



# **BERSAMA MENJANA PERTUMBUHAN**

**GENERATING GROWTH TOGETHER**



**BERSATU TEGUH**  
Stronger Together






**TABUNG HAJI**

حي على الفلاح

# **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**



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**REPORT OF THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
LEMBAGA TABUNG HAJI  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**Report on the Financial Statements**

I have audited the accompanying financial statements of Lembaga Tabung Haji and the Group, which comprise the Statements of Financial Position as at 31 December 2015 and Statements of Income and Other Comprehensive Income, Statements of Changes in Fund and Statements of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory information.

*Board's Responsibility for the Financial Statements*

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with approved financial reporting standards in Malaysia and the Tabung Haji Act 1995 (Act 535). The Board is also responsible for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been carried out in accordance with the Audit Act 1957 and in conformity with approved standards on auditing in Malaysia. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance, whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements give a true and fair view of the financial position of Lembaga Tabung Haji and the Group as at 31 December 2015 and their financial performance as well as cash flows for the year then ended in accordance with approved financial reporting standards in Malaysia.

I have considered the financial statements and the auditors' reports of the subsidiary companies of which I have not acted as auditor as indicated in the notes to the financial statements. I am satisfied that the financial statements of the subsidiary companies that have been consolidated with Lembaga Tabung Haji's financial statements are in appropriate form and content for the purposes in the preparation of the financial statements. I have received satisfactory information and explanations required for those purposes. The auditors' reports on the financial statements of the subsidiary companies were not subjected to any observations that could affect the financial statements.



**(TAN SRI HAJI AMBRIN BIN BUANG)**  
AUDITOR GENERAL  
MALAYSIA

PUTRAJAYA  
10 MAY 2016



# STATEMENT BY CHAIRMAN AND A MEMBER OF THE BOARD OF DIRECTORS

We, DATUK SERI PANGLIMA ABDUL AZEEZ ABDUL RAHIM and TAN SRI ISMEE ISMAIL being respectively, the Chairman and a member of the Board of Directors of LEMBAGA TABUNG HAJI, do hereby state that in the opinion of the Board of Directors, the accompanying Financial Statements which consist of Statements of Financial Position, Statements of Income, Statements of Comprehensive Income, Statements of Changes in Fund and Statements of Cash Flows together with the Notes to the Financial Statements, are properly drawn up so as to give a true and fair view of the state of affairs as at 31 December 2015 and of the results and cash flows for the year ended on that date.

On behalf of the Board,



**DATUK SERI PANGLIMA ABDUL AZEEZ ABDUL RAHIM**  
**CHAIRMAN**

Tabung Haji Building  
201, Jalan Tun Razak  
**50400 Kuala Lumpur**

On behalf of the Board,



**TAN SRI ISMEE ISMAIL**  
**GROUP MANAGING DIRECTOR**  
**AND CHIEF EXECUTIVE OFFICER**

Tabung Haji Building  
201, Jalan Tun Razak  
**50400 Kuala Lumpur**

# STATUTORY DECLARATION BY THE PRINCIPAL OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF LEMBAGA TABUNG HAJI

I, DATUK ROZAIDA OMAR, being the principal officer primarily responsible for the financial management and accounting records of LEMBAGA TABUNG HAJI, do solemnly and sincerely declare that the Statements of Financial Position, Statements of Income, Statements of Comprehensive Income, Statements of Changes in Fund and Statements of Cash Flows in the following financial position together with the Notes to the Financial Statements, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the above named, DATUK ROZAIDA OMAR

At : Kuala Lumpur

On : 6 April 2016

  
DATUK ROZAIDA OMAR  
GROUP CHIEF FINANCIAL OFFICER

Before me:



205, Bangunan Loke Yew  
4, Jln Mahkamah Persekutuan  
50050 Kuala Lumpur (W.P.)



# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2015

	Note	31.12.2015	Group		TH	
		RM'000	31.12.2014	01.01.2014	31.12.2015	31.12.2014
			RM'000	RM'000	RM'000	RM'000
			<i>Restated</i>	<i>Restated</i>		
<b>Assets</b>						
Cash and cash equivalents	4	15,103,265	9,531,490	8,675,527	10,990,864	6,981,887
Deposits and placements with banks and other financial institutions	5	976,830	721,324	701,302	-	-
Derivative assets	6	126,527	71,488	53,041	60,107	75,569
Securities held-for-trading	7	670,006	1,165,590	1,405,198	-	-
Securities available-for-sale	8	43,465,824	40,995,841	37,137,618	29,901,837	27,393,144
Assets held for sale	9	8,970	1,796,781	3,579,656	8,970	2,439,577
Tax recoverable		131,666	129,505	91,080	64,204	64,204
Trade and other receivables	10	1,799,977	2,432,428	1,110,607	918,396	518,194
Inventories	11	78,588	40,942	45,616	-	-
Financing	12	34,294,690	29,524,571	23,740,948	1,038,779	1,448,290
Takaful assets	13	850,848	811,051	753,089	-	-
Securities held-to-maturity	14	3,460,413	4,011,530	2,967,935	5,134,675	5,596,231
Statutory deposits with Bank Negara Malaysia	15	1,591,460	1,335,000	1,297,100	-	-
Property development costs	16	975,731	972,487	354,409	-	-
Plantation development expenditure	17	687,160	681,262	716,762	-	-
Forestry	18	145,905	-	-	-	-
Deferred tax assets	19	155,309	136,982	124,320	-	-
Investment in jointly controlled entities	20	420,926	333,955	184,807	295,961	295,961
Investment in associates	21	927,439	722,033	950,196	816,267	570,500
Investment in subsidiaries	22	-	-	-	4,805,547	3,752,555
Investment property	23	7,977,663	8,291,494	6,333,449	5,727,009	5,196,758
Property, plant and equipment	24	3,543,077	3,051,537	2,993,111	408,997	395,552
Intangible assets	25	442,345	342,441	396,358	24,791	22,859
<b>Total assets</b>		<b>117,834,619</b>	<b>107,099,732</b>	<b>93,612,129</b>	<b>60,196,404</b>	<b>54,751,281</b>

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015 (cont'd.)

		Group			TH	
		31.12.2015	31.12.2014	01.01.2014	31.12.2015	31.12.2014
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
			Restated	Restated		
Liabilities						
Deposits from banking customers	26	42,766,491	38,368,726	32,410,964	-	-
Investment accounts of banking customers	27	676,105	-	-	-	-
Deposits and placements of banks and other financial institutions	28	-	300,000	1,529,975	-	-
Derivative liabilities	6	101,913	32,407	13,565	-	-
Liabilities held for sale		-	-	174,085	-	-
Provision for zakat and tax		112,415	129,826	102,195	67,419	57,931
Trade and other payables	29	2,153,411	2,329,778	1,742,054	221,286	270,162
Takaful liabilities	30	6,588,888	6,323,577	6,082,001	-	-
Finance lease	31	8,003	412	632	-	-
Financing	32	2,540,381	1,932,083	1,416,280	-	-
Deferred income	33	9,975	32,425	10,597	9,975	10,286
Deferred tax liabilities	19	209,195	206,382	191,340	-	-
Provision for retirement benefits	34	435,534	406,731	391,414	435,534	406,615
Total liabilities		55,602,311	50,062,347	44,065,102	734,214	744,994
Fund represented by:						
Depositors' savings fund:						
- Balance at year end	35	59,327,388	51,120,554	43,087,551	59,327,388	51,120,554
- Bonus paid after year end	35	3,220,374	3,237,196	2,631,908	3,220,374	3,237,196
Retained earnings		714,649	1,147,423	202,711	607,957	292,704
Accumulated reserves of TKJHM and TWT		263,743	223,366	317,784	263,743	223,366
Other reserves		(2,983,414)	(221,675)	1,750,233	(3,957,272)	(867,533)
		60,542,740	55,506,864	47,990,187	59,462,190	54,006,287
Non-controlling interests		1,689,568	1,530,521	1,556,840	-	-
Total fund		62,232,308	57,037,385	49,547,027	59,462,190	54,006,287
Total liabilities and fund		117,834,619	107,099,732	93,612,129	60,196,404	54,751,281

The notes set out on pages 261 to 340 form an integral part of these financial statements.

# STATEMENTS OF INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		TH	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Revenue</b>	36	6,981,112	7,601,242	4,083,404	2,979,041
Cost of sales		(1,064,309)	(1,018,094)	-	-
<b>Gross profit</b>	36	5,916,803	6,583,148	4,083,404	2,979,041
Other income		645,571	591,363	383,383	310,263
Income attributable to banking depositors	37	(907,113)	(776,932)	-	-
Administrative expenses		(1,786,861)	(1,627,927)	(487,855)	(443,689)
Other expenses		(291,081)	(303,724)	(191,116)	(62,548)
<b>Operating profit</b>	38	3,577,319	4,465,928	3,787,816	2,783,067
Financing costs		(83,960)	(59,940)	-	-
Impairment and fair value adjustments	39	25,492	565,537	(192,927)	252,901
Zakat	40	(73,158)	(74,426)	(59,262)	(57,000)
Share of loss after tax and zakat of associates		(11,863)	(12,340)	-	-
Share of profit/(loss) after tax and zakat of jointly controlled entities		27,584	(12,153)	-	-
<b>Profit before tax</b>		3,461,414	4,872,606	3,535,627	2,978,968
Tax expense	41	(245,063)	(257,145)	-	-
<b>Profit for the year</b>		3,216,351	4,615,461	3,535,627	2,978,968
<b>Profit for the year attributable to:</b>					
TH		2,911,717	4,305,235	3,535,627	2,978,968
Non-controlling interests		304,634	310,226	-	-
		3,216,351	4,615,461	3,535,627	2,978,968

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		TH	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Profit for the year</b>		<b>3,216,351</b>	4,615,461	<b>3,535,627</b>	2,978,968
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Share of other comprehensive income/(loss) of associates		2,910	(8,266)	-	-
Share of other comprehensive income/(loss) of jointly controlled entities		4,054	(2,917)	-	-
Changes in fair value of securities available-for-sale		(3,083,542)	(2,456,223)	(3,089,739)	(2,423,892)
Currency translation differences in respect of foreign operations		26,193	(18,111)	-	-
		(3,050,385)	(2,485,517)	(3,089,739)	(2,423,892)
<b>Deposits from banking subsequently to profit or loss:</b>					
Share of other comprehensive income/(loss) of associates		237	(9,853)	-	-
Remeasurement of retirement benefit liability		(2,368)	(24,459)	-	(24,459)
Changes in fair value of forestry, net of tax		(5,281)	-	-	-
Deferred income		22,139	-	-	-
Net surplus of TKJHM and TWT	42	4,277	6,085	4,277	6,085
		19,004	(28,227)	4,277	(18,374)
<b>Total other comprehensive loss</b>		<b>(3,031,381)</b>	(2,513,744)	<b>(3,085,462)</b>	(2,442,266)
<b>Total comprehensive income for the year</b>		<b>184,970</b>	2,101,717	<b>450,165</b>	536,702
<b>Total comprehensive income for the year attributable to:</b>					
<b>TH</b>		<b>(89,927)</b>	1,790,466	<b>450,165</b>	536,702
Non-controlling interests		274,897	311,251	-	-
		<b>184,970</b>	2,101,717	<b>450,165</b>	536,702

The notes set out on pages 261 to 340 form an integral part of these financial statements.



# STATEMENTS OF CHANGES IN FUND

## FOR THE YEAR ENDED 31 DECEMBER 2015

		Attributable to <i>TH</i>						
		Non-distributable			Distributable			
		Depositors' savings fund	Accumulated reserve of TKJHM and TWT	Other reserves (Note 44)	Retained earnings	Total	Non-controlling interests	Total fund
Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015		54,357,750	223,366	(221,675)	1,147,423	55,506,864	1,530,521	57,037,385
Remeasurement of retirement benefit liability		-	-	-	(646)	(646)	(1,485)	(2,131)
Changes in fair value of securities available-for-sale		-	-	(3,085,345)	-	(3,085,345)	1,803	(3,083,542)
Changes in fair value of forestry		-	-	-	(4,884)	(4,884)	(397)	(5,281)
Deferred income		-	-	-	16,122	16,122	6,017	22,139
Currency translation differences in respect of foreign operations		-	-	68,832	-	68,832	(35,675)	33,157
Net surplus of TKJHM and TWT		-	4,277	-	-	4,277	-	4,277
Total other comprehensive income for the year		-	4,277	(3,016,513)	10,592	(3,001,644)	(29,737)	(3,031,381)
Profit for the year		-	-	-	2,911,717	2,911,717	304,634	3,216,351
<b>Total comprehensive income for the year</b>		-	4,277	(3,016,513)	2,922,309	(89,927)	274,897	184,970
Net deposits for the year		4,969,638	-	-	-	4,969,638	-	4,969,638
Additions for the year		-	36,100	-	-	36,100	-	36,100
Depositors' bonus:	43							
- Annual bonus		2,807,369	-	-	(2,807,369)	-	-	-
- Hajj bonus		413,005	-	-	(413,005)	-	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	(117,430)	(117,430)
Issuance of shares pursuant to ESOS of subsidiaries		-	-	1,467	-	1,467	3,342	4,809
Changes in Group structure		-	-	(109)	46	(63)	116,899	116,836
Transfers between reserves		-	-	253,416	(134,755)	118,661	(118,661)	-
At 31 December 2015		62,547,762	263,743	(2,983,414)	714,649	60,542,740	1,689,568	62,232,308

**STATEMENTS OF CHANGES IN FUND**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

		Attributable to <i>TH</i>						
		Non-distributable				Distributable		
		Depositors' savings fund	Accumulated reserve of TKJHM and TWT	Other reserves (Note 44)	Retained earnings	Total	Non-controlling interests	Total fund
Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014		45,719,459	317,784	1,750,233	202,711	47,990,187	1,556,840	49,547,027
Remeasurement of retirement benefit liability		-	-	-	(34,312)	(34,312)	-	(34,312)
Changes in fair value of securities available-for-sale		-	-	(2,453,388)	-	(2,453,388)	(2,835)	(2,456,223)
Currency translation differences in respect of foreign operations		-	-	(33,154)	-	(33,154)	3,860	(29,294)
Net surplus of TKJHM and TWT		-	6,085	-	-	6,085	-	6,085
Total other comprehensive income for the year		-	6,085	(2,486,542)	(34,312)	(2,514,769)	1,025	(2,513,744)
Profit for the year		-	-	-	4,305,235	4,305,235	310,226	4,615,461
<b>Total comprehensive income for the year</b>		-	6,085	(2,486,542)	4,270,923	1,790,466	311,251	2,101,717
Net deposits for the year		5,401,095	-	-	-	5,401,095	-	5,401,095
Reduction for the year		-	(100,503)	-	-	(100,503)	-	(100,503)
Depositors' bonus:	43							
- Annual bonus		2,988,053	-	-	(2,988,053)	-	-	-
- Hajj bonus		249,143	-	-	(249,143)	-	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	(224,232)	(224,232)
Issuance of shares pursuant to ESOS of subsidiaries		-	-	2,551	-	2,551	7,872	10,423
Changes in Group structure		-	-	225,536	91,082	316,618	(5,227)	311,391
Transfers between reserves		-	-	286,547	(180,097)	106,450	(115,983)	(9,533)
At 31 December 2014		54,357,750	223,366	(221,675)	1,147,423	55,506,864	1,530,521	57,037,385

The notes set out on pages 261 to 340 form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN FUND

## FOR THE YEAR ENDED 31 DECEMBER 2015

		Attributable to <i>TH</i>				
		Non-distributable		Distributable		
		Depositors' savings fund	Fair value reserve	Accumulated reserve of TKJHM and TWT	Retained earnings	Total
<i>TH</i>	Note	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2015</b>		<b>54,357,750</b>	<b>(867,533)</b>	<b>223,366</b>	<b>292,704</b>	<b>54,006,287</b>
Net surplus of TKJHM and TWT		-	-	4,277	-	4,277
Changes in fair value of securities available-for-sale		-	(3,089,739)	-	-	(3,089,739)
Total other comprehensive loss for the year		-	(3,089,739)	4,277	-	(3,085,462)
Profit for the year		-	-	-	3,535,627	3,535,627
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(3,089,739)</b>	<b>4,277</b>	<b>3,535,627</b>	<b>450,165</b>
Net deposits for the year		4,969,638	-	-	-	4,969,638
Additions for the year		-	-	36,100	-	36,100
Depositors' bonus:	43					
- Annual bonus		2,807,369	-	-	(2,807,369)	-
- Hajj bonus		413,005	-	-	(413,005)	-
		3,220,374	-	-	(3,220,374)	-
<b>At 31 December 2015</b>		<b>62,547,762</b>	<b>(3,957,272)</b>	<b>263,743</b>	<b>607,957</b>	<b>59,462,190</b>
<b>At 1 January 2014</b>		<b>45,719,459</b>	<b>1,556,359</b>	<b>317,784</b>	<b>575,391</b>	<b>48,168,993</b>
Remeasurement of retirement benefit liability		-	-	-	(24,459)	(24,459)
Net surplus of TKJHM and TWT		-	-	6,085	-	6,085
Changes in fair value of securities available-for-sale		-	(2,423,892)	-	-	(2,423,892)
Total other comprehensive loss for the year		-	(2,423,892)	6,085	(24,459)	(2,442,266)
Profit for the year		-	-	-	2,978,968	2,978,968
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(2,423,892)</b>	<b>6,085</b>	<b>2,954,509</b>	<b>536,702</b>
Net deposits for the year		5,401,095	-	-	-	5,401,095
Reductions for the year		-	-	(100,503)	-	(100,503)
Depositors' bonus:	43					
- Annual bonus		2,988,053	-	-	(2,988,053)	-
- Hajj bonus		249,143	-	-	(249,143)	-
		3,237,196	-	-	(3,237,196)	-
<b>At 31 December 2014</b>		<b>54,357,750</b>	<b>(867,533)</b>	<b>223,366</b>	<b>292,704</b>	<b>54,006,287</b>

The notes set out on pages 261 to 340 form an integral part of these financial statements.

# STATEMENTS OF CASH FLOW

## FOR THE YEAR ENDED 31 DECEMBER 2015

Note	Group		TH	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Profit before tax from:</b>				
Continuing operations	3,461,414	4,872,606	3,535,627	2,978,968
	3,461,414	4,872,606	3,535,627	2,978,968
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	198,678	172,494	27,155	26,422
Gain on disposal of property, plant and equipment	(3,575)	(22,663)	(3,142)	(10,042)
Gain on disposal of assets held for sale	(17,674)	-	(17,674)	-
Gain on sale of investment properties	-	(13)	-	-
Dividends from subsidiaries	-	-	(1,347,006)	(221,761)
Dividends from associates	-	-	(17,581)	(9,760)
Dividends from equities	(440,395)	(334,790)	(440,359)	(334,790)
Dividends from fund managers	(30,994)	(26,012)	(30,994)	(26,012)
Coupons from debt securities	(471,324)	(471,065)	(604,646)	(593,719)
Share of loss after tax and zakat of associates	11,863	12,340	-	-
Share of (profit)/loss after tax and zakat of jointly controlled entities	(27,584)	12,153	-	-
Gain on trading of equities	(460,999)	(821,645)	(460,999)	(821,645)
Gain on disposal of subsidiaries	(1,303)	(836,210)	(85,967)	(83,375)
(Gain)/Loss on disposal of associates	(247)	4,435	-	12,114
Gain on sale of securities	(12,597)	(2,109)	(12,597)	(2,109)
(Gain)/Loss on trading of derivatives	(5,445)	1,184	(6,597)	(1,186)
Changes in fair value of derivatives	1,480	(5,021)	15,264	53,944
Profit from financing to subsidiaries	-	-	(71,513)	(72,074)
Gain from capital repayment	-	(790)	-	(790)
Gain on negotiable debt certificates	(145,502)	(128,209)	(147,107)	(128,209)
Additions of debt securities	(85,565)	(72,932)	(85,565)	(72,932)
Impairment of equities and debt securities	17,726	56,219	17,726	55,965
Impairment of quoted subsidiaries	-	-	-	47,312
Impairment of quoted associates	28,109	230,490	28,109	230,490
Impairment of goodwill	-	15,510	-	-



**STATEMENTS OF CASH FLOW**

FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

	Note	Group		TH	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Impairment on financing from banking operations		73,819	56,305	-	-
Changes in fair value of investment properties		(127,025)	(947,778)	106,011	(669,350)
Changes in fair value of forestry		(14,461)	-	-	-
Changes in fair value of government grant		(5,180)	-	-	-
Property, plant and equipment written off		(1,692)	1,556	71	136
Write back of impairment of investment in equities		(2,647)	(254,507)	-	(266,642)
Investment in a subsidiary written off		-	-	25,777	-
Derivative financial instruments written off		-	28,738	-	28,738
Amortisation of deferred expenditure		(311)	(311)	(311)	(311)
Amortisation of intangible assets		(14,500)	8,755	-	-
Dividend income from banking operations		(3,572)	(3,560)	-	-
Fair value of employees share option		(47)	(55)	-	-
Deposits from banking		40,280	38,022	40,280	37,944
Gain on foreign exchange		(489,215)	(29,333)	(358,420)	(29,230)
Zakat		73,158	74,426	59,262	57,000
Financing costs		83,960	59,940	-	-
<b>Operating profit before changes in working capital</b>		<b>1,628,633</b>	<b>1,688,170</b>	<b>164,804</b>	<b>185,096</b>
Changes in working capital:					
Inventories		(38,277)	(1,222)	-	-
Trade and other receivables		2,207,076	287,421	(134,737)	710,793
Trade and other payables		(138,491)	758,194	(176,782)	333,594
Statutory deposits with Bank Negara Malaysia		(256,460)	(37,900)	-	-
Bills payable		(4,947)	(43,074)	-	-
Financing of banking customers		(4,973,658)	(5,980,556)	-	-
Deposits from banking customers		3,116,255	5,957,762	-	-
Deposits and placements of banks and other financial statements		(300,000)	(1,229,975)	-	-
<b>Cash generated from/(used in) operations</b>		<b>1,240,131</b>	<b>1,398,820</b>	<b>(146,715)</b>	<b>1,229,483</b>
Bonus paid to depositors		(3,220,374)	(3,237,196)	(3,220,374)	(3,237,196)
Zakat paid		(62,715)	(68,469)	(49,774)	(53,462)
Tax paid		(290,669)	(283,503)	-	-
Tax refund		11,956	4,098	-	-
Retirement benefits paid		(11,417)	(15,707)	(11,361)	(15,537)
Plantation development expenditure		(524,313)	(256,568)	-	-

**STATEMENTS OF CASH FLOW**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

	Note	Group		TH	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Forestry		(23,568)	-	-	-
Property development costs		(3,243)	(618,078)	-	-
<b>Net cash used in operating activities</b>		<b>(2,884,212)</b>	<b>(3,076,603)</b>	<b>(3,428,224)</b>	<b>(2,076,712)</b>
<b>Cash flows from investing activities</b>					
Proceeds from disposal of property, plant and equipment		221,577	64,470	6,499	15,565
Proceeds from disposal of investment properties		1,629,696	70	-	-
Proceeds from disposal of assets held for sale		20,326	15,220	20,326	4,220
Proceeds from disposal of subsidiaries		16,250	751,835	278,899	194,116
Proceeds from disposal of associates		247	21	-	-
Purchase of equities		(3,245,462)	(5,205,092)	(3,245,462)	(5,205,071)
Proceeds from trading of financial derivatives		6,796	1,186	6,796	1,186
Disposal/(Purchase) of debt securities		8,556	(2,306,467)	8,556	(2,306,467)
Disposal/(Purchase) of other financial assets		793,961	(1,343,108)	793,961	(1,343,108)
Derivative investments		-	(24,289)	-	(24,289)
Purchase of property, plant and equipment		(562,048)	(278,442)	(57,957)	(134,660)
Acquisition of subsidiaries		-	(12,410)	(627,209)	(501,621)
Net investment in associates		(274,307)	(27,694)	(274,307)	(27,694)
Net investment in jointly controlled entities		(87,516)	(147,360)	-	(80,000)
Net proceeds from banking securities		416,931	2,873,082	-	-
Investment property		(619,387)	(775,811)	(619,377)	(367,746)
Dividends from subsidiaries		-	-	1,357,321	160,089
Dividends from associates		29,486	20,960	15,486	9,760
Dividends from equities		335,271	233,005	335,271	233,005
Coupons from debt securities		616,241	574,771	616,241	574,771
<b>Net cash used in investing activities</b>		<b>(693,382)</b>	<b>(5,586,053)</b>	<b>(1,384,956)</b>	<b>(8,797,944)</b>
<b>Cash flows from financing activities</b>					
Proceeds from long term financing		897,067	482,664	-	-
Repayment of financing to subsidiaries		688,541	715,089	688,541	657,888
Dividends paid to non-controlling interests		(117,430)	(224,232)	-	-
Depositors' savings fund		8,190,012	8,638,291	8,190,012	8,638,291

## STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

	Note	Group 2015 RM'000	2014 RM'000	TH 2015 RM'000	2014 RM'000
Repayment of finance lease		-	(102)	-	-
Financing costs		(103,534)	(59,940)	-	-
<b>Net cash generated from financing activities</b>		<b>9,554,656</b>	<b>9,551,770</b>	<b>8,878,553</b>	<b>9,296,179</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,977,062</b>	<b>889,114</b>	<b>4,065,373</b>	<b>(1,578,477)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>10,242,686</b>	<b>9,370,545</b>	<b>6,981,887</b>	<b>8,557,140</b>
<b>Net (decrease)/increase in cash and cash equivalents of TKJHM</b>		<b>(64,448)</b>	<b>18,128</b>	<b>(64,448)</b>	<b>18,128</b>
<b>Currency translation differences</b>		<b>(126,668)</b>	<b>(35,101)</b>	<b>8,052</b>	<b>(14,904)</b>
<b>Cash and cash equivalents at 31 December</b>		<b>16,028,632</b>	<b>10,242,686</b>	<b>10,990,864</b>	<b>6,981,887</b>
<b>Cash and cash equivalents comprise:</b>					
Deposits and placements with licensed financial institutions		10,825,753	5,011,185	10,709,444	6,833,475
Cash and bank balances		1,795,676	1,418,721	281,420	148,412
Money at call and interbank placements with remaining maturity not exceeding one month		2,481,836	3,101,584	-	-
	4	15,103,265	9,531,490	10,990,864	6,981,887
Deposits and placements with banks and other financial institutions	5	976,830	721,324	-	-
Deposits pledged		(51,463)	(10,128)	-	-
		16,028,632	10,242,686	10,990,864	6,981,887

The notes set out on pages 261 to 340 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

### 1. Corporate information

Lembaga Tabung Haji ("**TH**") is a statutory body established under the Tabung Haji Act, 1995 (Act 535).

The principal place of business is located at Tabung Haji Building, 201 Jalan Tun Razak, 50400 Kuala Lumpur.

**TH** is principally engaged in the management of Hajj operations, acceptance and management of deposits from depositors, investment holding and letting of properties. The principal activities of the subsidiaries, associates and jointly controlled entities are stated in Note 22, 21 dan 20 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The consolidated financial statements for the financial year ended 31 December 2015 comprise **TH** and its subsidiaries, associates and jointly controlled entities (together referred to as the Group).

The financial statements were authorised for issue by the Board of Directors on 6 April 2016.

### 2. Basis of preparation

#### (a) Statement of compliance

The financial statements of the Group and **TH** have been prepared in accordance with Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB") for entities other than private entities, modified to comply with Syariah principles and requirements.

The following Standards, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014 and have been adopted by the Group and **TH** with effect from 1 January 2015:

- *Amendments to FRS 2, Share-based Payment (Annual Improvements 2010 - 2012 Cycle)*
- *Amendments to FRS 3, Business Combinations (Annual Improvements 2010 - 2012 Cycle and 2011 - 2013 Cycle)*
- *Amendments to FRS 8, Operating Segments (Annual Improvements 2010 - 2012 Cycle)*
- *Amendments to FRS 13, Fair Value Measurement (Annual Improvements 2010 - 2012 Cycle and 2011 - 2013 Cycle)*
- *Amendments to FRS 116, Property, Plant and Equipment (Annual Improvements 2010 - 2012 Cycle)*
- *Amendments to FRS 119, Employee Benefits, Defined Benefits Plans: Employee Contributions*
- *Amendments to FRS 124, Related Party Disclosures (Annual Improvements 2010 - 2012 Cycle)*
- *Amendments to FRS 138, Intangible Assets (Annual Improvements 2010 - 2012 Cycle)*
- *Amendments to FRS 140, Investment Property (Annual Improvements 2011 - 2013 Cycle)*

The adoption of the above Standards, Interpretations and amendments has no significant impact to the financial statements of the Group and **TH**.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**2. Basis of preparation** (cont'd)

**(a) Statement of compliance** (cont'd)

The following accounting standards, amendments and interpretations have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and **TH**:

**(i) Standards, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

- *FRS 14, Regulatory Deferral Accounts*
- *Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012 - 2014 Cycle)*
- *Amendments to FRS 7, Financial Instruments: Disclosures (Annual Improvements 2012 - 2014 Cycle)*
- *Amendments to FRS 10, Consolidated Financial Statements, FRS 12, Disclosure of Interests in Other Entities and FRS 128, Investment in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- *Amendments to FRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- *Amendments to FRS 101, Presentation of Financial Statements - Disclosure Initiative*
- *Amendments to FRS 116, Property, Plant and Equipment and FRS 138, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- *Amendments to FRS 116, Property, Plant and Equipment and FRS 141, Agriculture - Agriculture: Bearer Plants*
- *Amendments to FRS 119, Employee Benefits (Annual Improvements 2012 - 2014 Cycle)*
- *Amendments to FRS 127, Separate Financial Statements - Equity Method in Separate Financial Statements*

**(ii) Standards, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- *FRS 9, Financial Instruments (2014)*
- *FRS 15, Revenue from Contracts with Customers*

**(iii) Standards, Interpretations and amendments effective for a date yet to be confirmed**

- *Amendments to FRS 10, Consolidated Financial Statements*
- *Amendments to FRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned standards, amendments and interpretations:

- (i) from annual period beginning on 1 January 2016 for standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, whichever applicable; and
- (ii) from annual period beginning on 1 January 2018 for standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, whichever applicable.

**(b) Basis of measurement**

The financial statements of the Group and **TH** have been prepared on the historical cost basis except for investment property and financial assets and liabilities which have been stated at fair value or amortised costs as disclosed in Note 3 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

### 2. Basis of preparation (cont'd)

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the functional currency of **TH**. All financial information presented in RM has been rounded to the nearest thousands, unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by **TH**. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns 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 control only when such rights are substantive.

The Group also considers it has 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 significantly affect the investee's return.

Investments in subsidiary companies are stated by **TH** at cost less any impairment loss.

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**3. Significant accounting policies** (cont'd.)

**(a) Basis of consolidation** (cont'd.)

**(ii) Business combinations** (cont'd.)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

**(iii) Acquisitions of non-controlling interests**

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

**(iv) Associates**

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

**(v) Joint arrangements**

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 3. Significant accounting policies (cont'd.)

##### (a) Basis of consolidation (cont'd.)

##### (v) Joint arrangements (cont'd.)

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as “joint operation” when the Group or **TH** has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and **TH** account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as “joint venture” when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

##### (vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to **TH**, are presented in the consolidated statement of financial position and statement of changes in fund, separately from fund attributable to **TH**. Non-controlling interests in the results of the Group is presented in the consolidated statement of income and other comprehensive income as an allocation of the profit or loss and other comprehensive income for the year between non-controlling interests and **TH**.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

##### (vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### (b) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits and placements with banks and financial institutions, money at call and interbank placements and highly liquid investments which have an insignificant risk of change in value. For the purpose of the statement of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

##### (c) Financial instruments

###### Recognition

Purchases and sales of financial instruments are recognised on the date that the Group and **TH** commits to purchase or sell the instruments.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**3. Significant accounting policies (cont'd.)**

**(c) Financial instruments (cont'd.)**

**Initial measurement**

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

**Financial instrument categories and subsequent measurement**

The Group and **TH** categorise financial instruments as follows:

**(i) Financing and receivables**

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market.

These financial assets are subsequently measured at amortised cost using effective profit rate method, less any impairment loss.

**(ii) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are either:

**(a) Held-for-trading**

Financial assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

**(b) Designated under fair value option**

Financial assets meet at least one of the following criteria upon designation:

- it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or recognising gains or losses on them, using different bases; or
- the financial asset contains an embedded derivative that would otherwise need to be separately recorded.

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

**(iii) Financial assets held-to-maturity**

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. These financial assets are subsequently measured at amortised cost using effective profit rate method, less any impairment loss.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 3. Significant accounting policies (cont'd.)

##### (c) Financial instruments (cont'd.)

##### (iii) Financial assets held-to-maturity (cont'd.)

Any sale or reclassification of more than insignificant amount of financial assets held-to-maturity not close to their maturity would result in the reclassification of all financial assets held-to-maturity to financial assets available-for-sale and the Group would be prevented from classifying any financial assets as financial assets held-to-maturity for the current and following two financial years.

##### (iv) Financial assets available-for-sale

Financial assets available-for-sale are financial assets that are either designated in this category or not classified in any other category and are measured at fair value

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any impairment loss.

Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income until the securities are sold, disposed off or impaired, at which time the cumulative gains or losses previously recognised in equity will be transferred to the profit or loss. Profit or loss from sale of the available-for-sale securities is recognised in statement of income.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment as disclosed in Note 3(n) to the financial statements.

#### Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and profit rate exposures. Foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the statements of income.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### Financial liabilities

Financial liabilities are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective profit rate method, except for derivatives that are liabilities, which shall be measured at fair value.

#### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instruments.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**3. Significant accounting policies (cont'd.)**

**(c) Financial instruments (cont'd.)**

**Financial guarantee contracts (cont'd.)**

Financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, each guarantee is measured at the higher of the initial amount less amortisation calculated to recognise the initial measurement in the income statement over the year of the financial guarantee and the best estimate of the amount required to settle the guarantee.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

**Determination of fair value**

The fair values of financial instruments traded in active markets (such as over the-counter securities and derivatives) are based on quoted market prices at the statement of financial position date. For unquoted financial instruments, fair value is determined using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

**Reclassification of financial assets**

A non-derivative financial asset held for trading may be reclassified if the financial asset is no longer held for the purpose of selling in the near term. In addition, a financial asset that meets the definition of financing and receivables may be reclassified out of held-for-trading or available-for-sale categories if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. The fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective profit rates for financial assets reclassified to financing and receivables and held-to maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective profit rate prospectively.

**Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires.

**(d) Construction work-in-progress**

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 3. Significant accounting policies (cont'd.)

##### (d) Construction work-in-progress (cont'd.)

Construction work-in-progress is presented as part of receivables, deposits and prepayments as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

##### (e) Inventories

###### (i) Development properties

Completed properties held for sale are measured at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs are appropriate proportions of common costs attributable to developing the properties to completion.

###### (ii) Palm based products

Inventories are measured at the lower of cost and net realisable value.

The cost of palm based products is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Stores are stated at cost.

###### (iii) Computer equipments

Inventories are valued at the lower of cost and net realisable value after an adequate allowance has been made for all deteriorated, damaged, obsolete or slow moving inventories. Cost is determined on a weighted average basis and includes import duties, transport and handling costs and any other directly attributable costs.

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

##### (f) Property development costs

###### (i) Land held for property development

Land held for property development consist of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**3. Significant accounting policies (cont'd.)**

**(f) Property development costs (cont'd.)**

**(ii) Property development costs**

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Costs incurred on development projects where the development activities are expected to be completed within the Group's normal operating cycle of 2 to 3 years are classified as current assets. Common costs allocated to future development projects within the same geographical location as existing development projects are classified as non-current assets.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

**(g) Plantation development expenditure**

All expenditure relating to development of oil palm estate (immature estate) will be capitalised under plantation development expenditure. An estate is declared mature when they are ready for its intended purpose. This cost will be depreciated over useful life when the expenditure is transferred to property, plant and equipment when the estate matures.

Estate overhead expenditure is apportioned to revenue and plantation development expenditure on the basis of the proportion of mature to immature areas.

**(h) Forestry**

Forestry are measured on initial recognition and at subsequent reporting dates at fair value, with any changes in fair value of forestry during a year recognised in profit or loss. The fair value of forestry is determined independently by professional valuers.

Nurseries fair value are deemed at cost. This cost relates to nursery maintenance costs.

**(i) Investment property**

***Investment property carried at fair value***

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes. These include land held for a currently undetermined future use and property work-in-progress which is intended for future use as investment property.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. The fair value is based on market values valued by an independent valuation firm.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are 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 item is derecognised.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 3. Significant accounting policies (cont'd.)

##### (i) Investment property (cont'd.)

###### **Reclassifications to/from investment property**

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

##### (j) Property, plant and equipment

Items of property, plant and equipment except for freehold land and work-in-progress are measured at cost or valuation less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised from the financial statements. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of income as incurred.

Items of property, plant and equipment which have been retired from active used are transferred to assets held for sale at the lower of net carrying amount and net realisable value.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within other income and other expenses respectively in statements of income.

###### **Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

3. Significant accounting policies (cont'd.)

(j) Property, plant and equipment (cont'd.)

**Depreciation** (cont'd.)

(i) The estimated useful lives for the current and comparative years are as follows:

Buildings	5 - 99 years
Building improvement and renovations	5 - 10 years
Plant, machinery and equipments	2 - 10 years
Computer equipment and software	2 - 7 years
Motor vehicles	4 - 10 years

(ii) Estates consist of matured plantation development expenditure and are depreciated over 30 years, based on estimated annual production yield table. An estate is declared mature when the palm age has reached 36 months or more at the beginning of the financial year.

**Amortisation**

Leasehold land and buildings are amortised based on the following rates:

Leasehold land	20 - 999 years
Leasehold building	50 years

(k) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 3. Significant accounting policies (cont'd.)

##### (l) Takaful Fund

###### (i) Family Takaful Fund

Included in Family Takaful Fund are funds arising from:

- (i) Family Takaful;
- (ii) Group Family Takaful; and
- (iii) Family retakaful funds.

The Family Takaful Fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and includes the amounts attributable to participants which represents the participants' share of the underwriting surplus and return on the investments, where applicable and are distributable in accordance with the terms and conditions prescribed by the Group.

The surplus transfer from the Family Takaful Fund to the profit or loss is based on the predetermined profit sharing ratio of the underwriting surplus and return on investments.

###### **Contribution income**

Contribution is recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contribution is recognised when it is due.

At the end of each financial period, all due contributions are accounted for to the extent that they can be reliably measured.

###### **Actuarial reserves**

Actuarial reserves comprise the Prospective Actuarial Valuation, Cash Flow Projection Valuation and Unearned Contribution Valuation as explained below:

###### (i) Prospective actuarial valuation

For credit-related products, the liabilities of Family Takaful Fund shall be valued based on the sum of present value of future benefits and any expected future expenses payable from the takaful funds, less the present value of future gross tabarru' arising from the certificate, discounted at the appropriate risk discount rate as defined in the valuation guidelines.

For a credit-related takaful certificate whose sustainability of tabarru' deductions is dependent on the performance of Participants Investment Fund ("PIF"), the calculation is subject to adjusting the future gross tabarru' cash flow such that it is limited to the period where the PIF can sustain the tabarru' and assuming that the takaful coverage is in force for the full duration of the takaful contract.

###### (ii) Cash flow projection valuation

For products with PIF other than credit-related products, the liabilities shall be valued by projecting future cash flows to ensure that all future obligations can be met without recourse to additional finance or capital support at any future time during the duration of the certificate. The cash flow projection shall use a basis that is consistent with the requirements of the valuation guidelines.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**3. Significant accounting policies** (cont'd.)

**(I) Takaful Fund** (cont'd.)

**(i) Family Takaful Fund** (cont'd.)

**Actuarial reserves** (cont'd.)

**(iii) Unearned contribution valuation**

For yearly renewable products or extensions shall be valued according to the following:

- (a) For a certificate covering death or survival, the liabilities shall be valued on an unexpired risk basis using a prospective estimate of expected future payments arising from future events covered as at the valuation date. These future payments shall include allowance for direct claims related expenses, direct investment-related expenses, cost of retakaful and expected future contribution refunds expected during the unexpired period.
- (b) For a certificate covering contingencies other than death or survival, the net liability is the maximum of unexpired risk reserve or unearned contribution reserve.

**Provision for outstanding claims**

Claims and provisions for claims arising on family and group family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose the benefits payable under a family takaful certificate are recognised as follows:

- (i) Maturity or other policy benefit payments due on specified dates are accounted for as claims payable on the due dates.
- (ii) Death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the participant or occurrence of contingency covered.
- (iii) For individual family, group health and medical business, provision is made for the cost of claims (together with related expenses) and IBNR at the end of the reporting period, using a mathematical method of estimation by a qualified internal actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claim settlement pattern as well as uncertainties in the projection model and underlying assumptions.

**(ii) General Takaful Fund**

The General Takaful Fund is maintained in accordance with the Islamic Financial Services Act, 2013. Included in General Takaful Fund are funds arising from:

- (i) General Takaful; and
- (ii) General retakaful funds.

The General Takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions, claims incurred and administrative fees.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 3. Significant accounting policies (cont'd.)

##### (l) Takaful Fund (cont'd.)

##### (ii) General Takaful Fund (cont'd.)

###### **Contribution income**

Contributions are recognised in a financial period in respect of risks assumed during that particular financial period based on the inception date. Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

###### **Unearned contribution reserves**

The Unearned Contribution Reserves ("UCR") represent the portion of the net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year.

In determining the UCR at the end of the reporting period, the method that most accurately reflects the actual unearned contributions is used, as follows:

- (i) 1/365th method for all General Takaful business.
- (ii) 1/8th method for all classes of General Treaty Inward Retakaful business.

###### **Provision for outstanding claims**

A liability for outstanding claims is recognised in respect of direct takaful business. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries, if any, to settle the present obligation at the end of the reporting period. Any difference between the current estimated cost and subsequent settlement is dealt with in the takaful statement of comprehensive income of the Group and of the Company in the year in which the settlement takes place.

Provision is also made for the cost of claims (together with related expenses) and Incurred But Not Reported Claims ("IBNR") at the end of the reporting period, using a mathematical method of estimation by a qualified external actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claims settlement pattern as well as uncertainties in the projection model and underlying assumptions.

##### (m) Intangible assets

##### (i) Goodwill

Goodwill represents the excess of the acquisition cost over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is not amortised but is reviewed annually to determine whether impairment exists, or is reviewed more frequently if events or changes in circumstances indicates that it might be impaired. An impairment loss is charged directly to the statement of income and is not reversed in the subsequent period.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**3. Significant accounting policies (cont'd.)**

**(m) Intangible assets (cont'd.)**

**(ii) Bancatakaful service fees**

Bancatakaful service fees is amortised using the straight-line method over its useful lives of five years. The amortisation methods, useful lives and residual values are reviewed at the end of each reporting and changed, if necessary.

**(iii) Other intangible assets**

Other intangible assets comprise intangible core deposits, customers' relationship and brands arising from the acquisition of banking and takaful business. It is stated at its fair value on the date of the acquisition and is amortised over the amortisation period of 10 to 12 years.

**(n) Impairment**

**(i) Financial assets**

The Group and **TH** assess at each reporting date whether there is objective evidence that financing and receivables, financial assets held-to-maturity or financial assets available-for-sale are impaired as a result of one or more events having an impact on the estimated future cash flows of the asset. A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and prior to the statement of financial position date ("a loss event") and that loss event or events has an impact on the estimated future cash flow of the financial asset that can be reliably estimated.

Financing undertaken by banking operation is classified as impaired when the principal or profit or both are past due for three (3) months or more or where a financing is in arrears for less than three (3) months, the financing exhibits indications of credit weakness.

For financing and receivables, the Group first assesses whether objective evidence of impairment exists individually for financing and receivables that are individually significant, and collectively for financing and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exist for an individually assessed financing and receivables, whether significant or not, it includes the assets in a group of financing and receivables with similar credit risk characteristics and collectively assesses them for impairment. Financing and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment for impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The amount of loss is recognised in the statements of income.

When a financing is uncollectable, it is written off against the related allowance for impairment. Such financing are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequently recoveries of amounts previously written off are credited to the profit or loss. If, in a subsequent year, 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 and the amount of reversal is recognised in the statements of income.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 3. Significant accounting policies (cont'd.)

##### (n) Impairment (cont'd.)

##### (i) Financial assets (cont'd.)

In the case of available-for-sale equity securities, a significant or prolonged decline in their fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the statements of income. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in other comprehensive income. Reversals of impairment of equity shares are not recognised in the statements of income. Increases in the fair value of equity shares after impairment are recognised directly in equity.

The criteria used by the Group to determine whether there is an objective evidence of impairment to occur for the financial assets include the followings:

- (i) Significant financial problems faced by issuers of financial instruments;
- (ii) Breach of contracts such as default in paying principal and interest according to repayment schedule;
- (iii) Cease business operations, bankruptcy (upon filing of the case), winding up order on business operations or restructuring of financial position; or
- (iv) Decline in investment grade rating in a row up to two levels by external rating agencies.

##### (ii) Other assets

The carrying amounts of other assets are reviewed at the end of each reporting year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment loss is recognised in the statements of income.

Impairment losses recognised in prior years are assessed at the end of each reporting year for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### (o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**3. Significant accounting policies (cont'd.)**

**(p) Finance lease**

Property, plant and equipment acquired through a finance lease is capitalised and depreciated on the same basis with other assets of the Group as stated in Note 3(j) and the corresponding obligation relating to the remaining principal payments is accounted for as liability. Financing costs are charged to the statements of income over the lease period so as to produce a constant periodical rate of charges on the remaining balance of the obligations for each accounting period.

**(q) Deferred income**

Deferred income represents a grant from the Government for the purpose of the constructions of Hajj pilgrims complex. It is stated at cost less accumulated amortisation over a period of 50 years based on the useful life of the Hajj pilgrims complex.

**(r) Employees benefit**

**(i) Short term benefits**

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group and **TH**. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, whereas short term non-accumulated compensated absences such as sick leave are recognised when absences occur.

**(ii) Defined contribution plans**

The Group and **TH** contributes to Employment Provident Fund and approved pension scheme for its employees. The contribution constitute a defined contribution plan, whereby it is recognised as an expense in the income statement in the year to which they relate. Once the contribution have been paid, the Group and **TH** have no further payment obligations

The Group and **TH** adopted FRS 119 - Employee Benefits, which is long term employee benefits payable upon retirement recognised on an accrual basis in the statements of income as employee benefits payable and in the statements of financial position as liabilities, described as Provision for Retirement Benefits Plan.

The liability in respect of defined benefit plan is the present value of the defined obligations at the statement of financial position date. The plan is applicable to all permanent employees of **TH** who has been confirmed in service. The benefits payable on retirement are based on the last drawn salary and length of service. The provision for retirement benefits is charged to the statements of income so as to spread the cost over the service lives of employees in accordance with actuarial valuation.

**(iii) Long term benefits**

The calculation of the defined benefit obligation or amount of liabilities to retirees was performed by qualified actuaries based on the Projected Unit Credit Method. Factors which have been taken into account are the estimated future cash outflows, using market yields of government securities in which the maturity period approximates the terms of related liabilities at the statement of financial position date.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 3. Significant accounting policies (cont'd.)

##### (r) Employees benefit (cont'd.)

##### (iii) Long term benefits (cont'd.)

Types of long term retirement benefits recognised on an accrual basis is as follows:

- (i) Medical benefits;
- (ii) Accumulated annual leave reward;
- (iii) Hajj performance; and
- (iv) Gratuity payment.

It is the Group's policy to undertake an actuarial valuation once every three years.

##### (s) Foreign currency

##### (i) Transaction and balance in foreign currency

In preparing the financial statements of the individual entities, transactions in foreign currencies are translated into the respective entity's functional currency at the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing exchange rate ruling at the financial position date.

Foreign currency differences arising from settlement or translation of financial assets or liabilities at the statement of financial position date are recognised in statements of income.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in statements of income, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

##### (ii) Foreign operations

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising from consolidation are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at average exchange rates for the period. Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve in equity.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**3. Significant accounting policies (cont'd.)**

**(t) Recognition of income**

**(i) Investment income**

Profits from Syariah compliance investments are recognised in the income statement on accrual basis.

Dividend income from investments are recognised when the rights to receive the dividend payment is established.

Gain arising from equity trading, debt securities financial instruments, investment in money market and rental income are accounted for on accrual basis.

Income from non-Syariah sources are not recognised in the statement of income, in accordance with the guidelines issued by Syariah Advisory Council of the Securities Commission. These income are accounted for in the statement of financial position.

**(ii) Financing income**

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments. When calculating the effective profit rate, the Group has considered all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, income is recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

**(iii) Goods sold and services**

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services is recognised when the services have been rendered. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

**(iv) Construction contracts**

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 3. Significant accounting policies (cont'd.)

##### (t) Recognition of income (cont'd.)

###### (iv) Construction contracts (cont'd.)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

###### (v) Property development

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs. Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in the statement of comprehensive income.

Revenue from the land sales are recognised when the significant risks and., recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

###### (vi) Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

##### (u) Borrowing costs

Borrowing costs are recognised in the statements of income using the effective interest method except for borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is incurred, borrowing costs are incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

##### (v) Income tax

From year of assesment 2012 to 2016, **TH** is exempted from income tax on all types of income except for the statutory dividend income under Section 127(3A) of the Income Tax Act, 1967.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**3. Significant accounting policies (cont'd.)**

**(v) Income tax (cont'd.)**

Taxation charged on subsidiaries for the year comprised current tax expense and deferred tax. Current tax expense refers to the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax assets are recognised for all deductible temporary differences, tax losses and unutilised tax credits to the extent that it is probable that taxable income will arise in the foreseeable future. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

**(w) Non-current assets held for sale**

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

This classification can only be done if the sale is highly probable to occur and the asset (or group of assets) can be sold immediately at the existing conditions, subject to the terms and customary use.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

A component of the Group is classified as a discontinued operation when the criteria to be classified as assets held for sale have been met or the asset has been disposed off and that component represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

**(x) Fair value measurements**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (*cont'd.*)

**3. Significant accounting policies (*cont'd.*)**

**(x) Fair value measurements (*cont'd.*)**

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- a) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- b) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- c) Level 3 - Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**4. Cash and cash equivalents**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Placements with licensed financial institutions	10,825,753	5,011,185	10,709,444	6,833,475
Cash and bank balances	1,795,676	1,418,721	281,420	148,412
Money at call and interbank placements with remaining maturity not exceeding one month	2,481,836	3,101,584	-	-
	<b>15,103,265</b>	<b>9,531,490</b>	<b>10,990,864</b>	<b>6,981,887</b>

Cash and cash equivalents are denominated in the following currencies:

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Ringgit Malaysia	14,580,399	9,314,499	10,798,371	6,923,011
Saudi Riyal	64,464	15,017	9,362	13,549
Pound Sterling	257,979	153,976	2,227	1,885
U.S. Dollar	181,220	6,081	180,809	6,081
Australian Dollar	19,203	41,917	95	37,361
	<b>15,103,265</b>	<b>9,531,490</b>	<b>10,990,864</b>	<b>6,981,887</b>

Included in placements with licensed financial institutions and cash and bank balances of the Group and **TH** were short term placements and cash and bank balances of TKJHM and TWT amounting to RM250,779,000 (2014: RM315,228,000).

Included in cash and bank balances of the Group was RM8,178,000 (2014: RM12,464,000), the utilisation of which is subject to the Housing Developers (Control and Licensing) (Amendment) Act 2002.

Placements with licensed financial institutions of the Group and **TH** registered profit margins ranging between 2.20% and 4.80% (2014: 2.90% and 4.80%).

Included in cash and bank balances of the Group was RM51,463,000 (2014: RM10,128,000) pledged to banks for bank guarantee facilities.

**5. Deposits and placements with banks and other financial institutions**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks and financial institutions	976,830	721,324

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**6. Derivative assets/(liabilities)**

Group	Fair value		
	Principal	Assets	Liabilities
2015	RM'000	RM'000	RM'000
Forward contracts	2,322,286	106,402	(98,593)
Warrants	805,710	7,268	-
Profit rate swaps	862,568	12,857	(3,320)
	<b>3,990,564</b>	<b>126,527</b>	<b>(101,913)</b>
2014			
Forward contracts	1,840,778	45,508	(28,798)
Warrants	84,498	8,947	-
Profit rate swaps	1,187,694	17,018	(3,594)
Structured deposits	106,680	15	(15)
	<b>3,219,650</b>	<b>71,488</b>	<b>(32,407)</b>
<b>TH</b>			
<b>2015</b>			
Warrants	<b>805,710</b>	<b>60,107</b>	<b>-</b>
2014			
Warrants	<b>807,390</b>	<b>75,569</b>	<b>-</b>

**7. Securities held-for-trading**

	Group	
	2015	2014
	RM'000	RM'000
<b>At fair value</b>		
<b>Quoted securities</b>		
Shares	125,650	110,319
Unit trusts	14,647	22,943
	<b>140,297</b>	<b>133,262</b>
<b>Unquoted securities</b>		
Malaysian Government Investment Issues	241,717	50,767
Bank Negara Negotiable Notes	-	394,808
Islamic debt securities	287,992	307,125
Negotiable Islamic Debt Certificates	-	279,628
	<b>529,709</b>	<b>1,032,328</b>
	<b>670,006</b>	<b>1,165,590</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**8. Securities available-for-sale**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>				
<b>Shares</b>				
Quoted shares	15,421,813	13,250,335	14,767,366	12,807,052
Less: Impairment during the year	(13,656)	(39,129)	(13,656)	(39,129)
	15,408,157	13,211,206	14,753,710	12,767,923
Fund managers	1,327,673	1,177,567	1,327,673	1,177,567
Unquoted shares	1,138,169	704,382	1,111,274	654,701
Less: Impairment during the year	(20,883)	(32,665)	(1,555)	(16,836)
	1,117,286	671,717	1,109,719	637,865
	17,853,116	15,060,490	17,191,102	14,583,355
<b>Debt Securities</b>				
Government debt securities	11,135,498	12,834,901	1,182,245	1,379,753
Corporate debt securities	7,234,646	6,486,368	7,234,646	6,486,368
Less: Impairment during the year	(2,515)	-	(2,515)	-
	7,232,131	6,486,368	7,232,131	6,486,368
	18,367,629	19,321,269	8,414,376	7,866,121
<b>Other Financial Assets</b>				
Unit trusts	918,032	1,053,057	610,579	611,034
Negotiable Islamic Debt Certificate	6,327,047	5,561,025	3,685,780	4,332,634
	7,245,079	6,614,082	4,296,359	4,943,668
	43,465,824	40,995,841	29,901,837	27,393,144

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**9. Assets held for sale**

	Group		TH	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Assets classified as held for sale:</b>				
Investment in subsidiaries	-	-	-	2,406,330
Property, plant and equipment	8,970	34,943	8,970	33,247
Fair value adjustment on investment	-	1,761,838	-	-
	<b>8,970</b>	<b>1,796,781</b>	<b>8,970</b>	<b>2,439,577</b>

**10. Trade and other receivables**

	Group		TH	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Trade receivables</b>				
Trade receivables	562,313	451,740	409,790	292,399
<b>Other receivables</b>				
Clients' and dealers' debit balances	215,265	179,229	-	-
Other receivables, deposits and prepayments	692,711	1,550,331	64,280	84,100
Staff financing	105,196	100,127	19,628	21,658
Amount due from:				
- Subsidiaries	-	-	422,601	120,037
- Associates	2,095	-	2,095	-
- Jointly controlled entities	222,397	151,001	2	-
	<b>1,237,664</b>	<b>1,980,688</b>	<b>508,606</b>	<b>225,795</b>
	<b>1,799,977</b>	<b>2,432,428</b>	<b>918,396</b>	<b>518,194</b>

**11. Inventories**

	Group	
	2015	2014
	RM'000	RM'000
Stores	21,367	18,256
Finished goods	38,018	20,828
Completed properties	19,203	1,858
	<b>78,588</b>	<b>40,942</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**12. Financing**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash line	1,059,397	844,720	-	-
Credit cards	443,543	435,638	-	-
Discounted trade bills	1,139,827	1,013,823	-	-
Trust receipts	20,210	33,398	-	-
Term financing	32,223,366	27,693,845	-	-
Pawn broking	73,883	90,288	-	-
Financing to subsidiaries	-	-	1,038,779	1,448,290
	<b>34,960,226</b>	<b>30,111,712</b>	<b>1,038,779</b>	<b>1,448,290</b>
Less: Accumulated impairment				
- Collective assessment	(541,065)	(444,388)	-	-
- Individual assesment	(124,471)	(142,753)	-	-
	<b>(665,536)</b>	<b>(587,141)</b>	<b>-</b>	<b>-</b>
	<b>34,294,690</b>	<b>29,524,571</b>	<b>1,038,779</b>	<b>1,448,290</b>

Financing to local subsidiaries were chargeable at a profit margin of 5% to 7% (2014: 5%).

Financing to overseas subsidiaries were chargeable at a profit margin of 5% (2014: 5%).

**13. Takaful assets**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Retakaful assets:		
Claims liabilities	404,205	405,867
Contribution liabilities	55,893	69,949
Actuarial liabilities	242,477	206,644
	<b>702,575</b>	<b>682,460</b>
Takaful receivables:		
Due contributions	119,350	95,074
Due from retakaful/co-Takaful	36,440	38,004
	<b>155,790</b>	<b>133,078</b>
Less: Allowance for impaired receivables	(7,517)	(4,487)
	<b>148,273</b>	<b>128,591</b>
	<b>850,848</b>	<b>811,051</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**14. Securities held-to-maturity**

	Group		TH	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<i>At amortised cost</i>				
<b>Debt Securities</b>				
Malaysian Government Islamic papers	145,157	145,276	-	-
Corporate Debt Securities	3,322,143	3,873,273	5,134,675	5,596,231
Less: Accumulated impairment	(6,887)	(7,019)	-	-
	<b>3,460,413</b>	<b>4,011,530</b>	<b>5,134,675</b>	<b>5,596,231</b>

**15. Statutory deposits with Bank Negara Malaysia**

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia ("BNM") in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as set percentages of total eligible liabilities.

**16. Property development costs**

	Group	
	2015	2014
	RM'000	RM'000
Property development costs comprise:		
Land	618,205	24,597
Development costs	1,197,913	1,023,632
	<b>1,816,118</b>	<b>1,048,229</b>
<i>Add: Development costs incurred during the year</i>		
Land	15,550	593,608
Development costs	107,593	177,012
	<b>1,939,261</b>	<b>1,818,849</b>
<i>Less: Development costs recognised as expense in the statement of income</i>		
- Previous years	(843,631)	(696,297)
- Current year	(119,899)	(150,065)
	<b>975,731</b>	<b>972,487</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**17. Plantation development expenditure**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	681,262	716,762
Change in fair value recognise in other comprehensive income	(6,949)	-
Transfer to forestry (Note 18)	(107,105)	-
	567,208	716,762
Additions	478,681	262,463
Transfer to property, plant and equipment (Note 24)	(362,368)	(297,963)
Foreign exchange difference	3,639	-
At 31 December	687,160	681,262
Included in additions during the year is:		
Depreciation (Note 24 (a))	5,322	7,118

***Transfer to forestry***

During the board meetings of the subsidiaries of the Group in 2015, the respective Board of the subsidiaries decided to change the intended purpose of the plantation development expenditure from tapping of latex to timber. As a result of the change in the business use, the Boards of the subsidiaries has decided to record the plantation development expenditure at fair value instead of cost. The plantation development expenditure related to rubber was transferred to forestry which is carried at fair value. The plantation development expenditure has been revalued at 1 January 2015 before it is being transferred to forestry. As a result of the revaluation, the changes in fair value is recognised in other comprehensive income.

**18. Forestry**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	-	-
Additions	24,339	-
Transfer from plantation development expenditure (Note 17)	107,105	-
Change in fair value recognised in statements of income	14,461	-
At 31 December	145,905	-
Included in additions during the year is:		
Depreciation (Note 24 (a))	771	-



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**19. Deferred tax**

Total deferred tax assets and liabilities, after appropriate offsetting are as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	155,309	136,982
Deferred tax liabilities	(209,195)	(206,382)
	<b>(53,886)</b>	<b>(69,400)</b>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to adjust current tax assets against current tax liabilities and where the deferred taxes relate to the same tax authority.

The recognised deferred tax assets and liabilities after offsetting are as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment		
- capital allowances	(396,900)	(364,512)
Investment properties	1,593	654
Impairment	49,508	66,040
Unabsorbed capital allowance	217,203	191,701
Unutilised tax losses	94,498	39,521
Others	(19,788)	(2,804)
	<b>(53,886)</b>	<b>(69,400)</b>

**20. Investment in jointly controlled entities**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At cost</b>				
Unquoted shares	471,088	390,896	295,961	295,961
<b>Add:</b>				
Shares in jointly controlled entities:				
- Accumulated losses	(49,070)	(44,537)	-	-
- Other reserves	(5,116)	(5,116)	-	-
- Foreign exchange differences	4,024	(7,288)	-	-
	<b>(50,162)</b>	<b>(56,941)</b>	<b>-</b>	<b>-</b>
	<b>420,926</b>	<b>333,955</b>	<b>295,961</b>	<b>295,961</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**20. Investment in jointly controlled entities (cont'd.)**

The Group's interest in the assets, liabilities, income and expenses of jointly controlled entities are as follows:

Name of company	Principal activities	Effective ownership interest	
		2015	2014
		%	%
<b>Direct holding</b>			
<b>Unquoted and incorporated in Malaysia</b>			
Trurich Resources Sdn. Bhd.	Investment holding	50	50
TH Alam Management Sdn. Bhd.	Ship operating and chartering	50	50
Abraj Sdn. Bhd.	Property investment	50	50
Abraj Management Sdn. Bhd.	Provision of management and administrative services to a diverse portfolio of properties and real estate investments	50	50
<b>Indirect holding</b>			
Theta Edge Berhad and its jointly controlled entity:			
Taha Alam Sdn. Bhd.	Provision of advisory services for hajj and umrah	50	50
<b>Unquoted and incorporated in Indonesia</b>			
TH Indo Industries Sdn. Bhd. and its jointly controlled entity:			
PT Synergy Oil Nusantara	Processing of crude palm oil and marketing of refined palm oil products	50	50
<b>Unquoted and incorporated in Australia</b>			
TH Properties Sdn. Bhd. and its jointly controlled entities:			
Piety Capital Pty. Ltd.	Property development	50	50
Piety THP Capital Pty. Ltd.	Property development	50	50
Piety THP Developments Pty. Ltd.	Property development management services	50	50

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**20. Investment in jointly controlled entities (cont'd.)**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Summarised financial information at 31 December</b>		
Assets	2,838,496	2,052,656
Liabilities	(1,885,706)	(1,309,182)
Net assets	952,790	743,474
<b>Year ended 31 December</b>		
Profit/(Loss) from continuing operations	55,168	(24,306)
Other comprehensive income/(loss)	8,108	(5,835)
Total comprehensive income/(loss)	63,276	(30,141)
<b>Reconciliation of net assets to carrying amount as at 31 December</b>		
Group's share of net assets	471,137	365,763
Carrying amount in the statement of financial position	420,926	333,955
<b>Group's share of results for the year ended 31 December</b>		
Group's share of profit/(loss) from continuing operations	27,584	(12,153)
Group's share of other comprehensive income/(loss)	4,054	(2,917)
	31,638	(15,070)
Dividends received by the Group	32,117	2,512

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**21. Investment in associates**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At cost</b>				
Quoted shares	891,559	617,252	891,559	617,252
Less: Accumulated impairment	(230,490)	(230,490)	(230,490)	(230,490)
	661,069	386,762	661,069	386,762
Unquoted shares	252,820	258,270	250,019	250,450
Less: Accumulated impairment	(94,821)	(71,730)	(94,821)	(66,712)
	157,999	186,540	155,198	183,738
<i>Add:</i>				
Share of results of associates:				
- Retained profit	82,461	125,622	-	-
- Reserves	25,910	23,109	-	-
	108,371	148,731	-	-
	927,439	722,033	816,267	570,500
Market value of quoted shares	439,726	255,076	439,726	255,076

Details of associates, of which all are incorporated in Malaysia, are as follows:

<b>Name of company</b>	<b>Principal activities</b>	<b>Effective ownership interest</b>	
		<b>2015</b>	<b>2014</b>
		<b>%</b>	<b>%</b>
<b>Direct holding</b>			
<b>Quoted and incorporated in Malaysia</b>			
TH Heavy Engineering Berhad	Construction and fabrication of oil and gas offshore structures	30	30
Pelikan International Corporation Berhad	Manufacture and distribution of stationeries	28	28
<b>Unquoted and incorporated in Malaysia</b>			
CCM Fertilizers Sdn. Bhd.	Production and marketing of fertilizers	50	50
Maju-TH Sdn. Bhd.	Property management	49	49
Nihon Canpack (Malaysia) Sdn. Bhd.	Manufacture and sale of canned beverages	40	40

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**21. Investment in associates (cont'd.)**

Name of company	Principal activities	Effective ownership interest	
		2015 %	2014 %
<b>Direct holding (cont'd.)</b>			
<b>Unquoted and incorporated in Malaysia (cont'd.)</b>			
Express Rail Link Sdn. Bhd.	Design, construction, maintenance and management of express railway system	36	40
Perumahan Kinrara Bhd.	Property development	25	25
I&P Kota BayuEmas Sdn. Bhd.	Property management	23	23
Bata (Malaysia) Sdn. Bhd.	Manufacture and marketing of footwear and allied products	20	20
Consolidated Fertiliser Corporation Sdn. Bhd.	Production and marketing of fertilizers	20	20
Top Priority Sdn. Bhd. *	Property management	30	30
Prizevest Sdn. Bhd.*	Property management	30	30
Victec Enterprise Sdn. Bhd.*	Property management	30	30
<b>Indirect holding</b>			
<b>Unquoted and incorporated in Malaysia</b>			
THP Bina Sdn. Bhd. and its associates:			
HCM-TH Technologies JV	Dormant	40	40
HCM-TH Technologies Sdn. Bhd.	Dormant	30	30
Roadcare (M) Sdn. Bhd.	Maintenance and upgrading	28	28
BIMB Holdings Berhad and its associate:			
Islamic Banking and Finance Institute Malaysia Sdn. Bhd.	Training and consultancy services	-	26

\* **TH** no longer has significant influence towards the financial and operational policies of these companies because these companies had been placed under the supervision of Receivers and Managers, even though **TH** still holds a certain amount of shares. Therefore, these companies were not consolidated and the investments had been fully written off.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**21. Investment in associates** (cont'd.)

Summarised information of the associates are as follows:

**2015**

	Pelikan International Corporation Berhad RM'000	TH Heavy Engineering Berhad RM'000	Other associates RM'000	Total RM'000
<b>Summarised Statements of Financial Position</b>				
Assets	1,544,219	1,386,189	4,367,459	7,297,867
Liabilities	(1,080,582)	(737,119)	(3,603,191)	(5,420,892)
Net assets	463,637	649,070	764,268	1,876,975
<b>Summarised Statements of Income and Statements of Comprehensive Income</b>				
Revenue	1,331,508	100,573	1,639,487	3,071,568
(Loss)/Profit for the year	(49,467)	(44,789)	85,803	(8,453)
Other comprehensive income	22,477	(137)	-	22,340
Total comprehensive income	(26,990)	(44,926)	85,803	13,887

Comparison of the Group's total net assets with investments in associates are as follows:

	Pelikan International Corporation Berhad RM'000	TH Heavy Engineering Berhad RM'000	Other associates RM'000	Total RM'000
<b>Summarised Statement of Financial Position</b>				
Group's share of net assets in associates	131,719	193,488	139,487	464,694
Total investments in associates	256,571	382,672	288,196	927,439
<b>Summarised Statements of Income and Statements of Comprehensive Income</b>				
(Loss)/Profit for the year	(14,890)	(13,350)	16,377	(11,863)
Other comprehensive income	3,167	(41)	21	3,147
Total comprehensive income	(11,723)	(13,391)	16,398	(8,716)
Dividends	-	-	31,581	31,581

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**21. Investment in associates (cont'd.)**

2014

	<b>Pelikan International Corporation Berhad RM'000</b>	<b>TH Heavy Engineering Berhad RM'000</b>	<b>Other associates RM'000</b>	<b>Total RM'000</b>
<b>Summarised Statements of Financial Position</b>				
Assets	1,440,833	1,113,590	4,103,481	6,657,904
Liabilities	(944,900)	(709,848)	(3,427,206)	(5,081,954)
Net assets	495,933	403,742	676,275	1,575,950

**Summarised Statements of Income and Statements of  
Comprehensive Income**

Revenue	1,382,120	344,124	1,252,115	2,978,359
(Loss)/Profit for the year	(33,516)	(76,450)	47,476	(62,490)
Other comprehensive income	(71,318)	4,579	-	(66,739)
Total comprehensive income	(104,834)	(71,871)	47,476	(129,229)

Comparison of the Group's total net assets with investments in associates are as follows:

	<b>Pelikan International Corporation Berhad RM'000</b>	<b>TH Heavy Engineering Berhad RM'000</b>	<b>Other associates RM'000</b>	<b>Total RM'000</b>
<b>Summarised Statements of Financial Position</b>				
Group's share of net assets in associates	140,895	121,446	103,841	366,182
Total investments in associates	268,294	121,799	331,940	722,033
<b>Summarised Statements of Income and Statements of Comprehensive Income</b>				
(Loss)/Profit for the year	(9,554)	(21,067)	18,281	(12,340)
Other comprehensive income	(19,268)	1,149	-	(18,119)
Total comprehensive income	(28,822)	(19,918)	18,281	(30,459)
Dividends	-	-	20,960	20,960

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**22. Investment in subsidiaries**

	<i>TH</i>	
	2015	2014
	RM'000	RM'000
<b>At cost</b>		
Quoted shares	2,944,030	2,831,826
Less: Accumulated impairment	(47,312)	(47,312)
	2,896,718	2,784,514
Unquoted shares	1,908,829	969,541
Less: Accumulated impairment	-	(1,500)
	1,908,829	968,041
Market value of quoted shares	4,805,547	3,752,555
	3,908,492	4,402,521

Details of subsidiaries are as follows:

Name of company	Principal activities	Effective ownership interest	
		2015	2014
		%	%
<b>Quoted and incorporated in Malaysia</b>			
BIMB Holdings Berhad and its subsidiaries:	Investment holding	53	54
Bank Islam Malaysia Berhad and its subsidiaries:	Islamic banking business	53	54
BIMB Investment Management Berhad	Management of Islamic Unit Trust Funds	53	54
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Nominee services	53	54
Farihan Corporation Sdn. Bhd.	Provision of manpower for the provision of Islamic pawn broking services	53	54
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary:	Provision of services as Labuan registered trust company	53	54
BIMB Offshore Company Management Services Sdn. Bhd.	Resident corporate secretary and director for offshore companies	53	54
BIMB Foreign Currency Clearing Agency Sdn. Bhd.	Dormant (In the process of members' voluntary liquidation)	53	54



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**22. Investment in subsidiaries (cont'd)**

		Effective ownership interest	
Name of company	Principal activities	2015	2014
		%	%
Quoted and incorporated in Malaysia (cont'd)			
BIMB Securities (Holdings) Sdn. Bhd. and its subsidiary:	Investment holding	53	54
BIMB Securities Sdn. Bhd. and its subsidiaries:	Stockbroking	53	54
BIMSEC Nominees (Tempatan) Sdn. Bhd.	Nominee services	53	54
BIMSEC Nominees (Asing) Sdn. Bhd.	Nominee services	53	54
Syarikat Al-Ijarah Sdn. Bhd.	Leasing of assets	53	54
Syarikat Takaful Malaysia Berhad and its subsidiary:	Family and general takaful business	32	33
ASEAN Retakaful International (L) Ltd	Family and general retakaful business	20	21
TH Plantations Berhad and its subsidiaries:	Investment holding, cultivation of oil palm, processing and marketing of palm products	73	71
THP Ibok Sdn. Bhd.	Cultivation of oil palm and selling of fresh fruit bunches	73	71
THP Gemas Sdn. Bhd.	Cultivation of oil palm, processing and marketing of palm products	73	71
THP Bukit Belian Sdn. Bhd.	Cultivation of oil palm and selling of fresh fruit bunches	73	71
THP Kota Bahagia Sdn. Bhd.	Cultivation of oil palm, processing and marketing of palm products	73	71
THP Agro Management Sdn. Bhd.	Management services	73	71
Bumi Suria Ventures Sdn. Bhd.	Cultivation of oil palm and selling of fresh fruit bunches	73	71
Maju Warisanmas Sdn. Bhd.	Letting of investment property	73	71
THP Suria Mekar Sdn. Bhd. (formerly known as Pinekey Enterprise Sdn. Bhd.)	Special services	73	71
Manisraya Sdn. Bhd.	Provision of financing services	73	71

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**22. Investment in subsidiaries (cont'd)**

Name of company	Principal activities	Effective ownership interest	
		2015	2014
		%	%
Quoted and incorporated in Malaysia (cont'd)			
TH Ladang (Sabah & Sarawak) Sdn. Bhd. and its subsidiaries:	Investment holding	73	71
Cempaka Teratai Sdn. Bhd. and its subsidiary:	Investment holding	73	71
TH PELITA Gedong Sdn. Bhd.	Cultivation of oil palm, processing and marketing of palm products	51	50
Kee Wee Plantations Sdn. Bhd. and its subsidiary:	Investment holding	73	71
TH PELITA Sadong Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	51	50
TH-Bonggaya Sdn. Bhd.	Rubber plantation	73	71
Ladang Jati Keningau Sdn. Bhd.	Teak plantation	61	59
TH-USIA Jatimas Sdn. Bhd.	Rubber plantation	51	50
TH PELITA Meludam Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	44	43
TH PELITA Simunjan Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	44	43
TH PELITA Beladin Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	40	39
Derujaya Sdn. Bhd.	Dormant	73	71
Halus Riang Sdn. Bhd.	Dormant	73	71
Kuni Riang Sdn. Bhd.	Dormant	73	71
THP Saribas Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	58	57
THP-YT Plantation Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	51	50
Hydroflow Sdn. Bhd.	Cultivation of oil palm and marketing of fresh fruit bunches	51	50
THP Sabaco Sdn. Bhd.	Cultivation of oil palm, processing and marketing of palm products	37	36
TH Bakti Sdn. Bhd.	Cultivation of oil palm	-	50

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**22. Investment in subsidiaries (cont'd)**

		Effective ownership interest	
Name of company	Principal activities	2015	2014
		%	%
Quoted and incorporated in Malaysia (cont'd)			
Theta Edge Berhad and its subsidiaries:	Investment holding	69	69
Advanced Business Solutions (M) Sdn. Bhd. and its subsidiary:	Provision of manpower for information technology industry	69	69
Theta Mobile Sdn. Bhd. (formerly known as Hi Pro Edar (M) Sdn. Bhd.)	Services related to information technology industry	69	69
Impianas Sdn. Bhd.	Public mobile data network operator	69	69
Konsortium Jaya Sdn. Bhd.	Sales and maintenance of computers and telecommunication equipments	69	69
Lityan Applications Sdn. Bhd.	Marketing of computer products and application development services	69	69
Sistem Komunikasi Gelombang Sdn. Bhd.	Supply of telecommunication equipments and system integration services	69	69
THT Integrated Solutions Sdn. Bhd.	Information technology solutions	69	69
TH Computers Sdn. Bhd.	Distributor of computer equipments	69	69
TH2.0 Sdn. Bhd.	Investment holding	69	69
Unquoted and incorporated in Malaysia			
TH Properties Sdn. Bhd. and its subsidiaries:	Investment holding, property development	100	100
THP Bina Sdn. Bhd. and its subsidiaries:	Infrastructure concessions construction, provision of venture expertise capitaland management	100	100
THT-HCM JV Sdn. Bhd.	Road construction	60	60
Ultimate Building Machine (Malaysia) Sdn. Bhd.	Dormant	60	60
TH Universal Builders Sdn. Bhd.	Construction, implementation and management of construction projects	100	100
THP Development Consultancy Sdn. Bhd.	Property development consultancy and management of project	100	100

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**22. Investment in subsidiaries** (cont'd)

Name of company	Principal activities	Effective ownership interest	
		2015	2014
		%	%
Unquoted and incorporated in Malaysia (cont'd)			
TH Properties Sdn. Bhd. and its subsidiaries (cont'd):			
THP Hartanah Sdn. Bhd.	Property development	100	100
THP Pelindung Sdn. Bhd.	Property development	100	100
THP Enstek Development Sdn. Bhd. and its subsidiary:	Property development	100	100
TH Connectivity Sdn. Bhd.	Dormant	100	100
THP-SBB JV Sdn. Bhd.	Housing development	100	100
THP Timur Sdn. Bhd.	Property development	100	100
THP Mutiara Sdn. Bhd.	Property development	100	100
THP Australia Capital Sdn. Bhd.	Investment holding	100	100
THP Australia Developments Corporation	Investment holding	100	100
THP Bay Pavilions Corporation	Investment holding	100	100
THP Sinar Sdn. Bhd. and its subsidiary:	Provision of building management services	60	60
THPS Capital Sdn. Bhd.	Investment holding	60	60
Keramat Green Development Sdn. Bhd.	Property development	100	-
THP Perlis Sdn. Bhd.	Dormant	100	-
THP Sydney Bay Views Sdn. Bhd.	Dormant	100	-
TH Hotel & Residence Sdn. Bhd. and its subsidiaries:	Investment holding	100	100
TH Travel & Services Sdn. Bhd.	Provision of umrah and hajj services and ticketing	100	100
TH Global Services Sdn. Bhd.	Supply of halal food products	100	100
TH Hotel Alor Setar Sdn. Bhd.	Hospitality services	100	100
TH Hotel Terengganu Sdn. Bhd.	Hospitality services	100	100
THV Management Sdn. Bhd.	Hotel management	100	100

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**22. Investment in subsidiaries (cont'd)**

		Effective ownership interest	
Name of company	Principal activities	2015	2014
		%	%
Unquoted and incorporated in Malaysia (cont'd)			
TH Marine Holding (L) Inc. and its subsidiaries:		100	-
TH Alam Holding (L) Inc. and its subsidiaries:	Investment holding	51	51
Alam JVDP 1 (L) Inc.	Ship owning	51	51
Alam JVDP 2 (L) Inc.	Dormant	51	51
Marine 1 (L) Inc.	Provision of marine services	100	-
TH Marine Sdn. Bhd.	Provision of marine services	100	100
TH Estates (Holdings) Sdn. Bhd.	Investment holding	100	100
TH Indo Industries Sdn. Bhd.	Investment holding and leasing	100	100
TH Indopalms Sdn. Bhd.	Investment holding	100	100
LTH Property Investment (L) Inc.	Investment holding	100	100
Deru Semangat Sdn. Bhd.	Cultivation of oil palm	55	-
THC International Sdn. Bhd. #	Dormant	-	60
Incorporated in United Kingdom			
LTH Property Holdings Limited and its subsidiaries:	Investment holding	100	100
10 Queen Street Place London Limited	Rental of investment property	100	100
151 BPR One Limited	Investment holding	100	100
151 BPR Two Limited	Investment holding	100	100
Elizabeth Bridge Unit Trust*	Rental of investment property	-	100
LTH Property Holdings 2 Limited and its subsidiary:	Investment holding	100	100
Leatherhead Properties Limited and its subsidiary:	Property investment holding	100	100
LTH Leatherhead Limited	Property investment holding	100	100
THPS Capital Sdn. Bhd. and its subsidiary:			
THPS OCS Services Limited	Property management services	60	60

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**22. Investment in subsidiaries** (cont'd)

Name of company	Principal activities	Effective ownership interest	
		2015	2014
		%	%
Incorporated in Australia			
LTH Property Investment (L) Inc. and its trust fund:			
TH Trust* and its subsidiary:	Rental of investment property	100	100
747 CS Melbourne Trust	Rental of investment property	100	100
THP Australia Capital Sdn. Bhd. and its subsidiary:			
THP Amanah Pty. Ltd.	Investment holding	100	100
Incorporated in Saudi Arabia			
TH Hotel & Residence Sdn. Bhd. and its subsidiary:			
TH Real Estate Company	Management of investment	100	100
Incorporated in Indonesia			
Syarikat Takaful Malaysia Berhad and its subsidiary:			
P.T. Syarikat Takaful Indonesia and its subsidiaries:	Investment holding	17	18
P.T. Asuransi Takaful Keluarga	Family takaful business	13	14
P.T. Asuransi Takaful Umum	General takaful business	11	12
TH Plantations Berhad and its subsidiary:			
P.T. Persada Kencana Prima	Cultivation of oil palm and marketing of fresh fruit bunches	69	67

# Fully liquidated

\* Trust funds

All subsidiaries, associates and jointly controlled entities of **TH** are not audited by the Auditor General.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**22. Investment in subsidiaries (cont'd.)**

**Non-controlling interests in subsidiaries**

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

**2015**

	<b>BIMB Holdings Berhad</b>	<b>TH Plantations Berhad</b>	<b>Other subsidiaries</b>	<b>Total</b>
	<b>%</b>	<b>%</b>	<b>%</b>	
Percentage of ownership and voting interest by non-controlling interest	<b>47</b>	<b>27</b>	<b>31 - 49</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Carrying amount of non-controlling interest	<b>1,103,166</b>	<b>479,855</b>	<b>106,547</b>	<b>1,689,568</b>
Total comprehensive income attributable to non-controlling interest	<b>286,694</b>	<b>(15,814)</b>	<b>4,017</b>	<b>274,897</b>

Summarised financial information before intra-group elimination:

	<b>BIMB Holdings Berhad</b>	<b>TH Plantations Berhad</b>	<b>Other subsidiaries</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>

**Summarised Statements of Financial Position**

Assets	<b>57,363,828</b>	<b>3,459,416</b>	<b>983,403</b>	<b>61,806,647</b>
Liabilities	<b>(53,668,102)</b>	<b>(1,835,543)</b>	<b>(615,620)</b>	<b>(56,119,265)</b>
Net assets	<b>3,695,726</b>	<b>1,623,873</b>	<b>367,783</b>	<b>5,687,382</b>

**Summarised Statements of Income and Statements of Comprehensive Income**

Revenue	<b>3,310,607</b>	<b>455,304</b>	<b>470,075</b>	<b>4,235,986</b>
Profit for the year	<b>612,947</b>	<b>23,929</b>	<b>19,306</b>	<b>656,182</b>
Total comprehensive income	<b>536,920</b>	<b>40,420</b>	<b>19,306</b>	<b>596,646</b>

Cash flows from operating activities	<b>(1,144,222)</b>	<b>(249,818)</b>	<b>(51,228)</b>	<b>(1,445,268)</b>
Cash flows from investing activities	<b>285,874</b>	<b>(141,200)</b>	<b>(14,207)</b>	<b>130,467</b>
Cash flows from financing activities	<b>600,609</b>	<b>104,236</b>	<b>8,112</b>	<b>712,957</b>
Net decrease in cash and cash equivalents	<b>(257,739)</b>	<b>(286,782)</b>	<b>(57,323)</b>	<b>(601,844)</b>
Dividends paid to non-controlling interest	<b>106,168</b>	<b>9,362</b>	<b>1,900</b>	<b>117,430</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**22. Investment in subsidiaries (cont'd.)**

**Non-controlling interests in subsidiaries (cont'd.)**

**2014**

	<b>BIMB Holdings Berhad</b>	<b>TH Plantations Berhad</b>	<b>Other subsidiaries</b>	<b>Total</b>
	<b>%</b>	<b>%</b>	<b>%</b>	
Percentage of ownership and voting interest by non-controlling interest	46	29	31 - 49	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Carrying amount of non-controlling interest	953,318	475,022	102,181	1,530,521
Total comprehensive income attributable to non-controlling interest	298,187	26,056	(12,992)	311,251

Summarised financial information before intra-group elimination:

	<b>BIMB Holdings Berhad</b>	<b>TH Plantations Berhad</b>	<b>Other subsidiaries</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<i>Restated</i>		

**Summarised Statements of Financial Position**

Assets	53,030,205	3,636,098	575,608	57,241,911
Liabilities	(49,840,945)	(2,022,393)	(334,828)	(52,198,166)
Net assets	3,189,260	1,613,705	240,780	5,043,745

**Summarised Statements of Income and Statements of Comprehensive Income**

Revenue	2,967,473	488,917	197,193	3,653,583
Profit for the year	586,904	59,580	15,659	662,143
Total comprehensive income	537,112	59,511	15,659	612,282
Cash flows from operating activities	(2,618,521)	431,740	(99,534)	(2,286,315)
Cash flows from investing activities	2,811,322	(250,953)	(1,594)	2,558,775
Cash flows from financing activities	(210,462)	61,049	152,408	2,995
Net increase/(decrease) in cash and cash equivalents	(17,661)	241,836	51,280	275,455
Dividends paid to non-controlling interest	209,098	14,624	510	224,232



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**23. Investment property**

	Group		TH	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>At fair value</b>				
At 1 January	8,291,494	6,333,449	5,196,758	3,921,032
Additions	619,387	775,811	619,376	367,746
Disposal	(1,630,566)	(628,155)	-	(623,027)
Transfer from property, plant and equipment (Note 24)	17,894	350,102	15,853	350,102
Transfer from assets held for sale	2,729	511,555	1,033	511,555
Changes in fair value	127,025	947,778	(106,011)	669,350
Foreign exchange difference	549,700	954	-	-
At 31 December	7,977,663	8,291,494	5,727,009	5,196,758

Fair value of the Group's investment properties are categorised as follows:

Group	Level 1	Level 2	Level 3	Total
2015	RM'000	RM'000	RM'000	RM'000
Freehold land and buildings	-	5,727,009	4,980	5,731,989
Leasehold land and buildings	-	2,231,503	14,171	2,245,674
	-	7,958,512	19,151	7,977,663
2014	RM'000	RM'000	RM'000	RM'000
Freehold land and buildings	-	5,196,759	733	5,197,492
Leasehold land and buildings	-	3,078,477	15,525	3,094,002
	-	8,275,236	16,258	8,291,494

**Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**Level 1**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

**Level 2**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

**Level 3**

Level 3 fair value is estimated using unobservable inputs for the investment property.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**24. Property, plant and equipment**

Group	Freehold land	Leasehold land	Estates	Freehold buildings	Leasehold buildings	Building renovations	Plant, machineries, fittings and motor vehicles	Work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>									
At 1 January 2015	82,029	567,199	986,085	495,359	279,587	193,290	1,954,616	66,932	4,625,097
Additions	-	151,860	-	7,008	-	19,121	333,853	50,206	562,048
Disposals	(3,210)	-	(482)	(59)	-	-	(266,482)	-	(270,233)
Write off	-	-	(4,378)	(518)	-	(3,530)	(26,105)	(76)	(34,607)
Transfer from plantation development expenditure (Note 17)	-	-	362,368	-	-	-	-	-	362,368
Transfer from/(to) investment property (Note 23)	4,345	(2,156)	-	1,338	(34,666)	(5,372)	-	-	(36,511)
Transfer from assets held for sale	-	147	-	-	2,771	-	-	-	2,918
Reclassification	-	-	-	12,708	-	34,128	6,951	(53,787)	-
Adjustments	(8,529)	2,439	-	8,007	34	(1,416)	5,994	-	6,529
Foreign exchange difference	-	24	-	20	1,237	4	1,506	6	2,797
At 31 December 2015	74,635	719,513	1,343,593	523,863	248,963	236,225	2,010,333	63,281	5,220,406
<b>Accumulated depreciation</b>									
At 1 January 2015	-	49,494	190,169	115,362	121,207	116,646	980,682	-	1,573,560
Depreciation for the year (Note 24 (a))	-	9,457	23,523	13,926	5,973	9,912	142,974	-	205,765
Disposals	-	-	(154)	(59)	-	-	(51,968)	-	(52,181)
Write off	-	-	(4,378)	(436)	-	(3,363)	(24,700)	-	(32,877)
Transfer from/(to) investment property (Note 23)	-	(957)	-	85	(10,764)	(6,981)	-	-	(18,617)
Reclassification	-	-	-	-	-	6	(6)	-	-
Foreign exchange difference	-	-	-	-	434	4	1,241	-	1,679
At 31 December 2015	-	57,994	209,160	128,878	116,850	116,224	1,048,223	-	1,677,329
<b>Net carrying amount at 31 December 2015</b>	<b>74,635</b>	<b>661,519</b>	<b>1,134,433</b>	<b>394,985</b>	<b>132,113</b>	<b>120,001</b>	<b>962,110</b>	<b>63,281</b>	<b>3,543,077</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**24. Property, plant and equipment (cont'd.)**

Group	Freehold land	Leasehold land	Estates	Freehold buildings	Leasehold buildings	Building renovations	Plant, machineries, fittings and motor vehicles	Work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>									
At 1 January 2014	87,669	540,226	687,809	464,155	284,169	198,192	1,880,382	313,248	4,455,850
Acquisition of subsidiaries	-	20,678	-	-	-	-	141	-	20,819
Additions	-	6,093	14,418	5,644	-	18,522	96,624	137,141	278,442
Disposals	(5,640)	(10,861)	(21,552)	(4,528)	-	(3,080)	(38,681)	-	(84,342)
Write off	-	-	(12,394)	(276)	-	(18,185)	(3,757)	(667)	(35,279)
Transfer from plantation development expenditure (Note 17)	-	-	297,963	-	-	-	-	-	297,963
Transfer to investment property (Note 23)	-	-	-	-	-	(125)	-	(349,977)	(350,102)
Transfer from/(to) assets held for sale	-	11,063	19,841	4,119	(1,750)	-	7,336	137	40,746
Reclassification	-	-	-	26,245	(3,326)	(2,035)	12,066	(32,950)	-
Foreign exchange difference	-	-	-	-	494	1	505	-	1,000
At 31 December 2014	82,029	567,199	986,085	495,359	279,587	193,290	1,954,616	66,932	4,625,097
<b>Accumulated depreciation</b>									
At 1 January 2014	-	41,462	182,400	100,830	115,266	130,209	892,572	-	1,462,739
Depreciation for the year (Note 24 (a))	-	8,030	20,362	14,715	5,971	7,196	124,190	-	180,464
Disposals	-	(253)	(828)	(398)	(54)	(2,708)	(35,360)	-	(39,601)
Write off	-	-	(12,388)	(119)	-	(18,052)	(3,164)	-	(33,723)
Transfer from assets held for sale	-	255	623	192	-	-	1,952	-	3,022
Reclassification	-	-	-	142	(142)	-	-	-	-
Foreign exchange difference	-	-	-	-	166	1	492	-	659
At 31 December 2014	-	49,494	190,169	115,362	121,207	116,646	980,682	-	1,573,560
<b>Net carrying amount at 31 December 2014</b>	82,029	517,705	795,916	379,997	158,380	76,644	973,934	66,932	3,051,537

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**24. Property, plant and equipment (cont'd.)**

	Freehold land	Leasehold land	Freehold buildings	Leasehold buildings	Building renovations	Plant, machineries, fittings and motor vehicles	Work in progress	Total
<i>TH</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>								
At 1 January 2015	26,545	17,491	126,176	237,854	153,328	195,642	40,310	797,346
Additions	-	-	1,470	-	16,766	9,918	29,803	57,957
Disposals	(3,211)	-	-	-	-	(1,854)	-	(5,065)
Write off	-	-	-	-	(3,037)	(575)	(71)	(3,683)
Transfer to investment property (Note 23)	411	(2,156)	1,989	(30,736)	(5,372)	-	-	(35,864)
Transfer from assets held for sale	-	147	-	2,771	-	-	-	2,918
Reclassification	-	-	824	-	34,721	-	(35,545)	-
At 31 December 2015	23,745	15,482	130,459	209,889	196,406	203,131	34,497	813,609
<b>Accumulated depreciation</b>								
At 1 January 2015	-	5,079	27,883	115,206	94,102	159,524	-	401,794
Depreciation for the year (Note 24 (a))	-	123	2,285	4,781	7,251	13,709	-	28,149
Disposals	-	-	-	-	-	(1,708)	-	(1,708)
Write off	-	-	-	-	(3,037)	(575)	-	(3,612)
Transfer to investment property (Note 23)	-	(957)	(792)	(11,281)	(6,981)	-	-	(20,011)
At 31 December 2015	-	4,245	29,376	108,706	91,335	170,950	-	404,612
<b>Net carrying amount at 31 December 2015</b>	23,745	11,237	101,083	101,183	105,071	32,181	34,497	408,997

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**24. Property, plant and equipment (cont'd.)**

	Freehold land	Leasehold land	Freehold buildings	Leasehold buildings	Building renovations	Plant, machineries, fittings and motor vehicles	Work in progress	Total
<i>TH</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>								
At 1 January 2014	31,965	17,491	113,975	237,854	157,394	191,017	289,902	1,039,598
Additions	-	-	626	-	14,244	7,830	111,960	134,660
Disposals	(5,420)	-	-	-	-	(3,199)	-	(8,619)
Write off	-	-	-	-	(18,185)	(6)	-	(18,191)
Transfer to investment property (Note 23)	-	-	-	-	(125)	-	(349,977)	(350,102)
Reclassification	-	-	11,575	-	-	-	(11,575)	-
At 31 December 2014	26,545	17,491	126,176	237,854	153,328	195,642	40,310	797,346
<b>Accumulated depreciation</b>								
At 1 January 2014	-	4,832	25,583	110,379	107,368	147,510	-	395,672
Depreciation for the year (Note 24 (a))	-	247	2,300	4,827	4,785	15,115	-	27,274
Disposals	-	-	-	-	-	(3,097)	-	(3,097)
Write off	-	-	-	-	(18,051)	(4)	-	(18,055)
At 31 December 2014	-	5,079	27,883	115,206	94,102	159,524	-	401,794
<b>Net carrying amount at 31 December 2014</b>	26,545	12,412	98,293	122,648	59,226	36,118	40,310	395,552

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**24. Property, plant and equipment (cont'd.)**

(a) Depreciation for the year is allocated as follows:

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Statements of income	<b>198,678</b>	172,494	<b>27,155</b>	26,422
Accumulated reserve of TKJHM and TWT (Note 42)	<b>994</b>	852	<b>994</b>	852
Capitalised in plantation development expenditure (Note 17)	<b>5,322</b>	7,118	-	-
Capitalised in forestry (Note 18)	<b>771</b>	-	-	-
	<b>205,765</b>	180,464	<b>28,149</b>	27,274

- (b) Included in property, plant and equipment, were motor vehicles and computers of RM11,800,000 (2014: RM250,000) of the Group acquired under hire-purchase.
- (c) Marine vessels of a subsidiary with a net carrying value of RM358,466,000 (2014: RM373,476,000) were pledged as security for bank borrowings amounting to RM217,506,000 (2014: RM258,898,000).
- (d) Leasehold land of a subsidiary with a net carrying value of RM15,886,000 (2014: RM16,217,000) were pledged as security for bank borrowings amounting to RM95,130,000 (2014: RM99,082,000).

**25. Intangible assets**

**Group**

	<b>Goodwill</b>	<b>Bancatakaful services fees</b>	<b>Other intangible assets</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>				
At 1 January 2015	<b>266,493</b>	-	<b>121,765</b>	<b>388,258</b>
Additions	<b>51,150</b>	<b>61,321</b>	<b>1,933</b>	<b>114,404</b>
At 31 December 2015	<b>317,643</b>	<b>61,321</b>	<b>123,698</b>	<b>502,662</b>
<b>Accumulated amortisation</b>				
At 1 January 2015	-	-	<b>45,817</b>	<b>45,817</b>
Amortisation for the year	-	<b>5,110</b>	<b>9,390</b>	<b>14,500</b>
At 31 December 2015	-	<b>5,110</b>	<b>55,207</b>	<b>60,317</b>
<b>Net carrying amount at 31 December 2015</b>	<b>317,643</b>	<b>56,211</b>	<b>68,491</b>	<b>442,345</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**25. Intangible assets (cont'd.)**

**Group**

	Goodwill	Other intangible assets	Total
	RM'000	RM'000	RM'000
<b>Cost</b>			
At 1 January 2014	282,003	151,417	433,420
Remeasurement of retirement plan	-	(31,471)	(31,471)
Additions	-	1,819	1,819
Impairment for the year	(15,510)	-	(15,510)
At 31 December 2014	266,493	121,765	388,258
<b>Accumulated amortisation</b>			
At 1 January 2014	-	37,062	37,062
Amortisation for the year	-	8,755	8,755
At 31 December 2014	-	45,817	45,817
<b>Net carrying amount at 31 December 2014</b>	266,493	75,948	342,441

**TH**

	Other intangible assets	Total
	RM'000	RM'000
At 1 January 2015	22,859	22,859
Additions	1,932	1,932
At 31 December 2015	24,791	24,791
At 1 January 2014	52,511	52,511
Remeasurement of retirement plan	(31,471)	(31,471)
Additions	1,819	1,819
At 31 December 2014	22,859	22,859

Bancatakaful services fees is a ten year term between a subsidiary of the Group with an Islamic banking institution to distribute its products via the said institution's distribution channel.

**26. Deposits from banking customers**

	Group	
	2015	2014
	RM'000	RM'000
Mudharabah fund	504,860	7,714,526
Non-Mudharabah fund	42,261,631	30,654,200
	42,766,491	38,368,726

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**27. Investment accounts of banking customers**

	Group	
	2015	2014
	RM'000	RM'000
Unrestricted Mudharabah investment account	461,312	-
Unrestricted Wakalah investment account	214,793	-
	676,105	-

**28. Deposits and placements of banks and other financial institutions**

	Group	
	2015	2014
	RM'000	RM'000
Mudharabah fund	-	300,000
Non-Mudharabah fund	-	-
	-	300,000

**29. Trade and other payables**

	Group		TH	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Trade payables</b>				
Trade payables	253,531	248,181	52,354	88,258
Deposits received	34,321	34,084	34,321	34,084
Retention sum	511	516	511	516
Amount due to contract customers (Note 29 (a))	214,624	192,933	-	-
Bill and acceptance payables	122,577	127,524	-	-
	625,564	603,238	87,186	122,858
<b>Other payables</b>				
Other payables and accruals	1,281,349	1,515,240	134,100	147,304
Amount due to jointly controlled	31,920	41,002	-	-
Clients' and dealers' credit balances	214,578	170,298	-	-
	1,527,847	1,726,540	134,100	147,304
	2,153,411	2,329,778	221,286	270,162

**Note 29 (a) - Amount due to contract customers**

	Group	
	2015	2014
	RM'000	RM'000
Development costs	(732,512)	(520,442)
Attributable profits	(40,928)	(28,387)
	(773,440)	(548,829)
Progress billings	988,064	741,762
Amount due to contract customers	214,624	192,933

**30. Takaful liabilities**



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

	Group 2015 RM'000	2014 RM'000
Expense reserves	142,258	142,127
Takaful payables		
- Due to retakaful companies	73,198	46,409
- Due to intermediaries/participants	22,449	14,908
Takaful contract liabilities		
- Provision for outstanding claims	741,069	808,491
- Provision for unearned contributions	297,773	290,899
- Participants' fund	5,312,141	5,020,743
	6,588,888	6,323,577

**31. Finance lease**

	Group 2015 RM'000	2014 RM'000
Payable within:		
Less than one year	4,138	113
Between one and five years	3,865	299
	8,003	412

*Finance lease liabilities are payable as follows:*

	Payments RM'000	Financing cost RM'000	Principal RM'000
<b>2015</b>			
Less than one year	4,525	387	4,138
Between one and five years	4,317	452	3,865
	8,842	839	8,003
<b>2014</b>			
Less than one year	212	99	113
Between one and five years	302	3	299
	514	102	412

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**32. Financing**

	Group 2015 RM'000	2014 RM'000
<b>Current:</b>		
<i>Secured</i>		
Term financing	42,517	41,498
Trust receipts	41,575	-
Ijarah term financing-i	12,000	10,000
Flexi term financing-i	9,000	-
<i>Unsecured</i>		
Islamic Trade financing-i	5,493	-
Term financing	-	12,000
Revolving credit	-	4,000
	<b>110,585</b>	<b>67,498</b>
<b>Non-current:</b>		
<i>Secured</i>		
Murabahah financing	1,136,216	1,456,914
Term financing	520,563	313,589
Flexi term financing-i	43,715	54,258
Ijarah term financing-i	7,768	21,868
<i>Unsecured</i>		
Sukuk Murabahah	704,380	-
Term financing	17,154	17,956
	<b>2,429,796</b>	<b>1,864,585</b>
	<b>2,540,381</b>	<b>1,932,083</b>

Leasehold land and marine vessels of subsidiaries with a net carrying amount of RM15,886,000 (2014: RM16,217,000) and RM358,466,000 (2014: RM373,476,000) were pledged as security for term financing.

Three foreign subsidiaries had entered into Murabahah financing and pledged its investment properties at the fair value of RM2,231,503,000 (2014: RM2,724,475,000).

**Financing are payable as follows:**

	Group 2015 RM'000	2014 RM'000
Less than one year	110,585	67,498
Between one and five years	1,680,102	1,759,586
More than five years	749,694	104,999
	<b>2,540,381</b>	<b>1,932,083</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**33. Deferred income**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Government grant	-	22,139	-	-
Development fund	10,286	10,597	10,286	10,597
Less: Amortised to statement of income during the year	(311)	(311)	(311)	(311)
	<b>9,975</b>	<b>32,425</b>	<b>9,975</b>	<b>10,286</b>

A subsidiary of the Group received a government grant which was conditional upon managing, planting and silvicultural treatment of the timber species within the plantable area and further to undertake tapping (for rubber species), cutting, collecting, removing and/or selling the planted timber trees.

Government grant arises due to loans received from government agency at interest rate which is below market rate. The loan is recognised and measured at fair value. The benefit of the lower interest and longer repayment period is recognised as government grant. The term financing received during the year has been fair valued based on discounted cash flows using a rate based on the current market rate of borrowing at reporting date. The repayment of the loan is estimated to be made after 20 years.

During the year, government grant is recognised in the statement of comprehensive income in accordance with changes in accounting policies related to an asset measured at fair value.

Development fund represents grant from the Government for the construction of Hajj pilgrims complexes at Bayan Lepas, Pulau Pinang and Kota Kinabalu, Sabah.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**34. Provision for retirement benefits**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	406,731	391,414	406,615	391,221
Remeasurement of retirement benefit liability	-	(7,013)	-	(7,013)
Provision for the year	40,280	38,022	40,280	37,944
Write back of provision	(67)	-	-	-
Payment during the year	(11,417)	(15,707)	(11,361)	(15,537)
Foreign exchange difference	7	15	-	-
At 31 December	435,534	406,731	435,534	406,615

The provisions recognised in the statement of financial position are as follows:

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Present value of unfunded retirement benefit plan	435,534	406,731	435,534	406,615

The provisions recognised in the statement of income are as follows:

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current service cost	15,736	15,244	15,736	15,166
Interest cost	24,544	22,778	24,544	22,778
Total	40,280	38,022	40,280	37,944

The principal assumptions used in the actuarial valuation to determine the amount of the provision in the statements of income are as follows:

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Inflation rate	3.0 - 5.0	3.0 - 5.0	3.0 - 5.0	3.0 - 5.0
Discount rate	6.0	6.0	6.0	6.0
Salary increment rate	6.0	6.0	6.0	6.0

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 34. Provision for retirement benefits (cont'd.)

**TH provides for several retirement plans on an unfunded basis. These plans are briefly described as follows:**

##### Types of retirement benefits

##### i) Post employment medical benefits

**TH** provides post-employment medical benefits for its employees and dependants covering cost of medical treatment at private and/or government hospitals after employees retirement. The costs of hospital treatment are insured by a subsidiary up to the age of 65 years.

##### ii) Accumulated annual leave reward

**TH** provides a plan that allows its employees to accumulate their annual leave which can be converted into cash upon retirement in accordance with the number of accumulated leave up to a maximum of 120 or 150 days.

##### iii) Hajj performance

**TH** provides for employees and a spouse or family member the opportunity to perform Hajj as employees attain retirement age or fulfil the number of years in service that entitles them for this benefit.

##### iv) Gratuity plan

**TH** provides a retirement gratuity plan for retiring employees who have achieved a specified period of service subject to certain terms and conditions.

##### Actuarial assumptions

Actuarial assumptions used to determine defined benefit obligations for retirement benefits as set out in the statement of financial position are as follows:

	31 December 2015	31 December 2014
Discount rate	6.0%	6.0%
Future medical cost inflation rate	5.0%	5.0%
Future salary increase rate	6.0%	6.0%
Hajj cost inflation rate	3.0%	3.0%

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**34. Provision for retirement benefits (cont'd.)**

**Additional disclosure information**

**i) Description of the Plan characteristics and associated risks**

The Plan covers several sub-plans, of which the largest (in terms of the size of the liability) is the post employment medical plan followed by the local gratuity plan. As such, the valuation results are particularly sensitive to changes in the discount rate, the assumed medical cost inflation rate and the assumed salary increase rate.

**ii) Description of funding arrangements and policies**

The Plan is unfunded. Benefits are paid out directly by **TH** as and when a Plan member leaves the Plan (upon retirement age or death in services).

**iii) Maturity profile of defined benefit obligation**

Duration of Defined Benefit Obligation by plan and in aggregate as at Valuation Date 31 December were as follows:

**TH**

	Post Employment Medical	Accumulated Annual Leave	Hajj Performance	Staff Gratuity	Total
<b>31 December 2015</b>					
Obligation (RM'000)	253,009	11,738	20,710	150,077	435,534
% of Total	58.1	2.7	4.8	34.4	100.0
Duration (Year)	20.9	9.1	6.4	9.2	15.8
<b>31 December 2014</b>					
Obligation (RM'000)	235,866	11,380	19,562	139,807	406,615
% of Total	58.0	2.8	4.8	34.4	100.0
Duration (Year)	21.9	10.1	7.4	10.2	16.8

**iv) Administrative expenses**

We assumed that administrative expenses of the plan are paid by **TH** and accounted for separately in the statements of income.

**v) Curtailment, settlement and plan amendments**

There was no events of curtailment or settlement for the financial year ended 31 December 2015.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 34. Provision for retirement benefits (cont'd.)

##### Significant actuarial assumptions and sensitivity analysis

##### i) Significant actuarial assumptions

The following analysis shows the impact on the defined benefit obligation for the year ended 2015.

Assumption	Base rate	Sensitivity analysis	Comparison rate	31 December 2015 RM '000
Discount rate	6.0%	1% Increase	(14.2%)	(55,691)
Discount rate	6.0%	1% Decrease	18.2%	71,239
Future medical cost inflation rate	5.0%	1% Increase	13.3%	52,206
Future medical cost inflation rate	5.0%	1% Decrease	(10.3%)	(40,253)
Future salary increase rate	6.0%	1% Increase	4.1%	15,961
Future salary increase rate	6.0%	1% Decrease	(3.6%)	(13,971)

The key assumptions identified to affect the valuation results are the discount rate, the medical cost inflation and the salary increase assumptions.

##### ii) Methods and assumptions used in sensitivity analysis

Other assumptions are held constant when quantifying the sensitivity of results to a particular assumption.

The sensitivity results above determine their individual impact on the defined benefit obligation plan. In reality, the plan is subject to multiple external experience items which may move the defined benefit obligation in similar or opposite directions. The plan's sensitivity to such changes can vary over time.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**35. Depositors' savings fund**

	<b>Group / TH</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	54,357,750	45,719,459
Deposits during the year	19,226,698	18,105,075
Less: Withdrawals during the year	(14,257,060)	(12,703,980)
	59,327,388	51,120,554
Bonus to depositors for the year	3,220,374	3,237,196
At 31 December	62,547,762	54,357,750

**36. Revenue and gross profit**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>				
Investment	1,413,741	2,528,574	1,798,684	2,031,414
Dividends	537,669	411,326	1,908,984	653,187
Islamic banking	3,310,607	2,967,473	-	-
Plantations	455,784	489,158	-	-
Services	589,862	529,884	3,310	3,538
Properties and construction	673,449	674,827	372,426	290,902
	6,981,112	7,601,242	4,083,404	2,979,041
<b>Less:</b>				
<b>Cost of sales</b>				
Direct expenses attributable to investment of banking depositors' and shareholders' funds	22,911	17,966	-	-
Plantations	387,254	369,068	-	-
Services	551,962	468,375	-	-
Properties and construction	102,182	162,685	-	-
	1,064,309	1,018,094	-	-
<b>Gross profit</b>	<b>5,916,803</b>	<b>6,583,148</b>	<b>4,083,404</b>	<b>2,979,041</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**37. Income attributable to banking depositors**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers		
- Mudharabah fund	62,413	526,311
- Non-Mudharabah fund	835,659	227,159
Deposits and placements of banks and other financial institutions		
- Mudharabah fund	2,261	23,155
- Non-Mudharabah fund	4,037	307
Unrestricted investment accounts	2,743	-
	<b>907,113</b>	<b>776,932</b>

**38. Operating profit**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating profit was arrived at after crediting/(charging):				
Dividend income				
- quoted subsidiaries	-	-	117,434	211,761
- unquoted subsidiaries	-	-	1,229,572	10,000
- unquoted associates	-	-	17,581	9,760
- jointly controlled entities	-	-	1,910	2,513
- quoted shares	440,395	334,790	440,359	334,790
- unquoted shares	32,898	17,370	31,287	17,187
- fund managers	30,994	26,012	30,994	26,012
- unit trusts	31,377	29,515	39,846	41,165
Return from fund managers	5,277	3,639	5,277	3,639
Gain/(Loss) on disposals of:				
- quoted subsidiaries	-	-	59,404	83,375
- unquoted subsidiaries	1,303	836,210	26,563	-
- unquoted associates	247	(4,435)	-	(12,114)
Gain on trading of equities:				
- quoted shares	399,778	751,175	399,778	751,175
- unquoted shares	8,939	2,339	8,939	2,339
- fund managers	52,282	68,131	52,282	68,131
Gain from capital repayment	-	790	-	790

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**38. Operating profit** (cont'd.)

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net derivatives gain/(loss)	5,445	(1,184)	6,597	1,186
Gain on debt securities	569,485	546,106	702,807	668,760
Profit from financing to subsidiaries	-	-	71,513	72,074
Gain on negotiable debt certificates	145,502	128,209	147,107	128,209
Rental income	541,490	449,544	375,736	294,440
Gain on disposal of property, plant and equipment	3,575	22,663	3,142	10,042
Gain on disposal of investment properties	-	13	-	-
Property, plant and equipment written off	(1,692)	(1,556)	(71)	(136)
Write back of:				
- doubtful debts	425	-	279	-
- equity investments	-	254,507	-	266,642
Net gain on foreign exchange differences	489,215	29,333	358,420	29,230
Amortisation of intangible assets (Note 25)	(14,500)	(8,755)	-	-
Depreciation of property, plant and equipment (Note 24 (a))	(198,678)	(172,494)	(27,155)	(26,422)
Audit fees	(4,604)	(3,836)	(314)	(283)
Rental of premises	(72,565)	(72,678)	(7,315)	(8,123)
Provision for retirement benefits	(40,280)	(38,022)	(40,280)	(37,944)
Staff costs	(1,095,298)	(1,044,345)	(277,776)	(257,032)

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**39. Impairment and fair value adjustments**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impairment:				
- quoted subsidiaries	-	-	-	47,312
- quoted associates	-	230,490	-	230,490
- unquoted associates	28,109	-	28,109	-
- quoted shares	13,656	39,129	13,656	39,129
- unquoted shares	1,555	17,090	1,555	16,836
- debt securities	2,515	-	2,515	-
- goodwill	-	15,510	-	-
Allowance for losses on financing undertaken by banking operations	73,819	56,305	-	-
Write off:				
- derivatives	-	28,738	-	28,738
- receivables	40	-	40	-
- subsidiaries	-	-	25,777	-
Changes in fair value of investment properties	(127,025)	(947,778)	106,011	(669,350)
Changes in fair value of forestry	(14,461)	-	-	-
Changes in fair value of Government grant	(5,180)	-	-	-
Changes in fair value of derivatives	1,480	(5,021)	15,264	53,944
	<b>(25,492)</b>	<b>(565,537)</b>	<b>192,927</b>	<b>(252,901)</b>

**40. Zakat**

Zakat refers to payment of business zakat mandatorily imposed upon **TH** and its subsidiaries in accordance with the Syariah principles. The basis of calculating the business zakat is based on the adjusted working capital method. The basis period for the calculation of zakat is based on the financial year.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**41. Tax expense**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current tax expense				
- Current year	261,105	286,155	-	-
- (Over)/Under provision in prior years	(11,330)	(23,029)	-	-
	249,775	263,126	-	-
Deferred tax				
- Current year	(2,364)	(19,415)	-	-
- Prior years	(3,544)	13,434	-	-
- Effect of changes in tax rate	1,196	-	-	-
	245,063	257,145	-	-

From year of assesment 2012 to 2016, **TH** is exempted from income tax on its income except for the statutory dividend income under Section 127(3A) of the Income Tax Act, 1967.

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

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	3,461,414	4,872,606	3,535,627	2,978,968
Income tax using Malaysian tax rate of 25% (2014: 25%)	865,354	1,218,152	883,907	744,742
Effect of differences in tax rates	(13,511)	(557)	-	-
Non deductible expenses	81,062	(323,864)	-	-
Non assessable income	(328,671)	(222,237)	(476,977)	(163,297)
Tax exempt income	(376,451)	(533,762)	(406,930)	(581,445)
Effect of unrecognised deferred tax	(8)	10,148	-	-
Recognition of deferred tax assets previously not recognised	(30,149)	(4,744)	-	-
Share of tax of associates	(2,966)	(3,898)	-	-
Share of tax of jointly controlled entities	6,896	(3,038)	-	-
Effect of changes in tax rates	2,081	-	-	-
Others	56,300	130,540	-	-
	259,937	266,740	-	-
(Over)/Under provision in prior years				
- Current	(11,330)	(23,029)	-	-
- Deferred tax	(3,544)	13,434	-	-
	245,063	257,145	-	-

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**42. Net surplus of Tabung Kebajikan Jemaah Haji Malaysia ("TKJHM") and Tabung Warga Tua ("TWT")**

	<b>Group / TH</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Surplus for the year:		
- TKJHM	4,422	6,135
- TWT	(145)	(50)
	<b>4,277</b>	<b>6,085</b>

Reserve of TKJHM can only be utilised for the purpose of community services, protection, monitoring and general welfare of Hajj pilgrims, in accordance with the guidelines of TKJHM. Reserve of TWT can only be utilised for funding elderly to perform Hajj based on guidelines set by the Committee of TWT.

Statement of income and expenditure of TKJHM is summarised as follows:

	<b>Group / TH</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Receipts and income	21,276	24,013
Less:		
Expenses and welfare contributions	(15,860)	(17,026)
Depreciation (Note 24 (a))	(994)	(852)
Net surplus for the year	<b>4,422</b>	<b>6,135</b>

**43. Bonus to depositors**

For the year ended 31 December 2015, **TH** had announced an annual bonus at the rate of 5.00% (2014: 6.25%) and Hajj bonus at the rate of 3.00% (2014: 2.00%). The annual bonus were paid to all active depositors as at 31 December 2015 while the Hajj bonus is a special bonus to **TH** depositors who have not performed Hajj with an average monthly minimum balances restricted to RM9,980 equivalent to Hajj payment for year 2015.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**44. Other reserves**

Group	Capital reserve RM'000	Revaluation reserve RM'000	Statutory reserve RM'000	Employees' shares option scheme reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Total RM'000
At 1 January 2015	57,038	9,682	679,684	7,271	(875,034)	(100,316)	(221,675)
Changes in fair value of securities available-for-sale	-	-	-	-	(3,085,345)	-	(3,085,345)
Currency translation differences in respect of foreign operations	-	-	-	-	-	68,832	68,832
Issuance of ordinary shares pursuant to employees' share option scheme	-	-	-	1,467	-	-	1,467
Changes in Group structure	(12)	(97)	-	-	-	-	(109)
Transfer between reserves	-	-	253,416	-	-	-	253,416
At 31 December 2015	57,026	9,585	933,100	8,738	(3,960,379)	(31,484)	(2,983,414)
At 1 January 2014	5,882	2,767	425,146	4,720	1,586,432	(274,714)	1,750,233
Changes in fair value of securities available-for-sale	-	-	-	-	(2,453,388)	-	(2,453,388)
Currency translation differences in respect of foreign operations	-	-	-	-	-	(33,154)	(33,154)
Issuance of ordinary shares pursuant to employees' share option scheme	-	-	-	2,551	-	-	2,551
Changes in Group structure	-	-	-	-	(4,365)	229,901	225,536
Transfer between reserves	51,156	6,915	254,538	-	(3,713)	(22,349)	286,547
At 31 December 2014	57,038	9,682	679,684	7,271	(875,034)	(100,316)	(221,675)

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**45. Segment information**

2015	Investment RM'000	Banking & Takaful RM'000	Plantation RM'000	Others RM'000	Eliminations RM'000	Total consolidated RM'000
<b>Revenue</b>						
Revenue from external customers	2,286,103	3,310,607	455,784	928,618	-	6,981,112
Inter-segment revenue	1,797,301	-	-	312,492	(2,109,793)	-
	<b>4,083,404</b>	<b>3,310,607</b>	<b>455,784</b>	<b>1,241,110</b>	<b>(2,109,793)</b>	<b>6,981,112</b>
<b>Profit for the year</b>						
Operating profit	3,787,816	991,650	185,166	284,248	(1,671,561)	3,577,319
Financing costs	-	(83,395)	(23,112)	(140,619)	163,166	(83,960)
Impairment and fair value adjustments	(192,927)	(73,819)	19,641	233,044	39,553	25,492
Zakat	(59,262)	(9,170)	-	(4,726)	-	(73,158)
Share of loss after tax and zakat of associates	-	-	-	9,135	(20,998)	(11,863)
Share of profit after tax and zakat of jointly controlled entities	-	-	-	43,092	(15,508)	27,584
Tax expense	-	(212,319)	(1,930)	(23,632)	(7,182)	(245,063)
	<b>3,535,627</b>	<b>612,947</b>	<b>179,765</b>	<b>400,542</b>	<b>(1,512,530)</b>	<b>3,216,351</b>
<b>Segment assets</b>						
Assets by segment	59,380,137	57,299,739	4,692,075	5,940,561	(10,560,641)	116,751,871
Investments in associates	816,267	-	-	18,322	92,850	927,439
Deferred tax assets	-	64,089	85,525	5,695	-	155,309
<b>Total</b>	<b>60,196,404</b>	<b>57,363,828</b>	<b>4,777,600</b>	<b>5,964,578</b>	<b>(10,467,791)</b>	<b>117,834,619</b>
<b>Segment liabilities</b>						
Liabilities by segment	734,214	53,668,102	1,655,188	4,189,117	(4,853,505)	55,393,116
Deferred tax liabilities	-	-	348,012	1,061	(139,878)	209,195
<b>Total</b>	<b>734,214</b>	<b>53,668,102</b>	<b>2,003,200</b>	<b>4,190,178</b>	<b>(4,993,383)</b>	<b>55,602,311</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**45. Segment information** (cont'd.)

	Investment	Banking & Takaful	Plantation	Others	Eliminations	Total consolidated
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>						
Revenue from external customers	2,479,052	2,967,473	1,210,269	944,448	-	7,601,242
Inter-segment revenue	499,989	-	-	244,709	(744,698)	-
	<u>2,979,041</u>	<u>2,967,473</u>	<u>1,210,269</u>	<u>1,189,157</u>	<u>(744,698)</u>	<u>7,601,242</u>
<b>Profit for the year</b>						
Operating profit	2,783,067	939,911	826,984	304,092	(388,126)	4,465,928
Financing costs	-	(68,222)	(28,751)	(122,493)	159,526	(59,940)
Impairment and fair value adjustments	252,901	(56,305)	-	34,385	334,556	565,537
Zakat	(57,000)	(13,202)	(34)	(4,190)	-	(74,426)
Share of loss after tax and zakat of associates	-	-	-	10,952	(23,292)	(12,340)
Share of loss after tax and zakat of jointly controlled entities	-	-	-	1,503	(13,656)	(12,153)
Tax expense	-	(215,278)	(2,109)	(32,224)	(7,534)	(257,145)
	<u>2,978,968</u>	<u>586,904</u>	<u>796,090</u>	<u>192,025</u>	<u>61,474</u>	<u>4,615,461</u>
<b>Segment assets</b>						
Assets by segment	54,255,028	52,964,388	5,555,301	5,818,788	(12,352,788)	106,240,717
Investments in associates	570,500	1	-	23,186	128,346	722,033
Deferred tax assets	-	65,816	61,665	9,501	-	136,982
<b>Total</b>	<u>54,825,528</u>	<u>53,030,205</u>	<u>5,616,966</u>	<u>5,851,475</u>	<u>(12,224,442)</u>	<u>107,099,732</u>
<b>Segment liabilities</b>						
Liabilities by segment	771,929	49,840,945	2,220,952	4,404,141	(7,382,002)	49,855,965
Deferred tax liabilities	-	-	347,858	5,585	(147,061)	206,382
<b>Total</b>	<u>771,929</u>	<u>49,840,945</u>	<u>2,568,810</u>	<u>4,409,726</u>	<u>(7,529,063)</u>	<u>50,062,347</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**46. Capital commitment**

	Group		TH	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Contracted but not accounted for in the financial statements:				
Property, plant and equipment	75,110	569,688	-	-
Investment property	634,074	663,948	634,074	663,948
Property development costs	85,174	175,155	-	-
Investments	194,625	194,111	194,625	194,111
	<b>988,983</b>	<b>1,602,902</b>	<b>828,699</b>	<b>858,059</b>
Authorised but not contracted for:				
Property, plant and equipment	93,318	114,826	-	-
Investment property	43,560	207,800	43,560	207,800
Plantation development expenditure	224,614	218,083	-	-
Investments	-	258,975	-	258,975
	<b>361,492</b>	<b>799,684</b>	<b>43,560</b>	<b>466,775</b>

**47. Related party transactions**

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa.

The Group has related party relationship with its subsidiaries (Note 22), associates (Note 21), jointly controlled entities (Note 20), Directors and key management personnel (Note 47(b)).

**(a) Significant related party transactions**

In addition to transactions presented in the financial statements, the aggregate value of transactions and outstanding balances relating to entities over which the Group and TH have controls or significant influence are as follows:

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**47. Related party transactions (cont'd.)**

**(a) Significant related party transactions (cont'd.)**

	<b>Group</b>		<b>TH</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Jointly controlled entities</b>				
<b>Income</b>				
Charter hire of vessels	49,054	61,537	-	-
Dividend	1,910	2,513	1,910	2,513
<b>Expenses</b>				
Management fees	2,580	3,480	-	-
<b>Associates</b>				
<b>Income</b>				
Dividend	-	-	17,581	9,760
Income from debt securities	3,500	3,778	3,500	3,778
<b>Subsidiaries</b>				
<b>Income</b>				
Dividend	-	-	1,347,006	221,761
Financing	-	-	674,755	553,702
Profit from financing	-	-	71,513	72,074
Debt securities	-	-	140,000	90,000
Income from debt securities	-	-	130,313	122,655
Rental	-	-	34,044	30,095

**(b) Remuneration of directors and key management personnel**

	<b>TH</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Directors:</b>		
Fees and other emoluments	585	575
<b>Other key management personnel:</b>		
Short term employee benefits	33,907	29,669

Directors include Chairman and non-executive and non-independent directors. Other key management personnel comprise Group Managing Director and Chief Executive Officer of **TH** and other personnel having authority and responsibility for planning, directing and controlling the activities of the Group and **TH** either directly or indirectly.

In accordance with **TH** Act (Act 535), the Board of Directors of **TH** shall not be entitled to any remuneration but may be paid such honorarium and travelling and subsistence allowances as the Minister may determine. The Chairman and the Board of Directors of **TH** received monthly allowances of RM18,500 and RM2,500 respectively, Board meeting allowance of RM1,000 and Committee meeting allowance of RM500 for any other committees in which a Board member is represented.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 48. Financial risk management policies

The Group has exposure to the following risks from its use of financial instruments:

- i) Credit risk
- ii) Market risk
- iii) Liquidity risk

##### **Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its investments in financial instruments, financing and advances undertaken by banking operations and trade receivables.

##### **- Investments in financial instruments**

Credit risk arising from trade and investment activities are monitored by providing guidelines for the specific limits including counterparty trading limits and investment limits allowed for instruments issued by private entities, subject to the prescribed minimum scoring limits.

Investments are allowed only in highly liquid securities and only with counterparties that have a same credit scoring or better than the Group.

##### **- Financing**

The management of credit risk for banking activities is principally carried out by using sets of policies and guidelines approved by Board of Directors.

The credit risk management of the banking sector includes the establishment of comprehensive credit risk policies, guidelines and procedures which documents the financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing of the banking sector.

The banking sector monitors its credit exposures either on a portfolio basis or individual basis by annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of the portfolio. The affected portfolio or financing is placed on a watch list to enforce close monitoring and prevent financing from turning non-performing and to increase chances of full recovery.

##### **- Takaful**

The takaful sector has takaful and other receivables and investment securities balances that are subject to credit risk. To mitigate the risk of the counterparties not paying the amount due, Takaful has established certain business and financial guidelines for brokers/retakaful approval, incorporating ratings by major agencies where applicable and considering currently available market information. Takaful also periodically review the financial stability of brokers/retakaful companies from public and other sources and the settlement trend of amounts due from these parties.

##### **- Trade receivables**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and period.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**48. Financial risk management policies** (cont'd.)

- **Trade receivables** (cont'd.)

The ageing of trade receivables as at the end of the reporting period were:

	Gross RM'000	Impairment RM'000	Net RM'000
<b>Group</b>			
<b>2015</b>			
Between 1 to 30 days	449,296	-	449,296
Past due 31 to 60 days	64,127	-	64,127
Past due 61 to 90 days	20,388	(257)	20,131
Past due more than 90 days	34,573	(5,814)	28,759
	<b>568,384</b>	<b>(6,071)</b>	<b>562,313</b>
<b>2014</b>			
Between 1 to 30 days	355,436	-	355,436
Past due 31 to 60 days	10,693	-	10,693
Past due 61 to 90 days	26,411	(2,952)	23,459
Past due more than 90 days	66,361	(4,209)	62,152
	<b>458,901</b>	<b>(7,161)</b>	<b>451,740</b>

**Market risk**

Market risk is the risk that market prices and rates will move, affecting financial position and results of the Group's cash flows. Furthermore, significant or sudden movements in rates could affect the Group's liquidity/funding position. The Group is exposed to the following main market factors:

- **Rate of return or profit rate risk**

The potential impact on the Group's profitability caused by changes in the market rate of return, either due to general market movements or due to issuer/borrower specific causes.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 48. Financial risk management policies (cont'd.)

##### Market risk (cont'd.)

##### - Foreign exchange risk

Changes in exchange rates may have an impact on the Group's foreign currency position. The Group controls the overall foreign exchange risk by limiting the open exposure to non-Ringggit positions on an aggregate basis. Foreign exchange limits are approved by the set up committees and independently monitored daily by the Market Risk Management Department ("MRMD") of the banking sector.

##### - Equity investment risk

The Group's equity positions or investments are exposed to the changes in equity prices or values that may affect the profitability of the Group.

##### - Commodity inventory risk

The risk of loss is due to movements in commodity prices.

##### - Displaced commercial risk

The risk arising from assets managed by the banking sector on behalf of depositors/investors as the banking sector follows the practice of potentially foregoing part or all of its Mudharib share of profit on these assets.

The objective of the Group's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's approved risk appetite.

##### Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations when they fall due, or might have to fund these obligations at excessive cost. This risk can arise from mismatches in the timing of cash flows. The Group's exposure to liquidity risk arises primarily from trade payables, financing, deposits from banking customers and deposits and placements of banks and other financial institutions.

The management of liquidity and funding of the banking sector is primarily carried out in accordance with the Bank Negara Malaysia Liquidity Framework and practices, and approved limits and triggers. These limits and triggers vary to take account of the depth and liquidity of the local market in which the banking sector operates. The banking sector maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

#### 48. Fair value of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value of financial instruments of the Group and **TH** which comprise cash and cash equivalents, deposits and placements with banks and other financial institutions and short-term financing are not very sensitive to changes in market gains due to the limited maturity of these financial instruments. Therefore, the carrying amount of financial assets and liabilities at the balance sheet date approximated their fair values.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**48. Fair value of financial assets and liabilities** (cont'd.)

The fair values are based on the following methodologies and assumptions:

**Deposits and placements with banks and other financial institutions**

For deposits and placements with financial instruments with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six months and above, the estimated fair values are based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial instruments of similar credit risk and remaining year to maturity.

**Financial assets held-for-trading and financial assets available-for-sale**

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

**Financing**

Their fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financings with similar credit risks and maturities. The fair values are represented by their carrying value, net of specific allowance, being the recoverable amount.

**Deposits from banking customers**

The fair values of deposits are deemed to approximate their carrying amounts as rate of returns are determined at the end of their holding periods based on the profit generated from the assets invested.

**Deposits and placements of banks and other financial institutions**

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining year to maturities.

**Bills and acceptance payable**

The estimated fair values of bills and acceptance payables with maturity of less than six months approximate their carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile.

**Fair value hierarchy**

FRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques adopted are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's assumptions. The fair value hierarchy is as follows:

- a) Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- b) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This level includes profit rates swap and structured debt. The sources of input parameters include Bank Negara Malaysia indicative yields or counterparty credit risk.
- c) Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

#### 48. Fair value of financial assets and liabilities (cont'd.)

##### Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>										
<b>Financial assets</b>										
Derivative assets	7,268	119,259	-	126,527	-	-	-	-	126,527	126,527
Securities held-for-trading	220,177	449,829	-	670,006	-	-	-	-	670,006	670,006
Securities available-for-sale	17,571,090	21,174,185	152,641	38,897,916	-	3,450,648	1,116,864	4,567,512	43,465,428	43,465,824
Financing	-	-	-	-	-	-	34,334,821	34,334,821	34,334,821	34,294,690
Securities held-to-maturity	-	-	-	-	61,770	3,339,299	59,352	3,460,421	3,460,421	3,460,413
	17,798,535	21,743,273	152,641	39,694,449	61,770	6,789,947	35,511,037	42,362,754	82,057,203	82,017,460
<b>Financial liabilities</b>										
Derivative liabilities	-	101,913	-	101,913	-	-	-	-	101,913	101,913
Financing	-	-	-	-	-	-	2,548,637	2,548,637	2,548,637	2,540,381
	-	101,913	-	101,913	-	-	2,548,637	2,548,637	2,650,550	2,642,294
<b>TH</b>										
<b>Financial assets</b>										
Derivative assets	60,107	-	-	60,107	-	-	-	-	60,107	60,107
Securities available-for-sale	16,691,961	8,414,376	-	25,106,337	-	3,685,780	1,109,720	4,795,500	29,901,837	29,901,837
Securities held-to-maturity	-	-	-	-	-	5,134,675	-	5,134,675	5,134,675	5,134,675
	16,752,068	8,414,376	-	25,166,444	-	8,820,455	1,109,720	9,930,175	35,096,619	35,096,619

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**48. Fair value of financial assets and liabilities** (cont'd.)

Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>2014</b>										
<b>Group</b>										
<b>Financial assets</b>										
Derivative assets	8,907	62,541	-	71,448	-	-	-	-	71,448	71,448
Securities held-for trading	229,805	935,785	-	1,165,590	-	-	-	-	1,165,590	1,165,590
Securities available-for-sale	15,208,436	20,843,799	155,758	36,207,993	-	4,272,634	669,930	4,942,564	41,150,557	40,995,841
Financing	-	-	-	-	-	-	29,527,807	29,527,807	29,527,807	29,524,571
Securities held-to-maturity	-	-	-	-	21,089	3,926,280	60,752	4,008,121	4,008,121	4,011,530
	15,447,148	21,842,125	155,758	37,445,031	21,089	8,198,914	30,258,489	38,478,492	75,923,523	75,768,980
<b>Financial liabilities</b>										
Derivative liabilities	-	32,407	-	32,407	-	-	-	-	32,407	32,407
Financing	-	-	-	-	-	-	2,326,515	2,326,515	2,326,515	1,932,083
	-	32,407	-	32,407	-	-	2,326,515	2,326,515	2,358,922	1,964,490
<b>TH</b>										
<b>Financial assets</b>										
Derivative assets	75,569	-	-	75,569	-	-	-	-	75,569	75,569
Securities available-for-sale	14,556,525	7,866,121	-	22,422,646	-	4,332,634	637,864	4,970,498	27,393,144	27,393,144
Securities held-to-maturity	-	-	-	-	-	5,596,231	-	5,596,231	5,596,231	5,596,231
	14,632,094	7,866,121	-	22,498,215	-	9,928,865	637,864	10,566,729	33,064,944	33,064,944



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

**49. Contingent liabilities**

	<b>Group</b>	
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
<b>Guarantees</b>		
i) Bank guarantee issued to trade customers	9,479	7,818
ii) Corporate guarantee issued for banking facilities extended to subsidiary companies	95,147	72,989
iii) Corporate guarantee issued for banking facilities extended to associate companies	-	2,380

**Litigation**

A minority shareholder of a former subsidiary in Indonesia had taken legal action against two subsidiary companies of **TH** at the South Jakarta District Court. Based on the decision of the District Court dated 16 January 2014, the District Court had decided that the Extraordinary Shareholders' General Meeting held on 26 November 2006 was invalid. The subsidiary companies of **TH** filed an appeal at the High Court on 24 January 2014 and the High Court, on 11 December 2014, had decided in favour of the subsidiary companies. The decision of the High Court was presented to the plaintiff on 6 January 2015. The plaintiff filed an appeal at the Supreme Court of Republic of Indonesia against the decision of the High Court. On 28 August 2015, the Supreme Court rejected the appeal that was made by the plaintiff and the full judgement of the Supreme Court was issued on 17 March 2016.

**50. Comparative figures**

Statements of financial position at 31 December 2014 and 1 January 2014 of the Group have been restated in accordance to changes in basis of measurement of plantation assets. Effects of changes to the statements of financial position are shown as follows:

	<b>At 31.12.2014</b>		
	As	Changes in	
	previously	basis of	
<b>Statements of Financial Position</b>	stated	measurement	As
	RM'000	of plantation	restated
<b>Group</b>	RM'000	assets	RM'000
<b>Assets</b>			
Inventories	60,598	(19,656)	40,942
Plantation development expenditure	661,606	19,656	681,262
Deferred tax	75,317	61,665	136,982
<b>Liabilities</b>			
Deferred tax	144,717	61,665	206,382

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015 (cont'd.)

50. Comparative figures (cont'd.)

		At 01.01.2014		
		As	Changes in basis of measurement of plantation assets	As
Statements of Financial Position		previously stated		restated
Group		RM'000	RM'000	RM'000
<b>Assets</b>				
Inventories		59,377	(13,761)	45,616
Plantation development expenditure		703,001	13,761	716,762
Deferred tax		<u>76,047</u>	<u>48,273</u>	<u>124,320</u>
<b>Liabilities</b>				
Deferred tax		<u>143,067</u>	<u>48,273</u>	<u>191,340</u>