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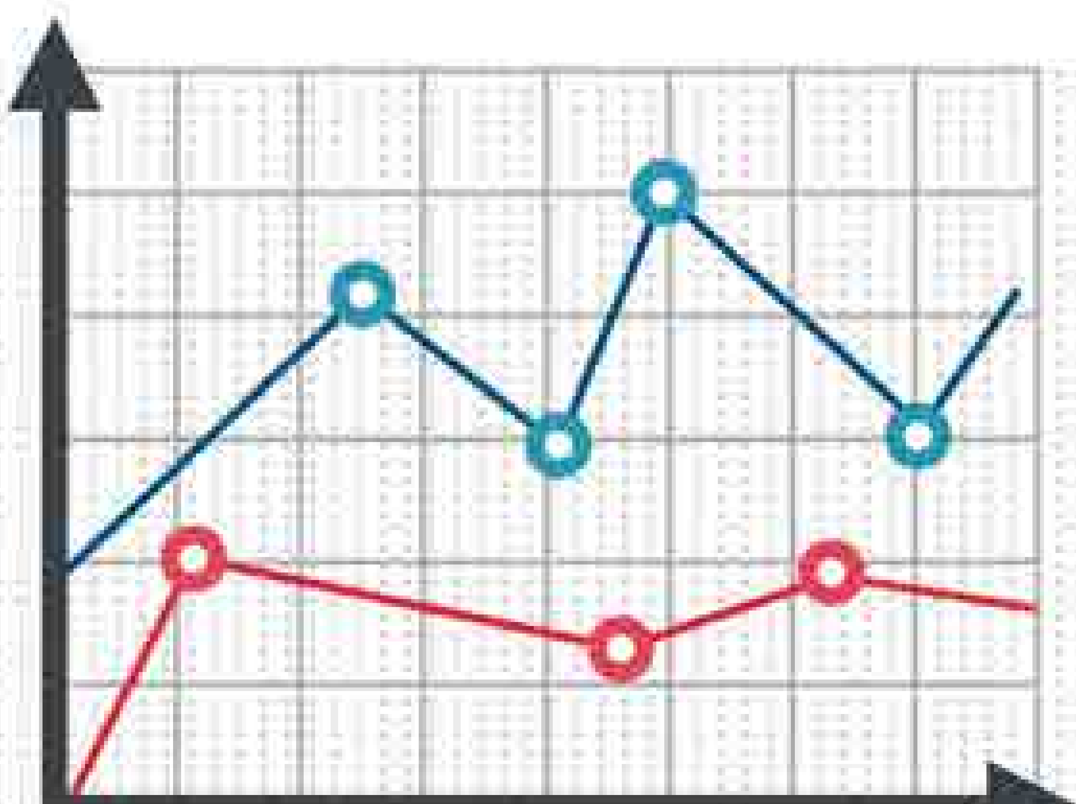

Life Made Easier TM

TELEKOM MALAYSIA BERHAD

ANCIAL STATEMENTS

Statement of Responsibility by Directors

In respect of the Annual Audited Financial Statements for the financial year ended 31 December 2015

The Directors are required by the Companies Act, 1965 (CA 1965) to prepare financial statements for each financial year in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the CA 1965 so as to give a true and fair view of the financial position of the Group and the Company at the end of the year and of their financial performance and cash flows for the financial year then ended.

In preparing the annual audited financial statements, the Directors have:

- adopted appropriate and relevant accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable approved accounting standards have been followed; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure the financial statements comply with the CA 1965.

The Directors also have the overall responsibilities to take such steps as are reasonably open to them to safeguard the assets of the Group and for the establishment, implementation and maintenance of appropriate accounting and internal control systems for the prevention and detection of fraud and other irregularities.

Directors' Report

for the financial year ended 31 December 2015

The Directors have pleasure in submitting their annual report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 52 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

RESULTS

The results of the operations of the Group and the Company for the financial year were as follows:

	The Group RM Million	The Company RM Million
Profit for the financial year attributable to:		
– equity holders of the Company	700.3	988.8
– non-controlling interests	(108.5)	–
Profit for the financial year	591.8	988.8

In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, dividends paid, declared or proposed on ordinary shares by the Company were as follows:

		The Company RM Million
(a)	In respect of the financial year ended 31 December 2014, a final single-tier dividend (Final Dividend) of 13.4 sen per share was paid on 18 June 2015	**498.4**
(b)	In respect of the financial year ended 31 December 2015, an initial interim single-tier dividend (Interim Dividend) of 9.3 sen per share was paid on 23 September 2015	**349.5**

The Dividend Reinvestment Scheme (DRS) as explained in note 14(c) to the financial statements was made applicable to only the entire Final Dividend above where the entire Electable Portion of the Final Dividend could be elected to be reinvested in new ordinary shares of RM0.70 each in the Company (TM Shares) in accordance to the DRS.

The Board of Directors has declared a second interim single-tier cash dividend of 12.1 sen per share for the financial year ended 31 December 2015. The dividend will be paid on 24 March 2016 to shareholders whose names appear in the Register of Members and Record of Depositors on 10 March 2016. The Board of Directors is not recommending the payment of any final dividend for the financial year ended 31 December 2015.

The DRS was not made applicable to the first and second Interim Dividends.

SHARE CAPITAL

The Company will be seeking shareholders' approval at the forthcoming Thirty-First Annual General Meeting (31st AGM) for the renewal of the authority for the Directors of the Company to allot and issue new TM Shares and the approval of Bursa Malaysia Securities Berhad for the listing and quotation of the new TM Shares.

Shares issued pursuant to Dividend Reinvestment Scheme (DRS)

On 19 June 2015, the issued and fully paid-up share capital of the Company was increased by the issuance of 38,565,824 ordinary shares of RM0.70 each for cash, pursuant to the DRS at an issue price of RM6.98 per share. Please refer to note 14(c) to the financial statements for further detail on DRS.

ISLAMIC MEDIUM TERM NOTES (IMTN)

During the financial year, the Company issued additional IMTN under the IMTN programme approved by the Securities Commission Malaysia as received by the Company on 30 August 2013 with details as follows.

Date of Issue	Nominal Value	Maturity Date
12 June 2015	RM300.0 million	10 June 2022
30 November 2015	RM300.0 million	28 November 2025

Details of the IMTN programme are as disclosed in note 17(d) of the financial statements.

The proceeds from the issuance of the IMTN are used by the Company to meet its capital expenditure and business operating requirements.

CONVERTIBLE MEDIUM TERM NOTES (CONVERTIBLE MTN)

On 15 September 2015, the Company's subsidiary, Packet One Networks (Malaysia) Sdn Bhd (P1) issued RM660.0 million nominal value of the first tranche issuance of a Convertible MTN. RM662.5 million was subscribed by Mobikom Sdn Bhd, a wholly-owned subsidiary of the Company whilst remaining RM37.5 million was subscribed by Packet One Sdn Bhd (a wholly-owned subsidiary of Green Packet Berhad) which holds a non-controlling interest in P1. The Convertible MTN will mature on 15 September 2023 and has an annual coupon rate of 1.0% payable annually with an additional yield at redemption of 4.0% per annum, resulting in a yield to maturity of approximately 4.88% per annum.

MOVEMENTS ON RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps to:

(a) ascertain that actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) ensure that any current assets which were unlikely to be realised at their book value in the ordinary course of business had been written down to their expected realisable values.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

At the date of this report, the Directors are not aware of any circumstances which:

(a) would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent or the values attributed to current assets in the financial statements of the Group and the Company misleading; and

(b) have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report:

(a) no items, transactions or other events of material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the operations of the Group and the Company for the financial year in which this report is made; and

(b) no charge has arisen on the assets of any Company in the Group which secures the liability of any other person nor has any contingent liability arisen in any Company in the Group.

No contingent or other liability of any Company in the Group has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Company, which would render any amount stated in the financial statements misleading.

SIGNIFICANT SUBSEQUENT EVENT

The significant event subsequent to the end of the financial year is as disclosed in note 51 to the financial statements.

DIRECTORS

The Directors in office since the date of the last report are as follows:

Directors	Alternate Directors
Tan Sri Dato' Seri Dr Sulaiman Mahbob	
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	
Datuk Bazlan Osman	
Dato' Sri Dr Mohmad Isa Hussain *[Appointed on 30 October 2015]*	Asri Hamidin @ Hamidon *[Appointed on 6 November 2015]*
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil
Dato' Danapalan T.P. Vinggrasalam	
Datuk Zalekha Hassan	
Dato' Ir Abdul Rahim Abu Bakar	
Dato' Ibrahim Marsidi	
Davide Giacomo Federico Benello @ David Benello	
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor	
Gee Siew Yoong	
Dato' Fauziah Yaacob *[Resigned on 30 October 2015]*	Dato' Siti Zauyah Md Desa *[Ceased on 30 October 2015]*

DIRECTORS (continued)

Pursuant to Article 98(2) of the Company's Articles of Association, Dato' Sri Dr Mohmad Isa Hussain who was appointed Director of the Company during the year, shall retire at the forthcoming 31st AGM of the Company and being eligible, offers himself for re-election.

In accordance with Article 103 of the Company's Articles of Association, the following Directors shall retire by rotation from the Board at the forthcoming 31st AGM of the Company and being eligible, offer themselves for re-election:

(i) Datuk Bazlan Osman;
(ii) Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin; and
(iii) Davide Giacomo Federico Benello @ David Benello.

Dato' Danapalan T.P. Vinggrasalam and Dato' Ir Abdul Rahim Abu Bakar, who have attained the age of 72 and 70 years respectively at the date of this report, have indicated in writing that they are not seeking re-appointments pursuant to Section 129(6) of the Companies Act, 1965 (CA 1965), at the forthcoming 31st AGM. Thus, both Directors shall retire upon the conclusion of the 31st AGM accordance with Section 129(2) of the CA 1965.

DIRECTORS' INTEREST

In accordance with the Register of Directors' Shareholdings, the Directors who held office at the end of the financial year and have interest in shares in the Company are as follows:

	Number of ordinary shares of RM0.70 each			
Interest in the Company	Balance at 1.1.2015	Bought	Sold	Balance at 31.12.2015
Tan Sri Dato' Sri Zamzamzairani Mohd Isa	9,427*	180*	–	9,607*
Datuk Bazlan Osman	2,094	40	–	2,134

Note:
* Including deemed interest held by spouse, which as at 31.12.15 amounts to 4,270 shares

In accordance with the Register of Directors' Shareholdings, none of the other Directors who held office at the end of the financial year has any direct or indirect interests in the shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors has received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 7(b) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest and any benefit that may deem to have been received by certain Directors.

Neither during nor at the end of the financial year was the Company or any of its related corporations, a party to any arrangement with the object(s) of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 24 February 2016.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Director/Chairman

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
Managing Director/Group Chief Executive Officer

Income Statements

for the financial year ended 31 December 2015

All amounts are in million unless otherwise stated	Note	The Group 2015 RM	The Group 2014 RM	The Company 2015 RM	The Company 2014 RM
OPERATING REVENUE	6	**11,721.6**	11,235.1	**10,285.3**	10,011.2
OPERATING COSTS					
– depreciation, impairment and amortisation	7(a)	**(2,437.3)**	(2,341.3)	**(2,026.9)**	(2,077.9)
– other operating costs	7(b)	**(8,150.9)**	(7,753.8)	**(7,077.8)**	(6,885.0)
OTHER OPERATING INCOME (net)	8	**123.7**	154.3	**409.1**	269.8
OTHER (LOSSES)/GAINS (net)	9	**(26.6)**	4.8	**(0.3)**	(4.2)
OPERATING PROFIT BEFORE FINANCE COST		**1,230.5**	1,299.1	**1,589.4**	1,313.9
FINANCE INCOME		**164.4**	136.6	**136.3**	110.1
FINANCE COST		**(323.4)**	(291.6)	**(312.7)**	(297.0)
FOREIGN EXCHANGE LOSS ON BORROWINGS		**(184.4)**	(47.9)	**(159.1)**	(47.9)
NET FINANCE COST	10	**(343.4)**	(202.9)	**(335.5)**	(234.8)
ASSOCIATES					
– share of results (net of tax)	27	**24.7**	9.3	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT		**911.8**	1,105.5	**1,253.9**	1,079.1
TAXATION AND ZAKAT	11	**(320.0)**	(263.0)	**(265.1)**	(215.4)
PROFIT FOR THE FINANCIAL YEAR		**591.8**	842.5	**988.8**	863.7
ATTRIBUTABLE TO:					
– equity holders of the Company		**700.3**	831.8	**988.8**	863.7
– non-controlling interests		**(108.5)**	10.7	**–**	–
PROFIT FOR THE FINANCIAL YEAR		**591.8**	842.5	**988.8**	863.7
EARNINGS PER SHARE (sen)					
– basic/diluted	12	**18.7**	22.9		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements on pages 263 to 379.

Independent Auditors' Report – Pages 382 to 383.

Statements of Comprehensive Income

for the financial year ended 31 December 2015

All amounts are in million unless otherwise stated	Note	The Group 2015 RM	The Group 2014 RM	The Company 2015 RM	The Company 2014 RM
PROFIT FOR THE FINANCIAL YEAR		**591.8**	842.5	**988.8**	863.7
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to income statement:					
– increase in fair value of available-for-sale investments	28	**34.7**	2.4	**34.7**	2.4
– increase/(decrease) in fair value of available-for-sale receivables	29	**#**	(0.8)	**#**	(0.8)
– reclassification adjustments relating to available-for-sale investments disposed	9	**(2.3)**	(0.1)	**(2.3)**	(0.1)
– cash flow hedge					
– increase in fair value of cash flow hedge	19	**241.6**	45.6	**241.6**	45.6
– reclassification to foreign exchange loss on borrowings	10	**(209.9)**	(28.6)	**(209.9)**	(28.6)
– currency translation differences					
– subsidiaries		**22.1**	4.4	**–**	–
– associate		**1.7**	(0.1)	**–**	–
Other comprehensive income for the financial year		**87.9**	22.8	**64.1**	18.5
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**679.7**	865.3	**1,052.9**	882.2
ATTRIBUTABLE TO:					
– equity holders of the Company		**788.2**	854.6	**1,052.9**	882.2
– non-controlling interests		**(108.5)**	10.7	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**679.7**	865.3	**1,052.9**	882.2

Amount less than RM0.1 million

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements on pages 263 to 379.

Independent Auditors' Report – Pages 382 to 383.

Statements of Financial Position

as at 31 December 2015

All amounts are in million unless otherwise stated	Note	The Group 2015 RM	The Group 2014 RM	The Company 2015 RM	The Company 2014 RM
SHARE CAPITAL	14	**2,630.6**	2,603.6	**2,630.6**	2,603.6
SHARE PREMIUM		**964.9**	722.7	**964.9**	722.7
OTHER RESERVES	15	**17.0**	(70.9)	**257.0**	192.9
RETAINED PROFITS	16	**4,168.1**	4,315.7	**3,299.2**	3,158.3
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**7,780.6**	7,571.1	**7,151.7**	6,677.5
NON-CONTROLLING INTERESTS		**258.1**	388.8	**–**	–
TOTAL EQUITY		**8,038.7**	7,959.9	**7,151.7**	6,677.5
Borrowings	17	**7,175.4**	6,251.4	**6,299.3**	5,510.8
Payable to a subsidiary	18	**–**	–	**706.3**	575.7
Derivative financial instruments	19	**321.9**	337.8	**16.7**	67.7
Deferred tax liabilities	20	**1,367.6**	1,258.0	**1,269.4**	1,135.0
Deferred income	21	**1,661.7**	1,823.1	**1,661.7**	1,823.1
Trade and other payables	37	**25.2**	135.8	**25.2**	34.3
DEFERRED AND NON-CURRENT LIABILITIES		**10,551.8**	9,806.1	**9,978.6**	9,146.6
		18,590.5	17,766.0	**17,130.3**	15,824.1
Property, plant and equipment	22	**15,186.9**	14,785.1	**13,138.5**	12,564.1
Investment property	23	**–**	–	**112.4**	114.7
Intangible assets	24	**607.8**	581.7	**–**	–
Subsidiaries	25	**–**	–	**1,741.6**	1,736.7
Loans and advances to subsidiaries	26	**–**	–	**914.3**	250.5
Associates	27	**26.3**	6.5	**–**	–
Available-for-sale investments	28	**155.9**	99.0	**155.8**	98.9
Available-for-sale receivables	29	**6.0**	6.9	**6.0**	6.9
Other non-current receivables	30	**786.3**	500.7	**397.2**	306.7
Derivative financial instruments	19	**334.9**	147.3	**327.1**	138.3
Deferred tax assets	20	**11.5**	14.8	**–**	–
NON-CURRENT ASSETS		**17,115.6**	16,142.0	**16,792.9**	15,216.8

All amounts are in million unless otherwise stated	Note	The Group 2015 RM	The Group 2014 RM	The Company 2015 RM	The Company 2014 RM
Inventories	31	**236.8**	115.9	**142.5**	35.1
Non-current assets held for sale	32	**20.3**	13.0	**20.3**	13.0
Customer acquisition costs	33	**59.1**	62.7	**59.1**	62.7
Trade and other receivables	34	**2,947.1**	2,825.3	**2,333.1**	2,122.3
Derivative financial instruments	19	**0.4**	–	**–**	–
Available-for-sale investments	28	**515.6**	469.3	**515.6**	469.3
Financial assets at fair value through profit or loss	35	**6.6**	9.2	**6.6**	9.2
Cash and bank balances	36	**3,511.6**	2,985.8	**2,580.0**	2,347.8
CURRENT ASSETS		**7,297.5**	6,481.2	**5,657.2**	5,059.4
Trade and other payables	37	**4,367.0**	3,605.2	**4,181.9**	3,315.8
Customer deposits	38	**467.6**	482.4	**466.8**	480.6
Advance rental billings		**545.0**	416.1	**477.6**	400.9
Borrowings	17	**408.3**	197.0	**152.8**	102.7
Taxation and zakat		**34.7**	156.5	**40.7**	152.1
CURRENT LIABILITIES		**5,822.6**	4,857.2	**5,319.8**	4,452.1
NET CURRENT ASSETS		**1,474.9**	1,624.0	**337.4**	607.3
		18,590.5	17,766.0	**17,130.3**	15,824.1

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements on pages 263 to 379.

Independent Auditors' Report – Pages 382 to 383.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2015

All amounts are in million unless otherwise stated	Note	Attributable to equity holders of the Company: Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares: Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Other Reserve RM	Currency Translation Differences RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2015		**2,603.6**	**722.7**	**57.8**	**63.5**	**71.6**	**(267.6)**	**3.8**	**4,315.7**	**388.8**	**7,959.9**
Profit/(loss) for the financial year		–	–	–	–	–	–	–	700.3	(108.5)	591.8
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
– increase in fair value of available-for-sale investments	28	–	–	34.7	–	–	–	–	–	–	34.7
– increase in fair value of available-for-sale receivables	29	–	–	#	–	–	–	–	–	–	#
– reclassification adjustments relating to available-for-sale investments disposed	9	–	–	(2.3)	–	–	–	–	–	–	(2.3)
– cash flow hedge											
– increase in fair value of cash flow hedge	19	–	–	–	241.6	–	–	–	–	–	241.6
– reclassification to foreign exchange loss on borrowings	10	–	–	–	(209.9)	–	–	–	–	–	(209.9)
– currency translation differences											
– subsidiaries		–	–	–	–	–	–	22.1	–	–	22.1
– associate		–	–	–	–	–	–	1.7	–	–	1.7
Total comprehensive income/(loss) for the financial year		–	–	32.4	31.7	–	–	23.8	700.3	(108.5)	679.7
Transactions with owners:											
Shares issued pursuant to Dividend Reinvestment Scheme (DRS)	14(c)	27.0	242.2	–	–	–	–	–	–	–	269.2
Final dividend paid for the financial year ended 31 December 2014	13	–	–	–	–	–	–	–	(498.4)	–	(498.4)
Interim dividend paid for the financial year ended 31 December 2015	13	–	–	–	–	–	–	–	(349.5)	–	(349.5)
Dividends paid to non-controlling interest		–	–	–	–	–	–	–	–	(31.2)	(31.2)
Capital contribution by non-controlling interest	41	–	–	–	–	–	–	–	–	7.3	7.3
Equity portion of Convertible Medium Term Notes subscribed by non-controlling interest	41	–	–	–	–	–	–	–	–	1.7	1.7
Total transactions with owners		27.0	242.2	–	–	–	–	–	(847.9)	(22.2)	(600.9)
At 31 December 2015		**2,630.6**	**964.9**	**90.2**	**95.2**	**71.6**	**(267.6)**	**27.6**	**4,168.1**	**258.1**	**8,038.7**

		Attributable to equity holders of the Company									
		Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares									
All amounts are in million unless otherwise stated	**Note**	**Share Capital RM**	**Share Premium RM**	**Fair Value Reserves RM**	**Hedging Reserve RM**	**Capital Redemption Reserve RM**	**Other Reserve RM**	**Currency Translation Differences RM**	**Retained Profits RM**	**Non-controlling Interests RM**	**Total Equity RM**
At 1 January 2014		2,504.2	43.2	56.3	46.5	71.6	–	(0.5)	4,415.4	162.6	7,299.3
Profit for the financial year		–	–	–	–	–	–	–	831.8	10.7	842.5
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
– increase in fair value of available-for-sale investments	28	–	–	2.4	–	–	–	–	–	–	2.4
– decrease in fair value of available-for-sale receivables	29	–	–	(0.8)	–	–	–	–	–	–	(0.8)
– reclassification adjustments relating to available-for-sale investments disposed	9	–	–	(0.1)	–	–	–	–	–	–	(0.1)
– cash flow hedge											
– increase in fair value of cash flow hedge	19	–	–	–	45.6	–	–	–	–	–	45.6
– reclassification to foreign exchange loss on borrowings	10	–	–	–	(28.6)	–	–	–	–	–	(28.6)
– currency translation differences											
– subsidiaries		–	–	–	–	–	–	4.4	–	–	4.4
– associate		–	–	–	–	–	–	(0.1)	–	–	(0.1)
Total comprehensive income for the financial year		–	–	1.5	17.0	–	–	4.3	831.8	10.7	865.3
Transactions with owners:											
Shares issued pursuant to DRS		99.4	679.5	–	–	–	–	–	–	–	778.9
Final dividend paid for the financial year ended 31 December 2013	13	–	–	–	–	–	–	–	(583.1)	–	(583.1)
Interim dividend paid for the financial year ended 31 December 2014	13	–	–	–	–	–	–	–	(348.4)	–	(348.4)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(25.4)	(25.4)
Put option liability over shares held by non-controlling interest	15	–	–	–	–	–	(267.6)	–	–	–	(267.6)
Acquisition of a subsidiary	5(a)	–	–	–	–	–	–	–	–	240.9	240.9
Total transactions with owners		99.4	679.5	–	–	–	(267.6)	–	(931.5)	215.5	(204.7)
At 31 December 2014		2,603.6	722.7	57.8	63.5	71.6	(267.6)	3.8	4,315.7	388.8	7,959.9

Amount less than RM0.1 million

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 14(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 263 to 379.

Independent Auditors' Report – Pages 382 to 383.

Company Statement of Changes in Equity

for the financial year ended 31 December 2015

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid RM0.70 each Special Share*/ Ordinary Shares	Non-distributable				Distributable	
		Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2015		2,603.6	722.7	57.8	63.5	71.6	3,158.3	6,677.5
Profit for the financial year		–	–	–	–	–	988.8	988.8
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
– increase in fair value of available-for-sale investments	28	–	–	34.7	–	–	–	34.7
– increase in fair value of available-for-sale receivables	29	–	–	#	–	–	–	#
– reclassification adjustments relating to available-for-sale investments disposed	9	–	–	(2.3)	–	–	–	(2.3)
– cash flow hedge								
– increase in fair value of cash flow hedge	19	–	–	–	241.6	–	–	241.6
– reclassification to foreign exchange loss on borrowings	10	–	–	–	(209.9)	–	–	(209.9)
Total comprehensive income for the financial year		–	–	32.4	31.7	–	988.8	1,052.9
Transactions with owners:								
Shares issued pursuant to DRS	14(c)	27.0	242.2	–	–	–	–	269.2
Final dividend paid for the financial year ended 31 December 2014	13	–	–	–	–	–	(498.4)	(498.4)
Interim dividend paid for the financial year ended 31 December 2015	13	–	–	–	–	–	(349.5)	(349.5)
Total transactions with owners		27.0	242.2	–	–	–	(847.9)	(578.7)
At 31 December 2015		2,630.6	964.9	90.2	95.2	71.6	3,299.2	7,151.7

All amounts are in million unless otherwise stated	Note	Issued and Fully Paid of RM0.70 each Special Share*/ Ordinary Shares	Non-distributable				Distributable	
		Share Capital RM	Share Premium RM	Fair Value Reserves RM	Hedging Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2014		2,504.2	43.2	56.3	46.5	71.6	3,226.1	5,947.9
Profit for the financial year		–	–	–	–	–	863.7	863.7
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
– increase in fair value of available-for-sale investments	28	–	–	2.4	–	–	–	2.4
– decrease in fair value of available-for-sale receivables	29	–	–	(0.8)	–	–	–	(0.8)
– reclassification adjustments relating to available-for-sale investments disposed	9	–	–	(0.1)	–	–	–	(0.1)
– cash flow hedge								
– increase in fair value of cash flow hedge	19	–	–	–	45.6	–	–	45.6
– reclassification to foreign exchange loss on borrowings	10	–	–	–	(28.6)	–	–	(28.6)
Total comprehensive income for the financial year		–	–	1.5	17.0	–	863.7	882.2
Transactions with owners:								
Shares issued pursuant to DRS		99.4	679.5	–	–	–	–	778.9
Final dividend paid for the financial year ended 31 December 2013	13	–	–	–	–	–	(583.1)	(583.1)
Interim dividend paid for the financial year ended 31 December 2014	13	–	–	–	–	–	(348.4)	(348.4)
Total transactions with owners		99.4	679.5	–	–	–	(931.5)	(152.6)
At 31 December 2014		2,603.6	722.7	57.8	63.5	71.6	3,158.3	6,677.5

Amount less than RM0.1 million

* Issued and fully paid shares include the Special Rights Redeemable Preference Share (Special Share) of RM1.00. Refer to note 14(a) to the financial statements for details of the terms and rights attached to the Special Share.

The above Company Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements on pages 263 to 379.

Independent Auditors' Report – Pages 382 to 383.

Statements of Cash Flows

for the financial year ended 31 December 2015

All amounts are in million unless otherwise stated	Note	The Group 2015 RM	The Group 2014 RM	The Company 2015 RM	The Company 2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES	39	**2,942.0**	3,014.1	**2,896.3**	2,954.6
CASH FLOWS USED IN INVESTING ACTIVITIES	40	**(2,549.9)**	(2,162.0)	**(2,693.1)**	(2,229.4)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	41	**142.5**	(391.3)	**16.3**	(470.6)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**534.6**	460.8	**219.5**	254.6
EFFECT OF EXCHANGE RATE CHANGES		**1.2**	(0.3)	**12.7**	0.3
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**2,975.0**	2,514.5	**2,347.8**	2,092.9
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	**3,510.8**	2,975.0	**2,580.0**	2,347.8

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements on pages 263 to 379.

Independent Auditors' Report – Pages 382 to 383.

All amounts are in million unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are the establishment, maintenance and provision of telecommunications and related services. The principal activities of subsidiaries are set out in note 52 to the financial statements. There was no significant change in the principal activities of the Group and the Company during the financial year.

Telekom Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is Level 51, North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur. The principal office and place of business of the Company is Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements, and have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of Preparation of the Financial Statements

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in the Significant Accounting Policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 to the financial statements.

(i) Amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2015

The amendments to published standards issued by Malaysian Accounting Standards Board (MASB) that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2015, are as follows:

Amendments to MFRS 119	Defined Benefit Plans: Employee Contribution
Amendments to MFRS 2, 3, 8, 13, 116, 124 and 138	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010 – 2012 Cycle"
Amendments to MFRS 1, 3, 13 and 140	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011 – 2013 Cycle"

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(i) Amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2015 (continued)

The amendments to published standards issued by Malaysian Accounting Standards Board (MASB) that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2015, are as follows: (continued)

- Amendments to MFRS 119 "Employee Benefits" clarify the accounting for contribution from employees or third parties to defined benefit plans. If the amount of contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

- Amendments to MFRS 2 "Share-based Payment" clarify the definition of vesting conditions by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

- Amendments to MFRS 3 "Business Combinations" clarify that when contingent consideration in a business combination meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132. Contingent consideration that is classified as asset or liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss. Another amendment clarifies that MFRS 3 excludes from its scope, the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 "Joint Arrangements") in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangement for their interests in the joint arrangement.

- Amendments to MFRS 8 "Operating Segments" require the disclosure of judgments made in applying the aggregation criteria to operating segments which includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. Reconciliation of the total reportable segments' assets to the entity's assets is also required if that amount is regularly provided to the chief operating decision maker.

- Amendments to MFRS 13 "Fair Value Measurement" clarify that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 or MFRS 9 "Financial Instruments", regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132.

- Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets" clarify the accounting for accumulated depreciation or amortisation when an asset is revalued. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation or amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

- Amendments to MFRS 124 "Related Party Disclosures" extend the definition of 'related party' to include an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

- Amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standard" relates to the standard's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

- Amendments to MFRS 140 "Investment Property" clarify that the determination of whether an acquisition of an investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(i) Amendments to published standards that are effective and applicable for the Group's and the Company's financial year beginning on 1 January 2015 (continued)

The adoption of the above applicable amendments to published standards has not given rise to any material impact on the financial statements of the Group and the Company.

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows:

Effective for annual periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 5, 7, 119 and 134	Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 – 2014 Cycle"
Amendments to MFRS 101	Disclosure Initiative

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers

Effective for annual periods to be announced by MASB

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

- MFRS 14 "Regulatory Deferral Accounts" is equivalent to International Financial Reporting Standards (IFRS) 14 of the same name, which permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous generally accepted accounting principles (GAAP) requirements when they adopt IFRS. IFRS 14 is aimed at removing a major barrier to adoption of IFRS by entities in jurisdictions whose existing GAAP allow the recognition of regulatory deferral account balances arising from provision of goods and services to customers at a price that is subject to rate regulation. However, since regulatory deferral account balances were not recognised in the MFRS financial statements, the principles specified in MFRS 14 would have no impact to Malaysian entities.

- Amendments to MFRS 11 "Joint Arrangements" on Accounting for Acquisitions of Interests in Joint Operations clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3 Business Combinations, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses. The amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not remeasured if the joint operator retains joint control.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- Amendments to MFRS 116 and MFRS 138 on Clarification of Acceptable Methods of Depreciation and Amortisation provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. MFRS 116 prohibits revenue-based depreciation because revenue does not, as a matter of principle, reflect the way in which an item of property, plant and equipment is used or consumed. The amendments to MFRS 138 introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate except in limited circumstances.

- Amendments to MFRS 127 "Separate Financial Statements" on Equity Method in Separate Financial Statements allow a parent and investors to use the equity method in its separate financial statement to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

- Amendments to MFRS 10, MFRS 12 and MFRS 128 on Investment Entities: Applying the Consolidation Exception addresses issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards, clarifying the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that relate to the parent's investment activities, application of the equity method by a non-investment entity investor to an investment entity investee and the disclosures required.

- Amendments to MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" introduce specific guidance in MFRS 5 for when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution is discontinued.

- Amendments to MFRS 7 "Financial Instruments: Disclosures" provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7 and clarify the applicability of Disclosure–Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

- Amendment to MFRS 119 clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. The amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level.

- Amendment to MFRS 134 "Interim Financial Reporting" clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' as used in MFRS 134. The amendment requires such disclosures to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

- Amendments to MFRS 101 "Presentation of Financial Statements" on Disclosure Initiative aim to improve the effectiveness of disclosures and are designed to encourage companies to apply professional judgment in determining the information to be disclosed in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation of the Financial Statements (continued)

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group and the Company (continued)

The new standards and amendments to published standards that are applicable to the Group and the Company, which the Group and the Company have not early adopted, are as follows: (continued)

- MFRS 9 "Financial Instruments (as issued by International Accounting Standard Board (IASB) in July 2014)" replaces the guidance in MFRS 139 that relates to the classification and measurement of financial instruments. MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in OCI, with only dividend income from the investment to be recognised in profit or loss. MFRS 9 introduces a new expected credit loss model that replaces the incurred loss impairment model used in MFRS 139.

  For financial liabilities, there were no changes to classification and measurement except for liabilities designated at inception to be measured at FVTPL. For these, the portion of fair value changes caused by changes in an entity's own credit risk shall be recognised in OCI rather than in profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

- MFRS 15 "Revenue from Contracts with Customers" is a new Standard aimed to improve financial reporting of revenue and comparability whilst providing better clarity on revenue recognition on areas where existing requirements unintentionally created diversity in practice. MFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. MFRS 15 replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

- Amendments to MFRS 10 and MFRS 128 on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture address an acknowledged inconsistency between the requirements in MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investment in Associates and Joint Ventures". Full gain or loss should be recognised on the loss of control of a business, whether the business is housed in a subsidiary or not. At the same time, the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 "Business Combinations" to an associate or joint venture should only be recognised to the extent of unrelated investors' interests in the associate or joint venture.

The adoption of the above applicable standards and amendments to published standards are not expected to have a material impact on the financial statements of the Group and the Company except for MFRS 9 and MFRS 15. The Group has yet to assess the full impact of MFRS 9. The Group has commenced the project to implement MFRS 15 group-wide including the assessment of the impact of adopting the new revenue standard. At the time of preparing this financial statements, the impact from the adoption of this standard has yet to be fully quantified.

There are no other standards or amendments to published standards that are not yet effective that would be expected to have a material impact on the Group or the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the entity),
- Exposure, or rights, to variable returns from its involvement with the entity, and
- The ability to use its power over the entity to affect its returns.

When the Group has less than a majority of the voting or similar rights of an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over that entity, including:

- The contractual arrangement with the other vote holders of the entity
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are consolidated using the acquisition method of accounting except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006, which were accounted for using the merger method.

The Group has taken advantage of the exemption provided by MFRS 1 to not restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Accordingly, business combinations entered into prior to transition date have not been restated.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in the Consolidated Income Statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the Consolidated Income Statement (refer to Significant Accounting Policies note 2(f)(i) on Goodwill).

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Economic Entities in the Group (continued)

(i) Subsidiaries (continued)

Effective from 1 January 2011, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intra-group transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary and is recognised in the Consolidated Income Statement.

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Income Statements, and its share of post-acquisition movements in reserves is recognised within other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Economic Entities in the Group (continued)

(iii) Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

The results of associates are taken from the most recent unaudited financial statements of the associates concerned, made up to dates not more than 3 months prior to the end of the financial year of the Group.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses are recognised in the Consolidated Income Statement.

When the Group increases its stake in an existing investment and the investment becomes an associate for the first time, goodwill is calculated at each stage of the acquisition. The Group does not revalue its previously owned share of net assets to fair value. Any existing available-for-sale reserve is reversed in other comprehensive income, restating the investment to cost. A share of profits (after dividends) together with a share of any equity movements relating to the previously held interest are accounted for in other comprehensive income.

The gain or loss on disposal of an associate is the difference between the net disposal proceeds and the Group's share of the associate's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that associate which were previously recognised in other comprehensive income, and is recognised in the Consolidated Income Statement.

(iv) Changes in Ownership Interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the Consolidated Income Statement. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses in the separate financial statements of the Company. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets). Impairment losses are charged to the Income Statement.

On disposal of investments in subsidiaries and associates, the difference between the net disposal proceeds and the carrying amounts of the investments are recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Certain freehold land are carried at fair value, being their deemed cost in accordance with the exemption provided by MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" as at 1 January 2011, the date of transition to MFRS.

(i) Cost

Cost of telecommunications network comprises expenditure up to and including the last distribution point before the customers' premises and includes contractors' charges, materials, direct labour and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition. These costs include the costs of dismantling, removal and restoration, the obligation which was incurred as a consequence of installing the asset. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Significant Accounting Policies note 2(q)(ii) on borrowing costs).

Subsequent cost is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised in equal instalments over the period of the respective lease. Long term leasehold land has an unexpired lease period of 50 years and above. Other property, plant and equipment are depreciated on a straight line basis to write-off the cost of the assets to their residual values over their estimated useful lives in years as summarised below:

Telecommunications network	3 – 30
Movable plant and equipment	5 – 8
Computer support systems	3 – 8
Buildings	5 – 40

Capital work-in-progress are stated at cost and are not depreciated. Upon completion, capital work-in-progress are transferred to categories of property, plant and equipment depending on the nature of the assets. Capital work-in-progress includes servicing equipment, materials and spares. Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use. Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each reporting date.

(iii) Impairment

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying value of the asset is fully recoverable. A write down is made if the carrying value exceeds the recoverable amount (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

(iv) Gains or Losses on Disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the related asset and are included in other operating income in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

(v) Asset Exchange Transaction

Property, plant and equipment may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair values unless

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Group cannot immediately derecognise the assets given up. If the acquired item is not reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(vi) Repairs and Maintenance

Repairs and maintenance are charged to the Income Statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. This cost is depreciated over the remaining useful life of the related asset.

(e) Investment Properties

Investment properties, principally comprising land and office buildings, are held for long term rental yields or for capital appreciation or for both, and are not occupied by the Group or the Company.

Investment properties are carried at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write-off the cost of the investment properties to their residual values over their estimated useful lives in years as summarised below:

Leasehold land	over the period of the respective leases
Buildings	5 – 40

Freehold land is not depreciated as it has an infinite life.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected, then it shall be derecognised (eliminated from the Statement of Financial Position). Gain or loss on disposal is determined by comparing the net disposal proceeds with the carrying amount and are included in the Income Statement.

(f) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition. Goodwill on acquisition occurring on or after 1 January 2002 in respect of a subsidiary is included in the Consolidated Statement of Financial Position as an intangible asset. Goodwill on acquisitions that occurred prior to 1 January 2002 was written off against reserves in the year of acquisition.

As part of the transition to MFRS, the Group elected not to restate business combinations that occurred before the date of transition to MFRS i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous Financial Reporting Standards framework as at the date of transition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangible Assets (continued)

(i) Goodwill (continued)

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the Consolidated Income Statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

(ii) Software

Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Amortisation is calculated using straight line method at 20% per annum subject to impairment.

(iii) Programme Rights

Programme rights comprise rights licensed from third parties with the primary intention to broadcast in the normal course of operating cycle. The rights are stated at cost less accumulated amortisation and accumulated impairment losses (refer to Significant Accounting Policies note 2(g) on Impairment of Non-Financial Assets).

The Group amortises programme rights on a straight line basis over the license period or estimated useful life if shorter, from the date of first transmission, to match the costs of consumption with the estimated benefits to be received. Amortisation is included in the Income Statement.

(iv) Telecommunication Spectrum

Telecommunication spectrum acquired in a business combination is recognised at fair value at the acquisition date, with an indefinite useful life as there is a presumption of renewal at negligible cost. It is subjected for impairment review on an annual basis or whenever adverse events or changes in circumstances indicate that impairment may have occurred.

(v) Customer Base

Customer base acquired in a business combination is recognised at fair value at the acquisition date. It is expected to have a finite useful life and carried at cost less accumulated amortisation calculated using the straight-line method over the estimated useful life of three years. The expected useful life principally reflects the Group's view of the average economic life of the customer base, assessed by reference to customer churn rates.

(g) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

The impairment loss is charged to the Income Statement. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Assets

Financial assets are classified in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Quoted equity securities (within current assets), determined on an aggregate portfolio basis, are classified as financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to the Income Statement.

Changes in the fair values of financial assets at fair value through profit or loss are recognised in the Income Statement in the period in which the changes arise.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise non-current receivables, trade and other receivables and cash and bank balances in the Statement of Financial Position.

Loans and receivables are measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

(iii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

Fixed income securities (within current assets) and certain non-current equity investments are classified as available-for-sale investments, whilst convertible education loans (within non-current assets) are classified as available-for-sale receivables. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the Income Statement, whereas, other fair value changes are recognised in other comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method are recognised in the Income Statement.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Assets (continued)

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(v) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented on the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(i) Impairment of Financial Assets

(i) Assets Carried at Amortised Cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the customer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the customers will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of customers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Income Statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of Financial Assets (continued)

(ii) Assets Classified as Available-for-sale

In the case of equity and fixed income securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, the following criteria are also considered as indicators of impairment:

- significant financial difficulty of the issuer or obligor;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired.

If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the Income Statement, is reversed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement. Impairment losses recognised in the Income Statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through the Income Statement.

(j) Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the Income Statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the Income Statement within 'other gains or losses – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the Income Statement within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the Income Statement over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'other gains or losses – net'.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Derivative Financial Instruments and Hedging Activities (continued)

Cash flow hedge (continued)

Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement. The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within 'finance cost'.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the Income Statement.

(k) Embedded Derivatives

Derivatives embedded in other financial instruments or contracts are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself held-for-trading or designated as fair value to profit or loss. The embedded derivatives separated from the host are carried at fair value to profit or loss with changes in the fair value recognised in the Income Statement.

(l) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined on a weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

(m) Non-current Assets Held for Sale

Non-current assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transaction and the sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Any subsequent write-down of the assets to fair value less cost to sell are recognised as impairment losses and are charged to the Income Statement.

(n) Customer Acquisition Costs

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the Income Statement immediately.

(o) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of 3 months or less. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share Capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distribution to holders of a financial instrument classified as an equity instrument is debited directly to equity.

(ii) Share Issue Costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(iii) Dividend to Shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Dividend in specie of shares distributed to the Company's shareholders is recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

(q) Financial Liabilities

Trade and other payables, customer deposits and borrowings are classified as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

(ii) Bonds, Notes, Debentures and Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Interests, dividends, gains and losses relating to a financial instrument, or a component part, classified as a liability are reported within finance cost in the Income Statement. Foreign exchange gains or losses arising from translation of foreign currency borrowings are reported within 'finance cost' in the Income Statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the Income Statement.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial Liabilities (continued)

(iii) Put Option Liability Over Shares Held By Non-Controlling Interest

A contract that contains an obligation for the Group to deliver cash or other financial asset in exchange for its own (or its subsidiary's) equity shares is a financial liability. This liability is recorded irrespective of whether the contract meets the definition of an equity instrument. The financial liability is recognised at the present value of the redemption amount of the option, when it is exercised.

The initial redemption liability is recognised as Other Reserve in equity as a reduction of the Group's equity if the risk and rewards of ownership remain with the non-controlling interest or a reduction of non-controlling interest's equity if the risks and rewards of ownership transfer to the Group. Subsequently, the put option is remeasured at fair value as a result of changes in the expected liability with any resulting gain or loss recognised in the Income Statement. In the event that the option expires unexercised, the put option liability is de-recognised with a corresponding adjustment to equity.

(r) Leases

(i) Finance Leases

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the leases at the lower of the present value of the minimum lease payments and the fair value of the leased assets. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the reduction of the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Income Statement.

Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease terms.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(s) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the Income Statement over the financial period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to the Income Statement on a straight line basis over the estimated useful lives of the related assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income Taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries or associates on distributions of retained profits to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future, against which the deductible temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group's share of income taxes of associates are included in the Group's share of results of associates.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

(v) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Contingent Liabilities and Contingent Assets (continued)

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118.

(w) Revenue Recognition

Operating revenue comprises the fair value of the consideration received or receivables for the sale of products and rendering of services net of returns, duties, sales discounts and goods and services tax, after eliminating sales within the Group. Operating revenue is recognised or accrued at the time of the provision of products or services, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Advance rental billing comprises mainly billing in advance for data services, which is amortised on a straight line basis according to contractual terms.

Dividend income from investment in subsidiaries, associates and equity investments is recognised within 'other operating income (net)' when a right to receive payment is established.

Finance income includes income from deposits with licensed banks, other financial institutions, other deposits, available-for-sale receivables and staff loans, and is recognised using the effective interest method.

(x) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the Income Statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value. These include limited medical benefits provided up to a certain age for eligible ex-employees under certain optional retirement scheme.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within 'net finance cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'operating costs'.

(iii) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the reporting date;
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the rates prevailing on the date of the transactions); and
- all resulting exchange differences are recognised as a separate component in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is disposed off or sold, such exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on disposal.

(z) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions.

Further disclosures on Segment Reporting are set out in note 45 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mentioned below.

3. CRITICAL ACCOUNTING ESTIMATES (continued)

Critical Accounting Estimates and Assumptions (continued)

(a) Estimated Useful Lives of Property, Plant and Equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage, changes in technology, latest findings in research and development, updated practices to enhance performance of certain network assets and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A change in the estimated useful lives of property, plant and equipment would change the recorded depreciation and the carrying amount of property, plant and equipment.

(b) Impairment of Property, Plant and Equipment, Intangible Assets (other than goodwill) and Investment in Subsidiaries

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

(c) Impairment of Goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in note 24 to the financial statements.

(d) Impairment of Trade Receivables

The Group assesses at each reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated periodically based on a review of the current status of existing receivables and historical collection trends to reflect the actual and anticipated experience.

(e) Useful Lives of Intangibles Assets Acquired through Business Combination

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. The basis for determining the useful lives for the intangible assets acquired through business combination are as follows:

- Telecommunication spectrum estimated useful life is estimated to have an indefinite useful life with the presumption that any renewal are at negligible cost and the Group is expected to continue utilising the spectrum in providing its telecommunication services indefinitely.

- The estimated useful life of the acquired customer base principally reflects the Group's view of the average economic life of the customer base and is assessed by reference to customer churn rates.

(f) Taxation

(i) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

3. CRITICAL ACCOUNTING ESTIMATES (continued)

Critical Accounting Estimates and Assumptions (continued)

(f) Taxation (continued)

(ii) Deferred Tax Assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves judgment regarding future taxable profits of a particular entity in which the deferred tax asset has been recognised.

Estimating the future taxable profits involved significant assumptions, especially in respect of demand on existing and new services, competition and regulatory changes that may impact the pricing of services. These assumptions were derived based on past performance and adjusted for non-recurring circumstances.

(g) Contingent Liabilities

Determination of the treatment of contingent liabilities is based on Directors' view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. Details of the legal proceedings in which the Group is involved as at 31 December 2015 is disclosed in note 50 to the financial statements.

(h) Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group exercises its judgment in selecting a variety of valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair value of derivatives is the present value of their future cash flows. The Group estimated the fair values at the reporting date, of certain available-for-sale financial assets that are not traded in an active market by using the net tangible assets and the discounted cash flow methods. In estimating the fair value of put and call options on shares of a subsidiary, the Group has used valuation models in projecting expected share prices utilising comparable discount and growth rates reflective of market conditions specific to relevant industry existing at the end of the reporting period. Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The summary of financial instruments by category is disclosed in note 46 to the financial statements. The valuation of such financial instruments is further discussed in note 47 to the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Factor

The main risks arising from the Group's financial assets and liabilities are market risk (comprises foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management seeks to minimise potential adverse effects of these risks on the financial performance of the Group.

The Group has established risk management policies, guidelines and procedures in order to manage its exposure to these financial risks. Hedging strategies are determined in light of commercial commitments to mitigate the relevant risks exposures. Derivative financial instruments are used to hedge the underlying commercial exposures and are not held for speculative purposes.

4. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(a) **Financial Risk Factor (continued)**

(i) **Market Risk**

- Foreign Exchange Risk

The Group's foreign exchange risk refers to adverse exchange rate movements on foreign currency positions originating from trade receivables and payables, deposits and borrowings denominated in foreign currencies, and from retained profits in overseas subsidiaries, where the functional currencies are not in Ringgit Malaysia.

The Group's objective is to mitigate foreign exchange exposure to an acceptable level against pre-determined limits and impact to the Income Statement. The Group monitors its foreign currency denominated assets and liabilities and uses various hedging instruments such as forward contracts, Cross Currency Interest Rate Swaps (CCIRS) contracts and option structures as well as maintaining funds in foreign currencies at appropriate levels to support operating cash flows requirement. The Group's policy requires all transactions for hedging foreign currency exchange risk exposure be executed within the parameters approved by the Board of Directors.

The foreign exchange risk of the Group arises predominantly from borrowings denominated in foreign currencies, mainly the US Dollar and Japanese Yen. During the financial year, in addition to the existing US Dollar and Japanese Yen forward and CCIRS contracts, the Group entered into additional forward contracts to hedge US Dollar purchases in order to reduce foreign currency exposures. After hedging of the US Dollar and Japanese Yen borrowings, the foreign currency borrowings composition is reduced to 13.1% (2014: 10.9%) of the Group's total borrowings as at 31 December 2015.

Based on the borrowings position as at 31 December 2015, if the Ringgit Malaysia had weakened/strengthened by 5.0% against the US Dollar and Japanese Yen with all other variables held constant, the post-tax profit for the financial year for the Group would have been lower/higher by approximately RM85.9 million and RM13.9 million (before hedging) respectively and RM42.9 million and RM nil million (after hedging) respectively as a result of foreign exchange losses or gains on translation of US Dollar and Japanese Yen denominated borrowings.

- Price Risk

The Group is exposed to equity and fixed income securities price risk arising from investments as reflected on the Statement of Financial Position, classified either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. The quoted equity securities portfolio has decreased to RM6.6 million as at 31 December 2015 from RM9.2 million at the end of 2014 due to decline in market value for the existing portfolio.

Based on the quoted equity securities portfolio as at 31 December 2015, if Bursa Malaysia equity index move by 5.0%, with all other variables remain constant, post-tax profit for the financial year would have been impacted by approximately RM0.2 million. Post-tax profit for the financial year would increase or decrease as a result of gains/losses on equity securities classified as fair value through profit or loss. Moving forward, the impact will further reduce to commensurate with efforts made towards the total closure of equity portfolio.

Other components of equity would increase/decrease as a result of gains/losses on equity and fixed income securities classified as available-for-sale.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial Risk Factor (continued)

(i) Market Risk (continued)

- Interest Rate Risk

The Group has cash and short term deposits and fixed income securities that are exposed to interest rate movement. The Group manages its interest rate risk on cash and short term deposits through allocation in suitable tenure. While on fixed income securities, the Group applies suitable duration and basis point valuation analysis impact to manage its interest rate risk.

The Group's investments in money market and fixed income securities as at 31 December 2015 were RM2,359.4 million (2014: RM2,042.8 million) and RM515.6 million (2014: RM469.3 million) respectively. For an increase of 25 basis points in the Overnight Policy Rate (OPR) by Bank Negara Malaysia and assuming the overall yield curve also increases by the same percentage, the finance income from the money market portfolio would correspondingly move by approximately RM5.9 million while the net asset value of the fixed income portfolio would inversely move by approximately RM5.9 million.

The Group's debts include revolving credits, borrowings, bonds, notes and debentures. The Group's objective is to manage the interest rate risk to an acceptable level of exposure on the finance cost. The Group reviews its composition of fixed and floating rate debt based on assessment of its existing exposure and desirable interest rate profile acceptable to the Group. Hedging instruments such as interest rate swaps are used to manage these risks.

The Group's policy requires all transactions for hedging interest rate risk exposure be executed within the parameters approved by the Board of Directors.

The Group has entered into a few interest rate swap transactions with creditworthy financial institutions. Based on the hedging position as at 31 December 2015, if there were to be a hike in the OPR by 25 basis points, the finance cost would be higher by approximately RM0.6 million.

As at 31 December 2015, the Group's fixed-to-floating interest rate profile, after hedging, was 93:7 (2014: 92:8).

The interest rate exposure is mitigated, to some extent, by the offsetting effect between assets and liabilities.

(ii) Credit Risk

Financial assets that are primarily exposed to credit risks are receivables, cash and bank balances, marketable securities and financial instruments used in hedging activities.

Due to the nature of the Group's business, customers are mainly segregated according to business segments. The Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed through the application of stringent credit control assessment and approval, credit limit and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers to be held as collaterals.

The Group places its cash and cash equivalents with various creditworthy financial institutions. The Group's policy limits the concentration of credit exposure to any single financial institution based on its net tangible asset position and/or credit rating, which is subject to annual review.

The Group has appointed several fixed income and commercial papers fund managers to manage its investment portfolios. In managing the portfolios' credit risks, the investment parameter was established to restrict all fund managers to only invest in securities that carry at least A3/P1 credit ratings or equivalent. This is in accordance with the Group's Treasury Investment Policies and Guidelines. In the current financial year, the Group's investment portfolios were predominantly securities carrying AA/P1 credit ratings or above, as shown in note 28 to the financial statements.

4. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(a) Financial Risk Factor (continued)

(ii) Credit Risk (continued)

All hedging instruments are executed with creditworthy financial institutions with a view to limiting the credit risk exposure of the Group. The Group, however, is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative instruments, but does not expect any counterparties to fail to meet their obligations.

In complying with the risk management policies, all counterparties are required to maintain certain credit rating as defined by the international and local rating agencies.

(iii) Liquidity Risk

Group Treasury maintains cash and cash equivalents at a level that is deemed appropriate by the management to finance the Group's operations. It also actively monitors and controls liquidity risk exposures and funding needs across legal entities within the Group, business lines and currencies, taking into account legal, regulatory and operational limitations via a centralised Treasury operation.

Due to the dynamic nature of the underlying business, the Group also aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

Cash flow forecasts are performed in the operating entities of the Group on a rolling basis and are aggregated by Group Treasury to ensure sufficient cash is available to meet operational needs while maintaining adequate headroom on its undrawn committed credit facilities at all times. As at 31 December 2015, the Group held deposits with financial institutions of RM2,359.4 million (2014: RM2,042.8 million) and cash and bank balances of RM1,152.2 million (2014: RM943.0 million) that are expected to be readily available to meet any payment obligation when it falls due.

Refinancing risk is managed by limiting the amount of borrowings that mature within any specific period and by having appropriate strategies in place to manage refinancing needs as they arise. The Group has available funding with the establishment of the new Islamic Commercial Papers programme and Islamic Medium Term Notes programme with remaining combined limit of up to RM1.0 billion in nominal value to meet capital expenditure and business operating requirements. The analysis of the maturity profile of the Group's and the Company's financial liabilities are shown in note 48 to the financial statements.

There has been no significant change in the Group's financial risk management objectives and policies as well as its financial risk exposure in the current financial year as compared to the preceding financial year.

(b) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide long term return to shareholders and benefits for other stakeholders. The Group's capital management framework comprises of a dividend policy and strives to maintain an optimal capital structure that will improve its capital efficiency.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to the shareholders or may return capital to shareholders vis-à-vis its debt-to-equity ratio (gearing level). In 2014, the Group introduced a Dividend Reinvestment Scheme (DRS) whereby its shareholders have the option to receive cash dividends or reinvest the dividends in new ordinary shares of the Company. Depending on the level of subscription of DRS, the Group is expected to enlarge its share capital base as well as strengthen its capital position.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Capital Risk Management (continued)

The gearing ratios as at 31 December were as follows:

	The Group	
	2015	**2014**
Borrowings (RM million) (note 17)	**7,583.7**	6,448.4
Total Shareholders' Equity (RM million)	**7,780.6**	7,571.1
Debt-to-equity Ratio	**1.0**	0.9

The Group also monitors its gearing level in comparison to its peers within the industry while maintaining the desired level of credit rating. During 2015, the Group's credit rating remained unchanged at AAA by RAM, A- by S&P and A3 by Moody's.

Furthermore, the Group complies with Bursa Malaysia Securities Berhad Main Market Listing Requirement to maintain a consolidated shareholders' equity of more than 25 percent of the issued and paid up capital and maintain such shareholders' equity at not less than RM40.0 million.

5. BUSINESS COMBINATIONS

The following are business combination events completed during the previous financial year:

(a) Packet One Networks (Malaysia) Sdn Bhd (P1)

On 27 March 2014, the Group announced that its wholly-owned subsidiary, Mobikom Sdn Bhd (Mobikom) had entered into a conditional investment agreement with the following parties in relation to, amongst others, the subscription by Mobikom of new ordinary shares of RM1.00 each in P1 (P1 Shares) for a total consideration of RM350.0 million (Share Subscription) (Investment Agreement):

(a) Packet One Sdn Bhd (Packet One), a wholly-owned subsidiary of Green Packet Berhad (Green Packet);
(b) SK Telecom Co. Ltd (SKT or SKT Guarantor where applicable);
(c) Green Packet (also Packet One Guarantor where applicable);
(d) Telekom Malaysia Berhad (the Company) (Mobikom Guarantor where applicable); and
(e) Packet One Networks (Malaysia) Sdn Bhd (P1)

The completion of the Share Subscription (Completion) was announced on 30 September 2014 following the waiver of certain Conditions, as agreed by all parties to the Investment Agreement on 25 September 2014 and the completion of all other terms and conditions of the Investment Agreement and the applicable approval, including from the relevant regulatory bodies and Green Packet shareholders.

The Completion resulted to the Company via Mobikom emerging as the new holding company of P1 (including its subsidiaries) with a 55.3% shareholding after closing adjustments made pursuant to P1's internal restructuring and determination of the equity value of P1 as at 31 May 2014 in accordance to the terms of the Investment Agreement. The remaining 44.7% shareholding are held by Green Packet with 31.1% and SKT at 13.6%.

The partnership drives strong synergies from the three (3) complementary partners to work together to capitalise on a mobile opportunity and deliver the next generation of converged communication services. It essentially enables P1 to crossover to Long-Term Evolution (LTE) and offer full mobility while providing the Company with an LTE-ready platform to accelerate and more efficiently make wireless broadband products available to its customers. This includes access to suitable spectrum bands, the ability to draw on advanced technological knowhow of SKT, an existing customer base to build on, and the strong base of LTE upgradeable WiMAX sites to quickly achieve extensive LTE coverage.

5. BUSINESS COMBINATIONS (continued)

The following are business combination events completed during the previous financial year: (continued)

(a) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

Pursuant to the Investment Agreement, Green Packet has entered into a programme agreement amongst others with Mobikom in relation to an 8-year redeemable Exchangeable Medium Term Notes (Exchangeable MTN) programme by Green Packet to raise up to RM210.0 million (Exchangeable MTN Programme) (Exchangeable MTN Programme Agreement). The Exchangeable MTNs may be exchangeable into, amongst others, P1 Shares held by Packet One from the fifth year after the issuance date in accordance with the terms of the Exchangeable MTN Programme Agreement. The Exchangeable MTNs will be secured against the P1 Shares held by Packet One immediately following Completion and the 8-year Convertible Medium Term Notes (Convertible MTN) issued by P1 under the Convertible MTN Programme (Convertible MTN Programme) to be subscribed amongst others by Packet One and/or its related corporation at any time using part of the proceeds from the issuance of Exchangeable MTNs pursuant to the Exchangeable MTN Programme (including any P1 Shares issued on conversion of such Convertible MTNs).

The Company via Mobikom has subscribed for the first tranche of the issuance of the Exchangeable MTN under the Exchangeable MTN Programme on 30 September 2014 with a subscription value of RM119.3 million (Series 1 Exchangeable MTN). Subsequently on 14 September 2015 and 28 September 2015, Mobikom subscribed to additional RM37.5 million and RM30.0 million nominal value of the Exchangeable MTN respectively.

Pursuant to the Investment Agreement and the Completion, the following key agreements were also entered into by P1 with the relevant parties:

(i) A subscription programme agreement amongst others with Mobikom (and/or its related corporation), Packet One (and/or its related corporation), SKT (and/or its related corporation) in relation to the Convertible MTN Programme by P1 to raise up to RM1.65 billion in tranches which was subsequently executed as disclosed in note 17(f) to the financial statements; and

(ii) Collaboration agreements between each of the Company, Green Packet and SKT (on the one hand) and P1 (on the other hand) in relation to the operational and business collaboration between the relevant parties and various other operational agreements to be entered into (Collaboration Agreements). The Collaboration Agreements govern the parameters of their partnership in principal areas such as the use of infrastructure, transmission networks and distribution channels, the leasing of spectrum and the provision of consulting and technical services, products and/or services, amongst others.

The Investment Agreement also amongst others includes certain granting of call and put options between Mobikom with Packet One and SKT respectively over shares of P1, as follows:

(i) Put option on non-controlling interest (Packet One Put Option)

Mobikom has granted Packet One an option to sell, which would require Mobikom to buy, all shares in the capital of P1 registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of P1 at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if P1 shares are not publicly traded, the fully distributed market or equity value at which the P1 shares would trade on a recognised stock exchange.

(ii) Call Option on P1 Shares (SKT Call Option)

SKT has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of P1 registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

5. BUSINESS COMBINATIONS (continued)

The following are business combination events completed during the previous financial year: (continued)

(a) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

The Investment Agreement also amongst others includes certain granting of call and put options between Mobikom with Packet One and SKT respectively over shares of P1, as follows: (continued)

(ii) Call Option on P1 Shares (SKT Call Option) (continued)

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation cease to own at least 10% of the issued share capital of P1 and will automatically lapse upon the earlier of:

(i) Two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;
(ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or
(iii) any initial public offering implemented by P1.

The exercise price is at a price equal to Mobikom's per share subscription price during Completion as at 30 September 2014.

Other than the above, there were other derivatives arising from the Group's investment in P1 but for which exercise prices are at fair market value of the shares in P1 at the time when the options are to be exercised and as such, the fair value of these options are nil.

The following table summarises the consideration paid for P1 and the fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 30 September 2014	RM
Cash (Total Consideration)	350.0
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and bank balances	112.0
Property, plant and equipment (note 22)	555.7
Intangible assets (note 24)	211.1
Trade and other receivables	114.5
Loans and borrowings	(33.4)
Trade and other payables (current and non-current)	(411.4)
Deferred tax liabilities (note 20)	(9.7)
Total identifiable net assets	538.8
Non-controlling interest	(240.9)
Goodwill (note 24)	52.1
Total	350.0

5. **BUSINESS COMBINATIONS (continued)**

The following are business combination events completed during the previous financial year: (continued)

(b) GTC Global Sdn Bhd (GTC)

On 27 November 2013, the Company entered into a conditional Share Sale Agreement (SSA) with Gapurna Global Solutions Sdn Bhd (GGS) to acquire the entire equity interest held by GGS in GTC (Sale Shares) for a total consideration of RM45.0 million to be satisfied by way of cash (Acquisition). The SSA was conditional upon fulfilment of several Conditions Precedent, within three (3) months from the date of the SSA or such other date as may be agreed upon between the Company and GGS.

The Acquisition was completed on 10 January 2014 upon fulfilment of the Conditions Precedent and GTC became the Company's wholly-owned subsidiary with effect from the same date. GTC complements the Company's core competencies as well as broaden the Group's capabilities in the information and communications technology (ICT) to better serve its range of customers, particularly in the Enterprise and Government segments.

The following table summarises the consideration paid for GTC and the fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 10 January 2014	**RM**
Cash (Total Consideration)	45.0
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and bank balances	23.4
Property, plant and equipment (note 22)	0.6
Finance lease receivables	133.6
Trade and other receivables	102.6
Loans and borrowings	(119.6)
Deferred income	(46.8)
Trade and other payables	(26.7)
Current and deferred tax liabilities	(0.2)
Total identifiable net assets	66.9
Negative goodwill credited to Consolidated Income Statement	(21.9)
Total	45.0

6. OPERATING REVENUE

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Voice services	**3,506.9**	3,469.2	**3,501.0**	3,460.8
Internet and multimedia services	**3,367.5**	2,995.1	**3,169.4**	2,942.9
Data services	**2,669.7**	2,606.0	**2,372.3**	2,300.6
Other telecommunications related services	**1,881.2**	1,864.7	**1,242.6**	1,306.9
Non-telecommunications related services	**296.3**	300.1	**–**	–
TOTAL OPERATING REVENUE	**11,721.6**	11,235.1	**10,285.3**	10,011.2

7(a) DEPRECIATION, IMPAIRMENT AND AMORTISATION

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Depreciation of property, plant and equipment (PPE) (note 22)	**2,329.6**	2,259.9	**1,988.7**	2,018.6
Depreciation of investment property (note 23)	**–**	–	**2.3**	2.2
Impairment of PPE (note 22(c))	**31.9**	2.3	**–**	–
(Reversal)/impairment of non-current assets held for sale (note 32(a))	**(6.3)**	6.3	**(6.3)**	6.3
Write-off/retirement of PPE (note 22)	**44.5**	52.8	**42.2**	50.8
Amortisation of intangible assets (note 24)	**37.6**	20.0	**–**	–
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION	**2,437.3**	2,341.3	**2,026.9**	2,077.9

7(b) OTHER OPERATING COSTS

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Agency commissions and charges	**73.1**	64.0	**88.6**	88.9
Domestic interconnect and international outpayment	**1,016.3**	821.7	**1,080.3**	890.3
Impairment of trade and other receivables (net of debt recoveries)	**165.6**	228.9	**157.1**	238.1
Impairment/(Reversal of impairment) for investment in subsidiaries	**–**	–	**2.8**	(76.0)
Maintenance	**778.1**	846.2	**772.4**	848.4
Marketing, advertising and promotion	**321.4**	297.6	**333.4**	339.8
Net (gain)/loss on foreign exchange on settlements and placements				
– realised	**(42.7)**	3.0	**(47.7)**	0.6
– unrealised	**(95.4)**	(9.7)	**(96.8)**	(20.8)
Outsourcing costs	**58.2**	61.7	**309.4**	301.3
Rental – equipment	**45.7**	58.2	**90.7**	103.0
Rental – land and buildings	**268.1**	198.4	**164.3**	156.8
Rental – leased lines	**208.7**	226.6	**–**	–
Rental – others	**29.1**	26.3	**14.3**	10.6
Research and development	**10.7**	8.6	**70.4**	61.9
Staff costs	**2,703.1**	2,511.9	**1,979.6**	1,873.1
Staff costs capitalised into PPE	**(115.5)**	(118.7)	**(115.5)**	(118.7)
Supplies and materials	**875.1**	782.0	**503.2**	518.0
Transportation and travelling	**68.4**	72.2	**50.7**	55.5
Universal Service Provision contribution	**352.1**	301.7	**325.6**	276.5
Utilities	**355.8**	368.6	**296.3**	318.4
Others	**1,075.0**	1,004.6	**1,098.7**	1,019.3
TOTAL OTHER OPERATING COSTS	**8,150.9**	7,753.8	**7,077.8**	6,885.0
Staff costs include:				
– salaries, allowances, overtime and bonus	**2,078.8**	1,900.4	**1,492.3**	1,387.0
– contribution to Employees Provident Fund (EPF)	**314.1**	279.2	**227.2**	205.3
– termination benefit	**77.4**	111.2	**72.2**	101.4
– other staff benefits	**224.9**	214.3	**180.7**	173.3
– remuneration of Executive Directors of the Company				
– salaries, allowances and bonus	**3.7**	2.5	**3.7**	2.5
– contribution to EPF	**0.8**	0.9	**0.8**	0.9
– remuneration of Non-Executive Directors of the Company				
– fees	**2.6**	2.5	**2.0**	1.9
– allowances and bonus	**0.8**	0.9	**0.7**	0.8
Others include:				
– statutory audit fees				
– PricewaterhouseCoopers Malaysia	**2.9**	3.6	**1.7**	2.2
– member firms of PricewaterhouseCoopers International Limited	**0.2**	0.2	**–**	–
– audit related fees	**0.7**	0.7	**0.6**	0.4
– tax and other non-audit services	**0.9**	5.0	**0.3**	4.9

Estimated money value of benefits of Directors amounted to RM721,388 (2014: RM622,829) for the Group and RM721,388 (2014: RM622,829) for the Company.

7(b) OTHER OPERATING COSTS (continued)

In ensuring independence of the external auditors, the Board Audit Committee has policies governing the engagement of the external auditors for non-audit services and the related approval process that has to be adhered before any such non-audit services commence. Non-audit services can be offered by the external auditors if there are efficiencies and value-added benefits to the Group.

8. OTHER OPERATING INCOME (net)

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Dividend income from subsidiaries	**–**	–	**224.5**	85.9
Dividend income from equity securities – quoted	**1.2**	1.3	**1.2**	1.3
– unquoted	**5.9**	7.1	**5.9**	7.1
Income from sales of scraps	**13.8**	10.6	**13.8**	10.6
Income from subsidiaries – interest	**–**	–	**20.6**	11.6
– others	**–**	–	**3.3**	4.1
Insurance claims	**6.2**	0.5	**6.1**	0.5
Loss on disposal of staff loans	**(0.6)**	(0.4)	**(0.6)**	(0.4)
Profit on disposal of PPE	**2.4**	5.6	**2.8**	5.7
Profit on disposal of non-current asset held for sale	**0.1**	27.0	**0.1**	27.0
Penalty on breach of contract	**6.7**	5.5	**6.7**	5.5
Rental income from land and buildings	**43.9**	43.5	**70.6**	62.5
Rental income from vehicles	**–**	–	**0.6**	0.7
Revenue from training and related activities	**1.6**	1.8	**3.2**	2.2
Others	**42.5**	51.8	**50.3**	45.5
TOTAL OTHER OPERATING INCOME (net)	**123.7**	154.3	**409.1**	269.8

9. OTHER (LOSSES)/GAINS (net)

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Fair value movement of financial assets at fair value through profit or loss				
– equity securities quoted on the Bursa Malaysia Securities Berhad	**(2.6)**	(4.3)	**(2.6)**	(4.3)
– call option on shares held by non-controlling interest	**(1.3)**	9.0	**–**	–
– forward foreign currency contract on purchases	**0.4**	–	**–**	–
Fair value movement of put option liability over shares of a subsidiary (note 47(a))	**(25.4)**	–	**–**	–
Available-for-sale investments				
– reclassification from fair value reserves	**2.3**	0.1	**2.3**	0.1
TOTAL OTHER (LOSSES)/GAINS (net)	**(26.6)**	4.8	**(0.3)**	(4.2)

10. NET FINANCE COST

The Group	2015 Foreign RM	2015 Domestic RM	2015 Islamic Principles RM	2015 Total RM	2014 Foreign RM	2014 Domestic RM	2014 Islamic Principles RM	2014 Total RM
Finance income from								
– short term bank deposits	**0.2**	**56.8**	**64.9**	**121.9**	#	60.4	42.2	102.6
– other deposits	**–**	**9.2**	**2.5**	**11.7**	–	3.4	3.0	6.4
– Redeemable Exchangeable Medium Term Notes (note 30)	**–**	**11.1**	**–**	**11.1**	–	2.4	–	2.4
– staff loans	**–**	**1.0**	**4.9**	**5.9**	–	0.7	3.2	3.9
– accretion of finance income	**–**	**12.3**	**–**	**12.3**	–	19.1	–	19.1
– available-for-sale receivables	**–**	**1.5**	**–**	**1.5**	–	2.2	–	2.2
TOTAL FINANCE INCOME	**0.2**	**91.9**	**72.3**	**164.4**	#	88.2	48.4	136.6
Finance cost on								
– borrowings	**(124.6)**	**(15.9)**	**–**	**(140.5)**	(162.5)	(8.2)	–	(170.7)
– TM Islamic Stapled Income Securities (note 17(b))	**–**	**–**	**(44.9)**	**(44.9)**	–	–	(44.9)	(44.9)
– fair value gain on interest rate swaps – realised (note 17(c))	**–**	**–**	**1.8**	**1.8**	–	–	3.8	3.8
– Islamic Medium Term Notes (note 17(d))	**–**	**–**	**(156.8)**	**(156.8)**	–	–	(107.4)	(107.4)
– accretion of finance cost (note 17(e) and 37(b))	**–**	**(6.7)**	**–**	**(6.7)**	–	(8.4)	–	(8.4)
– finance lease (note 17(g))	**–**	**(2.7)**	**–**	**(2.7)**	–	(3.0)	–	(3.0)
– unwinding of discount on put option over shares of a subsidiary (note 47(a))	**–**	**(9.7)**	**–**	**(9.7)**	–	(2.5)	–	(2.5)
– amortisation of interest subsidy on staff loan	**–**	**–**	**(1.0)**	**(1.0)**	–	–	(0.8)	(0.8)
Borrowing costs capitalised	**2.8**	**6.3**	**28.0**	**37.1**	6.6	8.4	27.3	42.3
TOTAL FINANCE COST	**(121.8)**	**(28.7)**	**(172.9)**	**(323.4)**	(155.9)	(13.7)	(122.0)	(291.6)
Foreign exchange (loss)/gain on borrowings								
– realised	**(7.8)**	**–**	**–**	**(7.8)**	254.2	–	–	254.2
– unrealised	**(386.5)**	**–**	**–**	**(386.5)**	(314.6)	–	–	(314.6)
– reclassification from hedging reserve	**209.9**	**–**	**–**	**209.9**	28.6	–	–	28.6
Fair value loss on forward foreign currency contracts (realised) (note 19)	**–**	**–**	**–**	**–**	(16.1)	–	–	(16.1)
TOTAL FOREIGN EXCHANGE LOSS ON BORROWINGS	**(184.4)**	**–**	**–**	**(184.4)**	(47.9)	–	–	(47.9)
NET FINANCE COST	**(306.0)**	**63.2**	**(100.6)**	**(343.4)**	(203.8)	74.5	(73.6)	(202.9)

Amount less than RM0.1 million

10. NET FINANCE COST (continued)

The Company	2015 Foreign RM	2015 Domestic RM	2015 Islamic Principles RM	2015 Total RM	2014 Foreign RM	2014 Domestic RM	2014 Islamic Principles RM	2014 Total RM
Finance income from								
– short term bank deposits	**0.1**	**54.4**	**63.5**	**118.0**	#	58.3	40.6	98.9
– other deposits	**–**	**9.1**	**1.8**	**10.9**	–	3.4	1.7	5.1
– staff loans	**–**	**1.0**	**4.9**	**5.9**	–	0.7	3.2	3.9
– available-for-sale receivables	**–**	**1.5**	**–**	**1.5**	–	2.2	–	2.2
TOTAL FINANCE INCOME	**0.1**	**66.0**	**70.2**	**136.3**	#	64.6	45.5	110.1
Finance cost on								
– borrowings	**(114.6)**	**–**	**–**	**(114.6)**	(160.3)	–	–	(160.3)
– TM Islamic Stapled Income Securities (note 17(b))	**–**	**–**	**(44.9)**	**(44.9)**	–	–	(44.9)	(44.9)
– fair value gain on interest rate swaps – realised (note 17(c))	**–**	**–**	**1.8**	**1.8**	–	–	3.8	3.8
– Islamic Medium Term Notes (note 17(d))	**–**	**–**	**(156.8)**	**(156.8)**	–	–	(107.4)	(107.4)
– accretion of finance cost (note 17(e) and 37(b))	**–**	**(6.7)**	**–**	**(6.7)**	–	(8.4)	–	(8.4)
– finance lease (note 17(g))	**–**	**(2.7)**	**–**	**(2.7)**	–	(3.0)	–	(3.0)
– Inter-Company Fund Optimisation (note 43(a) and (b))	**–**	**(23.4)**	**(1.5)**	**(24.9)**	–	(17.5)	(0.8)	(18.3)
– amortisation of interest subsidy on staff loan	**–**	**–**	**(1.0)**	**(1.0)**	–	–	(0.8)	(0.8)
Borrowing costs capitalised	**2.8**	**6.3**	**28.0**	**37.1**	6.6	8.4	27.3	42.3
TOTAL FINANCE COST	**(111.8)**	**(26.5)**	**(174.4)**	**(312.7)**	(153.7)	(20.5)	(122.8)	(297.0)
Foreign exchange gain/(loss) on borrowings								
– realised	**#**	**–**	**–**	**#**	254.2	–	–	254.2
– unrealised	**(369.0)**	**–**	**–**	**(369.0)**	(314.6)	–	–	(314.6)
– reclassification from hedging reserve	**209.9**	**–**	**–**	**209.9**	28.6	–	–	28.6
Fair value loss on forward foreign currency contracts (realised) (note 19)	**–**	**–**	**–**	**–**	(16.1)	–	–	(16.1)
TOTAL FOREIGN EXCHANGE LOSS ON BORROWINGS	**(159.1)**	**–**	**–**	**(159.1)**	(47.9)	–	–	(47.9)
NET FINANCE COST	**(270.8)**	**39.5**	**(104.2)**	**(335.5)**	(201.6)	44.1	(77.3)	(234.8)

Amount less than RM0.1 million

11. TAXATION AND ZAKAT

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
The taxation charge for the Group and the Company comprise:				
Malaysia				
Income Tax				
Current year	**212.3**	161.3	**139.4**	108.6
Prior year	**(13.5)**	(4.5)	**(11.4)**	0.9
Deferred Tax (net)	**113.6**	103.3	**134.5**	104.1
	312.4	260.1	**262.5**	213.6
Overseas				
Income Tax				
Current year	**2.0**	3.5	–	–
Prior year	**(0.1)**	(2.3)	–	–
Deferred Tax (net)	**#**	(1.4)	–	–
	1.9	(0.2)	–	–
TOTAL TAXATION	**314.3**	259.9	**262.5**	213.6
Zakat	**5.7**	3.1	**2.6**	1.8
TAXATION AND ZAKAT	**320.0**	263.0	**265.1**	215.4
Current taxation				
Current year	**214.3**	164.8	**139.4**	108.6
(Over)/Under accrual in prior years (net)	**(13.6)**	(6.8)	**(11.4)**	0.9
Deferred taxation				
Origination and reversal of temporary differences	**105.1**	101.8	**126.7**	100.2
Change in tax rate	**8.5**	3.9	**7.8**	3.9
Benefit from previously unrecognised tax losses	–	(3.8)	–	–
	314.3	259.9	**262.5**	213.6

Amount less than RM0.1 million

11. TAXATION AND ZAKAT (continued)

The relationship between taxation and profit before taxation and zakat can be explained by the numerical reconciliation between taxation expense and the product of accounting profit multiplied by the Malaysian tax rate as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit Before Taxation and Zakat	**911.8**	1,105.5	**1,253.9**	1,079.1
Taxation calculated at the applicable Malaysian taxation rate of 25.0%	**228.0**	276.4	**313.5**	269.8
Tax effects of:				
– share of results of associates	**(6.2)**	(2.3)	**–**	–
– different taxation rates in other countries	**0.2**	0.5	**–**	–
– expenses not deductible for taxation purposes	**201.1**	146.6	**174.3**	121.3
– income not subject to taxation	**(161.9)**	(162.3)	**(203.4)**	(166.2)
– expenses allowed for double deduction	**(18.3)**	(16.1)	**(18.3)**	(16.1)
– previously unrecognised tax losses and temporary differences (net)	**(9.3)**	6.7	**–**	–
– changes in tax rate	**11.1**	3.9	**7.8**	3.9
– current year tax losses not recognised	**83.2**	13.3	**–**	–
– (over)/under accrual of income tax (net)	**(13.6)**	(6.8)	**(11.4)**	0.9
TOTAL TAXATION	**314.3**	259.9	**262.5**	213.6

12. EARNINGS PER SHARE

Basic earnings per share of the Group was calculated by dividing the net profit attributable to equity holders by the weighted average number of issued and paid-up ordinary shares of the Company in issue during the financial year. There is no dilutive potential ordinary shares as at 31 December 2015. Thus, diluted earnings per share equals basic earnings per share.

	The Group	
	2015 RM	2014 RM
Profit attributable to equity holders of the Company (RM million)	**700.3**	831.8
Weighted average number of ordinary shares (million)	**3,740.2**	3,633.8
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	**18.7**	22.9

13. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends approved and paid in respect of ordinary shares:

The Company	2015		2014	
	Dividend per share Sen	Amount of single-tier dividend RM	Dividend per share Sen	Amount of single-tier dividend RM
Final dividend paid in respect of the financial years ended:				
– 31 December 2014	**13.4**	**498.4**	–	–
– 31 December 2013	–	–	16.3	583.1
Interim dividend paid in respect of the financial years ended:				
– 31 December 2015	**9.3**	**349.5**	–	–
– 31 December 2014	–	–	9.5	348.4
DIVIDENDS RECOGNISED AS DISTRIBUTION TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**22.7**	**847.9**	25.8	931.5

The Dividend Reinvestment Scheme (DRS) as explained in note 14(c) to the financial statements was made applicable to only the entire Final Dividend of the financial year ended 31 December 2014 where the entire Electable Portion of the Final Dividend could be elected to be reinvested in new ordinary shares of RM0.70 each in the Company (TM Shares) in accordance to the DRS. The DRS was not made applicable to the first Interim Dividend of the financial year ended 31 December 2015.

The Board of Directors has declared a second interim single-tier cash dividend of 12.1 sen per share for the financial year ended 31 December 2015. The dividend will be paid on 24 March 2016 to shareholders whose names appear in the Register of Members and Record of Depositors on 10 March 2016.

The Board of Directors is not recommending the payment of any final dividend in respect of the financial year ended 31 December 2015. The total dividends for the current financial year ended 31 December 2015 is 21.4 sen per ordinary share (2014: 22.9 sen).

14. SHARE CAPITAL

The Group and Company	2015		2014	
	Number of shares	RM	Number of shares	RM
Authorised:				
Ordinary shares of RM0.70 each	**5,040.0**	**3,528.0**	5,040.0	3,528.0
Special Share of RM1.00 (sub-note (a))	**#**	**#**	#	#
2,000 Class C Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
1,000 Class D Non-Convertible Redeemable Preference Shares of RM1.00 each (sub-note (b))	**#**	**#**	#	#
TOTAL AUTHORISED SHARE CAPITAL	**5,040.0**	**3,528.0**	5,040.0	3,528.0

14. SHARE CAPITAL (continued)

The Group and Company	2015 Number of shares	2015 RM	2014 Number of shares	2014 RM
Issued and fully paid:				
Ordinary shares of RM0.70 each				
At 1 January	**3,719.4**	**2,603.6**	3,577.4	2,504.2
Shares issued under Dividend Reinvestment Scheme (sub-note (c))	**38.6**	**27.0**	142.0	99.4
At 31 December	**3,758.0**	**2,630.6**	3,719.4	2,603.6
Special Share of RM1.00 (sub-note (a))				
At 1 January and 31 December	**#**	**#**	#	#
Class D Non-Convertible Redeemable Preference Shares of RM1.00 (sub-note (b))				
At 1 January and 31 December	**#**	**#**	#	#
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	**3,758.0**	**2,630.6**	3,719.4	2,603.6

Amount less than RM0.1 million

(a) Special Rights Redeemable Preference Share (Special Share)

The Special Share of RM1.00 would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

Certain matters, in particular, the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, the dissolution of the Company, any substantial acquisitions and disposal of assets, amalgamation, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time. In a distribution of capital in a winding up of the Company, the Special Shareholder is entitled to the repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other member. The Special Share does not confer any right to participate in the capital or profits of the Company.

(b) Non-Convertible Redeemable Preference Shares (NCRPS)

These comprise 2,000 Class C NCRPS of RM1.00 each and 1,000 Class D NCRPS of RM1.00 each. On 20 July 2007, the Company issued 2,000 Class C NCRPS (TM NCRPS C) and 925 Class D NCRPS (TM NCRPS D) at a premium of RM999.00 each over the par value of RM1.00 each. TM NCRPS C and TM NCRPS D rank pari passu amongst themselves but below the Special Share and ahead of the ordinary shares of the Company in a distribution of capital in the event of the winding up or liquidation of the Company. TM NCRPS C and TM NCRPS D have been classified as liabilities. On 30 December 2013, the Company had redeemed TM NCRPS C upon its maturity.

The details of TM NCRPS C and TM NCRPS D are set out in note 17(b)(l) to the financial statements.

14. SHARE CAPITAL (continued)

(c) Dividend Reinvestment Scheme

On 27 March 2014, the Company announced a proposal to undertake a Dividend Reinvestment Scheme (DRS) that provides shareholders of the Company (Shareholders) the option to elect to reinvest, in whole or in part, their cash dividend which includes interim, final, special or any other cash dividend, in new ordinary share(s) of RM0.70 each in the Company (New TM Share).

The DRS has received the approval from the Bursa Malaysia Securities Berhad via its letter dated 7 April 2014 and the Shareholders' approval at the Company's Extraordinary General Meeting on 8 May 2014.

Shareholders have the following options to reinvest their cash dividend in New TM Shares (Option to Reinvest):

- to elect to participate by reinvesting in whole or in part the portion of such dividend to which the Option to Reinvest applies (Electable Portion), at the issue price for New TM Shares.

  In the event that only part of the Electable Portion is reinvested, the Shareholders shall receive the remaining portion of the dividend in cash; or

- to elect not to participate in the Option to Reinvest and thereby receive the entire dividend in cash.

On 26 February 2015, as part of the 2014 fourth quarter result, the Company announced a final dividend in respect of financial year ended 31 December 2014 of 13.4 sen per share (Final Dividend) for approval in the 30th Annual General Meeting (AGM) of the Company. The Directors determined that the DRS (as approved in the Company's Extraordinary Meeting on 8 May 2014) would be applicable to the entire Final Dividend.

On 30 April 2015, the Shareholders approved the renewal of authority for Directors of the Company to allot and issue New TM Shares at the AGM. The allotment and issuance of New TM Shares of RM0.70 each in relation to the DRS was approved by the Shareholders and its listing and quotation approved by Bursa Malaysia Securities Berhad (Bursa Malaysia).

Pursuant to the DRS, the Company increased its issued and fully paid share capital from RM2,603,559,225.30 to RM2,630,555,302.10 via the issuance of 38,565,824 New TM Shares on 18 June 2015 at an issue price of RM6.98 per New TM Share. This translates to 54.0% rate of acceptance of Shareholders to reinvest their cash dividend in New TM Shares.

Upon completion of the DRS on listing and quotation of the above New TM Shares on Main Market Bursa Malaysia on 19 June 2015, the total issued and paid-up share capital of the Company was RM2,630,555,302.10 comprising 3,757,934,823 ordinary shares of RM0.70 each, 1 Special Rights Redeemable Preference Share of RM1.00 and 925 Class D NCRPS of RM1.00 each.

15. OTHER RESERVES

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Fair value reserves (note 2(h)(iii))	**90.2**	57.8	**90.2**	57.8
Hedging reserve (note 2(j))	**95.2**	63.5	**95.2**	63.5
Capital redemption reserve	**71.6**	71.6	**71.6**	71.6
Other reserve (note 2(q)(iii) and note 47(a))	**(267.6)**	(267.6)	**–**	–
Currency translation differences arising from translation of:				
– subsidiaries	**25.7**	3.6	**–**	–
– associate	**1.9**	0.2	**–**	–
TOTAL OTHER RESERVES	**17.0**	(70.9)	**257.0**	192.9

16. RETAINED PROFITS

As at 31 December 2015, all of the Company's retained profits of RM3,299.2 million (2014: RM3,158.3 million) is available for tax exempt dividend distribution to shareholders.

17. BORROWINGS

The Group	2015 Weighted Average Rate of Finance	2015 Non-current RM	2015 Current RM	2015 Total RM	2014 Weighted Average Rate of Finance	2014 Non-current RM	2014 Current RM	2014 Total RM
DOMESTIC								
Secured								
Borrowings from financial institutions (sub-note (a))	**4.93%**	**134.0**	**119.8**	**253.8**	4.90%	164.7	81.2	245.9
Finance lease	**2.89%**	**0.1**	**0.1**	**0.2**	2.89%	0.2	0.1	0.3
Total Domestic Secured	**4.93%**	**134.1**	**119.9**	**254.0**	4.90%	164.9	81.3	246.2
Unsecured								
Borrowings from financial institutions	**–**	**–**	**–**	**–**	4.31%	–	13.0	13.0
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (b) and (c))	**4.87%**	**925.0**	**–**	**925.0**	4.87%	925.0	–	925.0
– Fair value of hedged risk (sub-note (c))	**–**	**1.8**	**–**	**1.8**	–	3.6	–	3.6
– Islamic Medium Term Notes (sub-note (d))	**4.35%**	**4,000.0**	**–**	**4,000.0**	4.32%	3,400.0	–	3,400.0
Convertible Medium Term Notes (sub-note (f))	**4.88%**	**35.7**	**0.1**	**35.8**	–	–	–	–
Other borrowings (sub-note (e))	**4.71%**	**46.0**	**148.0**	**194.0**	4.71%	89.8	98.1	187.9
Finance lease (sub-note (g))	**6.23%**	**37.6**	**4.6**	**42.2**	6.23%	42.2	4.4	46.6
Total Domestic Unsecured	**4.47%**	**5,046.1**	**152.7**	**5,198.8**	4.46%	4,460.6	115.5	4,576.1
Total Domestic	**4.50%**	**5,180.2**	**272.6**	**5,452.8**	4.48%	4,625.5	196.8	4,822.3
FOREIGN								
Unsecured								
Borrowings from financial institutions	**1.55%**	**706.3**	**135.5**	**841.8**	1.07%	575.7	–	575.7
Notes and Debentures (sub-note (h))	**7.88%**	**1,286.1**	**–**	**1,286.1**	7.88%	1,047.3	–	1,047.3
Other borrowings	**–**	**2.8**	**0.2**	**3.0**	–	2.9	0.2	3.1
Total Foreign	**5.37%**	**1,995.2**	**135.7**	**2,130.9**	5.46%	1,625.9	0.2	1,626.1
TOTAL BORROWINGS	**4.74%**	**7,175.4**	**408.3**	**7,583.7**	4.73%	6,251.4	197.0	6,448.4

17. BORROWINGS (continued)

	2015			2014		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Group's non-current borrowings are repayable as follows:						
After one year and up to five years	**1,310.1**	**706.9**	**2,017.0**	1,182.3	228.3	1,410.6
After five years and up to ten years	**3,867.0**	**1,286.8**	**5,153.8**	3,443.2	348.6	3,791.8
After ten years and up to fifteen years	**3.1**	**0.8**	**3.9**	–	1,048.0	1,048.0
After fifteen years	**–**	**0.7**	**0.7**	–	1.0	1.0
	5,180.2	**1,995.2**	**7,175.4**	4,625.5	1,625.9	6,251.4

	2015				2014			
The Company	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM	Weighted Average Rate of Finance	Non-current RM	Current RM	Total RM
DOMESTIC								
Unsecured								
Borrowings under Islamic principles								
– TM Islamic Stapled Income Securities (sub-note (b) and (c))	**4.87%**	**925.0**	**–**	**925.0**	4.87%	925.0	–	925.0
– Fair value of hedged risk (sub-note (c))	**–**	**1.8**	**–**	**1.8**	–	3.6	–	3.6
– Islamic Medium Term Notes (sub-note (d))	**4.35%**	**4,000.0**	**–**	**4,000.0**	4.32%	3,400.0	–	3,400.0
Other borrowings (sub-note (e))	**4.71%**	**46.0**	**148.0**	**194.0**	4.71%	89.8	98.1	187.9
Finance lease (sub-note (g))	**6.23%**	**37.6**	**4.6**	**42.2**	6.23%	42.2	4.4	46.6
Total Domestic	**4.47%**	**5,010.4**	**152.6**	**5,163.0**	4.46%	4,460.6	102.5	4,563.1
FOREIGN								
Unsecured								
Notes and Debentures (sub-note (h))	**7.88%**	**1,286.1**	**–**	**1,286.1**	7.88%	1,047.3	–	1,047.3
Other borrowings	**–**	**2.8**	**0.2**	**3.0**	–	2.9	0.2	3.1
Total Foreign	**7.87%**	**1,288.9**	**0.2**	**1,289.1**	7.86%	1,050.2	0.2	1,050.4
TOTAL BORROWINGS	**5.15%**	**6,299.3**	**152.8**	**6,452.1**	5.10%	5,510.8	102.7	5,613.5

17. BORROWINGS (continued)

	2015			2014		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Company's non-current borrowings are repayable as follows:						
After one year and up to five years	**1,194.2**	**0.6**	**1,194.8**	1,038.6	0.5	1,039.1
After five years and up to ten years	**3,816.1**	**1,286.9**	**5,103.0**	3,422.0	0.7	3,422.7
After ten years and up to fifteen years	**–**	**0.8**	**0.8**	–	1,048.0	1,048.0
After fifteen years	**–**	**0.7**	**0.7**	–	1.0	1.0
	5,010.3	**1,289.0**	**6,299.3**	4,460.6	1,050.2	5,510.8

The currency exposure profile of borrowings is as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Ringgit Malaysia	**5,452.8**	4,822.3	**5,163.0**	4,563.1
US Dollar	**1,849.5**	1,395.2	**1,286.1**	1,047.3
Other currencies	**281.4**	230.9	**3.0**	3.1
	7,583.7	6,448.4	**6,452.1**	5,613.5

(a) Secured borrowings of subsidiaries are facilities relating to projects of the subsidiaries and are secured mainly by either assignment of proceeds receivable from projects as well as fixed and floating charge over assets.

(b) On 20 July 2007, the Company had, through itself and its wholly-owned subsidiary, Hijrah Pertama Berhad (HPB), issued the TM Islamic Stapled Income Securities (TM ISIS) consisting of:

(i) (a) RM2.0 million Class C Non-Convertible Redeemable Preference Shares (NCRPS) (TM NCRPS C) consisting of 2,000 Class C NCRPS of RM1.00 each at a premium of RM999.00 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class A of nominal value RM1,998.0 million issued by HPB; and

(ii) (a) RM925,000 Class D NCRPS (TM NCRPS D) consisting of 925 Class D NCRPS of RM1.00 each at a premium of RM999.00 issued by the Company at an issue price of RM1,000 each;

(b) Sukuk Ijarah Class B of nominal value RM924,075,000 issued by HPB.

Sukuk Ijarah Class A and B are collectively referred to as 'Sukuk'.

The TM NCRPS (which comprises Class C and Class D NCRPS respectively) are effectively linked to the Sukuk in that the TM NCRPS and the Sukuk are issued simultaneously to the same parties and the periodic distribution obligations under the Sukuk are dependent on the payments made under the TM NCRPS. The outstanding amount of Sukuk are treated as borrowing by the Company as the Sukuk are effectively obligations of the Company.

17. BORROWINGS (continued)

(b) The TM ISIS are classified as debt instruments and hence are reported as liabilities. Consequently, dividend payable under TM NCRPS and rental payable under Sukuk are reported as finance cost.

On 30 December 2013, the Company repaid the RM2.0 million Class C NCRPS and RM1,998.0 million Class A Sukuk at nominal value.

Salient terms of the above transactions are:

(I) TM NCRPS

The principle features of the TM NCRPS are summarised as follows:

(i) The NCRPS will not be convertible to ordinary shares of the Company.

(ii) The NCRPS are not transferable/tradable and will be held by Primary Subscribers. The NCRPS will be mandatorily redeemed by the Company upon maturity of the Sukuk.

(iii) There will be no voting rights except with regards to the proposal to reduce the capital of the Company, sanctioning the disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NCRPS holders or as provided for in the Companies Act, 1965.

(iv) The NCRPS will not be listed on any of the boards of Bursa Malaysia Securities Berhad.

(v) The NCRPS shall rank pari passu amongst themselves but below the Special Share and ahead of the Company's ordinary shares in a distribution of capital in the event of the winding up or liquidation of the Company.

(II) Sukuk Ijarah

The Sukuk are issued in 4 classes and is for the purposes of financing the purchase by HPB of the beneficial ownership of certain assets. The Sukuk comprise the following classes:

(i) Class A Sukuk comprising Class A1 Sukuk and Class A2 Sukuk (collectively referred to as 'Class A Sukuk')

(ii) Class B Sukuk comprising Class B1 Sukuk and Class B2 Sukuk (collectively referred to as 'Class B Sukuk')

The Class A Sukuk and Class B Sukuk shall represent undivided beneficial ownership in the relevant assets and shall constitute direct, unconditional and unsecured trust obligations of HPB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves.

Features of the Sukuk are summarised as follows:

(i) The Sukuk shall constitute trust obligations of HPB in relation to, and represent undivided beneficial ownership in the assets.

(ii) Class A2 Sukuk and Class B2 Sukuk are not transferable/tradable and will be held by Primary Subscribers until maturity of the Sukuk.

17. BORROWINGS (continued)

(b) Salient terms of the above transactions are: (continued)

(II) Sukuk Ijarah (continued)

(iii) The Sukuk will constitute, inter alia, the obligations of the Company.

(iv) The obligations of the Company in respect of the Sukuk will constitute direct, unconditional and unsecured obligations of the Company and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Company, subject to those preferred by law or the transaction documents.

(v) The Sukuk carry a rating of AAA by RAM Rating Services Berhad at the date of issue.

The respective tenure of the Sukuk are as follows:

Class	Maturity Dates
A1	30 December 2013
A2	30 December 2013
B1	28 December 2018
B2	28 December 2018

During the tenure of the TM ISIS, the Company can elect to either:

(i) Pay gross dividends, comprising net dividend with the respective tax credits to investors and Nominal Rental payable to HPB; or

(ii) Pay full rental to HPB, which in turn distributes the same as periodic distribution to investors who are holding Class A2 Sukuk and Class B2 Sukuk.

Where the Company elects to pay dividend, HPB will only receive Nominal Rental under the lease agreement which it in turn would pay out to investors under Class A2 Sukuk and Class B2 Sukuk as nominal periodic distribution. The nominal periodic distribution rate is 0.01% per annum.

Where the Company elects to pay full rental, the Periodic Distribution Rate as in the TM ISIS of Class C NCRPS and Class D NCRPS which is linked to Class A Sukuk and Class B Sukuk is 6.20% and 5.25% per annum respectively, payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset on 31 December 2008 to 4.193% per annum payable semi-annually in arrears. The Periodic Distribution Rate for Class B Sukuk was reset again on 31 December 2013 to 4.87% per annum payable semi-annually in arrears. There will be no resetting of the Periodic Distribution Rate for Class B Sukuk subsequent to 2013 up to the maturity dates of the Sukuk.

Pursuant to Finance Act, 2007, tax credits can no longer be passed on to the investors who are not ordinary shareholders effective from 1 January 2008.

(c) A portion of the security as described in sub-note (b) above, has been hedged with interest rate swaps which are accounted for using hedge accounting. Hence, fair value attributable to the changes in interest rate risk that has been hedged, is included in borrowings.

17. BORROWINGS (continued)

(d) On 30 August 2013, the Company received approval from the Securities Commission Malaysia for the establishment of an Islamic Commercial Papers (ICP) programme and Islamic Medium Term Notes (IMTN) programme with a total combined limit of up to RM3.0 billion in nominal value, which have respective tenures of 7 and 20 years from the date of first issue. The ICP shall have a tenure of not more than 12 months whilst the IMTN between 1 to 20 years provided that the respective debt securities mature before the expiry of the respective programmes.

On 5 April 2011, the Company also established an ICP and IMTN programmes with a combined limit of up to RM2.0 billion in nominal value, which has been fully issued in 2013.

The proceeds from the issuance of the ICP and/or IMTN are used by the Company to meet its capital expenditure and business operating requirements. The IMTN in issue comprise the following:

	The Group and Company	
	2015 RM	**2014 RM**
IMTN due in 2020 (4.30%)	**200.0**	200.0
IMTN due in 2021 (4.20% – 4.50%)	**800.0**	800.0
IMTN due in 2022 (3.95% – 4.00%)	**850.0**	550.0
IMTN due in 2023 (3.93% – 3.95%)	**650.0**	650.0
IMTN due in 2024 (4.55% – 4.82%)	**1,200.0**	1,200.0
IMTN due in 2025 (4.88%)	**300.0**	–
	4,000.0	3,400.0

(e) Domestic other borrowings include the present value of future payment obligation related to a government grant received by the Company.

(f) Convertible Medium Term Notes (Convertible MTN)

Further to the disclosure in note 5(a) to the financial statements in relation to the 8-year Convertible MTN, on 15 September 2015 Packet One Networks (Malaysia) Sdn Bhd (P1) issued RM660.0 million nominal value of the first tranche issuance of the Convertible MTN (First Tranche Convertible MTN). RM622.5 million was subscribed by Mobikom Sdn Bhd, a wholly-owned subsidiary of the Group. The remaining RM37.5 million of the First Tranche Convertible MTN was subscribed by Packet One Sdn Bhd (a wholly-owned subsidiary of Green Packet Berhad) which holds a non-controlling interest in P1. The Convertible MTN which will mature on 15 September 2023 has an annual coupon rate of 1.0%, payable annually, and additional yield at redemption of 4.0% per annum, resulting in a yield to maturity of approximately 4.88% per annum.

17. BORROWINGS (continued)

(g) Minimum lease payments at the reporting date are as follows:

The Group	2015 RM	2014 RM
Not later than one year	**7.2**	7.3
Later than one year and not later than five years	**28.5**	28.6
Later than five years and not later than ten years	**17.1**	24.2
	52.8	60.1
Future finance charges	**(10.4)**	(13.2)
Present value of finance lease liabilities	**42.4**	46.9
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**4.7**	4.6
Later than one year and not later than five years	**21.7**	20.4
Later than five years and not later than ten years	**16.0**	21.9
	42.4	46.9

The Company	2015 RM	2014 RM
Not later than one year	**7.1**	7.1
Later than one year and not later than five years	**28.4**	28.4
Later than five years and not later than ten years	**17.1**	24.2
	52.6	59.7
Future finance charges	**(10.4)**	(13.1)
Present value of finance lease liabilities	**42.2**	46.6
Present value of finance lease liabilities at the reporting date is as follows:		
Not later than one year	**4.6**	4.4
Later than one year and not later than five years	**21.6**	20.3
Later than five years and not later than ten years	**16.0**	21.9
	42.2	46.6

The finance lease refers to a leasing arrangement for an office building of the Company in Melaka.

(h) Notes and Debentures consist of the following:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
USD300.0 million 7.875% Debentures due in 2025	**1,286.1**	1,047.3	**1,286.1**	1,047.3

None of the Debentures was redeemed, purchased or cancelled during the current financial year.

18. PAYABLE TO A SUBSIDIARY

On 20 November 2012, the Company's wholly-owned subsidiary, TM Global Incorporated, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, obtained a 5-year JPY7.8 billion loan from a financial institution which will mature on 20 November 2017. The loan carries a fixed JPY interest rate of 0.91375% per annum payable semi-annually on 20 May and 20 November of each financial year. The loan was utilised to repay the two Islamic Commercial Papers issued by the Company of RM150.0 million each which matured on 21 November 2012. The loan is unconditionally and irrevocably guaranteed by the Company.

On 12 November 2013, the Company's wholly-owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from another financial institution which will mature on 30 October 2020. The loan carries a floating USD interest rate of 3 months London Interbank Offer Rate (LIBOR) plus 0.91% per annum payable quarterly on 12 February, May, August and November of each financial year including 30 October 2020. The loan is unconditionally and irrevocably guaranteed by the Company.

The term loans are reflected as borrowings of the Group (note 17 to the financial statements).

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Group	Contract or notional amount RM	Fair value		Fair value changes during the financial year RM
		Assets RM	Liabilities RM	
2015				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b)(ii) and (iii))				
– less than 1 year	**19.3**	**0.4**	**–**	**0.4**
Call option on shares held by non-controlling interest				
– more than 3 years (sub-note (f)(ii))	**87.1**	**7.8**	**–**	**(1.2)**
Put option liability over shares held by non-controlling interest				
– more than 3 years (sub-note (f)(i) and note 47(a))	**–**	**–**	**305.2**	**(25.4)**
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– less than 1 year (sub-note (c))	**500.0**	**1.8**	**–**	**(1.8)**
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– 1 year to 3 years (sub-note (d))	**298.9**	**–**	**16.7**	**51.0**
– more than 3 years (sub-note (a) and (e))	**627.3**	**325.3**	**–**	**190.6**
TOTAL	**1,532.6**	**335.3**	**321.9**	**213.6**

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

The Group	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2014				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b)(i))				
– less than 1 year	–	–	–	(16.1)
Call option on shares held by non-controlling interest				
– more than 3 years (sub-note (f)(ii))	87.1	9.0	–	9.0
Put option liability over shares held by non-controlling interest				
– more than 3 years (sub-note (f)(i))	–	–	270.1	(270.1)
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	500.0	3.6	–	(3.9)
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (d) and (e))	926.2	134.7	67.7	45.6
TOTAL	1,513.3	147.3	337.8	(235.5)

The Company	Contract or notional amount RM	Fair value Assets RM	Fair value Liabilities RM	Fair value changes during the financial year RM
2015				
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– less than 1 year (sub-note (c))	**500.0**	**1.8**	**–**	**(1.8)**
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– 1 year to 3 years (sub-note (d))	**298.9**	**–**	**16.7**	**51.0**
– more than 3 years (sub-note (a) and (e))	**627.3**	**325.3**	**–**	**190.6**
TOTAL	**1,426.2**	**327.1**	**16.7**	**239.8**

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

The Company	Contract or notional amount RM	Fair value		Fair value changes during the financial year RM
		Assets RM	Liabilities RM	
2014				
Derivatives at fair value through profit or loss				
Forward foreign currency contracts (sub-note (b))				
– less than 1 year	–	–	–	(16.1)
Derivatives accounted for under hedge accounting				
Interest rate swaps – fair value hedge (sub-note (i))				
– 1 year to 3 years (sub-note (c))	500.0	3.6	–	(3.9)
Cross currency interest rate swaps – cash flow hedge (sub-note (ii))				
– more than 3 years (sub-note (a), (d) and (e))	926.2	134.7	67.7	45.6
TOTAL	1,426.2	138.3	67.7	25.6

(i) The cumulative gains or losses on the hedged items attributable to the hedged risk is disclosed in note 17 to the financial statements.

(ii) Hedge accounting has been applied for these cash flow hedges where the underlying hedged items are as follows:

(a) the hedged portion of the recurring semi-annual coupon payment and final settlement of the USD300.0 million 7.875% Debentures due in 2025.

(b) semi-annual interest payment and final settlement of the JPY7.8 billion loan due in 2017.

(c) quarterly interest payment and final settlement of the USD100.0 million loan due in 2020.

There is no ineffectiveness to be recorded from fair value and cash flow hedges accounted for under hedge accounting.

Fair values of financial derivative instruments are the present values of their future cash flows. Favourable fair value indicates amount receivable by the Group and the Company if the contracts are terminated or vice versa. The Group and the Company are exposed to credit risk where the fair value of the contract is favourable, where the counterparty is required to pay the Group or the Company in the event of contract termination.

The maximum exposure to credit risk at the reporting date is the carrying amount of the derivative assets as presented on the Statements of Financial Position.

Summarised below are the derivative hedging transactions entered into by the Company:

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts

Underlying Liability

USD300.0 million 7.875% Debentures due in 2025

In 1995, the Company issued USD300.0 million 7.875% Debentures due in 2025.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(a) Cross Currency Interest Rate Swap (CCIRS) Contracts (continued)

Hedging Instruments

On 17 October 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM154.0 million.

On 2 December 2011, the Company entered into another CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM156.5 million.

The CCIRS contracts effectively convert part of the USD liability into RM liability.

(b) Forward Foreign Currency Contracts

(i) Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

In 2004, TM Global Incorporated issued USD500.0 million 5.25% Guaranteed Notes due in 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes. The Notes had matured and redeemed in full on 22 September 2014.

Hedging Instruments

On 10 March 2009 and 28 May 2009, the Company entered into two forward foreign currency contracts which matured on 22 September 2014. On the maturity date, the Company received USD50.0 million each from the counterparties in return for a payment of RM174.5 million and RM169.8 million respectively.

On 12 September 2012, the Company entered into a forward foreign currency contract which matured on 19 September 2014. The terms of the contract was such that on the maturity date, the Company received USD50.0 million from the counterparty in return for a payment at maturity. If the exchange rate at maturity date is below the pre-determined rate, the Company would buy USD for RM for the notional amount at the minimum rate. If the exchange rate at maturity date is above the pre-determined rate, the Company would buy USD for RM for the notional amount based on the exchange rate adjusted for the difference between the pre-determined rate and the minimum rate. Subsequently, on 17 October 2012, the Company entered into another forward foreign currency contract which matured on 19 September 2014. On the maturity date, the Company received USD30.0 million from the counterparty in return for a payment of RM94.9 million.

On 3 January 2013 and 11 January 2013, the Company entered into two forward foreign currency contracts which matured on 19 September 2014. On the maturity date, the Company received USD30.0 million and USD40.0 million from the counterparties in return for a payment of RM94.8 million and RM125.6 million respectively. On 18 October 2013, the Company entered into another forward foreign currency contract which matured on 19 September 2014. On the maturity date, the Company received USD30.0 million from the counterparty in return for a payment of RM96.5 million.

Between February and August 2014, the Company entered into additional forward foreign currency contracts which matured on 19 September 2014. On the maturity date, the Company received USD155.0 million from the counterparty in return for a payment of RM506.0 million.

The forward foreign currency contracts effectively converted part of the USD liability into RM principal liability.

Upon maturity of the underlying liability and these forward foreign currency contracts on 19 September 2014, the Company received a total of USD435.0 million for the contracts from the counterparties in return of a total payment of RM1,416.6 million.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(b) Forward Foreign Currency Contracts (continued)

(ii) Underlying Liability

USD4.8 million purchase contract due in December 2015, January and February 2016

Hedging Instruments

On 1 September 2015, Packet One Networks (Malaysia) Sdn Bhd (P1) entered into three (3) forward foreign currency contracts (contract value of USD0.7 million, USD1.4 million and USD2.7 million) which matured/will mature on 14 December 2015, 13 January 2016 and 12 February 2016 respectively. On maturity, P1 would receive RM21.0 million from the counterparties in return for payment of USD4.8 million. A total of RM2.8 million was received in return for payment of USD0.7 million upon maturity of the first forward contract.

(iii) Underlying Liability

USD0.5 million purchase contract due in January and February 2016

Hedging Instruments

On 4 December 2015, P1 entered into two (2) forward foreign currency contracts (contract value of USD0.1 million and USD0.4 million) which will mature on 8 January 2016 and 12 February 2016 respectively. On maturity, P1 would receive in total RM2.1 million from the counterparties in return for payment of USD0.5 million in total.

(c) Interest Rate Swap (IRS) Contract

Underlying Liability

RM925.0 million 4.87% TM Islamic Stapled Income Securities (TM ISIS) due in 2018

In 2007, the Company issued RM925.0 million 5.25% TM ISIS due in 2018. The coupon was reset to 4.193% per annum payable semi-annually in arrears on 31 December 2008 and was reset again on 31 December 2013 to 4.87% per annum.

Hedging Instrument

On 2 November 2009, the Company entered into an IRS agreement with a notional principal of RM500.0 million that entitles it to receive interest at a fixed rate of 4.193% per annum and obliges it to pay interest at a floating rate of 6 months KLIBOR minus 0.035% per annum. On 31 December 2013, in tandem with the reset of the underlying liability's coupon to 4.87% per annum, the Company is obliged to pay interest at a floating rate of 6 months KLIBOR plus 0.642% instead. The swap will mature on 30 December 2016.

(d) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability

JPY7.8 billion 0.91375% Loan due in 2017

In 2012, the Company, through its wholly-owned subsidiary, TM Global Incorporated, obtained a 5-year JPY7.8 billion loan from a financial institution.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(d) Cross Currency Interest Rate Swap (CCIRS) Contract (continued)

Hedging Instrument

On 20 November 2012, the Company entered into a CCIRS agreement with a notional amount of JPY7.8 billion that entitles it to receive interest at a fixed rate of 0.91375% per annum on JPY notional amount and obliges it to pay interest at a fixed rate of 3.62% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 20 November 2017. On the maturity date, the Company would receive the JPY notional amount and pay the counterparty an equivalent RM amount of RM298.9 million.

The CCIRS contracts effectively convert the JPY liability into RM liability.

(e) Cross Currency Interest Rate Swap (CCIRS) Contract

Underlying Liability

USD100.0 million 3 months LIBOR plus 0.91% Loan due in 2020

In 2013, the Company, through its wholly-owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from a financial institution.

Hedging Instrument

On 12 November 2013, the Company entered into two CCIRS agreements with notional amount of USD70.0 million and USD30.0 million respectively. The former CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.02% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The latter CCIRS entitles the Company to receive interest at a floating rate of 3 months LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.00% per annum on the RM notional amount (calculated at a pre-determined exchange rate). The swaps will mature on 30 October 2020. On the maturity date, the Company would receive the USD notional amount and pay the counterparties an equivalent combined RM amount of RM316.8 million.

The CCIRS contracts effectively convert the USD liability into RM liability.

(f) Call and Put Options on Shares of a Subsidiary of the Group

(i) Put Option liability over shares held by non-controlling interest

As disclosed in note 5(a) to the financial statements, the Group through Mobikom Sdn Bhd (Mobikom) has granted Packet One Sdn Bhd (Packet One) an option to sell, which would require Mobikom to buy, all shares in the capital of Packet One Networks (Malaysia) Sdn Bhd (P1) registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of P1 at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if P1 shares are not publicly traded, the fully distributed market or equity value at which the P1 shares would trade on a recognised stock exchange.

This instrument represents the present value of the Group's liability to purchase its own equity. Fair value movements from changes in excepted future liability is recognised as other gains and losses in the Income Statement whilst unwinding of discount of expected future outflow is recognised as finance cost.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (continued)

Summarised below are the derivative hedging transactions entered into by the Company: (continued)

(f) Call and Put Options on Shares of a Subsidiary of the Group (continued)

(ii) Call Option on shares held by non-controlling interest

As disclosed in note 5(a) to the financial statements, SK Telecom Co Ltd (SKT) has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of P1 registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation ceases to own at least 10% of the issued share capital of P1 and will automatically lapse upon the earlier of:

(i) two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;
(ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or
(iii) any initial public offering implemented by P1.

The exercise price is at a price equal to Mobikom's per share subscription price during the completion of the acquisition of P1 by the Group on 30 September 2014.

Other than the above, there were other derivatives arising from the Group's investment in P1 but for which exercise prices are at fair market value of the shares in P1 at the time when the options are to be exercised and as such, the fair value of these options are nil.

20. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are presented on the Statements of Financial Position:

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Subject to income tax:				
Deferred tax assets	**11.5**	14.8	**–**	–
Deferred tax liabilities	**1,367.6**	1,258.0	**1,269.4**	1,135.0
TOTAL DEFERRED TAX	**1,356.1**	1,243.2	**1,269.4**	1,135.0
At 1 January	**1,243.2**	1,131.7	**1,135.0**	1,030.9
Acquisition of a subsidiary (note 5(b))	**–**	0.1	**–**	–
Current year (credited)/charged to the Income Statement arising from:				
– property, plant and equipment	**(66.2)**	(89.5)	**(78.9)**	(86.9)
– intangible assets	**–**	(0.8)	**–**	–
– tax incentive	**265.3**	221.7	**265.3**	221.7
– provisions and others	**(85.6)**	(29.5)	**(52.0)**	(30.7)
	113.5	101.9	**134.4**	104.1
– fair value adjustment arising from acquisition of a subsidiary (note 5(a))	**–**	9.7	**–**	–
– currency translation differences	**(0.6)**	(0.2)	**–**	–
At 31 December	**1,356.1**	1,243.2	**1,269.4**	1,135.0

20. DEFERRED TAX (continued)

Breakdown of cumulative balances by each type of temporary difference:

		The Group		The Company	
		2015 RM	2014 RM	2015 RM	2014 RM
(a)	**Deferred tax assets**				
	Property, plant and equipment	**9.6**	19.6	**–**	–
	Tax incentive	**514.9**	756.9	**514.9**	756.9
	Tax losses	**8.5**	7.7	**–**	–
	Provisions and others	**559.3**	467.8	**519.8**	445.0
		1,092.3	1,252.0	**1,034.7**	1,201.9
	Offsetting	**(1,080.8)**	(1,237.2)	**(1,034.7)**	(1,201.9)
	Total deferred tax assets after offsetting	**11.5**	14.8	**–**	–
(b)	**Deferred tax liabilities**				
	Property, plant and equipment	**2,401.8**	2,485.8	**2,266.8**	2,336.9
	Intangible assets	**5.7**	8.9	**–**	–
	Provisions and others	**40.9**	0.5	**37.3**	–
		2,448.4	2,495.2	**2,304.1**	2,336.9
	Offsetting	**(1,080.8)**	(1,237.2)	**(1,034.7)**	(1,201.9)
	Total deferred tax liabilities after offsetting	**1,367.6**	1,258.0	**1,269.4**	1,135.0

The Company was granted approval under Section 127 of the Income Tax Act, 1967 for income tax exemption in the form of the following Investment Allowance (IA):

(i) 100% on qualifying last mile broadband assets acquired within a period of 5 years commencing 8 September 2007 to 7 September 2012 to be set off against 70% of statutory income for each year of assessment.

(ii) 60% on qualifying high speed broadband assets acquired within a period of 5 years commencing 16 September 2008 to 15 September 2013 to be set off against 70% of statutory income for each year of assessment.

Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

The deferred tax assets on unutilised IA have been recognised on the basis of the Company's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

20. DEFERRED TAX (continued)

The unutilised tax losses and unabsorbed capital/other tax allowances of subsidiaries for which no deferred tax asset has been recognised on the Statement of Financial Position are as follows:

	The Group	
	2015 RM	**2014 RM**
Unutilised tax losses	**933.2**	730.3
Unabsorbed capital/other tax allowances	**2,014.7**	1,921.8
	2,947.9	2,652.1

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

21. DEFERRED INCOME

	The Group and Company	
	2015 RM	**2014 RM**
At 1 January	**1,823.1**	1,999.5
Additions	**192.4**	100.7
Credited to the Income Statement	**(353.8)**	(277.1)
At 31 December	**1,661.7**	1,823.1

Deferred income includes government funding for Universal Service Provision (USP), High Speed Broadband (HSBB) and Broadband to the General Population (BBGP) project which is amortised on a straight line basis over the estimated useful lives of the related assets.

22. PROPERTY, PLANT AND EQUIPMENT

The Group	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (f)) RM	Buildings (sub-note (d)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2015	**9,958.6**	**387.9**	**790.5**	**828.1**	**1,933.7**	**886.3**	**14,785.1**
Additions (sub-note (a))	**135.2**	**129.8**	**23.4**	**0.5**	**8.9**	**2,618.4**	**2,916.2**
Assetisation	**1,277.8**	**81.1**	**283.2**	**–**	**74.4**	**(1,716.5)**	**–**
Disposals	**(2.3)**	**(3.7)**	**–**	**–**	**–**	**–**	**(6.0)**
Charged to Income Statement	**–**	**–**	**–**	**–**	**–**	**(116.0)**	**(116.0)**
Write-off (note 7(a))	**(42.2)**	**(1.1)**	**(0.2)**	**–**	**(0.7)**	**(0.3)**	**(44.5)**
Depreciation (note 7(a))	**(1,675.6)**	**(169.4)**	**(345.5)**	**(1.0)**	**(138.1)**	**–**	**(2,329.6)**
Impairment (note 7(a) and sub-note (c))	**(21.5)**	**(9.0)**	**(1.4)**	**–**	**–**	**–**	**(31.9)**
Transfer to non-current assets held for sale (note 32)	**–**	**–**	**–**	**(0.4)**	**(1.3)**	**–**	**(1.7)**
Currency translation differences	**2.4**	**5.6**	**0.4**	**–**	**6.9**	**–**	**15.3**
Reclassification	**2.5**	**(3.1)**	**0.7**	**–**	**(0.1)**	**–**	**–**
At 31 December 2015	**9,634.9**	**418.1**	**751.1**	**827.2**	**1,883.7**	**1,671.9**	**15,186.9**
At 31 December 2015							
Cost (sub-note (b))	**41,531.0**	**2,445.9**	**4,862.8**	**845.1**	**4,109.9**	**1,671.9**	**55,466.6**
Accumulated depreciation	**(31,642.6)**	**(2,015.6)**	**(4,104.8)**	**(15.2)**	**(2,226.0)**	**–**	**(40,004.2)**
Accumulated impairment	**(253.5)**	**(12.2)**	**(6.9)**	**(2.7)**	**(0.2)**	**–**	**(275.5)**
Net Book Value	**9,634.9**	**418.1**	**751.1**	**827.2**	**1,883.7**	**1,671.9**	**15,186.9**
Net Book Value							
At 1 January 2014	9,828.0	420.3	777.7	829.0	1,936.3	780.7	14,572.0
Acquisition of subsidiaries (note 5)	453.3	26.2	20.0	–	0.2	56.6	556.3
Additions (sub-note (a))	164.1	82.5	12.8	0.1	20.4	1,831.6	2,111.5
Assetisation	1,192.5	42.0	338.6	–	71.6	(1,644.7)	–
Disposals	(1.1)	(4.2)	–	(0.1)	–	–	(5.4)
Charged to Income Statement	–	–	–	–	–	(133.5)	(133.5)
Write-off (note 7(a))	(45.3)	(0.4)	(0.8)	–	(2.1)	(4.2)	(52.8)
Depreciation (note 7(a))	(1,628.7)	(146.9)	(357.4)	(0.9)	(126.0)	–	(2,259.9)
Impairment (note 7(a) and sub-note (c))	–	(2.3)	–	–	–	–	(2.3)
Transfer to non-current assets held for sale (note 32)	–	–	–	–	(4.4)	–	(4.4)
Currency translation differences	0.8	1.5	(0.4)	–	1.9	(0.2)	3.6
Reclassification	(5.0)	(30.8)	–	–	35.8	–	–
At 31 December 2014	9,958.6	387.9	790.5	828.1	1,933.7	886.3	14,785.1
At 31 December 2014							
Cost (sub-note (b))	40,771.4	2,356.4	4,887.5	845.0	4,047.5	886.3	53,794.1
Accumulated depreciation	(30,580.8)	(1,965.3)	(4,091.5)	(14.2)	(2,113.6)	–	(38,765.4)
Accumulated impairment	(232.0)	(3.2)	(5.5)	(2.7)	(0.2)	–	(243.6)
Net Book Value	9,958.6	387.9	790.5	828.1	1,933.7	886.3	14,785.1

22. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	Telecom-munications Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note (f)) RM	Buildings (sub-note (d)) RM	Capital Work-In-Progress RM	Total Property, Plant and Equipment RM
Net Book Value							
At 1 January 2015	**9,029.2**	**319.2**	**646.4**	**348.9**	**1,370.2**	**850.2**	**12,564.1**
Additions (sub-note (a))	**120.9**	**73.7**	**12.2**	**0.5**	**3.7**	**2,516.7**	**2,727.7**
Assetisation	**1,223.8**	**59.4**	**247.7**	**–**	**62.7**	**(1,593.6)**	**–**
Disposals*	**(1.7)**	**(4.0)**	**–**	**–**	**–**	**–**	**(5.7)**
Charged to Income Statement	**–**	**–**	**–**	**–**	**–**	**(115.0)**	**(115.0)**
Write-off (note 7(a))	**(40.4)**	**(1.1)**	**–**	**–**	**(0.4)**	**(0.3)**	**(42.2)**
Depreciation (note 7(a))	**(1,470.2)**	**(112.7)**	**(297.0)**	**(0.9)**	**(107.9)**	**–**	**(1,988.7)**
Transfer to non-current assets held for sale (note 32)	**–**	**–**	**–**	**(0.4)**	**(1.3)**	**–**	**(1.7)**
Reclassification	**2.5**	**(3.1)**	**0.7**	**–**	**(0.1)**	**–**	**–**
At 31 December 2015	**8,864.1**	**331.4**	**610.0**	**348.1**	**1,326.9**	**1,658.0**	**13,138.5**
At 31 December 2015							
Cost (sub-note (b))	**39,340.6**	**1,872.1**	**4,233.3**	**363.5**	**3,270.1**	**1,658.0**	**50,737.6**
Accumulated depreciation	**(30,275.2)**	**(1,540.7)**	**(3,623.3)**	**(12.8)**	**(1,943.2)**	**–**	**(37,395.2)**
Accumulated impairment	**(201.3)**	**–**	**–**	**(2.6)**	**–**	**–**	**(203.9)**
Net Book Value	**8,864.1**	**331.4**	**610.0**	**348.1**	**1,326.9**	**1,658.0**	**13,138.5**
Net Book Value							
At 1 January 2014	9,311.5	368.1	633.5	349.6	1,363.3	804.0	12,830.0
Additions (sub-note (a))	138.1	62.0	9.0	0.1	6.7	1,728.6	1,944.5
Assetisation	1,118.0	41.5	315.8	–	71.3	(1,546.6)	–
Disposals	(0.8)	(4.2)	–	–	–	–	(5.0)
Charged to Income Statement	–	–	–	–	–	(131.6)	(131.6)
Write-off (note 7(a))	(44.5)	(0.2)	(0.5)	–	(1.4)	(4.2)	(50.8)
Depreciation (note 7(a))	(1,488.1)	(117.2)	(311.4)	(0.8)	(101.1)	–	(2,018.6)
Transfer to non-current assets held for sale (note 32)	–	–	–	–	(4.4)	–	(4.4)
Reclassification	(5.0)	(30.8)	–	–	35.8	–	–
At 31 December 2014	9,029.2	319.2	646.4	348.9	1,370.2	850.2	12,564.1
At 31 December 2014							
Cost (sub-note (b))	38,629.3	1,865.8	4,283.4	363.4	3,226.0	850.2	49,218.1
Accumulated depreciation	(29,398.8)	(1,546.6)	(3,637.0)	(11.9)	(1,855.8)	–	(36,450.1)
Accumulated impairment	(201.3)	–	–	(2.6)	–	–	(203.9)
Net Book Value	9,029.2	319.2	646.4	348.9	1,370.2	850.2	12,564.1

* Included RM0.4 million being movable plant and equipment disposed to a subsidiary.

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Included in additions of the Group and the Company are borrowing costs of RM37.1 million (2014: RM42.3 million) directly attributable to the construction of qualifying assets.

(b) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM26,307.3 million (2014: RM22,747.6 million) and RM25,521.0 million (2014: RM21,962.4 million) respectively.

(c) Impairment loss

The review of impairment for property, plant and equipment carried out during the year resulted in certain property, plant and equipment being impaired. RM30.5 million (2014: RM2.3 million) of the impairment loss recognised were relating to assets located at sites that are no longer in operation as well as assets that are affected by obsolescence. As the assets impaired were highly specialised, their fair value less cost to sell was estimated to be nil. The remaining RM1.4 million (2014: nil) impairment loss were in respect of assets with uncertain future cash flows for which recoverable value has been estimated to approximately nil.

(d) Included in property, plant and equipment of the Group and the Company is an office building with net book value of RM45.6 million (2014: RM48.7 million) which is under finance lease arrangement.

(e) During the financial year, the Company performed an annual review to assess the useful life of its property, plant and equipment. This review has taken into consideration changes in technology, latest findings in research and development and updated practises of the telecommunication industry. Arising from this review, the useful life of certain network equipments have been extended from 20 to 25 years and from 25 to 30 years respectively whilst the useful life of certain computer support system assets have been extended from between 3 to 7 years to 8 years effective from 1 October 2015. The net impact of this change in estimate was a lower depreciation charge of RM19.9 million for the current financial year.

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Details of land are as follows:

The Group	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2015	**729.1**	**67.6**	**31.4**	**828.1**
Addition	**–**	**0.5**	**–**	**0.5**
Depreciation	**–**	**(1.0)**	**–**	**(1.0)**
Transfer to non-current asset held for sale (note 32)	**(0.3)**	**(0.1)**	**–**	**(0.4)**
Reclassification	**(0.1)**	**2.6**	**(2.5)**	**–**
At 31 December 2015	**728.7**	**69.6**	**28.9**	**827.2**
At 31 December 2015				
Cost	**731.4**	**84.4**	**29.3**	**845.1**
Accumulated depreciation	**–**	**(14.8)**	**(0.4)**	**(15.2)**
Accumulated impairment	**(2.7)**	**–**	**–**	**(2.7)**
Net Book Value	**728.7**	**69.6**	**28.9**	**827.2**
Net Book Value				
At 1 January 2014	729.0	68.1	31.9	829.0
Addition	–	0.1	–	0.1
Disposal	(0.1)	–	–	(0.1)
Depreciation	–	(0.9)	–	(0.9)
Reclassification	0.2	0.3	(0.5)	–
At 31 December 2014	729.1	67.6	31.4	828.1
At 31 December 2014				
Cost	731.8	81.4	31.8	845.0
Accumulated depreciation	–	(13.8)	(0.4)	(14.2)
Accumulated impairment	(2.7)	–	–	(2.7)
Net Book Value	729.1	67.6	31.4	828.1

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Details of land are as follows: (continued)

The Company	Freehold RM	Leasehold (sub-note (i)) RM	Other Land (sub-note (ii)) RM	Total RM
Net Book Value				
At 1 January 2015	**260.3**	**57.2**	**31.4**	**348.9**
Addition	**–**	**0.5**	**–**	**0.5**
Depreciation	**–**	**(0.9)**	**–**	**(0.9)**
Transfer to non-current asset held for sale (note 32)	**(0.3)**	**(0.1)**	**–**	**(0.4)**
Reclassification	**(0.1)**	**2.6**	**(2.5)**	**–**
At 31 December 2015	**259.9**	**59.3**	**28.9**	**348.1**
At 31 December 2015				
Cost	**262.5**	**71.7**	**29.3**	**363.5**
Accumulated depreciation	**–**	**(12.4)**	**(0.4)**	**(12.8)**
Accumulated impairment	**(2.6)**	**–**	**–**	**(2.6)**
Net Book Value	**259.9**	**59.3**	**28.9**	**348.1**
Net Book Value				
At 1 January 2014	260.1	57.6	31.9	349.6
Addition	–	0.1	–	0.1
Depreciation	–	(0.8)	–	(0.8)
Reclassification	0.2	0.3	(0.5)	–
At 31 December 2014	260.3	57.2	31.4	348.9
At 31 December 2014				
Cost	262.9	68.7	31.8	363.4
Accumulated depreciation	–	(11.5)	(0.4)	(11.9)
Accumulated impairment	(2.6)	–	–	(2.6)
Net Book Value	260.3	57.2	31.4	348.9

22. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Details of land are as follows: (continued)

(i) Leasehold land comprise the followings:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Long term leasehold land	**49.3**	48.2	**48.3**	47.2
Short term leasehold land	**20.3**	19.4	**11.0**	10.0
Total	**69.6**	67.6	**59.3**	57.2

Long term leasehold land has an unexpired lease period of 50 years and above.

(ii) The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, these lands have not been classified according to their tenures.

The other land will be reclassified accordingly as and when the title deeds pertaining to these lands have been registered.

23. INVESTMENT PROPERTY

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Net Book Value				
At 1 January	–	–	**114.7**	116.9
Depreciation (note 7(a))	–	–	**(2.3)**	(2.2)
At 31 December	–	–	**112.4**	114.7
At 31 December				
Cost	–	–	**128.0**	128.0
Accumulated depreciation	–	–	**(15.6)**	(13.3)
Net Book Value	–	–	**112.4**	114.7

The investment property of the Company comprise of an office building located on a freehold land which is rented and occupied by a wholly-owned subsidiary.

The fair value of the property of the Company at 31 December 2015 was RM128.0 million (2014: RM128.0 million) based on a valuation performed by an independent professional valuer. The valuation was based on current price observable in the market, classified as a Level 2 fair value.

24. INTANGIBLE ASSETS

The Group	Goodwill RM	Customer Base RM	Telecom-munication Spectrum RM	Other Intangibles* RM	Total RM
Net Book Value					
At 1 January 2015	**361.7**	**37.3**	**168.2**	**14.5**	**581.7**
Additions	**–**	**–**	**–**	**31.3**	**31.3**
Reclassification (sub-note (a))	**–**	**–**	**–**	**32.4**	**32.4**
Amortisation (note 7(a))	**–**	**(13.4)**	**–**	**(24.2)**	**(37.6)**
At 31 December 2015	**361.7**	**23.9**	**168.2**	**54.0**	**607.8**
Net Book Value					
At 1 January 2014	309.6	–	–	10.2	319.8
Acquisition of a subsidiary	52.1	40.6	168.2	2.3	263.2
Additions	–	–	–	18.7	18.7
Amortisation (note 7(a))	–	(3.3)	–	(16.7)	(20.0)
At 31 December 2014	361.7	37.3	168.2	14.5	581.7
At 31 December 2015					
Cost	**366.7**	**40.6**	**168.2**	**101.7**	**677.2**
Accumulated amortisation	**–**	**(16.7)**	**–**	**(47.7)**	**(64.4)**
Accumulated impairment	**(5.0)**	**–**	**–**	**–**	**(5.0)**
Net Book Value	**361.7**	**23.9**	**168.2**	**54.0**	**607.8**
At 31 December 2014					
Cost	366.7	40.6	168.2	47.7	623.2
Accumulated amortisation	–	(3.3)	–	(33.2)	(36.5)
Accumulated impairment	(5.0)	–	–	–	(5.0)
Net Book Value	361.7	37.3	168.2	14.5	581.7

* Other intangibles comprise the fair value of acquired development expenditure incurred in the design, development and testing of products and services of a newly acquired subsidiary during the previous financial year, as well as software and programme rights of other subsidiaries.

During the financial year, fully amortised other intangibles of a subsidiary amounting to RM9.7 million at cost (2014: RM14.9 million) were written off against accumulated amortisation of the same amount.

(a) Included in other intangible assets are the fair value of irrevocable vouchers of RM32.4 million. A subsidiary of the Group was granted irrevocable vouchers by a major supplier as part of a Debt Settlement Agreement entered in year 2013 in relation to equipment purchased. These can be used to set-off against future purchase costs of network equipment manufactured by the supplier and/or technical services provided by the supplier to the subsidiary within a pre-determined period as set out in the Debt Settlement Agreement and/or can be used to offset certain payables amount outstanding or redeemed as cash subject to the terms and conditions of the Debt Settlement Agreement.

On 15 July 2015, the subsidiary had fully settled the total payable sums and thus invalidating the Debt Settlement Agreement. The supplier has extended the validity of the irrevocable vouchers to 31 December 2018. In the event there is any unutilised portion of the irrevocable vouchers on 31 December 2018, it shall be extended for a further twenty-four months from the expiry date on 31 December 2018. In addition, the irrevocable vouchers have been extended for utilisation within TM Group of companies, by the supplier, from 1 January 2016 to 31 December 2018 with the amount capped at USD5.0 million.

24. INTANGIBLE ASSETS (continued)

(b) Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units. No impairment loss was required for the carrying amounts of goodwill assessed as at 31 December 2015 as their recoverable amounts were in excess of their carrying amounts.

The Group's total goodwill is attributable to the following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows:

	2015 RM	2014 RM
VADS Berhad	**308.4**	308.4
Packet One Networks (Malaysia) Sdn Bhd	**52.1**	52.1
Others	**1.2**	1.2
	361.7	361.7

The amount of goodwill initially recognised is dependent upon the allocation of the purchase price to the fair value of identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment.

(i) Key assumptions used in the value-in-use calculation

The recoverable amount of the cash-generating unit including goodwill in this test, is determined based on value-in-use calculation.

This value-in-use calculation applies a discounted cash flow model using cash flows projection based on forecast and projection approved by management covering a three-year period for VADS. As for Packet One Networks (Malaysia) Sdn Bhd (P1), the cash flows projection used is based on a ten-year forecast in view of the long term nature and capital intensive plan of the Group to roll-out a Long-Term Evolution (LTE) network through P1. The ten-year projection used, has been approved by management. The forecast and projection reflect management's expectation of revenue growth, operating costs and margins for the cash-generating unit based on past experience. Cash flows beyond the third year for VADS and tenth year for P1 respectively are extrapolated using estimated terminal growth rate. The rates have been determined with regards to projected growth rate for the market in which the cash-generating units participates.

The discount rate applied to the cash flows forecast is benchmarked against local peers at the date of the assessment of the cash-generating unit.

The following assumptions have been applied in the value-in-use calculation:

	2015		2014	
	VADS	P1	VADS	P1*
Pre-tax discount rate	**11.7%**	**19.7%**	13.2%	–
Terminal growth rate	**1.5%**	**1.0%**	1.5%	–

(ii) Impact of possible change in key assumptions used

Changing the assumptions selected by management, in particular the discount rate assumption used in the discounted cash flow model could significantly affect the result of the impairment test and consequently the Group's results. The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

24. INTANGIBLE ASSETS (continued)

(b) Impairment test for goodwill (continued)

(ii) Impact of possible change in key assumptions used (continued)

If the following pre-tax discount rate is applied to the cash flows forecast and projection of the Group's cash-generating unit, the carrying amount of the cash-generating unit including goodwill will equal the corresponding recoverable value, assuming all other variables remain unchanged.

	2015		2014	
	VADS	P1	VADS	P1*
Pre-tax discount rate	**15.9%**	**24.1%**	18.7%	–

* No impairment review was performed for the goodwill in P1 in 2014 which was the year P1 was acquired.

25. SUBSIDIARIES

The Company	2015 Malaysia RM	2015 Overseas RM	2015 Total RM	2014 Malaysia RM	2014 Overseas RM	2014 Total RM
Unquoted investments, at cost	**1,713.0**	**22.0**	**1,735.0**	1,705.3	22.0	1,727.3
Accumulated impairment (sub-note (a))	**(4.5)**	**(13.2)**	**(17.7)**	(1.7)	(13.2)	(14.9)
	1,708.5	**8.8**	**1,717.3**	1,703.6	8.8	1,712.4
Options granted to employees of subsidiaries	**24.3**	**–**	**24.3**	24.3	–	24.3
Unquoted investments, at written down value (sub-note (b))	**–**	**–**	**–**	–	–	–
NET INVESTMENTS IN SUBSIDIARIES	**1,732.8**	**8.8**	**1,741.6**	1,727.9	8.8	1,736.7

(a) During the current financial year, consequent to the Company's assessment of the recoverable amount from its investments in subsidiaries, an impairment loss of RM2.8 million was recognised in respect of a wholly-owned subsidiary which was impaired to its fair value less cost of disposal based on net asset position as at the end of the financial year (Level 3 fair value classification). In the previous financial year, a reversal of an impairment loss of RM76.0 million was recognised in respect of a wholly-owned subsidiary.

(b) Investments in certain subsidiaries have been written down to recoverable amount of RM1.00 each.

The Group's effective equity interest in the subsidiaries, their respective principal activities and countries of incorporation are listed in note 52 to the financial statements. Other than Yayasan Telekom Malaysia, which is 100% consolidated in the Group's financial results, the proportion of the Group's voting rights in the subsidiaries held by the Group do not differ from the proportion of ordinary shares held or the Group's effective equity interests in the subsidiaries. The Group has de facto control over Yayasan Telekom Malaysia due to a combination of facts including source of funding and right to appoint the Board of Trustees.

There are no significant restrictions on the ability of the subsidiaries to transfer funds in the form of dividends and other capital distributions or for loans or advances being made or repaid, to (or from) the Group.

25. SUBSIDIARIES (continued)

Set out below are the summarised financial information for each of the three subsidiaries which has non-controlling interests that are material to the Group, before any inter-company eliminations:

	Packet One Networks (Malaysia) Sdn Bhd Group*		Fiberail Sdn Bhd		Fibrecomm Networks (M) Sdn Bhd	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**	**2015 RM**	**2014 RM**
Summarised Income Statement						
Revenue	**231.1**	67.1	**230.8**	249.1	**126.7**	128.7
(Loss)/Profit before income tax	**(320.7)**	(53.3)	**96.7**	92.1	**6.1**	7.4
Income tax expense	**–**	–	**(30.8)**	(21.6)	**4.6**	(3.1)
(Loss)/Profit after taxation and total comprehensive income	**(320.7)**	(53.3)	**65.9**	70.5	**10.7**	4.3
Total comprehensive (loss)/income attributed to non-controlling interests	**(143.4)**	(23.8)	**30.3**	32.4	**5.2**	2.1
Dividends paid to non-controlling interests	**–**	–	**28.8**	21.8	**2.4**	3.6
Summarised Statement of Financial Position						
Current assets	**575.6**	161.2	**154.9**	152.9	**98.9**	126.7
Current liabilities	**(397.7)**	(311.3)	**(52.4)**	(54.8)	**(122.2)**	(157.1)
Total current net assets/(liabilities)	**177.9**	(150.1)	**102.5**	98.1	**(23.3)**	(30.4)
Non-current assets	**660.0**	752.7	**182.3**	182.6	**178.9**	194.2
Non-current liabilities	**(673.0)**	(117.1)	**(38.7)**	(37.6)	**(27.4)**	(41.6)
Total non-current net (liabilities)/assets	**(13.0)**	635.6	**143.6**	145.0	**151.5**	152.6
Net assets	**164.9**	485.5	**246.1**	243.1	**128.2**	122.2
Cumulative non-controlling interests	**73.7**	217.1	**113.2**	111.8	**62.8**	59.9
Summarised Statement of Cash Flows						
Cash generated (used in)/from operations	**(313.0)**	(83.4)	**100.3**	123.9	**32.0**	59.4
Interest paid	**(14.3)**	(5.3)	**–**	–	**(0.3)**	(0.5)
Income tax (paid)/refunded	**–**	–	**(27.4)**	(17.8)	**(17.2)**	1.0
Cash flows (used in)/from operating activities	**(327.3)**	(88.7)	**72.9**	106.1	**14.5**	59.9
Cash flows used in investing activities	**(27.3)**	(30.4)	**(1.7)**	(9.7)	**(14.9)**	(21.2)
Cash flows from/(used in) financing activities	**805.0**	53.5	**(62.7)**	(47.3)	**(17.9)**	(7.6)
Net increase/(decrease) in cash and cash equivalents	**450.4**	(65.6)	**8.5**	49.1	**(18.3)**	31.1
Effect of exchange rate changes	**–**	–	**–**	–	**1.0**	(1.1)
Cash and cash equivalents at beginning of the financial year	**46.4**	–	**65.6**	16.5	**39.1**	9.1
Cash and cash equivalents at acquisition date	**–**	112.0	**–**	–	**–**	–
Cash and cash equivalents at end of the financial year	**496.8**	46.4	**74.1**	65.6	**21.8**	39.1

* Acquired in 2014

26. LOANS AND ADVANCES TO SUBSIDIARIES

Loans and advances to subsidiaries of RM914.3 million (2014: RM250.5 million) represent shareholder loans and advances for working capital purposes. These loans and advances are unsecured and bear interest ranging from 2.44% to 5.03% (2014: 2.33% to 5.26%) and will mature between 1 to 7 years.

27. ASSOCIATES

The Group	2015 RM	2014 RM
Share of net assets of associates		
Unquoted investments	**26.3**	6.5
TOTAL	**26.3**	6.5
The Group's share of revenue and profit of associates is as follows:		
Revenue	**32.0**	15.5
Profit after taxation and total comprehensive income	**24.7**	9.3
The Group's share of assets and liabilities of associates is as follows:		
Non-current assets	**47.0**	16.8
Current assets	**8.7**	11.0
Non-current liabilities	**(2.8)**	(12.6)
Current liabilities	**(26.6)**	(8.7)
Net assets	**26.3**	6.5

The Group's associates are not material individually to the financial position, financial performance and cash flows of the Group.

The Group has not recognised the share of loss after taxation of associates amounting to RM1.2 million (2014: RM0.9 million) and RM3.2 million (2014: RM2.0 million) in respect of the current and cumulative financial year respectively.

The Group's effective equity interest in the associates, all of which are unquoted, their respective principal activities and countries of incorporation are listed in note 53 to the financial statements.

There are no contigent liabilities relating to the Group's interest in the associates and there are no significant restrictions on the ability of the associates to transfer funds in the form of dividend to the Group.

28. AVAILABLE-FOR-SALE INVESTMENTS

The Group	Investment in Technology Investment Fund RM	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2015	**–**	**99.0**	**469.3**	**568.3**
Additions	**23.6**	**–**	**353.6**	**377.2**
Fair value changes transferred to other comprehensive income	**–**	**35.6**	**(0.9)**	**34.7**
Disposals	**–**	**(2.3)**	**(307.6)**	**(309.9)**
Accretion of finance income (net)	**–**	**–**	**1.2**	**1.2**
At 31 December 2015	**23.6**	**132.3**	**515.6**	**671.5**
Current portion	**–**	**–**	**515.6**	**515.6**
Non-current portion	**23.6**	**132.3**	**–**	**155.9**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**23.6**	**132.3**	**515.6**	**671.5**
At 1 January 2014	–	99.7	624.3	724.0
Additions	–	–	319.5	319.5
Fair value changes transferred to other comprehensive income	–	(0.7)	3.1	2.4
Disposals	–	–	(477.6)	(477.6)
At 31 December 2014	–	99.0	469.3	568.3
Current portion	–	–	469.3	469.3
Non-current portion	–	99.0	–	99.0
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	–	99.0	469.3	568.3

28. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The Company	Investment in Technology Investment Fund RM	Investment in Unquoted Equity Securities RM	Investment in Fixed Income Securities RM	Total RM
At 1 January 2015	**–**	**98.9**	**469.3**	**568.2**
Additions	**23.6**	**–**	**353.6**	**377.2**
Fair value changes transferred to other comprehensive income	**–**	**35.6**	**(0.9)**	**34.7**
Disposals	**–**	**(2.3)**	**(307.6)**	**(309.9)**
Accretion of finance income (net)	**–**	**–**	**1.2**	**1.2**
At 31 December 2015	**23.6**	**132.2**	**515.6**	**671.4**
Current portion	**–**	**–**	**515.6**	**515.6**
Non-current portion	**23.6**	**132.2**	**–**	**155.8**
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	**23.6**	**132.2**	**515.6**	**671.4**
At 1 January 2014	–	99.6	624.3	723.9
Additions	–	–	319.5	319.5
Fair value changes transferred to other comprehensive income	–	(0.7)	3.1	2.4
Disposals	–	–	(477.6)	(477.6)
At 31 December 2014	–	98.9	469.3	568.2
Current portion	–	–	469.3	469.3
Non-current portion	–	98.9	–	98.9
TOTAL AVAILABLE-FOR-SALE INVESTMENTS	–	98.9	469.3	568.2

The currency exposure profile of available-for-sale investments is as follows:

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Ringgit Malaysia	**517.8**	472.3	**517.7**	472.2
US Dollar	**94.9**	47.6	**94.9**	47.6
Singapore Dollar	**58.8**	48.4	**58.8**	48.4
	671.5	568.3	**671.4**	568.2

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment in fixed income securities.

28. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The credit quality of investment in fixed income securities is as follows:

	The Group and Company	
	2015 RM	**2014 RM**
AAA	**153.2**	154.6
AA	**307.2**	289.8
A	**26.2**	18.8
P1	**5.0**	–
Malaysian Government Securities	**24.0**	6.1
	515.6	469.3

29. AVAILABLE-FOR-SALE RECEIVABLES

The Group and Company	2015 RM	2014 RM
At 1 January	**25.7**	26.4
Additions (including interest)	**1.4**	2.2
Repayments	**(2.3)**	(2.1)
Fair value changes transferred to other comprehensive income	**#**	(0.8)
At 31 December	**24.8**	25.7
Impairment at 1 January and 31 December	**(18.8)**	(18.8)
TOTAL AVAILABLE-FOR-SALE RECEIVABLES (net)	**6.0**	6.9

Amount less than RM0.1 million

Available-for-sale receivables of the Company are in respect of education loans provided to undergraduates and are convertible to scholarships if certain performance criteria are met. The loans are contractually interest free and if not converted to scholarship will be repayable over a period of not more than 11 years.

As of 31 December 2015, all overdue amounts have been impaired.

In both the current and previous financial year, there was no conversion to scholarships.

The Company does not hold any collateral for security in respect of education loans.

30. OTHER NON-CURRENT RECEIVABLES

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Staff loans at amortised cost				
– under Islamic principles	**142.4**	80.7	**142.4**	80.7
– under conventional principles	**1.9**	1.9	**1.9**	1.8
Total staff loans (sub-note (i))	**144.3**	82.6	**144.3**	82.5
Other non-current receivables				
– other deposits (sub-note (ii))	**133.1**	112.1	**133.1**	112.1
– tax recoverable (sub-note (iii))	**113.8**	113.8	**113.8**	113.8
– Redeemable Exchangeable Medium Term Notes receivable (sub-note (iv))	**200.3**	121.7	**–**	–
– others (sub-note (v))	**188.8**	72.2	**–**	–
	780.3	502.4	**391.2**	308.4
Prepaid employee benefits	**10.4**	5.5	**10.4**	5.5
	790.7	507.9	**401.6**	313.9
Staff loans receivable within twelve months included under other receivables (note 34)	**(4.4)**	(7.2)	**(4.4)**	(7.2)
TOTAL OTHER NON-CURRENT RECEIVABLES	**786.3**	500.7	**397.2**	306.7

(i) Staff loans comprise housing, vehicle, computer and club membership loans offered to employees with contractual financing cost of 4.0% per annum on a reducing balance basis except for club membership loans which are free of financing cost. There is no single significant credit risk exposure as the amount is mainly receivable from individuals. Staff loans inclusive of financing cost, are repayable in equal monthly instalments as follows:

- Housing loans – 25 years or upon employees attaining 55 years of age, whichever is earlier
- Vehicle loans – maximum of 8 years for new cars and 6 years for second hand cars
- Computer loans – 3 years

Credit risk arising from staff loans is mitigated by the enforcement of salary deductions as a mode of repayment. In addition, collateral is obtained for the following:

- Housing loans – registered land charges and assignments over the properties financed
- Vehicle loans – ownership claims over the vehicles financed

During the current financial year, the Company disposed RM11.9 million (2014: RM8.9 million) of its employees housing loans for a total cash consideration of RM11.3 million (2014: RM8.5 million) pursuant to the Sale and Purchase (S&P) Agreement entered on 27 May 2009 with AmMortgage One Berhad (AmMortgage One), a wholly-owned subsidiary of AmBank (M) Berhad (AmBank). In tandem with the S&P Agreement, a Servicing Agreement between the Company, AmMortgage One and AmBank was also executed. The arrangement reflects the outsourcing of the Company's mortgage servicing operations to AmBank.

30. OTHER NON-CURRENT RECEIVABLES (continued)

(i) The disposal in 2009 included loan portfolio of employees where the repayment terms go beyond the employees' retirement age. This loan portfolio was not derecognised as the credit risk in the event of default after the employees' retirement age, remains with the Company. The carrying amount of the loan portfolio and its fair value are as follows:

	The Group and Company			
	2015		2014	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Staff loans at amortised cost	**0.5**	**0.5**	1.0	1.0
Other borrowings (note 17)	**(0.5)**	**(0.5)**	(1.0)	(1.1)
Net amount	**#**	**#**	–	(0.1)

\# Amount less than RM0.1 million

(ii) Other deposits comprise deposit and accrued interest relating to the non-cancellable operating lease of four office buildings and long term deposits.

The Company entered into two Ringgit Malaysia deposit agreements in 2011 with maturity on 1 August 2025, under which the Company will deposit RM4.1 million and RM4.2 million respectively every six months until the deposits' maturity date. On maturity, the Company will be entitled for deposits repayments of RM154.0 million and RM156.5 million respectively. The deposits are collateralised by Malaysian Government Bonds.

The deposits effectively build up a sinking fund with an assured value of RM154.0 million and RM156.5 million respectively on 1 August 2025 for the repayment of the Company's Debentures.

(iii) This comprise tax credit in respect of prior years arising from the last mile broadband tax incentive as explained in note 20 to the financial statements, to be offset against future tax payables.

(iv) This comprise the carrying value of the first three tranches (2014: first tranche) and accrued interest of the 8-year Redeemable Exchangeable Medium Term Notes (Exchangeable MTNs) issued by Green Packet Berhad (Green Packet) subscribed by a wholly-owned subsidiary of the Group as explained in note 5(a) to the financial statements. The credit risk arising from the Exchangeable MTNs is limited as the Exchangeable MTNs is secured against Packet One Networks (Malaysia) Sdn Bhd (P1) ordinary shares held by Packet One Sdn Bhd (Packet One), a wholly-owned subsidiary of Green Packet and the 8-year Convertible Medium Term Notes issued by P1 which has been subscribed by Packet One.

(v) Include the present value of receivables for land disposed by a wholly-owned subsidiary, due over the remaining contractual period of the joint land development agreement and long term leasing receivables of wholly-owned subsidiary.

31. INVENTORIES

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Telecommunications equipment	**22.5**	10.4	**22.5**	10.4
Capacity held for resale	**71.2**	5.9	**71.2**	5.9
Work-in-progress	**96.0**	57.5	**39.8**	15.7
Land held for sale	**4.4**	4.4	**–**	–
Land held for property development	**31.4**	32.8	**–**	–
Others	**11.3**	4.9	**9.0**	3.1
TOTAL INVENTORIES	**236.8**	115.9	**142.5**	35.1

32. NON-CURRENT ASSETS HELD FOR SALE

During the financial year, the Company finalised a series of Sales and Purchase Agreements for the disposal of a number of freehold and leasehold land as well as buildings which have been reclassified as non-current assets held for sale. Total consideration for the remaining assets held for sale excluding the assets in sub-note (a) as at 31 December 2015 was RM8.2 million (2014: RM20.3 million).

The Group and Company	At 1 January RM	Carrying amount immediately before reclassification from property, plant and equipment (note 22) RM	Disposal RM	Reversal/ (Impairment) (note 7(a) and sub-note (a)) RM	At 31 December RM
Carrying amount					
2015					
Land					
– Freehold	**11.8**	**0.3**	**(0.3)**	**1.7**	**13.5**
– Leasehold	**0.9**	**0.1**	**#**	**–**	**1.0**
Buildings	**0.3**	**1.3**	**(0.4)**	**4.6**	**5.8**
	13.0	**1.7**	**(0.7)**	**6.3**	**20.3**
2014					
Land					
– Freehold	16.0	–	(2.5)	(1.7)	11.8
– Leasehold	0.9	–	–	–	0.9
Buildings	5.4	4.4	(4.9)	(4.6)	0.3
	22.3	4.4	(7.4)	(6.3)	13.0

Amount less than RM0.1 million

32. NON-CURRENT ASSETS HELD FOR SALE (continued)

(a) The RM6.3 million impairment loss recognised in the previous financial year was in respect of land and buildings that were impaired to the contracted selling price, less cost to sell. The sales contract was subsequently unwound in 2015 and the impairment loss reversed, as the fair value of the assets based on current price observable in the market (Level 2 fair value), exceeds the assets' carrying amount immediately prior to reclassification from property, plant and equipment. The Group remains committed in an active programme to locate a buyer to complete the disposal of the assets.

33. CUSTOMER ACQUISITION COSTS

	The Group and Company	
	2015 RM	**2014 RM**
At 1 January	**62.7**	73.8
Additions	**73.6**	78.9
Amortised to the Income Statement	**(77.2)**	(90.0)
At 31 December	**59.1**	62.7

34. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Receivables from external customers	**3,022.7**	2,811.2	**2,037.7**	2,030.2
Receivables from subsidiaries	**–**	–	**202.5**	59.2
Receivables from associates	**82.0**	34.4	**82.0**	34.4
	3,104.7	2,845.6	**2,322.2**	2,123.8
Impairment of trade receivables	**(1,250.6)**	(1,387.8)	**(818.6)**	(971.7)
	1,854.1	1,457.8	**1,503.6**	1,152.1
Accrued earnings	**499.1**	574.3	**364.7**	441.3
Total trade receivables (net)	**2,353.2**	2,032.1	**1,868.3**	1,593.4
Prepayments	**213.7**	240.3	**118.8**	190.8
Tax recoverable	**124.0**	118.6	**85.4**	85.4
Staff loans (note 30)	**4.4**	7.2	**4.4**	7.2
Goods and Services Tax (GST)	**3.6**	–	**0.7**	–
Other receivables from subsidiaries	**–**	–	**186.8**	188.9
Other receivables from associates	**1.0**	1.0	**1.0**	1.0
Other receivables	**287.2**	458.5	**142.5**	126.9
Impairment of other receivables	**(40.0)**	(32.4)	**(74.8)**	(71.3)
Total other receivables (net)	**593.9**	793.2	**464.8**	528.9
TOTAL TRADE AND OTHER RECEIVABLES (net)	**2,947.1**	2,825.3	**2,333.1**	2,122.3

34. TRADE AND OTHER RECEIVABLES (continued)

Movements in the impairment accounts of trade and other receivables are as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
(a) Trade receivables				
At 1 January	**1,387.8**	1,235.9	**971.7**	830.4
Acquisition of a subsidiary (note 5(a))	**–**	39.6	**–**	–
Impairment	**186.9**	252.3	**158.0**	245.4
Receivables written off as uncollectible	**(324.6)**	(140.2)	**(311.1)**	(104.1)
Foreign exchange difference	**0.5**	0.2	**–**	–
At 31 December	**1,250.6**	1,387.8	**818.6**	971.7
(b) Other receivables				
At 1 January	**32.4**	34.0	**71.3**	45.3
Net impairment/(reversal)	**8.1**	(0.7)	**3.9**	26.1
Receivables written off as uncollectible	**(0.5)**	(0.9)	**(0.4)**	(0.1)
At 31 December	**40.0**	32.4	**74.8**	71.3

The creation and release of impaired receivables has been included in 'other operating costs' on the Income Statement (note 7(b) to the financial statements). Amounts charged to the impairment accounts are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

Certain amount of trade receivables have been subjected to offsetting with trade payables where these balances are from transactions transacted with the same counterparty and are settled on net basis, summarised as follows:

	2015			2014		
	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 37) RM	Net amount of trade receivables RM	Gross amount of trade receivables RM	Gross amount of trade payables and accruals set off against trade receivables (note 37) RM	Net amount of trade receivables RM
The Group	**2,555.8**	**(202.6)**	**2,353.2**	2,256.0	(223.9)	2,032.1
The Company	**2,070.9**	**(202.6)**	**1,868.3**	1,817.3	(223.9)	1,593.4

For trade receivables and trade payables subject to netting arrangements above, each agreement between the Group and the counterparties is carried out on net settlement basis, including events of default.

34. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables of RM881.5 million (2014: RM706.7 million) and RM788.9 million (2014: RM585.0 million) for the Group and the Company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

The Group	Not past due RM	Past due but not impaired: 1 to 3 months RM	4 to 6 months RM	> 6 months RM	Total RM
2015					
Collectively assessed	**263.9**	**0.9**	**2.7**	**10.6**	**278.1**
Individually assessed	**708.7**	**303.0**	**259.1**	**305.2**	**1,576.0**
	972.6	**303.9**	**261.8**	**315.8**	**1,854.1**
2014					
Collectively assessed	318.0	41.7	15.0	35.2	409.9
Individually assessed	433.1	315.3	157.8	141.7	1,047.9
	751.1	357.0	172.8	176.9	1,457.8

The Company	Not past due RM	Past due but not impaired: 1 to 3 months RM	4 to 6 months RM	> 6 months RM	Total RM
2015					
Collectively assessed	**210.7**	**–**	**–**	**–**	**210.7**
Individually assessed	**451.8**	**216.1**	**219.5**	**203.0**	**1,090.4**
Amount due from subsidiaries	**52.2**	**106.7**	**14.3**	**29.3**	**202.5**
	714.7	**322.8**	**233.8**	**232.3**	**1,503.6**
2014					
Collectively assessed	285.9	27.8	1.3	20.7	335.7
Individually assessed	268.3	238.0	142.4	108.5	757.2
Amount due from subsidiaries	12.9	31.2	2.1	13.0	59.2
	567.1	297.0	145.8	142.2	1,152.1

34. TRADE AND OTHER RECEIVABLES (continued)

An analysis of trade receivables that are neither past due nor impaired is as follows:

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Global & Wholesale	**275.2**	93.2	**227.1**	74.3
Retail – Consumer	**153.1**	176.0	**146.7**	175.7
Retail – SME	**64.0**	110.2	**64.0**	110.2
Retail – Enterprise	**111.3**	74.1	**111.3**	74.1
Retail – Government	**181.7**	121.9	**113.4**	119.9
Amount due from subsidiaries	**–**	–	**52.2**	12.9
Others*	**187.3**	175.7	**–**	–
	972.6	751.1	**714.7**	567.1

* Others mainly comprise student debtors and receivables for the provision of managed network services, information and communications technology, system integration services and last mile broadband services of subsidiaries.

The Group and the Company are not exposed to major concentrations of credit risk due to the diversed customer base. The analysis of trade receivables by lines of business is considered the most appropriate disclosure of credit concentration. In addition, credit risk is mitigated to a certain extent by cash deposits (note 38 to the financial statements) and bankers' guarantee obtained from customers amounting to RM6.4 million (2014: RM14.7 million). The Group and the Company consider the impairment at the reporting date to be adequate to cover the potential financial loss.

Credit terms of trade receivables excluding accrued earnings range from 30 to 90 days (2014: 30 to 90 days).

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

The currency exposure profile of trade and other receivables after impairment is as follows:

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Ringgit Malaysia	**2,175.8**	2,110.8	**1,540.7**	1,484.6
US Dollar	**742.5**	673.6	**789.3**	635.2
Special Drawing Rights	**0.6**	0.8	**0.6**	0.8
Other currencies	**28.2**	40.1	**2.5**	1.7
	2,947.1	2,825.3	**2,333.1**	2,122.3

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and Company	
	2015 RM	2014 RM
Equity securities quoted on the Bursa Malaysia Securities Berhad	**6.6**	9.2
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**6.6**	9.2
Market value of quoted equity securities	**6.6**	9.2

36. CASH AND BANK BALANCES

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deposits with:				
Licensed banks	**839.9**	1,055.6	**835.6**	995.2
Other financial institutions	**15.7**	32.8	**15.7**	32.8
Deposits under Islamic principles	**1,503.8**	954.4	**1,430.8**	868.3
Total deposits	**2,359.4**	2,042.8	**2,282.1**	1,896.3
Cash and bank balances	**1,101.5**	814.7	**278.8**	429.4
Cash and bank balances under Islamic principles	**50.7**	128.3	**19.1**	22.1
TOTAL CASH AND BANK BALANCES	**3,511.6**	2,985.8	**2,580.0**	2,347.8
Less:				
Deposits pledged	**(0.8)**	(10.8)	**–**	–
TOTAL CASH AND CASH EQUIVALENTS	**3,510.8**	2,975.0	**2,580.0**	2,347.8

The currency exposure profile of cash and bank balances is as follows:

Ringgit Malaysia	**3,219.4**	2,901.1	**2,452.9**	2,345.1
US Dollar	**246.9**	70.8	**127.1**	2.7
Other currencies	**45.3**	13.9	**–**	–
	3,511.6	2,985.8	**2,580.0**	2,347.8

36. CASH AND BANK BALANCES (continued)

The deposits are placed mainly with a number of creditworthy financial institutions. There is no major concentration of deposits in any single financial institution. The credit quality of the financial institutions in which cash and deposits are placed is as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
AAA	**1,170.1**	1,089.4	**433.4**	623.2
AA	**1,569.8**	1,441.0	**1,493.7**	1,351.9
A	**692.2**	313.5	**577.4**	233.1
NR (sub-note (a))	**79.5**	141.9	**75.5**	139.6
	3,511.6	2,985.8	**2,580.0**	2,347.8

(a) Mainly comprise deposits with other financial institutions with sovereign equivalent rating.

Deposits have maturities ranging from overnight to 90 days (2014: from overnight to 90 days) for the Group and the Company. Bank balances are deposits held at call with banks.

The weighted average interest rate of deposits as at 31 December 2015 was 4.32% (2014: 4.33%) and 4.32% (2014: 4.34%) for the Group and the Company respectively.

37. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade payables and accruals	**2,612.6**	2,218.5	**2,230.9**	1,766.4
Payable for Universal Service Provision	**655.2**	348.1	**637.7**	312.2
Deferred revenue	**152.6**	155.0	**19.3**	40.7
Provision for Skim MESRA (sub-note (b))	**93.2**	110.2	**85.4**	100.4
Finance cost payable	**65.3**	55.2	**64.5**	54.8
Duties and other taxes payable	**23.9**	43.4	**7.2**	29.2
Deposits and trust monies	**93.3**	80.8	**57.8**	54.8
Payables to subsidiaries (sub-note (a))	**–**	–	**646.4**	580.7
Other payables and accruals	**696.1**	729.8	**457.9**	410.9
	4,392.2	3,741.0	**4,207.1**	3,350.1
Current portion	**4,367.0**	3,605.2	**4,181.9**	3,315.8
Non-current portion (sub-note (b) and (c))	**25.2**	135.8	**25.2**	34.3
TOTAL TRADE AND OTHER PAYABLES	**4,392.2**	3,741.0	**4,207.1**	3,350.1

37. TRADE AND OTHER PAYABLES (continued)

(a) Include excess funds of subsidiaries managed and invested by the Company, which are interest bearing as disclosed in note 43(b) to the financial statements.

(b) Provision for Skim MESRA for eligible employees

On 13 October 2014, the Group and the Company announced the offering of a special optional retirement scheme, called Skim MESRA, to its employees aged 55 and above as at 31 December 2014. Eligible employees who accepts the optional retirement offer are compensated through special incentives and designated benefits until they reach the age of 60. On 1 October 2015, a subsequent similar scheme was offered to eligible employees of the Group and the Company aged 55 as at 31 December 2015.

The expected financial impact of this scheme which involves a one-off compensation payment within 12 months of the financial year end during which the acceptance was made as well as pre-determined limited health care benefits expected over the subsequent 5 financial years have been recognised in the financial statements based on the number of employees who have accepted the offer at the end of the respective financial years.

(c) Previous financial year balances include amount owing by a subsidiary to a supplier which is subject to interest of 4.2% per annum to be repaid over the remaining period of 2 years and is secured by the followings:

(i) a corporate guarantee from Green Packet Berhad (a non-controlling interest of the subsidiary) in favour of the supplier; and

(ii) debenture creating a fixed and floating charge upon the present and future assets and properties of the subsidiary in favour of the supplier. As at 31 December 2014, this debenture is being negotiated by both parties as such a formalised charge has not been made.

This was subsequently unwound during the current financial year.

Certain amount of trade payables and accruals have been subjected to offsetting with trade receivables where these balances are from transactions transacted with the same counterparties and are settled on net basis, summarised as follows:

	2015			2014		
	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 34) RM	Net amount of trade payables and accruals RM	Gross amount of trade payables and accruals RM	Gross amount of trade receivables set off against trade payables and accruals (note 34) RM	Net amount of trade payables and accruals RM
The Group	**2,815.2**	**(202.6)**	**2,612.6**	2,442.4	(223.9)	2,218.5
The Company	**2,433.5**	**(202.6)**	**2,230.9**	1,990.3	(223.9)	1,766.4

Credit terms of trade and other payables excluding accruals vary from 30 to 90 days (2014: 30 to 90 days) depending on the terms of the contracts.

37. TRADE AND OTHER PAYABLES (continued)

The currency exposure profile of trade and other payables is as follows:

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Ringgit Malaysia	**3,943.9**	3,197.7	**3,876.5**	3,057.8
US Dollar	**417.8**	505.8	**326.6**	287.0
Special Drawing Rights	**0.7**	0.9	**0.7**	0.9
Other currencies	**29.8**	36.6	**3.3**	4.4
	4,392.2	3,741.0	**4,207.1**	3,350.1

38. CUSTOMER DEPOSITS

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Telephone services	**465.8**	479.4	**465.8**	479.4
Data services	**1.8**	3.0	**1.0**	1.2
TOTAL CUSTOMER DEPOSITS	**467.6**	482.4	**466.8**	480.6

Customer deposits for telephone services are subject to rebate at 2.5% per annum effective 1 April 2010 in accordance with the provisions of Communications and Multimedia (Rates) Rules 2002. Customer deposits are repayable on demand as and when the customers terminate their services.

39. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Receipts from customers	**11,105.2**	10,538.3	**9,666.0**	9,580.7
Payments to suppliers and employees	**(7,526.1)**	(7,110.1)	**(6,249.5)**	(6,270.8)
Payments of finance cost	**(304.4)**	(300.2)	**(278.2)**	(289.9)
Payments of income taxes and zakat (net)	**(332.7)**	(113.9)	**(242.0)**	(65.4)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	**2,942.0**	3,014.1	**2,896.3**	2,954.6

40. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Contribution for purchase of property, plant and equipment	**54.5**	79.4	**54.5**	79.4
Disposal of property, plant and equipment	**8.4**	11.0	**8.5**	10.7
Purchase of property, plant and equipment	**(2,547.2)**	(2,100.5)	**(2,347.6)**	(1,962.6)
Acquisition of subsidiaries*	**–**	(281.4)	**–**	(45.0)
Subscription of shares in a subsidiary	**–**	–	**(7.7)**	(350.0)
Subscription of Exchangeable Medium Term Notes	**(67.5)**	(119.3)	**–**	–
Disposal of current available-for-sale investments	**307.6**	474.9	**307.6**	474.9
Disposal of non-current available-for-sale investments	**2.3**	–	**2.3**	–
Purchase of current available-for-sale investments	**(353.0)**	(319.5)	**(353.0)**	(319.5)
Purchase of non-current available-for-sale investments	**(23.5)**	–	**(23.5)**	–
Disposal of financial assets at fair value through profit or loss	**–**	3.8	**–**	3.8
Disposal of non-current assets held for sale	**10.8**	24.9	**10.8**	24.9
Long term deposits	**(16.6)**	(16.6)	**(16.6)**	(16.6)
Repayments from subsidiaries – loans and advances	**–**	–	**35.1**	42.8
– other receivables	**–**	–	**91.6**	65.5
Advances to subsidiaries	**–**	–	**(792.3)**	(180.0)
Repayments to subsidiaries for Inter-Company Fund Optimisation (ICFO)	**–**	–	**(4,116.8)**	(2,691.4)
Receipts from subsidiaries for ICFO	**–**	–	**4,111.1**	2,544.1
Repayments of loans by employees	**9.9**	8.0	**9.9**	8.0
Loans to employees	**(88.0)**	(63.1)	**(88.0)**	(63.1)
Disposal of housing loan	**11.3**	8.5	**11.3**	8.5
Interests received	**134.0**	119.7	**121.6**	98.5
Dividends received	**7.1**	8.2	**288.1**	37.7
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	**(2,549.9)**	(2,162.0)	**(2,693.1)**	(2,229.4)

* Net of cash and cash equivalent acquired

41. CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Proceeds from issuance of shares (note 14(c))	**269.2**	778.9	**269.2**	778.9
Capital contribution by non-controlling interest	**7.3**	–	**–**	–
Equity portion of Convertible Medium Term Notes subscribed by non-controlling interest	**1.7**	–	**–**	–
Proceeds from borrowings	**1,779.8**	1,313.7	**1,500.0**	1,200.0
Repayments of borrowings (net)	**(1,031.8)**	(1,522.8)	**(900.7)**	(1,513.9)
Repayments of finance lease	**(4.6)**	(4.2)	**(4.3)**	(4.1)
Dividend paid to shareholders	**(847.9)**	(931.5)	**(847.9)**	(931.5)
Dividend paid to non-controlling interests	**(31.2)**	(25.4)	**–**	–
TOTAL CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**142.5**	(391.3)	**16.3**	(470.6)

42. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions during the financial year are as follows:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
(a) Contra settlements with subsidiaries between trade and other receivables and trade and other payables	**–**	–	**14.2**	2.2
(b) Contra settlements with customers cum suppliers between trade receivables and trade payables	**259.2**	208.3	**259.2**	208.3

43. SIGNIFICANT RELATED PARTY DISCLOSURES

Set out below are the significant related party transactions and balances, in addition to related party transactions and balances mentioned elsewhere in the financial statements:

(a) Significant transactions with subsidiaries and associates

The Company has significant related party transactions with its subsidiaries and associate, as listed below:

BlueTel Networks Pte Ltd
Fiberail Sdn Bhd
Fibrecomm Network (M) Sdn Bhd
GITN Sdn Berhad
GTC Global Sdn Bhd
Meganet Communications Sdn Bhd
Menara Kuala Lumpur Sdn Bhd
Packet One Networks (Malaysia) Sdn Bhd
Telekom Applied Business Sdn Bhd
Telekom Malaysia (Australia) Pty Ltd
Telekom Malaysia (Hong Kong) Limited
Telekom Malaysia (S) Pte Ltd
Telekom Malaysia (UK) Limited
Telekom Malaysia (USA) Inc
Telekom Multi-Media Sdn Bhd
Telekom Research & Development Sdn Bhd
Telekom Sales and Services Sdn Bhd
TM ESOS Management Sdn Bhd
TM Facilities Sdn Bhd
TMF Autolease Sdn Bhd
TM Global Incorporated
TM Info-Media Sdn Bhd
TM Net Sdn Bhd
Universiti Telekom Sdn Bhd
VADS Berhad
VADS e-Services Sdn Bhd
VADS Solutions Sdn Bhd
VADS Business Process Sdn Bhd

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
(i) Sales of goods and rendering of services to subsidiaries and associates:				
– telecommunications related services	**101.0**	35.5	**738.2**	627.2
– lease/rental and maintenance of buildings and vehicles	**–**	–	**42.9**	23.4
– other income*	**–**	–	**18.3**	24.2
(ii) Dividend and interest income from subsidiaries	**–**	–	**245.1**	97.5
(iii) Purchases of goods and services from subsidiaries and associates:				
– telecommunications related services	**87.4**	41.3	**1,164.3**	877.5
– lease/rental of buildings	**–**	–	**5.7**	5.6
– maintenance of vehicles and buildings	**–**	–	**47.4**	47.3
– other expenses	**–**	–	**118.5**	93.8
(iv) Finance cost paid/payable to subsidiaries				
– term loans	**–**	–	**6.9**	63.1
– Inter-Company Fund Optimisation	**–**	–	**24.9**	18.3

* Includes management fees, royalties, charges for security and other shared services, training and related activities.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(b) Year end balances arising from:

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
(i) Sales/Purchases of goods/services				
– receivables from subsidiaries	**–**	–	**389.3**	248.1
– receivables from associates	**82.0**	34.4	**82.0**	34.4
– payables to subsidiaries	**–**	–	**333.0**	288.0
– payables to associates	**29.6**	18.1	**29.6**	18.1
(ii) Other payables				
– subsidiaries	**–**	–	**311.8**	292.7

The above receivables from/payables to related parties arise mainly from sale/purchase transactions with credit terms of 30 to 90 days. The receivables/payables are unsecured and interest free.

Other payables to subsidiaries mainly comprise excess funds of subsidiaries managed and invested by the Company under the fund optimisation arrangement. This amount is repayable on demand and the interest paid to subsidiaries during the financial year ranges from 3.60% to 4.58% (2014: 3.38% to 4.26%).

(c) Loans and advances to subsidiaries

	The Company	
	2015 RM	2014 RM
At 1 January	**250.5**	166.9
Cash advanced	**708.9**	126.4
Repayments (note 40)	**(35.1)**	(42.8)
Impairment on loans and advances to a subsidiary	**(10.0)**	–
Interest charged (note 8)	**20.6**	11.6
Reclassified as other receivables	**(20.6)**	(11.6)
At 31 December (note 26)	**914.3**	250.5

(d) Key management personnel

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Consistent with the previous financial year, key management personnel has been defined as the Directors (executive and non-executive) of the Company and heads or senior management officers who are members of the Management Committee for the Group and the Company respectively.

Whenever exist, related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

43. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

(d) Key management personnel (continued)

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Key management personnel compensation[@]				
– short term employee benefits				
– fees	**2.6**	2.5	**2.0**	1.9
– salaries, allowances and bonus	**20.2**	21.3	**20.1**	21.2
– contribution to Employees Provident Fund	**3.0**	2.9	**3.0**	2.9
– estimated money value of benefits	**1.3**	1.1	**1.3**	1.1

[@] Includes the Directors' remuneration (whether executive or otherwise) as disclosed in note 7(b) to the financial statements.

In addition, certain key management personnel have family members who are officers of subsidiaries of the Company with total remuneration amounting to RM0.2 million (2014: RM0.2 million).

(e) Government-related entities

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.65% (2014: 28.95%) equity interest and is a related party of the Group and the Company. Khazanah is a wholly-owned entity of MoF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group and the Company.

The individually significant transactions that the Group and the Company entered into with identified related parties and their corresponding balances for the provision of telecommunications related services as at the respective reporting dates are as follows:

	Total amount of individually significant transactions		Corresponding outstanding balances	
	2015 RM	2014 RM	2015 RM	2014 RM
The Group				
Sales and Receivables	**826.1**	929.5	**123.7**	77.5
The Company				
Sales and Receivables	**194.6**	303.2	**53.9**	12.7

The Group and the Company also has individually significant contracts with other Government-related entities where the Group and the Company was provided funding for projects of which the amortisation of grants to the income statement in the current financial year was RM348.0 million (2014: RM214.9 million) with corresponding receivables of RM165.6 million (2014: nil).

In addition to the above, the Group and the Company have transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipments and services in the normal course of business.

44. CAPITAL AND OTHER COMMITMENTS

(a) Property, plant and equipment

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Commitments in respect of expenditure approved and contracted for	**3,570.9**	3,271.0	**3,337.4**	3,199.9
Commitments in respect of expenditure approved but not contracted for	**3,712.7**	849.9	**3,154.0**	768.7

(b) High Speed Broadband (HSBB) Project

On 25 July 2008, the Company received the Letter of Award from the Government of Malaysia (GoM) for the implementation of the HSBB project under a Public-Private Partnership (PPP) arrangement. The PPP agreement was executed by the GoM and the Company on 16 September 2008.

The objective of the HSBB project is to develop the country's broadband infrastructure to increase broadband penetration and the competitiveness of the country in attracting foreign investments. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The estimated roll-out cost, to be incurred over a 10 years period (up to 25 July 2018) is projected to be RM11.3 billion. As a Co-Sponsor of the project, the GoM has agreed to fund RM2.4 billion of the project cost. The remaining RM8.9 billion will be borne by the Company. The HSBB roll-out has covered 1.3 million premises in 2012.

Under the above arrangement, the Company shall claim from the GoM fifty percent (50.0%) of the capital expenditure incurred for the HSBB project on a quarterly basis over a projected 3.5 years period up to the maximum amount of RM2.4 billion.

In conjunction with the arrangement, the Company has to fulfil certain undertakings for the GoM including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred in relation to the project.

Other undertakings includes roll-out of the HSBB network outside the coverage area for the GoM, develop certain number of telecentres, formulate a broadband package with low cost internet access and provide promotion and public awareness on HSBB which would contribute towards achieving the objective of the project.

(c) High Speed Broadband Project Phase 2 (HSBB2) and the Sub-Urban Broadband Project (SUBB)

On 17 December 2015, the Company signed two (2) PPP agreements with the GoM for the implementation of the HSBB2 and the SUBB to deploy access and domestic core networks to deliver an end-to-end broadband network infrastructure and services for the nation.

The 10-year HSBB2 project encompasses the deployment of additional access and core capacity covering state capitals and selected major towns throughout the country. It includes planning, designing, implementation, operation and maintenance of HSBB network infrastructure and services. Under the project, 95 additional exchanges will be HSBB ready providing access to 390,000 premises by 2017.

The SUBB infrastructure will also be rolled out over a period of ten (10) years, involving the upgrading of existing copper lines to deliver high-speed broadband access speeds of up to 20Mbps and up to 100Mbps in areas deployed with Fibre-to-the-Home (FTTH) technology, to over 420,000 premises by 2019.

The total cost of the HSBB2 investment for a period of ten (10) years is RM1.8 billion whereby the Government will be investing RM500.0 million and the remaining RM1.3 billion will be invested by the Company. The total cost of the SUBB investment for a period of ten (10) years is RM1.6 billion with the Government investing RM600.0 million and the Company investing RM1.0 billion.

44. CAPITAL AND OTHER COMMITMENTS (continued)

(d) Donation to Yayasan Telekom Malaysia

	The Group and Company	
	2015 RM	2014 RM
Amount approved and committed	**10.5**	14.5

(e) Future minimum lease payments of non-cancellable operating lease commitments

	The Group and Company	
	2015 RM	2014 RM
Not later than one year	**75.2**	75.2
Later than one year and not later than five years	**334.6**	323.4
Later than five years	**173.0**	259.4
	582.8	658.0

The above lease payments relate to the non-cancellable operating lease of four office buildings from Menara ABS Berhad.

(f) Funding Commitment

Pursuant to the Investment Agreement as disclosed in note 5(a) to the financial statements, under the 8-year Convertible Medium Term Notes Programme (Convertible MTN Programme), on 15 September 2015 Packet One Networks (Malaysia) Sdn Bhd (P1) issued RM660.0 million nominal value of the first tranche issuance of the Convertible MTN (First Tranche Convertible MTN). RM622.5 million was subscribed by Mobikom Sdn Bhd, whilst the remaining RM37.5 million of the First Tranche Convertible MTN was subscribed by Packet One Sdn Bhd (a wholly-owned subsidiary of Green Packet Berhad), which holds a non-controlling interest in P1. The Convertible MTN Programme provides P1 the avenue to raise future funds up to RM1.65 billion in tranches. Mobikom has a base subscription entitlement of RM990.0 million of the Convertible MTN Programme, up to any other additional entitlement rights as per the terms of the Investment Agreement, in the event of unsubscribed entitlements by the other relevant shareholders (or their related corporations). The proceeds raised under the Convertible MTN Programme shall be utilised to finance and fund the implementation of P1's business plan which would involve the roll-out of Long-Term Evolution (LTE) network.

45. SEGMENT REPORTING

By Business Segments

The Group organises its business into the following segments, summarised as follows:

- Mass Market comprises the Company's retail arm and its subsidiaries which complement the retail business. The line of business is responsible for the position of a wide range of telecommunication services and communications solutions to households, individuals as well as small and medium enterprise (SME) companies.

- Managed Accounts is responsible for the provision of a wide range of telecommunications services and communications solutions to small and medium businesses as well as corporate and government customers except for consumer business, which provides only voice and Internet and multimedia services.

- Global and Wholesale Business comprises the wholesale arm of the Company and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of wholesale telecommunications services delivered over the Group's networks to domestic and international carriers.

Shared Services/Others include all shared services divisions, all business functions divisions such as information technology and network, and subsidiaries that do not fall under the above lines of business. Included in Shared Services/Others segment also is the financial information of Packet One Networks (Malaysia) Sdn Bhd (P1) and its subsidiaries.

Segment profits represent segment operating revenue less segment expenses. Unallocated income/other gains or losses comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which is not allocated to a particular business segment. Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Group Legal, Compliance & Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which are not allocated to a particular business segment. The accounting policies used to derive reportable segment profits are consistent with those as described in the Significant Accounting Policies.

Segment assets disclosed for each segment represent assets directly managed by each segment, primarily include intangibles, property, plant and equipment, receivables and inventories. Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets as well as cash and bank balances of the Company and general telecommunication network and information technology, property, plant and equipment at business function divisions as well as those at corporate divisions.

Segment liabilities comprise operating liabilities and exclude borrowings, interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

Segment capital expenditure comprises additions to property, plant and equipment and intangibles, including additions resulting from acquisition of subsidiaries.

Significant non-cash expenses comprise mainly allowance for impairment of receivables and unrealised foreign exchange gains or losses on settlement as disclosed in note 7(b) to the financial statements.

45. SEGMENT REPORTING (continued)

	Mass Market RM	Managed Accounts RM	Global & Wholesale Business RM	Shared Services/ Others^ RM	Total RM
Financial year ended 31 December 2015					
Operating revenue					
Total operating revenue	**4,771.1**	**4,809.8**	**2,236.5**	**5,653.7**	**17,471.1**
Inter-segment[@]	**(35.5)**	**(452.0)**	**(365.9)**	**(4,896.1)**	**(5,749.5)**
External operating revenue	**4,735.6**	**4,357.8**	**1,870.6**	**757.6**	**11,721.6**
Results					
Segment profits/(losses)	**402.9**	**1,007.1**	**453.6**	**(258.5)**	**1,605.1**
Unallocated income/other losses					**(10.7)**
Unallocated costs					**(363.9)**
Operating profit before finance cost					**1,230.5**
Finance income					**164.4**
Finance cost					**(323.4)**
Foreign exchange loss on borrowings					**(184.4)**
Associates					
– share of results (net of tax)					**24.7**
Profit before taxation and zakat					**911.8**
Taxation and zakat					**(320.0)**
Profit for the financial year					**591.8**
At 31 December 2015					
Segment assets	**303.0**	**2,005.0**	**1,702.3**	**5,574.6**	**9,584.9**
Associates					**26.3**
Unallocated assets					**14,801.9**
Total assets					**24,413.1**
Segment liabilities	**711.0**	**832.6**	**1,120.5**	**4,283.0**	**6,947.1**
Borrowings					**7,583.7**
Unallocated liabilities					**1,843.6**
Total liabilities					**16,374.4**
Financial year ended 31 December 2015					
Other information					
Capital expenditure					
– additions during the financial year	**45.5**	**312.3**	**121.0**	**2,468.7**	**2,947.5**
Depreciation and amortisation	**65.2**	**175.2**	**67.3**	**2,059.5**	**2,367.2**
Write-off of property, plant and equipment	**0.6**	**1.8**	**–**	**42.1**	**44.5**
Impairment of property, plant and equipment	**1.4**	**–**	**–**	**30.5**	**31.9**
Reversal of impairment of non-current asset held for sale	**–**	**–**	**–**	**(6.3)**	**(6.3)**
Significant non-cash expenses/(gains)	**145.2**	**10.3**	**2.9**	**(46.7)**	**111.7**

45. SEGMENT REPORTING (continued)

	Mass Market RM	Managed Accounts RM	Global & Wholesale Business RM	Shared Services/ Others^ RM	Total RM
Financial year ended 31 December 2014					
Operating revenue					
Total operating revenue	4,617.2	4,762.1	2,107.4	5,556.3	17,043.0
Inter-segment[@]	(31.5)	(408.6)	(331.6)	(5,036.2)	(5,807.9)
External operating revenue	4,585.7	4,353.5	1,775.8	520.1	11,235.1
Results					
Segment profits/(losses)	216.3	1,134.4	441.8	(47.1)	1,745.4
Unallocated income/other gains					22.4
Unallocated costs					(468.7)
Operating profit before finance cost					1,299.1
Finance income					136.6
Finance cost					(291.6)
Foreign exchange loss on borrowings					(47.9)
Associates					
– share of results (net of tax)					9.3
Profit before taxation and zakat					1,105.5
Taxation and zakat					(263.0)
Profit for the financial year					842.5
At 31 December 2014					
Segment assets	445.4	1,844.9	1,295.0	5,160.1	8,745.4
Associates					6.5
Unallocated assets					13,871.3
Total assets					22,623.2
Segment liabilities	762.2	943.6	749.8	3,917.5	6,373.1
Borrowings					6,448.4
Unallocated liabilities					1,841.8
Total liabilities					14,663.3
Financial year ended 31 December 2014					
Other information					
Capital expenditure					
– additions during the financial year	10.6	155.1	102.1	2,681.9	2,949.7
Depreciation and amortisation	51.7	186.6	64.5	1,977.1	2,279.9
Write-off of property, plant and equipment	0.3	0.9	–	51.6	52.8
Impairment of property, plant and equipment	–	–	–	2.3	2.3
Impairment of non-current asset held for sale	–	–	–	6.3	6.3
Significant non-cash expenses/(gains)	241.5	(11.0)	(21.2)	35.1	244.4

45. SEGMENT REPORTING (continued)

@ Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. These inter-segment trading arrangements are entered into in the normal course of business and are subject to periodic review.

> Shared Services/Others segment includes financial information of Packet One Networks (Malaysia) Sdn Bhd (P1) and its subsidiaries for the financial year ended 31 December 2015 and 2014. This includes P1's revenue for the current financial year of RM231.1 million (2014: RM67.1 million) and segment loss of RM288.6 million (2014: RM53.6 million). Segment assets and segment liabilities (excluding borrowings) as at 31 December 2015 were RM1,272.0 million (2014: RM963.3 million) and RM412.9 million (2014: RM595.7 million) respectively.

The prior year comparatives have been restated in line with business structure realignment in the current financial year to cluster the Consumer and Small and Medium Enterprise (SME) business under a single Mass Market segment cluster whilst Government and Enterprise businesses are clustered together with subsidiaries namely VADS Berhad group of companies (VADS), GTC Global Sdn Bhd and Intelsec Sdn Bhd, collectively known as Managed Accounts. The realignment also involved the movement of Medium Enterprise Business (MEB) customers previously under SME in Mass Market to Enterprise under Managed Accounts cluster. In addition, the basis of allocation of certain cost elements have been revised to better reflect the consumption of network and other services by the different clusters of business segments.

By Geographical Location

The Group operates in a few countries as disclosed in note 52 to the financial statements. Accordingly, the segmentation of the Group's operations by geographical location is segmented into Malaysia and overseas. The overseas operation is not further segregated as no individual overseas country contributed more than 10.0% of the consolidated operating revenue or assets.

In presenting information for geographical segments of the Group, sales are based on the country in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located.

	Operating Revenue		Capital Expenditure	
	2015 RM	2014 RM	**2015 RM**	2014 RM
Malaysia	**10,630.3**	10,302.5	**2,804.0**	2,825.9
Other countries	**1,091.3**	932.6	**143.5**	123.8
	11,721.6	11,235.1	**2,947.5**	2,949.7

Assets	2015					2014				
	Property, Plant and Equipment RM	**Intangible Assets RM**	**Associates RM**	**Others RM**	**Total RM**	Property, Plant and Equipment RM	Intangible Assets RM	Associates RM	Others RM	Total RM
Malaysia	**3,375.6**	**607.8**	**–**	**4,661.0**	**8,644.4**	3,291.3	581.7	–	3,976.4	7,849.4
Other countries	**764.8**	**–**	**26.3**	**175.7**	**966.8**	799.8	–	6.5	96.2	902.5
Unallocated assets	**11,046.5**	**–**	**–**	**3,755.4**	**14,801.9**	10,694.0	–	–	3,177.3	13,871.3
	15,186.9	**607.8**	**26.3**	**8,592.1**	**24,413.1**	14,785.1	581.7	6.5	7,249.9	22,623.2

46. FINANCIAL INSTRUMENTS BY CATEGORY

The Group	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2015						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	**–**	**8.2**	**327.1**	**–**	**–**	**335.3**
Available-for-sale investments (note 28)	**–**	**–**	**–**	**671.5**	**–**	**671.5**
Available-for-sale receivables (note 29)	**–**	**–**	**–**	**6.0**	**–**	**6.0**
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	**666.5**	**–**	**–**	**–**	**–**	**666.5**
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	**2,601.4**	**–**	**–**	**–**	**–**	**2,601.4**
Financial assets at fair value through profit or loss (note 35)	**–**	**6.6**	**–**	**–**	**–**	**6.6**
Cash and bank balances (note 36)	**3,511.6**	**–**	**–**	**–**	**–**	**3,511.6**
Total	**6,779.5**	**14.8**	**327.1**	**677.5**	**–**	**7,798.9**
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	**–**	**–**	**–**	**–**	**7,541.3**	**7,541.3**
Finance lease liabilities (note 17)	**–**	**–**	**–**	**–**	**42.4**	**42.4**
Derivative financial instruments (note 19)	**–**	**305.2**	**16.7**	**–**	**–**	**321.9**
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	**–**	**–**	**–**	**–**	**3,560.5**	**3,560.5**
Customer deposits (note 38)	**–**	**–**	**–**	**–**	**467.6**	**467.6**
Total	**–**	**305.2**	**16.7**	**–**	**11,611.8**	**11,933.7**
2014						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	–	9.0	138.3	–	–	147.3
Available-for-sale investments (note 28)	–	–	–	568.3	–	568.3
Available-for-sale receivables (note 29)	–	–	–	6.9	–	6.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	388.6	–	–	–	–	388.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	2,459.2	–	–	–	–	2,459.2
Financial assets at fair value through profit or loss (note 35)	–	9.2	–	–	–	9.2
Cash and bank balances (note 36)	2,985.8	–	–	–	–	2,985.8
Total	5,833.6	18.2	138.3	575.2	–	6,565.3
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	6,401.5	6,401.5
Finance lease liabilities (note 17)	–	–	–	–	46.9	46.9
Derivative financial instruments (note 19)	–	270.1	67.7	–	–	337.8
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	–	–	3,194.5	3,194.5
Customer deposits (note 38)	–	–	–	–	482.4	482.4
Total	–	270.1	67.7	–	10,125.3	10,463.1

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company	Loans and receivables RM	At fair value through profit or loss RM	Derivatives accounted for under hedge accounting RM	Available-for-sale RM	Other financial liabilities at amortised cost RM	Total RM
2015						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	–	–	**327.1**	–	–	**327.1**
Loans and advances to subsidiaries (note 26)	**914.3**	–	–	–	–	**914.3**
Available-for-sale investments (note 28)	–	–	–	**671.4**	–	**671.4**
Available-for-sale receivables (note 29)	–	–	–	**6.0**	–	**6.0**
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	**277.4**	–	–	–	–	**277.4**
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans) (note 34)	**2,123.8**	–	–	–	–	**2,123.8**
Financial assets at fair value through profit or loss (note 35)	–	**6.6**	–	–	–	**6.6**
Cash and bank balances (note 36)	**2,580.0**	–	–	–	–	**2,580.0**
Total	**5,895.5**	**6.6**	**327.1**	**677.4**	–	**6,906.6**
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	**6,409.9**	**6,409.9**
Finance lease liabilities (note 17)	–	–	–	–	**42.2**	**42.2**
Derivative financial instruments (note 19)	–	–	**16.7**	–	–	**16.7**
Payable to a subsidiary (note 18)	–	–	–	–	**706.3**	**706.3**
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	–	–	**3,542.9**	**3,542.9**
Customer deposits (note 38)	–	–	–	–	**466.8**	**466.8**
Total	–	–	**16.7**	–	**11,168.1**	**11,184.8**
2014						
Assets as per Statement of Financial Position						
Derivative financial instruments (note 19)	–	–	138.3	–	–	138.3
Loans and advances to subsidiaries (note 26)	250.5	–	–	–	–	250.5
Available-for-sale investments (note 28)	–	–	–	568.2	–	568.2
Available-for-sale receivables (note 29)	–	–	–	6.9	–	6.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits) (note 30)	194.6	–	–	–	–	194.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans) (note 34)	1,838.9	–	–	–	–	1,838.9
Financial assets at fair value through profit or loss (note 35)	–	9.2	–	–	–	9.2
Cash and bank balances (note 36)	2,347.8	–	–	–	–	2,347.8
Total	4,631.8	9.2	138.3	575.1	–	5,354.4
Liabilities as per Statement of Financial Position						
Borrowings (excluding finance lease liabilities) (note 17)	–	–	–	–	5,566.9	5,566.9
Finance lease liabilities (note 17)	–	–	–	–	46.6	46.6
Derivative financial instruments (note 19)	–	–	67.7	–	–	67.7
Payable to a subsidiary (note 18)	–	–	–	–	575.7	575.7
Trade and other payables (excluding statutory liabilities and deferred revenue) (note 37)	–	–	–	–	2,968.0	2,968.0
Customer deposits (note 38)	–	–	–	–	480.6	480.6
Total	–	–	67.7	–	9,637.8	9,705.5

47. FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date.

(a) Financial Instruments Carried at Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels of valuations are:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December.

	2015				2014			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
The Group								
Assets								
Financial assets at fair value through profit or loss								
– quoted securities	**6.6**	**–**	**–**	**6.6**	9.2	–	–	9.2
Derivatives at fair value through profit or loss	**–**	**8.2**	**–**	**8.2**	–	9.0	–	9.0
Derivatives accounted for under hedge accounting	**–**	**121.0**	**206.1**	**327.1**	–	138.3	–	138.3
Available-for-sale financial assets								
– investments	**–**	**612.8**	**58.7**	**671.5**	–	519.9	48.4	568.3
– receivables	**–**	**6.0**	**–**	**6.0**	–	6.9	–	6.9
Total	**6.6**	**748.0**	**264.8**	**1,019.4**	9.2	674.1	48.4	731.7
Liabilities								
Derivatives accounted for under hedge accounting	**–**	**16.7**	**–**	**16.7**	–	67.7	–	67.7
Put option liability over shares held by non-controlling interest	**–**	**–**	**305.2**	**305.2**	–	–	270.1	270.1
Total	**–**	**16.7**	**305.2**	**321.9**	–	67.7	270.1	337.8
The Company								
Assets								
Financial assets at fair value through profit or loss								
– quoted securities	**6.6**	**–**	**–**	**6.6**	9.2	–	–	9.2
Derivatives accounted for under hedge accounting	**–**	**121.0**	**206.1**	**327.1**	–	138.3	–	138.3
Available-for-sale financial assets								
– investments	**–**	**612.7**	**58.7**	**671.4**	–	519.8	48.4	568.2
– receivables	**–**	**6.0**	**–**	**6.0**	–	6.9	–	6.9
Total	**6.6**	**739.7**	**264.8**	**1,011.1**	9.2	665.0	48.4	722.6
Liabilities								
Derivatives accounted for under hedge accounting	**–**	**16.7**	**–**	**16.7**	–	67.7	–	67.7
Total	**–**	**16.7**	**–**	**16.7**	–	67.7	–	67.7

47. **FAIR VALUES (continued)**

(a) **Financial Instruments Carried at Fair Value (continued)**

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise equity securities quoted on the Bursa Malaysia Securities Berhad classified as fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- The fair value of the put option liability over shares of a subsidiary held by a non-controlling interest are determined using expected future value of a subsidiary with the resulting value discounted to present value.
- The fair value of the call option on shares of a subsidiary held by non-controlling interests is determined through an option valuation model with the use of observable market inputs.
- Fair value of staff loans and long term receivables are determined through discounting future cash flows at market observable borrowing rates reflective of the credit ratings of the individuals from whom the receivables are due.
- Fair value of borrowings and long term payables are based on the expected cost and cash outflows if the borrowings and amount due are to be unwound or settled immediately.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in Level 2 except for an investment in non-traded equity security and put option liability over shares of a subsidiary held by non-controlling interest. There were no transfers of any instruments between Level 1, 2 and 3 of the fair valuation hierarchy during the current financial year except for two Cross Currency Interest Rate Swap contracts as explained in sub-note (ii) below.

47. FAIR VALUES (continued)

(a) Financial Instruments Carried at Fair Value (continued)

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurements in Level 3 of the fair value hierarchy:

The Group and Company	Cross Currency Interest Rate Swaps (sub-note (i)) RM	Non-traded Equity Investment (sub-note (ii)) RM
Assets		
2015		
At 1 January	**–**	**48.4**
Transfer from Level 2	**226.5**	**–**
Fair value changes transferred to other comprehensive income	**(20.4)**	**10.4**
At 31 December	**206.1**	**58.8**
2014		
At 1 January	–	48.4
Fair value changes transferred to other comprehensive income	–	–
At 31 December	–	48.4

The Group and Company	Put Option Liability Over Shares Held by Non-controlling Interest (sub-note (iii)) RM
Liabilities	
2015	
At 1 January	**270.1**
Unwinding of discounts (note 10)	**9.7**
Fair value charges to profit and loss (note 9)	**25.4**
At 31 December	**305.2**
2014	
At 1 January	–
Initial recognition (note 15 and 19(f)(i))	267.6
Unwinding of discounts (note 10)	2.5
At 31 December	270.1

47. FAIR VALUES (continued)

(a) Financial Instruments Carried at Fair Value (continued)

(i) During the financial year, certain Cross Currency Interest Rate Swap contracts were transferred from Level 2 to Level 3 due to adjustments made by counterparty on yield curves in the valuation.

(ii) The fair valuation of non-traded equity investment is based on discounted future cash flows derived from the budgets and forecasts of the investee entity, duly approved by its Board of Directors. The future cash flows are discounted based on discount factors of comparable entities which are publicly listed whenever available, as well as industry benchmarks, having considered historical ability of the investee in meeting its previous budgets and forecasts. The Group also has Board representation in the investee through which due understanding of actual and forecasted performance are used by the Group in assessing the appropriateness of the estimates and assumptions used in arriving to the valuation.

(iii) In estimating the fair value of the put option on shares of a subsidiary held by non-controlling interest, the Group has used a valuation model in projecting the expected share price of the subsidiary cumulatively in year 2021 to 2022 using recently transacted price, comparable growth rates and discount factors specific to certain industry available at the reporting date.

Although the Group and the Company believe that estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, if the discount rate used in the discounted cash flow analysis is to differ by 10% from management's estimates, the carrying amount of available-for-sale financial assets would be approximately RM0.8 million (2014: RM1.0 million) lower or RM0.9 million (2014: RM1.1 million) higher. The fair value of Cross Currency Interest Rate Swaps at Level 3 would approximately be RM2.8 million lower or RM2.4 million higher if forward yield curves were to differ by 5%. The carrying amount of the put option on shares of a subsidiary of the Group would be an estimated RM10.6 million lower or RM11.0 million higher if the discount rate used in the valuation were to differ by 5% from management's estimates.

(b) Financial Instruments Other Than Those Carried at Fair Value

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as set out below:

	The Group				The Company			
	2015		2014		2015		2014	
	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM	Carrying amount RM	Net fair value RM
Assets								
Staff loans	**144.3**	**135.1**	82.6	79.7	**144.3**	**135.1**	82.5	79.6
Redeemable Exchangeable Medium Term Notes receivable	**200.3**	**199.5**	121.7	120.8	–	–	–	–
Other non-current receivables (excluding tax recoverable)	**321.9**	**317.1**	184.3	179.9	**133.1**	**128.3**	112.1	107.7
Liabilities								
Borrowings	**7,583.7**	**8,146.6**	6,448.4	6,953.0	**6,452.1**	**6,976.4**	5,613.5	6,086.8
Payable to a subsidiary	–	–	–	–	**706.3**	**733.5**	575.7	603.8
Payable by a subsidiary to a vendor	–	–	192.6	206.5	–	–	–	–

47. FAIR VALUES (continued)

(b) Financial Instruments Other Than Those Carried at Fair Value (continued)

Assets

In assessing the fair value of non-traded financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Where impairment is made in respect of any investment, the carrying amount net of impairment made is deemed to be a close approximation of its fair value.

The fair values of staff loans, Redeemable Exchangeable Medium Term Notes and other non-current receivables were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity, respectively.

Collaterals are taken for staff loans and the Directors are of the opinion that the potential losses in the event of default will be covered by the collateral values on individual loan basis.

Liabilities

The fair value of quoted bonds was estimated using the respective quoted offer price. For unquoted borrowings with fixed interest rate, the fair values were estimated by discounting the estimated future cash flows using the prevailing market rates for similar credit risks and remaining period to maturity.

The financial liabilities will be realised at their carrying amounts and not at their fair values as the Directors have no intention to settle these liabilities other than in accordance with their contractual obligations.

For all other short term financial instruments maturing within one year or are repayable on demand, the carrying amounts reasonably approximate their fair values at the reporting date.

48. LIQUIDITY RISK

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows:

The Group	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2015							
Borrowings	**(412.9)**	**(364.6)**	**(1,663.7)**	**(5,161.7)**	**(7,602.9)**	**19.2**	**(7,583.7)**
Put option liability over shares held by non-controlling interest	**–**	**–**	**–**	**(651.2)**	**(651.2)**	**346.0**	**(305.2)**
Cross currency interest rate swaps	**(8.2)**	**(8.7)**	**–**	**–**	**(16.9)**	**0.2**	**(16.7)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(3,560.5)**	**–**	**–**	**–**	**(3,560.5)**	**–**	**(3,560.5)**
Customer deposits	**(467.6)**	**–**	**–**	**–**	**(467.6)**	**–**	**(467.6)**
Total	**(4,449.2)**	**(373.3)**	**(1,663.7)**	**(5,812.9)**	**(12,299.1)**	**365.4**	**(11,933.7)**
Interest	**(342.0)**	**(335.2)**	**(898.6)**	**(901.2)**	**(2,477.0)**		
2014							
Borrowings	(201.9)	(98.9)	(1,330.6)	(4,844.9)	(6,476.3)	27.9	(6,448.4)
Put option liability over shares held by non-controlling interest	–	–	–	(355.1)	(355.1)	85.0	(270.1)
Cross currency interest rate swaps	(8.7)	(8.7)	(55.1)	–	(72.5)	4.8	(67.7)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(3,194.5)	–	–	–	(3,194.5)	–	(3,194.5)
Customer deposits	(482.4)	–	–	–	(482.4)	–	(482.4)
Total	(3,887.5)	(107.6)	(1,385.7)	(5,200.0)	(10,580.8)	117.7	(10,463.1)
Interest	(290.7)	(286.9)	(805.6)	(944.0)	(2,327.2)		

48. LIQUIDITY RISK (continued)

The following table analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows: (continued)

The Company	Less than 1 year RM	>1 year to 2 years RM	>2 years to 5 years RM	>5 years RM	Total contractual undiscounted cash flow RM	Difference from carrying amount RM	Carrying amount as per Statement of Financial Position RM
2015							
Borrowings	**(157.4)**	**(57.3)**	**(1,148.8)**	**(5,107.7)**	**(6,471.2)**	**19.1**	**(6,452.1)**
Payable to a subsidiary	**–**	**(278.3)**	**(428.0)**	**–**	**(706.3)**	**–**	**(706.3)**
Cross currency interest rate swaps	**(8.2)**	**(8.7)**	**–**	**–**	**(16.9)**	**0.2**	**(16.7)**
Trade and other payables (excluding statutory liabilities and deferred revenue)	**(3,542.9)**	**–**	**–**	**–**	**(3,542.9)**	**–**	**(3,542.9)**
Customer deposits	**(466.8)**	**–**	**–**	**–**	**(466.8)**	**–**	**(466.8)**
Total	**(4,175.3)**	**(344.3)**	**(1,576.8)**	**(5,107.7)**	**(11,204.1)**	**19.3**	**(11,184.8)**
Interest	**(329.6)**	**(329.4)**	**(890.0)**	**(883.9)**	**(2,432.9)**		
2014							
Borrowings	(107.6)	(57.4)	(1,000.6)	(4,475.8)	(5,641.4)	27.9	(5,613.5)
Payable to a subsidiary	–	–	(227.7)	(348.0)	(575.7)	–	(575.7)
Cross currency interest rate swaps	(8.7)	(8.7)	(55.1)	–	(72.5)	4.8	(67.7)
Trade and other payables (excluding statutory liabilities and deferred revenue)	(2,968.0)	–	–	–	(2,968.0)	–	(2,968.0)
Customer deposits	(480.6)	–	–	–	(480.6)	–	(480.6)
Total	(3,564.9)	(66.1)	(1,283.4)	(4,823.8)	(9,738.2)	32.7	(9,705.5)
Interest	(280.8)	(280.8)	(792.7)	(939.5)	(2,293.8)		

49. INTEREST RATE RISK/MATURITY ANALYSIS

The table below summarises the Group's and the Company's exposure to interest rate risk. Included in the tables are the Group's and the Company's financial assets and liabilities at their carrying amounts, categorised by the earlier of repricing or contractual maturity dates. As such the spread of balances between the ageing brackets in the table below may not necessarily coincide with those shown in the liquidity risk schedule in note 48 or the repayment schedules in note 17 to the financial statements. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of assets and their corresponding liability funding.

		Maturing or repriced (whichever is earlier)								
The Group	**WARF***	**1 year or less RM**	**>1 – 2 years RM**	**>2 – 3 years RM**	**>3 – 4 years RM**	**>4 – 5 years RM**	**More than 5 years RM**	**Total interest sensitive RM**	**Non-interest sensitive RM**	**Total RM**
2015										
Financial assets										
Derivative financial instruments	–	335.3	–	–	–	–	–	335.3	–	335.3
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	155.9	155.9
– fixed interest rate	4.44%	515.6	–	–	–	–	–	515.6	–	515.6
Available-for-sale receivables	8.04%	2.3	0.8	1.1	0.7	0.5	0.6	6.0	–	6.0
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– non-interest sensitive	–	–	–	–	–	–	–	–	149.3	149.3
– fixed interest rate										
– conventional	6.71%	–	–	0.1	0.1	0.1	322.8	323.1	–	323.1
– balances under Islamic principles	4.41%	52.7	1.5	2.6	2.7	3.2	131.4	194.1	–	194.1
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	–	–	–	–	–	–	–	–	2,601.4	2,601.4
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	6.6	6.6
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	1,152.2	1,152.2
– fixed interest rate										
– conventional	4.06%	855.6	–	–	–	–	–	855.6	–	855.6
– balances under Islamic principles	4.47%	1,503.8	–	–	–	–	–	1,503.8	–	1,503.8
Total		3,265.3	2.3	3.8	3.5	3.8	454.8	3,733.5	4,065.4	7,798.9
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.0	3.0
– floating interest rate	1.50%	427.9	–	–	–	–	–	427.9	–	427.9
– fixed interest rate										
– conventional	6.01%	408.0	357.9	33.1	33.0	37.8	1,356.2	2,226.0	–	2,226.0
– balances under Islamic principles	4.45%	–	–	926.8	–	200.0	3,800.0	4,926.8	–	4,926.8
Derivative financial instruments	–	16.7	–	–	–	–	305.2	321.9	–	321.9
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	3,560.5	3,560.5
Customer deposits	–	–	–	–	–	–	–	–	467.6	467.6
Total		852.6	357.9	959.9	33.0	237.8	5,461.4	7,902.6	4,031.1	11,933.7
Interest sensitivity gap		2,412.7	(355.6)	(956.1)	(29.5)	(234.0)	(5,006.6)			

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The Group	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2014										
Financial assets										
Derivative financial instruments	–	147.3	–	–	–	–	–	147.3	–	147.3
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	99.0	99.0
– fixed interest rate	4.47%	469.3	–	–	–	–	–	469.3	–	469.3
Available-for-sale receivables	8.04%	1.6	0.8	0.9	1.2	1.1	1.3	6.9	–	6.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2.0	2.0
– fixed interest rate										
– conventional	6.11%	0.2	0.1	0.1	0.1	0.1	255.4	256.0	–	256.0
– balances under Islamic principles	4.20%	51.3	1.3	1.6	2.4	2.0	72.0	130.6	–	130.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	2,459.2	2,459.2
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	9.2	9.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	943.0	943.0
– fixed interest rate										
– conventional	4.34%	1,088.4	–	–	–	–	–	1,088.4	–	1,088.4
– balances under Islamic principles	4.32%	954.4	–	–	–	–	–	954.4	–	954.4
Total		2,712.5	2.2	2.6	3.7	3.2	328.7	3,052.9	3,512.4	6,565.3
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.1	3.1
– floating interest rate	1.17%	347.9	–	–	–	–	–	347.9	–	347.9
– fixed interest rate										
– conventional	6.16%	196.8	57.1	278.1	5.3	129.2	1,102.3	1,768.8	–	1,768.8
– balances under Islamic principles	4.43%	–	–	–	928.6	–	3,400.0	4,328.6	–	4,328.6
Derivative financial instruments	–	67.7	–	–	–	–	270.1	337.8	–	337.8
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	3,001.9	3,001.9
– fixed interest rate	4.20%	–	192.6	–	–	–	–	192.6	–	192.6
Customer deposits	–	–	–	–	–	–	–	–	482.4	482.4
Total		612.4	249.7	278.1	933.9	129.2	4,772.4	6,975.7	3,487.4	10,463.1
Interest sensitivity gap		2,100.1	(247.5)	(275.5)	(930.2)	(126.0)	(4,443.7)			

* WARF – Weighted Average Rate of Finance as at 31 December

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

The Group	2015		2014	
	USD	RM	USD	RM
Financial assets				
Available-for-sale investments	–	**4.44%**	–	4.47%
Available-for-sale receivables	–	**8.04%**	–	8.04%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	–	**5.85%**	–	5.50%
Cash and bank balances	–	**4.32%**	–	4.33%
Financial liabilities				
Borrowings	**6.04%**	**4.50%**	6.20%	4.48%
Trade and other payables (excluding statutory liabilities and deferred revenue)	–	–	4.20%	–

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2015										
Financial assets										
Derivative financial instruments	–	327.1	–	–	–	–	–	327.1	–	327.1
Loans and advances to subsidiaries (net)										
– floating interest rate	4.71%	914.3	–	–	–	–	–	914.3	–	914.3
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	155.8	155.8
– fixed interest rate	4.44%	515.6	–	–	–	–	–	515.6	–	515.6
Available-for-sale receivables	8.04%	2.3	0.8	1.1	0.7	0.5	0.6	6.0	–	6.0
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.55%	–	–	0.1	0.1	0.1	83.0	83.3	–	83.3
– balances under Islamic principles	4.41%	1.0	1.5	2.6	2.7	3.2	183.1	194.1	–	194.1
Trade and other receivables (excluding prepayments, GST and tax recoverable and staff loans)	–	–	–	–	–	–	–	–	2,123.8	2,123.8
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	6.6	6.6
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	297.9	297.9
– fixed interest rate										
– conventional	4.06%	851.3	–	–	–	–	–	851.3	–	851.3
– balances under Islamic principles	4.47%	1,430.8	–	–	–	–	–	1,430.8	–	1,430.8
Total		4,042.4	2.3	3.8	3.5	3.8	266.7	4,322.5	2,584.1	6,906.6

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2015										
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.0	3.0
– fixed interest rate										
– conventional	7.43%	152.5	50.6	5.3	5.7	5.9	1,302.3	1,522.3	–	1,522.3
– balances under Islamic principles	4.45%	–	–	926.8	–	200.0	3,800.0	4,926.8	–	4,926.8
Payable to a subsidiary										
– fixed interest rate	0.91%	–	–	278.4	–	–	–	278.4	–	278.4
– floating interest rate	1.50%	427.9	–	–	–	–	–	427.9	–	427.9
Derivative financial instruments	–	16.7	–	–	–	–	–	16.7	–	16.7
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	3,231.1	3,231.1
– floating interest rate	4.58%	311.8	–	–	–	–	–	311.8	–	311.8
Customer deposits	–	–	–	–	–	–	–	–	466.8	466.8
Total		908.9	50.6	1,210.5	5.7	205.9	5,102.3	7,483.9	3,700.9	11,184.8
Interest sensitivity gap		3,133.5	(48.3)	(1,206.7)	(2.2)	(202.1)	(4,835.6)			

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The Company	WARF*	Maturing or repriced (whichever is earlier) 1 year or less RM	>1 – 2 years RM	>2 – 3 years RM	>3 – 4 years RM	>4 – 5 years RM	More than 5 years RM	Total interest sensitive RM	Non-interest sensitive RM	Total RM
2014										
Financial assets										
Derivative financial instruments	–	138.3	–	–	–	–	–	138.3	–	138.3
Loans and advances to subsidiaries (net)										
– floating interest rate	4.42%	250.5	–	–	–	–	–	250.5	–	250.5
Available-for-sale investments										
– non-interest sensitive	–	–	–	–	–	–	–	–	98.9	98.9
– fixed interest rate	4.47%	469.3	–	–	–	–	–	469.3	–	469.3
Available-for-sale receivables	8.04%	1.6	0.8	0.9	1.2	1.1	1.3	6.9	–	6.9
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)										
– fixed interest rate										
– conventional	3.57%	0.1	0.1	0.1	0.1	0.1	63.5	64.0	–	64.0
– balances under Islamic principles	4.20%	51.3	1.3	1.6	2.4	2.0	72.0	130.6	–	130.6
Trade and other receivables (excluding prepayments, tax recoverable and staff loans)	–	–	–	–	–	–	–	–	1,838.9	1,838.9
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	9.2	9.2
Cash and bank balances										
– non-interest sensitive	–	–	–	–	–	–	–	–	451.5	451.5
– fixed interest rate										
– conventional	4.35%	1,028.0	–	–	–	–	–	1,028.0	–	1,028.0
– balances under Islamic principles	4.33%	868.3	–	–	–	–	–	868.3	–	868.3
Total		2,807.4	2.2	2.6	3.7	3.2	136.8	2,955.9	2,398.5	5,354.4
Financial liabilities										
Borrowings										
– non-interest sensitive	–	–	–	–	–	–	–	–	3.1	3.1
– fixed interest rate										
– conventional	7.35%	102.3	50.5	48.5	5.3	5.7	1,069.5	1,281.8	–	1,281.8
– balances under Islamic principles	4.43%	–	–	–	928.6	–	3,400.0	4,328.6	–	4,328.6
Payable to a subsidiary										
– fixed interest rate	0.91%	–	–	227.8	–	–	–	227.8	–	227.8
– floating interest rate	1.17%	347.9	–	–	–	–	–	347.9	–	347.9
Derivative financial instruments	–	67.7	–	–	–	–	–	67.7	–	67.7
Trade and other payables (excluding statutory liabilities and deferred revenue)										
– non-interest sensitive	–	–	–	–	–	–	–	–	2,675.3	2,675.3
– floating interest rate	4.26%	292.7		–	–	–	–	292.7	–	292.7
Customer deposits	–	–	–	–	–	–	–	–	480.6	480.6
Total		810.6	50.5	276.3	933.9	5.7	4,469.5	6,546.5	3,159.0	9,705.5
Interest sensitivity gap		1,996.8	(48.3)	(273.7)	(930.2)	(2.5)	(4,332.7)			

* WARF – Weighted Average Rate of Finance as at 31 December

49. INTEREST RATE RISK/MATURITY ANALYSIS (continued)

The table below summarises the weighted average rate of finance (WARF) as at 31 December by major currencies for each class of financial asset and liability:

The Company	2015		2014	
	USD	RM	USD	RM
Financial assets				
Loans and advances to subsidiaries (net)	**2.49%**	**4.86%**	2.33%	5.04%
Available-for-sale investments	**–**	**4.44%**	–	4.47%
Available-for-sale receivables	**–**	**8.04%**	–	8.04%
Staff loans and other non-current receivables (excluding tax recoverable and prepaid employee benefits)	**–**	**4.15%**	–	3.99%
Cash and bank balances	**–**	**4.32%**	–	4.34%
Financial liabilities				
Borrowings	**7.88%**	**4.47%**	7.88%	4.46%
Payable to a subsidiary	**1.27%**	**–**	1.17%	–
Trade and other payables (excluding statutory liabilities and deferred revenue)	**–**	**4.58%**	–	4.26%

50. CONTINGENT LIABILITIES (UNSECURED)

(a) On 26 November 2007, the Company and TESB were served with a Writ of Summons and Statement of Claim in respect of a suit filed by Mohd Shuaib Ishak (MSI). MSI is seeking from the Company, TESB and 12 others (including the former and existing directors of the Company) jointly and/or severally, inter alia, the following:

(i) a Declaration that the Sale and Purchase Agreement dated 28 October 2002 between Celcom and the Company (or TESB) for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all matters undertaken thereunder including but not limited to the issuance of shares by Celcom are illegal and void and of no effect;

(ii) a Declaration that all purchases of shares in Celcom made by TESB and/or the Company and/or parties acting in concert with them with effect from and including the date of the Notice of the Mandatory Offer dated 3 April 2003 issued by Commerce International Merchant Bankers Berhad (now known as CIMB) are illegal and void and of no effect;

(iii) all necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as the Court deemed fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003;

(iv) that the Company by itself, its servants and agents be restrained from giving effect to or executing any of the proposals relating to the proposed demerger of the mobile and fixed line businesses of the Group; and

(v) various damages to be assessed.

On 30 November 2007, the Company and TESB obtained leave to enter conditional appearance and subsequently on 17 December 2007, the Company and TESB filed the relevant application to strike out the suit (Striking Out Application).

On 20 July 2012, the High Court found in favour of the Company and granted an order in terms of the Striking Out Application.

50. CONTINGENT LIABILITIES (UNSECURED) (continued)

(a) On 13 August 2012, MSI filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal was dismissed on 30 October 2013.

On 28 November 2013, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above stated.

The application is fixed for hearing on 1 March 2016.

The Directors, based on legal advice, are of the view that the Company and TESB have a good chance of success in defending the legal suit.

(b) On 6 March 2013, TM Facilities Sdn Bhd (TMF), a wholly-owned subsidiary of the Group, has through its solicitors, been served with a Writ and Statement of Claim by Menara Intan Langkawi Sdn Bhd (MIL) and HBA Development Bhd (HBA), through their solicitors.

The claim by HBA is premised upon an alleged wrongful termination of an Agreement to Lease dated 14 August 2003 between MIL and TMF (Agreement). Under the Agreement, TMF had agreed to take a lease of a telecommunication tower to be constructed at the Mukim of Kuah in Langkawi, from MIL, a joint venture company between Lembaga Pembangunan Langkawi and HBA, for a lease period of 15 years and at a lease rental of RM17.0 million per annum.

The Lease Agreement was subsequently terminated by TMF on 6 February 2007, as TMF was of the view that MIL has failed to secure the necessary approvals and commence construction of the telecommunication tower despite the time given.

Based on the Amended Writ and Statement of Claim (Statement of Claim), MIL and HBA are seeking for the following:

(a) Damages in respect of loss of profit of RM168,701,922.00;

(b) Damages in respect of works and expenses of RM86,298,078.60;

(c) Damages in respect of the value of a land measuring 28.49 acres of RM80,600,000.00;

(d) General damages;

(e) Interest; and

(f) Costs.

On 28 March 2013, TMF filed an application to strike out the Statement of Claim by the 2nd Plaintiff, HBA against TMF (Striking Out Application).

On 1 April 2013, TMF was served with an Amended Statement of Claim dated 29 March 2013 by both the Plaintiffs in the legal suit. In the Amended Statement of Claim, the Plaintiffs have amended their claim of loss of profits from RM168,701,922.00 to RM225,000,000.00.

On 17 May 2013, the Striking Out Application was allowed with cost by the High Court. On the same day, TMF filed its Defence to the Amended Statement of Claim by the 1st Plaintiff, MIL.

On 1 July 2013, the High Court ordered MIL to provide security for cost in the sum of RM175,000.00 within a period of 45 days and further ordered for the legal suit to be stayed pending payment of the same. On 26 August 2013, MIL paid the security for costs into TMF's solicitor's account.

50. CONTINGENT LIABILITIES (UNSECURED) (continued)

(b) On 18 November 2013, TMF's solicitors were served with a Summary Judgment Application in which MIL seeks for the following Orders from the High Court:

(i) An Order for declaration that TMF has wrongfully and unlawfully terminated the Agreement;

(ii) An Order for assessment of damages to be paid by TMF to MIL for all the damages and losses suffered by MIL as compensation for the termination of the Agreement wrongfully and unlawfully;

(iii) An Order for TMF to pay MIL immediately after the assessment of damages by the Court; and

(iv) Interest and cost.

The hearing date for the Summary Judgment Application was fixed on 26 May 2014.

On 26 May 2014, MIL withdrew the Summary Judgment Application. The legal suit then proceeded for trial on 26 – 27 May 2014 and on 23 – 24 June 2014.

On 31 October 2014, the High Court dismissed MIL's claim and awarded costs in the sum of RM50,000.00 in favour of TMF.

On 12 November 2014, MIL filed its appeal against the said decision of the High Court. The appeal was fixed for case management on 17 March 2015.

On 15 April 2015, the Court of Appeal allowed the extension of time sought by MIL in respect of the filing of the Record of Appeal with cost in the sum of RM2,000.00 to be paid to TMF.

On 2 December 2015, the Court of Appeal allowed MIL's solicitors' application to discharge themselves from representing MIL with no order as to costs.

The Court of Appeal further allowed TMF's application for security for costs in the sum of RM30,000.00 with costs of RM3,000.00 to be paid by MIL to TMF. The appeal shall, unless the security for costs is paid to TMF within a period of 14 days, be dismissed by the Court of Appeal with costs to be paid by MIL to TMF.

On 3 February 2016, TMF's solicitors served the sealed copy of the order to MIL and demanded the payment of the security for costs within a period of 14 days from the date of service, failing which TMF's solicitors will file a motion by way of application to strike out MIL's appeal. Any further development will be notified accordingly.

The Directors, based on legal advice, are of the view that TMF has a good chance of success in dismissing the appeal.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the Company and/or its subsidiaries.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these, no material losses are anticipated.

51. SIGNIFICANT SUBSEQUENT EVENT

Investment by Mobikom Sdn Bhd (Mobikom), a wholly-owned subsidiary of the Group, in Packet One Networks (Malaysia) Sdn Bhd (P1)

Subsequent to Mobikom's subscription of the Convertible MTN issued by P1 as disclosed in note 17(f) to the financial statements, on 11 February 2016, Mobikom received 10,674,640 new P1 shares pursuant to an early conversion of the Convertible MTN subscribed by Mobikom (Early Conversion). The Early Conversion is a right for Packet One Sdn Bhd (Packet One) to require from Mobikom, as the subscribing noteholder of the Convertible MTN, for an early conversion of RM410,299,000 of the Convertible MTN into new ordinary shares of P1, during a pre-determined conversion period subject to the fulfilment of certain conditions in accordance with the Investment Agreement as referred to in note 5(a) to the financial statements.

In addition, P1 has also issued 133,726 new P1 shares to Mobikom due to a net debt adjustment in accordance to the terms of the Investment Agreement.

Pursuant to the issuance of the additional 10,808,366 new P1 shares issued to Mobikom, the Group's shareholding (via Mobikom) of P1 has increased from 55.3% to 72.9% while the remaining shares are currently held by Green Packet Berhad (via Packet One Sdn Bhd) and SK Telecom Co. Ltd at 18.9% and 8.2% respectively.

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2015

The subsidiaries are as follows:

Name of Company	Group's Effective Interest 2015 %	Group's Effective Interest 2014 %	Paid-up Capital 2015 Million	Paid-up Capital 2014 Million	Principal Activities
Fiberail Sdn Bhd	**54**	54	**RM15.8**	RM15.8	Provision of network connectivity and bandwidth services in Malaysia and project management services in relation to telecommunications
Fibrecomm Network (M) Sdn Bhd	**51**	51	**RM75.0**	RM75.0	Provision of fibre optic transmission network services
GITN Sdn Berhad	**100**	100	**RM50.0**	RM50.0	Provision of managed network services and enhanced value added telecommunication and information technology services
GTC Global Sdn Bhd (note 5(b))	**100**	100	**RM1.1**	RM1.1	Provision of information and communications technology (ICT) system security services, integrated security management system, and build, provide and manage the smart building services including smart tenant services for the building owners, operators, residents and visitors
Hijrah Pertama Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Intelsec Sdn Bhd	**100**	100	**RM10.7**	RM3.0	Provision of information and communications technology (ICT) services and cloud consumption by designing and leveraging the network and exchange platforms
Menara Kuala Lumpur Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Managing and operating Menara Kuala Lumpur
Mobikom Sdn Bhd	**100**	100	**RM610.0**	RM610.0	Provision of transmission of voice and data through the cellular system
Parkside Properties Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Dormant
Tekad Mercu Berhad	**100**	100	**RM#**	RM#	Special purpose entity
Telekom Applied Business Sdn Bhd	**100**	100	**RM1.6**	RM1.6	Provision of software development and sale of software products

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2015 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2015 %	Group's Effective Interest 2014 %	Paid-up Capital 2015 Million	Paid-up Capital 2014 Million	Principal Activities
Telekom Enterprise Sdn Bhd	**100**	100	**RM0.6**	RM0.6	Investment holding
Telekom Malaysia (Australia) Pty Ltd*	**100**	100	**AUD#**	AUD#	Provision of international telecommunications services
Telekom Malaysia (Hong Kong) Limited*	**100**	100	**HKD18.5**	HKD18.5	Provision of international telecommunications services
Telekom Malaysia (S) Pte Ltd*	**100**	100	**SGD#**	SGD#	Provision of international telecommunications services
Telekom Malaysia (UK) Limited*	**100**	100	**GBP#**	GBP#	Provision of international telecommunications services
Telekom Malaysia (USA) Inc*	**100**	100	**USD3.5**	USD3.5	Provision of international telecommunications services
Telekom Multi-Media Sdn Bhd	**100**	100	**RM1.7**	RM1.7	Investment holding
Telekom Research & Development Sdn Bhd	**100**	100	**RM20.0**	RM20.0	Provision of research and development activities in the areas of communications, hi-tech applications and products and services in related business
Telekom Sales and Services Sdn Bhd	**100**	100	**RM14.5**	RM14.5	Provision of management of customers care services and trading of customer premises telecommunication equipment
Telekom Technology Sdn Bhd	**100**	100	**RM13.0**	RM13.0	Ceased operations
TM Broadcasting Sdn Bhd>	**100**	100	**RM#**	RM#	Dormant
TM ESOS Management Sdn Bhd	**100**	100	**RM0.1**	RM0.1	Special purpose entity
TM Facilities Sdn Bhd	**100**	100	**RM2.3**	RM2.3	Provision of property development activities
TM Global Incorporated	**100**	100	**USD#**	USD#	Investment holding
TM Info-Media Sdn Bhd	**100**	100	**RM6.0**	RM6.0	Publication of printed and online telephone directories services as well as provision of multi platform solutions for advertising

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2015 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2015 %	Group's Effective Interest 2014 %	Paid-up Capital 2015 Million	Paid-up Capital 2014 Million	Principal Activities
TM Net Sdn Bhd	**100**	100	**RM180.0**	RM180.0	Content and application development for Internet services
Tulip Maple Berhad	**100**	–	**RM#**	–	Special purpose entity
Universiti Telekom Sdn Bhd	**100**	100	**RM650.0**	RM650.0	Managing and administering a private university known as Multimedia University
VADS Berhad	**100**	100	**RM5.0**	RM5.0	Provision of managed network services, network system integration services and network centric services
Subsidiaries held through Intelsec Sdn Bhd					
Inneonusa Sdn Bhd	**51**	100	**RM15.0**	RM#	Provision of ICT system security and smart building services including smart tenant services for building owners, operators, residents and visitors
Lyfe Medini Sdn Bhd	**50**	–	**RM#**	–	Provision of smart building services and smart city services
Subsidiary held through Mobikom Sdn Bhd					
Packet One Networks (Malaysia) Sdn Bhd (note 5(a))	**55.3**	55.3	**RM16.7**	RM16.7	Providing last mile broadband network infrastructure facilities and services
Subsidiaries held through Packet One Networks (Malaysia) Sdn Bhd					
P1.Com Sdn Bhd	**55.3**	55.3	**RM#**	RM#	A collector of telecommunications revenue for fellow group companies
Millercom Sdn Bhd	**55.3**	55.3	**RM0.3**	RM0.3	Providing project management services
RuumzNation Sdn Bhd	**55.3**	55.3	**RM0.1**	RM0.1	Dormant
Packet One (L) Ltd	**55.3**	55.3	**RM#**	RM#	Investment holding

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2015 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2015 %	Group's Effective Interest 2014 %	Paid-up Capital 2015 Million	Paid-up Capital 2014 Million	Principal Activities
Subsidiary held through Tekad Mercu Berhad					
Mediatel (Malaysia) Sdn Bhd	**–**	100	**–**	RM#	Dissolved on 1 June 2015
Subsidiary held through TM Info-Media Sdn Bhd					
Cybermall Sdn Bhd	**100**	100	**RM2.7**	RM2.7	Ceased operations
Subsidiaries held through TM Facilities Sdn Bhd					
TMF Autolease Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of fleet management services
TMF Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Ceased operations
Subsidiaries held through Universiti Telekom Sdn Bhd					
Unitele Multimedia Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of training and related services
Multimedia College Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Managing and administering a private college known as Multimedia College
Subsidiary held through Unitele Multimedia Sdn Bhd					
MMU Creativista Sdn Bhd	**100**	100	**RM#**	RM#	Provision of digital video and film production and post production services
Subsidiaries held through VADS Berhad					
Meganet Communications Sdn Bhd	**100**	100	**RM11.0**	RM11.0	To develop, operate and provide Intelligent Building Systems, Intelligent Security, Integrated Telecommunications and Information Technology Solutions to both the Government and private sectors
VADS Business Process Sdn Bhd	**100**	100	**RM10.0**	RM10.0	Provision of managed contact centre services
VADS e-Services Sdn Bhd	**100**	100	**RM1.0**	RM1.0	Provision of managed information technology services, managed application services and contact centre service
VADS Professional Services Sdn Bhd	**100**	100	**RM#**	RM#	Dormant
VADS Solutions Sdn Bhd	**100**	100	**RM1.5**	RM1.5	Provision of system integration services

52. LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2015 (continued)

The subsidiaries are as follows: (continued)

Name of Company	Group's Effective Interest 2015 %	Group's Effective Interest 2014 %	Paid-up Capital 2015 Million	Paid-up Capital 2014 Million	Principal Activities
Subsidiary held through VADS Business Process Sdn Bhd					
PT VADS Indonesia (collectively with VADS Berhad)^	**100**	100	**IDR17,052.8**	IDR17,052.8	Provision of managed contact centre services
Subsidiary consolidated through effective control as defined by MFRS 10					
Yayasan Telekom Malaysia	–	–	^^	^^	A trust established under the provision of Trustees (Incorporation) Act, 1952, for promotion and advancement of education, research and dissemination of knowledge

All subsidiaries are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
PT VADS Indonesia	– Indonesia
Telekom Malaysia (Australia) Pty Ltd	– Australia
Telekom Malaysia (Hong Kong) Limited	– Hong Kong
Telekom Malaysia (S) Pte Ltd	– Singapore
Telekom Malaysia (UK) Limited	– United Kingdom
Telekom Malaysia (USA) Inc	– USA

AUD	Australian Dollar
IDR	Indonesian Rupiah
HKD	Hong Kong Dollar
SGD	Singapore Dollar
GBP	Pound Sterling
USD	US Dollar

Amount less than 0.1 million in their respective currencies
* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.
> Application for striking off was submitted to the Registrar of Companies on 7 November 2014 pursuant to the said Section 308(1) of the Companies Act, 1965.
^ VADS Berhad and VADS Business Process Sdn Bhd hold a direct interest of 10.0% and 90.0% respectively in PT VADS Indonesia.
^^ As an entity established under the Trustees (Incorporation) Act, 1952, this entity has an initial contribution of RM13.0 million instead of paid-up capital.

53. LIST OF ASSOCIATES AS AT 31 DECEMBER 2015

The associates are as follows:

Name of Company	Group's Effective Interest 2015 %	Group's Effective Interest 2014 %	Principal Activities
Associates held through Telekom Multi-Media Sdn Bhd			
Mahirnet Sdn Bhd (in liquidation)	**49**	49	Granted Order for Creditors' winding up by the Kuala Lumpur High Court pursuant to Section 217 of the Companies Act, 1965
Mutiara.Com Sdn Bhd	**30**	30	Provision and promotion of Internet-based communications services
Associate held through Telekom Malaysia (S) Pte Ltd			
BlueTel Networks Pte Ltd	**29**	29	Provision of telecommunications and network solutions

All associates are incorporated in Malaysia, except for BlueTel Networks Pte Ltd (BTN), which is incorporated in Singapore. All associates have co-terminous financial year end with the Company.

54. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM).

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 24 February 2016.

56. SUPPLEMENTARY INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	The Group		The Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Retained profits:				
– realised	**2,367.7**	2,473.8	**4,362.3**	4,024.5
– unrealised – in respect of deferred tax recognised in the Income Statements	**(1,356.1)**	(1,243.2)	**(1,269.4)**	(1,135.0)
– in respect of other items of income and expense	**480.2**	545.6	**206.3**	268.8
Share of accumulated profits of associates				
– realised	**37.9**	13.2	**–**	–
	1,529.7	1,789.4	**3,299.2**	3,158.3
Add: consolidation adjustments	**2,638.4**	2,526.3	**–**	–
TOTAL RETAINED PROFITS	**4,168.1**	4,315.7	**3,299.2**	3,158.3

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors
pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Seri Dr Sulaiman Mahbob and Tan Sri Dato' Sri Zamzamzairani Mohd Isa, two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 254 to 379 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2015 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

The supplementary information set out in note 56 on page 380 have been prepared in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 24 February 2016.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB
Director/Chairman

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA
Managing Director/Group Chief Executive Officer

Statutory Declaration
pursuant to Section 169(16) of the Companies Act, 1965

I, Datuk Bazlan Osman, the Director primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare the financial statements set out on pages 254 to 379 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared at Kuala Lumpur)
this 24 February 2016.) **DATUK BAZLAN OSMAN**

Before me:

Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

to the members of Telekom Malaysia Berhad

Incorporated in Malaysia (Company No. 128740-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Telekom Malaysia Berhad on pages 254 to 262 which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 263 to 379.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of 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 Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 52 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in note 56 on page 380 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965, in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
(No. 2910/02/17 (J))
Chartered Accountant

Kuala Lumpur
24 February 2016