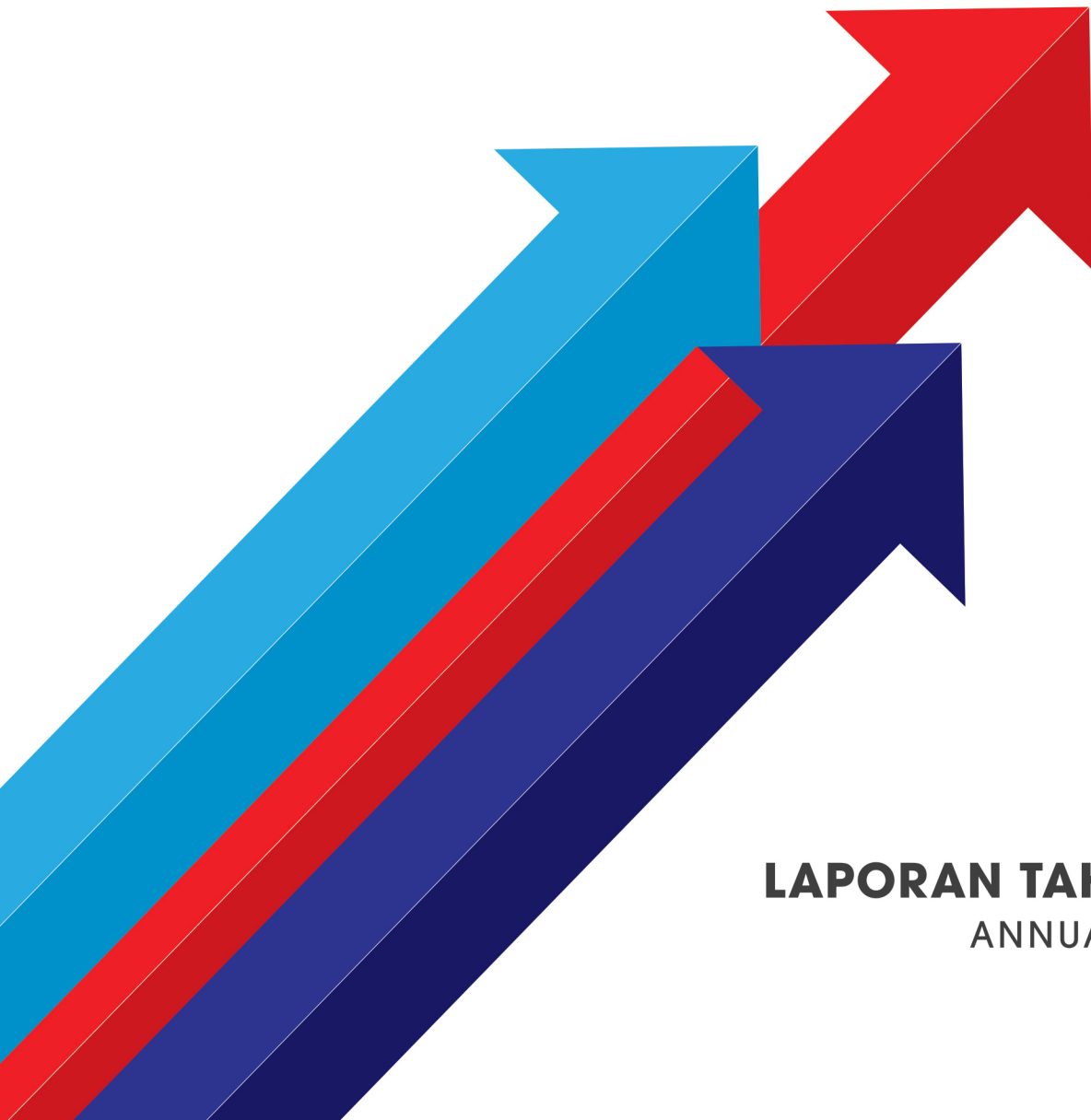
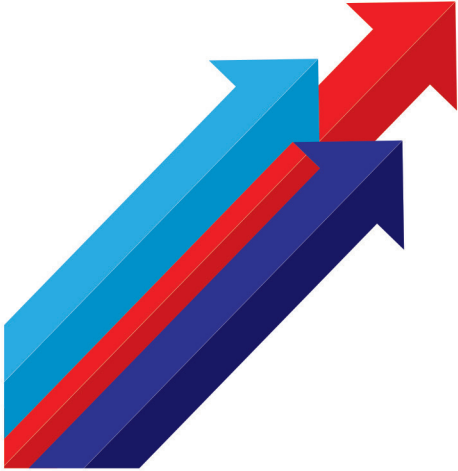




LEMBAGA TABUNG ANGKATAN TENTERA



**LAPORAN TAHUNAN 2016**  
ANNUAL REPORT 2016



### **Mara Ke Hadapan**

Fokus dan tekad yang mengiringi ketabahan dan keazaman LTAT untuk terus mara ke hadapan digunakan sebagai tema pada tahun ini. Bagi mencapai matlamatnya dalam persekitaran ekonomi yang semakin mencabar, LTAT telah berusaha dengan bersungguh-sungguh untuk menuju ke masa hadapan yang lebih kukuh bagi memastikan kejayaannya sentiasa kekal di landasan yang betul. LTAT akan terus berusaha untuk mengukuhkan lagi prestasinya dan memastikan aktiviti pelaburannya diuruskan dengan cekap dan berkesan untuk memberikan pulangan yang lebih tinggi kepada semua pemegang kepentingannya.

### ***Moving Forward***

*This year's theme illustrates our focus and determination as we strive forward with resilience and tenacity. Our sights are firmly set on our future endeavours while we remain steadfast and on track in achieving our strategic goals amidst evolving economic conditions. We will continue to grow stronger, optimizing on performance in order to deliver better returns to all our stakeholders.*

**ANNUAL REPORT  
AND FINANCIAL  
STATEMENT 2016**



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# QUALITY POLICY

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.

NO.	KEY PERFORMANCE INDICATORS (KPI)	TARGET RATE
1.	Dividend, Bonus and Special Bonus for Contributors.	12.0%
2.	Return on Investment.	8.0%
3.	Customer Satisfaction Index.	92%
4.	Processing of all Members Withdrawals and Payment under the Death & Disablement Benefits Scheme within 24 hours.	100%
5.	Processing of all Housing Withdrawals within 24 Hours.	100%
6.	Cost To Income Ratio.	Not Exceeding 6.0%
7.	Financial and Management Report for the Financial Year 2016.	Clean Audit Certificate



# 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 2016.

On behalf of the Lembaga,



**SENATOR LAKSAMANA TAN SRI DATO' SETIA MOHD ANWAR BIN HAJI MOHD NOR (RETIRED)**  
Chairman

# BACKGROUND ON

## LEMBAGA TABUNG ANGKATAN TENTERA

### 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).

#### *Main Objective*

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

The second main objective is to offer retraining for the retiring and retired personnel of the armed forces.

#### *Contributions*

Under the superannuation scheme, serving members of the other ranks in the armed forces are required to contribute 10% of their monthly salary to LTAT with the Government as employer contributing 15%. For officers, participation is voluntary and contributions are minimum of RM25 with a maximum of RM2,000 monthly.

### VISION

To be a successful fund management organisation and a role model to other Government and corporate bodies.

### MISSION

LTAT's three important mission statements as follows:

- To provide retirement and quality socioeconomic benefits for members of the Malaysian Armed Forces.
- To assist in nation's economic development through prudent and profitable investment.

- To instill quality and positive work culture among the staff and work as a dedicated, responsible, disciplined, trustworthy, proactive and innovative team towards achieving a continually high performance growth.

### 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 remitted to Retirement Fund Incorporated or KWAP for payment as monthly pension.

Voluntary contributor may withdraw his saving at any time and is allowed to be contributor for the second time after his first withdrawal.

From time to time, LTAT also distribute special bonus in the form of unit trust shares to its contributors. However, this special bonus is distributed based on LTAT's current financial performance.

#### *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 next-of-kin upon death while in service.

### ***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***

LTAT offers various training programs to retiring and retired members of the armed forces to prepare them for a second career through 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**

#### ***Perbadanan Perwira Niaga Malaysia (PERNAMA)***

Perbadanan 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 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 wholly-owned 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.

#### ***Address***

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

#### ***Auditors***

Auditor General Malaysia

#### ***Principal Banker***

Affin Bank Berhad

#### ***Principal Solicitors***

Messrs Azam, Lim & Pang  
Messrs Adam & Co  
Messrs Azzat & Izzat

#### ***Official Portal***

[www.ltat.org.my](http://www.ltat.org.my)

# STATEMENT OF CORPORATE GOVERNANCE

## CODE

The Board of Directors is fully committed to ensure that the highest 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 of Directors is 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 OF DIRECTORS

### *Composition of the Board of Directors, Investment Panel and Management*

LTAT recognizes the important role played by the Board of Directors, the Investment Panel and the Management in the formulation and determination of LTAT's direction and operations. LTAT's Board of Directors comprises of members who are experienced and skillful with varied backgrounds such as finance, economy, public services and accounts, which are important for the overall strategic achievement of LTAT. The Board of Directors 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.

### *Board of Directors Integrity*

The decision by the Board of Directors 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 of Directors 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.

The Board of Directors consists of:

- i. A Chairman who shall be the Secretary General of the Ministry of Defence or such other person as may be appointed by the Minister.
- ii. 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.
- vi. Such other members, not exceeding four (4) in numbers as appointed by the Minister.

The Chief Executive appointed by the Board, subject to the approval of the Minister, shall be responsible for the management and operation of LTAT and execute all policies and strategies as set by the Board.

### *Board of Directors Meeting*

The Board of Directors meets four (4) times in a year even though the TAT Act 1973 (Act 101) under Section 4(4) of the First Schedule 4(1) only provides once in every six (6) months. 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 of Directors 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 statement.

All Board of Directors are supplied with accurate and complete information before every meeting to enable them to understand the issue to be discussed and make the right decisions, and to enable them to participate fully in those meetings. The Board may employ independent professional advisers to enable them to effectively discharge its duties and responsibilities as stated in the TAT Act 1973 (Act 101) under Section 5(3). In 2016, the Board of Directors met four (4) times.



# STATEMENT OF CORPORATE GOVERNANCE

## ***Retirement and Reappointment***

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

## ***Board of Directors Remuneration***

The Board of Directors 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**

The Investment Panel is a body established under the TAT Act 1973 (Act 101) Section 6 (1), (2) and (3) to assist the Board in all matters pertaining to LTAT's investments.

The Investment Panel consists of:

- i. 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.
- 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, 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 Panel. In 2016, the Investment Panel met four (4) times.

## ***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 OF DIRECTORS COMMITTEE**

The Board of Directors, 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 main committees established by the Board to assist the execution of its duties are as follows:

- Executive Committee
- Audit Committee
- Procurement Board
- Interview Committee
- Disciplinary Committee
- Financial Management And Accounts Committee
- Remuneration and Service Scheme Committee
- Management Integrity Committee
- Risk Management Committee
- Quality Management System Special Committee
- IT Services Management System Special Committee
- Information Security Management System Committee
- Asset Management Committee

## • **Executive Committee**

The Executive Committee is a body established to assist the Board in formulating plans, actions and strategies in certain administrative and operational matters. All matters discussed/approved by the Executive Committee are ratified/approved at the Board Meeting. The Executive Committee members are appointed from among members of the Board of Directors. In 2016, the Executive Committee met four (4) times.

## STATEMENT OF CORPORATE GOVERNANCE

- **Executive Committee (continued)**

### Composition of the Executive Committee

Chairman

**YB. Senator Laksamana Tan Sri Dato' Setia Mohd Anwar bin Haji Mohd Nor (Retired)**

Members

**YBhg. Dato' Sri Abdul Rahim bin Mohamad Radzi**

Secretary General to the Ministry of Defence

**YBhg. Lt. Gen. Dato' Seri Panglima Ahmad Hasbullah bin Haji Mohd Nawawi**

Deputy Chief of the Army

**YBhg. Dato' Sri Dr. Mohd Isa Hussain**

Deputy Secretary General to the Treasury (Investment) Malaysia

- **Audit Committee**

The Audit Committee was established to assist the Board in reviewing, evaluating and reporting matters pertaining to auditing 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. The Committee shall meet at least once in every three (3) months or as required by its Chairman. In 2016, the Audit Committee met four (4) times.

### Composition of the Audit Committee

Chairman

**YB. Senator Laksamana Tan Sri Dato' Setia Mohd Anwar bin Haji Mohd Nor (Retired)**

Members

**YBhg. Dato' Sri Abdul Rahim bin Mohamad Radzi**

Secretary General to the Ministry of Defence

**YBhg. Lt. Gen. Dato' Seri Panglima Ahmad Hasbullah bin Haji Mohd Nawawi**

Deputy Chief of the Army

**YBhg. Dato' Sri Dr. Mohd Isa Hussain**

Deputy Secretary General to the Treasury (Investment) Malaysia

- **Procurement Board**

The Procurement Board comprises of members appointed by the Board of Directors to consider and decide on LTAT's procurements amounting to more than RM500,000 but not more RM200 million for every single item, or every class item, or project, or contract. Procurement amounting to more than RM200 million, will be presented to the Board for approval. The members and authority limit of the procurement committees are as follows:

### Composition of Procurement Board

1. Amount of **more than RM500,000** but **not more than RM200 million**.

Chairman

**YBhg. Dato' Sri Abdul Rahim bin Mohamad Radzi**

Secretary General to the Ministry of Defence

Members

**YBhg. Lt. Gen. Dato' Sri Ackbal bin Haji Abdul Samad RMAF**

Deputy Chief of the Air Force

**YBhg. Lt. Gen. Dato' Seri Panglima Ahmad Hasbullah bin Haji Mohd Nawawi**

Deputy Chief of the Army

**YBhg. Tan Sri Dato' Seri Lodin bin Wok Kamaruddin**

Chief Executive

## STATEMENT OF CORPORATE GOVERNANCE

### • Procurement Board (continued)

2. A purchase order form will be used for procurements of **not more than RM100,000** and will be signed by authorized Officer.
3. For LTAT's procurement amounting to **more than RM100,000** but **not more than RM500,000** for every single item, project or contract, should be considered and accepted by the members of the Quotation Committee appointed by the Chief Executive.
4. For tender amounting to **more than RM200 million**, will be presented to the Board for approval.

In 2016, the Procurement Board met once (1).

### • Interview Committee

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

#### Composition of Interview Committee

- i. For Grade 26 and above.

Chairman

**YBhg. Lt. Gen. Dato' Sri Ackbal bin Haji Abdul Samad RMAF**  
Deputy Chief of the Air Force

Members

**YBhg. Lt. Gen. Dato' Seri Panglima Ahmad Hasbullah bin Haji Mohd Nawawi**  
Deputy Chief of the Army

**YBhg. Laksamana Madya Dato' Anuwi bin Hassan**  
Deputy Chief of the Navy

**YBhg. Tan Sri Dato' Seri Lodin bin Wok Kamaruddin**  
Chief Executive

In 2016, there was no interview held for Grade 26 and above.

- ii. 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)
- d. Assistant General Manager (Services)

In 2016, one (1) interview was held for Grade 23 and below.

#### For Grade 21 and below:

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

In 2016, three (3) interviews were held for Grade 21 and below.

### • Disciplinary Committee

The Disciplinary Committee is responsible for considering and determining the disciplinary punishments against officers and staff of LTAT for breaking the rules and regulations of the terms of service that are in force from time to time.

#### Composition of the Disciplinary Committee

- i. Group A Officer
  - a. Two (2) Board members, one will be the Chairman, not including the Deputy Chairman and Deputy Secretary General to the Treasury
  - b. Chief Executive
  - c. General Manager (Operation) as Secretary



## STATEMENT OF CORPORATE GOVERNANCE

- **Disciplinary Committee (continued)**

- ii. Group B Officer

- a. Chief Executive shall be the Chairman
    - b. Deputy Chief Executive
    - c. General Manager (Operation)
    - d. Assistant General Manager (Services) as Secretary

In 2016, this committee met twice (2).

- **Financial Management and Accounts Committee**

This Committee is appointed by the Board and consists of a minimum of six (6) Grade 21 Officers and above. The Committee is responsible in assisting the Chief Executive to monitor, detect and supervise all matters pertaining to finance and accounts to ensure everything runs smoothly and complies with the Tabung Angkatan Tentera 1973 Act (Act 101) and current Financial Procedures. This Committee is required to prepare quarterly reports to be presented to the Secretary General to the Ministry of Defence.

The Financial Management and Accounts Committee meets every month or at least once in every three (3) months. In 2016, this committee met twelve (12) times.

- **Remuneration and Services Scheme Committee**

**Objective**

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

Chairman

**YBhg. Dato' Sri Abdul Rahim bin Mohamad Radzi**

Secretary General to the Ministry of Defence

Members

**YBhg. Lt. Gen. Dato' Sri Ackbal bin Haji Abdul Samad RMAF**

Deputy Chief of the Air Force

**YBhg. Laksamana Madya Dato' Anuwi bin Hassan**

Deputy Chief of the Navy

**YBhg. Tan Sri Dato' Seri Lodin bin Wok Kamaruddin**

Chief Executive

In 2016, this committee met once (1).

- **Management Integrity Committee**

The Management Integrity Committee was established with the following objectives:

- i. To identify, evaluate and recommend changes to any of LTAT's rules and regulations that may help to overcome management weaknesses, enhance level of controls on corruptions, abuse of powers and fraud especially in financial and investment management;
- ii. To identify, evaluate and inform the relevant authorities of any changes in the system and working procedures of various departments in order to enhance efficiencies, effectiveness, transparency and accountability;
- iii. To carry out activities that will encourage, inculcate and adopt noble values and best ethics in order to strengthen the integrity level of the staff and officers of LTAT;
- iv. To formulate and put in order the Code of Ethics as a guide for the staff and officers of LTAT;
- v. To give recognition to officers and staff who adopt noble values and best practices by volunteering and reporting on fraud and malpractices in their departments;

## STATEMENT OF CORPORATE GOVERNANCE

- **Management Integrity Committee (continued)**

- vi. To take action or recommend to the disciplinary board to take disciplinary action on officers and staff who are found violating any regulations under the Lembaga Tabung Angkatan Tentera Officers' Regulations (Conduct and Discipline) 1996 and cooperating or reporting to the Malaysian Anti-Corruption Commission (MACC) any corrupt act or abuse of powers by any officers and staff;
- vii. To monitor and put in place internal control procedures in the course of executing supervisory duties by senior officers in order to prevent any misappropriation and corruption; and
- viii. To take remedial action after any disciplinary violation or criminal action including corruption, through corrective measures such as tightening disciplinary regulations, amending rules and procedures, ensuring departmental transparency principles are practiced and increasing the efficiency of units and departments.

This committee will convene at least once every three (3) months and report the status of its actions to the Ministry of Defence Management Working Committee. In 2016, the Committee met four (4) times.

- **Risk Management Committee**

This Committee was set up by the Board to monitor the execution of matters related to risk management, including setting up the Risk Management Framework, checking the infrastructure of risk management, make appropriate recommendations on various risks involved in existing and new business activities and reporting issues related to risk to the Board of Directors.

This Committee is represented by all Heads of Department and meets at least four (4) times in a year. In 2016, the Committee met four (4) times.

- **Special Committee on Quality Management System**

The Special Committee on Quality Management System was established to make appropriate recommendation on the overall quality management system of LTAT to enable it to enhance the level of service delivery to its contributors.

This committee is represented by Deputy Chief Executive as Chairman and Management Representative, Senior Managers, Heads of Department and officers appointed by the management and meets at least twice (2) a year to discuss and reassess the member's contribution management system and to ensure LTAT achieves the ISO 9001:2008 certification. In 2016, the Special Committee on Quality Management System met twice (2).

- **Special Committee on IT Services Management System**

The Special Committee on IT Services Management System was established in 2009 to make appropriate recommendation on the overall IT services management system to enable it to enhance the level of service delivery related to IT services to LTAT's officers, staff and contributors.

This committee is represented by the Deputy Chief Executive as Chairman and Management Representative, Senior Managers, Heads of Department and officers appointed by the management and meets at least once in a year to discuss and reassess the service delivery of IT service management system in LTAT and to ensure LTAT achieves the ISO/IEC 20000-1:2011 certification. In 2016, the committee met twice (2).

- **Information Security Management System Committee**

The Information Security Management System Committee was established in 2014 to make appropriate recommendation on the overall IT information security management system to enable it to enhance the effectiveness in protecting LTAT's information assets from all threats, whether internal or external, deliberate or accidental, and

## STATEMENT OF CORPORATE GOVERNANCE

- **Information Security Management System Committee (continued)**

committed to ensure that the confidentiality of the information can be maintained.

This committee is chaired by the Deputy Chief Executive as Management Representative and its members consist of the Heads of Department and representatives appointed by the Head of Department and meets at least once in a year to discuss and reassess the service delivery of IT security management system in LTAT and to ensure LTAT achieves the ISO/IEC 27001:2013 certification. In 2016, the committee met once (1).

- **Asset Management Committee**

The Asset Management Committee was established to plan, monitor and supervise all aspects of LTAT's asset.

This committee is represented by the General Manager (Operation) as Chairman and Management Representative and its members consist of the Managers and representatives appointed by the Head of Department and meets every three (3) months and the results of the meeting shall be reported to the Financial Management and Accounts Committee. In 2016, the committee met four (4) times.

- 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.

### 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 of Directors, pursuant to the TAT 1973 Act (Act 101) shall ensure the following:

### OTHERS MATTERS

#### *Relationship With Auditors*

The Board of Directors 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.

# STATEMENT OF CORPORATE GOVERNANCE

## *Communications With The Contributors*

The Board recognizes 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 and other announcements through the media.

## **BOARD OF DIRECTORS RESPONSIBILITIES ON FINANCIAL REPORTING**

The Board of Directors 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 of Directors 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 of Directors 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.

# STATEMENT OF CORPORATE GOVERNANCE

## DATE OF THE BOARD OF DIRECTORS MEETINGS

DATE	TIME
Meeting 1/2016 - Wednesday, 9 March 2016	9.30 am
Meeting 2/2016 - Thursday, 23 June 2016	9.30 am
Meeting 3/2016 - Wednesday, 14 September 2016	9.30 am
Meeting 4/2016 - Friday, 25 November 2016	9.30 am

## ATTENDANCE OF MEETING OF THE BOARD OF DIRECTORS

NAME OF THE BOARD OF DIRECTORS	ATTENDANCE 2016
Chairman <b>YB. Senator Laksamana Tan Sri Dato' Setia Mohd Anwar bin Haji Mohd Nor (Retired)</b>	4 out of 4 meetings
<b>YBhg. Dato' Sri Abdul Rahim bin Mohamad Radzi</b> Secretary General to the Ministry of Defence	3 out of 4 meetings
<b>YBhg. Dato' Sri Dr. Mohd Isa Hussain</b> Deputy Secretary General to the Treasury (Investment) Malaysia	3 out of 4 meetings
<b>YM. Gen. Tan Sri Raja Mohamed Affandi bin Raja Mohamed Noor</b> Chief of the Defence Forces (from 16 December 2016)	0 out of 0 meeting
<b>YBhg. Gen. Tan Sri Dato' Sri (Dr.) Haji Zulkifeli bin Mohd Zin (Retired)</b> Chief of the Defence Forces (until 15 December 2016)	0 out of 4 meetings
<b>YBhg. Lt. Gen. Dato' Seri Panglima Ahmad Hasbullah bin Haji Mohd Nawawi</b> Deputy Chief of the Army	4 out of 4 meetings
<b>YBhg. Laksamana Madya Dato' Anuwi bin Hassan</b> Deputy Chief of the Navy	4 out of 4 meetings
<b>YBhg. Lt. Gen. Dato' Sri Ackbal bin Haji Abdul Samad RMAF</b> Deputy Chief of the Air Force (from 21 December 2016)	0 out of 0 meeting
<b>YBhg. Lt. Gen. Dato' Sri Affendi bin Buang RMAF</b> Deputy Chief of the Air Force (until 20 December 2016)	3 out of 4 meetings
<b>YBhg. Tan Sri Dato' Seri Lodin bin Wok Kamaruddin</b> Chief Executive of LTAT ( <i>Ex-Officio</i> )	4 out of 4 meetings
<b>YBhg. Dato' Sri Ghazali bin Mohd Ali</b>	3 out of 4 meetings

## STATEMENT OF CORPORATE GOVERNANCE

### DATE OF THE INVESTMENT PANEL MEETINGS

DATE	TIME
Meeting 1/2016 - Wednesday, 2 March 2016	9.30 am
Meeting 2/2016 - Monday, 6 June 2016	9.30 am
Meeting 3/2016 - Thursday, 1 September 2016	9.30 am
Meeting 4/2016 - Tuesday, 15 November 2016	9.30 am

### ATTENDANCE OF MEETING OF THE INVESTMENT PANEL

NAME OF THE INVESTMENT PANEL	ATTENDANCE 2016
Chairman <b>YBhg. Gen. Tan Sri Datuk Amar (Dr.) Mohd Ghazali bin Dato' Mohd Seth (Retired)</b>	4 out of 4 meetings
<b>YM. Gen. Tan Sri Raja Mohamed Affandi bin Raja Mohamed Noor</b> Chief of the Defence Forces (from 16 December 2016)	0 out of 0 meeting
<b>YBhg. Gen. Tan Sri Dato' Sri (Dr.) Haji Zulkifeli bin Mohd Zin (Retired)</b> Chief of the Defence Forces (until 15 December 2016)	2 out of 4 meetings
<b>YBhg. Dato' Sri Dr. Mohd Isa Hussain</b> Deputy Secretary General to the Treasury (Investment) Malaysia	2 out of 4 meetings
<b>YBhg. Dato' Abdul Aziz bin Ibrahim</b>	4 out of 4 meetings
<b>Encik Mohd Suffian bin Haron</b>	4 out of 4 meetings

# STATEMENT OF INTERNAL CONTROL

## RESPONSIBILITY

The Board of Directors acknowledges its responsibility towards 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 of Directors, Executive Committee and Investment Panel;
- Clearly defined organizational structure that outlines the authority limits and lines of responsibilities at all levels to ensure accountability for risk management and control;
- Regular Board, Executive Committee and Investment Panel meetings to evaluate performance and to identify, discuss and resolve significant matters on risk management, administration, finance and investments;
- The responsibilities of the Board of Directors, Executive Committee and Investment Panel are noted in the Statement on 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 on weekly basis 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;
- LTAT's Strategic Plan for every seven (7) years and the annual budget is prepared by the Management, reviewed by the Executive Committee 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 9001:2008, 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, Key Performance Indicators and any reports on the changes and weaknesses in the risk profile is reported regularly to the Management, Board of Directors, Executive Committee and Investment Panel;



# STATEMENT OF INTERNAL CONTROL

## KEY ELEMENTS OF INTERNAL CONTROL (continued)

- 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 of Directors 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.

## FUNCTIONS OF THE INTEGRITY AND INTERNAL AUDIT DEPARTMENT

The main function of the Integrity and 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 Management Committee at the highest level and a risk unit in every department. A Risk Department was also set up to ensure effective management of risk. 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 Chief Executive, Senior Officers and Heads of Department in the weekly 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 examination on the compliance of internal control procedures and regular reviews of all findings and recommendations of the internal audit function by the Audit Committee in its regular meetings;



## STATEMENT OF INTERNAL CONTROL

### MONITORING AND REVIEW OF THE ADEQUACY AND INTEGRITY OF INTERNAL CONTROL SYSTEM (continued)

- Proof of compliance of quality management system standards through the ISO 9001:2008 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 2016, no material losses incurred as a result of weaknesses in the internal control of LTAT and its Group.

The internal control system of LTAT and its Group covers risk management and financial, operational and compliance controls. Except for insurable risks where insurance covers can be purchased, other significant risks faced by the Group (excluding associated companies) are reported to and managed by the respective Boards. The Board's opinion is that the internal control system of LTAT and its Group is sound and sufficient to safeguard shareholders' investment, customers' interests and the Group's assets.

**MEMBERS OF LTAT'S BOARD OF DIRECTORS,  
INVESTMENT PANEL, EXECUTIVE COMMITTEE,  
AUDIT COMMITTEE AND MANAGEMENT TEAM**

**BOARD OF DIRECTORS**



**Sitting from left**

**YBhg. Dato' Sri Abdul Rahim bin Mohamad Radzi**  
(Deputy Chairman)

**YB. Senator Laksamana Tan Sri Dato' Setia Mohd Anwar bin Haji Mohd Nor (Retired)**  
(Chairman)

**YM Gen. Tan Sri Raja Mohamed Affandi bin Raja Mohamed Noor**  
(Chief of the Defence Forces)

**Standing from left**

**YBhg. Datuk Zakaria bin Sharif**  
(Deputy Chief Executive)

**YBhg. Dato' Sri Ghazali bin Mohd Ali**

**YBhg. Lt. Gen. Dato' Sri Ackbal bin Haji Abdul Samad RMAF**  
(Deputy Chief of the Air Force)

**YBhg. Lt. Gen. Dato' Seri Panglima Ahmad Hasbullah bin Haji Mohd Nawawi**  
(Deputy Chief of the Army)

**YBhg. Laksamana Madya Dato' Anuwi bin Hassan**  
(Deputy Chief of the Navy)

**YBhg. Dato' Sri Dr. Mohd Isa Hussain**  
(Deputy Secretary General to the Treasury (Investment Malaysia))

**YBhg. Tan Sri Dato' Seri Lodin bin Wok Kamaruddin**  
(Chief Executive)

## BOARD OF DIRECTORS

### Chairman

**YB. Senator Laksamana Tan Sri Dato' Setia Mohd Anwar bin Haji Mohd Nor (Retired)**

P.G.A.T., P.M.N., P.S.A.T., P.S.D., S.J.M.K., S.S.A.P., S.S.I.S., S.P.T.S., D.H.M.S., D.C.S.M., D.P.M.S., D.P.T.S., P.A.T., J.S.M., J.S.D., P.M.P., K.A.T., K.M.N., B.K.T., D.P.K.T (Brunei), OLH (France), OMRI (Italy), Yudha Dharma Utama (Indonesia), White Elephant, First Class Knight Grand Cross (Thailand), PLH (Philippines), NI(M) (Pakistan), LOM (USA), P.P.S., P.P.A., MSc EBM (Warwick), jssc, psc

### Deputy Chairman

**YBhg. Dato' Sri Abdul Rahim bin Mohamad Radzi**

S.S.A.P., D.I.M.P., A.M.N.  
*Secretary General to the Ministry of Defence*

**Deputy Secretary General to the Treasury (Investment) Malaysia**

**YBhg. Dato' Sri Dr. Mohd Isa Hussain**

S.S.A.P., D.I.M.P., S.D.K.

### Members Representing Contributors

**YM Gen. Tan Sri Raja Mohamed Affandi bin Raja Mohamed Noor**

P.G.A.T., P.S.M., P.J.N., S.S.A.P., S.P.T.S., S.P.M.T., S.P.M.S, S.P.M.K., S.P.K.K., D.P.P.N., D.C.S.M., P.S.A.T., D.S.A.P., D.G.M.K., D.S.D.K., D.M.P.N., P.A.T., J.S.M., S.M.Z., K.A.T., K.M.N., P.N.B.B (Moz), ndc, mpat, psc, MDef Studies (UNSW), MSc Strat and Def Studies (QAU)  
*Chief of the Defence Forces*  
(from 16 December 2016)

**YBhg. Gen. Tan Sri Dato' Sri (Dr.) Haji Zulkifeli bin Mohd Zin (Retired)**

P.G.A.T., P.M.N., P.S.M., P.J.N., D.H.M.S., S.S.A.P., S.I.M.P., S.P.T.S., S.U.M.W., S.P.M.P., S.S.T.M., S.P.K.K., P.S.A.T., D.G.M.K., D.S.D.K., D.P.K.K., D.M.S.M., P.M.W., P.A.T., J.M.N., S.D.K., K.M.N., A.M.K., A.S.K., Legion of Honor (Phil), AMIM, MSc (NDU), mpat, lmt, psc  
*Chief of the Defence Forces*  
(until 15 December 2016)

**YBhg. Lt. Gen. Dato' Seri Panglima Ahmad Hasbullah bin Haji Mohd Nawawi**

P.J.N., S.P.T.S., D.C.S.M., P.S.A.T., D.G.M.K., D.P.M.K., D.S.A.P., D.P.M.S., P.A.T., J.S.M., K.A.T., K.M.N., A.M.K., P.J.M., P.P.S., usawc, mpat, plsc (Canada), MA (Lancaster), MSS (USAWC)  
*Deputy Chief of the Army*

**YBhg. Laksamana Madya Dato' Anuwi bin Hassan**

P.S.A.T., D.I.M.P., P.A.T., J.S.M., S.M.T., K.A.T., K.M.N., A.M.T., P.J.M., P.P.S., P.P.A., MSc (UK), ndc (Thailand)  
*Deputy Chief of the Navy*

**YBhg. Lt. Gen. Dato' Sri Ackbal bin Haji Abdul Samad RMAF**

P.J.N., S.S.A.P., S.I.M.P., P.S.A.T., D.S.A.P., D.I.M.P., P.A.T., J.S.M., S.A.P., S.M.P., K.A.T., A.M.N., A.A.P., P.J.M., P.P.S., P.P.A., dssc (Aust), psc (NZ), tp (UK), TUDM  
*Deputy Chief of the Air Forces*  
(from 21 December 2016)

**YBhg. Lt. Gen. Dato' Sri Affendi bin Buang RMAF**

S.S.A.P., P.S.A.T., D.I.M.P., P.A.T., S.A.P., K.A.T., A.M.P., P.T.U., P.J.M., P.P.S., P.P.A., rcds (UK), Dssc (Aus), MA (Deakin), psc jt  
*Deputy Chief of the Air Forces*  
(until 20 December 2016)

### Members Appointed by Minister

**YBhg. Tan Sri Dato' Seri Lodin bin Wok Kamaruddin**

P.S.M., S.P.M.P., S.P.S.K., D.S.A.P., D.P.M.P., K.M.N., S.M.P., P.M.P., A.S.K., A.M.P., P.P.T., Chevalier de la Legion d'Honneur, Hon. LL.D (University of Nottingham-UK)  
*Chief Executive (Ex-Officio)*

**YBhg. Dato' Sri Ghazali bin Mohd Ali**

S.S.A.P., D.I.M.P.



## INVESTMENT PANEL



### Sitting from left

**YM Gen. Tan Sri Raja Mohamed Affandi bin Raja Mohamed Noor**  
(Chief of the Defence Forces)

**YBhg. Gen. Tan Sri Datuk Amar (Dr.) Mohd Ghazali bin Dato' Mohd Seth (Retired)**  
(Chairman of Investment Panel)

**YB. Senator Laksamana Tan Sri Dato' Setia Mohd Anwar bin Haji Mohd Nor (Retired)**  
(Chairman of LTAT)

### Standing from left

**YBhg. Datuk Zakaria bin Sharif**  
(Deputy Chief Executive)

**Encik Mohd Suffian bin Haron**

**YBhg. Dato' Sri Dr. Mohd Isa Hussain**  
(Deputy Secretary General to the Treasury (Investment) Malaysia)

**YBhg. Dato' Abdul Aziz bin Ibrahim**

**YBhg. Tan Sri Dato' Seri Lodin bin Wok Kamaruddin**  
(Chief Executive)

## INVESTMENT PANEL

### Chairman

**YBhg. Gen. Tan Sri Datuk Amar (Dr.) Mohd Ghazali bin Dato' Mohd Seth (Retired)**

P.G.A.T., P.M.N., P.S.M., S.P.M.J., S.I.M.P., D.A., D.H.M.S., P.N.B.S., J.M.N., P.P.C., jssc, psc.

### Members

**YM Gen. Tan Sri Raja Mohamed Affandi bin Raja Mohamed Noor**

P.G.A.T., P.S.M., P.J.N., S.S.A.P., S.P.T.S., S.P.M.T., S.P.M.S, S.P.M.K., S.P.K.K., D.P.P.N., D.C.S.M., P.S.A.T., D.S.A.P., D.G.M.K., D.S.D.K., D.M.P.N., P.A.T., J.S.M., S.M.Z., K.A.T., K.M.N., P.N.B.B (Moz), ndc, mpat, psc, MDef Studies (UNSW), MSc Strat and Def Studies (QAU)

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(from 16 December 2016)

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*Deputy Secretary General to the Treasury (Investment) Malaysia*

**YBhg. Dato' Abdul Aziz bin Ibrahim**

D.P.M.T., S.M.T.

**Encik Mohd Suffian bin Haron**

## EXECUTIVE COMMITTEE

### Chairman

**YB. Senator Laksamana Tan Sri Dato' Setia Mohd Anwar bin Haji Mohd Nor (Retired)**

P.G.A.T., P.M.N., P.S.A.T., P.S.D., S.J.M.K., S.S.A.P., S.S.I.S., S.P.T.S., D.H.M.S., D.C.S.M., D.P.M.S., D.P.T.S., P.A.T., J.S.M., J.S.D., P.M.P., K.A.T., K.M.N., B.K.T., D.P.K.T (Brunei), OLH (France), OMRI (Italy), Yudha Dharma Utama (Indonesia), White Elephant, First Class Knight Grand Cross (Thailand), PLH (Philippines), NI(M) (Pakistan), LOM (USA), P.P.S., P.P.A., MSc EBM (Warwick), jssc, psc

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*Secretary General to the Ministry of Defence*

**YBhg. Dato' Sri Dr. Mohd Isa Hussain**

S.S.A.P., D.I.M.P., S.D.K.

*Deputy Secretary General to the Treasury (Investment) Malaysia*

**YBhg. Lt. Gen. Dato' Seri Panglima Ahmad Hasbullah bin Haji Mohd Nawawi**

P.J.N., S.P.T.S., D.C.S.M., P.S.A.T., D.G.M.K., D.P.M.K., D.S.A.P., D.P.M.S., P.A.T., J.S.M., K.A.T., K.M.N., A.M.K., P.J.M., P.P.S., usawc, mpat, plsc (Canada), MA (Lancaster), MSS (USAWC)

*Deputy Chief of the Army*

## AUDIT COMMITTEE

### Chairman

**YB. Senator Laksamana Tan Sri Dato' Setia Mohd Anwar bin Haji Mohd Nor (Retired)**

P.G.A.T., P.M.N., P.S.A.T., P.S.D., S.J.M.K., S.S.A.P., S.S.I.S., S.P.T.S., D.H.M.S., D.C.S.M., D.P.M.S., D.P.T.S., P.A.T., J.S.M., J.S.D., P.M.P., K.A.T., K.M.N., B.K.T., D.P.K.T (Brunei), OLH (France), OMRI (Italy), Yudha Dharma Utama (Indonesia), White Elephant, First Class Knight Grand Cross (Thailand), PLH (Philippines), NI(M) (Pakistan), LOM (USA), P.P.S., P.P.A., MSc EBM (Warwick), jssc, psc

### Members

**YBhg. Dato' Sri Abdul Rahim bin Mohamad Radzi**

S.S.A.P., D.I.M.P., A.M.N.

*Secretary General to the Ministry of Defence*

**YBhg. Dato' Sri Dr. Mohd Isa Hussain**

S.S.A.P., D.I.M.P., S.D.K.

*Deputy Secretary General to the Treasury (Investment Malaysia)*

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P.J.N., S.P.T.S., D.C.S.M., P.S.A.T., D.G.M.K., D.P.M.K., D.S.A.P., D.P.M.S., P.A.T., J.S.M., K.A.T., K.M.N., A.M.K., P.J.M., P.P.S., usawc, mpat, plsc (Canada), MA (Lancaster), MSS (USAWC)

*Deputy Chief of the Army*

## MANAGEMENT TEAM

### Chief Executive

**YBhg. Tan Sri Dato' Seri Lodin bin Wok Kamaruddin**

P.S.M., S.P.M.P., S.P.S.K., D.S.A.P., D.P.M.P., K.M.N., S.M.P., P.M.P., A.S.K., A.M.P., P.P.T., Chevalier de la Legion d'Honneur, Hon. LL.D (University of Nottingham-UK)

### Deputy Chief Executive

**YBhg. Datuk Zakaria bin Sharif**

D.M.S.M., K.M.N.

### General Manager (Finance)

**Puan Ho Chai Suan**

A.M.N.

### General Manager Investment

**Puan Hajah Saira Banu binti Chara Din**

A.M.N.

### Assistant General Manager Investment (Investment Development)

**Tuan Haji Khairul Anwar bin Ismail**

### Assistant General Manager (Services)

**Tuan Haji Mohd Yunus bin Ahmad**

A.M.N.

### Assistant General Manager (Finance)

**Encik Musa bin Bachik**

### Assistant General Manager (Strategic Planning & Quality Implementation)

**Encik Mohd. Saubae bin Roslan**

A.M.N.

### Assistant General Manager (Risk Management)

**Encik Abdul Shukur bin Aziz**

### Assistant General Manager (Integrity and Internal Audit)

**Puan Putri Rozita binti Abdul Rahman**

A.M.N.

### Investment Manager (Investment Development)

**Tuan Haji Jasni bin Sami**

### Finance Manager

**Encik Mohamed Roslan Al-Husni bin Mohamed**

### Human Resource & Administration Manager

**Puan Hajah Noorlaily binti Ibrahim**

### Corporate & Customer Affairs Manager

**Tuan Haji Zulkifli bin Ismail**

### Finance Manager

**Puan Hajah Rohaidah binti Abdullah**

### Investment Manager (Asset Management)

**Puan Hajah Rahaya binti Jaafar**

### Internal Audit Manager

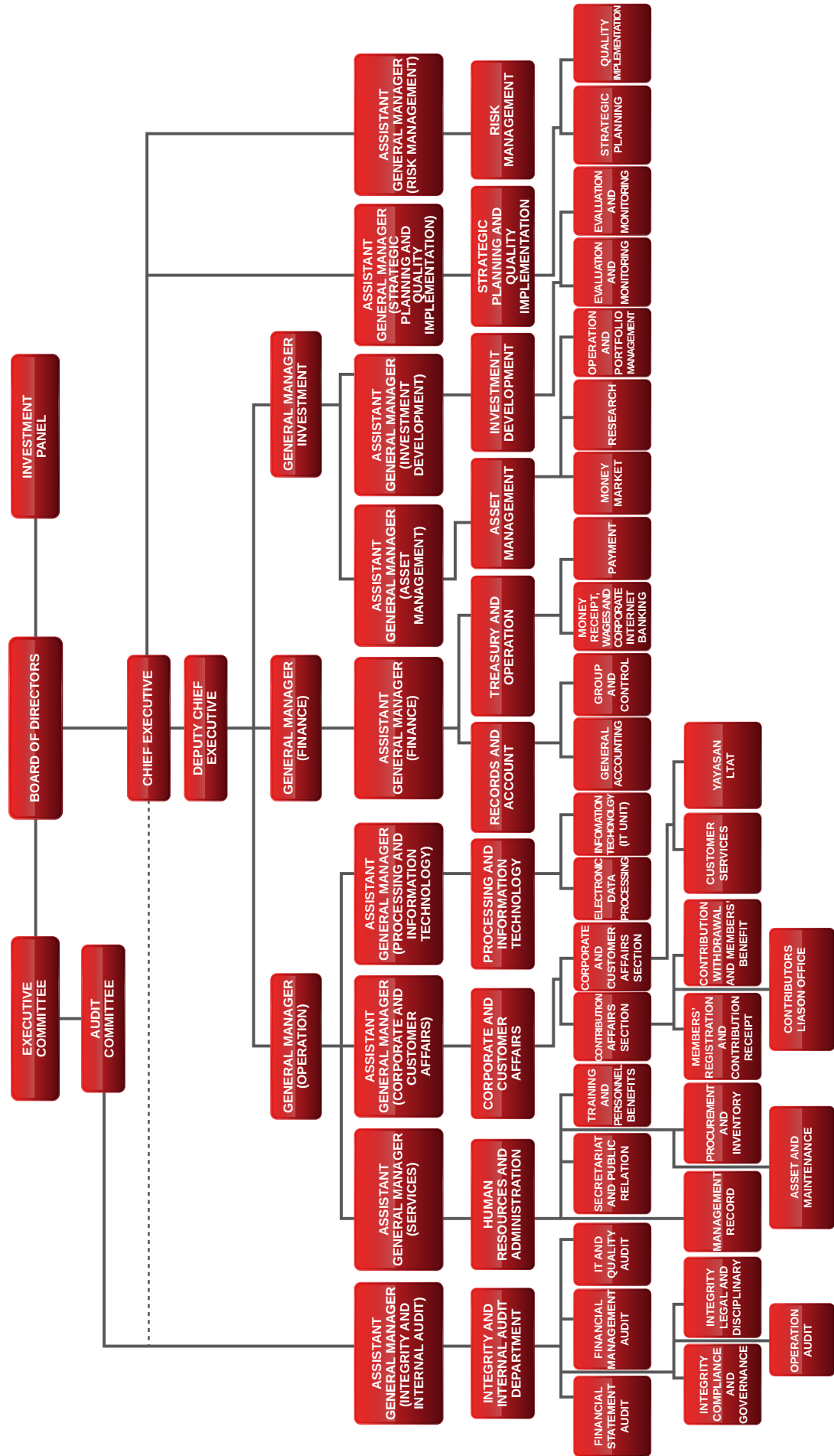
**Encik Salahuddin bin Md Sah**

### Processing & Information Technology Manager

**Tuan Haji Ahmad Shakif bin Mohd Nawawi**

# ORGANISATION CHART

## LEMBAGA TABUNG ANGGARAN TENTERA





# CHAIRMAN'S REVIEW





**2016** was a challenging year for Malaysia with the economy registering a growth of 4.2% compared with 5.0% in 2015 due to slower economic growth globally and regionally. In addition, the decline in commodity prices and the depreciation of the Malaysian ringgit against the US Dollar also effected the nation's economic growth.

Given this economic backdrop, I am pleased to present the forty-fourth Annual Report and Financial Statement of Lembaga Tabung Angkatan Tentera (LTAT) and the thirty-fifth Financial Statement of the LTAT Group for the financial year ended 31 December 2016.

### PERFORMANCE REVIEW

Despite having operated in a volatile economic condition, LTAT continued to demonstrate resilient performance for the financial year under review achieving an income of RM811.0 million, an increase of 5.8% compared with RM766.8 million in 2015.

LTAT's dividend income was mainly derived from investments in quoted and unquoted companies as well as investments in available for sale securities which totalled RM465.4 million, an increase of 20.6% compared with RM386.0 million in 2015.

Meanwhile, profit from trading in shares contributed RM15.2 million a decrease of 94.5% compared with RM277.4 million in 2015. The weak performance of the local stock market due to slower economic growth and the depreciation of the Ringgit in 2016 affected LTAT's trading activities in the stock market.

For the year under review, LTAT's investments in Medium Term Notes, Sukuk Al-Musyarakah Bond and interest from advances to its corporation registered a 9.6% decrease amounting to RM35.6 million compared with RM39.4 million in the previous year.

Rental income received in 2016 was RM31.9 million, a slight increase of 4.3% compared with RM30.6 million in 2015.

LTAT's investment returns from its portfolio managers registered a decrease of 41.6% due to weaker performance of the local stock market. Total income from external portfolio managers amounted to RM12.1 million for the year under review, compared with RM20.7 million in 2015.

During the year under review, income from short-term deposits and money market amounted to RM6.9 million, an increase of 9.5% compared with RM6.3 million in the previous year. In addition, LTAT also recorded a profit of RM240.4 million from the sale of land in Bukit Jalil, Kuala Lumpur and RM3.5 million from other income.

### *Dividend And Bonus*

For 2016, LTAT declared dividend and special bonus of 12.0% which comprise of 6.0% dividend and 6.0% special bonus in the form of unit trust to active members. Total payout for the dividend and special bonus amounted to RM685.5 million compared with RM694.1 million paid in 2015. The rate is higher than the average rate of dividend and bonus of 11.3% per annum declared since its establishment in 1972.

### *Appropriation Of Profit*

Total profit available for distribution for the financial year 2016 amounted to RM978.1 million. This is made up of RM595.0 million in net profit for the year and accumulated profit as at 1 January 2016 of RM384.7 million, net of a small loss of RM1.6 million for remeasurement of post-retirement medical benefits and gratuity plan.

## CHAIRMAN'S REVIEW

### PERFORMANCE REVIEW (continued)

#### Appropriation Of Profit (continued)

A detailed breakdown of profit distributed is as follows:

	RM MILLION	RM MILLION
Balance as at 1 January 2016		384.7
Net profit for the year		595.0
Other Income/Expenses:		
- Remeasurement of post-retirement medical benefits	(0.8)	
- Remeasurement of gratuity plan benefit	(0.8)	(1.6)
<b>Total comprehensive income for the year</b>		<b>978.1</b>
<b>LESS:</b>		
<b>Appropriation:</b>		
Transfer from Reserve Fund	8.7	
Dividend @ 6%	(514.8)	
Unit Trust @ 6%	(170.7)	
Death and Disablement Benefit Scheme	(7.5)	
Adjustments on contribution	0.2	(684.1)
<b>Accumulated profit after appropriation as at 31 December 2016</b>		<b>294.0</b>

### INVESTMENT

For the financial year under review, LTAT invested RM937.3 million in existing companies, RM866.4 million in existing subsidiary companies and RM70.9 million in new companies.

As at 31 December 2016, LTAT's total investments stood at RM8.7 billion, an increase of 3.6% compared with RM8.4 billion in 2015 of which RM4.9 billion was invested in subsidiary companies, RM204.1 million in associate companies, RM108.0 million in Corporations and RM1.9 billion in other investments including shares of listed companies traded on Bursa Malaysia, unquoted shares, redeemable cumulative preference shares and investments by external portfolio managers. LTAT also invested a total of RM997.8 million in the property sector, RM421.0 million in Medium Term Notes and Junior Sukuk Al-Musharakah while investments in deposits totalled RM167.8 million.

#### Money Market

In 2016, LTAT invested RM130.5 million in conventional commercial bills, RM9.5 million in Islamic banking or

Al-Wadiah and RM27.8 million in deposits by 8 portfolio managers.

In the year under review, LTAT's total investment in fixed deposits, short-term deposits and money market instruments totalled RM167.8 million an increase of 12.9% compared with RM148.6 million in 2015.

#### Assets

As at 31 December 2016, LTAT's total asset stood at RM9.6 billion, an increase of 2.1% compared with RM9.4 billion in 2015. Accumulated profit for the year decreased by 23.6% to RM294.0 million compared with RM384.7 million in the previous year.

### GROUP PERFORMANCE

The Group registered RM1.5 billion in profit before tax and zakat for the financial year 2016, an increase of 36.4% compared with RM1.1 billion in the previous year. The Group's total assets grew by 1.5% to RM89.1 billion compared with RM87.8 billion recorded in the previous year.

### MEMBERS CONTRIBUTION ACCOUNT

#### *Members' Contribution*

Total members' contribution received in 2016 amounted to RM820.8 million, a 4.7% increase compared with RM783.7 million received in 2015. The cumulative balance of members' contribution as at 31 December 2016 was RM8.6 billion, a decrease of 5.5% compared with RM9.1 billion in 2015 due to increase of members withdrawals.

#### *End of Service Withdrawal*

For the year, a total of 11,179 members who completed their services with the Armed Forces made withdrawals amounting to RM1.7 billion, an increase of 86.8% compared with RM910.3 million withdrawn by 6,408 members in 2015.

#### *Housing Withdrawal*

In the year under review, 1,952 members made housing withdrawals amounting to RM15.9 million, a decrease of 3.0% compared with RM16.4 million withdrawn by 2,055 members in 2015.

#### *Death and Disablement Benefits Scheme*

Under the Death and Disablement Benefits Scheme, LTAT made payment of RM7.5 million to 225 recipients during the year under review, an increase of 8.7% compared with RM6.9 million paid to 223 recipients in 2015. A total of RM5.7 million was paid to 170 beneficiaries of members under the Death Benefits Scheme and RM1.8 million was paid to 55 members under the Disablement Benefits Scheme.

### LTAT'S CORPORATIONS

#### *Perbadanan Perwira Niaga Malaysia (PERNAMA)*

**PERNAMA**, LTAT's first wholly-owned corporation, was established under Section 23 of the Akta TAT 1973 (Act 101) to undertake activities related to retailing, wholesaling, distribution, import and export, hire purchase of goods and provision of management services.

In 2016, PERNAMA recorded its highest ever revenue achieved to date amounting to RM395.7 million, a

23.5% increase compared with RM320.4 million in 2015. For the year, PERNAMA registered a profit before tax amounting to RM35.2 million, a 9.7% increase compared with RM32.1 million in the previous year.

PERNAMA paid a total dividend of RM55.0 million or 67.4% of its paid-up capital for the year compared with RM40.0 million paid in 2015.

#### *Perbadanan Perwira Harta Malaysia (PPHM)*

**PPHM**, another wholly-owned corporation of LTAT, was established with the objective of undertaking property development which includes developing housing scheme, managing construction projects and participating in construction contract.

For financial year ending 31 December 2016, PPHM registered operating revenue of RM25.6 million an increase of 55.2% compared with RM16.5 million in 2015. Major contributors were Projek Perpindahan Kemudahan Pangkalan Udara Kem Sungai Besi, Kuala Lumpur amounting to RM8.4 million, Taman LTAT project in Bukit Jalil, Kuala Lumpur amounting to RM7.8 million and Government quarters project at Jalan Cochrane amounting to RM3.2 million. In addition, PPHM's income for 2016 was also derived from the management fee received for property maintenance services for LTAT and other income amounting to RM6.2 million.

In 2016, PPHM paid a total dividend of 70.0% or RM16.1 million compared with 40.0% or RM9.2 million in the previous year.

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

**PERHEBAT** the third wholly-owned corporation of LTAT was incorporated on 25 August 1994 to undertake various socio-economic programmes for retiring and retired Armed Forces personnel. In 2016, PERHEBAT received a grant of RM27.0 million to finance its operation and RM5.0 million special allocation for *Skim Pembiayaan Mikro Usahawan Veteran ATM* (SPM-UV-ATM) from the Government.

During the year, PERHEBAT was able to provide skill training to 8,814 retiring and retired Armed Forces personnel compared with 10,328 personnel in the previous year due to budget constraint for training

### LTAT'S CORPORATIONS (continued)

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

programmes outside PERHEBAT as well as increase in training costs at various training centres.

For the Veterans' Socioeconomic Development Programme (PPSEV), a total of 1,577 non-pensionable Armed Forces veterans attended various programmes on entrepreneurship and job placement compared with 1,043 veterans in the previous year.

### BENEFITS, SERVICES AND FACILITIES

LTAT is committed to strengthening and improving further our delivery service to the contributors by undertaking initiatives such as:

#### *e-Kiosk*

LTAT has an extensive network of e-Kiosks which provide members with accurate and up-to-date information on their contribution accounts. The e-Kiosk also allows members to update on beneficiaries as well as obtain details on status of their contribution.

To date, a total of 77 e-Kiosk machines are in operation nationwide, providing members with easy access at the touch of a button.

#### *'Sehari Bersama Pelanggan' Programme*

In 2016, LTAT organised 149 briefing programmes on LTAT's activities for members at military camps throughout the nation, which exceeded our initial target of 130 programmes.

#### *Quality Management*

In 2016, LTAT renewed its ISO 9001:2008 Quality Management System certification for its activities under the ISO protocol Provision of Superannuation Fund Scheme for members of the Malaysian Armed Forces. LTAT also successfully renewed its ISO/IEC 20000-1:2011 certification under Information Technology (IT) Service Management for LTAT's internal customers and ISO/IEC 27001:2013 Information Security Management System (ISMS) certification by SIRIM

QAS International under Member's Contribution Management by using the Integrated Member's Contribution System (SCAB).

During the year, LTAT was also awarded the **Standard Accounting System for Government Agencies (SAGA) Compliance Certificate** by the National Accountant Department for LTAT's commitment to ensure its accounting and financial management system is in line with the objectives of SAGA.

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

In 2016, LTAT continued to undertake various CSR programme to members of the Armed Forces and their families, especially in the areas of training, education, welfare, affordable home ownership and scholarships to eligible children of members of the Armed Forces and veterans:

#### *Scholarship and Academic Excellence Award*

In 2016, Yayasan LTAT disbursed a total of RM3.7 million in scholarships and academic excellence award to 4,172 children of the Armed Forces personnel who performed well in their school examinations.

#### *Financial Assistance to ATM Veterans*

During the year, LTAT and Yayasan LTAT provided financial assistance totalling RM259,000 to 79 eligible members of the Malaysian Armed Forces Veterans Association and widows.

#### *Affordable Housing Programme*

To date, LTAT through its subsidiary, PPHM and its group of companies have successfully built and sold 1,860 units of affordable houses in Taman LTAT Bukit Jalil, Kuala Lumpur, Mutiara Rini, Johor and Mutiara Damansara, Selangor to eligible Armed Forces personnel and veterans.

In 2016, LTAT through PPHM started the construction of 2,988 units of affordable houses, in collaboration with 1Malaysia Civil Servants Housing Project (PPA1M) at Bukit Jalil, Kuala Lumpur. A further 304 units of affordable houses will also be built and made available for sale to eligible members of the Armed Forces and veterans in Bandar Segari, Perak in 2017- 2018.

## CHAIRMAN'S REVIEW

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

#### Other Contributions

In 2016, through Yayasan LTAT, LTAT donated RM5.0 million for the construction of a hostel at the International Islamic University Malaysia (IIUM) campus in Gombak, Selangor and has pledged RM6.0 million for the construction of another hostel at Universiti Teknologi Mara (UiTM) Puncak Alam Campus. Rental income from these hostels will go towards funding scholarship programmes to support eligible children of the Armed Forces and Veterans for studies at these two universities.

In support of the Ministry of Defence's initiatives to improve the welfare of ATM members, LTAT has agreed to provide financing for the construction of Wisma Bintara complex at Jalan Padang Tembak, Kuala Lumpur amounting to RM30.0 million. LTAT has also agreed to provide funding for the Chair for Leadership Study Programme amounting to RM1.0 million for Universiti Pertahanan Nasional Malaysia (UPNM) from 2016 to 2018.

Under its 'Barangan Harga Prihatin Program', PERNAMA offers 26 categories of consumer products at prices below market price to members of the Armed Forces, veterans and their families at 76 PERNAMA outlets throughout the country to assist them in coping

with the rising cost of living. In 2016, a total of RM10.6 million was spent by PERNAMA to subsidise this program.

In 2016, LTAT paid zakat amounting to RM353,000 to the Tabung Zakat ATM.

To date, under their various CSR programmes, LTAT and its group of companies as well as Yayasan LTAT have spent RM398.5 million on various scholarships and welfare programmes for about 131,600 eligible serving and retired members of the Armed Forces and their families.

#### Human Capital Development

LTAT places great importance in creating a conducive working environment to ensure a more competent, productive and innovative workforce. LTAT has also implemented various training and development programs to improve the skills and performance of its employees in 2016.

LTAT also participated actively in the 1Malaysia Training Scheme (SL1M) to support the Government's effort to increase the employment rate among graduates in Malaysia through collaboration between the Government-linked companies (GLCs) and the Economic Planning Unit under the Prime Minister's Department. In 2016, LTAT and its Group of Companies employed 259 graduates under the SL1M program.

### KEY PERFORMANCE INDICATORS

LTAT's key performance indicators for the financial year 2016 are as follows:

NO.	KEY PERFORMANCE INDICATORS	TARGET 2016	2016 ACHIEVEMENT
1.	Dividend, Bonus & Special Bonus to Contributors.	12.0%	12.0%
2.	Return on Investment.	8.0%	10.1%
3.	Customers' Satisfaction Index.	92.0%	94.0%
4.	Processing and payment of Members' Withdrawals & Payment under the Death and Disablement Benefits Scheme within 24 hours.	100.0%	100.0%
5.	Processing Housing Withdrawals within 24 hours.	100.0%	100.0%
6.	Cost to Income Ratio.	Not exceeding 6.0%	5.1%
7.	Financial & Management Report for 2016.	Clean Audit Certificate	Clean Audit Certificate

### FUTURE PROSPECTS AND STRATEGY

In 2016 the Malaysian economy was mainly impacted by uncertain market performance and global economic challenges, the decline in commodity prices as well as the depreciation of the Malaysian ringgit. Nevertheless, LTAT has managed to overcome some of these challenges by implementing plans, policies and strategies to safeguard and optimize return on its assets and funds.

The global economy is expected to improve in 2017 as compared to the previous year mainly due to better growth in emerging market and developing countries as well as moderate growth in developed countries. The Malaysian economy is expected to grow between 4.3% - 4.8% in 2017 driven by domestic demand, particularly private sector spending. Despite the expected continued challenging economic condition, LTAT and its group of companies will continue to implement effective investment strategies to optimize returns on our investments.

The Board of Directors, Investment Panel and the Management of LTAT are committed to ensuring that contributors fund remain safe and stable. New, viable and profitable investment will continue to be identified and undertaken to ensure the continued growth of the fund. Despite challenging economic environment and volatile market conditions, we are also committed to ensuring that contributors get best possible services from LTAT and that they receive attractive return on a sustainable basis on their contributions. We also remain committed to continue with our various corporate social responsibility programmes especially in the area of education and welfare to members of the armed forces and veterans.

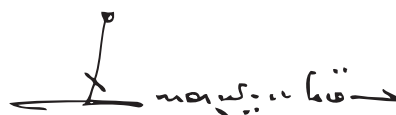
### APPRECIATION

On behalf of the Board of Directors, I am pleased to extend a warm welcome to YM. Gen. Tan Sri Raja Mohamed Affandi bin Raja Mohamed Nor, Chief of the Defence Forces who was appointed as a member of the Board and a member of the Investment Panel effective 16 December 2016. We are also pleased to welcome YBhg. Lt. Gen. Dato' Sri Ackbal bin Haji Abdul Samad RAMF, Deputy Chief of the Air Force as member of the Board effective 21 December 2016.

I also wish to express our sincere gratitude to YBhg. Gen. Tan Sri Dato' Sri (Dr.) Haji Zulkifeli bin Mohd Zin (Retired), former Chief of the Defence Forces who completed his tenure as a member of the Board and the Investment Panel on 15 December 2016 and YBhg. Lt. Gen. Dato' Sri Affendi bin Buang RMAF, former Deputy Chief of the Air Force and now Chief of the Air Force, who completed his tenure as LTAT's Board member on 20 December 2016.

I would also like to convey my deepest appreciation to all members of the Board, the Investment Panel and LTAT's management and staff for their steadfast dedication, contributions and commitment in fulfilling the responsibilities entrusted to them in managing the Armed Forces funds effectively.

I am also grateful for the continuous support from the Ministry of Defence, all Government Ministries and Agencies, business organisations and individuals who have contributed to the success of Lembaga Tabung Angkatan Tentera.



**SENATOR LAKSAMANA TAN SRI DATO' SETIA  
MOHD ANWAR BIN HAJI MOHD NOR (RETIRED)**  
Chairman



# OUTCOME AND IMPACT

## ASSESSMENT REPORT

### STATISTICS OF LTAT'S DIVIDEND AND BONUS PAYMENT FOR THE YEAR 1973-2016

YEAR	DIVIDEND (%)	BONUS (%)	DIVIDEND + BONUS (%)	SPECIAL BONUS (%)	DIVIDEND + BONUS + SPECIAL BONUS (%)
1973	8.70	0.00	8.70	0.00	8.70
1974	7.00	0.00	7.00	0.00	7.00
1975	7.00	0.00	7.00	0.00	7.00
1976	7.00	0.00	7.00	0.00	7.00
1977	7.25	0.00	7.25	0.00	7.25
1978	7.25	0.00	7.25	0.00	7.25
1979	7.25	0.00	7.25	0.00	7.25
1980	8.00	0.00	8.00	0.00	8.00
1981	8.50	0.00	8.50	0.00	8.50
1982	8.50	0.50	9.00	0.00	9.00
1983	8.50	0.00	8.50	0.00	8.50
1984	8.75	0.00	8.75	0.00	8.75
1985	8.75	0.00	8.75	0.00	8.75
1986	8.00	0.00	8.00	0.00	8.00
1987	6.50	0.00	6.50	0.00	6.50
1988	6.50	0.00	6.50	0.00	6.50
1989	7.00	0.00	7.00	0.00	7.00
1990	7.00	0.50	7.50	0.00	7.50
1991	7.00	3.00	10.00	0.00	10.00
1992	7.00	4.00	11.00	0.00	11.00
1993	7.00	5.00	12.00	0.00	12.00
1994	7.00	6.00	13.00	0.00	13.00

## OUTCOME AND IMPACT ASSESSMENT REPORT

### STATISTICS OF LTAT'S DIVIDEND AND BONUS PAYMENT FOR THE YEAR 1973-2016 (continued)

YEAR	DIVIDEND (%)	BONUS (%)	DIVIDEND + BONUS (%)	SPECIAL BONUS (%)	DIVIDEND + BONUS + SPECIAL BONUS (%)
1995	7.00	6.00	13.00	0.00	13.00
1996	7.00	6.25	13.25	5.00	18.25
1997	7.00	4.50	11.50	4.00	15.50
1998	7.00	3.50	10.50	3.00	13.50
1999	7.00	5.00	12.00	3.00	15.00
2000	7.00	3.00	10.00	3.00	13.00
2001	7.00	3.00	10.00	0.00	10.00
2002	7.00	3.00	10.00	0.00	10.00
2003	7.00	3.75	10.75	0.00	10.75
2004	7.00	3.75	10.75	5.00	15.75
2005	7.00	3.75	10.75	5.00	15.75
2006	7.00	3.00	10.00	5.00	15.00
2007	7.00	3.00	10.00	6.00	16.00
2008	7.00	3.00	10.00	6.00	16.00
2009	7.00	1.00	8.00	6.00	14.00
2010	7.00	1.00	8.00	6.00	14.00
2011	7.00	1.00	8.00	7.00	15.00
2012	7.00	1.00	8.00	8.00	16.00
2013	7.00	1.00	8.00	8.00	16.00
2014	7.00	1.00	8.00	7.00	15.00
2015	6.00	0.00	6.00	6.00	12.00
2016	6.00	0.00	6.00	6.00	12.00



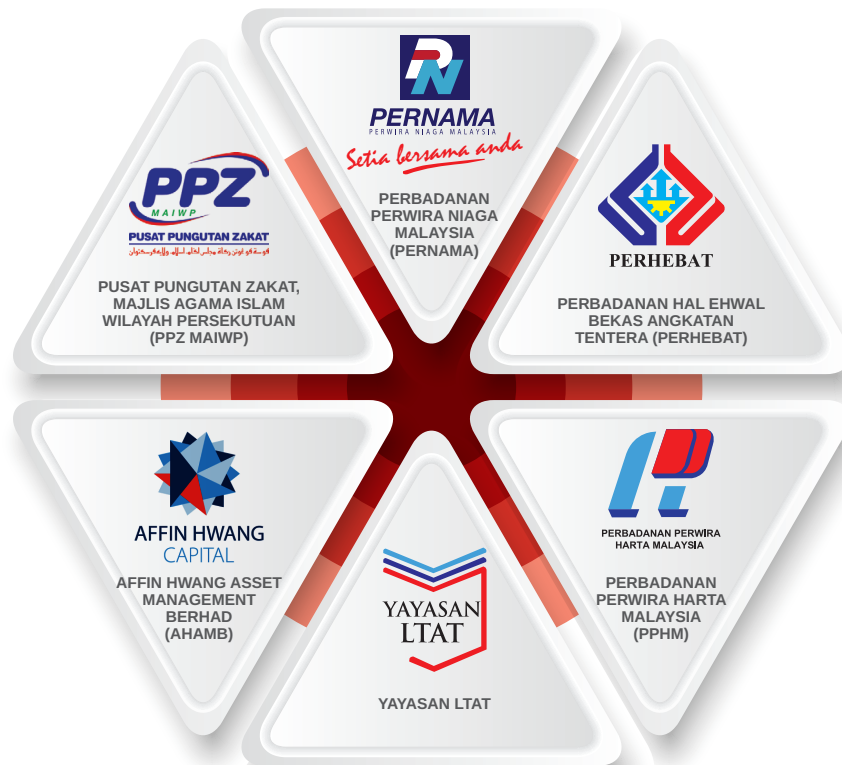
# OUTCOME AND IMPACT ASSESSMENT REPORT

## e-KIOSK DEVELOPMENT PROGRAMME

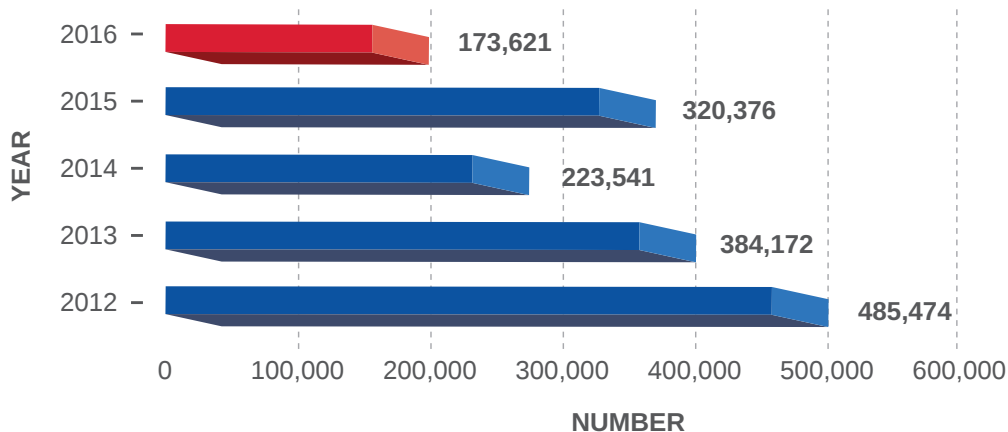
### SERVICES OFFERED

- To obtain accurate and up-to-date information on the status of their account and printed statement of accounts.
- To check fingerprint registration and to update naming of beneficiaries.
- To check on terms for withdrawal of contribution and Yayasan LTAT scholarship application.
- To print statement for Unit Trust.

### LINKS TO e-KIOSK FACILITIES



### NO. OF USERS



## LOCATION OF LTAT's e-KIOSK



### PERLIS

- » Taman Intan Arau

### KEDAH

- » Lapangan Terbang, Sg. Petani
- » Tok Jelai Camp, Jitra
- » Bukit Kayu Hitam Camp, Jitra
- » PN 420, Kolej Tentera Udara Alor Setar
- » Tanjong Gerak Camp, Langkawi

### PULAU PINANG

- » Sg. Ara Camp, Bayan Lepas
- » Pangkalan Udara Butterworth

### PERAK

- » Pangkalan Hulu, Kroh
- » Pangkalan TLDM, Lumut
- » Sangro Circle Camp, Taiping
- » TUDM Ipoh
- » Kompleks Mutiara Pernama, Jalan Hospital, Ipoh
- » Tapah Camp
- » Syed Putra Camp, Jalan Tambun, Ipoh
- » KD Malaya Lumut
- » Grik Camp
- » KD Pelandok, TLDM Lumut

### KUALA LUMPUR & SELANGOR

- » Bangunan LTAT
- » Bangunan KEMENTAH
- » Sg. Besi Camp
- » Pangkalan TUDM Subang
- » Sg. Buloh Camp
- » Batu Kentonmen Camp
- » Wardieburn Camp
- » Unit Gaji Angkatan Tentera (UGAT), Kementah
- » TUDM Jugra, Banting
- » UPNM Sg. Besi
- » Desa Tun Hussein Onn, Jalan Jelatek

- » Paya Jaras Camp, Sg. Buloh
- » Hospital Angkatan Tentera Tuanku Mizan, Wangsa Maju

### NEGERI SEMBILAN

- » LATEDA Port Dickson
- » Rasah Camp, Seremban
- » Syed Sirajuddin Camp, Gemas
- » Pusat Latihan Asas Tentera Darat (PUSASDA)
- » Senawang Camp, Seremban
- » Sikamat Camp, Seremban
- » Sunggala Camp, Port Dickson

### MELAKA

- » Terendak Camp
- » Sg. Udang Camp

### JOHOR

- » Mahkota Camp, Kluang
- » Sri Iskandar Camp, Mersing
- » Tanjung Pengelih
- » PULADA Ulu Tiram
- » Tebrau Camp, Johor Bharu
- » Bt. 3 Camp, Jln Mersing, Kluang
- » Batu Pahat Camp, Johor

### TERENGGANU

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

### PAHANG

- » Batu 10 Kuantan Camp
- » Markas 4 Briged, Batu 3 Camp, Temerloh
- » Rumah Keluarga TLDM, Taman Balok Perdana, Kuantan
- » Ungku Nasaruddin Camp, Kuala Lipis

- » Mentakab Camp
- » Bentong Camp
- » Pangkalan TUDM Bt 10, Kuantan
- » Skuadron 322, Bukit Ibam
- » Mempaga Camp, Pahang

### KELANTAN

- » Desa Pahlawan Camp, Kota Bharu
- » Pangkalan Chepa Camp
- » Tanah Merah Camp

### SABAH & LABUAN

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

### SARAWAK

- » Penrissen Camp, Kuching
- » Simanggang Camp, Sri Aman
- » Miri Camp
- » Semenggo Camp, Bt 8 Jln Penrissen, Kuching
- » TUDM, Kuching
- » Rascom Camp, Batu 10 Sibu
- » Oya Camp Batu 14 1/2, Sibu
- » Muara Tuang Camp, Kuching

**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**

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.

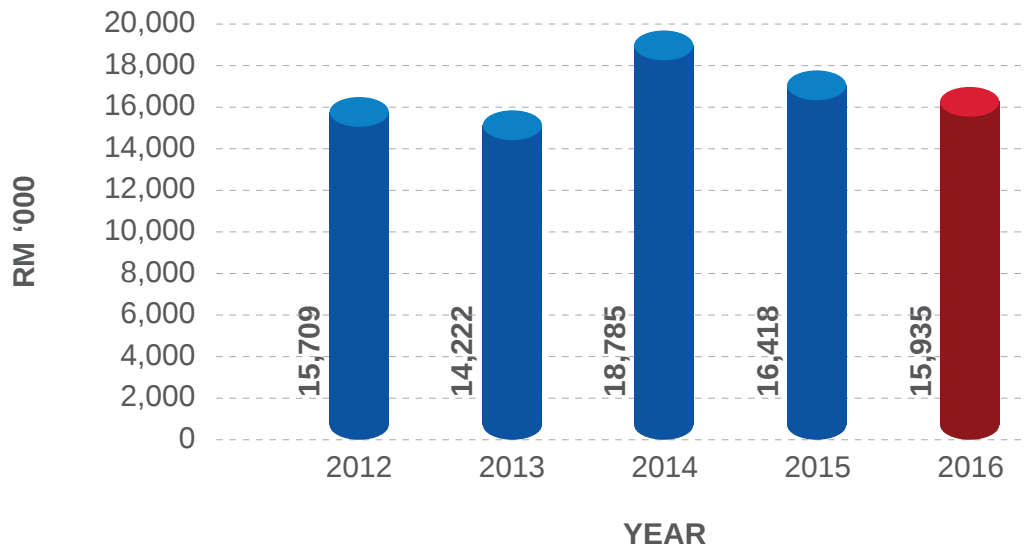
**WITHDRAWAL OF CONTRIBUTION**



	2012	2013	2014	2015	2016
<b>NO. OF WITHDRAWALS</b>	4,975	5,954	7,030	6,408	11,179

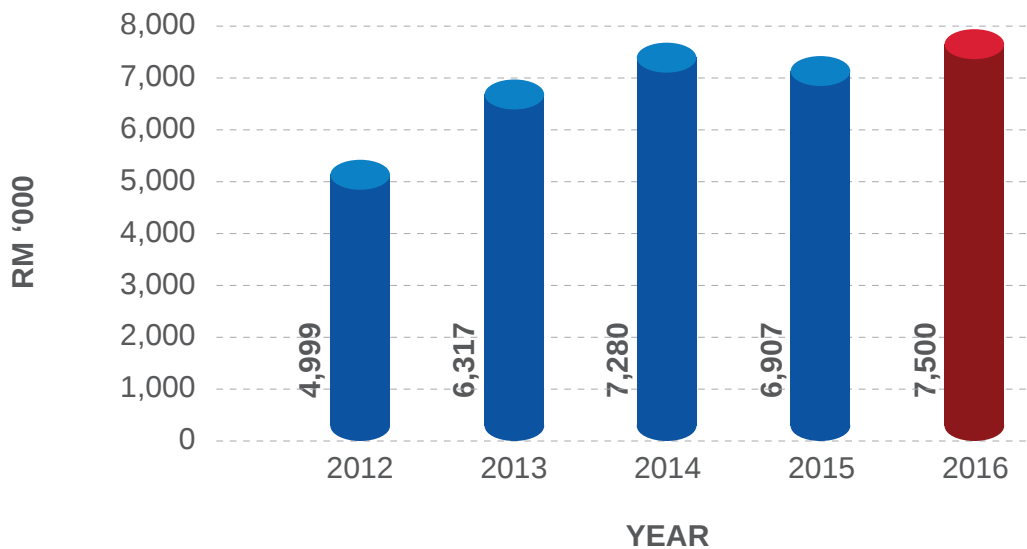
## WITHDRAWAL SCHEMES

### HOUSING WITHDRAWAL SCHEME



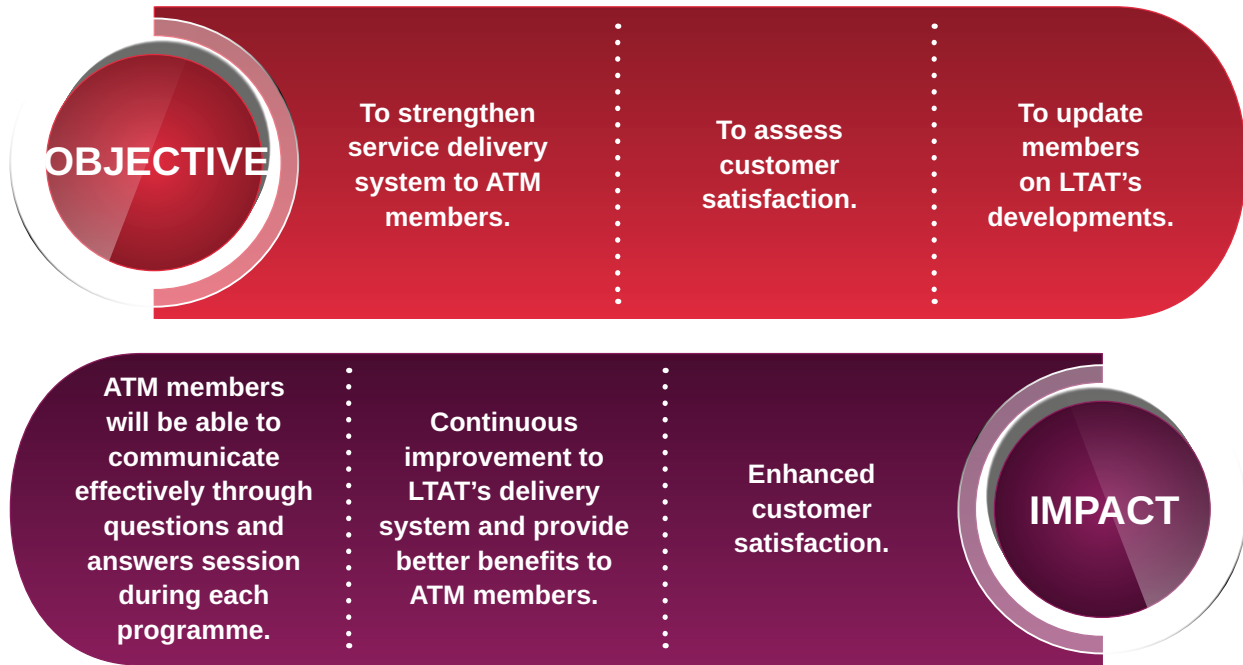
	2012	2013	2014	2015	2016
<b>NO. OF WITHDRAWALS</b>	2,531	2,073	2,568	2,055	1,952

### DEATH AND DISABLEMENT BENEFITS SCHEME

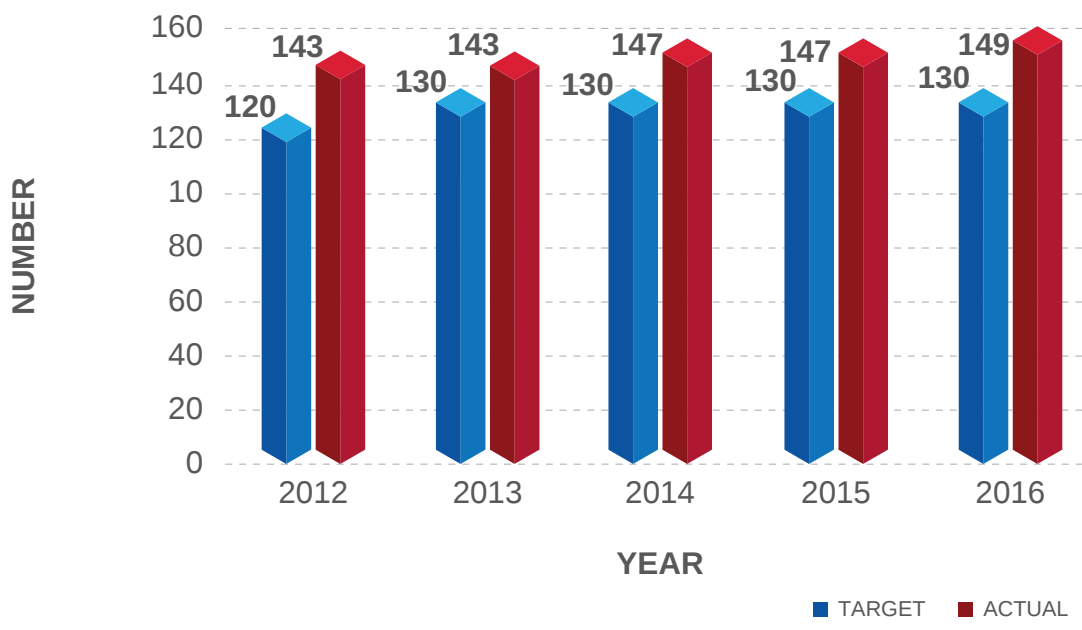


	2012	2013	2014	2015	2016
<b>NO. OF WITHDRAWALS</b>	195	224	244	223	225

**CUSTOMERS CARE PROGRAMMES**



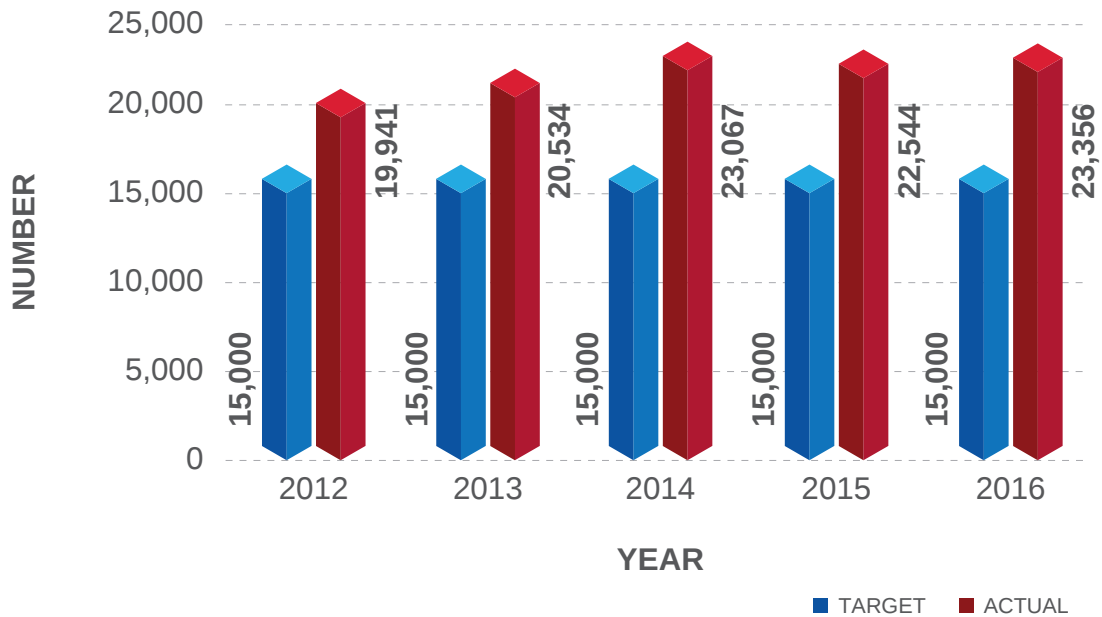
**TOTAL PROGRAMMES**



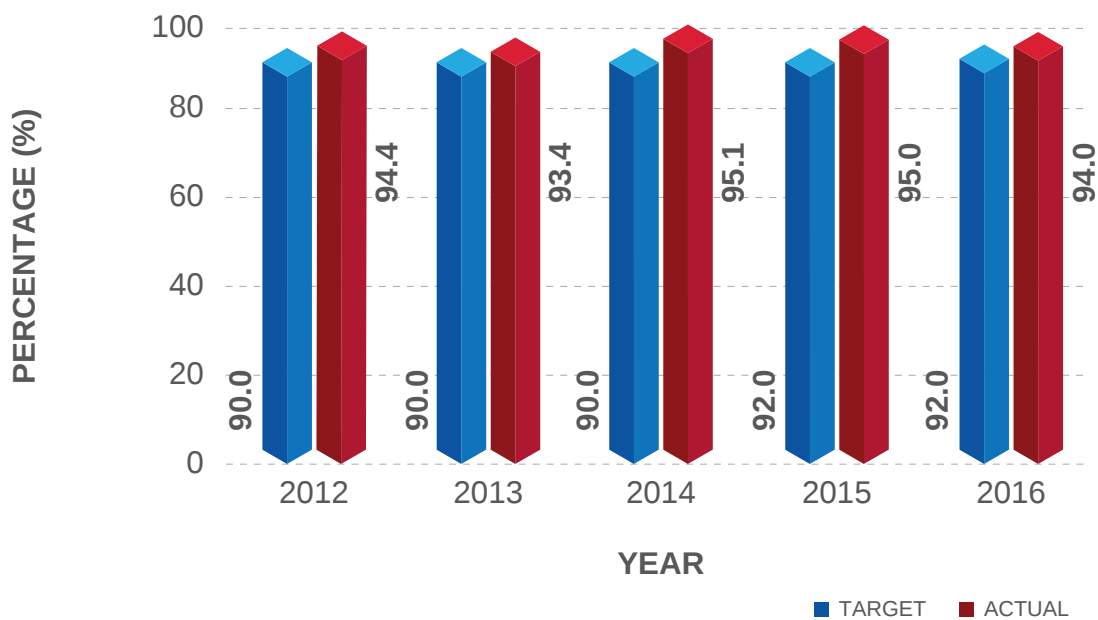


## CUSTOMER SATISFACTION SURVEY

### STATISTICS ON NUMBER OF FORMS RECEIVED



### CUSTOMER SATISFACTION INDEX



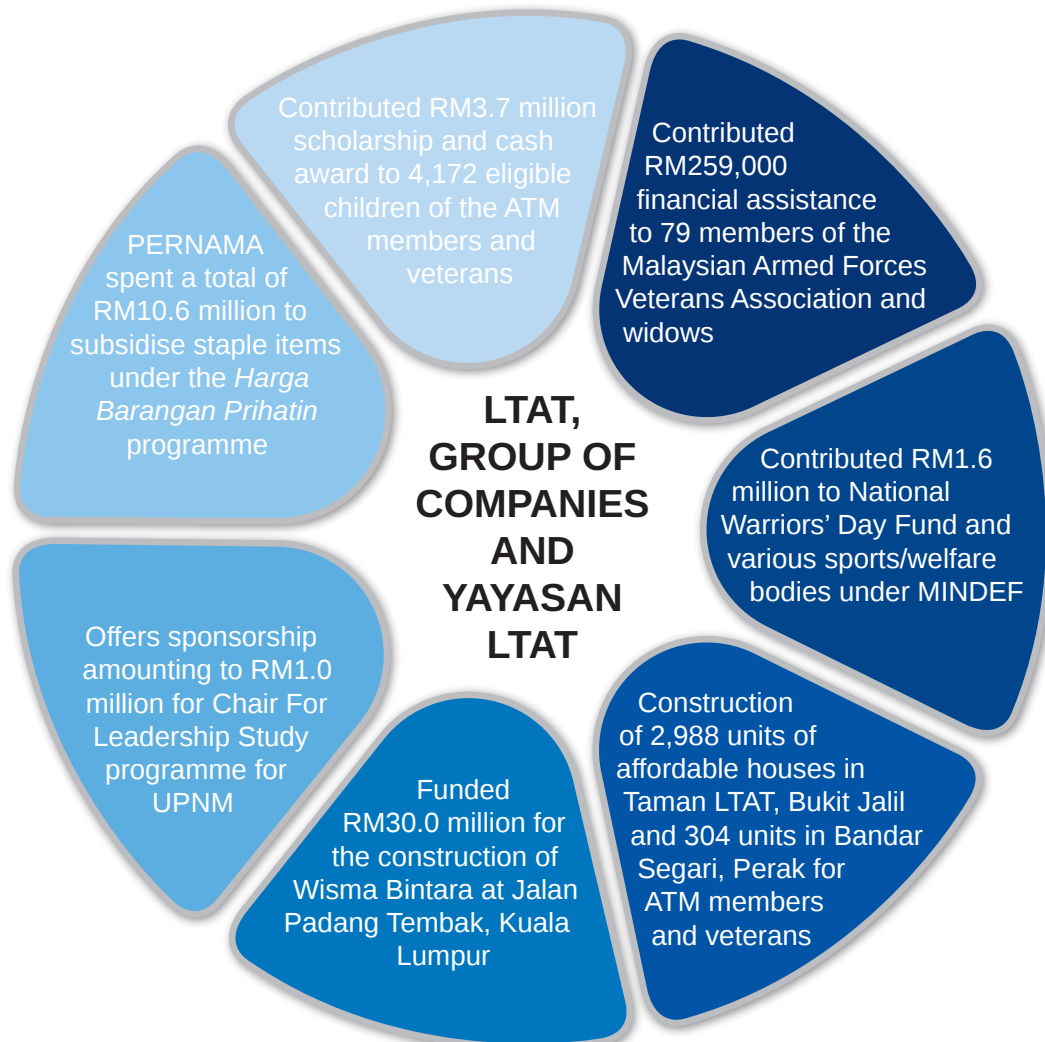
## **CORPORATE SOCIAL RESPONSIBILITY LTAT, GROUP OF COMPANIES AND YAYASAN LTAT**

### **OBJECTIVE**

LTAT and its Group of Companies as well as Yayasan LTAT is committed to undertake Corporate Social Responsibility (CSR) programmes for members of the armed forces and their families by offering them various facilities and financial assistance especially in the areas of training, education, welfare, home ownership and scholarships to eligible children of the ATM members and veterans.

### **ACHIEVEMENT**

As at 31 December 2016, LTAT and its Group of Companies as well as Yayasan LTAT have contributed **RM398.5 million** to **131,647 eligible recipients**, both serving and retired members of the armed forces and their families.



# ANALYSIS OF FINANCIAL PERFORMANCE

## LTAT'S FIVE YEARS FINANCIAL PERFORMANCE

### I. INCOME AND TOTAL DIVIDEND PAYMENT (RM MILLION)

	YEAR ENDED 31 DECEMBER				
	2016	2015	2014	2013	2012
1. TOTAL INCOME (Including Other Income)	<b>811.0</b>	766.8	1,015.5	961.4	811.6
2. EXPENSES	<b>77.7</b>	63.8	63.4	61.7	52.5
3. COST TO INCOME RATIO (%)	<b>5.1</b>	6.0	5.2	5.3	5.4
4. NET PROFIT FOR THE YEAR	<b>595.0</b>	684.5	843.2	850.9	751.7
5. DIVIDEND, BONUS AND SPECIAL BONUS FOR MEMBERS (%)	<b>12.0</b>	12.0	15.0	16.0	16.0

### II. ASSET, EQUITY AND LIABILITY (RM MILLION)

	YEAR ENDED 31 DECEMBER				
	2016	2015	2014	2013	2012
<b>1. TOTAL ASSETS</b>	<b>9,597.8</b>	<b>9,352.0</b>	<b>9,318.5</b>	<b>9,217.8</b>	<b>8,630.7</b>
• <i>Non Current Assets</i>	<b>8,430.1</b>	7,900.0	8,209.9	7,012.9	6,332.5
• <i>Current Assets</i>	<b>1,167.7</b>	1,452.0	1,108.6	2,204.9	2,298.0
<b>2. TOTAL EQUITY</b>	<b>8,825.8</b>	<b>9,067.1</b>	<b>8,893.4</b>	<b>8,881.0</b>	<b>8,331.3</b>
• <i>Member's Contribution Account</i>	<b>8,616.6</b>	9,054.8	8,685.4	8,279.8	7,767.2
• <i>Reserve Fund</i>	<b>172.3</b>	181.1	173.7	165.6	155.3
• <i>Available for Sale Securities Reserve</i>	<b>(267.8)</b>	(564.1)	(385.7)	7.4	(82.7)
• <i>Assets Revaluation Reserve</i>	<b>10.7</b>	10.6	10.5	10.5	10.5
• <i>Accumulated Profits</i>	<b>294.0</b>	384.7	409.5	417.7	480.8
<b>3. TOTAL LIABILITIES</b>	<b>772.0</b>	<b>284.9</b>	<b>425.1</b>	<b>336.8</b>	<b>299.4</b>
<b>4. TOTAL EQUITY AND LIABILITIES</b>	<b>9,597.8</b>	<b>9,352.0</b>	<b>9,318.5</b>	<b>9,217.8</b>	<b>8,630.7</b>

# ANALYSIS OF FINANCIAL PERFORMANCE

## GROUP'S FIVE YEARS FINANCIAL PERFORMANCE

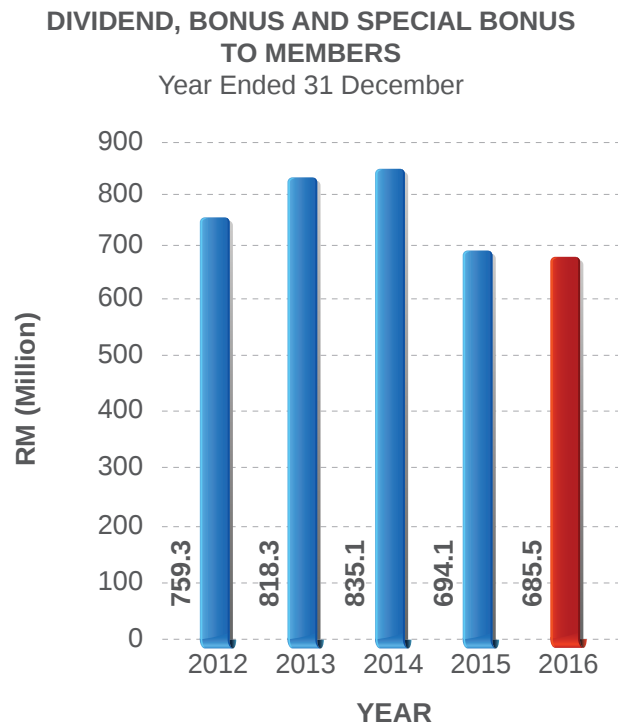
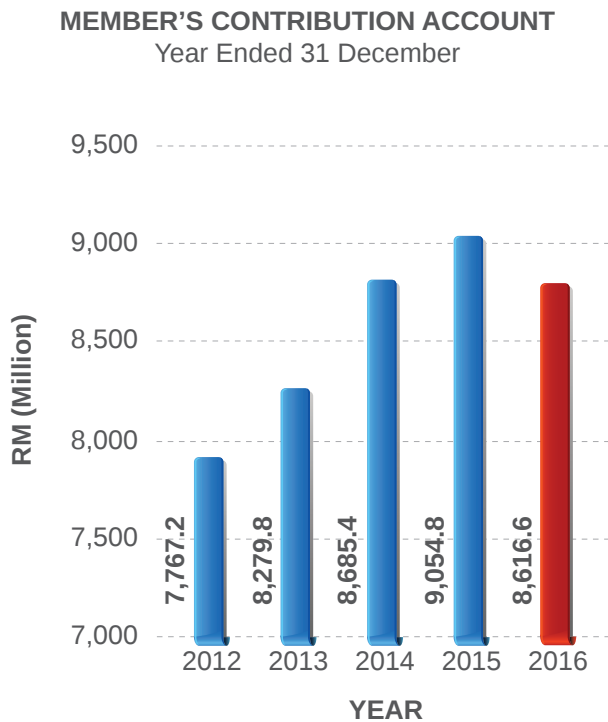
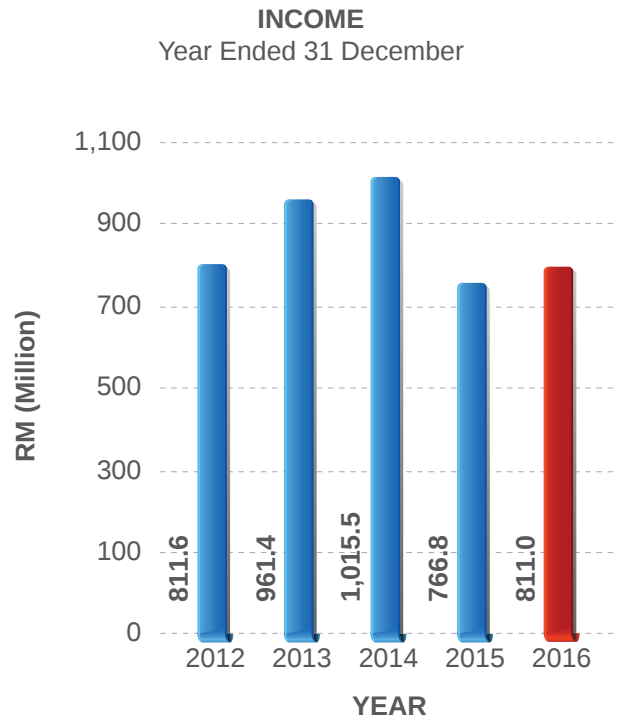
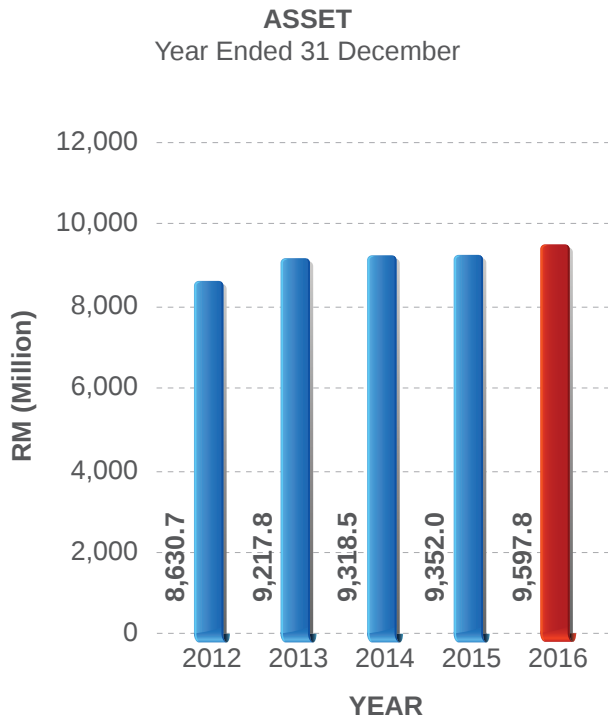
### I. INCOME (RM MILLION)

	YEAR ENDED 31 DECEMBER				
	2016	2015	2014	2013	2012
1. TOTAL INCOME (Including Other Operating Income)	<b>13,126.7</b>	13,001.8	14,837.3	15,283.7	13,613.1
2. PROFIT BEFORE TAXATION AND ZAKAT	<b>1,489.5</b>	1,052.6	1,449.3	2,002.8	1,706.0
3. PROFIT FOR THE YEAR	<b>1,161.9</b>	777.9	1,071.4	1,624.1	1,427.0

### II. ASSET, EQUITY AND LIABILITY (RM MILLION)

	YEAR ENDED 31 DECEMBER				
	2016	2015	2014	2013	2012
1. TOTAL ASSETS	<b>89,131.2</b>	<b>87,788.8</b>	<b>85,837.5</b>	<b>79,172.0</b>	<b>72,573.6</b>
• Non Current Assets	<b>31,444.0</b>	30,710.5	30,014.5	24,408.7	23,220.8
• Current Assets	<b>57,687.2</b>	57,078.3	55,823.0	54,763.3	49,352.8
2. TOTAL EQUITY	<b>18,785.8</b>	<b>18,574.5</b>	<b>18,549.5</b>	<b>16,901.3</b>	<b>15,358.3</b>
• Member's Contribution Account	<b>8,616.6</b>	9,054.8	8,685.4	8,279.8	7,767.2
• Reserves	<b>1,302.5</b>	926.9	981.0	1,156.3	1,213.2
• Funds	<b>35.7</b>	37.6	38.4	19.4	6.7
• Accumulated Profits	<b>691.0</b>	1,169.3	1,597.0	2,631.6	2,521.3
• Non-Controlling Interests	<b>7,077.7</b>	6,323.6	6,252.4	4,135.6	3,849.9
• Perpetual Sukuk	<b>1,062.3</b>	1,062.3	995.3	678.6	-
3. TOTAL LIABILITIES	<b>70,345.4</b>	<b>69,214.3</b>	<b>67,288.0</b>	<b>62,270.7</b>	<b>57,215.2</b>
4. TOTAL EQUITY AND LIABILITIES	<b>89,131.2</b>	<b>87,788.8</b>	<b>85,837.5</b>	<b>79,172.0</b>	<b>72,573.6</b>

# LTAT'S FIVE YEARS FINANCIAL PERFORMANCE





# GROUP'S FIVE YEARS FINANCIAL PERFORMANCE

**INCOME**  
Year Ended 31 December



**ASSET**  
Year Ended 31 December



# REPORT ON GOVERNMENT ASSISTANCE

Perbadanan Hal Ehwal Bekas Angkatan Tentera (PERHEBAT), a wholly-owned corporation of LTAT established in 1994, offers various training and retraining programmes in technical, vocational and entrepreneurial development for retiring and retired Armed Forces personnel. PERHEBAT's operations are funded through Government grants amounting to RM32.0 million.

PERHEBAT is committed to carry out its main objectives in providing training and knowledge to retiring and retired members of the Armed Forces in order to meet the market demands. In 2016, a total of 8,814 retiring and retired armed forces personnel have been trained compared with 10,328 participants in the previous year.

PERHEBAT has also received financial allocation amounting to RM40.0 million for the implementation of the Socio-Economic Development Programme for Non-Pensionable ATM Veteran (PPSEV). The grant has been distributed by the Government as per requirement basis since 2013. The courses organized by PERHEBAT to non-pensionable ATM veterans under this program can be used as a platform and value-added to generate their income. In 2016, a total of 1,577 non-pensionable veterans had attended training in the form of soft skills and hard skills compared with 1,043 participants in previous year. A monitoring committee has also been formed by PERHEBAT to monitor the implementation and to evaluate the effectiveness of the training programs as well as to do follow-ups of the participants who have undergone the training.





**REPORT OF THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
LEMBAGA TABUNG ANGKATAN TENTERA  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**Report on the Financial Statements**

**Opinion**

I have audited the accompanying Financial Statements of the Lembaga Tabung Angkatan Tentera and of the Group, which comprise the Statements of Financial Position as at 31 December 2016 and Statements of Profit Or Loss And Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, summary of significant accounting policies and other explanatory information as set out on pages 1 to 79.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Lembaga Tabung Angkatan Tentera and of the Group as at 31 December 2016 and of their financial performance and cash flows for the year then ended in accordance with the approved financial reporting standards in Malaysia and Tabung Angkatan Tentera Act 1973 (Act 101).

**Basis for Opinion**

I conducted the audit in accordance with the Audit Act 1957 and The International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



### **Independence and Other Ethical Responsibilities**

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

### **Information Other than the Financial Statements and Auditors' Report Thereon**

The Board is responsible for the other information in the Annual Report. My opinion on the financial statements of Lembaga Tabung Angkatan Tentera and of the Group does not cover the information other than the financial statements and auditors' report 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 Lembaga Tabung Angkatan Tentera and of the Group that give a true and fair view in accordance with approved financial reporting standards in Malaysia 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 Lembaga Tabung Angkatan Tentera and of the Group, the Board is responsible for assessing 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.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements of 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 auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI 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 ISSAI, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- a. Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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 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 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 auditors' report to the related disclosures in the financial statements of Lembaga Tabung Angkatan Tentera and of the Group or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of auditors' report.
- e. Evaluate the overall presentation of the financial statements of Lembaga Tabung Angkatan Tentera and of the Group, including the disclosures that achieves 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.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during my audit.



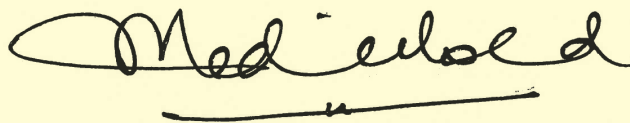
## Report on Other Legal and Regulatory Requirements

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

- a. In my opinion, the accounting and other records required to be kept by Lembaga Tabung Angkatan Tentera and its subsidiaries of which I have acted as auditors have been properly kept in accordance with the provision of the Act 101.
- b. I have considered the accounts and the auditors' reports of all the subsidiaries of which I have not acted as auditor, which are indicated in note 10 to the financial statements, being accounts that have been included in the consolidated accounts.
- c. I am satisfied that the accounts of the subsidiaries that have been consolidated with the Lembaga Tabung Angkatan Tentera's financial statements are appropriate and proper in form and content for the purposes of the preparation of the financial statements of the Group and I have received satisfactory information and explanations required by me for those purposes.
- d. The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment.

### Other Matters

This report is made solely for the Board and for no other purpose. I do not assume responsibility to any other person for the content of this report.



(TAN SRI DR. MADINAH BINTI MOHAMAD)  
AUDITOR GENERAL  
MALAYSIA

PUTRAJAYA  
5 MAY 2017



## STATEMENT BY DIRECTORS

We, Senator Admiral Tan Sri Dato' Setia Mohd Anwar Bin Haji Mohd Nor (Retired) and Dato' Sri Abdul Rahim Bin Mohamad Radzi being the Chairman and one of the Directors of Lembaga Tabung Angkatan Tentera, do hereby state that, in the opinion of the Directors, 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 as at 31 December 2016 and of the results and the cash flows for the financial year ended on that date.

On behalf of the Board,

SENATOR ADMIRAL TAN SRI DATO' SETIA  
MOHD ANWAR BIN HAJI MOHD NOR  
(Retired)

CHAIRMAN

DATE: 4 MAY 2017  
KUALA LUMPUR

On behalf of the Board,

DATO' SRI ABDUL RAHIM BIN  
MOHAMAD RADZI

DEPUTY CHAIRMAN

DATE: 4 MAY 2017  
KUALA LUMPUR

## STATEMENT BY DIRECTORS

We, Senator Admiral Tan Sri Dato' Setia Mohd Anwar Bin Haji Mohd Nor (Retired) and Dato' Sri Abdul Rahim Bin Mohamad Radzi being the Chairman and one of the Directors of Lembaga Tabung Angkatan Tentera, do hereby state that, in the opinion of the Directors, 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 2016 and of the results and the cash flows for the financial year ended on that date.

On behalf of the Board,

SENATOR ADMIRAL TAN SRI DATO' SETIA  
MOHD ANWAR BIN HAJI MOHD NOR  
(Retired)

CHAIRMAN

DATE: 4 MAY 2017  
KUALA LUMPUR

On behalf of the Board,

DATO' SRI ABDUL RAHIM BIN  
MOHAMAD RADZI

DEPUTY CHAIRMAN

DATE: 4 MAY 2017  
KUALA LUMPUR

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

I, Tan Sri Dato' Seri Lodin Wok Kamaruddin, 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 4 MAY 2017 )



**TAN SRI DATO' SERI LODIN WOK KAMARUDDIN**

**Before me**



No. 86, Tingkat Bawah  
Jalan Putra  
50350 Kuala Lumpur



Lloyd's Register  
LRQA

## CERTIFICATE OF APPROVAL

This is to certify that the IT Service Management System of:

**Lembaga Tabung Angkatan Tentera  
12<sup>th</sup> Floor, Bangunan LTAT  
Jalan Bukit Bintang  
50748 Kuala Lumpur  
Malaysia**

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

**ISO/IEC 20000-1:2011**

The IT Service Management System is applicable to:

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

Approval  
Certificate No: KLR 6006667

Original Approval: 16 October 2009

Current Certificate: 30 November 2015

Certificate Expiry: 15 October 2018

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), Suite 21-04, Level 21, Menara Tan & Tan, 207 Jln Tun Razak, 50400 Kuala Lumpur, Malaysia.  
For and on behalf of Lloyd's Register Quality Assurance Ltd.1 Trinity Park, Bickenhill Lane, Birmingham, B37 7ES, United Kingdom

Lloyd'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 as '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 that person has signed a contract with the relevant Lloyd's Register entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.



## CERTIFICATE OF APPROVAL

This is to certify that the Quality Management System of:

**Lembaga Tabung Angkatan Tentera  
12th Floor, Bangunan LTAT  
Jalan Bukit Bintang  
55100 Kuala Lumpur  
Malaysia**

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

**ISO 9001:2008  
EN ISO 9001:2008  
BS EN ISO 9001:2008  
MS ISO 9001:2008**

The Quality Management System is applicable to:

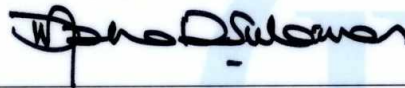
**Provision of superannuation fund scheme for members of the  
Malaysian armed forces.**

Approval  
Certificate No: KLR 0403648

Original Approval: 05 April 2002

Current Certificate: 05 April 2014

Certificate Expiry: 04 April 2017



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



001

Suite 21-04, Level 21, Menara Tan & Tan, 207 Jln Tun Razak, 50400 Kuala Lumpur, Malaysia. Registered Number 111008-K

For and on behalf of Hiramford Middlemarch Office Village, Siskin Drive, Coventry, CV3 4FJ, United Kingdom

This approval is carried out in accordance with the LRQA assessment and certification procedures and monitored by LRQA

The use of the UKAS Accreditation Mark indicates Accreditation in respect of those activities covered by the Accreditation Certificate Number 001

Macro Revision 13

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## CERTIFICATE

IQNet and SIRIM QAS International hereby certify that

**LEMBAGA TABUNG ANGKATAN TENTERA**  
TINGKAT 12, BANGUNAN LTAT  
JALAN BUKIT BINTANG  
50748 KUALA LUMPUR  
WILAYAH PERSEKUTUAN  
MALAYSIA

has implemented and maintains a

### INFORMATION SECURITY MANAGEMENT SYSTEM

which fulfils the requirements of the following standard

**ISO/IEC 27001:2013**

for the following activities

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

THIS IS IN ACCORDANCE TO STATEMENT OF APPLICABILITY:  
ISSUE 02, 30 APRIL 2015

Issued on : **02 July 2015**  
Validity date : **01 July 2018**  
Certification Number : **MY- AR 6378**



  
**Michael Drechsel**  
President of IQNet

  
**Khalidah Mustafa**  
Managing Director  
SIRIM QAS International Sdn Bhd



**IQNet Partners\***

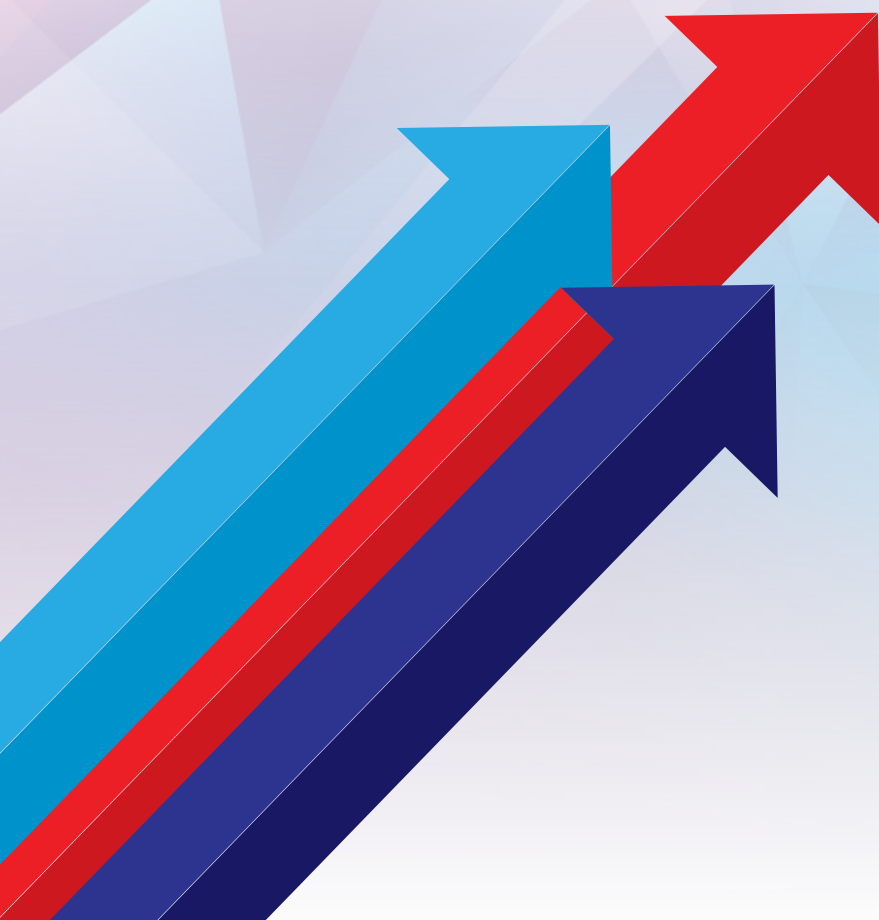
AENOR Spain AFNOR Certification France AIB-Vincotte International Belgium ANCE-SIGE Mexico APCER Portugal CCC Cyprus  
CISQ Italy CQC China CQM China CQS Czech Republic Cro Cert Croatia DQS Holding GmbH Germany  
FCAV Brazil FONDONORMA Venezuela ICONTEC Colombia IMNC Mexico Inspecta Certification Finland IRAM Argentina  
JQA Japan KFQ Korea MIRTEC Greece MSZT Hungary Nemko AS Norway NSAI Ireland 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 IQNet partners is valid at the time of issue of this certificate. Updated information is available under [www.iqnet-certification.com](http://www.iqnet-certification.com)

# GROUP FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

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# STATEMENTS OF FINANCIAL POSITION

As At 31 December 2016

	Note	Group		LTAT	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	3	5,689,723	5,790,823	84,429	88,042
Biological assets	4	1,248,585	1,261,382	-	-
Development properties	5	1,007,288	1,008,862	381,884	381,243
Investment properties	6	2,231,920	2,136,245	426,098	425,772
Prepaid land lease payments	7	53,999	61,618	-	-
Long term prepayments	8	183,105	170,330	-	-
Intangible assets	9	2,693,497	2,701,769	-	-
Subsidiary companies	10	-	-	5,052,347	4,195,949
Associated companies	11	1,201,790	1,151,290	201,539	206,619
Investment in joint ventures	12	562,978	507,110	-	-
Available for sale securities	13	15,931,639	15,267,648	1,862,817	2,181,325
Held to maturity securities	14	407,087	459,368	150,000	150,000
Deferred tax assets	15	71,591	73,160	-	-
Loan and receivables	16	160,821	120,867	271,000	271,000
<b>Total Non-Current Assets</b>		<b>31,444,023</b>	<b>30,710,472</b>	<b>8,430,114</b>	<b>7,899,950</b>
<b>Current Assets</b>					
Property development in progress	17	176,313	314,581	144,501	216,282
Inventories	18	877,072	803,099	45,283	45,999
Due from customers on contracts	19	878,042	1,235,289	-	-
Held for trading securities	20	437,202	266,897	135,433	144,881
Loans and receivables	16	46,949,725	46,468,177	667,487	877,918
Derivative assets	21	290,735	294,556	-	-
Deposits	22	2,214,992	2,736,409	167,794	148,554
Cash and bank balances	23	5,803,053	4,853,525	7,158	18,389
Assets held for sale	24	60,085	105,797	-	-
<b>Total Current Assets</b>		<b>57,687,219</b>	<b>57,078,330</b>	<b>1,167,656</b>	<b>1,452,023</b>
<b>TOTAL ASSETS</b>		<b>89,131,242</b>	<b>87,788,802</b>	<b>9,597,770</b>	<b>9,351,973</b>

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

# STATEMENTS OF FINANCIAL POSITION (continued)

As At 31 December 2016

	Note	Group		LTAT	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>EQUITY AND LIABILITIES</b>					
Members' Contribution Account	25	8,616,592	9,054,794	8,616,592	9,054,794
Funds	26	35,734	37,579	-	-
Reserves	27	1,302,517	926,986	(84,815)	(372,371)
Accumulated Profits		690,989	1,169,254	294,046	384,678
		<b>10,645,832</b>	<b>11,188,613</b>	<b>8,825,823</b>	<b>9,067,101</b>
Non-Controlling Interests		7,077,726	6,323,629	-	-
Perpetual Sukuk	28	1,062,277	1,062,277	-	-
<b>Total Equity</b>		<b>18,785,835</b>	<b>18,574,519</b>	<b>8,825,823</b>	<b>9,067,101</b>
<b>Non-Current Liabilities</b>					
Employee benefits liability	29	82,412	74,863	73,163	66,311
Borrowings	30	3,115,080	3,545,032	-	-
Payables	31	41,086	38,654	-	-
Deferred tax liabilities	15	183,495	163,395	-	-
<b>Total Non-Current Liabilities</b>		<b>3,422,073</b>	<b>3,821,944</b>	<b>73,163</b>	<b>66,311</b>
<b>Current Liabilities</b>					
Unit trust benefits	32	170,726	179,693	170,726	179,693
Borrowings	30	61,850,366	60,914,098	-	-
Due to customers on contracts	19	235,744	172,195	-	-
Payables	31	4,083,049	3,537,310	528,058	38,868
Derivative liabilities	21	553,378	556,119	-	-
Taxation		30,071	32,924	-	-
<b>Total Current Liabilities</b>		<b>66,923,334</b>	<b>65,392,339</b>	<b>698,784</b>	<b>218,561</b>
<b>Total Liabilities</b>		<b>70,345,407</b>	<b>69,214,283</b>	<b>771,947</b>	<b>284,872</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>89,131,242</b>	<b>87,788,802</b>	<b>9,597,770</b>	<b>9,351,973</b>

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2016

	Note	Group		LTAT	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income	33	<b>12,316,474</b>	12,272,090	<b>809,390</b>	761,951
Other income	34	<b>810,260</b>	729,747	<b>1,655</b>	4,821
<b>Total income for the year</b>		<b>13,126,734</b>	13,001,837	<b>811,045</b>	766,772
Interest expense - banking institution		<b>(1,579,169)</b>	(1,582,807)	-	-
Net fair value gain/(loss) on held for trading securities		<b>3,621</b>	8,507	<b>(10,965)</b>	(12,217)
Impairment on loans, advances, financing and shares	35	<b>(182,606)</b>	(180,881)	<b>(122,238)</b>	(1,405)
Impairment on property, plant and equipment and biological assets		<b>(14,727)</b>	(12,987)	-	-
Changes in inventories of finished goods and work in progress		<b>(43,854)</b>	2,884	-	-
Finished goods and work in progress purchases		<b>(5,203,657)</b>	(5,137,634)	-	-
Raw material and consumables used		<b>(1,179,615)</b>	(1,625,497)	-	-
Veterans Socio-Economic Development Programme (PPSEV)		<b>(4,594)</b>	(2,323)	-	-
Staff costs		<b>(1,494,683)</b>	(1,442,923)	<b>(54,740)</b>	(42,049)
Operating costs		<b>(1,347,478)</b>	(1,341,790)	<b>(22,984)</b>	(21,742)
Depreciation and amortisation		<b>(392,374)</b>	(396,850)	<b>(4,648)</b>	(4,516)
<b>Operating profit</b>		<b>1,687,598</b>	1,289,536	<b>595,470</b>	684,843
Finance cost		<b>(347,930)</b>	(326,481)	-	-
Share of profit after tax of associated companies		<b>116,487</b>	83,723	-	-
Share of profit of investment in joint ventures		<b>33,301</b>	5,775	-	-
<b>Profit before taxation and zakat</b>	36	<b>1,489,456</b>	1,052,553	<b>595,470</b>	684,843
Taxation and zakat	37	<b>(327,606)</b>	(274,620)	<b>(432)</b>	(353)
<b>Net profit for the year</b>		<b>1,161,850</b>	777,933	<b>595,038</b>	684,490

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



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

For The Year Ended 31 December 2016

	Note	Group		LTAT	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Other comprehensive income</b>					
Items that will not be reclassified to profit or loss					
Adjustment on revaluation of land and building		-	167	-	167
Remeasurement of post retirement medical benefits		(822)	(1,948)	(822)	(1,948)
Remeasurement of gratuity plan benefits		(743)	603	(743)	603
		<b>(1,565)</b>	<b>(1,178)</b>	<b>(1,565)</b>	<b>(1,178)</b>
Items that may be reclassified to profit or loss					
Net gain/(loss) on available for sale securities					
- Fair value changes		74,741	(167,489)	68,587	(215,293)
- Transfer to profit or loss upon disposal		80,899	30,303	108,134	36,898
- Cumulative loss reclassified to profit or loss		134,775	-	119,599	-
Share of other comprehensive (loss)/income of an associated companies		(3,393)	1,354	-	-
Share of other comprehensive income/(loss) of investment in joint ventures		597	(654)	-	-
Foreign currency translation		9,189	13,645	-	-
Deferred tax on revaluation of available for sale securities		2,118	(12,672)	-	-
Recognition of proportionate share of effects of dilution of interest in associated companies		(2,210)	(1,981)	-	-
Other comprehensive income for the year		<b>295,151</b>	<b>(138,672)</b>	<b>294,755</b>	<b>(179,573)</b>
<b>Total comprehensive income for the year</b>		<b>1,457,001</b>	<b>639,261</b>	<b>889,793</b>	<b>504,917</b>
<b>Profit attributable to:</b>					
Group/LTAT		544,376	510,935	595,038	684,490
Non-Controlling Interests		543,800	194,373	-	-
Holders of Perpetual Sukuk		73,674	72,625	-	-
<b>Net profit for the year</b>		<b>1,161,850</b>	<b>777,933</b>	<b>595,038</b>	<b>684,490</b>
<b>Total comprehensive income attributable to:</b>					
Group/LTAT		837,341	346,899	889,793	504,917
Non-Controlling Interests		545,986	219,737	-	-
Holders of Perpetual Sukuk		73,674	72,625	-	-
<b>Total comprehensive income for the year</b>		<b>1,457,001</b>	<b>639,261</b>	<b>889,793</b>	<b>504,917</b>

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

# STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 December 2016

Group	Note	Members' Contribution Account RM'000	Funds (note 26) RM'000	Reserves (note 27) RM'000	Accumulated Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Perpetual Sukuk (note 28) RM'000	Total Equity RM'000
<b>2016</b>									
<b>Balance at 1 January</b>		9,054,794	37,579	926,986	1,169,254	11,188,613	6,323,629	1,062,277	18,574,519
Net profit for the year		-	-	-	544,376	544,376	543,800	73,674	1,161,850
Other comprehensive income for the year		-	-	294,530	(1,565)	292,965	2,186	-	295,151
Total comprehensive income for the year		-	-	294,530	542,811	837,341	545,986	73,674	1,457,001
<b>Transaction with owners</b>									
Changes in ownership interest in subsidiary companies/sub subsidiary companies with no change in control		(2,869)	-	542	(248,127)	(247,585)	493,335	-	245,750
Transfer to dormant account		(456)	-	-	-	(2,869)	-	-	(2,869)
Adjustments on contributions	38	820,760	-	-	163	(293)	-	-	(293)
Contributions received during the year		(1,754,525)	-	-	-	820,760	-	-	820,760
Withdrawals during the year		(15,935)	-	-	-	(1,754,525)	-	-	(1,754,525)
Housing withdrawals during the year		514,823	-	-	(514,823)	(15,935)	-	-	(15,935)
Dividends at 6% for the year and at 6% for withdrawals		-	5,556	-	-	5,556	-	-	5,556
Grant received in the year		-	(652)	-	-	(652)	-	-	(652)
Amortisation of fixed assets development fund		-	-	-	-	-	-	-	-
Amortisation of Micro Financing Scheme PPP-SPM-UV-ATM		-	(6,467)	-	-	(6,467)	-	-	(6,467)
Staff loan fund - recoverable		-	97	-	-	97	-	-	97
Payment to death and disablement benefit scheme		-	-	-	(7,483)	(7,483)	-	-	(7,483)
Unit trust benefits at 6% for the year		-	-	-	(170,726)	(170,726)	-	-	(170,726)
Transfer (to)/from accumulated profit		-	(379)	80,459	(80,080)	-	-	-	-
Perpetual Sukuk - Distribution		-	-	-	-	-	-	(73,674)	(73,674)
Dividend paid to non-controlling interests by subsidiary companies		-	-	-	-	-	(285,224)	-	(285,224)
<b>Total transaction with owners</b>		(438,202)	(1,845)	81,001	(1,021,076)	(1,380,122)	208,111	(73,674)	(1,245,685)
<b>Balance as at 31 December</b>		8,616,592	35,734	1,302,517	690,989	10,645,832	7,077,726	1,062,277	18,785,835

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

# STATEMENTS OF CHANGES IN EQUITY (continued)

For The Year Ended 31 December 2016

Group	Note	Members' Contribution Account RM'000	Funds (note 26) RM'000	Reserves (note 27) RM'000	Accumulated Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Perpetual Sukuk (note 28) RM'000	Total Equity RM'000
2015									
Balance at 1 January		8,685,370	38,392	981,042	1,597,035	11,301,839	6,252,368	995,264	18,549,471
Net profit for the year		-	-	-	510,935	510,935	194,373	72,625	777,933
Other comprehensive income for the year		-	-	(162,691)	(1,345)	(164,036)	25,364	-	(138,672)
Total comprehensive income for the year		-	-	(162,691)	509,590	346,899	219,737	72,625	639,261
Transaction with owners									
Changes in ownership interest in subsidiary companies/sub subsidiary companies with no change in control		(1,791)	-	(21,300)	(106,720)	(128,020)	72,708	-	(55,312)
Refund of dormant account		-	-	-	-	(1,791)	-	-	(1,791)
Refund of payment to army/army veterans (one-off payment)		-	-	-	385	385	-	-	385
Adjustments on contributions	38	(130)	-	-	6	(124)	-	-	(124)
Contributions received during the year		783,687	-	-	-	783,687	-	-	783,687
Withdrawals during the year		(910,320)	-	-	-	(910,320)	-	-	(910,320)
Housing withdrawals during the year		(16,418)	-	-	-	(16,418)	-	-	(16,418)
Dividends at 6% for the year and at 7% for withdrawals		514,396	-	-	(514,396)	-	-	-	-
Grant received in the year		-	712	-	-	712	-	-	712
Amortisation of fixed assets development fund		-	(566)	-	-	(566)	-	-	(566)
Amortisation of Micro Financing Scheme PPP-SPM-UV-ATM		-	(406)	-	-	(406)	-	-	(406)
Payment to death and disablement benefit scheme		-	-	-	(6,907)	(6,907)	-	-	(6,907)
Unit trust benefits at 6% for the year		-	-	-	(179,693)	(179,693)	-	-	(179,693)
Transfer (to)/from accumulated profit		-	(553)	129,935	(129,382)	-	-	-	-
Perpetual Sukuk		-	-	-	(664)	(664)	-	66,000	65,336
- Issue		-	-	-	-	-	-	(71,612)	(71,612)
- Distribution		-	-	-	-	-	-	-	-
Dividend paid to non-controlling interests by subsidiary companies		-	-	-	-	-	(221,184)	-	(221,184)
Total transaction with owners		369,424	(813)	108,635	(937,371)	(460,125)	(148,476)	(5,612)	(614,213)
Balance as at 31 December		9,054,794	37,579	926,986	1,169,254	11,188,613	6,323,629	1,062,277	18,574,519

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

# STATEMENTS OF CHANGES IN EQUITY (continued)

For The Year Ended 31 December 2016

LTAT	Note	Members' Contribution Account RM'000	Reserves (Note 27) RM'000	Accumulated Profits RM'000	Total RM'000
<b>2016</b>					
<b>Balance at 1 January</b>		<b>9,054,794</b>	<b>(372,371)</b>	<b>384,678</b>	<b>9,067,101</b>
Net profit for the year		-	-	<b>595,038</b>	<b>595,038</b>
Other comprehensive income for the year		-	<b>296,320</b>	<b>(1,565)</b>	<b>294,755</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>296,320</b>	<b>593,473</b>	<b>889,793</b>
<b>Transaction with owners</b>					
Transfer to dormant account		<b>(2,869)</b>	-	-	<b>(2,869)</b>
Transfer to accumulated profit		-	<b>(8,764)</b>	<b>8,764</b>	-
Adjustments on contributions	38	<b>(456)</b>	-	<b>163</b>	<b>(293)</b>
Contributions received during the year		<b>820,760</b>	-	-	<b>820,760</b>
Withdrawals during the year		<b>(1,754,525)</b>	-	-	<b>(1,754,525)</b>
Housing withdrawals during the year		<b>(15,935)</b>	-	-	<b>(15,935)</b>
Dividends at 6% for the year and at 6% for withdrawals		<b>514,823</b>	-	<b>(514,823)</b>	-
Unit trust benefits at 6% for the year		-	-	<b>(170,726)</b>	<b>(170,726)</b>
Payment to death and disablement benefit scheme		-	-	<b>(7,483)</b>	<b>(7,483)</b>
<b>Total transactions with owners</b>		<b>(438,202)</b>	<b>(8,764)</b>	<b>(684,105)</b>	<b>(1,131,071)</b>
<b>Balance at 31 December</b>		<b>8,616,592</b>	<b>(84,815)</b>	<b>294,046</b>	<b>8,825,823</b>

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

# STATEMENTS OF CHANGES IN EQUITY (continued)

For The Year Ended 31 December 2016

LTAT	Note	Members' Contribution Account RM'000	Reserves (Note 27) RM'000	Accumulated Profits RM'000	Total RM'000
2015					
Balance at 1 January		8,685,370	(201,531)	409,526	8,893,365
Net profit for the year		-	-	684,490	684,490
Other comprehensive income for the year		-	(178,228)	(1,345)	(179,573)
Total comprehensive income for the year		-	(178,228)	683,145	504,917
Transaction with owners					
Transfer to dormant account		(1,791)	-	-	(1,791)
Refund of payment to army/army veterants (one-off payment)		-	-	385	385
Transfer from accumulated profit		-	7,388	(7,388)	-
Adjustments on contributions	38	(130)	-	6	(124)
Contribution received during the year		783,687	-	-	783,687
Withdrawals during the year		(910,320)	-	-	(910,320)
Housing withdrawals during the year		(16,418)	-	-	(16,418)
Dividends at 6% for the year and at 7% for withdrawals		514,396	-	(514,396)	-
Unit trust benefits at 6% for the year		-	-	(179,693)	(179,693)
Payment to death and disablement benefit scheme		-	-	(6,907)	(6,907)
Total transactions with owners		369,424	7,388	(707,993)	(331,181)
Balance at 31 December		9,054,794	(372,371)	384,678	9,067,101

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



# STATEMENTS OF CASH FLOWS

For The Year Ended 31 December 2016

	Note	Group		LTAT	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash Flow From Operating Activities</b>					
Cash receipts from other incomes		833,795	736,701	-	-
Grant received		6,446	69,000	5,000	69,000
Cash receipts from customers		11,637,022	11,229,269	15,131	1,226
Advances received from government for the development of Government Quarters		70,409	93,981	70,409	93,981
Rental received		41	4,859	858	731
Recoveries on loans previously written off		51,358	84,515	-	-
Cash payments to employees and suppliers		(8,801,835)	(10,155,674)	(80,822)	(55,684)
Received from/(Advances paid to) PPHM		-	-	273,000	(225,000)
Repayments of staff loans fund		375	551	-	-
Payment for non pensionable ATM Veterans Socio-Economic Development Programme (PPSEV)		(4,881)	(1,889)	-	-
<b>(Increase)/Decrease in operating assets:</b>					
Loan, advances and financing		(471,542)	(3,125,924)	-	-
Held for trading securities		(102,848)	235,552	-	-
Trade receivables		21,851	(122,343)	-	-
Other receivables		63,341	(609)	-	-
<b>Decrease/(Increase) in operating liabilities:</b>					
Deposits from customers		1,086,891	192,441	-	-
Deposits and placements of bank and other financial institutions		508,598	(1,982,364)	-	-
Obligation on securities sold under repurchase agreements		(595,328)	1,740,946	-	-
Bills and acceptance payables		(39,388)	(17,194)	-	-
Other liabilities		(3,087)	297,928	-	-
Recourse obligation on loans sold to Cagamas Berhad		(134,585)	(4,562)	-	-
Trade payables		82,071	60,317	-	-
Cash generated from/(used in) operations activities		4,208,704	(664,499)	283,576	(115,746)

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

# STATEMENTS OF CASH FLOWS (continued)

For The Year Ended 31 December 2016

	Note	Group		LTAT	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest payments		<b>(1,642,579)</b>	(1,621,400)	-	-
Taxation paid		<b>(249,616)</b>	(363,172)	-	-
Unit trust benefits paid		<b>(179,693)</b>	(195,678)	<b>(179,693)</b>	(195,678)
Payment to death and disablement benefits scheme		<b>(7,472)</b>	(6,897)	<b>(7,472)</b>	(6,897)
Payment to PERHEBAT		-	-	<b>(5,000)</b>	(69,000)
Employee benefits paid		<b>(2,297)</b>	(3,732)	<b>(2,297)</b>	(2,701)
Advances to PPHM for the development of Government Quarters		-	-	<b>(70,409)</b>	(98,370)
Loan payment of Micro Entrepreneur Loan Scheme for PPP-SPM-UV-ATM		<b>(8,764)</b>	(8,413)	-	-
Repayment of Micro Entrepreneur Loan Scheme for ATM Veterans		<b>2,994</b>	1,437	-	-
Zakat paid		<b>(432)</b>	(353)	<b>(432)</b>	(353)
Refund of payment to army/army veterans (one off payment)		-	(865)	-	(865)
Payment of financing management cost SPM-UV-ATM		-	(1,027)	-	-
Net cash from/(used in) operating activities		<b>2,120,845</b>	(2,864,599)	<b>18,273</b>	(489,610)

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

# STATEMENTS OF CASH FLOWS (continued)

For The Year Ended 31 December 2016

	Note	Group		LTAT	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash Flow From Investing Activities</b>					
Purchase of property, plant and equipment		(346,607)	(632,815)	(517)	(3,249)
Purchase of development properties		(477)	(18,948)	(477)	(18,948)
Investment properties		(205,887)	(233,214)	(215)	(597)
Acquisition of sub subsidiary companies (Note 49)		(22,432)	(535,515)	-	-
Acquisition of joint ventures		(39,950)	(12,750)	-	-
Additional investment in subsidiary companies		(142,800)	-	(866,366)	(369,935)
Purchase of shares in associated companies		(19,619)	-	-	-
Purchase of available for sale securities		(1,059,441)	(682,682)	(70,898)	(461,355)
Purchase of intangible assets		(70,684)	(72,902)	-	-
Profit from held to maturity securities		-	-	9,150	9,150
Investment in held for trading securities		6,020	44,979	6,020	44,979
Property development in progress		(47,195)	(8,511)	(47,195)	(8,511)
Interest and profit received		503,115	463,491	40,483	6,741
Disposal of property, plant and equipment		297,553	76,750	7	19
Disposal of development properties		2,644	-	19,922	-
Sales of completed properties		1,586	-	1,586	-
Disposal of foreclosed properties		588	4,877	-	-
Disposal of subsidiary companies		242,598	121,019	242,598	122,243
Disposal of associated companies		412,675	15,693	245,475	15,483
Sale of shares of sub subsidiary companies (Note 49)		59,988	-	-	-
Disposal of available for sale securities		499,878	545,008	499,878	544,608
Net disposal held for maturity securities		48,744	217,214	-	-
Dividend received from subsidiary companies		-	-	340,412	204,190
Dividend received from associated companies		38,563	33,586	38,563	33,586
Dividend received from available for sale securities		165,006	87,949	109,916	44,562
Dividend received from held to maturity securities		614	1,780	-	-
Repayment of subordinated loan and other receivables by associate		13,428	8,696	-	-
Other income from associated companies		1,657	938	1,657	938
Rental received from investment properties		28,320	20,976	29,195	21,813
Refund of tax credit from Inland Revenue Board		1,907	14,152	1,907	14,137
Deposit pledged		17,443	(6,214)	-	-
Capital repayment from available for sale securities		-	40,408	-	40,408
Deposit received on disposal of plantation land		-	22,030	-	-
Proceed from disposal of investment properties		-	33,700	-	-
Other income from available for sale securities		-	160	-	160
Net cash from/(used in) investing activities		<b>387,235</b>	<b>(450,145)</b>	<b>601,101</b>	<b>240,422</b>

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

# STATEMENTS OF CASH FLOWS (continued)

For The Year Ended 31 December 2016

	Note	Group		LTAT	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash Flow From Financing Activities</b>					
Members' contribution received		821,229	784,031	821,229	784,031
Members' withdrawals		(1,432,594)	(929,345)	(1,432,594)	(929,345)
Net (decrease)/increase in other borrowings		(43,290)	1,449,343	-	-
Interest paid		(393,676)	(402,478)	-	-
Issue of shares to non-controlling interests		1,000	-	-	-
Distribution of Perpetual Sukuk		(64,550)	(62,450)	-	-
Dividend paid to non-controlling interests		(342,423)	(206,204)	-	-
Proceeds from long term loans		187,200	131,600	-	-
Repayment of long term loans		(780,469)	(326,000)	-	-
Issue of Perpetual Sukuk		-	65,300	-	-
Net cash (used in)/from financing activities		(2,047,573)	503,797	(611,365)	(145,314)
<b>Net Increase/(Decrease) in cash and cash equivalents</b>		<b>460,507</b>	<b>(2,810,947)</b>	<b>8,009</b>	<b>(394,502)</b>
Effects of exchange rate changes		1,300	1,200	-	-
<b>Cash and cash equivalents at 1 January</b>		<b>7,525,551</b>	<b>10,335,298</b>	<b>166,943</b>	<b>561,445</b>
<b>Cash and cash equivalents at 31 December</b>	39	<b>7,987,358</b>	<b>7,525,551</b>	<b>174,952</b>	<b>166,943</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

## 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 development properties (note 5), investment properties (note 6), prepaid land lease payments (note 7), subsidiary companies (note 10), associated companies (note 11), available for sale securities (note 13), held to maturity securities (note 14), held for trading securities (note 20), derivative assets (note 21) and deposits (note 22).

LTAT also undertakes to offer retraining for the retiring and 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 2016 have been approved for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated 4<sup>th</sup> May 2017.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis Of Preparation

#### (a) Statement Of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of LTAT have been prepared in accordance with Financial Reporting Standards (FRSs) approved and issued by Malaysian Accounting Standards Board (MASB), for entities other than private entities.

On 19 November 2011, MASB issued a new approved accounting framework, the Malaysian Financial Reporting Standards (MFRS).

On 8 September 2015, the MASB confirmed that the effective date of MFRS 15: Revenue from Contracts with Customers will be deferred to annual periods beginning on or after 1 January 2018. As a result, the effective date for Transitioning Entities to apply MFRS Framework will also be deferred to annual periods beginning on or after 1 January 2018.

The Transitioning Entities are entities within the scope of MFRS 141: Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate, including their parents, significant investors and investment joint ventures. Generally, the Transitioning Entities are entities in the real estate and agriculture industries that have been given the option to continue applying the FRSs Framework, the predecessor of the MFRSs Framework.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis Of Preparation (continued)

##### (a) Statement Of Compliance (continued)

The Group and LTAT which falls within the scope definition of transitioning entities have opted to adopt the MFRS Framework for annual periods beginning on 1 January 2018. When the Group and LTAT presents its first MFRS financial statements in 1 January 2018, the Group and LTAT will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustment required on transition will be made, retrospectively against opening accumulated profits.

However, three (3) subsidiary companies and two (2) corporations have opted to adopt MFRS Framework for the financial year beginning 1 January 2012 and 1 January 2014. The adoption of different accounting framework with LTAT have no significant effect on the preparation of the financial statements of the Group and LTAT because the subsidiary companies and corporations do not falls under the scope of MFRS 141 and IC 15. The subsidiary companies and the corporation are as follows:

- i. Affin Holdings Berhad.
- ii. Power Cables Sdn Bhd.
- iii. Irat Properties Sdn Bhd.
- iv. Perwira Niaga Malaysia.
- v. Perbadanan Hal Ehwal Bekas Angkatan Tentera.

The accounting policies adopted by the Group in this financial statements are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2015 except for the adoption of the following new and amendments to FRSs for financial statements effective from 1 January 2016 as below:

- Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to FRSs 2012-2014 Cycle).
- Amendments to FRS 7 Financial Instruments : Disclosures (Annual Improvements to FRSs 2012-2014 Cycle).
- Amendments to FRS 119 Employee Benefits (Annual Improvements to FRSs 2012-2014 Cycle).
- Amendments to FRS 134 Interim Financial Reporting (Annual Improvements to FRSs 2012-2014 Cycle).
- Amendments to FRS 10 Consolidated Financial Statements, FRS 12 Disclosure of Interests in Other Entities and FRS 128 Investments in Associates and Joint Ventures (2011) - Investment Entities Applying the Consolidation Exception.
- Amendments to FRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations.
- FRS 14 Regulatory Deferral Accounts.
- FRS 101 Presentation of Financial Statements - Disclosure Initiative (Amendments to MFRS 101).
- Amendments to FRS 116 Property Plant and Equipment and FRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation.
- Amendments to FRS 127 Separate Financial Statements (2011) - Equity Method in Separate Financial Statements.

Adoption of the above new or amended standards did not have any effect on the financial performance or the position of the Group.



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis Of Preparation (continued)

##### (b) Standards Issued But Not Yet Effective

The Group have not early adopted the following new and amended FRS that are not yet effective.

##### Effective for annual period beginning on or after 1 January 2017

- Amendments to FRS 12 Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014 - 2016 Cycle)
- Amendments to FRS 107 Statement of Cash Flows - Disclosure Initiative.
- Amendments to FRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses.

##### Effective for annual period beginning on or after 1 January 2018

- Amendments to FRS 1 First Time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014 - 2016 Cycle).
- Amendments to FRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions.
- Amendments to FRS 4 Insurance Contracts (Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts).
- FRS 9 Financial Instruments (2014).
- Amendments to FRS 128 Investment in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014 - 2016 Cycle).
- Amendments to FRS 140 Investment Properties (Transfer of Investment Property).
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration.

##### Deferred

- Amendments to FRS 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.

##### (c) 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 date as disclosed in the accounting policies below.

##### (d) 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 follows:

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis Of Preparation (continued)

##### (d) Significant Accounting Estimates And Judgements (continued)

###### (i) Impairment Of Intangible Assets

The Group 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 are tested for impairment when there are indicators that their carrying values may exceed the recoverable amounts. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit 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. While the Group 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) Useful Lives Of Property, Plant And Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on the internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

###### (iii) Impairment Of Biological Assets And Property, Plant And Equipment

The Group reviews the carrying amounts of the biological assets and 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 biological assets and 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. While the Group 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 the Group's financial position and results of operations.

###### (iv) Impairment Of Loans And Receivables

The Group assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairments, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis Of Preparation (continued)

##### (d) Significant Accounting Estimates And Judgements (continued)

###### (v) Property Development

The Group recognises property development revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development cost incurred for work performed to date bear to the estimated total property development cost.

Significant judgement is required in determining the stage of completion, 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, the Group evaluates based on past experience and by relying on the work of specialists.

###### (vi) Construction Contracts

The Group recognises construction revenue and cost, including rendering of services, in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that contract cost incurred for work performed to date bear to the estimated total contract cost.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and cost, as well as the recoverability of the contract cost. In making the judgement, the Group evaluates based on past experience and by relying on 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 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 statement 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 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

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 statement of financial position and consolidation statement 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. The difference between these fair values with the fair value of the consideration (including the fair value of any pre-existing investments in the acquiree) is goodwill or discount on acquisition. Discount on acquisition represents negative goodwill is recognised immediately as income in profit or loss. The accounting policy on goodwill on acquisition of subsidiaries as disclosed in Note 2.2 (l)(i).

If the business combination is achieved in stages, any previously held equity interest re-measured at its acquisition date fair value and any gains or loss is recognised in profit or loss. It is then considered the determination of goodwill.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (a) Basis Of Consolidation (continued)

##### (i) Subsidiary Companies (continued)

Upon loss of control of a subsidiary, the Group derecognises the assets (including goodwill) and liabilities of the former subsidiary, any non-controlling interest and the other components of equity related to the former subsidiary from the consolidated statement of financial position. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated profit. 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.

Investments in quoted and unquoted subsidiary companies are stated at cost less impairment losses.

Details of subsidiary companies are listed in Note 10.

##### (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 statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of these investees is presented as part of the Group's other comprehensive income. 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 statement 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 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 (continued)

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.

##### (b) Financial Instruments

Financial instruments are categorised and measured based on accounting policies as follows:

##### (i) Initial Recognition And Measurement

Financial instruments are recognised in the statements of financial position when, and only when, the Group and LTAT becomes a party to the contractual provisions of the financial instrument.

When financial instruments are recognised initially, they are measured at fair value plus, in the case of financial instruments not a fair value through profit or loss, directly attributable transaction cost.

Purchase and sales of investments are recognised or derecognised at trade date, at the date of the Group and LTAT purchase and disposal of the assets.

##### (ii) Categories And Measurement

The Group and LTAT financial instruments are categorised and measured as follows:



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (b) Financial Instruments (continued)

##### (ii) Categories And Measurement (continued)

###### Financial Assets

###### 1) Financial Assets At Fair Value Through Profit Or Loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term. Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment losses.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current where as financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

###### 2) Loan And Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Group's loans and receivables comprise receivables (exclude prepayments and advances paid to suppliers), deposits and cash and bank balances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

###### 3) Available For Sale Securities (AFS)

AFS are financial assets that are designated as available for sale or are not classified in any other categories of financial assets.

After initial recognition, AFS are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (b) Financial Instruments (continued)

##### (ii) Categories And Measurement (continued)

##### Financial Assets (continued)

##### 3) Available For Sale Securities (AFS) (continued)

The cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available for sale equity securities are recognised in profit or loss when the Group's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

AFS are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

##### 4) Held To Maturity Securities

Held to maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held to maturity securities are measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

##### Financial Liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of financial liabilities at initial recognition.

##### 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 held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (b) Financial Instruments (continued)

##### (ii) Categories And Measurement (continued)

##### Financial Liabilities (continued)

##### 2) Other Financial Liabilities

The Group'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.

A financial liability is derecognised when the obligation under the liability is extinguished. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

##### (iii) Regular Way Purchase Or Sale Of Financial Assets

Regular way purchases or sales are purchases or sales of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

Regular way purchases or sales of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- a) The recognition of an asset to be received and the liability to pay for it on the trade date; and
- b) The derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

##### (iv) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets expired, or the financial assets have been transferred to other parties without retaining any significant amount of risks and rewards from the transfers. On the derecognition of financial assets in its entirety, the difference between carrying amount and the sum of consideration received and any gain or loss that had been recognised in equity will be recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (c) Impairment Of Financial Assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment.

##### (i) Financial Assets Carried At Amortised Cost

To determine whether there is objective evidence that impairment exists for financial assets carried at amortised cost, the Group consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has occurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

##### (ii) Available For Sale Financial Assets

In the case of equity instruments classified as available for sale, significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that these financial assets are impaired.

If an available for sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss.

Impairment losses on available for sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (d) 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. Impairment loss on goodwill is not reversed in a subsequent period.

##### (e) 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 values of financial instruments measured at amortised cost.

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 for the asset or liability.

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:

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (e) Fair Value Measurement (continued)

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 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 date.

##### (f) Derivative Financial Instruments

Derivatives Financial Instruments 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.

##### (g) Property, Plant And Equipment And Depreciation

All property, plant and equipment are initially recorded at cost. Certain land and buildings are subsequently shown at valuation less subsequent depreciation and impairment losses.

The Group and LTAT has not adopted a policy of regular valuation, and have applied the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment which permits those assets to be stated at their prevailing valuations less accumulated depreciation. The valuations were determined by independent professional valuers on the open market basis, and no later valuations were recorded. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

The revaluation surplus arising from previous revaluation is accumulated in equity under revaluation reserve. Any impairment loss is first offset against the revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

Freehold land has an unlimited useful life and therefore is not amortised. Long term leasehold land is amortised over the period of the lease. Building-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provide 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:



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (g) Property, Plant And Equipment And Depreciation (continued)

Buildings:

- Freehold	1.25% - 5.6%
- Short term leasehold and long term leasehold	1.25% - 20%
Air crafts and vessel	4.0% - 16.7%
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. Unutilised revaluation surplus on that item is taken directly to accumulated profit.

##### (h) Biological Assets

The expenditure on new planting and replanting of a different produce crop incurred up to the time of maturity is capitalised. Cost of development of the original produce crop is written off to profit or loss.

Depreciation charges and external borrowings costs related to the development of new plantations are included as part of the capitalisation of immature planting costs.

Replanting expenditure incurred in respect of the same crop is charged to profit or loss in the year in which it is incurred. Biological assets is not amortised.

##### (i) Development Properties And Property Development In Progress

###### (a) Development Properties

Development properties are classified within non-current assets and are stated at cost less accumulated impairment losses.

Development properties 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.

Development properties are reclassified as property development in progress 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (i) Development Properties And Property Development In Progress (continued)

###### (b) 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.

Property development revenue and expenses are recognised in profit or loss using the stage of completion method when the financial outcome of the development activity can be reliably estimated. The stage of completion is determined by the proportion that property development cost incurred for work performed to date bear to the estimated total property development cost.

Where the financial outcome cannot be reliably estimated, revenue is recognised to the extent that costs are recoverable and costs on properties sold are expensed in the period incurred.

Any expected loss on a development project, including costs to be incurred over the defect liability period, is recognised as an expense immediately.

The excess or shortfall of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings within trade receivables or progress billings within trade payables respectively.

Property development costs not recognised as an expense are recognised as asset, which is measured at the lower of cost or net realisable value.

##### (j) 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (j) 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.

##### (k) Lease

###### (i) Finance Leases

A lease is recognised as finance lease if it transfers substantially to the Group all the risks and rewards of ownership. Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the 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 charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

###### (ii) Operating Leases

Leases of assets under which substantial risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

##### (l) 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (I) 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 and LTAT 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 employee costs and an appropriate portion of relevant overheads.

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 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (I) Intangible Assets (continued)

##### (iv) Research And Development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Following initial recognition of the development expenditure as an asset, the asset carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

##### (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 10 years. The title of these hardware and software vests with the Government of Malaysia.

Where an indication of impairment exists, the carrying amount of the rights to supply pharmaceutical products is assessed and written down immediately to its recoverable amount.

##### (vi) Pharmacy Manufacturing Licence And Trade Name

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 9 years.

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (l) Intangible Assets (continued)

##### (vii) Identifiable Intangible Assets Arising From Business Combination (continued)

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

##### (m) Inventories

Inventories are stated at the lower of cost or net realisable value, cost being determined on the weighted average basis. 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. Inventories of completed properties comprise cost of land and the relevant development cost.

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

##### (n) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract cost incurred that is likely to be recoverable. Contract cost is recognised as expense in the period in which it is incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (n) Construction Contracts (continued)

Contract revenue comprises the initial amount of revenue agreed in the contract and variation in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of cost incurred on construction contract plus recognised profit (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed cost incurred plus recognised profit (less recognised losses), the balance is classified as amount due to customers on contracts.

##### (o) 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.

##### (p) 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.

##### (q) 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 the reporting date.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (q) Taxation (continued)

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.

##### (r) 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (r) Currency Conversion (continued)

###### (i) Transactions And Balances (continued)

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.

##### (s) Foreclosed Properties

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

##### (t) 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 employees of the Group. 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 made to Employees Provident Funds. This contribution is recognised as the Group expenses as incurred.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (t) Employee Benefits (continued)

##### (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 other comprehensive income 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 are 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 7% per annum on the medical treatment cost (2015: 7%); and
- (b) A discount rate of 5.8% per annum (2015: 5.9%).

##### (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 other comprehensive income and as a liability in the statements of financial position as provision gratuity plan benefits.

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

- (a) A discount rate of 5.3% per annum (2015: 5.3%); and
- (b) An increment rate of 6% per annum (2015: 6%).

##### (u) Revenue Recognition

Dividend income from investments are recognised when the shareholders' right to receive payment are established.

Revenue from the sale of goods are recognised when control, significant risks and rewards of the goods are passed to the customer.

Revenue from property development and construction contracts are recognised on the percentage of completion method.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (v) 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 four 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 or loss.

##### (ii) Fixed Assets Development Fund

Grant received under this fund is for financing the purchase of property, plant and equipment and is amortised over the useful lives of the property, plant and equipment or when the property, plant and equipment are written off.

##### (iii) Staff Loans Fund

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

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

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

##### (w) 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Properties		Long Term Leasehold Properties		Short Term Leasehold Properties		Aircraft and Vessels RM'000	Plant and Equipment RM'000	Building in Progress RM'000	Total RM'000
	Land RM'000	Building RM'000	Land RM'000	Building RM'000	Land RM'000	Building RM'000				
<b>2016</b>										
<b>Cost/Valuation</b>										
<b>Balance at 1 January</b>	1,292,040	1,405,131	751,783	860,546	20,218	261,990	1,020,336	1,637,826	591,683	7,841,553
Additions	945	8,301	5,914	19,103	-	120	94	88,978	198,673	322,128
Disposals/Adjustment/Write-off	(10,564)	(7,663)	-	(12,830)	-	(809)	(20,965)	(54,033)	(70)	(106,934)
Transfer to intangible assets (Note 9)	-	-	-	-	-	-	-	(14,844)	-	(14,844)
Transfer to assets held for sale (Note 24)	(48,654)	-	-	(1,692)	-	-	-	-	-	(50,346)
Acquisition of sub subsidiary (Note 49)	-	-	-	-	-	-	-	587	58	645
Disposal of sub subsidiary (Note 49)	-	-	-	(3,409)	-	-	-	(1,981)	-	(5,390)
Reclassification	4,066	17,841	1,685	1,135	-	9,911	-	161,307	(195,945)	-
Exchange adjustment	63	48	-	(14,230)	-	243	-	474	42	(13,360)
<b>Balance at 31 December</b>	<b>1,237,896</b>	<b>1,423,658</b>	<b>759,382</b>	<b>848,623</b>	<b>20,218</b>	<b>271,455</b>	<b>999,465</b>	<b>1,818,314</b>	<b>594,441</b>	<b>7,973,452</b>
<b>Accumulated depreciation</b>										
<b>Balance at 1 January</b>	2,500	176,585	43,979	267,992	7,599	93,714	251,110	1,064,481	142,770	2,050,730
Additions	-	16,697	8,749	41,141	2,052	9,052	60,180	154,789	2,819	295,479
Disposals/Adjustment/Write-off	-	(6,060)	-	(8,688)	-	(225)	(12,968)	(46,337)	159	(74,119)
Transfer to assets held for sale (Note 24)	-	-	-	(336)	-	-	-	-	-	(336)
Disposal of sub subsidiary (Note 49)	-	-	-	(967)	-	-	-	(1,547)	-	(2,514)
Reclassification	-	-	-	542	-	6	-	4	(552)	-
Exchange adjustment	-	39	-	72	-	-	-	421	29	561
Impairment	-	(325)	-	-	-	-	-	4,634	-	4,309
Capitalised in contract costs	-	-	1	-	-	-	-	9,618	-	9,619
<b>Balance at 31 December</b>	<b>2,500</b>	<b>186,936</b>	<b>52,729</b>	<b>299,756</b>	<b>9,651</b>	<b>102,547</b>	<b>298,322</b>	<b>1,186,063</b>	<b>145,225</b>	<b>2,283,729</b>
<b>Carrying amount</b>										
<b>Balance at 31 December</b>	<b>1,235,396</b>	<b>1,236,722</b>	<b>706,653</b>	<b>548,867</b>	<b>10,567</b>	<b>168,908</b>	<b>701,143</b>	<b>632,251</b>	<b>449,216</b>	<b>5,689,723</b>



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

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

Group	Freehold Properties		Long Term Leasehold Properties		Short Term Leasehold Properties		Aircraft and Vessels RM'000	Plant and Equipment RM'000	Building in Progress RM'000	Total RM'000
	Land RM'000	Building RM'000	Land RM'000	Building RM'000	Land RM'000	Building RM'000				
2015										
Cost/Valuation										
Balance at 1 January	1,038,492	1,291,467	759,206	854,220	20,335	253,385	1,161,186	1,627,824	392,456	7,398,571
Additions	10,767	8,307	-	22,302	-	-	-	117,081	474,536	632,993
Disposals/Adjustment/Write-off	(6,913)	(6,110)	-	(4,084)	-	(1,312)	-	(26,219)	(19)	(44,657)
Transfer from investment properties (Note 6)	-	105,995	-	-	-	-	-	-	-	105,995
Transfer from prepaid land lease (Note 7)	-	-	-	-	-	1,287	-	-	-	1,287
Transfer to intangible assets (Note 9)	259,831	-	-	439	-	-	-	197	(272,290)	(11,823)
Transfer to assets held for sale (Note 24)	(10,105)	(477)	(7,423)	(12,523)	-	-	(140,850)	(76,683)	-	(248,061)
Acquisition of sub subsidiary (Note 49)	-	-	-	-	-	-	-	4,797	-	4,797
Reclassification to other asset	(162)	-	-	-	-	-	-	-	-	(162)
Reclassification	-	6,201	-	-	-	7,812	-	(11,057)	(2,956)	-
Exchange adjustment	130	(252)	-	192	(117)	818	-	1,886	(44)	2,613
Balance at 31 December	1,292,040	1,405,131	751,783	860,546	20,218	261,990	1,020,336	1,637,826	591,683	7,841,553
Accumulated depreciation										
Balance at 1 January	2,400	156,268	36,079	233,728	7,164	84,708	265,707	1,005,698	112,996	1,904,748
Additions	-	20,442	9,123	35,842	298	8,113	66,981	145,252	4,140	290,191
Disposals/Adjustment/Write-off	100	-	(509)	1,921	-	(222)	(25,999)	(25,191)	25,715	(24,185)
Transfer from prepaid land lease (Note 7)	-	-	-	-	-	197	-	-	-	197
Transfer to assets held for sale (Note 24)	-	-	(580)	(3,567)	-	-	(68,225)	(70,298)	-	(142,670)
Acquisition of sub subsidiary (Note 49)	-	-	-	-	-	-	-	2,985	-	2,985
Reclassification	-	-	(137)	-	137	-	-	227	(227)	-
Exchange adjustment	-	(125)	-	68	-	-	-	(1,206)	146	(1,117)
Impairment	-	-	-	-	-	-	12,646	325	-	12,971
Capitalised in contract costs	-	-	3	-	-	918	-	6,689	-	7,610
Balance at 31 December	2,500	176,585	43,979	267,992	7,599	93,714	251,110	1,064,481	142,770	2,050,730
Carrying amount										
Balance at 31 December	1,289,540	1,228,546	707,804	592,554	12,619	168,276	769,226	573,345	448,913	5,790,823

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

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

LTAT	Freehold Properties RM'000	Long Term Leasehold Properties		Plant and Equipment RM'000	Total RM'000
		Land RM'000	Building RM'000		
<b>2016</b>					
<b>Cost/Valuation</b>					
<b>Balance at 1 January</b>	<b>130</b>	<b>50,000</b>	<b>38,270</b>	<b>36,788</b>	<b>125,188</b>
Additions	-	-	684	399	1,083
Adjustment/Disposal	-	-	-	(814)	(814)
<b>Balance at 31 December</b>	<b>130</b>	<b>50,000</b>	<b>38,954</b>	<b>36,373</b>	<b>125,457</b>
<b>Accumulated depreciation</b>					
<b>Balance at 1 January</b>	<b>8</b>	<b>2,305</b>	<b>3,701</b>	<b>31,132</b>	<b>37,146</b>
Additions	2	768	1,667	2,211	4,648
Adjustment/Disposal	-	-	-	(766)	(766)
<b>Balance at 31 December</b>	<b>10</b>	<b>3,073</b>	<b>5,368</b>	<b>32,577</b>	<b>41,028</b>
<b>Carrying amount</b>	<b>120</b>	<b>46,927</b>	<b>33,586</b>	<b>3,796</b>	<b>84,429</b>
<b>2015</b>					
<b>Cost/Valuation</b>					
Balance at 1 January	130	50,000	36,891	35,366	122,387
Additions	-	-	1,379	2,122	3,501
Adjustment/Disposal	-	-	-	(700)	(700)
Balance at 31 December	130	50,000	38,270	36,788	125,188
<b>Accumulated depreciation</b>					
Balance at 1 January	6	1,536	2,467	29,321	33,330
Additions	2	769	1,234	2,511	4,516
Adjustment/Disposal	-	-	-	(700)	(700)
Balance at 31 December	8	2,305	3,701	31,132	37,146
Carrying amount	122	47,695	34,569	5,656	88,042

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 4. BIOLOGICAL ASSETS

	Group	
	2016 RM'000	2015 RM'000
<b>Cost</b>		
<b>Balance at 1 January</b>	<b>1,295,720</b>	1,295,760
Additions	27,457	1,373
Disposal of sub subsidiary company (Note 49)	(19,482)	-
Transfer to assets held for sale (Note 24)	(10,075)	(406)
Disposal	(279)	(807)
Adjustment	-	(200)
<b>Balance at 31 December</b>	<b>1,293,341</b>	1,295,720
<b>Impairment</b>		
<b>Balance at 1 January</b>	<b>34,338</b>	34,538
Impairment for the year	10,418	-
Adjustments	-	(200)
<b>Balance at 31 December</b>	<b>44,756</b>	34,338
<b>Net book value</b>		
Balance at 31 December	1,248,585	1,261,382
Interest capitalised during the year	241	272

### 5. DEVELOPMENT PROPERTIES

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Balance at 1 January</b>				
<b>Cost</b>				
- Freehold land	318,072	315,727	34,491	32,146
- Long term leasehold land	351,002	502,203	346,752	497,787
- Development cost	339,788	202,161	-	-
	<b>1,008,862</b>	1,020,091	<b>381,243</b>	529,933
<b>Additions</b>				
- Freehold land	132	2,345	50	2,345
- Long term leasehold land	591	14,408	591	14,408
	<b>723</b>	16,753	<b>641</b>	16,753

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 5. DEVELOPMENT PROPERTIES (continued)

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Transfer to property development in progress (Note 17)				
- Freehold land	(217)	-	-	-
- Long term leasehold land	(669)	(165,609)	-	(165,443)
- Development cost	(137,760)	(53,910)	-	-
Transfer from investment properties (Note 6)				
- Development cost	-	9,551	-	-
	<b>(138,646)</b>	(209,968)	-	(165,443)
Development cost	<b>144,578</b>	173,182	-	-
Exchange adjustment	<b>(8,229)</b>	8,804	-	-
<b>Balance at 31 December</b>	<b>1,007,288</b>	1,008,862	<b>381,884</b>	381,243
Interest capitalised during the year	<b>6,107</b>	4,724	-	-

### 6. INVESTMENT PROPERTIES

Group	Completed Investment Properties RM'000	Investment Properties Under Construction at Cost RM'000	Total RM'000
	<b>2016</b>		
<b>Balance at 1 January</b>	<b>2,052,615</b>	<b>83,630</b>	<b>2,136,245</b>
Net fair value gain (Note 34)	<b>37,517</b>	-	<b>37,517</b>
Additions	<b>1,102</b>	<b>44,339</b>	<b>45,441</b>
Additions from subsequent expenditure	<b>12,717</b>	-	<b>12,717</b>
<b>Balance at 31 December</b>	<b>2,103,951</b>	<b>127,969</b>	<b>2,231,920</b>
<b>2015</b>			
Balance at 1 January	2,076,299	34,216	2,110,515
Net fair value gain (Note 34)	98,281	-	98,281
Transfer to property, plant and equipment (Note 3)	(105,995)	-	(105,995)
Transfer to development properties (Note 5)	(9,551)	-	(9,551)
Additions	980	49,414	50,394
Additions from subsequent expenditure	3,358	-	3,358
Disposal	(26,066)	-	(26,066)
Adjustments	15,309	-	15,309
Balance at 31 December	<b>2,052,615</b>	<b>83,630</b>	<b>2,136,245</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 6. INVESTMENT PROPERTIES (continued)

	Completed Investment Properties RM'000	Investment Properties Under Construction at Cost RM'000	Total RM'000
<b>LTAT</b>			
<b>2016</b>			
Balance at 1 January	425,400	372	425,772
Net fair value gain (Note 34)	-	-	-
Additions	326	-	326
<b>Balance at 31 December</b>	<b>425,726</b>	<b>372</b>	<b>426,098</b>
<b>2015</b>			
Balance at 1 January	420,000	372	420,372
Net fair value gain (Note 34)	4,554	-	4,554
Additions	846	-	846
Balance at 31 December	425,400	372	425,772

### 7. PREPAID LAND LEASE PAYMENTS

	Group	
	2016 RM'000	2015 RM'000
<b>Cost</b>		
Balance at 1 January	72,948	71,984
Disposal of sub subsidiary (Note 49)	(6,150)	-
Exchange adjustment	122	209
Additions	-	2,042
Disposals	(34)	-
Transfer to property, plant and equipment (Note 3)	-	(1,287)
<b>Balance as at 31 December</b>	<b>66,886</b>	<b>72,948</b>
<b>Accumulated amortisation</b>		
Balance at 1 January	11,330	9,400
Disposal of sub subsidiary (Note 49)	(693)	-
Amortisation for the year (Note 36)	2,162	2,127
Adjustments	90	-
Disposals	(2)	-
Transfer to property, plant and equipment (Note 3)	-	(197)
<b>Balance as at 31 December</b>	<b>12,887</b>	<b>11,330</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 7. PREPAID LAND LEASE PAYMENTS (continued)

	Group	
	2016 RM'000	2015 RM'000
<b>Net book value</b>		
Balance at 31 December	<b>53,999</b>	61,618
Amortised amount		
- Not exceed 1 year	<b>2,162</b>	2,127
- Exceed 1 year and less than 5 years	<b>8,649</b>	8,411
- Exceed 5 years	<b>43,188</b>	51,080
	<b>53,999</b>	61,618

### 8. LONG TERM PREPAYMENTS

	Group	
	2016 RM'000	2015 RM'000
<b>Balance at 1 January</b>	<b>170,330</b>	153,725
Additions	<b>22,600</b>	26,005
Amortisation for the year (Note 36)	<b>(9,825)</b>	(9,400)
<b>Balance as at 31 December</b>	<b>183,105</b>	170,330

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



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 9. INTANGIBLE ASSETS

Group	Goodwill RM'000	Computer Software RM'000	Consenssion Rights RM'000	Rights for Supply RM'000	Pharmacy Manufacturing License and Trade Name RM'000	Brand and Customers Relationship RM'000	Total RM'000
<b>2016</b>							
<b>Cost</b>							
<b>Balance at 1 January</b>	2,382,500	174,461	223,342	177,167	21,855	89,037	3,068,362
Acquisition of sub subsidiary (Note 49)	3,404	-	-	-	150	-	3,554
Transfer to non-controlling interests	(1,366)	-	-	-	-	-	(1,366)
Transfer from property, plant and equipment (Note 3)	-	14,844	-	-	-	-	14,844
Additions	-	4,803	6,184	57,501	-	-	68,488
Disposal/Adjustment/Write-off	(5,791)	(156)	(28,923)	-	-	-	(34,870)
Exchange adjustment	2,454	-	-	-	1,840	-	4,294
	<b>2,381,201</b>	<b>193,952</b>	<b>200,603</b>	<b>234,668</b>	<b>23,845</b>	<b>89,037</b>	<b>3,123,306</b>
<b>Accumulated amortisation and impairment</b>							
<b>Balance at 1 January</b>	7,423	144,794	135,053	50,364	4,895	24,064	366,593
Amortisation for the year (Note 36)	-	11,834	41,007	11,766	2,736	13,751	81,094
Disposal/Adjustment/Write-off	-	(139)	(21,195)	-	-	-	(21,334)
Impairment	2,681	-	-	-	-	-	2,681
Exchange adjustment	-	-	-	-	775	-	775
	<b>10,104</b>	<b>156,489</b>	<b>154,865</b>	<b>62,130</b>	<b>8,406</b>	<b>37,815</b>	<b>429,809</b>
<b>Carrying amount</b>							
<b>Balance at 31 December</b>	<b>2,371,097</b>	<b>37,463</b>	<b>45,738</b>	<b>172,538</b>	<b>15,439</b>	<b>51,222</b>	<b>2,693,497</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 9. INTANGIBLE ASSETS (continued)

Group	Goodwill RM'000	Computer Software RM'000	Concession Rights RM'000	Rights for Supply RM'000	Pharmacy Manufacturing License and Trade Name RM'000	Merchant Bank License RM'000	Brand and Customers Relationship RM'000	Total RM'000
2015								
Cost								
Balance at 1 January	1,923,363	155,854	75,000	110,400	19,430	52,500	-	2,336,547
Acquisition of sub subsidiary	595,045	-	146,941	-	-	-	-	741,986
Transfer to non-controlling interests	(124,269)	-	-	-	-	-	-	(124,269)
Transfer from property, plant and equipment (Note 3)	-	11,823	-	-	-	-	-	11,823
Additions	-	6,948	1,401	66,767	-	-	-	75,116
Disposal/Adjustment/Write-off	(17,983)	(164)	-	-	-	(52,500)	89,037	18,390
Exchange adjustment	6,344	-	-	-	2,425	-	-	8,769
	2,382,500	174,461	223,342	177,167	21,855	-	89,037	3,068,362
Accumulated amortisation and impairment								
Balance at 1 January	-	137,216	32,523	23,965	1,827	-	-	195,531
Acquisition of sub subsidiary	-	-	71,996	-	-	-	-	71,996
Amortisation for the year (Note 36)	-	7,720	30,534	26,399	2,531	-	13,751	80,935
Disposal/Adjustment/Write-off	-	(142)	-	-	-	-	10,313	10,171
Exchange adjustment	7,423	-	-	-	537	-	-	7,960
	7,423	144,794	135,053	50,364	4,895	-	24,064	366,593
Carrying amount								
Balance at 31 December	2,375,077	29,667	88,289	126,803	16,960	-	64,973	2,701,769

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 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 follows:

	2016 RM'000	2015 RM'000
<b>Cash generated units</b>	<b>Carrying amount</b>	
Commercial banking	<b>816,515</b>	816,515
Heavy industries	<b>1,062,315</b>	1,066,295
Others	<b>492,267</b>	492,267
	<b>2,371,097</b>	2,375,077

Goodwill is allocated to the Group's CGUs which are expected to benefit from the synergies of the acquisitions. For annual impairment, the recoverable amount of the CGUs are based on their value-in-use calculations using the cash flow projections based on 5 years financial budgets of the respective subsidiaries, which were approved. The cash flows beyond the fifth year are assumed to grow on perpetual basis based on forecasted Gross Domestic Product (GDP) growth rate of Malaysia, adjusted for specific risk of the respective CGUs.

For Heavy Industries Division, pre-tax discount rates of 12.5% to 15.1% (2015: 13.3% to 15.3%) and a terminal growth rate at 2% (2015:2%) have been applied in the value in use calculations.

Based on the sensitivity analysis performed, management believes that no reasonably possible change in base case key assumption would cause the carrying value of the CGU to exceed its recoverable amount.

### 10. SUBSIDIARY COMPANIES

	LTAT	
	2016 RM'000	2015 RM'000
<b>At Cost</b>		
Quoted Corporations	<b>4,520,967</b>	3,664,569
Unquoted	<b>108,000</b>	108,000
	<b>423,380</b>	423,380
	<b>5,052,347</b>	4,195,949
<b>At Market Value</b>		
Quoted	<b>5,379,665</b>	4,591,607

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 10. SUBSIDIARY COMPANIES (continued)

#### Subsidiaries with material non-controlling interests

The Group regard Boustead Holdings Berhad and Affin Holdings 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:

	Boustead Holdings Bhd		Affin Holdings Bhd	
	2016 %	2015 %	2016 %	2015 %
Equity interest held by non-controlling interests	<b>40</b>	42	<b>52</b>	53

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

#### (a) Summarised profit or loss and other comprehensive income

	Boustead Holdings Bhd		Affin Holdings Bhd	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income	<b>8,371,293</b>	8,662,508	<b>3,866,693</b>	3,688,117
Profit for the year	<b>589,117</b>	139,334	<b>579,810</b>	382,173
Other comprehensive income	<b>7,089</b>	16,817	<b>(8,455)</b>	39,555
Total comprehensive income for the year	<b>596,206</b>	156,151	<b>571,355</b>	421,728
<b>Attributable to:</b>				
Group	<b>371,026</b>	21,398	<b>555,490</b>	408,911
Non-controlling interests	<b>151,506</b>	62,128	<b>15,865</b>	12,817
Holder of Perpetual Sukuk	<b>73,674</b>	72,625	-	-
	<b>596,206</b>	156,151	<b>571,355</b>	421,728
Dividend paid to non-controlling interest	<b>148,640</b>	148,175	<b>12,000</b>	9,000

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

Total Assets:				
Non-current assets	<b>12,807,923</b>	12,665,106	<b>12,418,788</b>	10,912,357
Current assets	<b>5,123,513</b>	4,954,481	<b>56,467,557</b>	56,489,660
	<b>17,931,436</b>	17,619,587	<b>68,886,345</b>	67,402,017
Total Liabilities:				
Non-current liabilities	<b>1,600,939</b>	2,312,647	<b>1,636,139</b>	1,337,516
Current liabilities	<b>7,829,571</b>	7,949,163	<b>58,519,201</b>	57,737,416
	<b>9,430,510</b>	10,261,810	<b>60,155,340</b>	59,074,932
Net assets	<b>8,500,926</b>	7,357,777	<b>8,731,005</b>	8,327,085

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 10. SUBSIDIARY COMPANIES (continued)

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

	Boustead Holdings Bhd		Affin Holdings Bhd	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Attributable to:</b>				
Group	<b>6,894,078</b>	5,750,334	<b>8,682,494</b>	8,282,439
Non-controlling interests	<b>1,606,848</b>	1,607,443	<b>48,511</b>	44,646
	<b>8,500,926</b>	7,357,777	<b>8,731,005</b>	8,327,085

#### (c) Statements of cash flows

Operating activities	<b>1,112,077</b>	643,002	<b>370,842</b>	(3,153,742)
Investing activities	<b>(112,859)</b>	(679,470)	<b>(556,471)</b>	(32,046)
Financing activities	<b>(586,100)</b>	187,601	<b>133,151</b>	266,459
Net increase/(decrease) in cash and cash equivalent	<b>413,118</b>	151,133	<b>(52,478)</b>	(2,919,329)

Details of subsidiary companies are as follows:

Name of company	Principal Activities	Equity Holding	
		2016 %	2015 %
<b>Quoted</b>			
Affin Holdings Berhad @	Investment holdings	<b>48</b>	47
Boustead Holdings Berhad @	Investment holdings and oil palm plantation	<b>60</b>	58
<b>Unquoted</b>			
Irat Properties Sdn Bhd @	Investment holdings	<b>80</b>	79
Perbadanan Perwira Harta Malaysia #	Property developer	<b>100</b>	100
Perwira Niaga Malaysia #	Trading of consumer goods	<b>100</b>	100
Perbadanan Hal Ehwal Bekas Angkatan Tentera #	Promotion of socio-economic development programmes for the retired and retiring Malaysian Armed Forces personnel	<b>100</b>	100
Power Cables Malaysia Sdn Bhd @	Manufacture and sale of power cables	<b>60</b>	60

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 10. SUBSIDIARY COMPANIES (continued)

Details of sub subsidiary companies are as follows:

Name of company	Principal Activities	Equity Holding	
		2016 %	2015 %
<b>Quoted</b>			
Boustead Heavy Industries Corporation Berhad *	Investment holdings	47	46
Boustead Properties Berhad *	Investment holdings and property investments	60	58
Boustead Plantations Berhad *	Investment holdings and oil palm cultivation	46	45
Pharmaniaga Berhad *	Investment holdings	44	38
UAC Berhad *	Manufacture of fibre cement products, project management and property investment	60	58
<b>Unquoted</b>			
ABB IT & Services Sdn Bhd +	Voluntary winding up	-	47
ABB Nominee (Asing) Sdn Bhd +	Dormant	48	47
ABB Nominee (Tempatan) Sdn Bhd +	Share nominee services	48	47
ABB Trustee Berhad +	Trustee management services	48	47
Affin Bank Berhad +	Provision of commercial banking service and hire purchase	48	47
Affin Factors Sdn Bhd +	Voluntary winding up	-	47
Affin Capital Services Berhad +	Investment holdings	23	33
Affin Futures Sdn Bhd +	Voluntary winding up	-	47
Affin Hwang Investment Bank Berhad +	Provision of investment banking services	48	47
Affin Hwang Nominees (Tempatan) Sdn Bhd +	Nominee services	48	47
Affin Hwang Nominees (Asing) Sdn Bhd +	Nominee services	48	47
Affin Hwang Asset Management Berhad +	Asset management and management of unit trust and private retirement scheme	33	33
Affin Islamic Bank Berhad +	Islamic banking services	48	47
Affin Moneybrokers Sdn Bhd +	Money-broking	48	47
Affin Recoveries Berhad +	Dormant	48	47
Affin-ACF Holdings Sdn Bhd +	Investment holdings	48	47
Affin-ACF Nominees (Tempatan) Sdn Bhd +	Voluntary winding up	-	47
BSNCB Nominees (Tempatan) Sdn Bhd +	Voluntary winding up	-	47
BSNC Nominees (Tempatan) Sdn Bhd +	Voluntary winding up	-	47
PAB Properties Sdn Bhd +	Property management services	48	47
PAB Property Development Sdn Bhd +	Voluntary winding up	-	47
Boustead Reit Managers Sdn Bhd*	Sale and leaseback palm plantation estates	60	58
AB Shipping Sdn Bhd *	Dormant	60	58
Astacanggih Sdn Bhd*	Investment holdings	48	46
Boustead Atlas Hall Sdn Bhd*	Ceased operation	31	30
Bakti Wira Development Sdn Bhd *	Investment holdings	60	58
Boustead Cruise Centre Sdn Bhd *	Provision of port facilities and services to cruise and navy vessels	60	58



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 10. SUBSIDIARY COMPANIES (continued)

Details of sub subsidiary companies are as follows:

Name of company	Principal Activities	Equity Holding	
		2016 %	2015 %
<b>Unquoted</b>			
BHIC Defence Technologies Sdn Bhd *	Investment holdings	47	46
BHIC Defence Techservices Sdn Bhd *	Provision of maintenance and services for defence related products	47	46
BHIC Electronics and Technologies Sdn Bhd *	Provision of maintenance and services for defence weapons and related products	47	46
BHIC Navaltech Sdn Bhd *	In-service support for the maintenance, services and supply of spare parts for vessels	47	46
BHIC Marine Carrier Sdn Bhd *	Provision of engineering services for oil and gas industry	47	46
BHIC Allied Defence Technology Sdn Bhd *	Supply of electronics and system technology to defence related industry	47	46
Bounty Crop Sdn Bhd *	Ceased operation	46	45
Boustead Advisory and Consultancy Services Sdn Bhd *	Ceased operation	46	45
Boustead Balau Sdn Bhd *	Property developer	60	58
Boustead Building Materials Sdn Bhd *	Building products distributor and project management	60	58
Boustead Construction Sdn Bhd *	Project management, construction and property development	60	58
Boustead Credit Sdn Bhd *	Hire purchase and lease financing	60	58
Boustead Curve Sdn Bhd *	Property investment	60	58
Boustead DCP Sdn Bhd *	Produce and supply of chilled water for air-conditioning	60	58
Boustead Eldred Sdn Bhd *	Cultivation of oil palm	46	45
Boustead Emastulin Sdn Bhd *	Cultivation of oil palm and processing of FFB	46	45
Boustead Engineering Sdn Bhd *	Ceased operation	60	58
Boustead Estates Agency Sdn Bhd *	Plantation management, engineering consultancy and investment holdings	46	45
Boustead Global Trade Network Sdn Bhd *	Insurance agent	60	58
Boustead Gradient Sdn Bhd *	Cultivation of oil palm and processing of FFB	46	45
Boustead Hotels & Resorts Sdn Bhd *	Hotel operations	60	58
Boustead Hyde Park Ltd *	Hotel operations	60	58
Boustead Idaman Sdn Bhd *	Dormant	60	58
Boustead Information Technology Sdn Bhd *	Ceased operation	60	58
Boustead Langkawi Shipyard Sdn Bhd *	Construction, repair and maintenance of boats and yachts	60	58
Boustead Management Services Sdn Bhd *	Dormant	60	58
Boustead Naval Shipyard Sdn Bhd *	Construction, repair and maintenance of naval & merchant ships	60	58
Boustead Penang Shipyard Sdn Bhd *	Heavy engineering construction, ship repair and shipbuilding	47	46

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 10. SUBSIDIARY COMPANIES (continued)

Details of sub subsidiary companies are as follows:

Name of company	Principal Activities	Equity Holding	
		2016 %	2015 %
<b>Unquoted</b>			
Boustead Petroleum Marketing Sdn Bhd *	Marketing of petroleum products	55	54
Boustead Petroleum Sdn Bhd *	Investment holdings	36	35
Boustead Realty Sdn Bhd *	Property investment	60	58
Boustead Rimba Nilai Sdn Bhd *	Cultivation of oil palm and processing of FFB	46	45
Boustead Sedili Sdn Bhd *	Cultivation of oil palm	32	32
Boustead Segaria Sdn Bhd *	Investment holdings	60	58
Boustead Shipping Agencies Sdn Bhd *	Shipping agent	60	58
Boustead Sissons Paints Sdn Bhd *	Paint manufacturer	60	58
Boustead Solandra Sdn Bhd *	Cultivation of oil palm	46	45
Boustead Sungai Manar Sdn Bhd *	Ceased operations	46	45
Boustead Telok Sengat Sdn Bhd *	Processing of FFB and investment holdings	46	45
Boustead Travel Services Sdn Bhd *	Travel agent	60	58
Boustead Trunkline Sdn Bhd *	Cultivation of oil palm	46	45
Boustead Weld Court Sdn Bhd *	Property investment	60	58
Boustead Weld Quay Sdn Bhd *	Property investment and hotel operations	60	58
Cargo Freight Shipping Sdn Bhd *	Shipping agent	60	58
Damansara Entertainment Centre Sdn Bhd *	Property investment	60	58
Dominion Defence & Industries Sdn Bhd *	Supply and services of marine and defence related products	47	46
Johan Ceramics Berhad *	Ceased operation	58	57
Midas Mayang Sdn Bhd *	Operating hotels and resorts	48	46
Mutiara Rini Sdn Bhd *	Property developer	60	58
Nam Seng Bee Hoon Sdn Bhd *	Property investment	60	58
Mecuro Properties Sdn Bhd *	Property investment	60	58
Naval and Defence Communication System Sdn Bhd *	Provision for maintenance and services of telecommunication systems	47	46
Perstim Industries Sdn Bhd *	Investment holdings	47	46
The University of Nottingham in Malaysia Sdn Bhd *	Operation of an university	40	38
Idaman Pharma Manufacturing Sdn Bhd *	Manufacture of pharmaceutical products	44	38
Pharmaniaga Biomedical Sdn Bhd *	Supply and installation of medical and hospital equipment	44	38
Pharmaniaga LifeScience Sdn Bhd *	Manufacture of pharmaceutical products	44	38
Pharmaniaga Logistic Sdn Bhd *	Distribution of pharmaceutical and medical products	44	38
Pharmaniaga Manufacturing Bhd *	Manufacture of pharmaceutical products	44	38
Pharmaniaga Marketing Sdn Bhd *	Marketing of pharmaceutical products	44	38
Pharmaniaga Research Centre Sdn Bhd *	Pharmaceutical research & development	44	38

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 10. SUBSIDIARY COMPANIES (continued)

Details of sub subsidiary companies are as follows:

Name of company	Principal Activities	Equity Holding	
		2016 %	2015 %
<b>Unquoted</b>			
Pharmaniaga Pristine Sdn Bhd *	Retail pharmaceutical	44	38
Pharmaniaga International Corporation Sdn Bhd *	Investment holdings	44	38
UAC Steel Systems Sdn Bhd *	Ceased operation	60	58
Irat Hotels & Resorts Sdn Bhd @	Hotel dan resort operator	86	85
Beta Tegap Sdn Bhd @	Operator of automated traffic enforcement system	80	79
A.T.E.S. Sdn Bhd @	Operator of automated traffic enforcement system	80	79
Pembinaan Perwira Harta Sdn Bhd #	Dormant	100	100
Usahasama PPHM-Juwana Sdn Bhd #	Dormant	51	51

+ Subsidiary companies of Affin Holdings 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-subsiary companies above were incorporated in Malaysia except for Boustead Hyde Park Ltd were incorporated in British Virgin Island.

### 11. ASSOCIATED COMPANIES

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>At cost</b>				
Unquoted	436,601	429,852	204,116	206,619
Share of post acquisition reserves	769,940	720,219	-	-
Other reserves	(2,174)	1,219	-	-
	<b>1,204,367</b>	1,151,290	<b>204,116</b>	206,619
Impairment loss on share (Note 35)	(2,577)	-	(2,577)	-
	<b>1,201,790</b>	1,151,290	<b>201,539</b>	206,619

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 11. ASSOCIATED COMPANIES (continued)

#### Material associate companies

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

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

	2016		2015	
	Perumahan Kinrara RM'000	Ketengah Perwira RM'000	Perumahan Kinrara RM'000	Ketengah Perwira RM'000
Equity holding	25%	49%	25%	49%
Income	227,353	40,654	341,280	41,977
Profit or loss for the year	15,564	13,010	77,976	11,130

#### ii) Summarised statement of financial position

Total assets	863,682	141,015	867,048	169,106
Total liabilities and non-controlling interests	153,293	8,391	157,462	4,436
<b>Net Assets</b>	<b>710,389</b>	<b>132,624</b>	709,586	164,670

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

	2016		2015	
	Perumahan Kinrara RM'000	Ketengah Perwira RM'000	Perumahan Kinrara RM'000	Ketengah Perwira RM'000
<b>Reconciliation of net assets to carrying amount as at 31 December</b>				
Group's share of net assets	177,597	64,986	177,397	80,688
Goodwill	14,305	-	14,305	-
<b>Carrying amount in the statement of financial position</b>	<b>191,902</b>	<b>64,986</b>	191,702	80,688
<b>Group's share of results for the year ended 31 December</b>				
Group's share of profit or loss for the year	3,891	6,375	19,494	5,454
<b>Dividend received by the Group</b>	<b>5,709</b>	<b>2,793</b>	5,194	3,491

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 11. ASSOCIATED COMPANIES (continued)

Summarised on financial information of the associated companies that are not individually material as follows:

	2016 RM'000	2015 RM'000
Group's share of net assets	1,255,093	1,252,004
Share of Group's net profit for the year	120,791	149,143
Share of Group's other comprehensive income/(loss)	165	(40)
Share of Group's total comprehensive income	120,956	149,103

Details of associated companies are as follows:

Name of company	Principal Activities	Equity Holding	
		2016 %	2015 %
<b>Unquoted</b>			
Anglo-Eastern Plantations (M) Sdn Bhd	Development and operation of oil palm estates	30	30
Applied Agricultural Resources Sdn Bhd *	Agricultural research and advisory services	13	13
AXA Affin General Insurance Bhd #	Underwriting of general insurance business	18	16
Bond Pricing Agency Malaysia Sdn Bhd	Bond information services	23	23
Boustead Wah Seong Sdn Bhd *	Investment holdings	30	29
BP Malaysia Holdings Sdn Bhd	Investment holdings	30	30
Cadbury Confectionery Malaysia Sdn Bhd *	Chocolate and sugar confectionery manufacturer	15	15
Cargill Feed Sdn Bhd	Manufacture and sale of animal feeds	40	40
Chery Holdings (Malaysia) Sdn Bhd	Manufacturing, assembling and distribution of automobile	20	20
Drew Ameroid (Malaysia) Sdn Bhd *	Industrial chemicals distributor	30	29
Ericsson (Malaysia) Sdn Bhd	Design and planning of network, supply and installation of telecommunication equipments	30	30
Guocera Tile Industries (Meru) Sdn Bhd	Manufacture of ceramic tiles	30	30
Hillcrest Gardens Sdn Bhd	Property development	-	35
Kao (Malaysia) Sdn Bhd *	Toiletries household and products distribution	27	26
Ketengah Jaya Sdn Bhd	Oil palm plantation and cultivation of fruits	29	29
Ketengah Perwira Sdn Bhd	Development and cultivation of oil palm	49	49
LTP Wibawa Sdn Bhd	Property development	30	30
Muhibbah-LTAT JV Sdn Bhd	Civil, marine and structural engineering contract work	49	49
Pavilion Entertainment Centre (M) Sdn Bhd *	Property development	30	29
Perumahan Kinrara Berhad	Property and golf course development	25	25
Prima Prai Sdn Bhd	Project management services and investment holdings	30	30

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 11. ASSOCIATED COMPANIES (continued)

Details of associated companies are as follows:

Name of company	Principal Activities	Equity Holding	
		2016 %	2015 %
<b>Unquoted</b>			
Rakan Riang Sdn Bhd *	Operating education and entertainment facilities	12	12
Rakan Riang Pte Ltd *	Operating education and entertainment facilities	12	12
Restonic (M) Sdn Bhd	Investment holdings	20	20
San Miguel Yamamura Plastic Films Sdn Bhd	Manufacture and sale of metallised film products	30	30
Sapura-LTAT Communications Technologies Sdn Bhd	Supply of communications equipment and training	30	30
Usahasama SPNB-LTAT Sdn Bhd	General construction	49	49
Wah Seong Boustead Co Ltd *	Consumer and building products distributor	30	29
Warisan Pinang Sdn Bhd	Construction of army 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 Holdings Berhad

\* Associated companies of Boustead Holdings Berhad

All associated companies above were incorporated in Malaysia with the exception for Rakan Riang Pte Ltd were incorporated in Singapore and Wah Seong Boustead Co. Ltd were incorporated in Myanmar.

### 12. INVESTMENT IN JOINT VENTURES

	Group	
	2016 RM'000	2015 RM'000
<b>At Cost</b>		
Unquoted shares at cost	428,916	394,559
Share of post acquisition profit	134,062	112,551
	<b>562,978</b>	<b>507,110</b>



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

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

#### 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

	2016		2015	
	Boustead Ikano Sdn Bhd RM'000	AXA Affin Life Insurance Berhad RM'000	Boustead Ikano Sdn Bhd RM'000	AXA Affin Life Insurance Berhad RM'000
Equity holding	30%	24%	29%	24%
Income	2,495	385,589	403	360,578
Profit or loss for the year	32,743	(8,382)	5,248	(37,076)
Other comprehensive loss	(6,655)	-	-	-
Total comprehensive income	26,088	(16,450)	(4,997)	(38,264)

#### ii) Summarised statement of financial position

Total assets	1,885,278	1,496,405	1,154,236	1,285,876
Total liabilities and non-controlling interests	1,279,113	1,194,900	574,166	1,032,159
<b>Net Assets</b>	<b>606,165</b>	<b>301,505</b>	<b>580,070</b>	<b>253,717</b>

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 as at 31 December

Group's share of net assets	181,850	72,361	168,220	60,892
<b>Group's share of results for the year ended 31 December</b>				
Group's share of profit or loss	9,823	(2,012)	1,522	(8,898)
Group's share of other comprehensive (loss)/ income	(1,997)	(1,936)	(2,971)	(285)
Group's share of total comprehensive income	7,826	(3,948)	(1,449)	(9,183)

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

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

The summarised financial information of Group's share in the investment in joint ventures that are not individually material as follows:

	Group	
	2016 RM'000	2015 RM'000
<b>Reconciliation of net assets to carrying amount as at 31 December</b>		
Group's share of profit for the year	21,225	22,278
Group's share of total comprehensive income	21,225	22,278

Details of investment in joint ventures are as follows:

Name of company	Principal Activities	Equity Holding	
		2016 %	2015 %
<b>Unquoted</b>			
Konsortium PPHM-ASSB *	Construction contractors	60	60
Konsortium PPHSB-Jastac *	Construction contractors	51	51
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	29
BHIC MSM Sdn Bhd @	Maintenance and repair of MTU product	28	28
Boustead DCNS Naval Corporation Sdn Bhd @	Vessels maintenance	28	28
Contraves Advanced Devices Sdn Bhd @	Manufacturing electronic product	24	23
BYO Marine Sdn Bhd @	Construction of vessels	24	23
BHIC Bofors Asia Sdn Bhd @	Providing, supplying and servicing of BOFORS weapons system	24	23
BHIC Aeroservices Sdn Bhd @	Maintenance, repair and overhaul of rotary and fixed wing aircraft	24	23

# Investment in joint ventures of Affin Holdings Berhad

@ Investment in joint ventures of Boustead Holdings Berhad

\* Investment in joint ventures of Perbadanan Perwira Harta Malaysia

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 13. AVAILABLE FOR SALE SECURITIES

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>At fair value</b>				
Quoted shares	1,281,307	1,635,452	1,114,384	1,448,585
Malaysian Unit Trust	190,278	240,850	-	-
REITs outside Malaysia	78,540	39,618	-	-
REITs in Malaysia	50,266	40,219	-	-
Impairment loss	(23,594)	(3,493)	-	-
	<b>1,576,797</b>	1,952,646	<b>1,114,384</b>	1,448,585
Unquoted shares	9,668,546	8,335,038	508,941	401,248
Malaysian Government Investment Issuance	1,816,434	2,538,871	-	-
Cagamas Bonds	66,597	20,102	-	-
Khazanah Bonds	439,219	437,819	-	-
Negotiable instruments of deposit	1,494,956	1,004,703	-	-
Sukuk Perumahan Kerajaan	485,574	753,385	-	-
Malaysian Government Securities	318,324	59,892	-	-
	<b>15,866,447</b>	15,102,456	<b>1,623,325</b>	1,849,833
<b>At cost</b>				
Unquoted shares	55,165	55,165	55,165	55,165
Unquoted redeemable preference shares				
- subsidiary companies	-	-	174,300	166,300
- associated companies	10,027	110,027	10,027	110,027
	<b>65,192</b>	165,192	<b>239,492</b>	331,492
	<b>15,931,639</b>	15,267,648	<b>1,862,817</b>	2,181,325

### 14. HELD TO MATURITY SECURITIES

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>At amortised cost</b>				
Unquoted securities				
- Corporate Bond and/to Sukuk in Malaysia	402,532	459,546	-	-
- Redeemable Convertible Secured Loan				
Stock	15,042	-	-	-
Junior Sukuk Musharakah	-	-	150,000	150,000
	<b>417,574</b>	459,546	<b>150,000</b>	150,000
Impairment loss	(10,487)	(178)	-	-
	<b>407,087</b>	459,368	<b>150,000</b>	150,000

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 15. DEFERRED TAX ASSETS/LIABILITIES

	Group	
	2016 RM'000	2015 RM'000
<b>Balance at 1 January</b>	<b>(90,235)</b>	(40,250)
Recognised in the statements of profit or loss	<b>(21,572)</b>	(12,805)
Charged to equity	<b>2,118</b>	(12,672)
Exchange adjustment	<b>397</b>	(161)
Acquisition of sub subsidiary (Note 49)	<b>(111)</b>	-
Disposal of sub subsidiary (Note 49)	<b>(2,355)</b>	-
Adjustments	<b>(146)</b>	(24,347)
<b>Balance at 31 December</b>	<b>(111,904)</b>	(90,235)
Presented after appropriate offsetting as follows:		
- Deferred tax assets	<b>71,591</b>	73,160
- Deferred tax liabilities	<b>(183,495)</b>	(163,395)
	<b>(111,904)</b>	(90,235)

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

Deferred tax assets of the Group:

	Tax Losses and Unabsorbed Capital Allowances RM'000	Available For Sale Securities RM'000	Others RM'000	Total RM'000
<b>2016</b>				
<b>Balance at 1 January</b>	<b>263,808</b>	<b>11,369</b>	<b>(202,017)</b>	<b>73,160</b>
Recognised in the statements of profit or loss	<b>6,659</b>	-	<b>12,090</b>	<b>18,749</b>
Credited to equity	-	<b>7,043</b>	-	<b>7,043</b>
Disposal of sub subsidiary (Note 49)	<b>(2,977)</b>	-	<b>(7)</b>	<b>(2,984)</b>
Offsetting	<b>263</b>	-	<b>(24,891)</b>	<b>(24,628)</b>
Adjustment of currency exchange	<b>397</b>	-	-	<b>397</b>
Adjustment	<b>(146)</b>	-	-	<b>(146)</b>
<b>Balance at 31 December</b>	<b>268,004</b>	<b>18,412</b>	<b>(214,825)</b>	<b>71,591</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 15. DEFERRED TAX ASSETS/LIABILITIES (continued)

	Tax Losses and Unabsorbed Capital Allowances RM'000	Available For Sale Securities RM'000	Others RM'000	Total RM'000
<b>2015</b>				
Balance at 1 January	293,748	(634)	(218,939)	74,175
Recognised in the statements of profit or loss	(34,945)	5,303	(3,263)	(32,905)
Offsetting	5,005	6,700	20,185	31,890
<b>Balance at 31 December</b>	<b>263,808</b>	<b>11,369</b>	<b>(202,017)</b>	<b>73,160</b>

Deferred tax liabilities of the Group:

	Accelerated Depreciation RM'000	Fair Value Gain On Investment Properties RM'000	Available For Sale Securities RM'000	Other RM'000	Total RM'000
<b>2016</b>					
<b>Balance at 1 January</b>	<b>(234,802)</b>	<b>(15,148)</b>	<b>(30,990)</b>	<b>117,545</b>	<b>(163,395)</b>
Recognised in the statements of profit or loss	(15,540)	(5,400)	-	(19,381)	(40,321)
Credited to equity	-	-	(4,925)	-	(4,925)
Acquisition of sub subsidiary (Note 49)	-	-	-	(111)	(111)
Disposal of sub subsidiary (Note 49)	629	-	-	-	629
Offsetting	-	-	-	24,628	24,628
<b>Balance at 31 December</b>	<b>(249,713)</b>	<b>(20,548)</b>	<b>(35,915)</b>	<b>122,681</b>	<b>(183,495)</b>
<b>2015</b>					
Balance at 1 January	(251,099)	(17,099)	(6,850)	160,623	(114,425)
Recognised in the statements of profit or loss	16,297	1,951	-	1,852	20,100
Credited to equity	-	-	(15,341)	2,669	(12,672)
Offsetting	-	-	(6,700)	(25,190)	(31,890)
Exchange adjustment	-	-	-	(161)	(161)
Adjustment	-	-	(2,099)	(22,248)	(24,347)
<b>Balance at 31 December</b>	<b>(234,802)</b>	<b>(15,148)</b>	<b>(30,990)</b>	<b>117,545</b>	<b>(163,395)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 16. LOANS AND RECEIVABLES

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Non-Current</b>				
Trade receivables	149,988	101,731	-	-
Other receivables	16,556	19,136	-	-
Allowance for impairment loss	(5,723)	-	-	-
	10,833	19,136	-	-
Medium Term Notes	-	-	271,000	271,000
	160,821	120,867	271,000	271,000
<b>Current</b>				
Trade receivables	1,907,128	2,073,254	-	-
Allowance for impairment loss	(83,685)	(80,148)	-	-
	1,823,443	1,993,106	-	-
Other receivables	541,913	615,127	12,428	185,608
Allowance for impairment loss	(6,235)	(10,234)	-	-
	535,678	604,893	12,428	185,608
Amount receivable from sale of development properties	417,985	-	417,985	-
Tax recoverable from Inland Revenue Board	110,297	170,005	26,065	27,960
Interest accrued on deposits	598	188	5	12
Profit accrued on deposit - Islamic Banking	1	9	1	9
Dividends receivable	395	3,105	395	3,105
Staff housing loans	10,346	10,882	8,643	8,867
Staff conveyance loans	2,681	2,764	1,988	2,202
Foreclosed properties	7,970	4,906	-	-
Cheque clearing accounts	10,721	6,803	-	-
Other prepayment	62,779	52,704	6,372	811
Loans, advances and financing	43,641,592	43,308,265	-	-
Amounts due from subsidiary companies	-	-	162,472	555,205
Amounts due from associated/related companies	311,449	305,511	17,343	85,878
Amount due from portfolio management	7,265	3,355	7,265	3,355
Building management control accounts	5,530	685	5,530	3,910
Deposit and guarantee	995	996	995	996
	44,590,604	43,870,178	665,059	692,310
	46,949,725	46,468,177	667,487	877,918

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



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 16. LOANS AND RECEIVABLES (continued)

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

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	1,035,172	1,095,349
Past due but not impaired		
1 to 30 days	735,882	750,629
31 to 60 days	48,611	67,502
61 to 90 days	29,858	28,733
91 to 120 days	19,738	54,740
More than 120 days	86,380	96,324
	920,469	997,928
Impairment loss	101,475	81,708
	<b>2,057,116</b>	<b>2,174,985</b>

The Group's trade receivables that are impaired at the reporting date and the movement of the impairment accounts are as follows:

	2016		
	Collectively Impaired RM'000	Individually Impaired RM'000	Total RM'000
Trade receivable	19,708	81,767	101,475
Allowance for impairment loss	(19,712)	(63,973)	(83,685)
	<b>(4)</b>	<b>17,794</b>	<b>17,790</b>
	2015		
	Collectively Impaired RM'000	Individually Impaired RM'000	Total RM'000
Trade receivable	15,884	65,824	81,708
Allowance for impairment loss	(15,884)	(64,264)	(80,148)
	-	1,560	1,560

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 16. LOANS AND RECEIVABLES (continued)

Movement in allowance accounts:

	2016 RM'000	2015 RM'000
<b>Balance as at 1 January</b>	<b>80,148</b>	81,438
Impairment recognised	<b>19,239</b>	27,126
Impairment written off	<b>(9,224)</b>	(16,339)
Reversal of impairment	<b>(6,811)</b>	(12,230)
Foreign currency translation difference	<b>333</b>	153
<b>Balance as at 31 December</b>	<b>83,685</b>	80,148

Analysis of the other receivables ageing is as follows:

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Less than 1 year	<b>530,719</b>	614,179	<b>3,120</b>	185,490
1 to 3 years	<b>13,857</b>	19,615	-	118
More than 3 years	<b>12,738</b>	371	<b>9,308</b>	-
More than 5 years	<b>1,155</b>	98	-	-
	<b>558,469</b>	634,263	<b>12,428</b>	185,608
Allowance for impairment loss	<b>(11,958)</b>	(10,234)	-	-
	<b>546,511</b>	624,029	<b>12,428</b>	185,608

### 17. PROPERTY DEVELOPMENT IN PROGRESS

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Balance at 1 January</b>				
<b>Cost</b>				
Long term leasehold land	<b>164,855</b>	22,048	<b>154,964</b>	9,653
Development cost	<b>401,775</b>	391,885	<b>61,978</b>	78,116
	<b>566,630</b>	413,933	<b>216,942</b>	87,769
Cost recognised in the statements of profit or loss				
<b>Balance at 1 January</b>	<b>(252,049)</b>	(163,831)	<b>(660)</b>	(619)
Recognised during the year	<b>(399,100)</b>	(258,425)	<b>(121,438)</b>	(41)
Reversal of completed projects	<b>360,690</b>	170,207	-	-
	<b>(290,459)</b>	(252,049)	<b>(122,098)</b>	(660)

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 17. PROPERTY DEVELOPMENT IN PROGRESS (continued)

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Transfer from development properties (Note 5)	138,646	219,519	-	165,443
Transfer to inventories	(33,574)	(90,017)	-	(45,999)
Reversal of completed projects	(360,690)	(170,207)	-	-
	<b>(255,618)</b>	<b>(40,705)</b>	<b>-</b>	<b>119,444</b>
Development cost incurred during the year	155,760	193,402	49,657	9,729
<b>Balance at 31 December</b>	<b>176,313</b>	<b>314,581</b>	<b>144,501</b>	<b>216,282</b>
Interest capitalised during the year	6,046	8,024	-	-

### 18. INVENTORIES

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Raw materials	186,307	133,954	-	-
Work in progress	3,428	3,264	-	-
Finished goods	540,195	507,818	-	-
Estate produce	11,199	29,986	-	-
Consumables	37,549	40,597	-	-
Completed properties	98,394	87,480	45,283	45,999
	<b>877,072</b>	<b>803,099</b>	<b>45,283</b>	<b>45,999</b>

### 19. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group	
	2016 RM'000	2015 RM'000
Construction contract costs	7,409,981	6,381,614
Attributable profits	1,197,889	935,173
	<b>8,607,870</b>	<b>7,316,787</b>
Progress billings	(7,965,572)	(6,253,693)
	<b>642,298</b>	<b>1,063,094</b>
Presented as follows:		
Due from customers on contracts	878,042	1,235,289
Due to customers on contracts	(235,744)	(172,195)
	<b>642,298</b>	<b>1,063,094</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 20. HELD FOR TRADING SECURITIES

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>At fair value</b>				
Quoted shares				
- LTAT revolving fund	8,893	12,746	8,893	12,746
- Portfolio management	126,540	132,135	126,540	132,135
	<b>135,433</b>	144,881	<b>135,433</b>	144,881
Quoted shares				
- Shares in Malaysia	18,763	33,564	-	-
- Unit trusts in Malaysia	4,864	8,645	-	-
Unquoted shares				
- Corporate Bonds and/or Sukuk in Malaysia	31,218	-	-	-
- Corporate Bonds and/or Sukuk outside Malaysia	15,442	-	-	-
Negotiable instruments of deposit	231,482	79,807	-	-
	<b>437,202</b>	266,897	<b>135,433</b>	144,881

### 21. DERIVATIVE ASSETS/LIABILITIES

Group	Contracts/ Notional Amount RM'000	Assets RM'000	Contracts/ Notional Amount RM'000	Liabilities RM'000
	<b>2016</b>			
<b>At fair value</b>				
Foreign exchange derivatives				
- Currency swaps	1,228,794	11,928	420,367	75,681
- Forward currency contracts	1,945,856	168,692	1,331,879	18,068
- Cross currency swaps	2,272,949	36,441	3,141,252	442,370
- Currency options	-	53,472	-	-
Interest rate derivative				
- Swap interest rate	1,373,500	20,202	1,806,773	17,259
	<b>6,821,099</b>	290,735	<b>6,700,271</b>	553,378

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

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

Group	Contracts/ Notional Amount RM'000	Assets RM'000	Contracts/ Notional Amount RM'000	Liabilities RM'000
2015				
At fair value				
Future raw material contracts	2,445	419	-	135
Foreign exchange derivatives				
- Currency swaps	169,600	45,783	1,060,532	73,912
- Forward currency contracts	1,890,861	139,845	1,886,244	18,416
- Cross currency swaps	3,841,581	90,772	2,963,519	446,115
- Currency options	39,130	(12)	-	-
Interest rate derivative				
- Swap interest rate	1,660,148	17,749	1,250,991	17,541
	<b>7,603,765</b>	<b>294,556</b>	<b>7,161,286</b>	<b>556,119</b>

### 22. DEPOSITS

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed deposits				
- licensed banks	<b>509,533</b>	848,861	-	-
Short term deposits and money market				
- sub subsidiary companies	-	-	<b>114,575</b>	43,456
- other institutions	<b>15,946</b>	54,551	<b>15,946</b>	54,551
	<b>15,946</b>	54,551	<b>130,521</b>	98,007
Short term deposits and money market Islamic Banking				
- sub subsidiary companies	-	-	<b>7,500</b>	-
- other institutions	<b>1,993</b>	18,229	<b>1,993</b>	18,229
	<b>1,993</b>	18,229	<b>9,493</b>	18,229
Short term deposit portfolio management	<b>27,780</b>	32,318	<b>27,780</b>	32,318
Statutory deposit with Bank Negara Malaysia	<b>1,659,740</b>	1,782,450	-	-
	<b>2,214,992</b>	2,736,409	<b>167,794</b>	148,554

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 23. CASH AND BANK BALANCES

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bank balances				
- licensed banks	5,801,247	4,851,440	-	1
- subsidiary companies	-	-	6,439	17,277
	<b>5,801,247</b>	4,851,440	<b>6,439</b>	17,278
Cash	1,092	977	5	3
Cash held by portfolio management	714	1,108	714	1,108
	<b>5,803,053</b>	4,853,525	<b>7,158</b>	18,389

### 24. ASSETS HELD FOR SALE

	Group	
	2016 RM'000	2015 RM'000
Transfer from property, plant and equipment (Note 3)	50,010	105,391
Transfer from biological assets (Note 4)	10,075	406
	<b>60,085</b>	105,797

### 25. MEMBERS' CONTRIBUTION ACCOUNT

The total of members' contribution account as at 31 December 2016 amounted to RM8,616.59 million (2015: RM9,054.79 million). This is arrived at after adding contributions received during the year, crediting dividends at 6% (2015: 6%) per annum, dividends on withdrawal at 6% (2015: 7%) per annum and deducting withdrawals and transfer to dormant account during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 26. FUNDS

Group	Staff Loans Fund RM'000	Fixed Asset Development Fund RM'000	PPP-SPM-UV ATM Micro Financing Scheme Fund RM'000	Total RM'000
<b>2016</b>				
<b>Balance at 1 January</b>	<b>2,163</b>	<b>2,460</b>	<b>32,956</b>	<b>37,579</b>
Grant received in the year	-	556	5,000	5,556
Transfer to accumulated profits	(379)	-	-	(379)
Amortisation of fixed assets development fund (Note 33)	-	(652)	-	(652)
Amortisation of PPP-SPM-UV ATM Micro Financing Scheme Fund (Note 33)	-	-	(6,467)	(6,467)
Staff loans fund - recoverable	97	-	-	97
<b>Balance at 31 December</b>	<b>1,881</b>	<b>2,364</b>	<b>31,489</b>	<b>35,734</b>
<b>2015</b>				
Balance at 1 January	2,716	2,314	33,362	38,392
Grant received in the year	-	712	-	712
Transfer to accumulated profits	(553)	-	-	(553)
Amortisation of fixed assets development fund (Note 33)	-	(566)	-	(566)
Amortisation of PPP-SPM-UV ATM Micro Financing Scheme Fund (Note 33)	-	-	(406)	(406)
Balance at 31 December	2,163	2,460	32,956	37,579



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 27. RESERVES

Group	Undistributable Reserves						
	Reserve Fund RM'000	Capital Reserve RM'000	Statutory Reserve RM'000	Available For Sale Securities Reserve RM'000	Asset Revaluation Reserve RM'000	Regulatory Reserve RM'000	Total RM'000
<b>2016</b>							
Balance at 1 January	181,096	438,041	707,088	(543,057)	10,676	133,142	926,986
Total Comprehensive Income	-	1,157	-	293,373	-	-	294,530
Transaction with owners							
Changes in ownership interest in subsidiary companies with no change in control	-	(4,022)	3,740	170	-	654	542
	-	(2,865)	3,740	293,543	-	654	295,072
Transfer (to)/from accumulated profit	(8,764)	160	86,324	-	-	2,739	80,459
<b>Balance at 31 December</b>	<b>172,332</b>	<b>435,336</b>	<b>797,152</b>	<b>(249,514)</b>	<b>10,676</b>	<b>136,535</b>	<b>1,302,517</b>
<b>2015</b>							
Balance at 1 January	173,708	435,896	651,401	(378,382)	10,509	87,910	981,042
Total Comprehensive Income	-	1,744	-	(164,602)	167	-	(162,691)
Transaction with owners							
Changes in ownership interest in subsidiary companies with no change in control	-	(18,015)	(2,855)	(73)	-	(357)	(21,300)
	-	(16,271)	(2,855)	(164,675)	167	(357)	(183,991)
Transfer from accumulated profit	7,388	18,416	58,542	-	-	45,589	129,935
<b>Balance at 31 December</b>	<b>181,096</b>	<b>438,041</b>	<b>707,088</b>	<b>(543,057)</b>	<b>10,676</b>	<b>133,142</b>	<b>926,986</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 27. RESERVES (continued)

LTAT	Undistributable Reserves			
	Reserve Fund RM'000	Available For Sale Securities Reserve RM'000	Asset Revaluation Reserve RM'000	Total RM'000
<b>2016</b>				
<b>Balance at 1 January</b>	<b>181,096</b>	<b>(564,143)</b>	<b>10,676</b>	<b>(372,371)</b>
Total Comprehensive Income	-	296,320	-	296,320
Transaction with owners				
Transfer to accumulated profit	(8,764)	-	-	(8,764)
<b>Balance at 31 December</b>	<b>172,332</b>	<b>(267,823)</b>	<b>10,676</b>	<b>(84,815)</b>
<b>2015</b>				
Balance at 1 January	173,708	(385,748)	10,509	(201,531)
Total Comprehensive Income	-	(178,395)	167	(178,228)
Transaction with owners				
Transfer from accumulated profit	7,388	-	-	7,388
Balance at 31 December	181,096	(564,143)	10,676	(372,371)

### 28. PERPETUAL SUKUK

The Perpetual Sukuk was issued pursuant to the Junior Islamic Medium Term Note Programme of up to RM1.2 billion in nominal value which was approved by the 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 Perpetual Sukuk in issue stood at RM1,200.0 million (2015: RM1,200.0 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 tax laws or regulations.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 28. PERPETUAL SUKUK (continued)

- iv. The periodic distribution rate of the Perpetual Sukuk for the first 5 years since issuance ranges from 6.1% to 6.25% per annum and is payable six 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 increase by 1.5% per annum for the 6th year. For the 7th year onwards, the periodic 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 has not within the last six months declared or paid any dividend or payment or other distributions in respect of or repurchase or redeemed 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 redeemed 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);
- ix. The Perpetual Sukuk is unsecured and not rated.

### 29. EMPLOYEE BENEFITS LIABILITY

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Post retirement medical benefits</b>				
Defined benefits obligation	55,279	49,315	46,030	40,763
<b>Gratuity plan benefits</b>				
Defined benefits obligation	27,133	25,548	27,133	25,548
Net liability	82,412	74,863	73,163	66,311

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 29. EMPLOYEE BENEFITS LIABILITY (continued)

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Movements in net liability recognised in statement of financial position</b>				
<b>Post retirement medical benefits</b>				
<b>Net liability as at 1 January</b>	<b>49,315</b>	43,396	<b>40,763</b>	34,848
Expenses recognised in profit or loss statements	<b>6,016</b>	5,240	<b>4,919</b>	4,205
Remeasurement of post retirement medical benefits	<b>822</b>	1,948	<b>822</b>	1,948
Post retirement medical benefits paid	<b>(874)</b>	(1,269)	<b>(474)</b>	(238)
	<b>55,279</b>	49,315	<b>46,030</b>	40,763
<b>Gratuity plan benefits</b>				
<b>Net liability as at 1 January</b>	<b>25,548</b>	25,813	<b>25,548</b>	25,813
Expenses recognised in profit or loss statements	<b>2,732</b>	2,678	<b>2,732</b>	2,678
Remeasurement of gratuity plan benefits	<b>743</b>	(603)	<b>743</b>	(603)
Gratuity plan benefits paid	<b>(1,890)</b>	(2,340)	<b>(1,890)</b>	(2,340)
	<b>27,133</b>	25,548	<b>27,133</b>	25,548
<b>Net liability at 31 December</b>	<b>82,412</b>	74,863	<b>73,163</b>	66,311

### 30. BORROWINGS

	Group	
	2016 RM'000	2015 RM'000
<b>Non Current</b>		
Bank guaranteed medium term notes	<b>763,668</b>	922,796
Term loans	<b>1,606,597</b>	1,306,011
Unsecured bank loans	<b>67,921</b>	63,426
Other long term loans	<b>1,168,451</b>	1,291,899
Asset backed bond	<b>758,246</b>	757,567
	<b>4,364,883</b>	4,341,699
Repayable in one year	<b>(1,249,803)</b>	(796,667)
	<b>3,115,080</b>	3,545,032

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 30. BORROWINGS (continued)

	Group	
	2016 RM'000	2015 RM'000
<b>Current</b>		
Deposits from customers	50,831,986	49,775,725
Deposits from banks and financial institutions	3,894,037	3,385,439
Obligation on securities sold under repurchase agreements	1,145,618	1,740,946
Bills and acceptances payable	37,726	77,114
Short term loans	1,251,075	828,613
Other bank loans	31,946	1,890
Bank overdrafts	30,687	64,383
Bankers acceptance	392,217	178,562
Revolving credit	4,235,074	4,861,426
	<b>61,850,366</b>	<b>60,914,098</b>

Bank guaranteed medium term notes and term loans of certain subsidiary companies bear weighted average effective interest rate at the rate ranging at 5.9% (2015: 5.8%) per annum.

Interest charged on bank overdrafts, bankers acceptances and revolving credit in the current year is BLR + 0.75% to 1.00% (2015 : BLR + 0.75% to 1.00%), 3.95% to 5.05% (2015: 4.55% to 5.20%) and 7.85% (2015: 5.30%) yearly.

### 31. PAYABLES

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Non Current</b>				
Deposit from tenant	40,940	38,523	-	-
Trade payables	146	131	-	-
	<b>41,086</b>	<b>38,654</b>	<b>-</b>	<b>-</b>
<b>Current</b>				
Trade payables	2,148,946	2,041,841	-	-
Dormant account	3,292	1,849	3,292	1,849
Accrued interest	36,789	33,468	-	-
Deposit received	89,647	91,471	6,336	5,833
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	38,563	38,536	-	-
Margin and collateral deposits	149,616	131,678	-	-
Trust accounts for clients and remisiers	47,090	48,624	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 31. PAYABLES (continued)

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current</b>				
Other payables	1,525,521	918,283	493,022	13,573
Amounts due to associated/related companies	42,036	94,254	-	-
Amounts due to subsidiary companies	-	-	23,859	14,892
Amounts due to portfolio management	1,549	2,721	1,549	2,721
Recourse obligation on loans to Cagamas Berhad	-	134,585	-	-
	<b>4,083,049</b>	<b>3,537,310</b>	<b>528,058</b>	<b>38,868</b>

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 Regulations (Contributions Repayment & Handling for Dormant Account) 2009, Tabung Angkatan Tentera Act, 1973 (Act 101).

### 32. UNIT TRUST BENEFITS

	Group/LTAT	
	2016 RM'000	2015 RM'000
<b>Balance at 1 January</b>	<b>179,693</b>	195,678
Provision for the year	<b>170,726</b>	179,693
	<b>350,419</b>	375,371
Payment during the year	<b>(179,693)</b>	(195,678)
<b>Balance at 31 December</b>	<b>170,726</b>	179,693

### 33. INCOME

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest from fixed and other deposits	324,777	270,925	6,787	6,251
Income from held for trading securities	38,533	48,521	12,050	20,748
Income from securities held to maturity				
- Junior Sukuk Musharakah	-	-	9,175	9,150
Income from loan and receivables				
- Medium Term Note	-	-	19,022	18,970
- Advance to PPHM	-	-	7,474	11,293

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 33. INCOME (continued)

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Dividends from subsidiary companies	-	-	345,295	253,441
Dividends from associated companies	-	-	35,774	48,654
Dividends from available for sale securities	83,499	81,988	63,611	62,358
Dividends from preference shares	7,252	21,589	20,770	21,589
Net loss on fair value available for sale securities				
- transfer from equity	(80,899)	(30,303)	(108,134)	(36,898)
Gains on disposal of investment in subsidiaries	33,390	-	54,864	139,632
Gains on disposal of investment in associated companies	196,038	193,633	69,575	159,030
Gains/(Loss) on disposal of available for sale securities	32,202	37,716	(1,069)	15,664
Rental income from investment properties	143,722	133,675	31,074	29,907
Other rental income	17,171	17,940	856	730
Sale of power cables	136,029	116,869	-	-
Sale of goods	6,099,548	6,052,183	-	-
Sale of commodities	705,677	613,985	-	-
Income from cable installation & cable accessories	4,691	153	-	-
Income from construction contracts	11,570	12,151	-	-
Net interest income from banking and financial institutions	2,532,099	2,513,305	-	-
Income from ship repairing & shipbuilding	811,785	1,104,287	-	-
Amortisation of fixed assets development fund (Note 26)	652	566	-	-
Amortisation of PPP-SPM-UV ATM Micro Financing Scheme Fund (Note 26)	6,467	406	-	-
Amortisation of Veterans Socio-Economic Development Programme (PPSEV)	4,594	2,323	-	-
Commissions and agency fees	19,350	18,063	-	-
Sale from development properties	389,317	354,859	-	-
Hotel management	162,175	180,258	-	-
Air transportation and services	171,086	300,707	-	-
Gain on sale of completed properties	322	-	322	-
Net gain on disposal of development properties	240,120	-	240,120	-
Other investment income				
- associated companies	1,824	1,272	1,824	1,272
- others	-	160	-	160
Other income	223,483	224,859	-	-
	<b>12,316,474</b>	<b>12,272,090</b>	<b>809,390</b>	<b>761,951</b>



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 34. OTHER INCOME

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Grant	26,831	31,526	-	-
Portfolio management fees	184,271	170,897	-	-
Corporate advisory fees	7,283	3,788	-	-
Service charges and fees	64,589	57,359	-	-
Guarantee fees	25,037	23,950	-	-
Net brokerage fees	89,937	100,858	-	-
Other fees income	92,854	74,653	-	-
Gain on disposal of property, plant and equipment	166,840	59,416	6	22
Gain on disposal of foreclosed properties	153	684	-	-
Net fair value gain on investment properties (Note 6)	37,517	98,281	-	4,554
Underwriting fees	4,445	6,423	-	-
Net foreign exchange gains realised/unrealised	46,909	38,435	-	-
Agency and arrangement fees	7,749	3,657	-	-
Other income	55,845	59,820	1,649	245
	<b>810,260</b>	<b>729,747</b>	<b>1,655</b>	<b>4,821</b>

### 35. IMPAIRMENT ON LOANS, ADVANCES, FINANCING AND SHARES

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans, advances and financing				
Impairments				
- allowance during the year	(66,565)	(276,408)	-	-
- written off during the year	-	7,361	-	-
Receivables				
- recovered	51,358	84,729	-	214
- written-off	(8,748)	(5,222)	(62)	(1,619)
- Impairment during the year	(11,545)	(15,099)	-	-
Associated companies				
- Impairment during the year	(2,577)	-	(2,577)	-
Available for sale securities				
- Impairment during the year	(140,992)	-	(119,599)	-
- Reversal during the year	-	167	-	-
Held for maturity securities				
- Impairment during the year	(3,537)	-	-	-
- Reversal during the year	-	23,591	-	-
	<b>(182,606)</b>	<b>(180,881)</b>	<b>(122,238)</b>	<b>(1,405)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 36. PROFIT BEFORE TAXATION AND ZAKAT

The profit before taxation and zakat is stated after charging/(crediting):

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' emoluments	12,293	11,405	542	538
Audit fees	7,934	7,115	319	290
Gain on sale of property, plant and equipment	(166,840)	(59,416)	(6)	(22)
Liabilities for retirement benefits	6,384	6,950	5,267	5,915
Property, plant and equipment written off	11,758	182	-	-
Research and development	16,592	20,921	-	-
Hire of plant and machinery	7,581	7,268	-	-
Rental of land and buildings	41,947	44,942	-	-
Net foreign exchange gains realised/unrealised	(46,909)	(38,435)	-	-
Inventories written off	38,751	8,804	-	-
Amortisation on prepaid land lease payment (Note 7)	2,162	2,127	-	-
Amortisation on intangible asset (Note 9)	81,094	80,935	-	-
Amortisation on long term prepayment (Note 8)	9,825	9,400	-	-

### 37. TAXATION AND ZAKAT

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

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian income tax	313,042	258,714	-	-
Deferred tax expense relating to origination and reversal of temporary differences	21,572	12,805	-	-
Over provision in prior years	(11,551)	(2,105)	-	-
	323,063	269,414	-	-
Zakat	4,543	5,206	432	353
	327,606	274,620	432	353

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2015: 25%) of the estimated assessable profit for the year.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 37. TAXATION AND ZAKAT (continued)

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation and zakat	<b>1,489,456</b>	1,052,553	<b>595,470</b>	684,843
Taxation at Malaysian statutory rate of 24% (2015: 25%)	<b>357,470</b>	263,138	<b>142,913</b>	171,211
Income not subject to tax	<b>(46,808)</b>	(93,775)	<b>(142,913)</b>	(171,211)
Expenses not deductible for tax purposes	<b>29,836</b>	110,180	-	-
Tax incentives	<b>(4,484)</b>	(3,329)	-	-
Deferred tax assets previously not recognised	<b>61,464</b>	58,038	-	-
Effect of different tax rates	<b>(6,403)</b>	(21,661)	-	-
Benefit from previously unrecognised tax losses and unabsorbed capital allowances	<b>(22,610)</b>	(5,861)	-	-
Expenses subject to double deduction	<b>(4,052)</b>	(2,800)	-	-
Share of profit from associated companies and investment in joint ventures	<b>(30,528)</b>	(21,193)	-	-
Effect of recognising deferred tax for real property gains tax rate	<b>(1,756)</b>	(6,251)	-	-
Reversal of deferred taxation due to changes in tax treatment	<b>889</b>	(140)	-	-
Over provision on deferred tax	<b>(281)</b>	(76)	-	-
Recognition deferred tax not recognised in prior years	<b>1,526</b>	(4,807)	-	-
Others	<b>351</b>	56	-	-
	<b>334,614</b>	271,519	-	-
Over provision in prior years	<b>(11,551)</b>	(2,105)	-	-
Tax expense for the year	<b>323,063</b>	269,414	-	-
Zakat	<b>4,543</b>	5,206	<b>432</b>	353
	<b>327,606</b>	274,620	<b>432</b>	353

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 16 April 2012, 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 5 years from year assessment 2012 to year assessment 2016.

Zakat represents business zakat paid by the Group and LTAT to comply with the principles of Syariah. Zakat is calculated based on alternative method approved by the Board of LTAT at 2.5% of cash and bank balances (excluding cash and bank balances held by the portfolio management) as at 31 December 2015 (2015: RM 0.35 million at the rate of 2.5% from the cash and bank balances as at 31 December 2014).

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 38. ADJUSTMENT ON CONTRIBUTIONS

	Group/LTAT	
	2016 RM'000	2015 RM'000
Contribution over credited	(212)	(116)
Dividend over credited	(244)	(14)
	<b>(456)</b>	(130)
Adjustment on dividend	163	6
	<b>(293)</b>	(124)

### 39. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Group's statements of cash flows include cash and bank balances, bank overdrafts and fixed and other deposits as follows:

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	5,802,339	4,852,417	6,444	17,281
Cash held by portfolio management	714	1,108	714	1,108
	<b>5,803,053</b>	4,853,525	<b>7,158</b>	18,389
Deposits	2,214,992	2,736,409	167,794	148,554
Bank overdrafts	(30,687)	(64,383)	-	-
	<b>7,987,358</b>	7,525,551	<b>174,952</b>	166,943

### 40. COMMITMENTS

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital expenditure authorised and contracted for				
Property	29,661	38,168	-	-
Plant and equipment	298,226	258,522	-	-
Acquisition of sub subsidiary company	547	-	-	-
Share of joint venture's capital commitment in relation to investment properties	66,909	326,136	-	-
	<b>395,343</b>	622,826	-	-
Capital expenditure authorised but not contracted for				
Investment properties	10,269	17,600	-	17,600
Plant and equipment	302,306	784,853	-	-
Additional investment in joint venture	20,250	-	-	-
Subscription of shares	-	8,000	-	8,000
Acquisition of sub subsidiary company	-	3,500	-	-
	<b>332,825</b>	813,953	-	25,600

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 41. 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	
	2016 RM'000	2015 RM'000
Direct credit substitutes	533,615	507,168
Transaction related contingent items	2,252,924	2,027,954
Short term self-liquidating trade related contingencies	496,339	470,476
Obligation under underwriting commitments	19,481	25,500
Foreign exchange related contracts		
- less than one year	9,668,916	10,585,763
- one year to less than five years	603,046	1,256,815
- five years and above	42,485	-
Interest rate related contracts		
- less than one year	893,125	652,116
- one year to less than five years	1,457,148	1,662,023
- five years and above	830,000	597,000
Irrecoverable commitments to extend credit		
- maturity less than one year	7,842,971	7,687,062
- maturity more than one year	1,515,422	1,717,346
Unutilised credit card lines	230,550	188,328
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	566,296	618,204
	<b>26,952,318</b>	<b>27,995,755</b>

### 42. CAPITAL MANAGEMENT

The Group actively manages its capital to counter underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholders via efficient capital structure, whilst ensuring compliance with regulatory capital requirements. The allocation of capital resources forms part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

### 43. CONTINGENT LIABILITIES

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 43. CONTINGENT LIABILITIES (continued)

On 14 March 2013, the High Court allowed with cost BN Shipyard's application to strike out the Plaintiff's claims. Thus, on 1 April 2013, BN Shipyard withdrew its counterclaims against the Plaintiff, but with liberty to file afresh. On 22 March 2013, the Plaintiff filed a Notice of Appeal to the Court of Appeal. On 11 November 2013, the Court of Appeal allowed the Plaintiff's appeal and ordered the case to be tried at the High Court. On 10 December 2013, BN Shipyard filed a Notice of Motion for the leave to appeal to the Federal Court.

On 13 July 2016, the Federal Court granted BN Shipyard a leave to appeal to the Federal Court against the 11 November 2013 decision of the Court of Appeal that the case be tried at the High Court, The Federal Court also allowed six leave questions and ordered that cost be in the cause.

Hearing of appeal at the Federal Court on 5 December 2016 was adjourned as the Plaintiff's solicitor has filed a Notice of Motion to discharge themselves as solicitor on 1 December 2016. The Court has fixed 21 March 2017 for hearing of the discharge application, 24 April 2017 for case management and 25 May 2017 for hearing of BN Shipyard's appeal against the decision of the Court of Appeal that the case be tried at the High Court.

The Group, upon consultation with the solicitors, is of the view that the Group has a good defence to the claim by the Plaintiff.

(b) The amount of bank guarantee issued by the Group to third parties are as follows:

	Group	
	2016 RM'000	2015 RM'000
Performance bonds in respect of contracts awarded to subsidiaries		
- Government of Malaysia	666,846	641,199
- Other third parties	80,813	83,402
	<b>747,659</b>	<b>724,601</b>

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### LTAT

The LTAT's overall financial risk management policy is to optimise value creation for members whilst minimising the potential adverse impact arising from fluctuation of the interest rates and the unpredictable of financial markets.

In order for LTAT to achieve its mission, it has to be manage the various risks posed by the ever-changing business environment and these risks include equity/investment risk, liquidity risk and credit risk.

#### (i) Equity/Investment risk

Equity risk arises from exposure to changes in the value of equity shares as a result of equity holdings in an entity and changes in the market conditions.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### LTAT (continued)

##### (i) Equity/Investment Risk (continued)

Investment risk arises when an investment fails to generate the expected returns and includes the risk of losing part or all of the original investment.

The equity/investment risk is managed through stringent filtering process of investment proposals according to guidelines and available investment policies and also through portfolio allocations and diversification strategies.

Sensitivity Analysis for Quoted Investment Risk

Considering that other risk variables remains constant, the table below summaries the impact on the carrying amount of the equity positions at each reporting date should there be a change in equity prices.

LTAT	Changes in Equity Market Prices %	Sensitivity of Revaluation RM'000
2016	+/-2	22,466
2015	+/-2	29,227

##### (ii) Liquidity Risk

Liquidity risks is the risk that LTAT will not be able to meet its financial obligations as they fall due. LTAT's exposure to liquidity risk arises principally from its various payables.

LTAT maintains a level of cash and cash equivalents to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The carrying amount by maturity of LTAT's financial liabilities are set out in the as follows:

LTAT	Carrying Amount RM'000	Less Than 1 year RM'000	Between 1-5 years RM'000	More Than 5 years RM'000
2016				
Payables	528,058	518,931	8,614	513
2015				
Payables	38,868	30,533	7,822	513



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### LTAT (continued)

#### (iii) Interest Rate Risk

Interest rate risk arises due to fluctuations in interest rates on the financial instruments sensitive to such changes held by LTAT. LTAT manages the interest rate risks through approved guidelines and investment policies.

The following table sets out the carrying amount of LTAT's financial instruments that are exposed to interest rate risk:

LTAT	Carrying Amount RM'000	Less Than 1 year RM'000	Between 1-5 years RM'000
<b>2016</b>			
Deposits	167,794	140,014	27,780
Cash and bank balances	7,158	7,158	-
<b>2015</b>			
Deposits	148,554	116,236	32,318
Cash and bank balances	18,389	18,389	-

Interest in financial instruments classified as fixed rate and charged until the maturity date. The other financial instruments of LTAT that are not included in the above table is non-interest bearing and not subject to interest rate risk.

Sensitivity analysis for interest rate risk

It is estimated that a fifty basis points (50 basis point) increase/decrease in interest rate with all other variables held constant would increase/decrease LTAT's profit after tax by approximately RM0.04 million (2015:RM0.03 million) respectively, arising mainly as a result of higher/lower interest income.

#### (iv) Credit Risk

Credit risk arises when the transacting party fails to meet its obligations agreed upon with LTAT.

LTAT manages its credit risk through approved guidelines and investment policies.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Subsidiary companies/Corporation

- (a) Boustead Holdings Berhad (BHB)
- (b) Power Cables Malaysia Sdn. Bhd. (PCMSB)
- (c) Irat Properties Sdn. Bhd. (IPSB)
- (d) Perbadanan Perwira Harta Malaysia (PPHM)
- (e) Perbadanan Hal Ehwal Bekas Angkatan Tentera (PERHEBAT)
- (f) Perwira Niaga Malaysia (PERNAMA)

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 follows:

Group	Carrying Amount RM'000	Less Than 1 year RM'000	Between 1-5 years RM'000	More Than 5 years RM'000
<b>2016</b>				
<b>Payables</b>	<b>2,215,281</b>	<b>2,015,028</b>	<b>150,102</b>	<b>50,151</b>
<b>2015</b>				
Payables	2,119,592	1,602,228	510,054	7,310

#### (ii) Interest rate risk

The BHB and PCMSB finances their operation through operating cash flows and borrowings which are principally denominated in Ringgit Malaysia. The policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities.

Group	Carrying Amount RM'000	Less Than 1 year RM'000
<b>2016</b>		
<b>Deposits</b>	<b>336,662</b>	<b>336,662</b>
<b>Cash and bank balances</b>	<b>966,112</b>	<b>966,112</b>
<b>2015</b>		
Deposits	351,700	351,700
Cash and bank balances	410,713	410,713

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Subsidiary companies/Corporation (continued)

##### (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 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.

##### (g) Affin Holdings Berhad (AHB)

The AHB's Group has set up objectives to manage the risk that arise in connection with financial instruments. The risk management framework and policies of AHB'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 AHB. 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 AHB's Group takes cognisance of the risk elements in its operations. In view of the multi-faceted risks inherent especially in the banking sector, 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 relevant risk factors.

##### (i) Market Risk

Market risk is the potential loss in on and off-balance-sheet positions arising from movements in market prices. The AHB's Group exposure to market risk results largely from interest rate and foreign exchange rate risks.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Subsidiary companies/Corporation (continued)

#### (g) Affin Holdings Berhad (AHB) (continued)

##### (i) Market Risk (continued)

The Market Risk Management Framework governs the market risk activities of the AHB's Group which is supported by a set of approved market risk management policies, guidelines and procedures.

Risk control parameters are established based on risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These parameters are reviewed at least annually.

Market risk stemming from the Trading book is primarily controlled through the imposition of Stop-loss and Value-at-Risk ('VaR') risk control 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 Income ('NII') 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 know 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 abnormal market movements.

##### (ii) Credit Risk

Credit risk is the potential financial loss resulting from the failure of the customer to settle financial and contractual obligations through lending/financing, hedging, trading and investing activities. It includes both pre-settlement and settlement risk of trading counterparties. Credit risk emanates mainly from loans, advances and financing, loan/financing commitments arising from such lending activities, as well as through financial transaction with counterparties including interbank money market activities as well as derivatives instruments used for hedging and debt securities.

The management of credit risk in the AHB's Group is governed by the Credit Risk Management Framework which is supported by a set of approved credit policies, guidelines and procedures. Approval authorities are delegated to Senior Management and the Group Management Loan Committee of its banking subsidiaries to implement the credit policies and ensure sound credit granting standards. The Board Loan Review and Recovery Committee ("BLRRC") has review/veto power.

At the respective subsidiary level, an independent Group Risk Management ("GRM") function is headed by Group Chief Credit Officer ("GCCO") with direct reporting line to MD/CEO to ensure sound credit appraisal and approval process. GRM with direct reporting line to Board Risk Management Committee ("BRMC") has functional responsibilities for the management of credit risk, to ensure adherence to risk standards and discipline.

Credit guidelines and procedures are incorporated within the Credit Policy. The Credit Authority Framework facilitates the approval of all new, restructured and continuing credit facilities. New and existing businesses are governed by Credit Plan which is developed as part of the annual business planning and budgeting process. The Credit Plan is reviewed at least annually to ensure the guidelines and criteria reflect portfolio strategy and market environment.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Subsidiary companies/Corporation (continued)

#### (g) Affin Holdings Berhad (AHB) (continued)

##### (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 AHB'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.

The AHB'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 AHB'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 respective banking subsidiary to fund its activities with more stable sources of funding on an ongoing basis.

The LCR and NSFR are tracked to assess the short term and long term liquidity risk profile of the AHB's Group, in line with BNM's Liquidity Coverage Ratio ('LCR') final standards re-issued on 25th August 2016 as well as BNM's revised Basel III Observation Period reporting for Net Stable Funding Ratio ('NSFR') and Leverage Ratio ('LR') issued on 7th August 2015.

The AHB'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 AHB's Group resilience in the event of a liquidity disruption.

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 AHB'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 AHB'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 AHB's Group.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Subsidiary companies/Corporation (continued)

#### (g) Affin Holdings Berhad (AHB) (continued)

#### (iii) Liquidity Risk (continued)

The maturity profile analysis of AHB's Group's financial liabilities based on contractual undiscounted cash flows as per table below:

AHB	Carrying Amount RM'000	Less Than 1 year RM'000	Between 1-5 years RM'000
<b>2016</b>			
<b>Payables</b>	<b>1,380,796</b>	<b>1,378,456</b>	<b>2,340</b>
<b>2015</b>			
Payables	1,417,504	1,282,959	134,545

#### (iv) Operational Risk Management

Operational risk is defined as the risk of direct and indirect loss resulting from inadequate or failed internal processes, people and systems or events. The definition includes legal risk, and exposure to litigation from all aspects of the AHB'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 AHB's Group.

BRMC approves all policies/policy changes relating to operational risk. Group Operation Risk Management Committee ("GORMC") supports BRMC 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 manage the risks in activities associated with the operational function of the AHB's Group.

The AHB's Group adopts the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the AHB's Group average annual gross income over the previous three years.

Operational risks are managed daily through established systems and processes to ensure compliance with policies, guidelines and control procedures. To identify and assess operational risk issues and exposure, the following tools are employed:

- Risk Control Self Assessment ("RCSA")
- Key Control Standards ("KCS")
- Key Risk Indicator ("KRI")
- Loss Event Database ("LED")

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Subsidiary companies/Corporation (continued)

#### (g) Affin Holdings Berhad (AHB) (continued)

#### (iv) Operational Risk Management (continued)

Information Technology (“IT”) and cyber risks are managed as part of the operational risk activities. The IT systems and processes are assessed and tested regularly for resilience and continuity, and that they are secure from internal and external threats.

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. As an internal requirement, all Operational Risk Coordinators must satisfy an Internal Operational Risk (including business continuity management) Certification Program. These coordinators will first go through an on-line self-learning exercise before attempting on-line assessments to measure their skills and knowledge level. This will enable Group Risk Management to prescribe appropriate training and development activities for the coordinators.

#### (v) Interest Rate Risk

The AHB’s Group assets and liabilities are categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the interest rate sensitive commitments and contingencies.

AHB	Carrying Amount RM’000	Less Than 1 year RM’000	Between 1-5 years RM’000	Non-interest Sensitive RM’000
<b>2016</b>				
Deposits	1,832,611	150,014	20,000	1,662,597
Cash and bank balances	4,836,222	4,238,452	-	597,770
<b>2015</b>				
Deposits	2,279,611	349,843	145,000	1,784,768
Cash and bank balances	4,441,700	3,431,298	-	1,010,402

#### (vi) Shariah Non-Compliance Risk

Shariah non-compliance is the risk of failure to comply with the Shariah rules and principles as determined by SC and/or any other relevant bodies, such as BNM Shariah Advisory Council.

The Shariah Governance Framework for Islamic Financial Institutions issued by BNM is the main reference for the Shariah governance process and oversight within Affin Islamic Bank Berhad.

Shariah Committee (“SC”) is established to deliberate on Shariah issues and provide resolution as well as guidance. GORMC together with BRMC and GBRMC assist in the overall oversight of Shariah risk management of the AHB’s Group.



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Subsidiary companies/Corporation (continued)

#### (g) Affin Holdings Berhad (AHB) (continued)

##### (vi) Shariah Non-Compliance Risk (continued)

Shariah Risk Management is part of an integrated risk management control function to identify all possible risks of Shariah non-compliance 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.

Each business and support unit is responsible to identify and assess potential Shariah Non-Compliance Risk using the RCSA process. Half yearly RCSA checklist is performed to gauge the level of Shariah compliance.

All Islamic products, services and strategies related matters must be approved by the SC.

Shariah Resolutions/Circulars are issued and training on Shariah Compliance is conducted by the Shariah Review Team on a regular basis.

Shariah non-compliance reports are regularly submitted for further deliberation, decision and remedial action.

##### (vii) 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 AHB'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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 45. 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 assets and financial liabilities approximated to their respective carrying value as at reporting date, except for the following:

Group	Note	Carrying Amount RM'000	Fair value			Total RM'000
			Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>2016</b>						
<b>Financial Assets</b>						
Held for maturity securities	14	407,087	-	302,892	-	302,892
Loan, advances and financing	16	43,641,592	-	42,936,834	-	42,936,834
<b>Financial Liabilities</b>						
Deposit from customer	30	50,831,986	-	51,520,279	-	51,520,279
<b>2015</b>						
<b>Financial Assets</b>						
Held for maturity securities	14	459,368	-	442,304	-	442,304
Loan, advances and financing	16	43,308,265	-	43,060,045	-	43,060,045
<b>Financial Liabilities</b>						
Deposit from customer	30	49,775,725	-	50,569,344	-	50,569,344
Recourse obligation on loans sold to Cagamas Berhad	31	134,585	-	136,065	-	136,065

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 45. 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:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2016</b>				
<b>Group</b>				
<b>Financial Assets</b>				
Available for sale securities				
- quoted	1,555,751	-	21,046	1,576,797
- unquoted	-	8,891,001	777,545	9,668,546
- others	-	4,621,104	-	4,621,104
Held for trading securities	190,475	246,727	-	437,202
Derivative assets	-	290,735	-	290,735
	<u>1,746,226</u>	<u>14,049,567</u>	<u>798,591</u>	<u>16,594,384</u>
<b>Non-Financial Asset</b>				
Investment properties	-	-	2,103,951	2,103,951
<b>Financial Liabilities</b>				
Derivative liabilities	-	553,378	-	553,378
	<u>-</u>	<u>553,378</u>	<u>-</u>	<u>553,378</u>
<b>LTAT</b>				
<b>Financial Assets</b>				
Available for sale securities				
- quoted	1,114,384	-	-	1,114,384
- unquoted	-	-	508,941	508,941
Held for trading securities	135,433	-	-	135,433
	<u>1,249,817</u>	<u>-</u>	<u>508,941</u>	<u>1,758,758</u>
<b>Non-Financial Assets</b>				
Investment properties	-	-	425,726	425,726
	<u>-</u>	<u>-</u>	<u>425,726</u>	<u>425,726</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 45. FAIR VALUE MEASUREMENTS (continued)

#### b) Fair Value Hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Group				
Financial Assets				
Available for sale securities				
- quoted	1,711,796	240,850	-	1,952,646
- unquoted	-	7,707,457	627,581	8,335,038
- others	-	4,814,772	-	4,814,772
Held for trading securities	178,445	88,452	-	266,897
Derivative assets	-	294,556	-	294,556
	<u>1,890,241</u>	<u>13,146,087</u>	<u>627,581</u>	<u>15,663,909</u>
Non-Financial Assets				
Investment properties	-	1,460,529	592,086	2,052,615
Financial Liabilities				
Derivative liabilities	-	556,119	-	556,119
LTAT				
Financial Assets				
Available for sale securities				
- quoted	1,448,585	-	-	1,448,585
- unquoted	-	-	401,248	401,248
Held for trading securities	144,881	-	-	144,881
	<u>1,593,466</u>	<u>-</u>	<u>401,248</u>	<u>1,994,714</u>
Non-Financial Assets				
Investment properties	-	-	425,400	425,400

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares.

In estimating its significance, the Group and LTAT used an approach 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 46. OPERATING LEASE OBLIGATIONS

Group as a lessee

The non-cancellable operating lease commitments arising from the above are as follows:

	Group	
	2016 RM'000	2015 RM'000
Within 1 year	<b>14,309</b>	11,191
Later than 1 year but not later than 5 years	<b>7,229</b>	7,144
Later than 5 years	<b>9,060</b>	10,309
	<b>30,598</b>	28,644

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		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Within 1 year	<b>132,627</b>	123,844	<b>26,166</b>	26,654
Later than 1 year but not later than 5 years	<b>98,564</b>	112,901	<b>26,395</b>	43,963
	<b>231,191</b>	236,745	<b>52,561</b>	70,617

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 47. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions are as follow:

	Group/LTAT	
	2016 RM'000	2015 RM'000
<b>a) Transaction with subsidiary companies/corporation</b>		
<b>i) Income</b>		
Interest on short term deposits and money markets	3,053	3,322
Profits on short term deposit and money markets Islamic Banking	233	6
Interest on Medium Term Notes	19,022	18,970
Profit from Junior Sukuk Musharakah	9,175	9,150
Interest from advances to PPHM	7,474	11,293
Rental	817	705
Dividends received	345,295	253,441
Gain on disposal of shares	54,864	139,632
	<b>439,933</b>	<b>436,519</b>
<b>ii) Expenses</b>		
Management fees and building maintenance	3,536	2,822
Portfolio management fees	266	259
Multimedia services	49	100
	<b>3,851</b>	<b>3,181</b>
<b>iii) Amounts due from subsidiary companies</b>		
Advances to PPHM	376	282,640
Interest accrued from deposits and money markets	28	50
Interest accrued from Medium Term Notes	31,859	22,296
Interest accrued from advances to PPHM	1,991	18,766
Profit accrued from Junior Sukuk Musharakah	88	63
Dividend received	127,818	109,550
Income from portfolio management	312	38
Sale of shares	-	121,792
Others	-	10
	<b>162,472</b>	<b>555,205</b>
<b>iv) Amounts due to subsidiary companies</b>		
Building's maintenance management fees	860	242
Purchase of shares	16,756	10,893
Taman LTAT Project, Bukit Jalil	395	1,832
Deposit and guarantee	271	251
Portfolio management fees	67	65
Others	5,510	1,609
	<b>23,859</b>	<b>14,892</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 47. SIGNIFICANT RELATED PARTY TRANSACTION (continued)

#### b) Transaction With Government Of Malaysia

##### Boustead Holdings Berhad

- i) On 7 September 2012, a sub subsidiary Boustead Holdings Berhad received a letter of award from the Ministry of Defence (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 million for a period of 3 years from the date of acceptance of the award. The aggregate revenue recognised for the year ended 31 December 2016 amounted to RM8 million (2015: RM16 million).

On 16 December 2011, the 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 Ships (Frigate Class)" (LCS) at a contract value of RM9 billion. The aggregate revenue recognised under the letter of award for the year ended 31 December 2016 amounted to RM501 million (2015: RM844 million).

On 2 December 2009, the sub subsidiary signed a contract with MINDEF to provide Service Life Extension Programme for Kasturi Class Corvettes (KD Kasturi and KD Lekir) a contract sum of RM704 million. During the year, no revenue as recognised from the contract (2015: RM39 million).

- ii) On 16 March 2011, a sub subsidiary entered into a Concession Agreement with the Government of Malaysia represented by the Ministry of Health Malaysia (MOH) for a period of ten years expiring on 30 November 2019 for the right and authority to purchase, store, supply and distribute the Approved Products (drugs and non-drugs approved by MOH) to the Public Sector Customers such as government hospital, health office, health clinic, dental clinic or any health institution or other similar facility within Malaysia which is operated and controlled by MOH and as determined by MOH from time to time. The aggregate revenue recognised for the year amounted to RM1,380 million (2015: RM1,516 million).
- iii) In 2015, the sub subsidiary entered into Supply Agreements with three teaching hospitals under Ministry of Higher Education (MOHE), namely Universiti Sains Malaysia, Universiti Kebangsaan Malaysia and University Malaya for the services of purchasing, storing, supplying and delivering to drugs and non-drugs. The Supply Agreement shall expire on 30 November 2019. The aggregate revenue recognised for the year amounted to RM70 million (2015: RM74 million).



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 48. SIGNIFICANT EVENTS

#### Buroi Mining Sdn Bhd

LTAT purchased shares in Buroi Mining Sdn Bhd (Buroi) in October 2007 at a cost of RM55 million from Mr. Ling Lee Soon (LLS) who was a shareholder of the company. LTAT had carried out an evaluation on the proposal to ensure its feasibility and ability to give return on investment. The Share Sale Agreement signed by LTAT has a clause that protects LTAT's interest where LLS is required to buy-back LTAT's shares if a coal supply agreement was not signed between Buroi and Metading Power Plant located in Mukah, Sarawak. As no coal supply agreement was signed within the agreed period, LTAT filed a claim in the Kuala Lumpur High Court requiring LLS to buy back LTAT's shares in Buroi at an investment cost of RM55 million.

On 18 August 2014, the Kuala Lumpur High Court decided in favour of LTAT with full settlement of the judgement sum and legal costs to be paid by LLS. However, LLS did not make any payment to LTAT. RHB Bank Berhad as one of the creditor secured a bankruptcy order against LLS on 18 December 2015 for failure to repay the financing loan.

Since LLS resides in Singapore, LTAT filed a bankruptcy action against LLS in the Supreme Court of Singapore through Messrs. Morgan Lewis Stamford LLC on 27 November 2015. On 10 June 2016, the Assistant Registrar dismissed the Bankruptcy Application and LTAT filed a Notice of Appeal on 23 June 2016 against the Assistant Registrar's decision. On 5 October 2016, the learned High Court Judge has allowed LTAT's appeal and made a bankrupt order against LLS. The Official Assignee of Singapore was appointed as the trustee of LLS's estate.

### 49. ACQUISITION AND DISPOSAL

#### (a) Acquisition of sub subsidiaries

The fair value of the assets and liabilities assumed upon the acquisition are as follows:

	Group	
	2016 RM'000	2015 RM'000
Net assets acquired:		
Property, plant and equipment (Note 3)	(645)	(1,812)
Intangible assets (Note 9)	(3,554)	(74,945)
Current assets	(19,589)	(19,485)
Current liabilities	692	43,438
Deferred tax liabilities (Note 15)	111	-
Loan and receivables	-	(10,200)
Borrowings	-	103,049
Goodwill	-	(595,045)
Purchase consideration	(22,985)	(555,000)
Retention sum classified as other payables	553	-
Cash and cash equivalent acquired	-	19,485
Net cash outflow on acquisition	(22,432)	(535,515)

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 49. ACQUISITION AND DISPOSAL (continued)

#### (b) Disposal of sub subsidiaries

The effects on the financial position of the Group arising from the disposal are as follows:

	Group	
	2016 RM'000	2015 RM'000
Net assets disposed:		
Property, plant and equipment (Note 3)	2,876	-
Biological assets (Note 4)	19,482	-
Prepaid land lease payments (Note 7)	5,457	-
Current assets	1,953	-
Current liabilities	(308)	-
Deferred tax liabilities (Note 15)	2,355	-
Non controlling interest	(5,365)	-
Net assets disposed	26,450	-
Disposal expenses	160	-
Gain on disposal	33,390	-
Disposal proceeds	60,000	-
Cash and bank balances disposed	(12)	-
Net cash inflow on disposal	59,988	-

### 50. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the accumulated profits at the reporting date of the Group and LTAT into realised and unrealised profit are as follows:

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total accumulated profits of LTAT, Corporation and subsidiary companies				
- realised	4,373,855	4,454,476	189,119	279,751
- unrealised	929,762	844,596	104,927	104,927
	5,303,617	5,299,072	294,046	384,678

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 50. DISCLOSURE OF REALISED AND UNREALISED PROFITS (continued)

	Group		LTAT	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total share of accumulated profits in associated companies				
- realised	<b>1,136,895</b>	1,055,602	-	-
- unrealised	<b>228,518</b>	189,252	-	-
Total share of accumulated profits in investment in joint ventures				
- realised	<b>75,865</b>	(32,540)	-	-
- unrealised	<b>(12,277)</b>	(1,206)	-	-
	<b>6,732,618</b>	6,510,180	<b>294,046</b>	384,678
Consolidation adjustments	<b>(6,041,629)</b>	(5,340,926)	-	-
	<b>690,989</b>	1,169,254	<b>294,046</b>	384,678

### 51. COMPARATIVE FIGURES

The presentation and classification of certain items have been amended. The comparative figures of such items have been modified to conform with the current year's presentation.

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# LEMBAGA TABUNG ANGKATAN TENTERA

## FINANCIAL STATEMENTS

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# STATEMENTS OF FINANCIAL POSITION

As At 31 December 2016

	Note	2016 RM'000	2015 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	84,429	88,042
Development properties	4	381,884	381,243
Investment properties	5	426,098	425,772
Subsidiary companies	6	5,052,347	4,195,949
Associated companies	7	201,539	206,619
Available for sale securities	8	1,862,817	2,181,325
Held to maturity securities	9	150,000	150,000
Loans and receivables	10	271,000	271,000
<b>Total Non-Current Asset</b>		<b>8,430,114</b>	<b>7,899,950</b>
<b>Current Assets</b>			
Property development in progress	11	144,501	216,282
Inventories	12	45,283	45,999
Held for trading securities	13	135,433	144,881
Loans and receivables	10	667,487	877,918
Deposits	14	167,794	148,554
Cash and bank balances		7,158	18,389
<b>Total Current Assets</b>		<b>1,167,656</b>	<b>1,452,023</b>
<b>TOTAL ASSETS</b>		<b>9,597,770</b>	<b>9,351,973</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Members' contribution account	15	8,616,592	9,054,794
Reserve fund	16	172,332	181,096
Available for sale securities reserve		(267,823)	(564,143)
Asset revaluation reserve		10,676	10,676
Accumulated profits		294,046	384,678
<b>Total Equity</b>		<b>8,825,823</b>	<b>9,067,101</b>
<b>Non-Current Liabilities</b>			
Employee benefits liability	17	73,163	66,311
<b>Total Non-Current Liabilities</b>		<b>73,163</b>	<b>66,311</b>
<b>Current Liabilities</b>			
Provision for unit trust benefits	18	170,726	179,693
Payables	19	528,058	38,868
<b>Total Current Liabilities</b>		<b>698,784</b>	<b>218,561</b>
<b>TOTAL LIABILITIES</b>		<b>771,947</b>	<b>284,872</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,597,770</b>	<b>9,351,973</b>

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Income	20	809,390	761,951
Other income	21	1,655	4,821
<b>Total income for the year</b>		<b>811,045</b>	766,772
Net fair value loss on held for trading securities	22	(10,965)	(12,217)
Impairment loss on shares	23	(122,176)	-
Impairment loss on loans and receivables	24	(62)	(1,405)
Staff costs	25	(54,740)	(42,049)
Operating costs	26	(22,984)	(21,742)
Depreciation		(4,648)	(4,516)
<b>Profit before zakat</b>		<b>595,470</b>	684,843
Zakat	27	(432)	(353)
<b>Net profit for the year</b>		<b>595,038</b>	684,490
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
Adjustment on revaluation of land and building		-	167
Remeasurement of post retirement medical benefits		(822)	(1,948)
Remeasurement of gratuity plan benefits		(743)	603
		<b>(1,565)</b>	(1,178)
Items that may be reclassified to profit or loss			
Net gain/(loss) on available for sale securities			
- Fair value changes		68,587	(215,293)
- Transfer to profit or loss upon disposal		108,134	36,898
- Cumulative loss reclassified to profit or loss		119,599	-
		<b>296,320</b>	(178,395)
<b>Other comprehensive income for the year</b>		<b>294,755</b>	(179,573)
<b>Total comprehensive income for the year</b>		<b>889,793</b>	504,917

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



# STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 December 2016

	Note	Members' Contribution Account RM'000	Reserve Fund RM'000	Available for Sale Securities Reserve RM'000	Asset Revaluation Reserve RM'000	Accumulated Profits RM'000	Total RM'000
<b>2016</b>							
<b>Balance at 1 January</b>		9,054,794	181,096	(564,143)	10,676	384,678	9,067,101
Net profit for the year		-	-	-	-	595,038	595,038
Other comprehensive income for the year		-	-	296,320	-	(1,565)	294,755
<b>Total comprehensive income for the year</b>		-	-	296,320	-	593,473	889,793
<b>Transactions with owners</b>							
Transfer to dormant account		(2,869)	-	-	-	-	(2,869)
Transfer to accumulated profit		-	(8,764)	-	-	8,764	-
Adjustments on contributions	28	(456)	-	-	-	163	(293)
Contribution received during the year		820,760	-	-	-	-	820,760
Dividends at 6% for the year and at 6% for withdrawal		514,823	-	-	-	(514,823)	-
Withdrawals during the year		(1,754,525)	-	-	-	-	(1,754,525)
Housing withdrawals during the year		(15,935)	-	-	-	-	(15,935)
Unit trust benefits at 6% for the year		-	-	-	-	(170,726)	(170,726)
Payment to death and disablement benefit scheme		-	-	-	-	(7,483)	(7,483)
<b>Total transactions with owners</b>		(438,202)	(8,764)	-	-	(684,105)	(1,131,071)
<b>Balance at 31 December</b>		8,616,592	172,332	(267,823)	10,676	294,046	8,825,823

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

# STATEMENTS OF CHANGES IN EQUITY (continued)

For The Year Ended 31 December 2016

	Note	Members' Contribution Account RM'000	Reserve Fund RM'000	Available for Sale Securities Reserve RM'000	Asset Revaluation Reserve RM'000	Accumulated Profits RM'000	Total RM'000
2015							
Balance at 1 January		8,685,370	173,708	(385,748)	10,509	409,526	8,893,365
Net profit for the year		-	-	-	-	684,490	684,490
Other comprehensive income for the year		-	-	(178,395)	167	(1,345)	(179,573)
Total comprehensive income for the year		-	-	(178,395)	167	683,145	504,917
Transactions with owners							
Transfer to dormant account		(1,791)	-	-	-	-	(1,791)
Refund of payment to army/army veterans (one-off payment)		-	-	-	-	385	385
Transfer from accumulated profit		-	7,388	-	-	(7,388)	-
Adjustments on contributions	28	(130)	-	-	-	6	(124)
Contribution received during the year		783,687	-	-	-	-	783,687
Dividends at 6% for the year and at 7% for withdrawal		514,396	-	-	-	(514,396)	-
Withdrawals during the year		(910,320)	-	-	-	-	(910,320)
Housing withdrawals during the year		(16,418)	-	-	-	-	(16,418)
Unit trust benefits at 6% for the year		-	-	-	-	(179,693)	(179,693)
Payment to death and disablement benefit scheme		-	-	-	-	(6,907)	(6,907)
Total transactions with owners		369,424	7,388	-	-	(707,993)	(331,181)
Balance at 31 December		9,054,794	181,096	(564,143)	10,676	384,678	9,067,101

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

# STATEMENTS OF CASH FLOWS

For The Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
<b>Cash Flow From Operating Activities</b>			
Grant received		5,000	69,000
Cash receipts from customer		15,131	1,226
Advances received from the government for the development of Government Quarters		70,409	93,981
Rental received		858	731
Cash payments to employees		(45,081)	(42,463)
Cash payments to suppliers		(35,741)	(13,221)
Received from/(Advances paid to) PPHM		273,000	(225,000)
Cash generated from/(used in) operating activities		283,576	(115,746)
Unit trust benefits paid		(179,693)	(195,678)
Payment to death & disablement benefits scheme		(7,472)	(6,897)
Payment to PERHEBAT		(5,000)	(69,000)
Employee benefits paid		(2,297)	(2,701)
Payment to army/army veterans (one-off payment)		-	(865)
Advances to PPHM for the development of Government Quarters		(70,409)	(98,370)
Zakat paid		(432)	(353)
Net cash from/(used in) operating activities		18,273	(489,610)

# STATEMENTS OF CASH FLOWS (continued)

For The Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
<b>Cash Flow From Investing Activities</b>			
Purchase of property, plant and equipment		(517)	(3,249)
Purchase of development properties		(477)	(18,948)
Investment properties		(215)	(597)
Additional investment in subsidiary companies		(866,366)	(369,935)
Purchase of available for sale securities		(70,898)	(461,355)
Capital repayment from available for sale securities		-	40,408
Profit from held to maturity securities		9,150	9,150
Investment in held for trading securities		6,020	44,979
Property development in progress		(47,195)	(8,511)
Interest and profit received		40,483	6,741
Disposal of property, plant and equipment		7	19
Disposal of development properties		19,922	-
Sales of completed properties		1,586	-
Disposal of subsidiary companies		242,598	122,243
Disposal of associated companies		245,475	15,483
Disposal of available for sale securities		499,878	544,608
Dividend received from subsidiary companies		340,412	204,190
Dividend received from associated companies		38,563	33,586
Dividend received from available for sale securities		109,916	44,562
Other income from associated companies		1,657	938
Other income from available for sale securities		-	160
Rental received from investment properties		29,195	21,813
Refund of tax credit from Inland Revenue Board		1,907	14,137
Net cash from investing activities		601,101	240,422
<b>Cash Flow From Financing Activities</b>			
Members' contribution received		821,229	784,031
Members' withdrawals		(1,432,594)	(929,345)
Net cash used in financing activities		(611,365)	(145,314)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,009</b>	<b>(394,502)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>166,943</b>	<b>561,445</b>
<b>Cash and cash equivalents at 31 December</b>	29	<b>174,952</b>	<b>166,943</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

## 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 represent the compulsory contributions of officers and other ranks, Malaysian Armed Forces as well as voluntary contributions of the mobilized members of volunteer forces. These activities involved the process of collection, management and investment of the contribution funds in development properties (note 4), investment properties (note 5), subsidiary companies (note 6), associated companies (note 7), available for sale securities (note 8), held to maturity securities (note 9), loans and receivables (note 10), property development in progress (note 11), inventories (note 12), held for trading securities (note 13) and deposits (note 14).

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 2016 are 265 employees (31 December 2015: 272 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 Financial Reporting Standards (FRSs) approved and issued by Malaysian Accounting Standards Board (MASB) for entities other than private entities.

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS).

On 8 September 2015, the MASB confirmed that the effective date of MFRS 15 Revenue from Contracts with Customers will be deferred to annual periods beginning on or after 1 January 2018. As a result, the effective date for Transitioning Entities to apply the MFRS Framework will also be deferred to annual periods beginning on or after 1 January 2018.

The Transitioning Entities are entities within the scope of MFRS 141: Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate, including their parents, significant investors and investment in joint ventures. Generally, the Transitioning Entities are entities in the real estate and agriculture industries that have been given the option to continue applying the FRSs Framework, the predecessor of the MFRSs Framework.

LTAT which falls within the scope definition of Transitioning Entities has opted to adopt the MFRS Framework for annual periods beginning on or after 1 January 2018. When LTAT present its first MFRS financial statements in 1 January 2018, LTAT will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustment required on transition will be made, retrospectively, against opening accumulated profits.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of Preparation (continued)

##### (a) Statement of Compliance (continued)

The accounting policies adopted by LTAT in these financial statements are consistent with the financial statements for year ended 31 December 2015 except for the adoption of the following new and amendments to FRSs for financial statements effective from 1 January 2016 as below:

- Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements FRSs 2012-2014 Cycle).
- Amendments to FRS 7 Financial Instruments Disclosures (Annual Improvements to FRSs 2012-2014 Cycle).
- Amendments to FRS 119 Employee Benefits (Annual Improvements to FRSs 2012-2014 Cycle).
- Amendments to FRS 134 Interim Financial Reporting (Annual Improvements to FRSs 2012 -2014 Cycle).
- Amendments to FRS 10 Consolidated Financial Statements, FRS 12 Disclosure of Interests in Other Entities and FRS 128 Investments in Associates and Joint Venture (2011) - Investment Entities Applying the Consolidation Exception.
- Amendments to FRS 11 Joint Arrangements - Accounting for Acquisition of Interests in Joint Operations.
- FRS 14 Regulatory Deferral Accounts.
- FRS 101 Presentation of Financial Statements - Disclosure Initiative (Amendments to MFRS 101).
- Amendments to FRS 116 Property, Plant and Equipment and FRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation.
- Amendments to FRS 127 Separate Financial Statements (2011) - Equity Method in Separate Financial Statements.

Adoption of above new or amended standards did not have any effect on the financial performance or the position of LTAT.

##### (b) Statement Issued But Not Yet Effective

LTAT has not early adopted the following new and amended FRS that are not yet effective.

###### Effective for annual period beginning on or after 1 January 2017

- Amendments to FRS 12 Disclosure of Interest in Others Entities (Annual Improvements 2014-2016 Cycle).
- Amendments to FRS 107 Statement of Cash Flow - Disclosure Initiative.
- Amendments to FRS 112 Income Tax - Recognition of Deferred Tax Assets for Unrealised Losses.

###### Effective for annual period beginning on or after 1 January 2018

- Amendments to FRS 1 First Time Adoption of Financial Reporting Standards (Annual Improvements 2014 - 2016 Cycle).
- Amendments to FRS 2 Share-based Payment-Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 4 Insurance Contracts (Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts).
- FRS 9 Financial Instruments (2014).

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of Preparation (continued)

##### (b) Statement Issued But Not Yet Effective (continued)

###### Effective for annual period beginning on or after 1 January 2018 (continued)

- Amendments to FRS 128 Investment in Associates and Joint Ventures (Annual Improvements 2014 - 2016 Cycle).
- Amendments to FRS 140 Investment Properties (Transfer of Investment Property).
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration.

###### Deferred

- Amendments to FRS 10 Consolidated Financial Statements and FRS 128 Investments in Associates and Joint Ventures (2011) - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures.

##### (c) 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.

##### (d) 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. 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.



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of Preparation (continued)

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

###### (ii) Impairment of Loans and Receivables

LTAT assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairments, LTAT considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

###### (iii) Property Development

LTAT recognises property development revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development cost incurred for work performed to date bear to the estimated total property development cost.

Significant judgement is required in determining the stage of completion, 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.

##### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### (c) Financial Instruments

Financial instruments are categorised and measured based on accounting policies as follows:

##### (i) Initial Recognition and Measurement

Financial instruments are recognised in the statements of financial position when, and only when, LTAT becomes a party to the contractual provisions of the financial assets.

When financial instruments are recognised initially, they are measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs.

Purchase and sale of investments are recognised and derecognized at trade date, at the date of LTAT purchase and sell of the assets.

##### (ii) Categories and Measurement

LTAT's Financial instruments are categorised and measured as follows:

#### Financial Assets

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gain or losses arising from changes in fair value are recognised in profit or loss.

##### 2) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Financial asset classified in this category include cash and bank balances, loans and advances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment loss. Gain and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which classified as non-current assets.

##### 3) Available For Sale Securities

Available for sale securities are financial assets that are designated as available for sale or are not classified in any other categories of financial asset.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (c) Financial Instruments (continued)

##### (ii) Categories and Measurement (continued)

##### Financial Assets (continued)

##### 3) Available For Sale Securities (continued)

After initial recognition, financial assets under available for sale securities category are measured at fair value. Any gains or losses from changes in fair values of financial asset are recognised in other comprehensive income.

Available for sale securities are stated at fair value except when there is no quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost. In absence of an observable market price, valuation technique will be used.

##### 4) Held to Maturity Securities

Held to maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturity that LTAT has the positive intent and ability to hold to maturity.

Subsequent to initial recognition, held to maturity securities are measured at amortised cost using the effective interest method.

All financial assets except for held for trading securities are subject to impairment loss test.

##### 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 are subsequently measured at fair values with the gain or loss recognised in profit and loss.

##### (iii) Regular Way Purchase or Sale of Financial Asset

Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms require delivery of assets within the period generally established by regulation or convention in the market place concerned.

Regular way purchases or sales of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- a) The recognition of an asset to be received and the liability to pay for it on the trade date, and
- b) The derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (c) Financial Instruments (continued)

###### (iv) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expired, or the financial assets have been transferred to other parties without retaining any significant amount of risks and rewards from the transfers. On the derecognition of financial asset in its entirety, the difference between carrying amount and the sum of consideration received and any gain or loss that had been recognised in equity will be recognised in profit or loss.

##### (d) Fair Value Measurement

LTAT measures financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Fair value of financial instruments measured at amortised cost.

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 to 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.

# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### (d) Fair Value Measurement (continued)

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.

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

All items of property, plant and equipment are initially recorded at cost. Certain land and buildings are subsequently shown at valuation less subsequent depreciation and impairment loss.

LTAT have not adopted a policy of regular valuation and applied the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment that allow assets to be stated at current valuation less accumulated depreciation. Valuation is determined by independent professional valuers based on open market, and no later valuations were recorded. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

The revaluation surplus arising from previous revaluation is accumulated in equity under revaluation reserve. Any impairment loss is first offset against the revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

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 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%
Plant 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. Unutilised revaluation surplus on that item is taken directly to accumulated profits.

Depreciation for the year is calculated only for property, plant and equipment purchased before 1 July. Depreciation for purchased after 30 June will be accounted for in the following year. Property, plant and equipment with purchase value of less than RM2,000 per unit were expensed off in the year of purchase.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (f) Development Properties and Property Development in Progress

###### i) Development Properties

Development properties are classified within non-current assets and are stated at cost less accumulated impairment losses.

Development properties 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.

Development properties are reclassified as property development in progress 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.

###### 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.

Property development revenue and expenses are recognised in profit or loss using the stage of completion method when the financial outcome of the development activity can be reliably estimated. The stage of completion is determined by the proportion that property development cost incurred for work performed to date bear to the estimated total property development cost.

Where the financial outcome cannot be reliably estimated, revenue is recognised to the extent that costs are recoverable and costs on properties sold are expensed in the period incurred.

Any expected loss on a development project, including costs to be incurred over the defect liability period, is recognised as an expense immediately.

The excess or shortfall of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings within other receivables or progress billings within other payables respectively.

Property development costs not recognised as an expense are recognised as asset, which is measured at the lower of cost or net realisable value.

##### (g) 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (g) Investment Properties (continued)

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.

##### (h) Inventories

Inventories are measured at the lower of cost and net realisable value.

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

Inventories of completed properties comprise cost of land and the relevant development cost.

##### (i) Leases

A lease is recognised as finance lease if it transfers substantially all the risks and rewards of ownership.

Leasehold land is a finance lease and classified under property, plant and equipment.



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (j) Impairment of Assets

###### (i) Financial Assets

Carrying amount of all financial assets (except financial assets classified under held for trading securities, investments in subsidiary and associated companies) are reviewed at reporting date to determine whether there is any indication of impairment as a result of one or more events that give impact to the estimated future cash flows of the assets.

Loss from future event, no matter how it derives is not recognised.

For equity investments, significant or prolonged decline in fair value below cost is an objective evidence of impairment loss.

The impairment loss of loans and receivables are recognised in profit or loss and are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount is reduced through the use of an allowance account.

The impairment loss of available for sale securities is recognised in profit or loss measured as the difference between its cost and its current fair value less any impairment loss previously recognised in profit or loss. Where a decline in the fair value of available for sale financial assets has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised in profit or loss.

The impairment losses of unquoted equity instruments that is carried at cost will be recognised in profit or loss and are measured as the difference between carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment for investment in equity is not reversed in profit or loss.

###### (ii) 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. Impairment loss on goodwill is not reversed in a subsequent period.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (k) 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.

##### (l) Payables

Payables are stated at cost.

##### (m) 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.

##### (n) 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 other comprehensive income and as a liability in the statement of financial position as provision for the post retirement medical benefits.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (n) Employee Benefits (continued)

##### iii) Post Retirement Medical Benefits (continued)

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 of 7% per annum (2015: 7%) on the medical treatment cost; and
- (b) A discount rate of 5.8% per annum (2015: 5.9%).

##### iv) Gratuity Plan Benefits

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

This provision is accrued as an expense in other comprehensive income 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 (2015: 5.3%); and
- (b) an increment rate of 6% per annum (2015: 6%).

##### (o) Income Recognition

Dividend income from investments is recognised when the shareholders' right to receive payment is established.

Income from contracts and property development is recognised on the stage of completion method.

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

##### (p) 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.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 3. PROPERTY, PLANT AND EQUIPMENT

	Freehold Properties	Long Term Leasehold Properties		Plant and Equipment	Total
	RM'000	Land RM'000	Building RM'000	RM'000	RM'000
<b>2016</b>					
<b>Cost/Valuation</b>					
<b>Balance at 1 January</b>	<b>130</b>	<b>50,000</b>	<b>38,270</b>	<b>36,788</b>	<b>125,188</b>
Additions	-	-	684	399	1,083
Disposals	-	-	-	(106)	(106)
Adjustment	-	-	-	(708)	(708)
<b>Balance at 31 December</b>	<b>130</b>	<b>50,000</b>	<b>38,954</b>	<b>36,373</b>	<b>125,457</b>
<b>Accumulated depreciation</b>					
<b>Balance at 1 January</b>	<b>8</b>	<b>2,305</b>	<b>3,701</b>	<b>31,132</b>	<b>37,146</b>
Additions	2	768	1,667	2,211	4,648
Disposals	-	-	-	(106)	(106)
Adjustment	-	-	-	(660)	(660)
<b>Balance at 31 December</b>	<b>10</b>	<b>3,073</b>	<b>5,368</b>	<b>32,577</b>	<b>41,028</b>
<b>Carrying Amount</b>	<b>120</b>	<b>46,927</b>	<b>33,586</b>	<b>3,796</b>	<b>84,429</b>
<b>2015</b>					
<b>Cost/Valuation</b>					
Balance at 1 January	130	50,000	36,891	35,366	122,387
Additions	-	-	1,379	2,122	3,501
Disposals	-	-	-	(406)	(406)
Adjustment	-	-	-	(294)	(294)
Balance at 31 December	130	50,000	38,270	36,788	125,188
<b>Accumulated depreciation</b>					
Balance at 1 January	6	1,536	2,467	29,321	33,330
Additions	2	769	1,234	2,511	4,516
Disposals	-	-	-	(406)	(406)
Adjustment	-	-	-	(294)	(294)
Balance at 31 December	8	2,305	3,701	31,132	37,146
Carrying Amount	122	47,695	34,569	5,656	88,042

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 4. DEVELOPMENT PROPERTIES

	2016 RM'000	2015 RM'000
<b>Freehold Properties</b>		
<b>Balance at 1 January</b>	<b>34,491</b>	32,146
Additions	50	2,345
	<b>34,541</b>	34,491
<b>Long Term Leasehold Properties</b>		
<b>Balance at 1 January</b>	<b>346,752</b>	497,787
Additions	591	14,408
Transfer to property development in progress (Note 11)	-	(165,443)
	<b>347,343</b>	346,752
<b>Balance at 31 December</b>	<b>381,884</b>	381,243

### 5. INVESTMENT PROPERTIES

	2016 RM'000	2015 RM'000
<b>Balance at 1 January</b>	<b>425,772</b>	420,372
Net fair value gain	-	4,554
Additions	326	846
<b>Balance at 31 December</b>	<b>426,098</b>	425,772
<b>At Fair Value</b>		
Freehold land	180,000	180,000
Freehold building	229,326	229,000
Long term leasehold land	11,600	11,600
Long term leasehold building	4,800	4,800
	<b>425,726</b>	425,400
<b>At Cost</b>		
Investment property in progress	372	372
	<b>372</b>	372
	<b>426,098</b>	425,772

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 6. SUBSIDIARY COMPANIES

	2016 RM'000	2015 RM'000
<b>At Cost</b>		
Quoted shares	4,520,967	3,664,569
Corporations	108,000	108,000
Unquoted shares	423,380	423,380
	<u>5,052,347</u>	<u>4,195,949</u>
<b>At Market Value</b>		
Quoted shares	<u>5,379,665</u>	<u>4,591,607</u>

### 7. ASSOCIATED COMPANIES

	2016 RM'000	2015 RM'000
Unquoted shares, at cost	204,116	206,619
Impairment loss on shares (Note 23)	(2,577)	-
	<u>201,539</u>	<u>206,619</u>

### 8. AVAILABLE FOR SALE SECURITIES

	2016 RM'000	2015 RM'000
<b>At Fair Value</b>		
Quoted shares	1,114,384	1,448,585
Unquoted shares	508,941	401,248
	<u>1,623,325</u>	<u>1,849,833</u>
<b>At Cost</b>		
Unquoted shares	55,165	55,165
Unquoted redeemable preference shares		
- subsidiary companies	174,300	166,300
- associated companies	10,027	110,027
	<u>239,492</u>	<u>331,492</u>
	<u>1,862,817</u>	<u>2,181,325</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 9. HELD TO MATURITY SECURITIES

	2016 RM'000	2015 RM'000
<b>At amortised cost</b>		
Junior Sukuk Musharakah	150,000	150,000
	<b>150,000</b>	<b>150,000</b>

### 10. LOANS AND RECEIVABLES

	2016 RM'000	2015 RM'000
<b>Non-Current</b>		
Medium Term Notes	271,000	271,000
	<b>271,000</b>	<b>271,000</b>
<b>Current</b>		
Other receivables	12,428	185,608
Amount receivable from sale of development properties	417,985	-
Tax recoverable from Inland Revenue Board	26,065	27,960
Interest accrued on deposits	5	12
Profit accrued on deposits - Islamic Banking	1	9
Dividend receivables	395	3,105
Other prepayments	6,372	811
Staff housing loans	8,643	8,867
Staff vehicle loans	798	942
Staff personal loan	1,147	1,211
Staff advances	43	49
Amounts due from subsidiary companies	162,472	555,205
Amounts due from associated companies	17,343	85,878
Amounts due from portfolio managements	7,265	3,355
Building management control accounts	5,530	3,910
Deposit and guarantee	995	996
	<b>667,487</b>	<b>877,918</b>

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

Other receivables aging analysis as at statements of financial position date are as follows:

	2016 RM'000	2015 RM'000
Less than 1 year	3,120	185,490
1 to 3 years	-	118
More than 3 years	9,308	-
	<b>12,428</b>	<b>185,608</b>



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 11. PROPERTY DEVELOPMENT IN PROGRESS

Property development in progress consists 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.

	2016 RM'000	2015 RM'000
Taman LTAT's development costs comprise the following:		
Land, at cost		
<b>Balance at 1 January</b>	<b>154,964</b>	9,653
Expenditures for the year	299	214
Sales	(83,429)	-
Adjustments	(3,926)	-
Transfer from development properties (Note 4)	-	145,652
Transfer to inventories (Note 12)	-	(555)
	<b>67,908</b>	154,964
Development cost		
<b>Balance at 1 January</b>	<b>61,318</b>	77,497
Expenditures for the year	49,358	9,515
Sales	(38,009)	-
Adjustments	3,926	(41)
Transfer from development properties (Note 4)	-	19,791
Transfer to inventories (Note 12)	-	(45,444)
	<b>76,593</b>	61,318
<b>Balance at 31 December</b>	<b>144,501</b>	216,282

### 12. INVENTORIES

Inventories consist of 88 units completed condominiums for sale in Taman LTAT, Bukit Jalil, Kuala Lumpur amounting to RM45.28 million (31 December 2015 : RM45.99 million).

### 13. HELD FOR TRADING SECURITIES

	2016 RM'000	2015 RM'000
<b>Quoted shares, at fair value</b>		
LTAT Revolving Fund	8,893	12,746
Portfolio Management	126,540	132,135
	<b>135,433</b>	144,881

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 14. DEPOSITS

	2016 RM'000	2015 RM'000
Short term deposit and money market		
- sub-subsidiary companies	114,575	43,456
- other institutions	15,946	54,551
	<b>130,521</b>	98,007
Short term deposit and money market Islamic Banking		
- sub-subsidiary companies	7,500	-
- other institutions	1,993	18,229
	<b>9,493</b>	18,229
Portfolio management short term deposit	27,780	32,318
	<b>167,794</b>	148,554

### 15. MEMBERS' CONTRIBUTION ACCOUNT

The total of members' contribution account as at 31 December 2016 amounted to RM8,616.59 million (31 December 2015 : RM9,054.79 million). This is arrived at after adding contributions received during the year, crediting dividends at 6% (2015: 6%) per annum, dividends on withdrawals at 6% (2015: 7%) per annum and deducting withdrawals and transfer to dormant account during the year.

### 16. 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:

	2016 RM'000	2015 RM'000
<b>Balance at 1 January</b>	<b>181,096</b>	173,708
Transfer (to)/from accumulated profits	(8,764)	7,388
<b>Balance at 31 December</b>	<b>172,332</b>	181,096

### 17. EMPLOYEE BENEFITS LIABILITY

	2016 RM'000	2015 RM'000
<b>Post retirement medical benefits</b>		
Defined benefits obligation	46,030	40,763
<b>Gratuity plan benefits</b>		
Defined benefits obligation	27,133	25,548
	<b>73,163</b>	66,311

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 17. EMPLOYEE BENEFITS LIABILITY (continued)

	2016 RM'000	2015 RM'000
<b>Movements in the net liability recognised in the statements of financial position</b>		
<b>Post retirement medical benefits</b>		
<b>Net liability at 1 January</b>	<b>40,763</b>	34,848
Expenses recognised in statements of profit or loss	4,919	4,205
Remeasurement of post retirement medical benefits	822	1,948
Post retirement medical benefits paid	(474)	(238)
	<b>46,030</b>	40,763
<b>Gratuity plan benefits</b>		
<b>Net liability at 1 January</b>	<b>25,548</b>	25,813
Expenses recognised in statements of profit or loss	2,732	2,678
Remeasurement of gratuity plan benefits	743	(603)
Gratuity plan benefits paid	(1,890)	(2,340)
	<b>27,133</b>	25,548
<b>Net liability at 31 December</b>	<b>73,163</b>	66,311

### 18. PROVISION FOR UNIT TRUST BENEFITS

	2016 RM'000	2015 RM'000
<b>Balance at 1 January</b>	<b>179,693</b>	195,678
Provision for the year	170,726	179,693
	<b>350,419</b>	375,371
Payment during the year	(179,693)	(195,678)
<b>Balance at 31 December</b>	<b>170,726</b>	179,693

### 19. PAYABLES

	2016 RM'000	2015 RM'000
Members' contribution payable	159	419
Dormant accounts	3,292	1,849
Other payables	492,863	13,154
Amounts due to subsidiary companies	23,859	14,892
Amounts due to portfolio management	1,549	2,721
Deposits from tenants	6,336	5,833
	<b>528,058</b>	38,868

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 19. 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 account 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).

### 20. INCOME

	2016 RM'000	2015 RM'000
Interest income		
- interest from short term deposits and money markets	5,548	4,997
- profit from short term deposits and money markets Islamic Banking	1,239	1,254
	<u>6,787</u>	<u>6,251</u>
Income from available for sale securities		
- dividend from quoted shares	39,582	54,791
- dividend from unquoted shares	24,029	7,567
- dividend from unquoted redeemable preference shares	20,770	21,589
- profit on sale of quoted shares	(1,069)	15,664
- other income from unquoted shares	-	160
- net fair value loss transferred from equity on disposal	(108,134)	(36,898)
	<u>(24,822)</u>	<u>62,873</u>
Income from held to maturity securities		
- profit from Junior Sukuk Musharakah	9,175	9,150
	<u>9,175</u>	<u>9,150</u>
Income from held for trading securities		
- dividend from quoted shares	4,360	4,824
- profit on sale of quoted shares	8,325	16,389
- income from deposits and other balances	1,416	1,993
- expenses	(2,051)	(2,458)
	<u>12,050</u>	<u>20,748</u>
Income from loans and receivables		
- interest from Medium Term Notes	19,022	18,970
- interest from advances to PPHM	7,474	11,293
	<u>26,496</u>	<u>30,263</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 20. INCOME (continued)

	2016 RM'000	2015 RM'000
Income from subsidiary companies		
- dividend from quoted shares	253,498	180,544
- dividend from unquoted shares	20,697	23,697
- dividend from investment in Corporations	71,100	49,200
- profit on sale of quoted shares	54,864	139,632
	<b>400,159</b>	393,073
Income from associated companies		
- dividend from unquoted shares	35,774	48,654
- profit on sale of unquoted shares	69,575	159,030
- other income	1,824	1,272
	<b>107,173</b>	208,956
Rental income		
- rental from property, plant and equipment		
- rental from subsidiary companies	817	705
- rental from others	39	25
- rental from investment properties	31,074	29,907
	<b>31,930</b>	30,637
Gain on sale of completed properties	322	-
Net gain on disposal of development properties	240,120	-
	<b>809,390</b>	761,951

### 21. OTHER INCOME

	2016 RM'000	2015 RM'000
Interest from staff housing loans	303	306
Interest from staff vehicle loans	29	28
Interest from staff personal loans	49	48
Net gain on disposals of property, plant and equipment	6	22
Net fair value gain on investment properties	-	4,554
Others	1,268	(137)
	<b>1,655</b>	4,821

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 22. NET FAIR VALUE LOSS ON HELD FOR TRADING SECURITIES

	2016 RM'000	2015 RM'000
LTAT Revolving Fund	(942)	(2,359)
Portfolio Management	(10,023)	(9,858)
	<u>(10,965)</u>	<u>(12,217)</u>

### 23. IMPAIRMENT LOSS ON SHARES

	2016 RM'000	2015 RM'000
Associated companies (Note 7)	(2,577)	-
Available for sale securities	(119,599)	-
	<u>(122,176)</u>	<u>-</u>

### 24. IMPAIRMENT LOSS ON LOANS AND RECEIVABLES

	2016 RM'000	2015 RM'000
Other receivables		
- impairment loss during the year	(62)	(1,619)
- impairment loss recovered	-	214
	<u>(62)</u>	<u>(1,405)</u>

### 25. STAFF COSTS

	2016 RM'000	2015 RM'000
Staff salaries and allowances	(35,478)	(26,486)
Pension and retirement benefits	(6,827)	(5,151)
Post retirement medical benefits	(4,919)	(4,205)
Gratuity plan benefits	(2,732)	(2,678)
Staff medical	(3,920)	(2,787)
Staff training	(209)	(293)
Staff incentives and other benefits	(655)	(449)
	<u>(54,740)</u>	<u>(42,049)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 26. OPERATING COSTS

	2016 RM'000	2015 RM'000
Office travel and transportation	(221)	(232)
Communication services	(943)	(792)
Utilities	(154)	(177)
Printing services	(164)	(196)
Office supplies	(503)	(476)
Maintenance and repairs	(1,414)	(1,314)
Cost of building maintenance	(14,174)	(13,539)
Professional and administrative services	(1,965)	(1,744)
Audit fees	(319)	(290)
Director's emolument	(542)	(538)
Corporate responsibility (CR)	(1,890)	(1,966)
Miscellaneous expenses	(695)	(478)
	<b>(22,984)</b>	<b>(21,742)</b>

### 27. ZAKAT

	2016 RM'000	2015 RM'000
Zakat	(432)	(353)
	<b>(432)</b>	<b>(353)</b>

Zakat represents business zakat paid to comply with the principles of Syariah. Zakat is calculated based on alternative method approved by the Board of LTAT at 2.5% of cash and bank balances (excluding cash and bank balances held by the portfolio management) as at 31 December 2015. (2015: RM0.35 million at the rate of 2.5% of the cash and bank balances as at 31 December 2014).

### 28. ADJUSTMENTS ON CONTRIBUTIONS

	2016 RM'000	2015 RM'000
Contribution over credited	(212)	(116)
Dividend over credited	(244)	(14)
	<b>(456)</b>	<b>(130)</b>
Adjustment on dividend	163	6
	<b>(293)</b>	<b>(124)</b>



## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statements of cash flows represent the amount in the statement of financial position as follows:

	2016 RM'000	2015 RM'000
Deposits (Note 14)	167,794	148,554
Cash and bank balances	6,444	17,281
Cash held by portfolio management	714	1,108
	<u>7,158</u>	<u>18,389</u>
	<u>174,952</u>	<u>166,943</u>

### 30. COMMITMENTS

	2016 RM'000	2015 RM'000
Capital expenditure authorised and not contracted for		
Investment properties	-	17,600
Additional investment	-	8,000
	<u>-</u>	<u>25,600</u>

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The LTAT's overall financial risk management policy is to optimise value creation for members whilst minimising the potential adverse impact arising from fluctuation of the interest rates and the unpredictable of financial markets.

In order for LTAT to achieve its mission, it has to manage the various risks posed by the ever-changing business environment and these risks include equity/ investment risk, liquidity risk, interest rate risk and credit risk.

#### (i) Equity/ Investment risk

Equity risk arises from exposure to changes in value of equity shares as a result of equity holdings in an entity and changes in the market conditions.

Investment risk arises when an investment fails to generate the expected returns and includes the risk of losing part or all of the original investment.

The equity/ investment risk is managed through stringent filtering process of investment proposals according to guidelines and available investment policies and also through portfolio allocations and diversification strategies.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (i) Equity/ Investment risk (continued)

Sensitivity Analysis For Quoted Investment Risk.

Considering that other risk variables remain constant, the table below summarises the impact on the carrying amount of the equity positions at each reporting date should there be a change in equity prices summarised as follows:

	Changes in Equity Market Prices %	Sensitivity Of Revaluation RM'000
<b>2016</b>	<b>+/-2</b>	<b>22,466</b>
2015	+/-2	29,227

#### (ii) Liquidity risk

Liquidity risk is the risk that LTAT will not be able to meet its financial obligations as they fall due. LTAT's exposure to liquidity risk arises principally from its various payables.

LTAT maintains a level of cash and cash equivalents to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The carrying amount by maturity of LTAT's financial liabilities are set out as follows:

	Carrying Amount RM'000	Less than 1 year RM'000	Between 1-5 years RM'000	More than 5 years RM'000
<b>2016</b>				
<b>Payables</b>	<b>528,058</b>	<b>518,931</b>	<b>8,614</b>	<b>513</b>
2015				
Payables	38,868	30,533	7,822	513

#### (iii) Interest rate risk

Interest rate risk arises due to fluctuation in interest rate on the financial instruments sensitive to such changes held by LTAT. LTAT manages the interest rate risk through approved guideline and investment policies.

The following table sets out the carrying amount, of LTAT's financial instruments that are exposed to interest rate risk.

	Carrying Amount RM'000	Less than 1 year RM'000	Between 1-5 years RM'000
<b>2016</b>			
<b>Deposits</b>	<b>167,794</b>	<b>140,014</b>	<b>27,780</b>
<b>Cash and bank balances</b>	<b>7,158</b>	<b>7,158</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (iii) Interest rate risk (continued)

	Carrying Amount RM'000	Less than 1 year RM'000	Between 1-5 years RM'000
2015			
Deposits	148,554	116,236	32,318
Cash and bank balances	18,389	18,389	-

Interest on financial instruments classified as fixed rate and charged until the maturity date. The other financial instruments of LTAT that are not included in the above table is non-interest bearing and not subject to interest rate.

#### Sensitivity Analysis For Interest Rate Risk

It is estimated that a fifty basis points (50 'basis point') increase/decrease in interest rate with all other variables held constant would increase/decrease LTAT's profit after tax by approximately RM0.04 million (2015: RM0.03 million) respectively, arising mainly as a result of higher/lower interest income.

#### (iv) Credit risk

Credit risk arises when the transacting party fails to meet its obligations agreed upon with LTAT.

LTAT manages its credit risks through approved guidelines and investment policies.

### 32. 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
2016				
<b>Financial assets</b>				
<b>Available for sale securities</b>				
- quoted	1,114,384	-	-	1,114,384
- unquoted	-	-	508,941	508,941
<b>Held for trading securities</b>	135,433	-	-	135,433
	<u>1,249,817</u>	<u>-</u>	<u>508,941</u>	<u>1,758,758</u>
<b>Non-financial asset</b>				
<b>Investment properties</b>	-	-	425,726	425,726

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 32. FAIR VALUE MEASUREMENTS (continued)

#### Determination of fair value and fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Financial assets				
Available for sale securities				
- quoted	1,448,585	-	-	1,448,585
- unquoted	-	-	401,248	401,248
Held for trading securities	144,881	-	-	144,881
	<u>1,593,466</u>	<u>-</u>	<u>401,248</u>	<u>1,994,714</u>
Non-financial asset				
Investment properties	-	-	425,400	425,400

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 discounted cash flow methodology 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.

### 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 six 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:

	2016 RM'000	2015 RM'000
Within 1 year	26,166	26,654
Later than 1 year but not later than 5 years	26,395	43,963
	<u>52,561</u>	<u>70,617</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 34. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions are shown as below:

	2016 RM'000	2015 RM'000
<b>Transaction with Subsidiary Companies/Corporation</b>		
<b>i) Income</b>		
Interest from short term deposits and money markets	3,053	3,322
Profit from short term deposits and money markets Islamic Banking	233	6
Interest from Medium Term Notes	19,022	18,970
Profit from Junior Sukuk Musharakah	9,175	9,150
Interest from advances to PPHM	7,474	11,293
Rental	817	705
Dividend received	345,295	253,441
Profit on sale of shares	54,864	139,632
	<b>439,933</b>	<b>436,519</b>
<b>ii) Expenses</b>		
Management fees and building's maintenance	3,536	2,822
Management fees on portfolio management	266	259
Multimedia services	49	100
	<b>3,851</b>	<b>3,181</b>
<b>iii) Amounts due from subsidiary companies</b>		
Advances to PPHM	376	282,640
Interest accrued from deposits and money markets	28	50
Profit accrued from Junior Sukuk Musharakah	88	63
Interest accrued from Medium Term Notes	31,859	22,296
Interest accrued from advances to PPHM	1,991	18,766
Dividend receivables	127,818	109,550
Income from portfolio management	312	38
Sale of shares	-	121,792
Others	-	10
	<b>162,472</b>	<b>555,205</b>
<b>iv) Amounts due to subsidiary companies</b>		
Building's maintenance management fees	860	242
Purchase of shares	16,756	10,893
Taman LTAT Project, Bukit Jalil	395	1,832
Deposit and guarantee	271	251
Portfolio management fees	67	65
Others	5,510	1,609
	<b>23,859</b>	<b>14,892</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

### 35. SIGNIFICANT EVENTS

#### a) Buroi Mining Sdn Bhd

LTAT purchased shares in Buroi Mining Sdn Bhd (Buroi) in October 2007 at a cost of RM55 million from Mr. Ling Lee Soon (LLS) who was a shareholder of the company. LTAT had carried out an evaluation on the proposal to ensure its feasibility and ability to give return on investment. The Share Sale Agreement signed by LTAT has a clause that protects LTAT's interest where LLS is required to buy-back LTAT's shares if a coal supply agreement was not signed between Buroi and Metading Power Plant located in Mukah, Sarawak. As no coal supply agreement was signed within the agreed period, LTAT filed a claim in the Kuala Lumpur High Court requiring LLS to buy back LTAT's shares in Buroi at an investment cost of RM55 million.

On 18 August 2014, the Kuala Lumpur High Court decided in favour of LTAT with full settlement of the judgement sum and legal costs to be paid by LLS. However, LLS did not make any payment to LTAT. RHB Bank Berhad as one of the creditor secured a bankruptcy order against LLS on 18 December 2015 for failure to repay the financing loan.

Since LLS resides in Singapore, LTAT filed a bankruptcy action against LLS in the Supreme Court of Singapore through Messrs. Morgan Lewis Stamford LLC on 27 November 2015. On 10 June 2016, the Assistant Registrar dismissed the Bankruptcy Application and LTAT filed a Notice of Appeal on 23 June 2016 against the Assistant Registrar's decision. On 5 October 2016, the learned High Court Judge has allowed LTAT's appeal and made a bankrupt order against LLS. The Official Assignee of Singapore was appointed as the trustee of LLS's estate.

### 36. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the accumulated profits to realised and unrealised profits at the reporting date are as follows:

	2016 RM'000	2015 RM'000
Total accumulated profits		
- Realised	189,119	279,751
- Unrealised	104,927	104,927
	<u>294,046</u>	<u>384,678</u>

### 37. 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.

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