - 5,093,506 209,958 - 974,436 - 150,225 - 519,285
	17	386,583	574,268	246,213	61,892	127,875
Total Non-Current Assets		28,213,716	32,206,539	31,681,541	7,356,997	7,607,451
Contract assets and contract cost	4 18	2,418,105 22,230	2,409,957 15,662	1,688,578 22,951	1,446,191 -	1,358,980 -
Investment at fair value through	19 14	940,055 815,977	1,103,265 768,065 42,733	1,337,933 - 32,198	- 122,430	- 130,188 -
Held for trading securities Loans and receivables Derivative assets Deposits Cash and bank balances	17 20 21 22 23	- 47,358,319 164,868 1,936,940 5,706,923 92,949	42,733 50,543,638 88,805 2,057,213 7,114,909 330,285	297,687 49,083,188 173,125 2,277,217 4,838,522 14,008	- - 116,537 - 576,213 30,336 -	- 151,748 - 117,057 15,140
Total Current Assets		59,456,366	64,474,532	59,765,407	2,291,707	1,773,113
TOTAL ASSETS		87,670,082	96,681,071	91,446,948	9,648,704	9,380,564

The accompanying notes form an integral part of these financial statements.

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# STATEMENTS OF FINANCIAL POSITION (continued)

As At 31 December 2019

			GROUP		LT	AT
		31 December 2019	31 December 2018 Restated	1 January 2018 Restated	31 December 2019	31 December 2018
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES						
Members' contribution account Funds	24 25	9,071,124 2,441	8,822,585 2,796	8,787,262 2,819	9,071,124	8,822,585
Reserves (Accumulated losses)/Retained earnings	26	932,847 (454,680)	1,016,049 (74,673)	1,072,965 866,598	12,115 63,475	6,492 38,712
caningo		9,551,732	9,766,757	10,729,644	9,146,714	8,867,789
Non-controlling interests Perpetual Sukuk	27	7,020,592 463,545	7,343,759 1,062,526	7,652,037 1,062,277	-	-
Total Equity		17,035,869	18,173,042	19,443,958	9,146,714	8,867,789
Non-Current Liabilities						
Employee benefits liability Borrowings Payables	28 29 30	106,141 7,130,062 106,080	94,385 5,661,605 122,683	75,718 3,550,159 50,364	71,181 - 61,389	67,578 - 71,358
Veteran Annuity Scheme (SAVe) Deferred tax liabilities Lease liabilities	16 31	428,897 30,987	977 435,501	425,750	- 4,621 -	977 4,621
<b>Total Non-Current Liabilities</b>		7,802,167	6,315,151	4,101,991	137,191	144,534
Current Liabilities						
Provision on Unit Trust Benefits Employee benefits liability Borrowings Contract liabilities Payables Veteran Annuity Scheme (SAVe)	28 29 19 30	2,103 56,906,653 60,989 5,542,419	- 67,063,234 111,151 4,880,136 20	188,422 - 62,310,658 201,576 4,893,952	- - - 363,790	- - - 368,221 20
Derivative liabilities Lease liabilities Taxation	20 31	189,924 83,998 45,960	114,951 - 23,386	265,720 - 40,671	- - 1,009 -	
Total Current Liabilities		62,832,046	72,192,878	67,900,999	364,799	368,241
Total Liabilities		70,634,213	78,508,029	72,002,990	501,990	512,775
TOTAL EQUITY AND LIABILITIES		87,670,082	96,681,071	91,446,948	9,648,704	9,380,564

The accompanying notes form an integral part of these financial statements.

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# <sup>296</sup> STATEMENTS OF PROFIT OR LOSS AND OTHER **COMPREHENSIVE INCOME**

For The Year Ended 31 December 2019

		GRC	OUP	LT	AT
		2019	2018 Destated	2019	2018
N	ote	RM'000	Restated RM'000	RM'000	RM'000
	32 33	14,416,639 831,516	13,221,752 386,085	195,242 (7)	422,766 1,136
Total income for the year		15,248,155	13,607,837	195,235	423,902
Interest expense - banking institution Net fair value (loss)/gain on investment at fair value	2.4	(1,487,914)	(1,494,861)	-	-
Impairment losses and expected credit loss	34 35	(19,807) (74,296)	1,007 (127,747)	(4,692) (19,230)	(32,083) (82,874)
Impairment on property, plant and equipment, biological assets and investment properties Impairment of Goodwill Accelerated on amortisation of intangible assets Changes in inventories of finished goods and		(279,901) (1,511,270) (247,322)	(123,575) (106,200) -	(372) - -	- -
work in progress Finished goods and work in progress purchases Raw material and consumables used Veterans Socio-Economic Development		8,948 (6,794,281) (1,701,575)	(505) (6,704,034) (1,849,318)	- -	- -
Programme (PPSEV) Staff costs Operating costs Depreciation and amortisation		(1,728) (1,687,169) (1,290,002) (459,450)	(3,757) (1,415,376) (1,086,701) (490,241)	- (41,553) (33,497) (3,089)	- (41,092) (35,518) (3,211)
Operating (loss)/profit		(297,612)	206,529	92,802	229,124
Finance costs Share of profit after tax of associated companies Share of profit/(loss) of investment in joint ventures	-	(357,276) 88,632 41	(203,133) 91,262 (40,157)	- - -	- -
(Loss)/Profit before taxation and zakat		(566,215)	54,501	92,802	229,124
Taxation and zakat 3	36	(241,866)	(223,594)	-	(8,089)
Net (loss)/Profit for the year		(808,081)	(169,093)	92,802	221,035

The accompanying notes form an integral part of these financial statements.

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# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For The Year Ended 31 December 2019

		GRO	OUP	LT	AT
		2019	2018 Restated	2019	2018 Restated
	Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income					
Items that may be reclassified to profit or loss Share of other comprehensive income/(loss) of an associated companies		11,171	(2,402)	-	-
Share of other comprehensive income of investment in joint ventures Foreign currency translation Deferred tax on revaluation of investment at fair value		2,422 812	555 (1,884)	-	-
through other comprehensive income Net change in cashflow hedge		(38,866) 17	37,637 (17)	-	-
		(24,444)	33,889	-	-
Items that will not be reclassified to profit or loss Net income/(loss) on investment at fair value through other comprehensive income - Fair value changes		149,654	(117,436)	(13,493)	(146,905)
Other comprehensive income/(loss) for the year		125,210	(83,547)	(13,493)	(146,905)
Total comprehensive (loss)/income for the year		(682,871)	(252,640)	79,309	74,130
Attributable to: Group/LTAT Non-controlling interests Holders of Perpetual Sukuk		(433,139) (454,387) 79,445	(116,386) (126,630) 73,923	92,802 - -	221,035 - -
(Loss)/Profit for the year		(808,081)	(169,093)	92,802	221,035
Attributable to: Group/LTAT Non-controlling interests Holders of Perpetual Sukuk		(380,841) (381,475) 79,445	(232,612) (93,951) 73,923	79,309 - -	74,130 - -
Total comprehensive (loss)/income for the year		(682,871)	(252,640)	79,309	74,130

The accompanying notes form an integral part of these financial statements.

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For The Year Ended 31 December 2019

8,822,585 2,796 8,822,585 2,796 8,822,585 2,796 8,822,585 2,796        -	Members' Contribution Funds Account (note 25) RM'000 RM'000	Reserves Acc (note 26)   RM'000	Accumulated Losses RM'000	Total RM'000	Non- Controlling Interests RM'000	Perpetual Sukuk (note 27) RM'000	Total Equity RM'000
uary, as restated     8,822,585     2,796       ear     -     -     -       ear     -     -     -       sive loss for the year     -     -     -       sive loss for the year     -     -     -       ed profit on derecognition     -     -     -       ed profit on derecognition     -     -     -       fair value other comprehensive     -     -     -       reship interest in subsidiary     -     -     -       retained profits     -     -     -       ontributions/dividends     37     923,902     -       of the year     -     -     -     -		1,016,049 -	157,815 (232,488) (11,208)	9,999,245 (232,488) (11 208)	7,503,491 (159,732) (8,460)	1,062,526	18,565,262 (392,220) (19,668)
sive loss for the year		1,016,049 - 52 298	(85,881) (433,139)	9,755,549 (433,139) 52,298	72,999 7,335,299 (454,387) 72,912	1,062,526 79,445 -	(153,374 (808,081) (125,210
ed profit on derecognition fair value other comprehensive rship interest in subsidiary rratined profits ant account ontributions/dividends e for the year of the year of the year of the year vals during the year vals during the year of the year (25,304) of the year (25,304) of the year (25,304) of the year (397) of the year (25,304) of the year (397) of the year (25,304) of the year (397) of the year (25,304) of the year (25,3		52,298	(433,139)	(380,841)	(381,475)	79,445	(682,871)
rship interest in subsidiary		16,101	(16,101)				
Payment to death and disablement benefit scheme       -       -       -         Perpetual Sukuk       -       -       -       -         - Distribution       -       -       -       -         - Redemption       -       -       -       -       -         - Redemption       -       -       -       -       -       -         Dividend paid to non-controlling interests by subsidiary companies       -       -       -       -       -         Balance at 31 December       9,071,124       2,441       9       9       -       -	· 33 · 34 · 34 · 35 · 34 · 35 · 35 · 35 · 35 · 35 · 35 · 35 · 35	(32,715) (118,886) - - - - - - - - - - - - - -	10,478 118,886 178,381 (220,879) (220,879) (220,879) (6,425)	(22,237) (4,587) (5,036) 923,902 (682,934) (25,304) (25,304) (25,304) (25,304) (25,304) (6,425) (6,425)	140,640 	(85,426) (593,000) (593,545	118,403 (4,587) (5,036) 923,902 (5,036) 923,902 (682,934) (25,304) (25,304) (25,304) (397) (397) (397) (6,425) (6,425) (593,000) (593,000) (73,872) (73,872)

The accompanying notes form an integral part of these financial statements.

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STATEMENTS OF CHANGES IN EQUITY (continued) For The Year Ended 31 December 2019

GROUP	Note	Members' Contribution Account RM'000	Funds (note 25) RM'000	Reserves (note 26) RM'000	Accumulated Losses RM'000	Total RM'000	Non- Controlling Interests RM'000	Perpetual Sukuk (note 27) RM'000	Total Equity RM'000
2018				0 1 7 7		C L T T	1 0 1 1 1 1	000 7	1000
Balance at 1 January, as previously stated		8,787,262	3,984	1,147,378	1,176,544	11,115,168	7,733,351	1,062,277	19,910,796
Prior year adjustment Effect on adoption MFRS 1 Effect on adoption MFRS 9 Effect on adoption MFRS 15 Effect on adoption MFRS 116 & 141	1		(1,165) - - -	- (57,500) (105,567) -	(635,080) 35,420 (2,213) (603) 190,609	(636,245) (22,080) (107,780) (603) 190,609	(134,181) - - 47,639		(770,426) (22,080) (107,780) (603) 238,248
Balance at 1 January, as restated		8,787,262	2,819	984,311	764,677	10,539,069	7,646,809	1,062,277	19,248,155
Net loss for the year Prior year adjustment Other comprehensive loss for the year	I			- - (116,226)	(78,664) (37,722) -	(78,664) (37,722) (116,226)	(101,079) (25,551) 32,679	73,923 - -	(105,820) (63,273) (83,547)
Total comprehensive loss for the year		ı	ı	(116,226)	(116,386)	(232,612)	(93,951)	73,923	(252,640)
Transfer to retained profit on derecognition investments at fair value other comprehensive income	I			(43,803)	43,803				
Changes in ownership interest in subsidiary companies Transfer (to)/from retained profits Transfer to dormant account Adjusten to dormant account Contributions received during the year Dividends at 2% for the year Withdrawals during the year Mithdrawals during the year Housing withdrawals during the year Amortisation of Training Assets Fund Deferred income Payment to death and disablement benefit scheme Perpetual Sukuk - Distribution Dividend paid to non-controlling interests by subsidiary companies Balance at 31 December	32	(5,702) (228,545) 883,765 161,180 (752,431) (22,944) (22,944) 8,822,585	(41) (41) 376 376 2,796	(36,543) 228,310 	(598,950) (228,269) - 228,448 - (161,180) (6,816) (6,816) 	(635,493) (5,702) (97) 883,765 (97) 883,765 (752,431) (22,944) (358) 376 (6,816) (6,816)	(2,743) 	(73,674) 1,062,526	(638,236) (5,702) (97) 883,765 (752,431) (22,944) (22,944) (358) (6,816) (6,816) (73,674) (73,674) (206,356)

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The accompanying notes form an integral part of these financial statements.

# <sup>300</sup> STATEMENTS OF CHANGES IN EQUITY (continued)

For The Year Ended 31 December 2019

LTAT	Note	Members' Contribution Account RM'000	Reserves (Nota 26) RM'000	Retained Earnings RM'000	Total RM'000
2019					
Balance at 1 January		8,822,585	6,492	38,712	8,867,789
Net profit for the year Other comprehensive loss for the year		-	- (13,493)	92,802	92,802 (13,493)
Total comprehensive income for the year		-	(13,493)	92,802	79,309
Transfer to retained profit on derecognition investment at fair value other comprehensive income		-	14,146	(14,146)	-
Transfer to dormant account Transfer from retained profits Adjustments on contributions/dividends Contributions received during the year Dividends at 2.5% for the year Withdrawals during the year Housing withdrawals during the year Payment to death and disablement benefit scheme	37	(4,587) - (183,417) 923,902 220,879 (682,934) (25,304)	4,970 - - - - - -	(4,970) 178,381 (220,879) - (6,425)	(4,587) - (5,036) 923,902 - (682,934) (25,304) (6,425)
Balance at 31 December		9,071,124	12,115	63,475	9,146,714

The accompanying notes form an integral part of these financial statements.

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# STATEMENTS OF CHANGES IN EQUITY (continued)

For The Year Ended 31 December 2019

LTAT	Nota	Members' Contribution Account RM'000	Reserves (Nota 26) RM'000	Retained Earnings RM'000	Total RM'000
2018					
Balance at 1 January, as previously stated		8,787,262	230,819	259,998	9,278,079
Prior year adjustment Effect on adoption MFRS 1 Effect on adoption MFRS 9		- -	- (32,704) -	(441,479) 10,676 (116,688)	(441,479) (22,028) (116,688)
Balance at 1 January, as restated		8,787,262	198,115	(287,493)	8,697,884
Net profit for the year Other comprehensive loss for the year		-	- (146,905)	221,035	221,035 (146,905)
Total comprehensive income for the year		-	(146,905)	221,035	74,130
Transfer to retained profit on derecognition investment at fair value other comprehensive income		-	(45,425)	45,425	-
Transfer to dormant account Transfer from retained profits Adjustments on contributions/dividends Contributions received during the year Dividends at 2% for the year Withdrawals during the year Housing withdrawals during the year Payment to death and disablement benefit scheme	37	(5,702) (228,545) 883,765 161,180 (752,431) (22,944)	707 - - - - -	(707) 228,448 (161,180) - - (6,816)	(5,702) - (97) 883,765 - (752,431) (22,944) (6,816)
Balance at 31 December		8,822,585	6,492	38,712	8,867,789

The accompanying notes form an integral part of these financial statements.

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# <sup>302</sup> STATEMENTS OF CASH FLOWS

For The Year Ended 31 December 2019

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flow From Operating Activities				
Cash receipts from other incomes	940,236	730,823	-	130
Cash receipts from grant on behalf corporation Cash receipts from customers Cash received from government to PPHM for the	- 10,712,351	- 13,591,129	7,000 8,708	- 16,858
development of Government Quarters Compensation received from government on behalf	2,978	595	2,978	595
subsidiary companies	668,929	-	668,929	-
Rental received	42	39	843	826
Deposit received from disposal of properties Recoveries on loans previously written off	49,759 35,184	1,360 30,708	49,759	1,360
Cash payments to employees and suppliers	(10,547,198)	(11,660,398)	(78,210)	(99,861)
(Advance paid to)/ Received from PPHM	-	-	(65,784)	112,000
Repayments of staff loans fund	373	297	-	-
Payment for Veterans Socio-Economic Development Programme (PPSEV)	(987)	(2,147)	-	-
(Increase)/Decrease in operating assets:				
Loan, advances and financing	2,918,577	(2,839,819)	-	-
Investment at fair value through profit or loss	(8,869)	(560,962)	-	-
Trade receivables Other receivables	(164,477) 6,404	202,231 (559,328)	-	-
	0,101	(000,020)		
Decrease/(Increase) in operating liabilities:				
Deposits from customers	(6,467,588)	5,448,188	-	-
Deposits and placements of bank and other financial				
institutions Obligation on securities sold under repurchase	(2,671,768)	(1,078,744)	-	-
agreements	(142,477)	(762,580)	-	-
Bills and acceptance payables	318	(106,467)	-	-
Other liabilities	252,265	232,754	-	-
Trade payables	186,589	(114,275)	-	-
Cash (used in)/generated from operating activities	(4,229,359)	2,553,404	594,223	31,908

The accompanying notes form an integral part of these financial statements.

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# STATEMENTS OF CASH FLOWS (continued)

For The Year Ended 31 December 2019

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flow From Operating Activities (continued)				
Interest payments Taxation paid Payment for unit trust benefits Advances received/(payment) for Bantuan Bakti Negara (BBN) Advances payment for Veteran Annuity Scheme (SAVe) Payment to death and disablement benefits scheme Payment of grant to PERHEBAT Employee benefits paid Payment of compensation from government to subsidiary company Payment from government to PPHM for the development of Government Quarters Loan payment of Micro Entrepreneur Loan Scheme for PPP-SPM-UV-ATM Repayment of Micro Entrepreneur Loan Scheme for MAF Veterans Zakat paid	(1,289,612) (240,860) - 51,988 (1,014) (6,425) - (3,243) - - - 4,517	(1,323,685) (278,191) (188,422) (10,320) (39) (6,816) - (3,700) - - (3,657) 6,035 (575)	- 51,988 (1,014) (6,425) (7,000) (3,243) (555,000) - -	- (188,422) (10,320) (39) (6,816) - (3,700) - (595) - - (595)
Net cash (used in)/from operating activities	(5,714,008)	744,034	73,529	(178,559)
Cash Flow From Investing Activities Property, plant and equipment - Purchase - Disposal Development properties	(465,159) 13,604	(1,120,878) 57,214	(979)	(345) 47
<ul> <li>Purchase</li> <li>Disposal</li> <li>Right-of-use assets</li> <li>Purchase</li> <li>Disposal</li> <li>Intangible assets</li> <li>Purchase</li> <li>Disposal</li> </ul>	(230,100) - (321,979) 500 (47,816)	(340,800) 129,162 - (51,938) 16	- (285) -	- 129,162 - - -
Investment properties - Purchase - Disposal	(3,940) -	(54,339) 9,700	(1,404)	(9,003)

The accompanying notes form an integral part of these financial statements.

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# <sup>304</sup> STATEMENTS OF CASH FLOWS (continued)

For The Year Ended 31 December 2019

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flow From Investing Activities (continued)				
Acquisition of joint ventures	(15,300)	(11,700)	-	-
Additional investment in subsidiariy companies	-	(158,999)	-	(60,167)
Purchase of shares in associated companies	(3,135)	(366,900)	-	-
Purchase of investment at fair value through other		· · · · ·		
comprehensive income	(92,549)	(141,943)	(92,549)	(141,943)
Investment at fair value through profit or loss	14,796	7,664	25,071	16,814
Property development in progress	(201,959)	(360,383)	(201,959)	(360,383)
Interest and profit received	528,060	426,880	24,740	3,588
Disposal of assets held for sale	133,500	-	-	-
Refund of deposit	16,300	-	-	-
Deposit received on disposal of plantation land	-	13,600	-	-
Disposal of foreclosed properties	9,837	307	-	-
Disposal of subsidiary companies	7,258	-	7,258	-
Disposal of investment at fair value through other				
comprehensive income	52,361	768,864	43,861	378,295
Net disposal/(purchase) of investment at fair value				
through other comprehensive income	3,277,511	(36,034)	-	-
Dividend received from subsidiary companies	-	-	70,668	137,159
Dividend received from associated companies	23,745	23,996	23,745	23,996
Dividend and other income received from investment at fair value				
through other comprehensive income	49,736	32,742	30,890	29,514
Dividend received from investment at fair value through				
profit or loss	8,022	4,815	-	-
Net decrease in amount due from associate	26,528	78,566	-	-
Other income from associated companies	147	333	147	632
Net disposal/(purchase) of investment at amortise cost	14,444	(34,388)	-	-
Net cash inflow from group reorganisation	-	659,866	-	-
Capital repayment from investment at amortise cost	-	-	269,655	3,000
Rental received from investment properties	32,432	31,032	33,379	31,919
Refund of tax credit from Inland Revenue Board	23,922	-	23,922	-
Deposit pledged	3,192	(13,244)	-	-
Net cash from/(used in) investing activities	2,853,958	(446,789)	256,160	182,285

The accompanying notes form an integral part of these financial statements.

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# STATEMENTS OF CASH FLOWS (continued)

For The Year Ended 31 December 2019

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flow From Financing Activities Members' contribution received	924,205	884,089	924,205	884,089
Members' withdrawals Net (decrease)/increase from others loan Interest paid Issued of shares Perpetual Sukuk	(779,542) (287,648) (617,508) 134,794	(909,191) 2,305,405 (404,865) 17,315	(779,542)	(909,191)
- Redemption - Distribution Dividend paid to equity holder Dividend paid to non-controlling interests Proceeds from long term loans Repayment of long term loans	(593,000) (75,125) (7,127) (84,783) 1,375,400 (366,705)	- (64,550) - (158,041) 1,055,800 (1,082,514)		- - - -
Government grants - Managing funds Proceeds from investment in joint ventures Lease payments	28,000 146,500 (47,288)	28,500 - -	- - -	- -
Net cash (used in)/from financing activities	(249,827)	1,671,948	144,663	(25,102)
Net (Decrease)/Increase in cash and cash equivalents	(3,109,877)	1,969,193	474,352	(21,376)
Effects of exchange rate changes	12,000	70,614	-	-
Cash and cash equivalents at 1 January	9,112,850	7,073,043	132,197	153,573
Cash and cash equivalents at 31 December	6,014,973	9,112,850	606,549	132,197
Cash and cash equivalents Deposit, cash and bank balances	6,061,603	9,172,122	606,549	132,197
Overdrafts Cash and cash equivalents at 31 December	(46,630) 6,014,973	(59,272) 9,112,850	606,549	- 132,197

The accompanying notes form an integral part of these financial statements.

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# <sup>306</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 1. BACKGROUND AND PRINCIPAL ACTIVITIES

Lembaga Tabung Angkatan Tentera, better known as LTAT was established in August 1972 by an Act of Parliament. The registered office is located at 12th floor, Bangunan LTAT, Jalan Bukit Bintang, Post Office Box 11542, 50748 Kuala Lumpur.

The principal activities of Lembaga Tabung Angkatan Tentera (LTAT) as stipulated in the Tabung Angkatan Tentera 1973 (Act 101) are to manage and invest the members' contribution funds represents the compulsory contributions of officers and other ranks, Malaysian Armed Forces as well as voluntary contributions of mobilised members of volunteer forces. These activities involved the process of collection, management and investment of the contribution funds in inventories (note 4), investment properties (note 6), subsidiary companies (note 10), associated companies (note 11), investment at fair value through profit or loss (note 14), investment at amortised cost (note 15), derivative assets (note 20) and deposits (note 21).

LTAT also undertakes to offer retraining for the retiring or retired personnel of the armed forces.

The financial statements of the Group and LTAT are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) unless otherwise stated.

The audited financial statements for the year ended 31 December 2019 have been presented and approved by the Board for issue dated 17 September 2020.

### 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

### (a) Statement of Compliance

The financial statements of the Group and LTAT have been prepared in accordance with Malaysian Financial Reporting Standard (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Lembaga Tabung Angkatan Tentera 1973 (Act 101).

### (b) Basis of Measurement

The financial statements of the Group and LTAT have been prepared under the cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period as disclosed in the accounting policies below.

### (c) Significant Accounting Estimates and Judgements

The preparation of the Group and LTAT financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as below:

### (i) Impairment of Intangible Assets

The Group and LTAT assesses whether there are any indicators of impairment of intangible assets at each reporting date. Intangible assets (goodwill and intangible assets with indefinite useful lives) are tested for impairment annually and at any other time when such indicators exist. Intangible assets with definite useful life are tested for impairment when there are indicators that their carrying values may exceed the recoverable amounts. When value in use (VIU) calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit (CGU) and chooses a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of Preparation (continued)

### (c) Significant Accounting Estimates and Judgements (continued)

### (i) Impairment of Intangible Assets (continued)

While the Group and LTAT believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment losses.

# (ii) Impairment of Property, Plant and Equipment, Right-of-Use Assets and Investment in Subsidiaries and Joint Ventures

The Group and LTAT reviews the carrying amounts of the above non-financial asset at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the Group and LTAT shall estimate the recoverable amount of CGU or group of CGU. The recoverable amount is measured at the higher of fair value less costs of disposal (FVLCD) or Value in Use (VIU).

Where assessment of the recoverable amount of CGU or groups of CGU is determined on the basis of FVLCD, the Group and LTAT had amongst others, based the FVLCD on valuations by independent professional valuers which were derived from comparisons with recent transactions involving other similar assets and where applicable, the age, size and title tenure.

Determining the VIU of CGU or groups of CGU require the estimation of future cash flows expected to be derived from continuing use of the assets and from the ultimate disposal of such assets. In estimating the VIU, the 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 risk specific to the asset.

The estimation of the recoverable amounts involves significant judgement and estimations. While the Group and LTAT believe that the assumptions are appropriate and reasonable, changes in the assumptions may materially affect the assessment of recoverable amounts.

#### (iii) Provision of Expected Credit Loss of Trade Receivables, Other Receivables and Contract Assets

The Group and LTAT assess the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risks, the Group and LTAT consider factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Where there is a significant increase in credit risk, the Group and LTAT determine the lifetime expected credit loss by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or full when there is no realistic prospect of recovery. This is generally the case when the Group and LTAT determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

### (iv) Fair Value Biological Assets

Biological assets represent the produce growing on oil palms. Fresh fruit bunches (FFB) are harvested from the oil palms for use in the production of crude palm oil (CPO) and palm kernel (PK). The growing produce are essentially FFB prior to harvest.

An oil palm fruit typically starts to develop oil from about 14 to 15 weeks after pollination. The oil content in the fruit increases exponentially over the next 5 weeks and reaches its maximum at about 22 weeks.

# <sup>308</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of Preparation (continued)

### (c) Significant Accounting Estimates and Judgements (continued)

### (iv) Fair Value Biological Assets (continued)

Management considered the maturity stages of FFB and concluded that unripe FFB of up to 3 weeks prior to the harvest would be used to determine the fair value of the biological assets.

The fair value of the growing produce is determined on the basis of present value of expected future cash flows which takes into consideration of the production and estimated selling prices of CPO and PK adjusted for extraction rates, processing, harvesting and transport costs.

### (v) Property Development

Group and LTAT recognises property development revenue and expenses in profit or loss by using an input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation.

Significant judgement is required in determining the measure of progress, the extent of the property development cost incurred, the estimated total property development revenue and cost, as well as the recoverability of the property development cost. In making the judgement, LTAT evaluates based on past experience and by relying on the work of specialists.

### (vi) Shipbuilding and Ship Repair

The Group and LTAT recognises contract revenue and costs in the income statement by using the input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation.

Significant judgement is required in determining the extent of the contract costs incurred, the estimated total contract revenue and costs, the recoverability of the contract costs as well as assessing potential deductions to revenue due to delays in delivery or other contractual penalties. In making these judgements, the Group evaluates by relying on past experience and the work of internal specialists.

### (vii) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses, unused tax credits and unabsorbed capital allowances and agricultural allowances to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating cost, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation.

These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of Preparation (continued)

### (c) Significant Accounting Estimates and Judgements (continued)

### (viii) Amortisation of Right to Supply

Under the Concession Agreement signed between a subsidiary of the Group and the Government of Malaysia on 16 March 2011, the subsidiary is required to design, develop, supply, install, configure, test and commission, maintain and operate the Pharmacy Information System (PhIS) and Clinic Pharmacy System (CPS) (collectively referred to as the Systems) which are required to be completed within the concession period. The title of the PhIS and CPS systems would vest with the Government of Malaysia.

Given the recent development surrounding the concession arrangement, the sub subsidiary has reassessed the remaining useful life of the 'rights to supply' intangible assets. Notwithstanding the Ministry of Health's decision of extending the Concession Agreement for a further 25 months, there remains uncertainty surrounding the actual concession period. Accordingly, the subsidiary has decided to fully amortise this intangible asset by 31 December 2019. The impact of the revision in useful life has been accounted for prospectively as a change in estimate, resulting in the recognition of an accelerated amortisation charge of RM247.3 million during the financial year ended 31 December 2019.

### (ix) Revaluation of Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statements of profit or loss. For lands classified as investment properties, the Group had applied the use of comparison valuation technique to assess the fair value of lands. For the remaining of investment properties, the Group had applied the use of multiple valuation techniques in measuring the fair value. The results are evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value of the assets.

Professional valuers are involved for valuation of investment properties and decided upon annually by the management. Selection criteria of professional valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's professional valuers, which valuation techniques and inputs to use for each case.

### 2.2 Summary of Significant Accounting Policies

#### (a) Basis of Consolidation

#### (i) Subsidiary Companies

Subsidiaries are entities, including structured entities, controlled by the Group and LTAT.

The Group and LTAT controls an entity when it exposed or has rights to variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing controls only when such rights are substantive.

The Group and LTAT also considers its de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significant affect the investee's return.

# <sup>310</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (a) Basis of Consolidation (continued)

### (i) Subsidiary Companies (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year, are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests at the reporting date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly through subsidiaries, are presented in the consolidated statements of financial position and consolidation statements of changes in equity within equity, separately from equity attributable to the Group. Profit or loss and each component of other comprehensive income are attributable to the Group and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Acquisition of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at fair value at the acquisition date. Acquisition costs are expensed and included in the administrative expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.2 (j) (i).

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net asset.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interest in the subsidiary. Any difference between the amount of by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in shareholders' equity.

Upon loss of control of a subsidiary, the Group derecognises the assets (including goodwill) and liabilities of the former subsidiary, any non-controllling interest and the other components of equity related to the former subsidiary from the consolidated statements of financial position. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earning. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost and subsequently accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained. Dividend received from subsidiaries are recorded as a component of income in the statements of profit or loss.

Investments in quoted and unquoted subsidiary companies are stated at cost less impairment losses. Details of subsidiary companies are listed in Note 10.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (a) Basis of Consolidation (continued)

#### (ii) Investment in Associates and Joint Ventures

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control or joint control over the financial and operating policy decisions.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associates or joint ventures is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statements reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of these investees is presented as part of the Group's OCI. In addition, where there has been a change recognised directly in the equity of an associates or a joint venture, the Group recognise its share of such change, when applicable, in the consolidated statements of changes in equity. Unrealised gains or losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

When the Group's share of losses exceeds its interest in an associate or joint venture, the Group does not recognise further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates or joint venture.

The most recent available financial statements of the associates and joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. When necessary, adjustments are made to these financial statements to ensure consistency of the accounting policies used with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value. Impairment loss is recognised in profit or loss.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value or the retained investment and proceeds from disposal is recognised in profit or loss.

# <sup>312</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (b) Financial Assets

#### (i) Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and LTAT's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and LTAT have applied the practical expedient, the Group and LTAT initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group and LTAT have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and LTAT's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and LTAT commit to purchase or sell the asset.

#### (ii) Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- · Financial assets at fair value through profit or loss

#### 1) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and LTAT. The Group and LTAT measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (b) Financial Assets (continued)

(ii) Subsequent Measurement (continued)

#### 1) Financial assets at amortised cost (debt instruments) (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and LTAT's financial assets at amortised cost comprise receivables (exclude prepayments and advances paid to supplier) deposit, cash and bank balances.

#### 2) Financial assets at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group and LTAT can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statements of profit or loss when the right of payment has been established, except when the Group and LTAT benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

#### 3) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profitor loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

# <sup>314</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (b) Financial Assets (continued)

#### (iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- · The rights to receive cash flows from the asset have expired; or
- The Group have transferred other rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - a) the Group have transferred substantially all the risks and rewards of the asset, or
  - b) the Group have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group have transferred its rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### (c) Financial Liabilities

#### (i) Initial Recognition and Measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (c) Financial Liabilities (continued)

#### (ii) Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

#### 1) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statements of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group have not designated any financial liability as at fair value through profit or loss.

#### 2) Other Financial Liabilities at Amortised Cost

The Group's and LTAT's other financial liabilities include loans and borrowings, trade payables and other payables.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

#### (iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of profit or loss.

# <sup>316</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (d) Fair Value Measurement

The Group and LTAT measures financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market, or;
- in the absence of a principal market, in the most advantageous market.

The principal or the most advantageous market must be accessible to by the Group and LTAT.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group and LTAT uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 : Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices that are observable either directly or indirectly.
- Level 3 : Unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and LTAT determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### (e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs if the recognition criteria is met.

Subsequent costs are included in the carrying amount of or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the asset and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they incurred.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (e) Property, Plant and Equipment and Depreciation (continued)

Freehold land has an unlimited useful life and therefore is not amortised. Long term leasehold are amortised over the period of lease. Building-in-progress are also not depreciated as these assets are not available for use. Depreciation for work in progress start once assets available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following rates:

Buildings <ul> <li>Freehold</li> <li>Short term and long term longshold</li> </ul>	1.25% 1.25%	-	5.6% 20%
<ul> <li>Short term and long term leasehold</li> <li>Air crafts and vessel</li> </ul>	4.0%	-	20%
Plant and equipment	6.0%	-	33.3%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic 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 profit or loss.

#### (f) Biological Assets

Biological assets comprise the produce growing on oil palms. Biological assets are measured at fair value less cost to sell. Changes in fair value less cost to sell are recognised in profit and loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output (FFB harvest) and estimated market price at reporting date of crude palm oil and palm kernel adjusted for extraction rate less harvesting and transport costs.

#### (g) Inventories

Inventories are stated at the lower of cost or net realisable value, cost being determined on the weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

#### (i) Raw Materials and Work in Progress, Estate Produce, Goods for Resale and Consumable Stores

Cost includes all incidental costs incurred in bringing the inventories to their present location and condition; and in the case of produce stocks, includes harvesting, manufacturing and transport charges, where applicable.

As for in-house manufactured finished goods and work in progress, labour and appropriate production overheads (based on normal operating capacity) are also included.

# <sup>318</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (g) Inventories (continued)

#### (ii) **Development Properties**

Development properties (classified within non-current assets) comprise land banks which are in the process of being prepared for development but have not been launched, or where development activities are not expected to be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Development properties are transferred to property development in progress, within inventories (classified within current assets) at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

#### (iii) Development Properties in Progress

Property development in progress comprises cost of land currently being developed together with related development cost common to the whole project and direct building cost.

The property development costs is subsequently recognised as an expense in profit or losses and when the control of the inventory is transferred to the customer. Property development cost of unsold unit is transferred to completed properties once the development is completed.

#### (iv) Completed Properties

Costs comprise costs of acquisition of land including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, related development costs to projects and direct building costs.

#### (h) Investment Properties

Investment properties are properties that are held either to earn rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Properties rented out to subsidiary companies of LTAT for business operation is considered owner occupied rather than as investment properties. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use.

Investment properties are initially measured at cost, including transaction costs. Investment properties under construction are measured at fair value, or where fair value cannot be determined reliably, are measured at cost less impairment.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value, which is determined by the Group and LTAT by reference to market evidence of transaction prices for similar properties, and valuation performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (h) Investment Properties (continued)

An investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the investment property is derecognised.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment to the date of change in use.

#### (i) Lease

#### Accounting Policies applied from 1 January 2019

The Group and LTAT assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group and LTAT as a Lessee

The Group and LTAT apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and LTAT recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (i) Rights-of-use Assets

The Group and LTAT recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and building	0.1% – 1%
Plant and Other equipment	1% – 25%
Motor vehicles	1% – 20%

If ownership of the leased asset transfers to the Group and LTAT at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The rightof-use assets are also subject to impairment.

# <sup>320</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

(i) Lease (continued)

Accounting Policies applied from 1 January 2019 (continued)

Group and LTAT as a Lessee (continued)

(ii) Lease liabilities

At the commencement date of the lease, the Group and LTAT recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and LTAT and payments of penalties for terminating the lease, if the lease term reflects the Group and LTAT exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and LTAT use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### (iii) Short-term Leases and Leases of Low-value Assets

The Group and LTAT apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Group also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### Group and LTAT as a Lessor

Leases in which the Group and LTAT do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (i) Lease (continued)

#### Accounting Policies applied up to 31 December 2018

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

#### Group and LTAT as a Lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group and LTAT are classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statements of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group and LTAT will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating cost in the statements of profit or loss on a straight-line basis over the lease term.

#### Group and LTAT as a Lessor

Leases in which the Group and LTAT does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statements due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### Long Term Prepayments

Long term prepayments comprise mainly prepaid rentals made to service station operators and land owners in respect of the subsidiary companies's service station activities. These prepayments are amortised over the tenure of the agreements.

#### (j) Intangible Assets

#### (i) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised, but instead, it is reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

# <sup>322</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (j) Intangible Assets (continued)

#### (i) Goodwill (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

#### (ii) Computer Software

Cost associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- · Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software products;
- · It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- · The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development costs and an appropriate portion of relevant overheads cost.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as an assets are amortised from the point at which the asset is ready for use over their estimated useful lives of 5 years.

#### (iii) Concession Right

A sub subsidiary of the Group was granted the concession relating to the privatisation of the Medical Laboratory and Store of the Ministry of Health for the distribution of selected medical products to Government-owned hospitals for 11 years since 1998. The concession was extended for a further 10 years commencing 1 December 2009.

The right attached to this concession which was acquired as part of a business combination is initially measured at its fair value at the acquisition date. The fair value of the concession right was computed by discounting the estimated future net cash flows to be generated from the acquisition date until the expiry of the current concession term which ends on 30 November 2019.

The fair value of the concession right is amortised on a straight line basis over the remaining tenure of the concession contract.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (j) Intangible Assets (continued)

#### (iv) Research and Development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- · management intends to complete the intangible asset and use or sell it;
- · there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding 15 years.

#### (v) Rights for Supply

Expenses incurred in providing and supplying to the Government of Malaysia certain hardware and software, being part and parcel of the ordinary contractual obligations under the concession agreement, are capitalised and carried at cost less accumulated amortisation and any accumulated impairment losses. The expenses are amortised over the concession period of 20 years. The title of these hardware and software vests with the Government of Malaysia.

Following the recent development on the concession arrangement, the Group has revised the remaining useful life of its rights to supply from 10 years to nil year. The change has resulted in accelerated amortisation charge of RM247.3 million during the financial year. The impact from the revision has been accounted for prospectively as a change in accounting estimate.

#### (vi) Pharmacy Manufacturing Licence, Trade Name, Intellectual Property and Software

Pharmacy manufacturing licence and trade name acquired in a business combination are recognised at fair value at the acquisition date.

The pharmacy manufacturing licence represents the rights to manufacture pharmaceutical products in Malaysia and Indonesia. The licence has a finite useful life and is carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight line method to allocate the cost of pharmacy manufacturing licence over a period of 6 to 9 years.

# <sup>324</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (j) Intangible Assets (continued)

#### (vi) Pharmacy Manufacturing Licence, Trade Name, Intellectual Property and Software (continued)

Trade name represents the in-house branded generic products and have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trade name over a period of 15 years.

Intellectual property represents the patent right for stevia formula and has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of intellectual property over a period of 15 years.

#### (vii) Identifiable Intangible Assets Arising from Business Combination

Identifiable intangible assets arising from business combination are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. The fair value of intangible assets are generally determined using income approach methodologies such as the discounted cash flow method. Intangible assets with a definite useful life are amortised using straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits.

If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired.

The identifiable intangible assets arising from business combination consist of brand and customer relationship. Brand and customer relationship are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows as follows:-

Brand	- 3 years
Customer relationship	- 7 years

#### (k) Impairment of Financial Assets

For trade receivables, contract assets and contract cost assets, the Group and LTAT applies a simplified approach in calculating provision on expected credit losses (ECLs). Therefore, the Group and LTAT does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and LTAT has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and LTAT considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and LTAT may also consider a financial asset to be in default when internal or external information indicates that the Group and LTAT is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and LTAT. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (I) Impairment of Non-Financial Assets

Carrying amount of non-financial assets are reviewed at the end of each reporting date to determine whether there is any indication of impairment. If such indication exists, the carrying amount will be written down to its recoverable amount. Impairment losses are recognised in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units or CGU).

The recoverable amount of an asset or Cash-Generating Units (CGU) is the greater of its fair value less cost of disposal and its value in use. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

#### (m) Derivative Financial Instruments

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are classified as assets when fair values are positive and as liabilities when fair values are negative.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises fair value gain or loss immediately.

#### (n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short term highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

#### (o) Bills and Acceptances Payable

Bills and acceptances payable in respect of a subsidiary companies in the banking and financial sector represent bills and acceptances rediscounted and outstanding in the market.

# <sup>326</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (p) Taxation

Taxation recognised in profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of taxation payable in respect of the taxable profit (including withholding tax and real property gains tax payable on disposals of property) for the year and is measured using the tax rates that have been enacted or substantively enacted by on the date of reporting.

Current tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with the investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (q) Currency Conversion

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Group. All transactions are recorded in RM. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (i) Transactions and Balances

Transactions in foreign currencies are measured in the respective functional currencies of the Group and recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations which are recognised initially in other comprehensive income and accumulated under foreign exchange currency reserve in equity. The foreign exchange currency reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation on non-monetary items carried at fair value are included in profit or loss except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

#### (ii) Consolidated Financial Statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is recognised in profit or loss.

#### (r) Foreclosed Properties

Foreclosed properties are stated at the lower of the carrying amount and fair value less cost to sell.

#### (s) Employee Benefits

#### (i) Short Term Benefits

Salaries, bonuses and social security contributions are recognised as an expense of the Group and LTAT in the year in which the services are rendered by the employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees whereas short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

# <sup>328</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (s) Employee Benefits (continued)

#### (ii) Fixed Contribution Plans

Contribution made to Employees Provident Funds. This contribution is recognised as an expenses of the Group and LTAT in the statements of profit or loss when incurred.

#### (iii) Post Retirement Medical Benefits

The Group and LTAT provide medical benefits to its retired personnel and spouse. Retirees who are reemployed on contract basis will utilise such benefits upon completion of the contract services. The provision of these medical benefits covers the full amount of medical costs in government and panel clinics/hospitals.

This provision is accrued as an expense in the current year's statements of profit or loss and as a liability in the statements of financial position as provision for post retirement medical benefits.

The liability amount of post retirement medical benefits is computed based on actuarial valuation where the amount of the benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is determined by the actuaries using the Projected Unit Credit actuarial method. The Group and LTAT recognise actuarial gains or losses against accumulated profits through other comprehensive income.

The principal assumptions used in this computation on the actuarial method are:

- (a) An inflation rate of 5% per annum (2018: 5%) on the medical treatment cost; and
- (b) A discount rate of 5.8% per annum (2018: 5.8%).

#### (iv) Gratuity Plan Benefits

The Gratuity Plan provides lump sum benefits that are defined by salary and period of service.

This provision is accrued as an expense in statements profit or loss and as a liability in the statements of financial position as provision for the gratuity plan benefits.

The principal assumptions used in this computation on the actuarial method are:

- (a) A discount rate of 5.3% per annum (2018: 5.3%); and
- (b) An increment rate of 4.5% per annum (2018: 4.5%).

#### (t) Revenue Recognition

(i) Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements (unless otherwise stated below) because it typically controls the goods or services before transferring them to the customer.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (t) Revenue Recognition (continued)

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, non-cash consideration and consideration payable to the customer, if any). Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at the point in time or over time.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Some contracts relating to ship repair, ship building and property development allow for customers to deduct as liquidated damages from the consideration payable to the Group, in the event of delays in the supply of goods or services. Certain contracts relating to sale of building materials provide customers with a right of return. Liquidated damages and the right of return give rise to variable consideration.

Generally, the Group receives short-term advances from its customers. Using the practical expedient in MFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also provides warranties for defects that existed at the time of sale. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

(ii) Revenue from property development is recognized as and when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the group and LTAT's performance does not create an asset with an alternative use to the Group and LTAT, and the Group and LTAT has an enforceable right to payment for performance completed to-date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by using an input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group and LTAT recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers.

- (iii) Dividend income from investments are recognized when the shareholders' right to receive payment are established.
- (iv) Revenue from the sale of goods are recognised when control, significant risks and rewards of the goods are passed to the customer.

# <sup>330</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (t) Revenue Recognition (continued)

- (v) Rental income is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.
- (vi) Interest income is recognised on accrual basis using the effective interest method.

#### (u) Grant

Annual grant received from the government under Section 23 and Section 3 (1A) (1994 - Section 3A), Tabung Angkatan Tentera Act 1973 (Act 101), is recognised on cash basis.

The grant received is divided into three categories of funds are as follows:

#### (i) Operating Fund

Grant received under this fund is for financing the operating expenses and is recognised as income in profit and loss.

#### (ii) Staff Loans Fund

Grant received under this fund is for financing loans for employees and are credited into the staff loans fund account.

# (iii) The Micro Fund Public Private Partnership (PPP)- Micro Financing Scheme (SPM)- Veterans Entreprenuer (UV)- Malaysian Armed Forces (ATM)

The Micro Fund PPP-SPM-UV-ATM is received from Public Private Partnership Unit (UKAS) under the National Blue Ocean Strategy 7 (NBOS) for the purpose of financing loans to ATM veterans (Malaysian Armed Forces) for entrepreneurial development initiative. Receipts of the funds are credited to the Fund Micro PPP-SPM-UV-ATM. PERHEBAT has enter strategic collaboration with TEKUN for financing the Micro Fund PPP-SPM-UV-ATM to ATM Veterans.

#### (v) Non-Current Assets Held for Sale

Non-current assets or disposal groups are classified as being held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of carrying amount and fair value less costs to sell when sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to the terms that are usual and customary.

Non-current assets held for sale are not depreciated.

Assets and liabilities as held for sale are presented seperately as current items in the statements of financial position.

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

#### (w) Equity Instruments and Related Expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and LTAT after deducting all of its liabilities. Ordinary shares of the Company and the Junior Sukuk Musharakah (Perpetual Sukuk) are equity instruments.

Ordinary shares and the Perpetual Sukuk are classified as equity. Dividends on ordinary shares and distributions on the Perpetual Sukuk are recognised in equity in the period in which they are declared respectively. The attributable incremental transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax.

#### (x) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and LTAT.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and LTAT.

#### (y) Provisions

Provisions are recognised when the Group and LTAT have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### (z) Current Versus Non-Current Classification

The Group and LTAT present assets and liabilities in the statements of financial position based on current/ non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold and consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- · Expected to be realised within 12 months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

# <sup>332</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Summary of Significant Accounting Policies (continued)

(z) Current Versus Non-Current Classification (continued)

A liability is current when it is:

- expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### 2.3 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except in the current period, the Group and LTAT adopted the following new and amended Malaysian Financial Reporting Standards (MFRSs) mandatory for annual financial periods beginning on or after 1 January 2019, as follows:

- 2.3.1 Adoption of new standards effective 1 January 2019:
  - MFRS 16 Leases
  - Amendments to MFRS 3 Business Combinations "Annual Improvements to MFRS Standards 2015-2017 Cycle"
  - Amendments to MFRS 9 Financial Instruments "Prepayment Features with Negative Compensation"
  - Amendments to MFRS 11 Joint Arrangements "Annual Improvements to MFRS Standards 2015-2017 Cycle"
  - Amendments to MFRS 112 Incomes Taxes "Annual Improvements to MFRS Standards 2015-2017 Cycle"
  - · Amendments to MFRS 119 Employee Benefits "Plan Amendment, Curtailment or Settlement"
  - Amendments to MFRS 123 Borrowing Costs "Annual Improvements to MFRS Standards 2015-2017 Cycle"
  - Amendments to MFRS 128 Investment in Associates and Joint Ventures "Long-term interests in Associates and Joint Ventures"
  - IC Interpretation 23 "Uncertainty over Income Tax Treatments"

The adoption of the above new and amended MFRSs did not have any significant financial impact to the Group and LTAT, except for the following:

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.3 Changes in Accounting Policies (continued)

2.3.1 Adoption of new standards effective 1 January 2019 (continued):

#### MFRS 16: Leases

The Group and LTAT applied MFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

MFRS 16 supersedes MFRS 117 Leases, International Financial Reporting Interpretations Committee (IFRIC) 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statements of financial position.

The Group and LTAT adopted MFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group and LTAT elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group and LTAT applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application. The Group and LTAT also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value.

The effect of adoption MFRS 16 as at 1 January 2019 is, as follows:

GROUP	Note	Restated 31 December 2018 RM'000	Adjustments RM'000	Adjusted 1 January 2019 RM'000
ASSETS				
Property, plant and equipment Right-of-use assets Prepaid land lease payments Long term prepayments	3 5 7 8	7,718,673 - 49,567 207,107	(1,906,729) 2,282,117 (49,567) (207,107)	5,811,944 2,282,117 - -
Investment in joint ventures Loans and receivables	12 17	537,661 51,117,906	(6,219) (2,568)	531,442 51,115,338
EQUITY AND LIABILITIES				
Accumulated losses Non-controlling interest Payables Lease liabilities	30 31	(74,673) 7,343,759 5,002,819 -	(11,208) (8,460) (1,200) 130,795	(85,881) 7,335,299 5,001,619 130,795

# <sup>334</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.4 Standards issued but not yet effective

Group and LTAT have not early adopted the following MFRS that are not yet effective.

#### Effective for annual period beginning on or after 1 January and 1 June 2020

- Amendments to MFRS 101 Presentation of Financial Statements (Definition of Material)
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
- Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform
- · Amendments to MFRS 16 Lease COVID-19 Related Rent Concessions

#### Effective for annual period beginning on or after 1 January 2021

• MFRS 17 Insurance Contracts

#### Effective for annual period beginning on or after 1 January 2022

- Annual Improvements to MFRS Standards 2018-2020
- Reference to Conceptual Framework (Amendments to MFRS 3 Business Combinations)
- Property, Plant and Equipment Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)
- · Amendments to MFRS 101 Classification of Liabilities as Current or Non Current
- Onerous Contracts Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)

#### Deferred

 Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures.

There are no other standards issued but not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods.

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For The Year Ended 31 December 2019

# 3. PROPERTY, PLANT AND EQUIPMENT

	<b>Freehold</b> <b>Properties</b>	old rties	Long Term Leasehold Properties	-easehold rties	Short Term Leasehold Properties	Leasehold rties	Plant and Other	Bearer	Aircraft	
	Land RM'000	Building RM'000	Land RM'000	Building RM'000	Land RM'000	Building RM'000	Equipment RM'000	Plants RM'000	Vessels RM'000	Total RM'000
2019										
Cost										
Balance at 1 January, as previously stated	1,616,864	1,312,825	2,186,368	674,605	20,169	302,261	3,081,609	901,309	660,324	10,756,334
Effect of adoption MFRS 16		1	(1,971,803)	1	(13,153)		(1,953)		ı.	(1,986,909)
Balance at 1 January, as restated	1,616,864	1,312,825	214,565	674,605	7,016	302,261	3,079,656	901,309	660,324	8,769,425
Additions Sales/Adjustment/Disposals/Write-off Transfer to investment property (Note 6)	(4,850) (97) (4,200)	7,599 (248) (17,500)		41,434 (77,825) -		666 (691) -	363,465 (148,103) -	87,508 (17,349) -	300 (19,988) -	496,122 (264,301) (21,700)
Transfer to intangible asset (Note 9) Transfer from assets held for sale (Note 23)	- 223.411						(35,339) -			(35,339) 223.411
Reclassification Exchange adjustment	(9,631)	7,652 60	(143,481) -	104,684 46	(1,116)	6,920	34,972 657			- 900
Literest capitalised	· ·	· ·	•	P '		- - -	183	875		1,058
Balance at 31 December	1,821,527	1,310,388	71,084	742,944	5,900	309,369	3,295,491	972,343	640,636	9,169,682
Accumulated depreciation										
Balance at 1 January, as previously stated	2,500	199,630	78,994	366,185	13,746	120,367	1,544,639	268,389	443,211	3,037,661
Effect of adoption MFRS 16			(62,402)		(17,183)		(262)			(80,180)
Balance at 1 January, as restated	2,500	199,630	16,592	366,185	(3,437)	120,367	1,544,044	268,389	443,211	2,957,481
Depreciation during the year: - Recognised in the statement of profit or loss - Capitalised in contract cost		26,316	936 22	36,650 665	128	9,735 17	190,108 13,052	75,621	19,026 94	358,520 13,850
Sales/Adjustment/Uisposals/Write-off Impairment Transfer to investment property (Note 6) Exchange adjustment	3,056 -	(1,045) 7,201 (2,900) 20		4,144 43,836 (2,200) 31		(700) - - (18)	(145,285) 26,645 - 363	(16,291) 126,891 -	(17,989) 80,409 -	(177,166) 288,038 (5,100) 396
Balance at 31 December	5,556	229,222	17,550	449,311	(3,309)	129,401	1,628,927	454,610	524,751	3,436,019
Carrying amount Balance at 31 December	1,815,971	1,081,166	53,534	293,633	9,209	179,968	1,666,564	517,733	115,885	5,733,663

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For The Year Ended 31 December 2019

# 3. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	Freehold Properties	hold :rties	Long Term Leasehold Properties	-easehold rties	Short Term Leasehold Properties	easehold ties	Plant and Other	Bearer	Aircraft and	
	Land RM'000	Building RM'000	Land RM'000	Building RM'000	Land RM'000	Building RM'000	Equipment RM'000	Plants RM'000	Vessels RM'000	Total RM'000
2018										
Cost										
Balance at 1 January	1,832,405	1,397,617	1,608,518	836,083	20,797	280,322	2,782,767	740,653	716,419	10,215,581
Additions Sales/Adjustment/Disposals/Write-off Transfer to investment property (Note 6)	3,800 (1,156) -	34,995 - (35,000)	579,626 (2,035) -	72,413 (226,814) (5,090)		44 (1,529) -	295,176 121,650 -	177,212 (16,556) -	- (56,095) -	1,163,266 (182,535) (40,090)
Transfer to intangible asset (Note 9) Transfer to assets held for sale (Note 23) Reclassification Exchange adjustment	- (223,411) 5,269 (43)	- (110,000) 25,274 (61)	- - 259	- (230) 3,919 (5,676)	- - (628) -	- - 23,303 121	(23,107) (36,639) (57,396) (842)			(23,107) (370,280) - (6,501)
Balance at 31 December	1,616,864	1,312,825	2,186,368	674,605	20,169	302,261	3,081,609	901,309	660,324	10,756,334
Accumulated depreciation										
Balance at 1 January	2,500	203,134	52,511	339,322	11,704	111,735	1,443,228	217,800	395,587	2,777,521
Additions Sales/Adjustment/Disposals/Write-off Transfer to investment property (Nota 6) Transfer to assets held for sale (Note 23) Impairment Exchange adjustment		16,475 (102) - (19,861) - (16)	27,039 (556) - -	42,384 (14,970) (2,194) (112) 1,791 (36)	2,042 - - -	9,950 (1,019) - - (299)	179,469 (58,220) - (20,022) - 184	66,987 (16,398) - -	27,654 (56,095) - 76,065	372,000 (147,360) (2,194) (39,995) 77,856 (167)
Balance at 31 December	2,500	199,630	78,994	366,185	13,746	120,367	1,544,639	268,389	443,211	3,037,661
Carrying amount Balance at 31 December	1,614,364	1,113,195	2,107,374	308,420	6,423	181,894	1,536,970	632,920	217,113	7,718,673

For The Year Ended 31 December 2019

#### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

LTAT	Freehold Properties	Long Term I Prope Land		Plant and Other Equipment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2019					
Cost					
<b>Balance at 1 January</b> Additions Disposal	130 - -	50,000 - -	38,868 54 -	37,005 921 (217)	126,003 975 (217)
Balance at 31 December	130	50,000	38,922	37,709	126,761
Accumulated depreciation					
<b>Balance at 1 January</b> Additions Disposal	16 3 -	4,609 768 -	8,082 1,105 -	34,602 967 (216)	47,309 2,843 (216)
Balance at 31 December	19	5,377	9,187	35,353	49,936
Carrying amount	111	44,623	29,735	2,356	76,825
2018 Cost					
Balance at 1 January Additions Disposal/adjustment	130 - -	50,000 - -	38,832 36 -	36,961 360 (316)	125,923 396 (316)
Balance at 31 December	130	50,000	38,868	37,005	126,003
Accumulated depreciation					
Balance at 1 January Additions Disposal	13 3 -	3,841 768 -	6,990 1,092 -	33,568 1,348 (314)	44,412 3,211 (314)
Balance at 31 December	16	4,609	8,082	34,602	47,309
Carrying amount	114	45,391	30,786	2,403	78,694

# <sup>338</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 4. INVENTORIES

	GRO	OUP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non Current				
Development Properties	847,062	748,734	-	-
Ourseast				
Current				
Raw materials and work in progress Completed goods	152,972 601,940	143,327 714,095	-	-
Estate produce	14,310	15,782	-	-
Consumable	29,332	37,996	-	-
Completed properties	58,260	64,647	45,283	45,283
Properties development in progress	1,561,291	1,434,110	1,400,908	1,313,697
	2,418,105	2,409,957	1,446,191	1,358,980
Development Properties				
Balance at 1 January				
Cost				
- Freehold land	354,762	265,513	-	34,560
- Long term leasehold land	2,569	3,081	-	-
- Development cost	391,403	345,919	-	-
	748,734	614,513	-	34,560
Transfer to property development in progress				
- Freehold land	-	(19,704)	-	-
- Long term leasehold land - Development cost	(259) (153,212)	(512) (172,403)	-	-
- Development cost			-	
	(153,471)	(192,619)	-	-
Sales	-	(34,560)	-	(34,560)
Development cost Land acquisition	251,799	217,887 143,513	-	-
	-			-
Balance at 31 December	847,062	748,734	-	-
Interest capitalized during the year	21,666	24,569	-	-

For The Year Ended 31 December 2019

#### 4. INVENTORIES (continued)

	GRO	OUP	LT/	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property development in progress				
Cost				
Balance at 1 January	1,434,110	945,009	1,313,697	917,439
Prior year adjustment	-	(409)	-	-
Balance at 1 January, as restated	1,434,110	944,600	1,313,697	917,439
Recognised during the year: - Development cost - Reversal of completed project - Recognised in the statements of profit or loss Prior year adjustment	96,915 - (21,363) -	465,321 147,646 (175,010) (48,058)	87,211 - - -	378,525 - - -
	75,552	389,899	87,211	378,525
Transfer from development properties Transfer to inventory Transfer from receivables Reversal of completed project Prior year adjustment	153,471 (12,309) - (89,533) -	192,619 (5,589) 17,733 (147,646) 42,494	- - - -	- - 17,733 - -
	51,629	99,611	-	17,733
Balance at 31 December	1,561,291	1,434,110	1,400,908	1,313,697
Interest capitalized during the year	1,366	8,635	-	-

# <sup>340</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 5. RIGHT-OF-USE ASSETS

-

	Land and building RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Other assets RM'000	Total RM'000
GROUP					
2019					
Cost					
Balance at 1 January	-	-	-	-	-
Effect of adoption MFRS 16	2,498,620	2,763	1,091	328	2,502,802
Balance at 1 January, as restated	2,498,620	2,763	1,091	328	2,502,802
Additions Transfer to investment properties (Note 6)	349,048 (64,484)	602	-	1,904 -	351,554 (64,484)
Balance at 31 December	2,783,184	3,365	1,091	2,232	2,789,872
Accumulated depreciation					
Balance at 1 January	-	-	-	-	-
Effect of adoption MFRS 16	219,844	409	432	-	220,685
Balance at 1 January, as restated	219,844	409	432	-	220,685
Additions Transfer to investment properties (Note 6)	116,820 (11,210)	282	327	247	117,676 (11,210)
Balance at 31 December	325,454	691	759	247	327,151
Carrying amount as at 31 December	2,457,730	2,674	332	1,985	2,462,721
LTAT					
2019					
Cost					
Balance at 1 January	-	-	-	-	-
Effect of adoption MFRS 16	-	1,232	-	-	1,232
Balance at 31 December	-	1,232	-	-	1,232
Accumulated depreciation					
Balance at 1 January	-	-	-	-	-
Effect of adoption MFRS 16	-	246	-	-	246
Balance at 31 December	-	246	-	-	246
Carrying amount at 31 December	-	986	-	-	986

For The Year Ended 31 December 2019

#### 6. INVESTMENT PROPERTIES

	Completed Investment Properties RM'000	Investment Properties Under Construction at Cost RM'000	Total RM'000
GROUP			
2019			
Balance at 1 January	2,098,776	7,317	2,106,093
Transfer from property, plant and equipment (Note 3) Transfer from Right-of-use Assets (Note 5) Net fair value gain (Note 33) Additions Additional from subsequent expenditure Impairment during the year	16,600 53,274 126,813 111,441 2,125	- - - (372)	16,600 53,274 126,813 111,441 2,125 (372)
Balance at 31 December	2,409,029	6,945	2,415,974
2018			
Balance at 1 January, as previously stated Prior year adjustment	2,185,281 (332,990)	232,095	2,417,376 (332,990)
Balance at 1 January, as restated Transfer from property, plant and equipment (Note 3) Net fair value loss (Note 33) Additions Additional from subsequent expenditure Adjustment Reclassification Disposal	1,852,291 37,896 (55,412) 49,014 5,769 (7,062) 222,880 (6,600)	232,095 - - (1,898) (222,880) -	2,084,386 37,896 (55,412) 49,014 5,769 (8,960) - (6,600)
Balance at 31 December	2,098,776	7,317	2,106,093
LTAT 2019			
Balance at 1 January Net fair value loss (Note 33) Additions Impairment during the year	453,100 (1,591) 1,591 -	372 - (372)	453,472 (1,591) 1,591 (372)
Balance at 31 December	453,100	-	453,100
2018 Balance at 1 January	447,800	372	448,172
Net fair value gain (Note 33) Additions	600 4,700	-	600 4,700
Balance at 31 December	453,100	372	453,472

# <sup>342</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 7. PREPAID LAND LEASE PAYMENTS

	GRO	OUP
	2019 RM'000	2018 RM'000
Cost		
Balance at 1 January, as previously stated Effect of adoption MFRS 16	66,637 (66,637)	66,691 -
Balance at 1 January, as restated Exchange adjustment	-	66,691 (54)
Balance at 31 December	-	66,637
Accumulated amortisation		
Balance at 1 January, as previously stated Effect of adoption MFRS 16	17,070 (17,070)	14,984 -
Balance at 1 January, as restated Amortisation during the year	-	14,984 2,086
Balance at 31 December	-	17,070
Net book value		
Balance at 31 December	-	49,567
Amortised amount - Not later than 1 year - Exceed 1 year and less than 5 years - Exceed 5 years	-	2,086 8,346 39,135
	-	49,567

#### 8. LONG TERM PREPAYMENT

	GROUP	
	2019 RM'000	2018 RM'000
Balance at 1 January, as previously stated	207,107	201,787
Effect of adoption MFRS 16	(207,107)	-
Balance at 1 January, as restated	-	201,787
Additions Amortisation during the year Disposal	-	20,838 (13,043) (2,475)
Balance at 31 December	-	207,107

Long term prepayments comprise mainly prepaid rentals made to service station operators and land owners in respect of the subsidiary companies's service station activities. These prepayments are amortised over the tenure of the agreements.

For The Year Ended 31 December 2019

#### 9. INTANGIBLE ASSETS

GROUP	Goodwill RM'000	Computer Software RM'000	Consession Right RM'000	Rights for Supply RM'000	Others RM'000	Total RM'000
2019						
Cost						
Balance at 1 January	1,644,930	241,408	198,102	304,835	158,629	2,547,904
Transfer from property, plant and equipment (Note 3) Additions Exchange adjustment	- - 1,304	35,339 6,141 -	-	- 38,051 -	- 11,630 206	35,339 55,822 1,510
	1,646,234	282,888	198,102	342,886	170,465	2,640,575
Accumulated amortisation and impairment						
Balance at 1 January	95,440	187,034	190,336	95,554	71,449	639,813
Amortisation during the year Impairment	- 1,386,549	21,609	7,766	247,332	15,896 -	292,603 1,386,549
Exchange adjustment	-	-	-	-	385	385
	1,481,989	208,643	198,102	342,886	87,730	2,319,350
Carrying amount Balance at 31 December	164,245	74,245	-	-	82,735	321,225
2018						
Cost						
Balance at 1 January	2,376,974	213,131	198,102	258,990	114,015	3,161,212
Transfer from property, plant and equipment (Note 3)	-	23,107	-	-	-	23,107
Additions Amount arising from winding up	-	4,621	-	45,845	45,902	96,368
a subsidiary Disposal/Adjustment/Write-off Reclassification	3,893 (734,073) -	(51) 600	-	-	(600)	3,893 (734,124) -
Exchange adjustment	(1,864)	-	-	-	(688)	(2,552)
Accumulated amortisation and	1,644,930	241,408	198,102	304,835	158,629	2,547,904
impairment	20.204	171 015	100 005	76.000	E9 906	500.000
Balance at 1 January Amortisation during the year	32,304	171,015 14,291	180,885 9,451	76,999 18,555	58,896 5,023	520,099 47,320
Disposal/Adjustment/Write-off	- - 63,136	1,728	9,431		9,298 -	47,320 11,026 63,136
Exchange adjustment	-	-	-	-	(1,768)	(1,768)
	95,440	187,034	190,336	95,554	71,449	639,813
Carrying amount Balance at 31 December	1,549,490	54,374	7,766	209,281	87,180	1,908,091

# <sup>344</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 9. INTANGIBLE ASSETS (continued)

#### Goodwill

The carrying amount of goodwill has been allocated to the respective subsidiary companies (based on their principal activities), representing the cash-generating units (CGUs) of the Group as fllows:

	2019 2018 RM'000 RM'00	
Cash generating units	Carrying amount	
Commercial banking Heavy industries Others	16,678 971	5,624 1,644 2,222
	164,245 1,549	9,490

Goodwill is allocated to the Group's CGUs which are expected to benefit from the synergies of the acquisation. For annual impairment, the recoverable amount of the CGUs are based on their value-in-use calculation using the cash flow projections based on 3 years financial budgets for Bussiness Banking, Consumer Banking and Money Brokerage and 5 years financial budgets for Investment Banking, Asset Management and Stock Broking, which were apporoved by board. The cash flows beyond the third and fifth year are assumed to grow on perpetual basis based on forecasted Gross Domestic Product (GDP) growth rate of KDNK Malaysia, adjusted for specific risk of the respective CGUs.

The projected cash flows are based on several key factors incuding past performance and management's expectation of market developments. The discount rate used is based on the weighted average capital cost before tax plus the apporiate risk premium if applicable, at the date of CGU assessment.

During the financial year, BHB had recognised impairment losses of goodwill of RM763.3 million (2018: RM106.2 million) of which RM725.2 million and RM38.1 million (2018: RM97.0 million and RM9.2 million) relate to impairment of goodwill allocated to BNS and MHSA respectively. BNS had experienced declining project margins, while aircraft owned by MHSA, remains not in use upon the termination of contract by the counterparties. Both, BNS and MHSA are within the Heavy Industries Division.

For The Year Ended 31 December 2019

#### **10. SUBSIDIARY COMPANIES**

	LTAT	
	2019 RM'000	2018 RM'000
At Cost		
Quoted Corporation Unquoted	4,580,110 123,000 417,698	4,613,208 123,000 429,380
	5,120,808	5,165,588
Impairment		
Quoted Unquoted	(11,051) (1,817)	(60,400) (11,682)
	5,107,940	5,093,506
At market value		
Quoted Unquoted	2,770,731 1,027,107	3,545,875
	3,797,838	3,545,875

#### Subsidiaries with material non-controlling interests

The Group regard Boustead Holdings Berhad and Affin Bank Berhad as subsidiaries that have material non-controlling interest. These subsidiaries are incorporated and operate primarily in Malaysia. Financial information of these subsidiaries are as follows;

	<b>Boustead Holdings Bhd</b>		Affin Ba	ank Bhd
	2019 %	2018 %	2019 %	2018 %
Equity interest held by non-controlling interests	41	41	52	52

The summarised financial information of these subsidiary companies before inter-company eliminations

(a) Summarised statements of profit or loss and other comprehensive income

	Boustead Holdings Bhd		Affin Ba	ink Bhd
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income	10,321,668	10,186,340	3,573,796	3,658,578
Net (loss)/profit for the year	(1,386,277)	(554,359)	516,091	527,420
Other comprehensive income	30,686	9,842	136,314	67,256
Total comprehensive (loss)/income for the year	(1,355,591)	(544,517)	652,405	594,676

# <sup>346</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

#### 10. SUBSIDIARY COMPANIES (continued)

The summarised financial information of these subsidiary companies before inter-company eliminations (continued)

(a) Summarised statements of profit or loss and other comprehensive income (continued)

	Boustead Holdings Bhd		Affin Bank Bhd	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Attributable to:				
Group Non-controlling interests Holders of Perpetual Sukuk	(1,249,350) (185,686) 79,445	(524,019) (94,421) 73,923	624,349 28,056 -	570,153 24,523 -
	(1,355,591)	(544,517)	652,405	594,676
Dividend paid to non-controlling interest	-	143,486	35,001	15,000

#### (b) Summarised statements of financial position

Total assets:				
Non-current assets	13,025,242	14,093,147	15,110,141	17,836,374
Current assets	3,856,769	4,407,168	53,231,121	58,140,098
Assets held for sale	92,949	330,285	-	-
	16,974,960	18,830,600	68,341,262	75,976,472
Total liabilities:				
Non-current liabilities	3,911,813	3,129,579	3,626,223	3,060,938
Current liabilities	7,374,988	7,523,381	55,318,446	64,174,298
	11,286,801	10,652,960	58,944,669	67,235,236
Net assets	5,688,159	8,177,640	9,396,593	8,741,236
Attributable to:				
Group	4,258,890	6,502,026	9,337,170	8,671,683
Non-controlling interests	1,349,824	1,601,691	59,423	69,553
Perpetual Sukuk	79,445	73,923	-	-
	5,688,159	8,177,640	9,396,593	8,741,236
Statements of cash flows				
Operating activities	1,522,000	990,400	(5,786,347)	1,411,764
Investing activities	(639,500)	(1,487,500)	3,587,407	(257,074)
Financing activities	(682,000)	599,600	420,424	880,199
Net increase/(decrease) in cash and cash equivalent	200,500	102,500	(1,778,516)	2,034,889

(c)

For The Year Ended 31 December 2019

### 10. SUBSIDIARY COMPANIES (continued)

Details of subsidiary companies are as follows:

		Equity Holding		
Name of Company Principal Activities		2019 %	2018 %	
Quoted				
Affin Bank Berhad @	Group financial services	48	48	
Boustead Holdings Berhad @	Investment holdings and oil palm plantation	59	59	
Unquoted				
Irat Properties Sdn Bhd @	Property investments	80	80	
Perbadanan Perwira Harta Malaysia #	Property developer	100	100	
Perwira Niaga Malaysia #	Trading of consumer product	100	100	
Perbadanan Hal Ehwal Bekas Angkatan Tentera #	Promotion of socio-economic development programmes through technical and non-technical			
5	training for the retired and retiring Malaysian			
	Armed Forces Personnel	100	100	
Power Cables Malaysia Sdn Bhd @	Manufacture and sale of power cables	60	60	

@ The Group has power directly or indirectly controlled the financial and operating policies.

# The accounts of Corporations were audited by the Auditor General Office.

		Equity	Holding
Name of Company	Principal Activities	2019 %	2018 %
Quoted			
Boustead Properties Berhad * Boustead Plantations Berhad * Boustead Heavy Industries Corporation Berhad * Pharmaniaga Berhad *	Investment holdings and property investment Investment holdings and oil palm plantation Investment holdings Investment holdings	59 46 47 45	59 46 47 45
Unquoted			
Affin Islamic Bank Berhad + PAB Properties Sdn Bhd + ABB Nominee (Tempatan) Sdn Bhd + Affin Moneybrokers Sdn Bhd + Affin Hwang Investment Bank Berhad + Affin Hwang Asset Management Berhad + AIIMAN Asset Management Sdn Bhd + Bintang Capital Partners Berhad + (Formerly known as: Affin Capital Services Berhad)	Islamic banking business Property management services Share nominee services Money-broking Provision of investment banking services Asset management and management of unit trust and private retirement scheme Islamic fund management Private equity management	48 48 48 48 30 30 30 30	48 48 48 48 48 33 33 -

### <sup>348</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 10. SUBSIDIARY COMPANIES (continued)

			Equity Holding		
Name of Company	Principal Activities	2019 %	2018 %		
Unquoted					
Affin Hwang Nominees (Tempatan) Sdn Bhd +	Nominee services	48	48		
AHC Global Sdn Bhd +	Investment holdings	48	48		
Affin Hwang Nominees (Asing) Sdn Bhd +	Nominee services	48	48		
Affin Hwang Trustee Berhad +	Trustee management services	48	48		
AHC Associates Sdn Bhd +	Investment holdings	48	48		
Affin Holdings Berhad +	Investment holdings	48	48		
ABB Nominee (Asing) Sdn Bhd +	Dormant	48	48		
	Property development	59	59		
	Produce and supply of chilled water for				
	air-conditioning	59	59		
Boustead Curve Sdn Bhd *	Property investments	59	59		
	Property investments	59	59		
	Property development	59	59		
5	Hotel operations	59	59		
	Property investments	59	59		
	Property development	59	59		
	Investment holdings	59	59		
•	Property investments and hotel operations	59	59		
	Hotel operations	48	48		
	Investment holdings	48	48		
	Investment holdings	38	38		
	Property investments	59	59		
	Hotel operations	59	59		
	Property investments	59	59		
	Property investments	59	59		
	Hotel operations	59	59		
	Property development	59	59		
	Shipping agent	59	59		
	Dormant	59	59		
	Dormant	59	59		
	Investment holdings	36	36		
	Marketing of petroleum products	55	55		
	Ceased operation	46	46		
	Processing of FFB and investment holdings	46	46		
	Oil palm plantation	46	46		
Sdn Bhd *	Plantation management and engineering consultancy	46	46		
(Formerly known as: Boustead Sungai Manar Sdn Bhd)					
Boustead Rimba Nilai Sdn Bhd *	Cultivation of oil palm and processing of FFB	46	46		
Boustead Gradient Sdn Bhd *	Cultivation of oil palm and processing of FFB Advisory and research on life sciences and commercialisation of products developed from life	46	46		
	sciences	46	46		
	Oil palm plantation	46	46		
Boustead Emastulin Sdn Bhd *	Oil palm plantation and processing of FFB	46	46		

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For The Year Ended 31 December 2019

### 10. SUBSIDIARY COMPANIES (continued)

		Equity Holding	
Name of Company	Principal Activities	2019 %	201 %
Unquoted			
Boustead Trunkline Sdn Bhd *	Plantation of oil palm	46	46
Boustead Estates Agency Sdn Bhd *	Plantation management and engineering consultancy	46	46
Boustead Emastulin Automobile *	Investment holdings	59	59
Boustead Segaria Sdn Bhd *	Investment holdings	59	59
Boustead Construction Sdn Bhd *	Project management, construction and property development	59	59
Boustead Building Materials Sdn Bhd *	Building products distributor and project		
	management	59	59
Boustead Engineering Sdn Bhd *	Ceased operation	59	59
Boustead Information Technology Sdn Bhd *	Ceased operation	59	59
Boustead Idaman Sdn Bhd *	In liquidation	59	59
Boustead Atlas Hall Sdn Bhd*	Ceased operation	30	30
Boustead Credit Sdn Bhd *	Hire purchase and lease financing	59	59
Boustead Cruise Centre Sdn Bhd *	Provision of port facilities and services to cruise and navy vessels	59	59
Boustead Naval Shipyard Sdn Bhd *	Construction, repair and maintenance of naval and merchant ships	59	59
Boustead Langkawi Shipyard Sdn Bhd *	Construction, repair and maintenance of boats		
2N Chinganaig Cala Dhat	and yachts	59	59
3N Shiprepair Sdn Bhd*	Ceased operation	59	59
Boustead Yachts Sdn Bhd *	Ceased operation	59	59
Boustead Travel Services Sdn Bhd *	Travel agent	59	59
JAC Berhad *	Manufacture of fibre cement products, project	50	
IAC Charl Quaterna Cola Dhel *	management and property investment	59	59
JAC Steel Systems Sdn Bhd *	Ceased operation	59	59
JAC Solidpanel Sdn Bhd *	Manufacture and sale of solid panel	59	59
JAC Masterflange Sdn Bhd *	Dormant	59	59
JAC Marketing Sdn Bhd *	Dormant	59	59
Boustead Global Risk Solution Sdn Bhd * (Formerly known as: Boustead Global Trade	Insurance agent	59	59
Network Sdn Bhd)	Manufacture and acle of authors conting for		
JAC Construction Sdn Bhd * (Formerly known as: Boustead Sissons	Manufacture and sale of surface coating for decorative and industrial applications	59	59
Paints Sdn Bhd) Fitek (M) Sdn Bhd *	Dormant	59	59
3HIC Allied Defence Technology Sdn Bhd *	Supply of electronics and system technology to	00	00
	defence related industry	47	47
3HIC Defence Technologies Sdn Bhd *	Investment holdings	47	47
3HIC Defence Techservices Sdn Bhd *	Provision of maintenance and services for		. /
	defence related products	47	47
BHIC Electronics and Technologies	Provision of maintenance and services for	47	A 🖵
Sdn Bhd *	weapon and defence related products	47	47
BHIC Marine Carriers Sdn Bhd *	Provision of engineering services for oil and gas industry	47	47
BHIC Marine Technology Academy	Provision of marine and defence management		.,
Sdn Bhd *	training	47	47

### <sup>350</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 10. SUBSIDIARY COMPANIES (continued)

		Equity	Equity Holding	
Name of Company	Principal Activities	2019 %	2018 %	
Unquoted				
BHIC Marine Transport Sdn Bhd *	Provision of chartering of ships and vessels	47	47	
BHIC Marine Ventures Sdn Bhd *	Provision of chartering of ships and vessels	47	47	
BHIC Navaltech Sdn Bhd *	In-service support for the maintenance, services	47	47	
BHIC Shipbuilding & Engineering Sdn Bhd *	and supply of spare parts for vessels Shipbuilding, ship repair and fabrication of steel	47	47	
Drife emperiaring a Engineering can Dha	structures	47	47	
BHIC Trading Sdn Bhd *	Property investments	47	47	
Boustead Penang Shipyard Sdn Bhd *	Heavy engineering construction, ship repair			
	and shipbuilding	47	47	
Dominion Defence & Industries Sdn Bhd *	Supply and services of marine and defence	47	47	
BHIC Submarine Engineering Services	relared product Provider of maintenance and service of	47	47	
Sdn Bhd *	submarines	47	47	
BHIC AeroTech Sdn Bhd *	Provider of maintenance repair and overhaul	.,		
	of aircraft wheels and brakes	47	47	
Perstim Industries Sdn Bhd *	Investment holdings	47	47	
BHIC Asset Holding Sdn Bhd *	Ceased operation	47	47	
BHIC Development Sdn Bhd *	Ceased operation	47	47	
BHIC Marine & Shipping Sdn Bhd *	In liquidation	47	47	
Naval and Defence Communication System	In liquidation	47	47	
Sdn Bhd * Pharmaniaga Manufacturing Bhd *	Manufacture and sale of pharmaceutical			
· · · · · · · · · · · · · · · · · · ·	products	45	45	
Pharmaniaga LifeScience Sdn Bhd *	Manufacture and sale of pharmaceutical			
0	products	45	45	
Pharmaniaga Logistic Sdn Bhd *	Distribution of pharmaceutical and medical			
	products	45	45	
Pharmaniaga Biomedical Sdn Bhd *	Supply trading and installation of medical		. –	
	and hospital equipment	45	45	
Idaman Pharma Manufacturing Sdn Bhd *	Manufacture and sale of pharmaceutical	45	45	
Pharmaniaga Marketing Sdn Bhd *	products Trading and marketing of pharmaceutical	45	45	
r harmanlaga Marketing Sun Dhu	and medical products	45	45	
Pharmaniaga Research Centre Sdn Bhd *	Conduct research and development of	10	10	
	pharmaceutical products	45	45	
Pharma Pristine Sdn Bhd *	Trading and wholesaling of consumer products	45	45	
(Formerly known as: Pharmaniaga Pristine Sdn Bhd)				
Paradigm Industry Sdn Bhd *	Manufacture and sale of food supplement	36	36	
Pharmaniaga International Corporation Sdn Bhd *	Investment holdings	45	45	
PT Millennium Pharmacon	Distribution and trading of pharmaceutical and			
International TBK *	diagnostic product and food supplement	33	33	
PT Errita Pharma *	Manufacture and sale of pharmaceutical			
	products in Indonesia	43	43	
PT Mega Pharmaniaga *	Ceased operation	42	42	

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For The Year Ended 31 December 2019

### 10. SUBSIDIARY COMPANIES (continued)

		Equity	Holding
Name of Company	Principal Activities	2019 %	2018 %
Unquoted		,	
Bio-Collagen Technologies Sdn Bhd *	Research and manufacture of collagen medical		
5 5	devices	31	31
Pharmaniaga Pegasus (Seychelles) Co. LTD	Dormant	45	45
MHS Aviation Berhad *	Provision of air transportation, flight support,		
	engineering and technical services	30	30
MHS Assets Sdn Bhd *	Dormant	30	30
Landasan Ria Sdn Bhd *	Dormant	30	30
MHS International (Labuan) Limited *	Dormant	30	30
The University of Nottingham in Malaysia Sdn Bhd *	Operation of an university	39	39
Nottingham MyResearch Sdn Bhd *	Conducting contract research and development		
	and testing services	39	39
Boustead REIT Managers Sdn Bhd	Dormant	59	59
Boustead Advertising Sdn Bhd *	Dormant	59	59
Boustead Management Services Sdn Bhd *	Dormant	59	59
Boustead Sissons Marketing Sdn Bhd *	Dormant	59	59
Malakoff Management Services Pte Ltd *	Dormant	59	59
Boustead Electronic Commerce Sdn Bhd *	Ceased operation	59	59
Pembinaan Perwira Harta Sdn Bhd #	Dormant	100	100
Usahasama PPHM-Juwana Sdn Bhd #	Dormant	51	51
Irat Hotels & Resorts Sdn Bhd @	Hotel and resort operator	86	86
Beta Tegap Sdn Bhd @	Operator of automated traffic enforcement		
	system	80	80
A.T.E.S. Sdn Bhd @	Operator of automated traffic enforcement		
	system	80	80
Irat Civil Works Sdn Bhd @	Provide civil, mechanical and electrical (CME)		
	works, maintenance of sites and network services	80	80
Automated Traffic Enforcement System Sdn Bhd @	Dormant	80	80

+ Subsidiary companies of Affin Bank Berhad

\* Subsidiary companies of Boustead Holdings Berhad

@ Subsidiary companies of Irat Properties Sdn Bhd

# Subsidiary companies of Perbadanan Perwira Harta Malaysia

All subsidiary and sub subsidiary companies above were incorporated in Malaysia except for Boustead Hyde Park Ltd were incorporated in British Virgin Island, Boustead Ventures Limited were incorporated in United Kingdom, and PT Errita Pharma, PT Mega Pharmaniaga and PT Millennium Pharmacom International TBK were incorporated in Indonesia.

### <sup>352</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### **11. ASSOCIATED COMPANIES**

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost				
Unquoted Share of post acquisition reserves Other reserves	627,763 971,986 7,231	624,029 925,806 (3,145)	210,098 - -	209,958 - -
	1,606,980	1,546,690	210,098	209,958
Impairment (Note 35)	-	-	(8,400)	-
	1,606,980	1,546,690	201,698	209,958

### Material associated companies

The Group consider Perumahan Kinrara and Ketengah Perwira are material associated companies. The information summarised are adjusted to any differences in accounting policies and adaption of the information to the Group's interest in associated companies is as follows:

	2019		2018	
	Perumahan Kinrara RM'000	Ketengah Perwira RM'000	Perumahan Kinrara RM'000	Ketengah Perwira RM'000
Equity interest	25%	49%	25%	49%
Total assets Total liabilities and non-controling interest	979,550 110,851	204,517 40,183	938,143 169,205	198,786 37,155
Net assets	868,699	164,334	768,938	161,631
Income Profit for the year	238,278 62,426	38,711 12,529	198,207 38,290	41,895 11,198

Reconciliation of the summarised financial information presented below to the carrying amount of the Group in associated companies:

Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets Goodwill	217,175 14,305	80,524 -	192,235 14,305	79,199 -
Carrying amount in the statement of financial position	231,480	80,524	206,540	79,199
Group's share of results for the year ended 31 December				
Group's share of profit or loss	15,607	6,139	9,573	5,487
Dividend received by the Group	1,617	3,491	1,617	4,190

For The Year Ended 31 December 2019

### 11. ASSOCIATED COMPANIES (continued)

Details of associated companies are as follows:

		Equity	Holding
Name of Company	Principal Activities	2019	2018
		%	%
Anglo-Eastern Plantations (M) Sdn Bhd	Development and operation of oil palm estates	30	30
AXA Affin General Insurance Bhd +	Underwriting of general insurance business	24	24
Bond Pricing Agency Malaysia Sdn Bhd	Bon management services	23	23
Boustead Wah Seong Sdn Bhd *	Investment holdings	30	30
BP Malaysia Holdings Sdn Bhd	Investment holdings	30	30
Cargill Feed Sdn Bhd	Manufacture and sale of animal feeds	40	40
Chery Holdings (Malaysia) Sdn Bhd	Manufacturing, assembling and distribution of	00	00
Drow Amoroid (Molovoia) Edn Bhd *	automobile Industrial chemical distributor	20 30	20 30
Drew Ameroid (Malaysia) Sdn Bhd *		20	
Dhaya Maju LTAT Sdn Bhd	Infrastructure construction	20	20
Ericsson (Malaysia) Sdn Bhd	Design and planning of network, supply and	00	00
Our server Tile la durature (Manue) Oda Dhad	installation of telecommunication equipments	30	30
Guocera Tile Industries (Meru) Sdn Bhd	Manufacture of ceramic tiles	30	30
Kao (Malaysia) Sdn Bhd *	Toiletris, household products distributor	27	27
Ketengah Jaya Sdn Bhd	Oil palm plantation and cultivation of fruit	29	29
Ketengah Perwira Sdn Bhd	Development and cultivation of oil palm	49	49
LTP Wibawa Sdn Bhd	Dormant	30	30
Muhibbah-LTAT JV Sdn Bhd	Civil, marine and structural engineering contractor	49	49
Pavilion Entertainment Centre (M) Sdn Bhd *	Property development	30	30
Perumahan Kinrara Berhad	Property and golf course development	25	25
Prima Prai Sdn Bhd	Project management services and investment		
	holdings	30	30
Restonic (M) Sdn Bhd	Investment holdings	20	20
San Miguel Yamamura Plastic Films Sdn Bhd	Manufacture and sale of metallised film products	30	30
Strong Elegance Sdn Bhd	Contructs and develops solar photovoltaic plants	30	30
Sapura-LTAT Communications Technologies	Supply of communications equipment and		
Sdn Bhd	training	30	30
Usahasama SPNB-LTAT Sdn Bhd	General construction	49	49
Wah Seong Boustead Co Ltd *	Consumer and building products distributor	30	30
Warisan Pinang Sdn Bhd	Construction of military camp, management		
	services and investment holdings	20	20
Wasco Coatings Malaysia Sdn Bhd	Coating of pipes for the oil and gas industry	30	30
Xtend Services Sdn Bhd	General trading and telecommunication services	26	26

+ Associated companies of Affin Bank Berhad

\* Associated companies of Boustead Holdings Berhad

All associated companies above were incorporated in Malaysia except for Wah Seong Boustead Co. LTd were incorporated in Myanmar.

### <sup>354</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### **12. INVESTMENT IN JOINT VENTURES**

	GROUP	
	2019 RM'000	2018 RM'000
At cost		
Unquoted share Acquisition in additional of shares	569,216 15,300	531,652
	584,516	531,652
Share of post acquisition profit: Balance at 1 January, as previously stated Prior year adjustment Effect on adoption of MFRS 16	6,009 - (6,219)	67,869 (12,573) -
Balance at 1 January, as restated	(210)	55,296
Share of loss and reserve, as previously stated Prior year adjustment	-	(81,665) 1,050
Share of loss and reserve, as restated Share of (loss)/profit and reserve during the year	- (36,633)	(80,615) 31,328
Balance at 31 December	(36,843)	6,009
	547,673	537,661

### Material investment in joint ventures

The summarised financial information of the material investment in joint ventures are set out below. These represents the amounts investment in joint ventures financial statements and not the Group's share of those amounts.

### i) Summarised statements of profit or loss and other comprehensive income

	2019		20	18
	Boustead	AXA Affin Life	Boustead	AXA Affin Life
	Ikano	Insurance	Ikano	Insurance
	Sdn Bhd	Berhad	Sdn Bhd	Berhad
	RM'000	RM'000	RM'000	RM'000
Equity holding	30%	24%	30%	24%
Income	83,809	500,177	94,921	458,914
Loss for the year	(10,546)	(7,569)	(73,949)	(6,075)
Other comprehensive income	2,243	4,749	3,885	1,089
Total comprehensive loss	(8,303)	(2,820)	(70,064)	(4,986)

For The Year Ended 31 December 2019

### 12. INVESTMENT IN JOINT VENTURES (continued)

### ii) Summarised statements of financial position (continued)

	20	019	20	)18
	Boustead	AXA Affin Life	Boustead	AXA Affin Life
	Ikano	Insurance	Ikano	Insurance
	Sdn Bhd	Berhad	Sdn Bhd	Berhad
	RM'000	RM'000	RM'000	RM'000
Total assets	1,898,152	2,243,850	1,886,861	1,938,810
Total liabilities and non-controlling interest	1,311,297	1,906,766	1,291,845	1,628,899
Net assets	586,855	337,084	595,016	309,911

Reconciliation of summarised financial information for the carrying amount of the Group's share in investment in joint ventures:

Reconciliation of net assets to carrying amount at 31 December				
Group's share of net assets	176,057	80,900	178,505	74,379
Group's share of results for the year ended 31 December				
Group's share of loss Group's share of other comprehensive income	(3,164) 673	(1,817) 1,140	(22,185) 1,166	(1,458) 261
Group's share of total comprehensive loss	(2,491)	(677)	(21,019)	(1,197)

		Equity	Holding
Name of Company	Principal Activities	2019 %	2018 %
AXA Affin Life Insurance Berhad +	Underwriting of life insurance business	24	24
Affin-I Nadayu Sdn Bhd +	Property developer	24	24
KL South Development Sdn Bhd +	Property developer	14	14
Boustead Ikano Sdn Bhd *	Property investment	30	30
BHIC MSM Sdn Bhd *	Provision for maintenance and repair of MTU products	28	28
Boustead DCNS Naval Corporation Sdn Bhd *	Vessels maintenance	28	28
Contraves Advanced Devices Sdn Bhd *	Manufacturing of electronic product	24	24
BHIC Bofors Asia Sdn Bhd *	Providing, supplying and servicing of BOFORS		
	weapon system	24	24
BYO Marine Sdn Bhd *	Construction of vessels	24	24
BHIC Aeroservices Sdn Bhd *	Maintenance, repair and overhaul of rotary and	0.4	
	fixed wing aircraft	24	24
BHIC System Integration Sdn Bhd *	Project management, contract administration and other related services for defence industry	24	24

### Equity Holding

### <sup>356</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 12. INVESTMENT IN JOINT VENTURES (continued)

		Equity	Holding
Name of Company	Principal Activities	2019 %	2018 %
Pyrotechnical Ordnance Malaysia Sdn Bhd *	Production and selling of double based propellent for locally used artillery shells and rockets in defence sector	24	24
Airbus Helicopters Malaysia Sdn Bhd *	Provision of services relating to flight training simulator	14	14
Konsortium PPHM-ASSB #	Construction contractors	60	60
Konsortium PPHSB-Jastac #	Construction contractors	51	51

+ Investment in joint ventures of Affin Bank Berhad

\* Investment in joint ventures of Boustead Holdings Berhad

# Investment in joint venture of Perbadanan Perwira Harta Malaysia

### 13. INVESTMENT AT FAIR VALUE FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GRC	OUP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Quoted shares REITS outside Malaysia REITS in Malaysia	699,022 - -	558,350 18,406 41,126	586,056 - -	437,065 - -
Unquoted shares Corporate bond/Sukuk in Malaysia Corporate bond/Sukuk outside Malaysia Money market instruments - Malaysian Government Securities - Malaysian Government Investment Issuance - Malaysian Government Treasury Bills - Cagamas Bonds/Sukuk - Khazanah Bonds/Sukuk - Sukuk Perumahan Kerajaan - Negotiable Instruments of Deposit	611,157 8,031,818 261,212 731,623 2,948,863 - 25,965 309,411 - 7,073	708,754 10,267,617 430,274 726,620 2,026,362 79,728 228,728 401,634 320,790 649,090	430,466 - - - - - - - - - -	537,371 - - - - - - - - - - - - - - -
	13,626,144	16,457,479	1,016,522	974,436

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### NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 14. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	GRO	OUP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non current				
Junior Sukuk Musharakah	-	-	150,045	150,225
Current				
Quoted shares - Trading Fund - Portfolio Management - Shares in Malaysia - Unit Trust in Malaysia - Exchange Trading Fund - Shares, Warrants and Reits outside Malaysia	12,259 110,171 80,893 231,777 5,006 35,101	10,659 119,529 52,946 120,143 -	12,259 110,171 - - -	10,659 119,529 - - - -
Unquoted shares - Shares in Malaysia - Corporate bond/Sukuk in Malaysia - Corporate bond/Sukuk outside Malaysia	94,207 21,857 26,487	88,928 34,415 16,276	-	- - -
Money market instruments - Malaysian Government Securities - Malaysian Government Investment Issuance - Negotiable Instruments of Deposit	- 137,242 60,977 815,977	50,387 10,115 264,667 768,065	- - - 122,430	- - - 130,188

### **15. INVESTMENT AT AMORTISED COST**

	GRO	OUP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares				
- Corporate bond/Sukuk in Malaysia - Loan Stock in Malaysia Medium Term Notes	141,119 15,000 -	160,550 15,000 -	- - 320,795	- 324,844
Unquoted redeemable preference shares	- 156,119	175,550	- 320,795	231,296 556,140
Provision of expected credit loss	(11,053)	(12,523)	(32,806)	(36,855)
	145,066	163,027	287,989	519,285

### <sup>358</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 16. DEFERRED TAX ASSETS/LIABILITIES

	GRC	OUP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balance at 1 January, as previously stated Prior year adjustment	(288,652) 42,300	(357,115) 16,643	(4,621)	-
Balance at 1 january, as restated	(246,352)	(340,472)	(4,621)	-
Effect on adoption of MFRS 9 Recognised in the statements of profit or loss Recognised in equity Adjustment of currency exchange Adjustment	(17,318) (38,866) (738) (4,998)	3,150 48,392 8,618 1,128 32,832	- - -	(4,621) - -
Balance at 31 December	(308,272)	(246,352)	(4,621)	(4,621)
Presented after appropriate offsetting as follows: - Deferred tax assets - Deferred tax liabilities	120,625 (428,897) (308,272)	189,149 (435,501) (246,352)	(4,621) (4,621)	(4,621) (4,621)

For The Year Ended 31 December 2019

# 16. DEFERRED TAX ASSETS/LIABILITIES (continued)

The components and movements of deferred tax assets and liabilities for the Group during the financial year after offsetting are as follows:

Deferred tax assets of the Group:

	Tax Losses & Unabsorbed Capital Allowances RM'000	Expected Credit Loss RM'000	Investment at Amortised Cost RM'000	Available For Sale Securities RM'000	Investment at Fair Value through Other Comprehensive RM'000	Others RM'000	Total RM'000
2019							
Balance at 1 January	237,049	54,245	18	ı	4,001	(106,164)	189,149
Recognised in the statements of profit or loss	(29,300)	I	(121)		(1,596)	(119,669)	(150,686)
Recognised in equity	ı	I	I	I	(26,912)	I	(26,912)
Offsetting				'		82,981	82,981
Adjustment	26,043	1		1		50	26,093
Balance at 31 December	233,792	54,245	(103)		(24,507)	(142,802)	120,625
2018							
Balance at 1 January	237,223			2,111	ı	(154,056)	85,278
Effect on adoption of MFRS 9	I	I	I	(2,111)	2,111	399	399
Recognised in the statements of profit or loss	(174)	54,245	18	. 1	185	16,860	71,134
Recognised in equity					1,705	·	1,705
Offsetting		ı				23,464	23,464
Adjustment	•	•		•		7,169	7,169
Balance at 31 December	237,049	54,245	18		4,001	(106,164)	189,149

<b>STATEMENTS</b>	
<b>JOTES TO THE FINANCIAL S</b>	For The Year Ended 31 December 2019

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# 16. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax liabilities of the Group:

	Accelerated Depreciation RM'000	Fair Value Gain on Investment Properties RM'000	Available For Sale Securities RM'000	Investment at Fair Value through Other Comprehensive Income RM'000	Others RM'000	Total RM'000
2019 Balance at 1 January, as previously stated Prior year adjustment	(444,699) -	(90,496) 42,300		40,594 -	16,800 -	(477,801) 42,300
Balance at 1 January, as restated	(444,699)	(48,196)		40,594	16,800	(435,501)
Recognised in the statements of profit or loss Recognised in equity Offsetting Adjustment of currency exchange Adjustment	62,299 - - (31,091)	(23,053) - - -		- (11,954) - -	94,122 - (738) -	133,368 (11,954) (82,981) (738) (31,091)
Balance at 31 December	(413,491)	(71,249)		28,640	27,203	(428,897)
2018 Balance at 1 January, as previously stated Prior year adjustment	(455,439) -	(45,171) 16,643	4,662		53,555 -	(442,393) 16,643
Balance at 1 January, as restated	(455,439)	(28,528)	4,662		53,555	(425,750)
Effect on adoption of MFRS 9 Recognised in the statements of profit or loss Recognised in equity Offsetting Adjustment of currency exchange Adjustment	- 39,553 (29,019) - 206	- (45,325) - - 25,657	(4,662) - - -	4,662 - 35,932 - -	2,751 (16,970) - (23,464) 922 6	2,751 (22,742) 6,913 (23,464) 1,128 25,663
Balance at 31 December	(444,699)	(48,196)		40,594	16,800	(435,501)

For The Year Ended 31 December 2019

### 17. LOANS AND RECEIVABLES

	GRO	UP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non Current				
Trade receivables Other receivables Tax recoverable from Inland Revenue Board Staff housing loans Staff conveyance loans Amounts due from subsidiary companies Amounts due from associated/related companies Building management control accounts Deposit and guarantee	136,936 230,002 2,935 10,025 457 - 9,884 - 995	151,906 365,189 26,857 8,943 1,611 - 12,182 8,634 995	- 10,284 2,935 10,025 457 65,749 9,884 - 995	9,277 26,857 8,943 1,611 95,802 12,182 8,634 995
	391,234	576,317	100,329	164,301
Provision on Expected Credit Losses - Other receivables - Amounts due from subsidiary companies - Amounts due from associated companies	(2,970) - (1,681)	(339) - (1,710)	(2,970) (33,786) (1,681)	(339) (34,377) (1,710)
	(4,651)	(2,049)	(38,437)	(36,426)
	386,583	574,268	61,892	127,875
Current				
Trade receivables Other receivables Tax recoverable from Inland Revenue Board Interest accrued on deposits Dividends receivables Bantuan Bakti Negara advances Staff housing loans Staff conveyance loans Foreclosed properties Cheque clearing accounts Other prepayment Loans, advances and financing Amounts due from subsidiary companies Amounts due from associated/related companies Amounts due from portfolio management Building management control accounts Deposit and guarantee	1,449,892 402,532 144,987 134 17 - 2,016 2,068 17,817 42,653 35,051 45,256,393 - 56,114 36,518 1,194 8,407 1,289	1,423,881 403,144 98,627 - 31 51,988 1,997 1,477 26,051 45,267 42,888 48,254,072 - 75,150 226,923 1,354 646 1,000	- 10,065 32 134 17 - 902 1,206 - - 440 - 73,577 19,274 - 1,194 8,407 1,289	- 18,062 16 - 31 51,988 713 543 - - 333 - - 66,764 10,298 - 1,354 646 1,000
- speed and gouldinee	47,457,082	50,654,496	116,537	151,748

### <sup>362</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 17. LOANS AND RECEIVABLES (continued)

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Provision on Expected Credit Losses				
- Trade receivables - Other receivables	(96,705) (2,058)	(109,189) (1,669)	-	-
	(98,763)	(110,858)	-	-
	47,358,319	50,543,638	116,537	151,748

Other receivables, amounts due from subsidiary companies, associated and related companies are unsecured, and have no interest and fixed terms of repayment.

Analysis of the trade receivables ageing for Group is as follows:

	GROUP	
	2019 RM'000	2018 RM'000
Neither past due nor impaired	469,253	496,010
Past due but not impaired		
1 to 30 days 31 to 60 days 61 to 90 days 91 to 120 days More than 120 days	666,844 45,853 24,554 34,608 107,077	505,044 111,526 36,274 21,411 138,178
Impairment	878,936 101,703	812,433 115,438
	1,449,892	1,423,881

Movement in allowance accounts:

	2019 RM'000	2018 RM'000
Balance at 1 January	109,189	86,078
Expected Credit Losses recognised Written off Expected Credit Losses Effect on adoption of MFRS 9 Reversal of Expected Credit Losses Exchange adjustment	19,145 (5,893) (6,140) - (17,762) (1,834)	25,447 6,298 (11,150) 10,478 (7,500) (462)
Balance as at 31 December	96,705	109,189

For The Year Ended 31 December 2019

### 17. LOANS AND RECEIVABLES (continued)

Analysis of the other receivables ageing at the date of Statement of Financial Position are as follows:

	GROUP		LT	AT
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Less than 1 year	369,303	403,144	10,065	18,062
1 to 3 years	206,327	336,228	-	-
More than 3 years	56,761	23,511	10,284	9,277
More than 5 years	143	5,450	-	-
Provision on Expected Credit Losses	632,534	768,333	20,349	27,339
	(5,028)	(2,008)	(2,970)	(339)
	627,506	766,325	17,379	27,000

### **18. BIOLOGICAL ASSETS**

	GROUP	
	2019 RM'000	2018 RM'000
At fair value less cost to sell:		
Balance at 1 January	15,662	22,951
Fair value gain/ (loss)	6,568	(7,289)
Balance at 31 December	22,230	15,662

The biological assets of the Group represent fresh fruit bunches (FFB) of 3 weeks prior to harvesting. The quantity of the unharvested FFB included in the valuation for the Group is 22,230 (2018: 15,662) metric tonnes. The expected net cash flows are estimated using the expected output (FFB harvest) and market price at reporting date of crude palm oil and palm kernel adjusted for extraction rates less processing, harvesting and transportations costs.

The fair valuation of biological assets correspond with Level 3 of the fair value hierarchy.

### <sup>364</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 19. CONTRACT ASSETS/LIABILITIES AND CONTRACT COST ASSETS

	GROUP	
	2019 RM'000	2018 RM'000
Contract assets		
Contract assets Attributable profits Progress billings Prior year adjustment	2,796,029 44,814 (1,912,188) -	1,735,007 23,301 (661,416) 473
	928,655	1,097,365
Contract cost assets relate to property development in progress		
Balance at 1 January	5,900	400
Additions Amortisation	158,300 (152,800)	176,600 (171,100)
Balance at 31 December	11,400	5,900
	940,055	1,103,265
Contract liabilities		
Contract liabilities Attributable profits Progress billings	(60,989) - -	1,218,070 29,868 (1,359,089)
	(60,989)	(111,151)

### 20. DERIVATIVE ASSETS/LIABILITIES

GROUP	Contract/ Notional Amounts RM'000	Assets RM'000	Contract/ Notional Amounts RM'000	Liabilities RM'000
2019				
At fair value				
Foreign exchange derivatives - Currency swaps - Currency forward - Cross currency swaps	1,688,734 505,367 4,724,700	28,504 10,419 87,448	380,379 14,209,183 2,205,315	3,718 85,876 58,768
Interest rate derivative - Interest rate swaps	1,995,000 8,913,801	38,497 164,868	2,888,148	41,562

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For The Year Ended 31 December 2019

### 20. DERIVATIVE ASSETS/LIABILITIES (continued)

GROUP	Contract/ Notional Amounts RM'000	Assets RM'000	Contract/ Notional Amounts RM'000	Liabilities RM'000
2018				
At fair value				
Foreign exchange derivatives - Currency swaps - Currency forward - Cross currency swaps	982,612 1,582,572 2,840,411	14,998 26,980 24,117	648,049 1,917,039 3,450,846	7,198 25,455 63,889
Interest rate derivative - Interest rate swaps	2,391,000	22,710	2,380,148	18,392
Commodity swap contract	-	-	3,738	17
	7,796,595	88,805	8,399,820	114,951

### 21. DEPOSITS

	GRO	OUP	LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed deposits - Licensed banks	16,800	83,101	-	-
Short term deposits and money market - Subsidiary companies - Other institutions	- 252,800	-	186,920 252,800	89,614 -
	252,800	-	439,720	89,614
Short term deposits and money market - Islamic Banking - Subsidiary companies - Other institutions	- 121,930	-	3,930 121,930	-
	121,930	-	125,860	-
Portfolio management short term deposits Statutory deposit with Bank Negara Malaysia	10,633 1,534,777	27,443 1,946,669	10,633 -	27,443
	1,936,940	2,057,213	576,213	117,057

### <sup>366</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 22. CASH AND BANK BALANCES

	GRO	OUP	LT	АТ
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank balances - Licensed banks - Subsidiary companies	5,699,146 -	7,103,066	- 29,879	- 13,877
Cash Cash held by portfolio management Deposit pledged	5,699,146 838 454 6,485	7,103,066 905 1,261 9,677	29,879 3 454 -	13,877 2 1,261
	5,706,923	7,114,909	30,336	15,140

### 23. ASSETS HELD FOR SALE

	GF	GROUP	
	2019 RM'000	2018 RM'000	
Balance at 1 January	330,285	; -	
Transfer (to)/from property, plant and equipment (Note 3) Sales of land	(223,411 (13,925		
	92,949	330,285	

### 24. MEMBERS' CONTRIBUTION ACCOUNTS

The total of members' contribution accounts as at 31 December 2019 amounted to RM9,071.1 million (2018: RM8,822.6 million). This is arrived after adding contributions received during the year, crediting dividends at 2.5% (2018: 2%) per annum, deducted withdrawals during the year and transfer to dormant account during the year.

For The Year Ended 31 December 2019

### 25. FUNDS

GROUP	Staff Loans Fund RM'000	Asset Training Fund RM'000	Total RM'000
2019			
Balance at 1 January	1,727	1,069	2,796
Amortisation of asset training fund (Note 32) Deferred income	-	(397) 42	(397) 42
Balance at 31 December	1,727	714	2,441
2018			
Balance at 1 January, as previously stated Prior year adjustment	1,768	2,216 (1,165)	3,984 (1,165)
Balance at 1 January, as restated	1,768	1,051	2,819
Transfer to retained earnings Amortisation of asset training fund (Note 32) Deferred income	(41) - -	- (358) 376	(41) (358) 376
Balance at 31 December	1,727	1,069	2,796

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For The Year Ended 31 December 2019

### 26. RESERVES

					Undistributable Reserve	Jeserve				
GROUP	Reserve Fund RM'000	Capital Reserve RM'000	Other Comprehensive Income Reserve RM'000	Available For Sale Securities Reserve RM'000	Asset Revaluation Reserve RM'000	Regulatory Reserve RM'000	Stock Option Reserve RM'000	Foreign Exchange Reserve RM'000	Other Reserve RM'000	Total RM'000
2019										
Balance at 1 January	176,452	379,256	(129,536)		ı	585,619	3,977	281		1,016,049
Total Comprehensive Income Transfer to retained earning on derecondition of invetment	1	688	51,828					(218)	1	52,298
at fair value through other comprehensive income Transaction with owners	,	ı	16,101	ı	,	,			ı	16,101
Changes ownership interest in subsidiary companies with no change in control		1,385	(111)			(940)	(3,977)	(1)	(29,071)	(32,715)
		2,073	67,818	,		(940)	(3,977)	(219)	(29,071)	35,684
Transfer from/ (to) retained earnings	4,970					(123,856)				(118,886)
Balance at 31 December	181,422	381,329	(61,718)		ı	460,823		62	(29,071)	932,847

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NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 31 December 2019

### 26. RESERVES (continued)

					Undistributable Reserve	Reserve				
GROUP	Reserve Fund RM'000	Capital Reserve RM'000	Other Comprehensive Income Reserve RM'000	Available For Sale Securities Reserve RM'000	Asset Revaluation Reserve RM'000	Regulatory Reserve RM'000	Stock Option Reserve RM'000	Foreign Exchange Reserve RM'000	Other Reserve RM'000	Total RM'000
2018 Balance at 1 January, as previously stated Effects on adoption of MRFS 1	175,745 -	400,890 (24,796)		70,494	32,704 (32,704)	467,545				1,147,378 (57,500)
Effects on adoption of MHFS 9 Balance at 1 January, as restated	- 175,745	- 376,094	85,655	(70,494) -		(120,728) 346,817				(105,507) 984,311
Total Comprehensive Loss Transfer to retained earnings on	T	571	(117,078)	1	1			281		(116,226)
derecognition of investment at fair value through other comprehensive income Transaction with owners Changes in ownership interest in	·	·	(43,803)	·		·				(43,803)
subsidiary companies with no change in control	ı	2,591	(54,310)	I		11,199	3,977			(36,543)
		3,162	(215,191)			11,199	3,977	281		(196,572)
Transfer from retained earnings	707					227,603	T		T	228,310
Balance at 31 December	176,452	379,256	(129,536)			585,619	3,977	281		1,016,049

### <sup>370</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 26. RESERVES (continued)

LTAT	Reserve Fund RM'000	Other Comprehensive Income Reserve RM'000	Available For Sale Securities Reserve RM'000	Asset Revaluation Reserve RM'000	Total RM'000
2019					
Balance at 1 January	176,452	(169,960)	-	-	6,492
Total Comprehensive Loss Transfer to retained earnings on derecognition of investments at fair value through other comprehensive	-	(13,493)	-	-	(13,493)
income	-	14,146	-	-	14,146
Transaction with owners Transfer from retained earnings	4,970	-	-	-	4,970
Balance at 31 December	181,422	(169,307)	-	-	12,115
2018					
Balance at 1 January, as previously stated	175,745	-	22,370	32,704	230,819
Effects on adoption of MFRS 1 Effects on adoption of MFRS 9	-	- 22,370	- (22,370)	(32,704)	(32,704)
Balance at 1 January, as restated	175,745	22,370	-	-	198,115
Total Comprehensive Loss Transfer to retained earnings on derecognition of investment at fair value through other comprehensive		(146,905)		-	(146,905)
income	-	(45,425)	-	-	(45,425)
Transaction with owners Transfer from retained earnings	707	-	-	-	707
Balance at 31 December	176,452	(169,960)	-	-	6,492

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For The Year Ended 31 December 2019

### **27. PERPETUAL SUKUK**

The Perpetual Sukuk was issued pursuant to the Junior Islamic Medium Term Note Programme of up to RM1,200.0 million in nominal value which was approved by Securities Commission on 15 November 2013. The Perpetual Sukuk is accounted as equity as there is no contractual obligation to redeem the instrument.

At year end, total nominal value of Perpetual Sukuk are as follows:

Loan/ Tranches		Redemption Dates	Profit Margin (%)	2019 RM Million	2018 RM Million
T1	#			340.0	340.0
T2		24 December 2019	7.6	-	343.0
ТЗ	#			51.0	51.0
Τ4	#			150.0	150.0
T5		05 August 2019	6.25	-	200.0
Т6		25 November 2019	6.25	-	50.0
Τ7	#			66.0	66.0
				607.0	1,200.0

# During the year, the subsidiary company did not exercise its call option to redeem these tranches.

During the year, the subsidiary company exercise its call option to redeem the Perpetual Sukuk under Redeem Option amounting of RM593.0 million.

The salient features of the Perpetual Sukuk are as follows:

- i. The Perpetual Sukuk is issued under the Islamic principle of Musharakah, while the principle of Commodity Musawamah will be employed to effect the deferral of the period distributions, if any;
- ii. Being perpetual in tenure, subsidiary company has a call option to redeem the Perpetual Sukuk at the end of the 5th year and on each periodic distribution date thereafter;
- iii. The subsidiary company also has the option to redeem the Perpetual Sukuk under the following circumstances:
  - a) Accounting Event change in accounting standards resulting Perpetual Sukuk no longer being recognised as an equity instrument;
  - b) Change in control change in the shareholding of the subsidiary company which resulted in LTAT, its major shareholder, to hold less than the agreed percentage of interest in the subsidiary company;
  - c) Leverage Event the finance to equity ratio of the subsidiary company has exceeded the agreed amount;
  - d) Privatisation Event the shares of the subsidiary company are no longer listed on Bursa Malaysia Securities Berhad; and
  - e) Tax Event if the subsidiary company is and will become obliged to pay additional amount due to changes in laws or regulations.

### <sup>372</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 27. PERPETUAL SUKUK (continued)

- iv. The periodic distribution rate of the Perpetual Sukuk for the first five years since issuance ranges from 6.1% to 6.25% per annum and is payable six (6) months from the issue date of the relevant tranche and every six months thereafter;
- v. If subsidiary company does not exercise its option to redeem at the end of the 5th year, the periodic distribution rate shall increases by 1.5% per annum for the 6th year. For the 7th year onwards, the period distribution rate will be further increased by 1% per annum for every year thereafter, subject to the maximum of 15% per annum;
- vi. The subsidiary company can elect to defer the periodic distribution indefinitely provided that the subsidiary company have not within the last six months declared or paid any dividend or payment or other distributions in respect of or repurchase or redeem its ordinary shares, or any other securities of the subsidiary company ranking junior to the Perpetual Sukuk. The deferred periodic distribution, if any, will be cumulative but will not earn additional profits (i.e there will be no compounding of the periodic distribution being deferred);
- vii. In the event the periodic distribution is deferred, no dividend or payment or other distributions shall be made in respect of or repurchase or redeem in respect of its ordinary shares, or any other securities of the subsidiary company ranking junior to the Perpetual Sukuk until the subsidiary company has paid any periodic distribution or deferred periodic / additional distribution in full;
- viii. Payment obligations on the Perpetual Sukuk will, at all times, rank senior to other equity instruments for the time being outstanding or obligations of the subsidiary company that are subordinated to the Junior Sukuk, but junior to the claims of present and future creditors of subsidiary company (other than obligations ranking pari passu with the Perpetual Sukuk); and
- ix. The Perpetual Sukuk is unsecured and not rated.

### 28. EMPLOYEE BENEFITS LIABILITY

	GRO	OUP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non Current				
Post retirement medical benefits				
Defined benefits obligation	51,634	51,590	42,956	40,651
Gratuity plan benefits				
Defined benefits obligation	54,507	42,795	28,225	26,927
Net liability	106,141	94,385	71,181	67,578
Movements in net liability recognised in statement of financial position				
Post retirement medical benefits				
Net liability as at 1 January	51,590	48,887	40,651	37,948
Expenses recognised in statements of profit or loss Post retirement medical benefits paid	3,270 (3,226)	3,842 (1,139)	4,086 (1,781)	3,842 (1,139)
	51,634	51,590	42,956	40,651

For The Year Ended 31 December 2019

### 28. EMPLOYEE BENEFITS LIABILITY (continued)

	GRC	OUP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gratuity plan benefits				
Net liability at 1 January	42,795	26,831	26,927	26,831
Reclassification to current gratuity plan benefits Expenses recognised in statements of profit or loss Gratuity plan benefits paid	(5,819) 19,138 (1,607)	- 18,674 (2,710)	- 2,759 (1,461)	- 2,658 (2,562)
	54,507	42,795	28,225	26,927
Net liability at 31 December	106,141	94,385	71,181	67,578
Current				
Gratuity plan benefits				
Defined benefits obligation	2,103	-	-	-
Net liability	2,103	-	-	-
Movements in net liability recognised in statement of financial position				
Gratuity plan benefits				
Net liability at 1 January	-	-	-	-
Reclassification from non current gratuity plan benefits Expenses recognised in statements of profit or loss Gratuity plan benefits paid	5,819 (104) (3,612)	-	-	- -
	2,103	-	-	-
Net liability at 31 December	2,103	-	-	-

### <sup>374</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 29. BORROWINGS

	GRC	DUP
	2019 RM'000	2018 RM'000
Non Current		
Bank guaranteed medium term notes Term loans Other long term loans Asset backed bond Revolving credit	2,339,823 3,607,143 1,145,685 - 420,000	1,492,525 3,053,812 716,437 209,604 649,080
	7,512,651	6,121,458
Repayable in one year	(382,589)	(459,853)
	7,130,062	5,661,605
Current		
Deposits from customers Deposits from banks and other financial institutions Obligation on securities sold under repurchase agreements Bills and acceptances payable Short term loans Other bank loans Bank overdrafts Bankers acceptance Revolving credit	50,698,341 1,763,252 32,903 382,589 - 46,630 496,591 3,486,347	57,159,432 4,846,912 142,477 32,585 459,853 4,000 59,272 508,094 3,850,609
	56,906,653	67,063,234

During the financial year, subsidiary company had fully redemption on Asset Backed Bond amounting RM209.6 million with debenture guarantee on the assets of the sub subsidiary company specifically to issue a bond.

Interest charged on bankers acceptance, revolving credit and bank overdrafts in the current year is BLR + 0.45% (2018 : BLR + 0.75% to 1.00%), 3.90% to 4.50% (2018 : 3.90% to 5.35%) and 7.85% (2018 : 7.85%) per annum.

For The Year Ended 31 December 2019

### **30. PAYABLES**

	GRO	UP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non Current				
Deposit from tenants Other payables Amount due to subsidiary companies Dormant account	34,872 65,886 - 5,322	35,246 87,437 - -	7,447 47,805 815 5,322	6,393 64,150 815 -
	106,080	122,683	61,389	71,358
Current				
Trade payables Members' contribution payable Dormant account Accrued interest Deposit received Bank Negara Malaysia and Credit Guarantee Corporation funding programmes Margin and collateral deposits Trust accounts for clients and remisiers Other payables Amount due to associated/related companies Amount due to subsidiary companies Amount due to portfolio management Veteran annuity scheme (SAVe)	2,803,280 51 4,510 12,473 99,917 21,012 100,180 47,483 2,066,164 385,936 - 1,403 10	2,340,449 961 12,619 15,149 111,405 32,009 127,948 48,537 1,915,558 275,171 - 3330	- 51 4,510 - - 228,965 - 128,851 1,403 10	961 12,619 - - - 342,293 - 12,018 330 -
	5,542,419	4,880,136	363,790	368,221

The amount due to subsidiary companies is unsecured, interest-free and has no fixed term of repayment.

Dormant account has been transferred from Members' Contribution Account in accordance with Section 4 of the Tabung Angkatan Tentera Regulation (Contribution Repayment & Handling for Dormant Account) 2009, Tabung Angkatan Tentera Act, 1973 (Akta 101).

### <sup>376</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### **31. LEASE LIABILITIES**

	GRO	OUP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non Current	30,987			
Current	83,998	-	- 1,009	-
	114,985	-	1,009	-
Balance at 1 January				
- Effect on adoption of MFRS 16 - Additions - Termination of contract	130,795 26,033 (104)	-	1,232	-
- Interest on lease of assets - Lease payment	5,784 (47,523)	-	62 (285)	-
	114,985	-	1,009	-

### 32. INCOME

	GRO	OUP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest from fixed and other deposits	470,315	434,751	9,205	3,639
Income from investment at fair value through other	,	,	,	,
comprehensive income	652,607	389,154	32,024	23,985
Income from investment at fair value through				
profit or loss	104,795	40,576	20,384	13,949
Income from investment at amortised cost	8,265	24,237	35,695	35,941
Interest from advances to/amount due from				
corporations	-	-	2,319	12,351
Dividend from subsidiary companies	-	-	31,618	181,200
Dividend from associated companies	-	-	31,734	31,476
Gain/(loss) on disposal of investment in subsidiaries	-	-	125	(65)
Rental income from investment properties	134,934	137,215	31,164	31,771
Other rental income	32,766	33,145	840	884
Sale of power cables	162,268	143,531	-	-
Sale of goods	8,151,260	7,744,914	-	-
Sale of commodities	575,736	582,886	-	-
Income from cable installation and cable accessories	223	909	-	-
Income from construction contracts	857	5,968	-	-

For The Year Ended 31 December 2019

### 32. INCOME (continued)

	GRO	OUP	LT	АТ
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income from banking and financial institutions Income from ship repairing and shipbuilding	1,756,847 1,056,140	1,790,468 1,130,139	-	-
Amortisation of Fixed Assets Development Fund (Note 25) Amortisation of PP-UV-ATM Micro Financing Scheme Fund	397 653	358 879	-	-
Amortisation of Veterans Socio-Economic Development Programme (PPSEV) Amortisation of Learning Factory Program	1,728	3,757 174	-	-
Commissions and agency fees Hotel management Air transportation and aviation services	33,558 147,607 -	26,252 153,242 416	-	- -
Net gain on disposal of development properties Other income	248,330 877,353	354,107 224,674	- 134	87,185 450
	14,416,639	13,221,752	195,242	422,766

### 33. OTHER INCOME

	GRO	OUP	LT	AT
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Grant Fees and commissions Gain on disposal of property, plant and equipment Gain on disposal of foreclosed properties Net fair value gain/(loss) on investment properties (Note 6) Net foreign exchange gains realised/unrealised Other income	28,000 390,642 6,335 877 126,813 49,201 229,648	30,500 199,681 18,073 111 (55,412) 39,229 153,903	- 1 - (1,591) - 1,583	- 38 - 600 - 498
	831,516	386,085	(7)	1,136

### <sup>378</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 34. NET FAIR VALUE (LOSS)/GAIN ON INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Junior Sukuk Musharakah Trading Funds Portfolio Management Other investments	(1,306) (3,206) (15,295)	(3,317) (27,626) 31,950	(180) (1,306) (3,206) -	(1,140) (3,316) (27,627)
	(19,807)	1,007	(4,692)	(32,083)

### 35. IMPAIRMENT AND EXPECTED CREDIT LOSS

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Subsidiary companies				
- Impairment	-	-	(12,868)	(72,082)
Associated companies				
- Impairment	-	-	(8,400)	-
Investments at amortised cost				
- Adjustment/(provision) on expected credit loss	-	-	4,049	(15,617)
Loan, advances and financing and trade receivables				
- Provision on expected credit loss	(78,396)	(92,105)	-	-
Securities and deposits	0.400			
- Adjustment/(provision) on expected credit loss	2,423	(15,571)	-	-
Loan and financing commitments and financial guarantee - (Provision)/adjustment on expected credit loss	(0.156)	00.060		
Receivables	(2,156)	22,363	-	-
- Provision on expected credit loss	(18,993)	(25,453)	_	_
- Adjustment on expected credit loss	17,978	7,496		
Other receivables	17,570	7,430		
- Provision on expected credit loss	(927)	(5,430)	-	-
- (Provision)/adjustment on expected credit loss	(2,631)	327	(2,631)	327
Contract assets	(2,001)	0L1	(2,001)	0L1
- Provision on expected credit loss	-	(12,300)	-	-
Amount due from subsidiaries companies		(,,		
- Adjustment on provision of expected credit loss	-	-	591	3,952
Amount due from associated companies				,
- Adjustment on provision of expected credit loss	29	546	29	546
Amount due from investment in joint ventures				
- Provision on expected credit loss	(19,893)	(34,045)	-	-
Bad debt and financing				
- Recovered	35,184	30,708	-	-
- Written-off	(6,914)	(4,283)	-	-
	(74,296)	(127,747)	(19,230)	(82,874)

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For The Year Ended 31 December 2019

### **36. TAXATION AND ZAKAT**

The taxation and zakat charge for the year is as follows:

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysian income tax	283,840	276,334	-	2,893
Deferred tax - Reversal of temporary differences - Adjustment (Over)/under provision in prior years	17,318 (2,074) (65,361)	(74,038) - 16,641	-	4,621 - -
	233,723	218,937	-	7,514
Zakat	8,143	4,657	-	575
	241,866	223,594	-	8,089

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2018 : 24%) of the estimated assessable profit for the year.

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

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation and zakat	(566,215)	54,501	92,802	229,124
Taxation at Malaysian statutory rate Income not subject to tax Expenses not deductible for tax purposes Tax incentives Deffered tax asets previously not recognised Effect of different tax rates Benefit from previously unrecognised tax lossess and unabsorbed capital allowances Expenses subject to double deduction	(135,892) (153,261) 539,561 (3,441) 70,500 (34,580) (5,968) (4,463)	13,080 (47,867) 138,338 (3,632) 86,077 (11,074) (1,460) (4,228)	22,272 (22,272) - - - - -	54,990 (54,990) - - - - -
Share of profit from associated companies and investment in joint ventures	(39,362)	(7,968)	-	-
Effect of recognising deferred tax for real property gains tax rate (Over)/under provision on deferred tax Recognition deferred tax not recognised in prior years Tax saving arising from income exempt from tax for International Currency Business Unit ('ICBU') Other	(611) (1,112) 1,201 - 66,512	34,780 1,292 (1,614) (942) 7,514		- - 7,514
	299,084	202,296	-	7,514

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For The Year Ended 31 December 2019

### 36. TAXATION AND ZAKAT (continued)

	GROUP		LTAT	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Over)/under provision in prior years	(65,361)	16,641	-	-
Tax expense for the year	233,723	218,937	-	7,514
Zakat	8,143	4,657	-	575
	241,866	223,594	-	8,089

Under the Income Tax (Exemption)(No.5) 1974, LTAT is exempted from taxation on income received from investment, other than rental income, made pursuant to Section 15, Tabung Angkatan Tentera Act, 1973 (Act 101).

On 22 March 2017, the Finance Minister in accordance with Section 127 (3A) Income Tax Act 1967 has approved the exemption at statutory level for LTAT's rental income for ten years from year assessment 2017 to year assessment 2026.

Zakat represents business zakat paid by the Group to comply with the principles of Syariah.

### 37. ADJUSTMENT ON CONTRIBUTION/DIVIDEND

	GROUP/LTAT	
	2019 RM'000	2018 RM'000
Contribution under/(over) credited Dividend over credited	66 (183,483)	(92) (228,453)
	(183,417)	(228,545)
Adjustment on dividend	178,381	228,448
	(5,036)	(97)

### **38. UNIT TRUST BENEFITS**

Unit trust benefits are handle in accordance with Section 15 C(1), (2) and (3) of Tabung Angkatan Tentera Act, 1973 (Akta 101). LTAT has entered into an agreement with Affin Hwang Asset Management Berhad (AHAM) to managed Unit Trust Benefits on behalf of LTAT. The market value of unit trust benefits at 31 December 2019 for 115,973 contributors is RM1,039.6 million (31 December 2018 : 128,458 contributors is RM1,092.6 million).

For The Year Ended 31 December 2019

### **39. COMMITMENTS**

	GROUP	
	2019 RM'000	2018 RM'000
Capital expenditure authorised and contracted for		
Plant and equipment Acquisition of plantation land Share of joint venture's capital commitment in relation to investment properties Intangible assets	127,664 34,572 -	109,188 357,300 25,007 250
	162,236	491,745
Capital expenditure authorised but not contracted for		
Capital Plant and equipment Intangible assets	8,000 384,573 -	8,000 1,349 514,044
	392,573	523,393

### 40. COMMITMENTS AND CONTINGENCIES

During the year, the Group make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	GROUP	
	2019 RM'000	2018 RM'000
Direct credit substitutes	556,462	613,796
Transaction related contingent items	1,969,168	1,943,980
Short term self-liquidating trade related contingencies	454,792	432,728
Foreign exchange related contracts		
- Less than one year	13,000,360	11,009,067
- One year to less than five years	927,491	400,719
Interest rate related contracts		
- Less than one year	873,148	946,000
- One year to less than five years	3,710,000	2,800,148
- Five years and above	300,000	1,025,000
Irrecovarable commitments to extend credit		
- Maturity less than one year	6,020,758	7,690,157
- Maturity more than one year	1,913,716	2,755,103
Unutilised credit card lines	547,266	613,506
Commitments that are unconditionally cancelled at any time by the bank without prior		
notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	570.070	C1E 070
	578,072	615,870
Obligation under underwriting commitments	-	27,000
	30,851,233	30,873,074

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For The Year Ended 31 December 2019

### 41. CAPITAL MANAGEMENT

### (i) Group

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and previous year.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings over total equity comprising shareholders' equity, perpetual sukuk and non-controlling interests. The Group's policy is to keep gearing within manageable levels.

### (ii) LTAT

LTAT's objectives in capital management is to ensure that LTAT has sufficient members' contribution accounts to enable to remain as an ongoing entity. LTAT reviews and manages the capital structure based on the requirements and current conditions.

LTAT defines capital as a members' contribution account and monitors the returns on contributors. The returns on members' contribution account are as follows:

	2019 RM'000	2018 RM'000
Profit for the year	92,802	221,035
Retained earnings	63,475	38,712
Members' contribution account	9,071,124	8,822,584
Return on members' contribution account (%)	2.5	2.0

In the current year there is no significant change to the way LTAT manages its capital. LTAT is not subject to any capital limit imposed by external parties.

### 42. CONTINGENT LIABILITIES

(a) On 4 September 2012, the Group's sub subsidiary Boustead Naval Shipyard Sdn Bhd (BNS) was served with a Writ of Summons by Ingat Kawan (M) Sdn. Bhd. (the Plaintiff). The Plaintiff was claiming against BNS for unspecified general damages, special damages of RM50.0 million, interest at 10% per annum on the said amount of RM50.0 million calculated from 7 September 2011 until full settlement, interest at 8% per annum on the said amount of RM50.0 million calculated from the date of filing the Writ of Summons until full settlement, costs and other reliefs that the Court deems fit, arising from an alleged breach of contract by BNS. On 11 September 2012, BNS filed its defence and counterclaims and sought to add 5 parties as co-defendants in its counterclaims. On 30 November 2012, the Court dismissed the Plaintiff's objections to BNS's addition of the 5 co-defendants.

On 14 March 2013, the High Court had allowed the application by BNS to strike out the Plaintiff's claim with costs of RM5,000.00 to be paid by the Plaintiff to BNS. BNS, as instructed by the High Court, had on 1 April 2013 withdrawn its counterclaim with liberty to file afresh with no order as to costs.

For The Year Ended 31 December 2019

### 42. CONTINGENT LIABILITIES (continued)

On 22 March 2013, the plaintiff filed a Notice of Appeal to the Court of Appeal against the decision of the High Court. The Court of Appeal heard the appeal on 11 November 2013 and allowed the Plaintiff appeal and ordered the matter to be tried at the High Court.

BNS filed an appeal to the Federal Court and on 22 August 2017 the Federal Court set aside both the decisions of the Court of Appeal and the High Court and ordered the matter to be reverted to the Ipoh High Court for full trial.

The trial at the High Court commenced on 16 and 17 April 2018 and is continuing. The trial was supposed to continue on 1 and 2 April 2020, however, it has been postponed until further notice pursuant to the extended Movement Control Order by the Government over Covid-19 concerns.

The Group, upon consultation with the solicitors, is of the view that it has a fair chance of success in this case.

(b) Subsidiary company, Boustead Holdings Berhad (BHB) and its wholly owned subsidiary, Bakti Wira Development Sdn Bhd (BWSB) had, on 16 October 2018 and 18 October 2018 respectively, being served with a Writ of Summons by one Deepak Jaikishan A/L Jaikishan Rewachand (Plaintiff). BHB has been made the Third Defendant and BWSB the Fourth Defendant while the First and Second Defendants are Dato' Seri Najib Bin Tun Razak and Datin Paduka Seri Rosmah Mansor. The suit was filed in the Kuala Lumpur High Court on 12 October 2018.

Under the Writ of Summons, the Plaintiff is alleging tort of conspiracy and/or conspiracy to defraud and/or tort of conversion and/or undue influence by the Defendants in the following transactions:

- i. The acquisition of 16,000,000 ordinary shares of Astacanggih Sdn Bhd (Astacanggih) by BWSB for a cash consideration of RM30.0 million from Prestige Dimension Sdn Bhd and other minority shareholders of Astacanggih pursuant to the Share Sale Agreement dated 20 December 2012; and
- ii. the acquisition of 200 acres of freehold lands in Selangor from Awan Megah (M) Sdn Bhd at a cash consideration of RM130.0 million by BWSB and Astacanggih pursuant to the Land Sale Agreement dated 27 December 2012.

The Plaintiff is claiming against the Defendants joint and/or severally for, among others, general damages of RM600.0 million, exemplary damages of RM50.0 million, aggravated damages of RM26.0 million, interest on each damages, special damages equivalent to 80% of current market value of certain lands, return of shares in Astacanggih which was acquired by BHB and BWSB, declaration that certain past transactions are null and void and declaration that the Plaintiff's rights over certain lands be returned to him.

BHB and BWSB entered their appearances on 23 October 2018, and on 9 November 2018, filed their Statement of Defence and requested for further and better particulars from the Plaintiff. On 17 December 2018, BHB and BWSB filed an application to the Court to strike out the Plaintiff's suit against them. Meanwhile, the First and Second Defendants filed their striking out application on 7 January 2019. Hearing for the striking out applications has been fixed on 17 July 2020.

BHB and BWSB categorically deny the allegations made by the Plaintiff as they are baseless, frivolous, vexatious and unjustifiable. Both companies have at all times observed good corporate governance and ethical business practices in the companies' dealings and had given due commercial considerations before entering into the transactions mentioned in the Plaintiff's Statement of Claims. The Directors of BHB and BWSB believe that the Plaintiff's claims are untenable and are therefore positive that both companies will prevail in this litigation.

(c) On 28 December 2018, CIMB Islamic Bank Trustee Berhad (First Plaintiff) acting as trustee for Boustead Plantations Berhad and Boustead Plantations Berhad (Second Plaintiff) filed a Writ of Summons and Statement of Claim on Setia Fontaines Sdn Bhd (formerly known as Setia Recreation Sdn Bhd) (Defendant) for breach of Sale and Purchase Agreement dated 22 December 2016. The claim is in respect of damages amounting to RM37.2 million for goods and services tax (GST) due from the Defendant together with interest at the rate of 8% per annum and other costs and relief deemed fit by the court.

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For The Year Ended 31 December 2019

## 42. CONTINGENT LIABILITIES (continued)

The Group, upon consultation with its solicitors is of the view that the Group has a good chance of success in this civil suit.

(d) On 10 July 2017, the joint venture company of the Group, Boustead DCNS Naval Corporation Sdn Bhd (BDNC) received a letter from the Ministry of Defence Malaysia (MINDEF) claiming for Liquidated Damages (LD) amounting to RM53.2 million and EUR19.3 million for the In-Service Support for the Royal Malaysian Navy SCORPENE Submarine Contract.

On 28 June 2019, BDNC received a letter from MINDEF claiming for LD amounting to RM22.4 million and EUR8.8 million for the refit works on KD TUNKU ABDUL RAHMAN. BDNC had made adequate provision for the LD claim.

The Group is of the opinion that the provisions for the LD are sufficient and no further losses expected to be incurred after taking into consideration appropriate justifications and supporting documents which had been submitted to MINDEF for their consideration.

To date, the Group is still in the midst of negotiating and finalising the LD claims.

(e) In 2019, Boustead Hyde Park Limited (BHPL), a wholly-owned subsidiary of the Group was engaged in a dispute with Westminster City Council in connection with its ownership of a property, The Royale Chulan Hyde Park Hotel (Hotel) in London. The Council has issued enforcement notices against BHPL in respect of the alleged infringement of general and listed building planning laws and regulations. These enforcement notices all concern alterations to the Hotel premises that were effected prior to BHPL's acquisition of ownership.

The enforcement notices are being appealed and the Group is believed that the appeals will succeed in whole or part but cannot be guaranteed.

(f) The amount of bank guarantees issued by the Group to third parties are as follows:

	GROUP		
	2019 RM'000	2018 RM'000	
Performance bonds in respect of contracts awarded to subsidiaries			
- Government of Malaysia - Other third parties	691,500 69,100	672,034 61,443	
	760,600	733,477	

#### (g) Litigation against The ABB

A claim by the Abu Bakar bin Ismail (Plaintiff) against the ABB vide Writ of Summons and Statement of Claim dated 22 January 2016 ('Writ') for the following:

- i) RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;
- ii) SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;
- iii) RM776,331.00 being alleged losses of Plaintiff's shares in Berlian Ferries Pte. Ltd which was transferred out as a result of his bankruptcy in 2013 with interest at 5% per annum from 2013 till full settlement as alleged losses;
- iv) RM500,000 as cost in respect of legal proceedings in Singapore.

For The Year Ended 31 December 2019

### 42. CONTINGENT LIABILITIES (continued)

(g) Litigation against The ABB (continued)

The ABB had on 25 January 1996 given Suria Barisan (M) Sdn Bhd ('Suria') a credit facility of RM21.6 million ('Facility') against security of unquoted shares belonging to Naval Dockyard Sdn Bhd and guaranteed by the Plaintiff and Pn. Norashikin Binti Abdul Latiff ('Guarantor').

Suria, the Plaintiff and the Guarantor ('All') defaulted in the Facility which led to the ABB filing a debt recovery action against All of them in 1999. Judgement was obtained against All on 8 July 2004.

The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ('Chenet') being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ('DGI') as receiver of Plaintiff's Estate. On 29 January 2018, the full trial of the suit has been fixed on 27, 28 and 29 August 2018. On 30 July 2018, the Court fixed the Case Management on 15 August 2018. Hearing was part heard on 27 August 2018 and was postponed to 2 October 2018 which was further postponed to 16 and 17 October 2018 as Plaintiff was admitted to hospital.

On 16 October 2018, the trial dates were vacated as the presiding Judge informed that he will be transferred and a new Judge will take over the matter. On 5 December 2018, matter came up for Case Management before the new Judge, YA Dato' Ahmad bin Bache (who took over the matter from the previous Judge), whereby the Court fixed new trial dates on 25 to 28 March 2019 and 8 to 11 April 2019. On 11 April 2019, the Plaintiff requested for an adjournment as he was unwell. The High Court fixed 23 May 2019 for Case Management for parties to update on mediation efforts. Mediation was unsuccessful. However as the Federal Court reinstated his bankruptcy on 26 August 2019, the hearings at the High Court cannot proceed until sanction from the DGI has been obtained. Sanction of the DGI was obtained on 6 December 2019. Next Case Management date fixed on 22 January 2020. The trial dates on 13 to 15 April 2020 vacated due to the MCO. Pending directions/confirmation from the Court on whether the trial will proceed on 8 to 11 June 2020.

The Plaintiff's claim is premised on alleged wrongful acts by the ABB as follows:

- Failure to sell 7.2 million shares in Naval Dockyard Sdn Bhd ('NDSB shares') which was pledged by Suria to the ABB as security for the Facility on a timely basis. On this claim, Plaintiff claims damages under (i) above;
- Allowed the release of the Guarantor from her liability upon payment of a certain sum pursuant to her Guarantee without giving the same opportunity to the Plaintiff;
- The ABB had corresponded with the opponent of Plaintiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plaintiff has alleged conspiracy between the Bank and the opponent of the Plaintiff in Singapore. On this claim, Plaintiff claims losses under (ii) above;
- The ABB had wrongfully made Plaintiff a bankrupt in 2013 which bankruptcy was set aside in 2015. On this claim, Plaintiff claims losses under (iii) above;
- The Plaintiff is also claiming the amount of (iv) above being cost of proceedings incurred by him in Singapore.

The ABB has a good defence ('Defence') on the merits with regard to each of the alleged wrongful act as follows:

- The sale of NDSB shares was subject to the approval from the relevant authorities as per the terms of the Facility Agreement and the price has to be based on the offer from the approved prospective buyer;
- The release of the Guarantor is the prerogative of the ABB pursuant to the terms of the Guarantee Agreement;
- The Plaintiff's bankruptcy is based on a judgement of Court;

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For The Year Ended 31 December 2019

## 42. CONTINGENT LIABILITIES (continued)

- (g) Litigation against The ABB (continued)
  - The ABB's legal firm has corresponded with the legal firm of the Plaintiff's opponent in Singapore only to inform the status of the Plaintiff proceedings in Malaysia and any alleged conspiracy is denied;
  - The Claim for cost is unreasonable as the ABB was not in any way involved in the Singapore proceedings.

The above Claim against the ABB by the Plaintiff is as a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of the ABB are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will only materialise if the Court rules in the Plaintiff's favour, the Writ and Statement of Claim is not expected to result in any immediate losses, material, financial and operational impact on the ABB for the period under review.

# 43. FINANCIAL RISK MANAGEMENT

### LTAT

As a trust fund manager, LTAT is responsible for managing financial risks prudently to ensure that LTAT's contributors fund is managed more effectively to preserve the value of the fund and provide the best return on investment.

Therefore, LTAT has taken various risk management measures, particularly financial risk management in a more effective and efficient manner. Risks will be managed in accordance with LTAT Risk Management Policies and Procedures and based on LTAT's risk appetite tolerance strategy.

The primary function of LTAT's financial risk management is to protect the contributors fund from unexpected losses while ensuring that the risk management is in line with the requirements of the regulatory bodies and stakeholders.

To achieve this, the financial risk management of LTAT identifies, reviews and monitors risks involving operational risk, investment risk, liquidity risk and interest rate risk.

### (i) Operational Risk

Operational Risk is the risk resulting from the failure or weakness in internal work processes, human resources, systems used or from external influences.

The establishment of Enterprise Risk Management in LTAT has ensured strategies, processes, human resources, technologies and knowledge are aligned with the purpose of identifying, evaluating, controlling and monitoring so that operational risks at LTAT can be managed properly.

#### (ii) Investment Risk

Investment risk is the risk which exists when LTAT is involved in investments which do not provide the expected rate of return including in circumstances whereby a part or all of the invested capital is lost.

This risk is monitored by analysing scenarios of sensitivity changes in the changing market conditions.

For The Year Ended 31 December 2019

# 43. FINANCIAL RISK MANAGEMENT (continued)

# LTAT (continued)

# (ii) Investment Risk (continued)

The changes in the market value of quoted investments are as in the following table:

	Changes in Equity Market Prices %	Sensitivity of Revaluation RM'000
2019	+/-10	344,701
2018	+/-10	399,247

### (iii) Liquidity Risk

Liquidity risk occurs when LTAT is not able to meet payment commitments such as members' withdrawal, daily operating expenses, investment payments and claims from related parties.

Reqular preparation of Cash Flow Statements and sufficient cash equivalents to meet the payment commitments would address this risk.

An analysis of LTAT's financial liabilities based on maturity is as follows:

	Carrying amount RM'000	Less than 1 year RM'000	Between 1-5 years RM'000	More than 5 years RM'000
2019 Payables	425,179	363,790	60,890	499
2018 Payables	439,579	368,221	65,863	5,495

#### (iv) Interest Rate Risk

Interest rate risk is the risk which exists when there is a significant change in the interest rate offered by the banking institution and affects the interest/profit returns deposited in the banking institution.

Placement of deposits by LTAT is guided by LTAT's internal policies and procedures guidelines with approved banking institutions to address or minimise this risk in addition to only placing deposits of not exceeding 1 year period.

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For The Year Ended 31 December 2019

# 43. FINANCIAL RISK MANAGEMENT (continued)

# LTAT (continued)

# (iv) Interest Rate Risk (continued)

Deposits analysis based by period:

Year/ Types of Deposit	Less than 3 months RM'000
2019 Deposits Cash and bank balances	576,213 30,336
2018 Deposits Cash and bank balances	117,057 15,140

Subsidiary companies/Corporations are exposed to a variety of financial risk, including liquidity and cash flow risk, interest rate risk, credit risk, market risk and foreign currency exchange risk. The overall financial risk management objective is to ensure that the companies creates value for its shareholders while minimising the potential adverse effects on the performance of the companies.

## (i) Liquidity and Cash Flow Risk

The practice of prudent liquidity risk management by maintaining the availability of funding through an adequate amount of committed credit facilities.

The maturity profile analysis of Group's financial liabilities based on contractual undiscounted cash flows as per table below:

GROUP	Carrying amount RM'000	Less than 1 year RM'000	Between 1-5 years RM'000	More than 5 years RM'000
2019 Payables	3,036,920	2,992,229	25,791	18,900
2018 Payables	2,880,118	2,794,613	85,505	-

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### 43. FINANCIAL RISK MANAGEMENT (continued)

### (ii) Interest Rate Risk

The Power Cables Malaysia Sdn. Bhd. (PCMSB) and Perbadanan Perwira Harta Malaysia (PPHM) finances their operation through operating cash flows and borrowings which are principally denominated in Ringgit Malaysia (RM). The policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities and private debts securities.

GROUP	Carrying amount RM'000	Less than 1 year RM'000
2019 Deposits Cash and bank balances	16,800 1,094,624	16,800 1,094,624
2018 Deposits Cash and bank balances	11,300 781,848	11,300 781,848

### (iii) Credit Risk

In order to control credit risk is to invest cash assets safely and profitably. The credit risk is also controlled by setting counterparty limits, obtained bank guarantees where appropriate and ensuring that sale of product and services are made to customers with an appropriate credit history, and monitoring customers' financial standing through periodic credit review and credit checks at point of sales. BHB and PCMSB consider the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

#### (iv) Market Risk

For key product purchases, PCMSB establishes floating and fixed priced levels that PCMSB considers acceptable and enters physical supply, where necessary, to achieve these levels.

### (v) Foreign Currency Exchange Risk

BHB's group is exposed to foreign currency risk as a result of its normal operating activities, both external and inter BHB's group where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The BHB's group policy is to minimise the exposure of overseas operating subsidiaries/activities to transaction risks by matching local currency income against local currency costs. The currency giving rise to this risk is primarily US Dollar, Euro and Great Britain Pound. Foreign exchange exposures are kept to an acceptable level.

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For The Year Ended 31 December 2019

## 43. FINANCIAL RISK MANAGEMENT (continued)

### Affin Bank Berhad (ABB)

The ABB's Group has set up objectives and policies to manage the risk that arise in connection with financial instruments. The risk management framework and policies of ABB's Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of ABB's Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value whilst guided by a prudent and robust framework of risk management policies.

In achieving the objective of maximising returns to shareholders, the Board of ABB's Group takes cognisance of the risk elements that the ABB's Group is contronted with in its operations. In view of the multi-faceted risks inherent especially in the ABB's Group operations in the banking sector, the ABB's Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevent risk factors.

### (i) Market Risk

Market risk is defined as changes in the market value of a trading or investment position arising from movements in market factors such as interest/profit rate, foreign exchange rates and implied volatility rates. The ABB's Group exposure to market risk results largely from interest/profit rate and foreign exchange rate risks.

Market risk may arise from proprietary trading position and investment activities (including those for liquidity requirement purposes) in the Trading and Investment Book respectively.

The Market Risk Management Framework governs the market risk activities of the ABB's Group which are supported by a set of approved market risk management policies, guidelines and procedures.

Risk parameters are established based on risk appetite, market liquidity and business strategies as well as macro economic conditions. These parameters are reviewed at least annually.

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss and Value-at-Risk ('VaR') risk parameters.

Interest rate risk is quantified by analysing the mismatches in timing repricing of the rate sensitive assets and rate sensitive liabilities. Earnings-at-Risk ('EaR') or Net Interest/Profit Income simulation is conducted to assess the variation in short term earnings under various rates scenarios. The potential long term effect of the overall exposure is tracked by assessing the impact on Economic Value of Equity ('EVE'), also known as Economic Value-at-Risk ('EVaR'). Thresholds are set for EaR and EVaR as management triggers.

Periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

#### (ii) Credit Risk

Credit risk is the risk that a counterparty will fail to meet its contractual obligations which could result in a financial loss to the ABB's Group. The ABB's Group exposure to credit risks arises primarily from stockbroking trade receivables, share margin financing, corporate/inter-bank lending activities, bonds investment, foreign exchange trading as well as equity and debt underwriting and from participation in securities settlements and payment transactions.

For The Year Ended 31 December 2019

#### 43. FINANCIAL RISK MANAGEMENT (continued)

### Affin Bank Berhad (ABB) (continued)

#### (ii) Credit Risk (continued)

The management of credit risk is governed by a set of approved credit policies, guidelines and procedures to ensure that the overall lending objectives are in compliance with the internal and regulatory requirements. The risk management policies are subject to review by the Group Board Risk Management and Compliance Committee ('GBRMCC'), a sub-committee of the Board that reviews the adequacy of the ABB's Group risk policies and framework. The Group's and the Bank's credit risk framework is further strengthened through an established process for the approval and review of proposals that comprises the Group Management Credit Committee ('GMCC') and the Group Board Credit Review and Recovery Committee ('GBCRRC'). The GMCC represents the approving authority for credit and underwriting proposals, whilst the GBCRRC is the committee that reviews proposals that exceed specified limits and criteria, as well as to consider whether to reject the proposal or modify the terms of the proposal.

The ABB's Group recognise that learning is a continuous journey and is committed to enhancing the knowledge and skills set of its staff. It places strong emphasis on creating and enhancing risk awareness in the organisation.

The ABB's Group are supportive of credit officer in taking the Professional Credit Certification ('PCC') programme offered by the Asian Institute of Chartered Bankers ('AICB'). Upon attaining the PCC certification, credit officers are expected to demonstrate sound understanding of credit process and competence to undertake credit roles and responsibilities.

#### (iii) Liquidity Risk

Liquidity risk is the risk of inability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage sudden decreases or changes in funding sources. Liquidity risk also arises from the failure to recognise changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Liquidity Risk Management Framework governs the liquidity risk management activities of the ABB's Group. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory obligations without incurring unacceptable losses as well as to undertake new transactions. The Group's liquidity management process involves establishing liquidity risk management policies and prudential thresholds, liquidity risk threshold monitoring, stress testing and establishing contingency funding plans. These building blocks of liquidity risk management are subject to regular reviews to ensure relevance in the context of prevailing market conditions and regulatory landscape.

The ABB's Group short term liquidity risk management is premised on BNM's Liquidity Coverage Ratio ('LCR') final standards. The LCR is a quantitative requirement which seeks to ensure that the ABB's Group holds sufficient high-quality liquid assets ('HQLA') to withstand a significant stress scenario over a 30-day horizon.

Long term liquidity risk profile is assessed via Net Stable Funding Ratio ("NSFR") which promotes resilience over a longer time horizon for the ABB's Group to fund its activities with more stable sources of funding on an ongoing basis.

The ABB's Group also employs a set of liquidity risk indicators as an early alert of any structural change for liquidity risk management. The liquidity risk indicators include internal and external qualitative as well as quantitative indicators.

Liquidity stress tests are conducted periodically and on ad-hoc basis to gauge the ABB's Group resilience in the event of a liquidity disruption.

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For The Year Ended 31 December 2019

## 43. FINANCIAL RISK MANAGEMENT (continued)

### Affin Bank Berhad (ABB) (continued)

### (iii) Liquidity Risk (continued)

The Contingency Funding Plan provides a systematic approach in handling liquidity disruption. The document encompasses strategies, decision-making authorities, and courses of actions to be taken in the event of liquidity crisis and emergencies, enabling the ABB's Group to respond to an unexpected liquidity disruption in an effective and efficient manner.

The Board Risk Management Committee ('BRMC') is responsible for the ABB's Group liquidity policy and the strategic management of liquidity has been delegated to the Group Asset Liability Management Committee ('GALCO'). The Liquidity Management Committee ('LMC'), which is a sub-committee of GALCO, augments the functions of GALCO by directing its focus specifically to liquidity issues. The BRMC is informed regularly on the liquidity position of the ABB's Group.

The maturity profile analysis of ABB's Group's financial liabilities based on contractual undiscounted cash flows as per table below:

ABB	Carrying amount RM'000	Less than 1 year RM'000	Between 1-5 years RM'000	More than 5 years RM'000
2019 Payables	2,186,400	1,997,900	173,457	15,043
2018 Payables	1,683,122	1,623,054	60,068	-

#### (iv) Operational Risk Management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or external events. The definition includes legal risk, and exposure to litigation from all aspects of the ABB's Group activities, but excludes strategic business, reputational and systemic risks.

The Group Operational Risk Management Framework governs the management of operational risk across the ABB's Group. GBRMCC approves all policies/policy changes relating to operational risk. Group Operational Risk Management Committee ('GORMC') supports GBRMCC in the review and monitoring of operational risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The Operational Risk Management ('ORM') function within GRM operates in independent capacity to facilitate business/ support units managing the risks in activities associated with the operational function of the ABB's Group.

Operational risks are managed daily through established systems and processes to ensure compliance with policies, guidelines and control procedures.

For The Year Ended 31 December 2019

### 43. FINANCIAL RISK MANAGEMENT (continued)

#### Affin Bank Berhad (ABB) (continued)

#### (iv) Operational Risk Management (continued)

The ABB's Group employ the following standard operational risk tools for risk and control identification and assessment:

- Risk Control Self Assessment ('RCSA')
- Key Control Standards ('KCS') Note: Process to assist Business/Support Unit to identify and assess the operational risks, identify controls and assess controls effectiveness.
- Key Risk Indicator ('KRI').
   Note: Process to monitor and manage key operational risk exposures over time, measured against a set of threshold levels (Red, Amber & Green).
- Loss Event Reporting ('LER').
   Note: Process for reporting, evaluating and monitoring operational risk loss incidents including service disruption due to system failure, secrecy breach and Shariah Non-Compliance ('SNC').
- Scenario Analysis ('ScAn').
   Note: Process to process in the creation of plausible operational risk events and has become an essential element in the operational risk management and measurement.

Introduction of new products or services are evaluated to assess suitability, potential risks and operational readiness.

Operational Risk Coordinators ('ORC') are appointed at business and support units as champions of ORM activities within respective units. The ORC is responsible for the reporting of ORM activities and to liaise with Group Operational Risk Management on all operational defects and results.

#### (v) Interest Rate Risk

The ABB's Group assets and liabilities are categorised by the earlier of contractual repricing or maturity dates. The offbalance sheet gap represents the interest rate sensitive commitments and contingencies.

ABB	Carrying amount RM'000	Less than 1 year RM'000	Between 1-5 years RM'000	Non-interest Sensitive RM'000
2019 Deposits Cash and Bank Balances	1,534,777 4,605,357	- 4,090,595	-	1,534,777 514,762
2018 Deposits Cash and Bank Balances	2,018,470 6,331,798	71,749 5,506,861	-	1,946,721 829,937

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For The Year Ended 31 December 2019

## 43. FINANCIAL RISK MANAGEMENT (continued)

### Affin Bank Berhad (ABB) (continued)

### (vi) Technology Risk

Technology risk is any potential for technology failures and cyber threats that may disrupt business such as failures of information technology ('IT') systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external network or Internet, which could result in financial loss, financial services disruption or the operations of the ABB's Group.

The Group Technology Risk Management Framework governs the management of technology risk across the ABB's Group

The technology risk management function within GRM manages the risks associated with technology risk of the ABB's Group. GORMC supports GBRMCC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. GBRMCC is responsible to provide oversight of overall technology related matters of the ABB's Group.

The ABB's Group use risk identification and assessment to determine the extent of the potential threat and the risk associated with an IT system throughout its System Development Life Cycle ('SDLC'). The output of this process helps to identify appropriate controls for reducing or eliminating risk during the risk mitigation process.

Technology risk controls encompass the use of technical and non-technical methods. Technical controls are safeguards that are incorporated into computer hardware, software, or firmware (i.e. access control mechanisms, identification and authentication mechanisms, encryption methods, intrusion detection software). Non-technical controls are management and operational controls, such as security policies, operational procedures and personnel, physical and environmental security.

Technology Risk Management reports are produced periodically for the respective stakeholders and committees.

#### (vii) Shariah Non-Compliance Risk

Shariah non-compliance ('SNC') is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the ABB's Group may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of BNM ('SAC'), standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA or decisions or advice of the Shariah Committee.

BNM has on 20 September 2019 reissued the Shariah Governance for Islamic Financial Institutions (BNM/RH/GL\_028-100) which supercedes the Shariah Governance Framework issued on 22 October 2010. The Shariah Governance and the ABB's Group Shariah Risk Management Framework are the main reference for the Shariah Governance and Shariah risk management process within AFFIN Islamic.

The ABB's Group Shariah Committee ('AISCM') is established to deliberate on Shariah issues presented to them and provide resolution as well as guidance. GORMC together with GBRMCC assist the Board in the overall oversight of Shariah risk management of the ABB's Group.

Shariah Risk Management is part of an integrated risk management control function to systematically identify all possible risks of SNC and where appropriate, to provide mitigating measures that need to be taken to reduce the risk. The scope covers overall business activities and operations, commencing from Islamic product origination until maturity.

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# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### 43. FINANCIAL RISK MANAGEMENT (continued)

#### Affin Bank Berhad (ABB) (continued)

#### (vii) Shariah Non-Compliance Risk (continued)

SNC risk is proactively managed with the following tools:

- 1. SNC Event Reporting to BNM to collect, evaluate, monitor and report Shariah loss data;
- Shariah Risk and Control Self-Assessment ('RCSA')/Risk Profiling to assist business/functional unit to identify and assess risks and controls. RCSA will be performed annnually or as and when there is occurrence of significant events either internal or external;
- 3. KRI to predict and highlight any potential high risk area. These indicators will be reviewed on a periodic basis (monthly or quarterly) to alert Management to changes that may have risk concerns; and
- 4. KCS to validate the effectiveness of control measures.

#### (viii) Business Continuity Risk

Business continuity risk is the risk of losses in assets, revenue, reputation and stakeholder/customer confidence due to the discontinuation of services in both business and technology operations.

The Business Continuity Management Framework governs the management of business continuity issues, in line with BNM Guidelines on Business Continuity Management ('BCM').

BRMC approves all policies and its changes relating to business continuity management. It also reviews, monitors and discusses business continuity management reports tabled at its meetings. GORMC supports BRMC in the review and monitoring of Business Continuity Risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The BCM function is an independent body overseeing the management of the overall business continuity risk.

Annual Risk Assessment and Business Impact Analysis are made compulsory for each business and support unit in the ABB's Group to undertake. The outcome of this assessment will translate into a risk listing that require business and support units to derive action plans to address the risks.

Risk control is established through adherence with established BCM guidelines and standards throughout the implementation of BCM programs. Rigorous testing on business continuity and disaster recovery plans are diligently performed to ensure effective and smooth execution of the plan for resumption and recovery of disrupted business.

Policies and processes are in place to support the monitoring and reporting of business continuity risks.

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For The Year Ended 31 December 2019

### 44. FAIR VALUE MEASUREMENTS

# a) Determination of fair value

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of the financial instrument approximated to their respective carrying value as shown in Statements of Financial Position, except from assets and liabilities as follows:

GROUP		Carrying amount		Fair v	alue	
GROUP	Note	RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019						
Financial Assets						
Investment at amortised cost Loan, advances and financing	15 17	145,066 45,256,393	-	147,153 46,009,411	-	147,153 46,009,411
Financial Liabilities						
Deposits from customer Deposits of bank and financial	29	50,698,341	-	51,163,791	-	51,163,791
institutions Borrowings	29 29	1,763,252 3,607,143	-	- 3,711,530	-	- 3,711,530
2018						
Financial Assets						
Investment at amortised cost	15	163,027	-	164,873	-	164,873
Loan, advances and financing	17	48,254,072	-	48,068,915	-	48,068,915
Financial Liabilities						
Deposits from customer Deposits of bank and financial	29	57,159,432	-	57,367,236	-	57,367,236
institutions	29	4,846,912	-	4,847,167	-	4,847,167
Borrowings	29	3,053,812	-	3,095,750	-	3,095,750

For The Year Ended 31 December 2019

# 44. FAIR VALUE MEASUREMENTS (continued)

# b) Fair value hierarchy

Assets and liabilities which are measured at fair value at the reporting date analysed by various levels within the fair value hierarchy are as follows:

GROUP	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Financial Assets				
Investment at fair value through other comprehensive income - Quoted - Unquoted - Others Investment at fair value through profit or loss Derivative assets	698,832 - - 325,162 - 1,023,994	- 8,293,091 4,022,935 381,576 164,868 12,862,470	- 611,286 - 109,239 - 720,525	698,832 8,904,377 4,022,935 815,977 164,868 14,606,989
Non-Financial Assets				
Investment properties Biological assets	-	-	2,409,029 22,230	2,409,029 22,230
Financial Liabilities				
Derivative liabilities	-	189,924	-	189,924
LTAT				
2019				
Financial Assets				
Investment at fair value through other comprehensive income - Quoted - Unquoted Investment at fair value through profit or loss - Quoted - Junior Sukuk Musharakah	586,056 - 122,430 - 708,486	- - 150,045 150,045	- 430,466 - - 430,466	586,056 430,466 122,430 150,045 1,288,997
Non-Financial Assets Investment properties	-	-	453,100	453,100

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For The Year Ended 31 December 2019

# 44. FAIR VALUE MEASUREMENTS (continued)

# b) Fair value hierarchy

GROUP	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018				
Financial Assets				
Investment at fair value through other comprehensive income - Quoted - Unquoted - Others Investment at fair value through profit or loss Derivative assets	617,882 - - 303,277 -	- 10,697,952 4,432,952 345,810 88,805	- 708,693 - 118,978 -	617,882 11,406,645 4,432,952 768,065 88,805
	921,159	15,565,519	827,671	17,314,349
Non-Financial Assets				
Investment properties Biological assets	-	-	2,098,776 15,662	2,098,776 15,662
Financial Liabilities				
Derivative liabilities	-	114,951	-	114,951
LTAT				
2018				
Financial Assets Investment at fair value through other comprehensive income				
- Quoted - Unquoted Investment at fair value through profit or loss	437,065	-	- 537,371	437,065 537,371
- Quoted	130,188	-	-	130,188
- Junior Sukuk Musharakah	-	150,225	-	150,225
	567,253	150,225	537,371	1,254,849
Non-Financial Assets				
Investment properties	-	-	453,100	453,100

As at reporting date, financial assets measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares.

In estimating its significance, the Group and LTAT used an appproach that is currently based on discounted cash flow methodology approved for fair value valuation. These adjustment reflect the values that the Group and LTAT estimates are appropriate to adjust from the valuations produced to reflect the uncertainties in the inputs used.

Investment properties were revalued by independant professional valuations using the open market and income approach as valuation basis. Valuations are performed by accredited independant valuers with recent experience in the location and categories of properties being valued. Changes in Level 3 fair values are analysed annually after obtaining valuation report from the independant valuers.

For The Year Ended 31 December 2019

## 45. OPERATING LEASE OBLIGATIONS

Group and LTAT as a lessor

The Group and LTAT has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one to six years. All leases include a clause to enable upward revision of the rental charge upon renewal of the leases based on prevailing market conditions.

Total future minimum lease payments under these non-cancellable operating lease are as follows:

	GROUP		LT	AT
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Within 1 year	138,114	97,281	20,888	10,567
Later than 1 year but not later than 5 years	116,523	61,010	11,897	4,378
More than 5 years	1,900	-	-	-
	256,537	158,291	32,785	14,945

# 46. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions are as follow:

	GROU	P/LTAT
	2019 RM'000	2018 RM'000
a) Transaction with subsidiary companies/corporation		
<ul> <li>i) Income         Interest from money markets         Profits from money markets Islamic Banking         Interest from Medium Term Notes         Profit from Junior Sukuk Musharakah         Interest from advances to PPHM         Rental         Dividends received         Dividend received from unquoted redeemable preference shares         Profit/(Loss) on sale of shares</li></ul>	6,723 141 18,360 10,187 2,319 801 31,618 17,334 125	2,952 14 18,617 9,150 12,351 787 181,200 17,324 (65)
	87,608	242,330
<ul> <li>ii) Expenses</li> <li>Building maintenace management fees and inventories</li> <li>Building maintenance</li> <li>Fees on portfolio management</li> <li>Multimedia services</li> </ul>	608 4,413 259 141 5,421	580 5,357 279 142 6,358

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For The Year Ended 31 December 2019

## 46. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Significant related party transactions are as follow:

	GROUF	P/LTAT
	2019 RM'000	2018 RM'000
<ul> <li>iii) Amounts due from subsidiary companies         Advances to PPHM         Sale of shares         Interest/profit accrued from deposits and money markets         Interest accrued from advances to PPHM         Profit accrued from Junior Sukuk Musharakah         Dividend receivables         Income from portfolio management         Deposit and guarantee     </li> </ul>	84,684 1,476 99 1,059 - 51,788 20 200	1,198 15 15,851 88 145,374 40
	139,326	162,566
<ul> <li>iv) Amounts due to subsidiary companies         <ul> <li>Building's maintenance management fees</li> <li>Taman LTAT Project, Bukit Jalil</li> <li>Deposit and guarantee</li> <li>Fees on portfolio management</li> <li>Compensation received from Government on behalf subsidiary company</li> <li>Advances received from Government for the development of</li> <li>Government Quarters</li> <li>Others</li> </ul> </li> </ul>	892 7,561 271 65 113,929 2,978 3,970	546 9,684 271 64 - 2,268
	129,666	12,833

#### b) Transaction with Government of Malaysia

 On 20 June 2019, a sub subsidiary accepted a letter dated 14 June 2019 from the Ministry of Defence Malaysia for the Refit works on KD TERENGGANU at a contract value of RM96.0 million. The aggregate revenue recognised under the contract for the year ended 31 December 2019 amounted to RM1.1 million.

On 10 April 2018, the sub subsidiary executed a letter of work dated 14 March 2018 from Ministry of Defence Malaysia (MINDEF) for the maintenance and upgrading of Combat Management System for Royal Malaysian Navy's vessel at a contract value of RM44.8 million. The aggregate revenue recognised under the contract for the year ended 31 December 2019 amounted to RM15.1 million (2018: RM23.4 million).

On 23 March 2017, the sub subsidiary signed a formal contract with the Government of Malaysia for the provision of design, construction, installation, commissioning, integration, tests and trials and delivery of first four units of Littoral Mission Ships (LMS) valued at RM1.2 billion. The sub subsidiary has executed a sub-contract with China Shipbuilding Industry Corporation (CSIC) on 22 April 2017. The aggregate revenue recognised under the contract for the year ended 31 December 2019 amounted to RM394.3 million (2018: RM118.6 million).

On 19 March 2015, a sub subsidiary received and accepted a letter of award from the MINDEF for the administration and implementation of the contract for the supply and delivery of spares, maintenance, Integrated Logistic Support (ILS) and training for the 17th Patrol Vessel Squadron of the Royal Malaysian Navy for a period of 3 years with total contract value of RM96.3 million. The contract was further extended for a period of 1 year. The revenue recognised for the year ended 31 December 2019 amounted to RM0.3 million (2018: RM0.3 million).

For The Year Ended 31 December 2019

### 46. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

#### b) Transaction with Government of Malaysia (continued)

On 7 September 2013, a sub subsidiary received a letter of award from the MINDEF to supply and deliver spare parts, maintenance services and training for the 23rd frigate squadron of the Royal Malaysian Navy at a contract value of RM70.0 million. The revenue recognised for the year ended 31 December 2019 amounted to RM Nil (2018: RM0.2 million).

On 16 December 2011, a sub subsidiary received a letter of award from MINDEF to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of 'Second Generation Patrol Vessels Littoral Combat Ship (Frigate Class)' (LCS) at a contract value of RM9.0 billion. The aggregate revenue recognised under the letter of award for the year ended 31 December 2019 amounted to RM495.1 million (2018: RM871.7 million). The finalisation of this contract was on 17 July 2014.

ii) On 16 March 2011, a sub subsidiary has entered into a Concession Agreement with the Government of Malaysia represented by the Ministry of Health, Malaysia (MOH) for a period of 10 years expiring on 30 November 2019, for the right and authority to purchase, store, supply and distribute the Approved Products (i.e. drugs and non-drugs approved by MOH) to the Public Sector Customers (i.e. government hospital, health office, health clinic, dental clinic, or any health institution or other similar facility within Malaysia which is operated and controlled by the MOH and as determined by the MOH from time to time) and also for the development of Pharmacy Information System and Clinic Pharmacy Systems in government hospitals and clinics.

In the month of November 2019, the sub subsidiary received a letter from MOH extending its services for the provision of medicine and medical supplies to MOH facilities for an interim period of 25 months, commencing from 1 December 2019 to 31 December 2021 to allow MOH to make necessary preparations to undertake the service. If MOH is able to take over the role in less than 25 months, an open tender for procurement of medicines will be initiated earlier. In addition, the sub subsidiary also secured a contract to continue providing logistics and distribution services for MOH for a period of 5 years ending 31 December 2024.

#### 47. SIGNIFICANT EVENTS

 Sale of part of land held under state lease (WP) 31561, Lot 37318, State lease (WP) 31561, Lot 37318, State Lease 31560, Lot 37825 and HS (D) PT NO15239, Mukim Petaling, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur to KL Wellness City Sdn Bhd.

On 16 December 2016, partial sale and purchase agreement held under State lease (WP) 31561, Lot 37318, State lease (WP) 31560, Lot 37825 and HS (D) 119850 PT No 15239, Mukim Petaling District Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur was signed by LTAT and KL Wellness City Sdn Bhd (KLWCSB) amounting RM276.9 million.

KLWCSB has paid a deposit of 2.03% upon signing an agreement amounting to RM5.6 million to LTAT on 6 October 2016 and 19 December 2016 and the remaining 7.97% amounting to RM22.1 million was paid on 13 September 2019.

KLWCSB has made a settlement of balance payments of 90% of the purchase price amounting to RM249.2 million to LTAT on 3 April 2020.

- ii) The subsidiary had issued two tranches of Islamik Medium Term Notes (IMTN) under the RM2.0 billion Sukuk Programme as follows:
  - i. RM200.0 million on 30 January 2019, with maturity of 7 years at a profit rate of 6.2%.
  - ii. RM650.0 million on 24 July 2019, with maturity of 5 years at a profit rate of 6.5%.

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For The Year Ended 31 December 2019

### 47. SIGNIFICANT EVENTS (continued)

All issuances are part of the combined RM2.5 billion IMTN Programme with tenure of 10 years of which RM1.5 billion was issued in the prior years. The IMTN programmes are unrated and are implemented under Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under The Lodge and Launch Framework. The proceeds to be raised from the IMTN programmes are to be utilised, amongst others, to finance future property development projects and capital expenditures, investments in subsidiaries and/or associates, working capital requirements and to finance existing borrowings of the subsidiary.

- iii) On 24 January 2018, Boustead Plantation Berhad (BPB) announced that CIMB Islamic Trustee Berhad (CITB), acting solely as trustee for BPB, entered into SPAs with the following parties:
  - i. Sunrich Conquest Sdn Bhd for the sale of 82.84 hectares of freehold land in the District of Seberang Perai Utara, Pulau Pinang for cash consideration of RM81.1 million; and
  - ii. Titanium Greenview Sdn Bhd for the sale of 2 parcels of freehold land measuring a total of 56.05 hectares in the District of Seberang Perai Utara, Pulau Pinang for cash consideration of RM54.9 million.

The sales were completed on 18 April 2019 and a gain of RM119.5 million was recognised.

iv) On 1 August 2018, Boustead Rimba Nilai Sdn Bhd (BRNSB), a wholly-owned subsidiary of BPB entered into a sale and purchase agreement (SPA) with several parties for the acquisition of oil palm plantation lands within the District of Beluran, Kinabatangan and Labuk & Sugut comprising 17 land titles measuring a total of 4,915.25 hectares together with a 75 tonnes per hour palm oil mill and buildings erected thereon as well as movable assets, machineries and vehicles for a cash consideration of RM397 million.

On 25 March 2019, BRNSB entered into:

a) A supplemental agreement (SA) with the Vendors to revise the purchase consideration to RM358.66 million after the sub-division of land titles and the exclusion of the purchase of 499.3 hectares of oil palm plantation lands together with movable assets (Lubah property) as well as road reserve land measuring 1,172.8 square meters. The exclusion of Lubah property was due to non-fulfilment of the removal of equity restriction. The land area under the SA was 4,414.693 hectares.

The purchase of lands was completed on 29 April 2019.

 A SPA with Lubah Plantations (S) Sdn Bhd for the acquisition of Lubah property for a cash consideration of RM38.21 million. BRNSB has paid a 10% deposit.

The acquisition of Lubah property is expected to be completed by second quarter 2020.

v) On 19 December 2016, the Group's wholly owned subsidiary Boustead Construction Sdn Bhd (BCSB) entered into a sale and purchase agreement with Lembaga Tabung Angkatan Tentera (LTAT), to purchase lands measuring 10.74 acres out of 53.39 acres held under PN 31560, Lot No. 37825, Mukim Petaling, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (collectively known as the Bukit Jalil Lands) for a total cash consideration of RM172.8 million.

BCSB and LTAT had on 11 July 2019, mutually agreed to terminate the acquisition whereby LTAT has refunded the deposit paid by BCSB under the sale and purchase agreement.

vi) On 23 March 2017, a sub subsidiary signed a formal contract with the Government of Malaysia for the provision of design, construction, installation, commissioning, integration, tests & trials and delivery of first four units of Littoral Mission Ships (LMS) valued at RM1.2 billion. The sub subsidiary has executed a sub-contract with China Shipbuilding Industry Corporation (CSIC) on 22 April 2017. On 14 March 2019, the Government of Malaysia has agreed and decided to effect the revision of the contract price to RM1.0 billion with all four units of LMS will now be built and delivered in China.

For The Year Ended 31 December 2019

### 47. SIGNIFICANT EVENTS (continued)

vii) On 15 March 2019, Boustead Hotel & Resorts Sdn Bhd (BHR), a wholly owned subsidiary of Boustead Properties Berhad, which in turn is a wholly owned subsidiary of the sub subsidiary, entered into a sale and purchase agreement (SPA) with Every Room A Home Sdn Bhd (the Purchaser), for a proposed disposal of Royale Chulan Bukit Bintang Hotel located on 2 parcels of freehold land measuring approximately 3,189 square meter which was held under GRN 70145, Lot 1297 and GRN 70146, Lot 1298, both in Seksyen 67, District of Kuala Lumpur (Property) and its business, including fixtures, fittings and furnishings but excluding goodwill, for a cash consideration of RM197 million (Disposal Consideration) (Proposed Disposal).

The Proposed Disposal is subject to the following remaining conditions precedent:

- i. The approvals of relevant authorities; and
- ii. The conditions stipulated in the SPA.

The Purchaser has paid a deposit of RM19.7 million being 10% of the Disposal Consideration. The balance 90% of the Disposal Consideration totalling RM177.3 million will be settled within 3 months from the date of the SPA or 1 month from the Unconditional Date (as defined in the SPA), whichever is later.

The Proposed Disposal is expected to be completed in the 3rd quarter of 2020.

- viii) Pharmaniaga Logistics Sdn. Bhd. (PLSB), a sub subsidiary, has received a letter from the Ministry of Health (MOH) in the month of November 2019, extending its services for the provision of medicines and medical supplies to MOH facilities for an interim period of 25 months, commencing 1 December 2019 to 31 December 2021. In addition, PLSB has secured a contract to continue providing logistics and distribution services for MOH for a period of 5 years ending 31 December 2024.
- ix) The Covid-19 Pandemic

The Covid-19 pandemic has severely impacted many local economies around the globe. For the Group, the measures taken by the Government of Malaysia to contain the spread of the virus, including Movement Control Order (MCO), travel bans, quarantines, social distancing, and closures of non-essential services have affected the business performance and operations of the Group as follows:

a) Properties Division

Due to temporary closure of all hotels operated by the Division, the Division foresees a significant decline in revenue from hotel operations for future periods due to a fall in room occupancy. The activities in retail malls under the Division have been limited only for operation by essential services tenants and any move to waive rent will further reduce the revenue. The property development activities have also been delayed during the period of MCO.

b) Trading and Industrial Division

During the MCO period, the sales volume at the Division's petrol station network has declined due to the travel bans across the country. In addition, fall in global fuel prices due to low demand led to stockholding losses. The sales of building materials have also been affected by the temporary closure of construction projects. Nevertheless, due to minimal trading activities, the Division will be able to avoid incurring operating costs.

# <sup>404</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

# 47. SIGNIFICANT EVENTS (continued)

- ix) The Covid-19 Pandemic (continued)
  - c) Plantation Division

In March 2020, as part of Covid-19 containment efforts, the Sabah State Government decided to shutdown palm oil operations in six districts in Sabah from 25 March 2020 to 14 April 2020. It is expected that the Covid-19 pandemic and movement control measures put in place will result in decline in palm oil consumption and have a negative impact on economic growth. From the Division's preliminary assessment, palm oil prices will decrease slightly from current level over the coming months due to the decline in palm oil demand and global consumption.

d) Finance and Investments Division

Due to a significant worsening of the macro-economic outlook as a result of Covid-19 outbreak, The Group is expecting a lower contribution from its investment in an associate. In line with Bank Negara Malaysia's measures to assist individuals and SMEs, the associate has offered a deferment of all loan/financing repayments for a period of 6 months with effect from 1 April 2020. Based on preliminary assessment by the associate, provision for expected credit losses is likely to increase due to an expected increase in default in loans and financing assets.

Decline in tourism activities have also disrupted the Division's operations. Travel services have been adversely impacted by the travel restriction and fear of health threat around the globe. On 8th March 2020, the Government has issued a directive to all local port operators to stop receiving any cruise vessels. The Division's cruise terminal operation will not be receiving any cruise vessels in compliance with the directive.

e) Heavy Industries Division

The Division's non-defence related shipbuilding and repair activities fall under non-essential services whilst the Division's defence-related shipbuilding and repair activities are currently running at lower capacity. The supply chain disruptions and closure/suspension of shipbuilding facilities may result in delays or variation in production milestone. As such, the timing and collectability of the Division's receivables may be affected. Nonetheless, the Division will ensure corrective actions will be taken such as exercising force majeure and rescheduling the delivery dates with the approval from the customers.

f) Pharmaceutical Division

The supply of pharmaceutical products resumes as usual during the MCO period. The Division's logistic chain has also adapted to the new normal involving the evolving standard operating procedures related to various restrictions imposed by the Government. The Division remains committed in providing quality products and services in the orchestrated efforts by the healthcare sector to contain the disease.

g) Impact of Covid-19 to financial statements of the Group

The occurrence of the Covid-19 outbreak is not an adjusting post balance sheet event, hence the Group's financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect the impact. Should the virus pandemic continue for an extended period of time, possible financial impacts in the next reporting period may include impairment concerns mainly on properties, plant and equipment, goodwill and provision for expected credit losses and decrease in value of investment properties. As some of the Group's businesses that do not meet the criteria of essential services, are being forced to cease or limit operations for long or indefinite periods of time, it is challenging to reliably predict the full extent and duration of the impact on the financial position and results of the Group for future periods.

For The Year Ended 31 December 2019

### 47. SIGNIFICANT EVENTS (continued)

- ix) The Covid-19 Pandemic (continued)
  - h) Response measures by the Group

As the Group is going through an unprecedented challenging period, the focus of response measures will be improving the performance of the Group's operations, mitigating the impact of Covid-19 and cash management:

- a) Temporary cost-reduction exercises;
- b) Cost-avoidance initiatives;
- c) Deferment and suspension of non-essential spending and capital expenditure;
- d) Reduction of critical expenditure;
- e) Recovery plan by each of business unit;
- f) Leveraging digital platform for marketing, advertising and promotion activities;
- g) Initiate split office operations to ensure continuity of services to the LTAT's contributors.

The Group will continue to monitor and assess the ongoing development and respond accordingly.

#### **48. COMPARATIVE FIGURES**

The Group are collectively measure their investment properties using the fair value model. In the prior financial years, the Group had measured the fair value of commercial buildings classified as investment properties using the market approach (comparison approach).

During the year, the Group had applied the use of multiple valuation techniques in valuing the office buildings, taking into consideration the fair value derived from the income approach and market approach, in determining the fair value of office buildings, after due consultation with independent professional valuers engaged by the Group. Multiple valuation techniques were applied, as inputs used in one valuation technique may be more readily observable in the marketplace or require fewer adjustments that the other. The consideration of the fair value derived from more than one valuation technique will also be useful as it can highlight specific characteristics of the properties being measured and may aid in the assessment of value indications from different valuation techniques.

In relation to shopping complexes, the Group had applied the income approach after due consultation with independent professional valuers engaged by the Group. The valuation based on the income approach is less subjective and more representative of the fair value compared to the market approach.

# <sup>406</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

# 48. COMPARATIVE FIGURES (continued)

Changes in valuation techniques in measuring the fair value of the commercial buildings and the related deferred tax effects have been retrospectively accounted for as follows:

i) Reconciliation of Statements of Financial Position as at 1 January 2018

	Note	As previously stated at 1 January 2018 RM'000	Adjustments RM'000	Restated at 1 January 2018 RM'000
Assets				
Investment properties	6	2,417,376	(332,990)	2,084,386
Investment in joint ventures	12	534,834	(12,600)	522,234
Equity and Liabilities				
Retained earnings		1,061,364	(194,766)	866,598
Non-controlling interest		7,786,218	(134,181)	7,652,037
Deferred tax liabilities	16	442,393	(16,643)	425,750

ii) Reconciliation of Statements of Financial Position as at 31 December 2018

	Note	As previously stated at 31 December 2018 RM'000	Adjustments RM'000	Restated at 31 December 2018 RM'000
Assets				
Property, plant and equipment	3	7,721,569	(2,896)	7,718,673
Inventories	4	2,415,930	(5,973)	2,409,957
Investment properties	6	2,526,195	(420,102)	2,106,093
Investment in joint ventures	12	549,183	(11,522)	537,661
Contract assets and cost contract assets	19	1,097,292	5,973	1,103,265
Equity and Liabilities				
Retained earnings/(Accumulated losses) Non-controlling interest Deferred tax liabilities	16	157,815 7,503,491 477,801	(232,488) (159,732) (42,300)	(74,673) 7,343,759 435,501
Deletted las habilities	10	477,001	(42,300)	435,501

For The Year Ended 31 December 2019

# 48. COMPARATIVE FIGURES (continued)

iii) Reconciliation of Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

	Note	As previously stated at 31 December 2018 RM'000	Adjustments RM'000	Restated at 31 December 2018 RM'000
Other Income	33	476,085	(90,000)	386,085
Share of loss of investment in joint ventures		(41,206)	1,049	(40,157)
Taxation		(249,272)	25,678	(223,594)

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# LEMBAGA TABUNG ANGKATAN TENTERA

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# **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENTS OF FINANCIAL POSITION410STATEMENTS OF PROFIT OR LOSS AND<br/>OTHER COMPREHENSIVE INCOME412STATEMENTS OF CHANGES IN EQUITY413STATEMENTS OF CASH FLOWS415NOTES TO THE FINANCIAL STATEMENTS417

# <sup>410</sup> LEMBAGA TABUNG ANGKATAN TENTERA

ESTABLISHED UNDER TABUNG ANGKATAN TENTERA ACT 1973 (ACT 101)

# **STATEMENTS OF FINANCIAL POSITION**

As At 31 December 2019

	Note	2019 RM'000	2018 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment Investment properties Right-of-use asset Subsidiary companies Associated companies Investment at fair value through other comprehensive income Investment at fair value through profit or loss Investment at amortised cost Loans and receivables	3 4 5 6 7 8 9 10 11	76,825 453,100 986 5,107,940 201,698 1,016,522 150,045 287,989 61,892	78,694 453,472 5,093,506 209,958 974,436 150,225 519,285 127,875
Total Non-Current Assets		7,356,997	7,607,451
Current Assets			
Inventories Investment at fair value through profit or loss Loans and receivables Deposits Cash and bank balances <b>Total Current Assets</b>	12 9 11 13	1,446,191 122,430 116,537 576,213 30,336 2,291,707	1,358,980 130,188 151,748 117,057 15,140 1,773,113
TOTAL ASSETS		9,648,704	9,380,564

The accompanying notes form an integral part of these financial statements.

**D**-

# STATEMENTS OF FINANCIAL POSITION (continued)

As At 31 December 2019

	Note	2019 RM'000	2018 RM'000
EQUITY AND LIABILITIES			
Equity			
Members' contribution accounts Reserve fund Other comprehensive income reserve Retained earnings	14 15	9,071,124 181,422 (169,307) 63,475	8,822,585 176,452 (169,960) 38,712
Total Equity		9,146,714	8,867,789
Non-Current Liabilities			
Employee benefits liability Veteran Annuity Scheme (SAVe) Payables Deferred tax liabilities	16 17 18	71,181 - 61,389 4,621	67,578 977 71,358 4,621
Total Non-Current Liabilities		137,191	144,534
Current Liabilities			
Payables Lease liabilities Veteran Annuity Scheme (SAVe)	17 19	363,790 1,009 -	368,221 - 20
Total Current Liabilities		364,799	368,241
TOTAL LIABILITIES		501,990	512,775
TOTAL EQUITY AND LIABILITIES		9,648,704	9,380,564

The accompanying notes form an integral part of these financial statements.

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# <sup>412</sup> STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Income Other income Net fair value (loss)/gain on investment properties	20 21	195,242 1,584 (1,591)	422,766 536 600
Total income for the year		195,235	423,902
Net fair value loss on investment at fair value through profit or loss Impairment losses on investment properties Impairment losses and expected credit loss Staff costs Operating costs Depreciation <b>Profit before taxation and zakat</b>	22 23 24 25 26	(4,692) (372) (19,230) (41,553) (33,497) (3,089) 92,802	(32,083) (82,874) (41,092) (35,518) (3,211) 229,124
Taxation and zakat	27	-	(8,089)
Net profit for the year		92,802	221,035
Other comprehensive income Items that will not be reclassified to profit or loss Net loss on investment at fair value through other comprehensive income			
- Fair value changes		(13,493)	(146,905)
Other comprehensive loss for the year		(13,493)	(146,905)
Total comprehensive income for the year		79,309	74,130

The accompanying notes form an integral part of these financial statements.

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STATEMENTS OF CHANGES IN EQUITY For The Year Ended 31 December 2019

2	Members' Contribution Accounts Note RM'000	Reserve Fund RM'000	Other Comprehensive Income Reserve RM'000	Retained Earnings RM'000	Total RM'000
2019					
Balance at 1 January Net profit for the year Other comprehensive loss for the year	8,822,585	176,452 - -	(169,960) - (13,493)	38,712 92,802 -	8,867,789 92,802 (13,493)
Total comprehensive (loss)/income for the year			(13,493)	92,802	79,309
Transfer to retained earnings on derecognition of investment at fair value through other comprehensive income	, , , , , , , , , , , , , , , , , , ,	I	14,146	(14,146)	1
Transactions with owners					
Transfer to dormant account Transfer from retained earnings	(4,587)	- 4.970		- (4.970)	(4,587)
vidends • year	28 (183,417) 923,902			178,381	(5,036) 923,902
Dividends at 2.5% for the year	220,879	I		(220,879)	I
Withdrawals during the year Housing withdrawals, during the year	(682,934) (25,304)				(682,934) (25,304)
Payment to death and disablement benefit scheme				(6,425)	(6,425)
Total transactions with owners	248,539	4,970		(53,893)	199,616
Balance at 31 December	9,071,124	181,422	(169,307)	63,475	9,146,714

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EMENTS OF CHANGES IN EQUITY (continued)	Year Ended 31 December 2019
STATEMEN	For The Year End

Other

	Note	Members' Contribution Accounts RM'000	Reserve Fund RM'000	Comprehensive Income Reserve RM'000	Available for Sale Securities Reserve RM'000	Asset Revaluation Reserve RM'000	Retained Earnings RM'000	Total RM'000
2018								
Balance at 1 January, as previously stated		8,787,262	175,745	ı	22,370	32,704	259,998	9,278,079
Prior year adjustments		·	I	I	ı	ı	(441,479)	(441,479)
Effects on adoption of MFRS 1 Effects on adoption of MFRS 9				- 22,370	- (22,370)	(32,704) -	10,676 (116,688)	(22,028) (116,688)
Balance at 1 January, as restated		8,787,262	175,745	22,370			(287,493)	8,697,884
Net profits for the year		ı	ı				221,035	221,035
Other comprehensive loss for the year				(146,905)				(146,905)
Total comprehensive (loss)/income for the year		ı	ı	(146,905)			221,035	74,130
Transfer to retained earnings on derecognition of investment at fair value through other comprehensive income			ı	(45,425)			45,425	
Transactions with owners								
Transfer to dormant account		(5,702)	I					(5,702)
Transfer from retained earnings		·	707		I	I	(707)	·
Adjustments on contributions/dividends	28	(228,545)	'				228,448	(26)
Contribution received during the year		883,765	I		I		ı	883,765
Dividends at 2% for the year		161,180	I	ı	I	ı	(161,180)	
Withdrawals during the year		(752,431)	I	ı	I	ı	ı	(752,431)
Housing withdrawals during the year		(22,944)	·	I	I	ı	I	(22,944)
rayment to death and disablement benefit scheme			T		I		(6,816)	(6,816)
Total transactions with owners		35,323	707	I			59,745	95,775
Balance at 31 December		8,822,585	176,452	(169,960)		1	38,712	8,867,789

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# **STATEMENTS OF CASH FLOWS**

For The Year Ended 31 December 2019

	2019 RM'000	2018 RM'000
Cash Flow From Operating Activities		
Grant received on behalf of Corporation Cash receipts from other income Cash receipts from customer	7,000 - 8,708	- 130 16,858
Cash received from the government to PPHM for the development of government quarters Compensation from the government on behalf of subsidiary companies Deposits on disposal of development properties Rental received Cash payments to employees Cash payments to suppliers (Advances to)/cash received from PPHM	2,978 668,929 49,759 843 (34,740) (43,470) (65,784)	595 - 1,360 826 (36,261) (63,600) 112,000
Cash generated from operating activities	594,223	31,908
Unit trust benefits paid Advances received/(payment) for Bantuan Bakti Negara (BBN) Advance payment for Veteran Annuity Scheme (SAVe) Payment to death & disablement benefits scheme Payment of grant to PERHEBAT Employee benefits paid Payment on compensation from government to subsidiary companies Payment from government to PPHM for the development of government quarters Zakat paid	51,988 (1,014) (6,425) (7,000) (3,243) (555,000)	(188,422) (10,320) (39) (6,816) - (3,700) - (595) (575)
Net cash from/(used in) operating activities	73,529	(178,559)
Cash Flow From Investing Activities	(070)	(045)
Purchase of property, plant and equipment Purchase of right-of-use asset Investment properties Additional investment in subsidiary companies Purchase of investment at fair value through other comprehensive income Investment at fair value through profit or loss Property development in progress Interest and profit received Capital repayment from investment at amortised cost Disposal of subsidiary companies	(979) (285) (1,404) - (92,549) 25,071 (201,959) 24,740 269,655 7,258	(345) (9,003) (60,167) (141,943) 16,814 (360,383) 3,588 3,000

The accompanying notes form an integral part of these financial statements.

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# <sup>416</sup> STATEMENTS OF CASH FLOWS (continued)

For The Year Ended 31 December 2019

	2019 RM'000	2018 RM'000
Cash Flow From Investing Activities (continued)		
Disposal of investment at fair value through other comprehensive income Disposal of property, plant and equipment	43,861 -	378,295 47
Disposal of development properties Dividend received from subsidiary companies Dividend received from associated companies	- 70,668 23,745	129,162 137,159 23,996
Dividend and other income received from investment at fair value through other comprehensive income Other income from associated companies	30,890 147	29,514 632
Rental received from investment properties Refund of tax credit from Inland Revenue Board	33,379 23,922	31,919 -
Net cash from investing activities	256,160	182,285
Cash Flow From Financing Activities		
Members' contribution received Members' withdrawals	924,205 (779,542)	884,089 (909,191)
Net cash from/(used in) financing activities	144,663	(25,102)
Net increase/(decrease) in cash and cash equivalents	474,352	(21,376)
Cash and cash equivalents at 1 January	132,197	153,573
Cash and cash equivalents at 31 December	606,549	132,197
Cash and cash equivalents		
Deposits (Note 13)	576,213	117,057
Cash and bank balances Cash held by portfolio management	29,882 454	13,879 1,261
Cash and cash equivalents at 31 December	606,549	132,197

The accompanying notes form an integral part of these financial statements.

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# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

## 1. BACKGROUND AND PRINCIPAL ACTIVITIES

Lembaga Tabung Angkatan Tentera, better known as LTAT was established in August 1972 by an Act of Parliament. The registered office of LTAT is located at 12th Floor, LTAT Building, Jalan Bukit Bintang, P.O Box 11542, 50748 Kuala Lumpur.

The principal activities of Lembaga Tabung Angkatan Tentera (LTAT) as stipulated in the Tabung Angkatan Tentera Act, 1973 (Act 101) are to manage and invest the members' contribution funds represents the compulsory contributions of officers and other ranks, Malaysian Armed Forces as well as voluntary contributions of mobilised members of volunteer forces. These activities involved the process of collection, management and investment of the contribution funds in investment properties (note 4), subsidiary companies (note 6), associated companies (note 7), investment at fair value through other comprehensive income (note 8), investment at fair value through profit or loss (note 9), investment at amortised cost (note 10), inventories (note 12) and deposits (note 13).

LTAT also undertakes to offer retraining for the retiring and retired personnel of the Armed Forces.

The total number of LTAT's employee as at 31 December 2019 are 259 employees (31 December 2018: 259 employees).

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

### (a) Statement of Compliance

The financial statements of LTAT have been prepared in accordance with Malaysian Financial Reporting Standard (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Tabung Angkatan Tentera Act, 1973 (Act 101).

#### (b) Basis of Measurement

The financial statements of LTAT have been prepared under the cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting date as disclosed in the accounting policies below.

# (c) Significant Accounting Estimates and Judgements

The preparation of LTAT financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (i) Impairment of Property, Plant and Equipment

LTAT reviews the carrying amounts of property, plant and equipment as at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of property, plant and equipment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. The preparation of the estimated future cash flows involves significant judgements and estimations.

# <sup>418</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

# 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of Preparation (continued)

(c) Significant Accounting Estimates and Judgements (continued)

### (i) Impairment of Property, Plant and Equipment (continued)

While LTAT believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges. Any resulting impairment loss could have a material adverse impact on LTAT's financial position and results of operations.

#### (ii) Provision of Expected Credit Loss of Receivables and Contract Assets

LTAT assess the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risks, LTAT consider factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Where there is a significant increase in credit risk, LTAT determine the lifetime expected credit loss by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or full when there is no realistic prospect of recovery. This is generally the case when LTAT determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

### (iii) Property Development

LTAT recognises property development revenue and expenses in profit or loss by using an input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation.

Significant judgement is required in determining the measure of progress, the extent of the property development cost incurred, the estimated total property development revenue and cost, as well as the recoverability of the property development cost. In making the judgement, LTAT evaluates based on past experience and by relying on the work of specialists.

#### 2.2 Summary of Significant Accounting Policies

#### (a) Subsidiary Companies

Subsidiaries are entities, including structured entities, controlled by LTAT.

LTAT controls an entity when it exposed, or has rights to variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing controls only when such rights are substantive. LTAT also considers its de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significant affect the investee's return.

Investments in quoted and unquoted subsidiary companies are stated at cost less impairment losses (if any). Dividend received from subsidiaries are recorded as a component of income in the statements of profit or loss.

For The Year Ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (b) Associated Companies

Associates are entities, including unincorporated entities, in which LTAT has significant influence, but not control or joint control, over the financial and operating policy decisions.

Investments in quoted and unquoted associated companies are stated at cost less impairment losses (if any). Dividend received from associated are recorded as a component of income in the statements of profit or loss.

### (c) Financial Assets

### (i) Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and LTAT's business model for managing them.

In order for financial assets to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'Solely Payments of Principal and Interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

LTAT's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that LTAT commit to purchase or sell the asset.

#### (ii) Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

### 1) Financial Assets at Amortised Cost (debt instruments)

This category is the most relevant to LTAT. LTAT measure financial assets at amortised cost if both of the following conditions are met:

- The financial assets are held within a business model with the objective to hold financial asset in order to collect contractual cash flows, and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# <sup>420</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (c) Financial Assets (continued)

### (ii) Subsequent Measurement (continued)

### 1) Financial Assets at Amortised Cost (debt instruments) (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

LTAT's financial assets at amortised cost comprise receivables (excluding prepayments and advances paid to supplier) deposit, cash and bank balances.

### 2) Financial Assets at Fair Value Through OCI (equity instruments)

Upon initial recognition, LTAT can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as income in the statements of profit or loss when the right of payment has been established, except when LTAT benefit from such proceeds as a recovery of part of the cost of the financial assets, in which case, such gains are recorded in OCI. Equity instruments at fair value through OCI are not subject to impairment assessment.

### 3) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

### (d) Financial Liabilities

All financial liabilities are subsequently measured at cost except those categorised as financial liabilities at fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss is subsequently measured at fair values with the gain or loss recognised in profit and loss.

### (e) Fair Value Measurement

LTAT measures financial assets and non-financial assets such as investment properties, at fair value at each reporting date.

For The Year Ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (e) Fair Value Measurement (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by LTAT.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

LTAT uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices that are observable either directly or indirectly.
- Level 3: Unobservable inputs for assets and liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, LTAT determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

### (f) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met.

Subsequent costs are included in the carrying amount of or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the asset and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they incurred.

# <sup>422</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (f) Property, Plant and Equipment and Depreciation (continued)

Freehold land has an unlimited useful life and therefore is not amortised. Long term leasehold are amortised over the period of lease. Building-in-progress are also not depreciated as these assets are not available for use. Depreciation for work in progress start once assets available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following rates:

## Building

-	Freehold	2%
-	Long term leasehold	2% - 20%
Pl	ant and equipment	20%

The carrying amount of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic 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 profit or loss.

Property, plant and equipment with purchase value of less than RM2,000 per unit were expensed off in the year of purchase.

## (g) Inventories

Inventories are stated at the lower of cost or net realisable value, cost being determined on the weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

### (i) **Development Properties**

Development properties (classified within non-current assets) comprise land banks which are in the process of being prepared for development but have not been launched, or where development activities are not expected to be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Development properties are transferred to property development in progress, within inventories (classified within current assets) at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

For The Year Ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (g) Inventories (continued)

### (ii) Property Development in Progress

Property development in progress comprises cost of land currently being developed together with related development cost common to the whole project and direct building cost. The property development costs is subsequently recognised as an expense in profit or loss and when the control of the inventory is transferred to the customer. Property development cost of unsold unit is transferred to completed properties once the development is completed.

### (iii) Completed Properties

Costs comprise costs of acquisition of land including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, related development costs to projects and direct building costs.

### (h) Investment Properties

Investment properties are properties that are held either to earn rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Properties rented out to subsidiary companies of LTAT for business operation is considered owner occupied rather than as investment properties. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use.

Investment properties are initially measured at cost, including transaction costs. Investment properties under construction are measured at fair value, or where fair value cannot be determined reliably, are measured at cost less impairment.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value, which is determined by LTAT by reference to market evidence of transaction prices for similar properties, and valuation performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the investment property is derecognised.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment to the date of change in use.

# <sup>424</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (i) Leases

### Accounting Policies Applied from 1 January 2019

LTAT assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### LTAT as a Lessee

LTAT apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. LTAT recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### i) Right-Of-Use Assets

LTAT recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on the straight-line basis over the shorter of the lease term and the estimated useful life of the assets, as follows:

i.	Long term leasehold	2% - 20%
ii.	Plant and equipment	20%

If ownership of the leased asset transfers to LTAT at the end of the lease term or the cost reflects the exercise of the purchase option, depreciation is calculated using the estimated useful life of the assets. The right-of-use assets are also subject to impairment.

### ii) Lease Liabilities

At the commencement date of the lease, LTAT recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercise by LTAT and payments of penalties for terminating the lease, if the lease term reflects the LTAT exercising the option to terminate.

In calculating the present value of lease payments, LTAT use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change on the lease payments (e.g., changes to future payments resulting from the change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

For The Year Ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (i) Leases (continued)

Accounting Policies Applied from 1 January 2019 (continued)

### LTAT as a Lessee (continued)

#### iii) Short-term Leases and Leases of Low-Value Assets

LTAT applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). LTAT also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

### LTAT as a Lessor

Leases in which LTAT do not transfer substantially all the risks and rewards incidental to ownership of an assets are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

### Accounting Policies Applied Up to 31 December 2019

### **Operation Lease**

Leases of assets where the bulk of the risks and rewards of ownership are borne by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

Lease rental properties are finance leases and are classified in property, plant and equipment.

### (j) Current Versus Non-Current Classification

LTAT present assets and liabilities in the statements of financial position based on current / non-current classification. Assets is current when it is:

- assets is expected to be realised or intended to be sold and consumed in the normal operating cycle;
- assets is held primarily for the purpose of trading;
- assets is expected to be realised within twelve (12) months after the reporting period; or
- assets is cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as non-current assets.

# <sup>426</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

# 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (j) Current Versus Non-Current Classification (continued)

A liability is current when:

- liability is expected to be settled in the normal operating cycle;
- liability is held primarily for the purpose of trading;
- liability is due to be settled within twelve (12) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

All other liabilities are classified as non-current liabilities.

### (k) Impairment of Financial Assets

For receivables and contract assets, LTAT applies a simplified approach in calculating ECLs. Therefore, LTAT does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. LTAT has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

LTAT considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, LTAT may also consider a financial asset to be in default when internal or external information indicates that the LTAT is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by LTAT. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### (I) Impairment of Non-financial Assets

Carrying amount of non-financial assets are reviewed at the end of each reporting date to determine whether there is any indication of impairment. If such indication exists, the carrying amount will be written down to its recoverable amount. Impairment losses are recognised in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, (net of depreciation), had no impairment loss been recognised previously.

Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### (m) Cash and Cash Equivalents

For the purposes of statements of cash flows, cash and cash equivalents including deposits, cash and bank balances that are readily convertible to cash and which are subjects to an insignificant risk of changes in value.

For The Year Ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (n) Foreign Currencies

Transactions in foreign currencies are recognised at the rate of exchange prevailing at the date of transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing at the date when the fair value was determined.

Exchange differences arising, if any, are recognised in other comprehensive income as incurred.

### (o) Taxation

Taxation recognised in profit or loss for the year is deferred tax on real property gains tax payable on disposals of property and is measured using the tax rates that have been enacted or substantively enacted by the reporting date.

### (p) Employee Benefits

### (i) Short Term Benefits

Salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by the employees of LTAT. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees whereas short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

### (ii) Fixed Contribution Plans

Contribution is made to Employees Provident Funds. This contribution is recognised as an expense in profit or loss as incurred.

### (iii) Post Retirement Medical Benefits

LTAT provides medical benefits to its retired personnel and spouses. Retirees who are re-employed on contract basis will utilise such benefits upon completion of the contract services. The provision of these benefits cover full amount of medical cost in government and panel clinics/hospitals.

This provision is accrued as an expense in profit or loss and as a liability in the statements of financial position as provision for the post retirement medical benefits.

The liability amount of post retirement medical benefits is computed based on actuarial valuation where the amount of the benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is determined by the actuaries using the Projected Unit Credit Actuarial method. LTAT recognise actuarial gains or losses against accumulated profit through other comprehensive income.

The principal assumptions used in this computation on the actuarial method are:

- (a) An inflation rate on the medical treatment cost of 5% per annum (2018: 5%); and
- (b) A discount rate of 5.8% per annum (2018: 5.8%).

# <sup>428</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

### (p) Employee Benefits (continued)

### (iv) Gratuity Plan Benefits

The Gratuity Plan Benefits provides lump sum benefits that are defined by salary and period of membership.

This provision is accrued as an expense in profit or loss and as a liability in the statements of financial position as provision for the gratuity plan benefits.

The principal assumptions used in this computation on the actuarial method are:

- (a) a discount rate of 5.3% per annum (2018: 5.3%); and
- (b) an increment rate of 4.5% per annum (2018: 4.5%).

### (q) Government Grant

Annual grant received from government under Section 23, Tabung Angkatan Tentera Act, 1973 (Act 101), is recognised on cash basis.

### (r) Income Recognition

Dividend income from investments is recognised when the shareholders' right to receive payment is established.

Interest income is recognised on accrual basis using the effective interest method.

Revenue from property development is recognized as and when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if LTAT's performance does not create an asset with an alternative use to LTAT and LTAT has an enforceable right to payment for performance completed to-date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by using an input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

LTAT recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers.

### (s) Refund of Expenditures, Adjustments on Income and Expenditures

Refund of expenditures and adjustments on income and expenditures previously over and under stated is adjusted to the respective accounts in the current year.

For The Year Ended 31 December 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Changes in Accounting Policies

- i) Standards Issued and Effective for Annual Period Beginning On or After 1 January 2019
  - MFRS 16 Leases
  - Amendments to MFRS 9 Financial Instruments "Prepayment Features with Negative Compensation"
  - Amendments to MFRS 11 Joint Arrangements "Annual Improvements to MFRS Standards 2015-2017 Cycle"
  - Amendments to MFRS 112 Income Taxes "Annual Improvements to MFRS Standards 2015-2017 Cycle"
  - Amendments to MFRS 119 Employee Benefits "Plan Amendment, Curtailment or Settlement"
  - Amendments to MFRS 123 Borrowing Costs "Annual Improvements to MFRS Standards 2015-2017 Cycle"
  - Amendments to MFRS 128 Investment in Associates and Joint Ventures "Long-term interests in Associates and Joint Ventures"
  - IC Interpretation 23 "Uncertainty over Income Tax Treatments"

Adoption of above new or amended standards did not have any effect on the financial performance or the position of LTAT, except the following:

#### MFRS 16 : Leases

LTAT applied MFRS 16 : Leases for the first time. The effect of the changes as a result of adoption of this new accounting standard is described below:

MFRS 16 supersedes MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substances of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires leases to recognise most leases on the balance sheet.

LTAT adopted MFRS 16 using the retrospective method, with the date of initial application of 1 January 2019. LTAT elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, LTAT applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application. LTAT also applied the exemptions recognition for lease contracts where, at the inception date, it has a lease term of 12 months or less and does not contain purchase options (short term leases), and lease contracts in which the low value underlying asset.

### 2.4 Standards Issued But Not Yet Effective

LTAT has not early adopt the following MFRS that are not yet effective.

#### Effective for annual period beginning on or after 1 January 2020

- Amendments to MFRS 101 Presentation of Financial Statements (Definition of Material)
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)

#### Effective for annual period beginning on or after 1 January 2021

- MFRS 17 Insurance Contracts

## Deferred

 Amendments to MFRS 10 Consolidated Financial Statements and FRS 128 Investments in Associates and Joint Ventures (2011) - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures.

Except for MFRS 16 Leases, no other standards have yet effective that would have a significant financial effect on the LTAT during the current or future reporting periods.

# <sup>430</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

# 3. PROPERTY, PLANT AND EQUIPMENT

	Freehold Properties RM'000	Long Term L Proper Land RM'000		Plant and Equipment RM'000	Total RM'000
2019					
Cost Balance at 1 January	130	50,000	38,868	37,005	126,003
Additions	-	- 50,000	30,000 54	921	975
Disposals	-	-	-	(217)	(217)
Balance at 31 December	130	50,000	38,922	37,709	126,761
Accumulated depreciation					
Balance at 1 January Additions	16 3	4,609 768	8,082 1,105	34,602 967	47,309 2,843
Disposals	-	-	-	(216)	(216)
Balance at 31 December	19	5,377	9,187	35,353	49,936
Carrying Amount	111	44,623	29,735	2,356	76,825
2018					
Cost					
Balance at 1 January	130	50,000	38,832	36,961	125,923
Additions	-	-	36	360	396
Disposals Adjustments	-	-	-	(323) 7	(323) 7
Balance at 31 December	130	50,000	38,868	37,005	126,003
Accumulated depreciation					
Balance at 1 January	13	3,841	6,990	33,568	44,412
Additions Disposals	3	768	1,092	1,348 (314)	3,211 (314)
Balance at 31 December	16	4,609	8,082	34,602	47,309
Carrying Amount	114	45,391	30,786	2,403	78,694

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For The Year Ended 31 December 2019

## 4. INVESTMENT PROPERTIES

	2019 RM'000	2018 RM'000
Balance at 1 January	453,472	448,172
Net fair value (loss)/gain Additions Impairment losses in the year	(1,591) 1,591 (372)	600 4,700 -
Balance at 31 December	453,100	453,472
At Fair Value		
Freehold land Freehold building Long term leasehold land Long term leasehold building	197,000 239,300 12,000 4,800	197,000 239,300 12,000 4,800
	453,100	453,100
At cost Balance at 1 January Impairment losses in the year	372 (372)	372
	-	372
Balance at 31 December	453,100	453,472

# 5. RIGHT-OF-USE ASSET

LTAT has lease contracts for other equipment that has lease terms of 5 years. The contracts that include extension and purchase options.

The carrying amounts of right-of-use assets recognised and the movements during the year as follows:

	2019 RM'000	2018 RM'000
Cost		
Balance at 1 January	-	-
Effect on adoption of MFRS 16	1,232	-
Balance at 31 December	1,232	-
Accumulated depreciation		
Balance at 1 January	-	-
Effect on adoption of MFRS 16	246	-
Balance at 31 December	246	-
Carrying Amount At 31 December	986	-

# <sup>432</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

# 6. SUBSIDIARY COMPANIES

	2019 RM'000	2018 RM'000
At Cost		
Quoted shares Corporations Unquoted shares	4,580,110 123,000 417,698	4,613,208 123,000 429,380
	5,120,808	5,165,588
Impairment losses		
<ul><li>Quoted shares</li><li>Unquoted shares</li></ul>	(11,051) (1,817)	(60,400) (11,682)
	(12,868)	(72,082)
	5,107,940	5,093,506
At Market Value		
Quoted shares Unquoted shares	2,770,731 1,027,107	3,545,875
	3,797,838	3,545,875

# 7. ASSOCIATED COMPANIES

	2019 RM'000	2018 RM'000
At Cost		
Unquoted shares	210,098	209,958
	210,098	209,958
Impairment losses		
- Unquoted shares	(8,400)	-
	(8,400)	-
	201,698	209,958
At Market Value		
Unquoted shares	740,117	-

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For The Year Ended 31 December 2019

## 8. INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RM'000	2018 RM'000
Quoted shares Unquoted shares	586,056 430,466	,
	1,016,522	974,436

## 9. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM'000	2018 RM'000
Non-Current		
Junior Sukuk Musharakah	150,045	150,225
	150,045	150,225
Current Quoted shares		
Trading Fund Portfolio Management	12,259 110,171	10,659 119,529
	122,430	130,188

Junior Sukuk Musharakah subscribed from subsidiary company Boustead Holdings Berhad (Boustead) on 27 June 2014. It is not rated and being perpetual in tenure where Boustead has a call option to redeem at the end of the 5th year on 28 June 2019. The expected periodic distribution for the first 5 years is at 6.1% per annum. However, Boustead has extended the call option to redeem up to 30 June 2021 with a scheduled periodic allocation for the first 2 years at a rate of 7.6% per annum and 8.6% per annum in the second year.

# <sup>434</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

## **10. INVESTMENT AT AMORTISED COST**

	2019 RM'000	2018 RM'000
Medium Term Notes	320,795	324,844
Unqouted redeemable preference shares	-	231,296
	320,795	556,140
Provision on expected credit loss		
As at 1 January	(36,855)	-
Adjustment arising from adoption of MFRS 9 Reversal/(provision) on expected credit loss	- 4,049	(21,238) (15,617)
	(32,806)	(36,855)
	287,989	519,285

Medium Term Notes (MTN) subscribed from subsidiary company Irat Hotels & Resorts Sdn Bhd on 12 May 2011 and will mature on 29 April 2026. It is non-transferable and not rated. The expected periodic distribution for the first 1 to 9 years is at 7% per annum and year 10 onwards is at 7.5% per annum.

## 11. LOANS AND RECEIVABLES

	2019 RM'000	2018 RM'000
Non-Current		
Other receivables Tax recoverable from Inland Revenue Board Staff housing loans Staff vehicle loans Staff personal loans Staff advances Amounts due from subsidiary companies Amounts due from associated companies Building management control accounts Deposit and guarantee	10,284 2,935 10,025 236 221 - 65,749 9,884 - 995	9,277 26,857 8,943 352 486 773 95,802 12,182 8,634 995
	100,329	164,301
Provision on expected credit loss		
<ul> <li>Other receivables</li> <li>Amounts due from subsidiary companies</li> <li>Amounts due from associated companies</li> </ul>	(2,970) (33,786) (1,681)	(339) (34,377) (1,710)
	(38,437)	(36,426)
	61,892	127,875

For The Year Ended 31 December 2019

## 11. LOANS AND RECEIVABLES (continued)

	2019 RM'000	2018 RM'000
Current		
Other receivables	10,065	18,062
Tax recoverable from Inland Revenue Board	32	16
Interest and accrued profit	134	-
Dividend receivables	17	31
Bantuan Bakti Negara advances	-	51,988
Other prepayments	440	333
Staff housing loans	902	713
Staff vehicle loans	174	168
Staff personal loans	329	332
Staff advances	703	43
Amounts due from subsidiary companies	73,577	66,764
Amounts due from associated companies	19,274	10,298
Amounts due from portfolio managements	1,194	1,354
Building management control accounts	8,407	646
Deposit and guarantee	1,289	1,000
	116,537	151,748

Other receivables, amounts due from subsidiaries and associated companies are unsecured and have no interest and fixed terms of repayment except advances to Perbadanan Perwira Harta Malaysia (PPHM) amounting to RM65.8 million at rate of 6.5% and Perwira Niaga Malaysia amounting to RM18.9 million at the rate of 6.0%.

Other receivables aging analysis as at statements of financial position date are as follows:

	2019 RM'000	2018 RM'000
Less than 1 year More than 1 year	10,065 10,284	18,062 9,277
	20,349	27,339
Movement of provision on expected credit loss Other receivables		
At 1 January Adjustment arising from adoption of MFRS 9 Provision/(reversal) on expected credit loss during the year	339 - 2,631	- 666 (327)
At 31 December	2,970	339

# <sup>436</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

# 11. LOANS AND RECEIVABLES (continued)

	2019 RM'000	2018 RM'000
Amounts due from subsidiary companies		
At 1 January Adjustment arising from adoption of MFRS 9 Reversal of provision on expected credit loss	34,377 - (591)	- 38,329 (3,952)
At 31 December	33,786	34,377
Amounts due from associated companies		
At 1 January Adjustment arising from adoption of MFRS 9 Reversal of provision on expected credit loss	1,710 - (29)	- 2,256 (546)
At 31 December	1,681	1,710

# **12. INVENTORIES**

	2019 RM'000	2018 RM'000
Current		
Property development in progress Completed properties	1,400,908 45,283	1,313,697 45,283
	1,446,191	1,358,980
Property development in progress		
Land, at cost		
Balance at 1 January Expenditures for the year	498,114 338	497,770 344
	498,452	498,114
Development cost		
Balance at 1 January Expenditures for the year Transfer from loans and receivables	815,583 86,873 -	419,669 378,181 17,733
	902,456	815,583
	1,400,908	1,313,697
Completed Properties		
Balance at 1 January	45,283	45,283
	45,283	45,283
Balance at 31 December	1,446,191	1,358,980

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For The Year Ended 31 December 2019

## 12. INVENTORIES (continued)

Property development in progress consists of development cost of housing project in Taman LTAT, Bukit Jalil, Kuala Lumpur offered for sale to eligible serving and retired armed forces personnel, thus fulfilling LTAT's corporate responsibilities to the members of the Malaysian Armed Forces amounting to RM616.8 million (31 December 2018 : RM546.1 million).

Inventories consist of cost of 88 units completed condominiums for sale in Taman LTAT, Bukit Jalil, Kuala Lumpur.

### 13. DEPOSITS

	2019 RM'000	2018 RM'000
Short term deposit and money market		
<ul><li>subsidiary companies</li><li>other institutions</li></ul>	186,920 252,800	89,614 -
	439,720	89,614
Short term deposit and money market-Islamic Banking		
<ul><li>subsidiary companies</li><li>other institutions</li></ul>	3,930 121,930	-
	125,860	-
Portfolio management short term deposit	10,633	27,443
	576,213	117,057

### 14. MEMBERS' CONTRIBUTION ACCOUNTS

The total of members' contribution accounts at 31 December 2019 amounted to RM9,071.1 million (31 December 2018 : RM8,822.6 million). This is arrived at after adding contributions received during the year, crediting dividends at 2.5% (2018: 2%) per annum, deducted withdrawals and transfer to dormant account during the year.

### 15. RESERVE FUND

This reserve is maintained in accordance with Section 11(2) of the Tabung Angkatan Tentera Act, 1973 (Act 101). Its movement during the year is as follows:

	2019 RM'000	2018 RM'000
Balance at 1 January	176,452	175,745
Transfer from retained earnings	4,970	707
Balance at 31 December	181,422	176,452

# <sup>438</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

## 16. EMPLOYEE BENEFITS LIABILITY

	2019 RM'000	2018 RM'000
Post retirement medical benefits		
Defined benefits obligation	42,956	40,651
Gratuity plan benefits		
Defined benefits obligation	28,225	26,927
	71,181	67,578
Movements in the net liability recognised in the statements of financial position		
Post retirement medical benefits		
Net liability at 1 January	40,651	37,948
Expenses recognised in statements of profit or loss Post retirement medical benefits paid	4,086 (1,781)	3,842 (1,139)
	42,956	40,651
Gratuity plan benefits		
Net liability at 1 January	26,927	26,831
Expenses recognised in statements of profit or loss Gratuity plan benefits paid	2,759 (1,461)	2,658 (2,562)
	28,225	26,927
Net liability at 31 December	71,181	67,578

# 17. PAYABLES

	2019 RM'000	2018 RM'000
Non-Current		
Other payables Amounts due to subsidiary companies Deposits from tenants Dormant accounts	47,805 815 7,447 5,322	815 6,393
Current	61,389	71,358
Members' contribution payable Dormant accounts Other payables Amounts due to subsidiary companies Amounts due to portfolio management Veteran Annuity Scheme (SAVe)	51 4,510 228,965 128,851 1,403 10	342,293 12,018 330
	363,790	368,221

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For The Year Ended 31 December 2019

## 17. PAYABLES (continued)

Amounts due to subsidiary companies are unsecured, have no interest and fixed terms of payment.

Dormant accounts has been transferred from members' contribution accounts in accordance with Section 4 of the Tabung Angkatan Tentera Regulations (Contribution Repayment & Handling for Dormant Accounts) 2009, Tabung Angkatan Tentera Act, 1973 (Act 101).

### **18. DEFERRED TAX LIABILITIES**

	2019 RM'000	2018 RM'000
Balance at 1 January	4,621	-
Gain on fair value on investment properties - Recognised in the statements of profit or loss	-	4,621
	4,621	4,621

### **19. LEASE LIABILITIES**

	2019 RM'000	2018 RM'000
Balance at 1 January	-	-
Effect on adoption of MFRS 16 (Note 5)	1,232	-
Balance at 1 January	1,232	-
Interest on lease asset Payment of lease asset	62 (285)	-
	1,009	-

## 20. INCOME

	2019 RM'000	2018 RM'000
Interest income		
<ul> <li>interest from money markets</li> <li>profit from money markets Islamic Banking</li> </ul>	8,284 921	3,625 14
	9,205	3,639
Income from investment at fair value through other comprehensive income		
<ul> <li>dividend and other income from quoted shares</li> <li>dividend from unquoted shares</li> </ul>	16,400 15,624	12,199 11,786
	32,024	23,985

# <sup>440</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

# 20. INCOME (continued)

	2019 RM'000	2018 RM'000
Income from investment at fair value through profit or loss		
- profit from Junior Sukuk Musharakah	10,187	9,150
- dividend from quoted shares	4,716	5,221
<ul> <li>profit on sale of quoted shares</li> <li>income from deposits and other balances</li> </ul>	6,177 586	501 757
- expenses	(1,282)	(1,680)
	10,197	4,799
	20,384	13,949
Income from investment at amortised cost		
- interest from Medium Term Notes	18,361	18,617
<ul> <li>dividend from unquoted redeemable preference shares</li> </ul>	17,334	17,324
	35,695	35,941
Income from subsidiary companies		
<ul> <li>dividend from investment in Corporations</li> <li>dividend from guoted shares</li> </ul>	1,690 5,776	- 157,053
<ul> <li>dividend from unquoted shares</li> </ul>	24,152	24,147
<ul> <li>profit/(loss) on sale of quoted shares</li> <li>interest from only on sale of quoted shares</li> </ul>	125	(65)
- interest from advances to/amount due from Corporations	2,319	12,351
	34,062	193,486
Income from associated companies	04 70 4	04.470
<ul> <li>dividend from unquoted shares</li> <li>other income</li> </ul>	31,734 134	31,476 450
	31,868	31,926
Rental income	,	- ,
<ul> <li>rental from property, plant and equipment</li> </ul>		
- rental from subsidiary companies	801	787
<ul> <li>rental from others</li> <li>rental from investment properties</li> </ul>	39 31,164	97 31,771
	32,004	32,655
Net gain on disposal of development properties	,•••	,- 30
- sale proceed		121,745
- cost of sales	-	(34,560)
	-	87,185
	195,242	422,766

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For The Year Ended 31 December 2019

## 21. OTHER INCOME

	2019 RM'000	2018 RM'000
Interest from staff housing loans	331	296
Interest from staff vehicle loans	17	21
Interest from staff personal loans	28	37
Net gain on disposals of property, plant and equipment	1	38
Interest on late payment	1,163	144
Others	44	-
	1,584	536

# 22. NET FAIR VALUE LOSS ON INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RM'000	2018 RM'000
Junior Sukuk Musharakah Trading Fund Portfolio Management	(180) (1,306) (3,206)	(3,316)
	(4,692)	(32,083)

## 23. IMPAIRMENT LOSSES AND EXPECTED CREDIT LOSS

	2019 RM'000	2018 RM'000
Subsidiary companies		
- Impairment	(12,868)	(72,082)
Associated companies		
- Impairment	(8,400)	-
Investment at amortised cost		
- Reversal/(provision) on expected credit loss	4,049	(15,617)
Loans and receivables		
- Reversal/(provision) on expected credit loss:	591	2.050
<ul> <li>Amount due from subsidiary companies</li> <li>Amount due from associated companies</li> </ul>	29	3,952 546
- Other receivables	(2,631)	327
	(2,011)	4,825
	(19,230)	(82,874)

# <sup>442</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

# 24. STAFF COSTS

	2019 RM'000	2018 D RM'000
Staff salaries and allowances	(26,1	91) (25,909)
Pension and retirement benefits	(5,0	(5,060)
Post retirement medical benefits	(4,0	(3,842)
Gratuity plan benefits	(2,7	(2,658)
Staff medical	(2,7	(2,963)
Staff training	(3	(123)
Staff incentives and other benefits	(3	(537)
	(41,5	(41,092)

# 25. OPERATING COSTS

	2019 RM'000	2018 RM'000
Office travel and transportation	(157)	(196)
Communication services	(619)	(926)
Utilities	(194)	(190)
Printing services	(104)	(152)
Office supplies	(376)	(358)
Maintenance and repairs	(1,723)	(1,692)
Cost of building maintenance and inventories	(15,706)	(17,053)
Professional and administrative services	(1,352)	(1,356)
Audit fees	(225)	(195)
Director's emolument	(783)	(447)
Corporate responsibility (CR)	(11,994)	(12,267)
Miscellaneous expenses	(264)	(686)
	(33,497)	(35,518)

## 26. DEPRECIATION

	2019 RM'000	2018 RM'000
Depreciation on property, plant and equipment (Note 3) Depreciation on right-of-use asset (Note 5)	(2,843) (246)	(3,211)
	(3,089)	(3,211)

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For The Year Ended 31 December 2019

## 27. TAXATION AND ZAKAT

	2019 RM'000	2018 RM'000
Real property gain tax		
<ul><li>deferred tax for the year</li><li>payment for the year</li></ul>	-	(4,621) (2,893)
	-	(7,514)
Zakat	-	(575)
	-	(8,089)

Under the Income Tax (Exemption) (No. 5) 1974, LTAT is exempted from taxation on income received from investment, other than rental income, made pursuant to Section 15, Tabung Angkatan Tentera Act, 1973 (Act 101).

On 22 March 2017, The Finance Minister in accordance with Section 127 (3A) Income Tax Act 1967 has approved the exemption at statutory level for LTAT's rental income for 10 years from year assessment 2017 to year assessment 2026.

### 28. ADJUSTMENTS ON CONTRIBUTIONS/DIVIDENDS

	2019 RM'000	2018 RM'000
Contribution under/(over) credited Dividend over credited	66 (183,483	(- /
	(183,417)	
Adjustments on dividend	178,381	228,448
	(5,036)	) (97)

### **29. UNIT TRUST BENEFITS**

Unit Trust Benefits conducted in accordance with Section 15 C (1), (2) and (3) of Tabung Angkatan Tentera Act, 1973 (Act 101). LTAT has made an agreement with Affin Hwang Asset Management Berhad (AHAM) on the of Unit Trust Benefits being managed by AHAM on behalf of LTAT. Value of investment in unit trust benefits at market price on 31 December 2019 for the number of contributors of 115,973 people is RM1,039.6 million (31 December 2018 : The number of contributors of 128,458 people is RM1,092.6 million).

# <sup>444</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### **30. FINANCIAL RISK MANAGEMENT**

As a trust fund manager, LTAT is responsible for managing financial risks prudently to ensure that LTAT's contributors fund is managed more effectively to preserve the value of the fund and provide the best return on investment.

Therefore, LTAT has taken various risk management measures, particularly financial risk management in a more effective and efficient manner. Risks will be managed in accordance with LTAT Risk Management Policies and Procedures and based on LTAT's risk appetite tolerance strategy.

The primary function of LTAT's financial risk management is to protect the contributors fund from unexpected losses while ensuring that the risk management is in line with the requirements of the regulatory bodies and stakeholders.

To achieve this, the financial risk management of LTAT identifies, reviews and monitors risks involving operational risk, investment risk, liquidity risk and interest rate risk.

### (i) Operational Risk

Operational risk is the risk resulting from the failure or weakness in internal work processes, human resources, systems used or from external influences.

The establishment of Enterprise Risk Management in LTAT has ensured strategies, processes, human resources, technologies and knowledge are aligned with the purpose of identifying, evaluating, controlling and monitoring so that operational risks at LTAT can be managed properly.

### (ii) Investment Risk

Investment risk is the risk which exists when LTAT is involved in investments which do not provide the expected rate of return including in circumstances whereby a part or all of the invested capital is lost.

This risk is monitored by analyzing scenarios of sensitivity changes in the changing market conditions.

The changes in the market value of quoted investments are as in the following table:

Year	Changes in Equity Market Prices %	Sensitivity of Revaluation RM'000
2019	+/-10	344,701
2018	+/-10	399,247

For The Year Ended 31 December 2019

### 30. FINANCIAL RISK MANAGEMENT (continued)

### (iii) Liquidity Risk

Liquidity risk occurs when LTAT is not able to meet payment commitments such as members' withdrawals, daily operating expenses, investment payments and claims from related parties.

Regular preparation of Cash Flow Statements and sufficient cash equivalents to meet the payment commitments would address this risk.

An analysis of LTAT's financial liabilities based on maturity is as follows:

	Carrying Amount RM'000	Less than 1 year RM'000	Between 1-5 years RM'000	More than 5 years RM'000
2019 Payables	425,179	363,790	60,890	499
2018 Payables	439,579	368,221	65,863	5,495

### (iv) Interest Rate Risk

Interest rate risk is the risk which exists when there is a significant change in the interest rate offered by the banking institution and affects the interest/profit returns deposited in the banking institution.

Placement of deposits by LTAT is guided by LTAT's internal policies and procedures guidelines with approved banking institutions to address or minimise this risk in addition to only placing deposits of not exceeding 1 year period.

Deposits analysis based by period:

Year/ Types of Deposit	Period less than 3 months RM'000
2019 Deposits Cash and bank balances	576,213 30,336
2018 Deposits Cash and bank balances	117,057 15,140

# <sup>446</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

## **31. FAIR VALUE MEASUREMENTS**

## Determination of fair value and fair value hierarchy

Financial assets and non-financial assets which are measured at fair value at the reporting date analysed by various levels within the fair value hierarchy are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Financial assets				
Investment at fair value through other comprehensive income				
- quoted	586,056	-	-	586,056
- unquoted	-	-	430,466	430,466
Investment at fair value through profit or loss				
- quoted	122,430	-	-	122,430
- Junior Sukuk Musharakah	-	150,045	-	150,045
_	708,486	150,045	430,466	1,288,997
Non-financial asset				
Investment properties	-	-	453,100	453,100
2018				
Financial assets				
Investment at fair value through other comprehensive income				
- quoted	437,065	-	-	437,065
- unquoted	-	-	537,371	537,371
Investment at fair value through profit or loss				
- quoted	130,188	-	-	130,188
- Junior Sukuk Musharakah	-	150,225	-	150,225
	567,253	150,225	537,371	1,254,849
Non-financial asset				
Investment properties	-	-	453,100	453,100

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares.

In estimating its significance, LTAT used an approach that is currently based on methodologies such as discounted cash flow and net tangible asset approved for fair value valuation. These adjustment reflect the values that LTAT estimates are appropriate to adjust from the valuations produced to reflect the uncertainties in the inputs used.

Investment properties were revalued by independant professional valuations using the open market value basis. Valuations are performed by accredited independant valuers with recent experience in the location and categories of properties being valued. Changes in Level 3 fair values are analysed annually after obtaining valuation report from the independant valuers.

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# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

### **32. CAPITAL MANAGEMENT**

LTAT objectives in capital management is to ensure that LTAT has sufficient members' contribution accounts to enable to remain as an ongoing entity. LTAT reviews and manages the capital structure based on the requirements and current conditions.

LTAT defines capital as a members' contribution accounts and monitors the returns on contributors. The returns on members' contribution accounts are as follows:

	2019 RM'000	2018 RM'000
Profit for the year	92,802	221,035
Retained earnings	63,475	38,712
Members' contribution accounts	9,071,124	8,822,585
Return on members' contribution accounts (%)	2.5	2.0

In the current year there is no significant change to the way LTAT manages its capital. LTAT is not subject to any capital limit imposed by external parties.

## 33. OPERATING LEASE OBLIGATIONS

### LTAT as a lessor

LTAT has entered into commercial property lease on its investment properties. This non-cancellable leases have remaining lease terms of between one to three years. All leases include a clause to enable upward revision of the rental charge upon renewal of the leases based on the prevailing market condition.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	2019 RM'000	2018 RM'000
Within 1 year Later than 1 year but not later than 5 years	20,888 11,897	10,567 4,378
	32,785	14,945

# <sup>448</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

# 34. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions are shown as below:

		2019 RM'000	2018 RM'000
Tra	nsaction with Subsidiary Companies/Corporation		
i)	Income Interest from money markets Profit from money markets Islamic Banking Interest from Medium Term Notes Profit from Junior Sukuk Musharakah Interest from advances to Corporations Rental Dividend received Dividend received from unquoted redeemable preference shares Gain/(loss) on disposal of shares	6,723 141 18,361 10,187 2,319 801 31,618 17,334 125	2,952 14 18,617 9,150 12,351 787 181,200 17,324 (65)
		87,609	242,330
ii)	<b>Expenses</b> Management fees on building's maintenance and inventories Building's maintenance Management fees on portfolio management Multimedia services	608 4,413 259 141	580 5,357 279 142
		5,421	6,358
iii)	Amounts due from subsidiary companies Advances to/amount due from Corporations Sale of shares Interest/profit accrued from deposits and money markets Interest accrued from advances to PPHM Profit accrued from Junior Sukuk Musharakah Dividend receivables Income from portfolio management Deposit and security	84,684 1,476 99 1,059 - 51,788 20 200	1,198 15 15,851 88 145,374 40 -
		139,326	162,566
iv)	Amounts due to subsidiary companies Management fees on building's maintenance Taman LTAT Project, Bukit Jalil Deposits and guarantee Portfolio management fees Compensation from the government on behalf of subsidiary companies Received from government to PPHM for the development of government quarters Others	892 7,561 271 65 113,929 2,978 3,970 129,666	546 9,684 271 64 - 2,268 12,833

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For The Year Ended 31 December 2019

### **35. SIGNIFICANT EVENTS**

i. Agreement With LTAT and Boustead Construction Sdn Bhd for the Cancellation of Land Sale and Purchase Agreement Under State Lease (WP) PN 31560, Lot 37825 and HS (D) 119850 PT No 15239, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan

On 19 December 2016, LTAT enter into a sale and purchase agreement with Boustead Construction Sdn Bhd (BCSB), to sell lands measuring 10.74 acres out of 53.39 acres held under PN 31560, Lot 37825 and HS (D) 119850 PT No 15239, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur (collectively known as the Bukit Jalil Lands) for a total cash consideration of RM172.8 million.

On 11 July 2019, LTAT and BCSB mutually agreed to terminate the sale and purchase agreement whereby LTAT has refunded the deposit paid by BCSB under the sale and purchase agreement.

# ii. Agreement With LTAT and Irat Properties Sdn Bhd to Terminate the Acquisition of Land Under State Lease (WP) 28760, Lot 37230, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan

On 29 December 2017, LTAT enter into a sale and purchase agreement with Irat Properties Sdn Bhd (Irat), to sell lands measuring 46.38 acres owned under State Lease (WP) 28760, Lot 37230, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur (collectively known as the Bukit Jalil Lands) for a total cash consideration of RM177.4 million.

On 18 September 2019, LTAT and Irat agreed to terminate the acquisition of the land.

# iii. Sale of Part of Land Held Under State Lease (WP) 31561, Lot 37318, State Lease (WP) 31560, Lot 37825 and HS (D) 119850 PT No 15239, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan to KL Wellness City Sdn Bhd

On 16 December 2016, partial sale and purchase agreement held under State Lease (WP) 31561, Lot 37318, State Lease (WP) 31560, Lot 37825 and HS (D) 119850 PT No 15239, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan was signed by LTAT and KL Wellness City Sdn Bhd (KLWCSB) amounting to RM276.9 million.

KLWCSB has paid a deposit of 2.03% upon signing an agreement amounting to RM5.6 million to LTAT on 6 October 2016 and 19 December 2016 and the remaining 7.97% amounting to RM22.1 million was paid on 13 September 2019.

KLWCSB has made a settlement of balance payments of 90% of the purchase price amounting to RM249.2 million to LTAT on 3 April 2020.

### iv. The Covid-19 Pandemic

LTAT is going through the challenging investment environment following the spread of a Covid-19 outbreak that carries a significant negative impact that unprecedented, including the lowest oil prices in history, the low expenditure recorded by corporate companies and consumers as well as the global economic downturn and not just in certain areas.

Should the virus pandemic continue for an extended period of time, possible financial impacts in the next reporting period may include impairments concerns mainly on properties, plant and equipments, investment properties and provision for expected credit losses.

# <sup>450</sup> NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2019

## 35. SIGNIFICANT EVENTS (continued)

## iv. The Covid-19 Pandemic (continued)

The occurrence of the Covid-19 outbreak is not an adjusting post balance sheet. Therefore, no adjustment is recognised for the year 2019 because the spread of this outbreak does not have significant impact on the performance or financial position of LTAT.

Therefore, the measurements that will be taken to improve the operating performance of LTAT, reducing the impact of Covid-19 are as follows:

- a) Deferment and suspension of non-essential spending and capital expenditure;
- b) Leveraging the digital platform for daily office activities; and
- c) Initiate split office operations to ensure continuity of services to the LTAT's contributors.

## **36. COMPARATIVE FIGURES**

Presentation and classification of certain items in the financial statements have been amended. The comparative figures of such items have been reclassified to conform with the current year's presentation.

# LEMBAGA TABUNG ANGKATAN TENTERA

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Tingkat 12 Bangunan LTAT, Jalan Bukit Bintang Peti Surat 11542 50748 Kuala Lumpur