Directors' Report

The Directors hereby submit their Report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the Group, comprising the Company and its subsidiaries, are the provision of mobile, fixed line and international gateway telecommunications services as well as Internet and broadband services, and corporate support functions for the Group. Details of the principal activities of the subsidiaries are shown in Note 18 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to:		
- equity holders of the Company	**1,738,952**	**1,617,748**
- non-controlling interest	**8,139**	**-**
Profit for the financial year	**1,747,091**	**1,617,748**

DIVIDENDS

The dividends on ordinary shares paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2014:	
(a) Fourth interim single-tier tax-exempt dividend of 8.0 sen per ordinary share on 7,507,139,600 ordinary shares of RM0.10 each, paid on 27 March 2015	**600,571**
(b) Final single-tier tax-exempt dividend of 8.0 sen per ordinary share on 7,508,908,700 ordinary shares of RM0.10 each, paid on 26 June 2015	**600,713**
	1,201,284
In respect of the financial year ended 31 December 2015:	
(a) First interim single-tier tax-exempt dividend of 5.0 sen per ordinary share on 7,508,908,700 ordinary shares of RM0.10 each, paid on 26 June 2015	**375,445**
(b) Second single-tier tax-exempt dividend of 5.0 sen per ordinary share on 7,509,243,200 ordinary shares of RM0.10 each, paid on 25 September 2015	**375,462**
(c) Third single-tier tax-exempt dividend of 5.0 sen per ordinary share on 7,509,896,600 ordinary shares of RM0.10 each, paid on 29 December 2015	**375,495**
	1,126,402

DIVIDENDS (CONTINUED)

Subsequent to the financial year, on 4 February 2016, the Directors declared a fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2015 which will be paid on 25 March 2016. The financial statements for the financial year ended 31 December 2015 do not reflect these dividends. Upon declaration, the cash dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2016.

The Directors do not recommend payment of any final dividend in respect of the financial year ended 31 December 2015.

RESERVES AND PROVISIONS

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

SHARE CAPITAL

During the financial year, the issued and paid-up share capital of the Company was increased from 7,506,580,900 ordinary shares of RM0.10 each to 7,509,975,800 ordinary shares of RM0.10 each by the issuance of 3,394,900 new ordinary shares for cash pursuant to the exercise of share options under the Employee Share Option Scheme. The details of the new ordinary shares issued during the financial year are as follows:

Exercise price per share	Number of issued and paid-up ordinary shares of RM0.10 each '000
RM5.45	**1,478**
RM6.41	**1,559**
RM6.78	**358**
	3,395

These new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE OPTION SCHEME ("ESOS") AND LONG-TERM INCENTIVE PLAN ("LTIP")

(a) ESOS

Pursuant to the ESOS implemented on 17 September 2009, the Company will make available new shares, not exceeding in aggregate 250,000,000 shares during the existence of the ESOS/LTIP, to be issued under the share options granted. The ESOS is for the benefit of eligible employees and eligible directors (executive and non-executive) of the Group. The ESOS is for a period of 10 years and is governed by the ESOS Bye-Laws as set out in the Company's Prospectus dated 28 October 2009 issued in relation to its initial public offering.

An ESOS/LTIP Committee comprising Directors of the Company has been set up to administer the ESOS/LTIP. The ESOS/LTIP Committee may from time to time, offer share options to eligible employees and eligible directors of the Group to subscribe for new ordinary shares of RM0.10 each in the Company.

Details of the ESOS are disclosed in Note 31(b) to the financial statements.

EMPLOYEE SHARE OPTION SCHEME ("ESOS") AND LONG-TERM INCENTIVE PLAN ("LTIP") (CONTINUED)

(a) ESOS (CONTINUED)

During the financial year, 69,622,800 new share options under the ESOS were granted to the employees of the Group. The movement of the total share options issued under the ESOS is as follows:

	Quantity '000
Total outstanding as at 1 January 2015	33,859
Total granted	69,623
Total exercised	(3,395)
Total forfeited/lapsed	(3,290)
Total outstanding as at 31 December 2015	96,797

(b) LTIP

The Company's LTIP is governed by the By-Laws which was approved by the shareholders on 28 April 2015 and is administered by the ESOS/LTIP Committee which is appointed by the Board of Directors of the Company, in accordance with the By-Laws. The ESOS/LTIP Committee may from time to time, offer LTIP to eligible employees (including an executive director) of the Group and includes any person who is proposed to be employed as an employee of the Group (including an executive director).

The maximum number of new shares which may be made available under the LTIP and/or allotted and issued upon vesting of the new shares under the LTIP shall not, when aggregated with the total number of new shares allotted and issued and/or to be allotted and issued under the existing ESOS, exceed 250,000,000 shares at any point of time during the duration of the LTIP.

The LTIP comprises a Performance Share Grant ("PS Grant") and a Restricted Share Grant ("RS Grant") which shall be in force for a period of 10 years commencing from the effective date of the implementation of the LTIP. The LTIP took effect on 31 July 2015.

Details of the LTIP are disclosed in Note 31(c) to the financial statements.

During the financial year, 8,376,000 PS Grant under the LTIP were granted to the eligible employees of the Group. Subject to the terms and conditions of the By-Laws governing the LTIP, the employees shall be entitled to receive new ordinary share of RM0.10 each in the Company, to be allotted and issued pursuant to the LTIP ("new shares"), upon vesting of the new shares after meeting the vesting conditions as set out in the letter of offer for the shares under the LTIP. The vesting conditions comprising, amongst others, the performance targets and/or conditions for the period commencing from 1 January 2015 and ending on 31 December 2017, as stipulated by ESOS/LTIP Committee. The vesting date is on 30 April 2018, subject to meeting such performance targets.

The movement of the PS Grant under the LTIP is as follows:

	Quantity '000
Total granted	8,376
Total forfeited	(91)
Total outstanding as at 31 December 2015	8,285

EMPLOYEE SHARE OPTION SCHEME ("ESOS") AND LONG-TERM INCENTIVE PLAN ("LTIP") (CONTINUED)

The Company was granted a relief by the Companies Commission of Malaysia on 26 January 2016 from having to disclose in this Report, the names of employees who have been granted share options in aggregate of less than 250,000 share options during the financial year.

The employees who have been granted share options in aggregate of 250,000 or more than 250,000 share options during the financial year are as follows:

	Number of share options			
Name	As at 1.1.2015	Granted	Exercised	As at 31.12.2015
Nasution bin Mohamed	-	500,000	-	500,000
Dushyanthan Vaithiyanathan	-	500,000	-	500,000
Morten Bangsgaard	-	500,000	-	500,000
Tan Lay Han	250,500	500,000	-	750,500
Adzhar Ibrahim	-	500,000	-	500,000
Shanti Jusnita Binti Johari	83,500	250,000	-	333,500
Abdul Karim Fakir Bin Ali	-	250,000	-	250,000
See Swee Choo	-	250,000	-	250,000
Lau Su Lin	-	250,000	-	250,000
Arjun Varma	-	250,000	-	250,000
Tan Cheong Tatt	125,400	250,000	-	375,400
Mariam Bevi Binti P.Dawood Batcha	266,800	250,000	-	516,800
Navin A/L Manian	-	250,000	-	250,000
Ng May Ching	-	250,000	-	250,000
Claire Barbara Marie Bolard	-	250,000	-	250,000

An analysis of the percentage of share options and share grants to key management personnel including directors is as follows:

	Aggregate maximum allocation		Actual allocation[(1)]	
	Since implementation date	Financial year 31.12.2015	Since implementation date	Financial year 31.12.2015
Key management personnel	50%	50%	9.9%	6.5%

Note:

(1) The Directors and Chief Executive Officer of the Company have not, since the implementation of the ESOS and LTIP, been granted any share options and shares.

Directors' Report

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Non-Executive Directors
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
Robert William Boyle
Tan Sri Mokhzani bin Mahathir
Alvin Michael Hew Thai Kheam
Hamidah Naziadin
Fraser Mark Curley
Lim Ghee Keong
Mohammed Abdullah K. Alharbi *(appointed with effect from 29 May 2015)*
Augustus Ralph Marshall *(resigned with effect from 14 July 2015)*
Dr. Ibrahim Abdulrahman H. Kadi *(resigned with effect from 18 March 2015)*
Krishnan Ravi Kumar *(resigned with effect from 30 April 2015)*

Executive Director
Morten Lundal

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from an incentive arrangement, the details of which are disclosed in Note 3 on Directors' Interests below.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than remuneration received or due and receivable by the Directors as shown in Note 8 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/she is a member, or with a company in which he/she has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings, particulars of interests of the Directors who held office at the end of the financial year in shares in the Company are as follows:

	Number of ordinary shares of RM0.10 each in the Company			
	As at 1.1.2015	Acquired	Sold	As at 31.12.2015
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	750,000[(1)]	-	-	750,000[(1)]
Robert William Boyle	100,000	-	-	100,000
Tan Sri Mokhzani bin Mahathir	751,000[(2)]	-	-	751,000[(2)]
Morten Lundal	687,175[(3)]	315,215[(3)]	-	1,002,390[(3)]

DIRECTORS' INTERESTS (CONTINUED)

Notes:

(1) Held through a nominee, namely CIMSEC Nominees (Tempatan) Sdn. Bhd.

(2) Includes deemed interest in 1,000 shares in the Company held by spouse pursuant to Section 134(12)(c) of the Companies Act, 1965.

(3) These shares are currently held by CIMB Commerce Trustee Berhad or its nominee pursuant to the terms and conditions of the incentive arrangement which forms part of the employment contract which the Director has entered into with the Company, the cash incentives payable to the Director were used to acquire shares of the Company from the open market. Subject to fulfilment of the vesting conditions and the terms of the incentive arrangement, these shares will vest on the Director on a deferred basis. In addition to his interest in these shares, the Director is also deemed interested in such additional number of shares in the Company which shall only be determinable in the future, to be acquired using future cash incentives payable to the Director, pursuant to the terms and conditions of such incentive arrangement.

Other than those disclosed above, according to the Register of Directors' shareholdings, none of the Directors in office at the end of the financial year held any interest in shares and options over shares in the Company and its related corporations during the financial year.

IMMEDIATE HOLDING, INTERMEDIATE HOLDING, PENULTIMATE HOLDING AND ULTIMATE HOLDING COMPANIES

The Directors regard BGSM Equity Holdings Sdn. Bhd. as the immediate holding company, BGSM Management Sdn. Bhd. as the intermediate holding company, Maxis Communications Berhad as the penultimate holding company and Binariang GSM Sdn. Bhd. as the ultimate holding company. All these companies are incorporated and domiciled in Malaysia.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

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

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for impairment in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

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

No contingent or other liability 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 of the Company to meet their obligations when they fall due.

At the date of this Report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this Report is made, other than as disclosed in Note 39 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 38 to the financial statements.

EVENT AFTER THE FINANCIAL YEAR

Significant event subsequent to the financial year is disclosed in Note 39 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 4 February 2016.

RAJA TAN SRI DATO' SERI ARSHAD BIN RAJA TUN UDA
DIRECTOR

MORTEN LUNDAL
DIRECTOR

Kuala Lumpur

Statements of Profit or Loss

For the financial year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Revenue	6	**8,600,573**	8,388,502	**2,037,000**	1,985,000
Interconnect expenses, Universal Service Provision contributions and other direct cost of sales		**(2,727,746)**	(2,706,965)	**-**	-
Gross profit		**5,872,827**	5,681,537	**2,037,000**	1,985,000
Other income		**73,931**	106,801	**109**	-
Administrative expenses		**(1,767,311)**	(1,702,619)	**(13,832)**	(12,928)
Network operation costs		**(1,239,262)**	(1,175,175)	**-**	-
Other expenses		**(67,864)**	(95,059)	**(4,326)**	(4,732)
Profit from operations	7	**2,872,321**	2,815,485	**2,018,951**	1,967,340
Finance income	11(a)	**56,673**	44,344	**61,293**	71,477
Finance costs	11(b)	**(468,404)**	(423,805)	**(462,488)**	(417,328)
Profit before tax		**2,460,590**	2,436,024	**1,617,756**	1,621,489
Tax expenses	12	**(713,499)**	(711,200)	**(8)**	(590)
Profit for the financial year		**1,747,091**	1,724,824	**1,617,748**	1,620,899
Attributable to:					
- equity holders of the Company		**1,738,952**	1,717,442		
- non-controlling interest		**8,139**	7,382		
		1,747,091	1,724,824		
Earnings per share for profit attributable to the equity holders of the Company:					
- basic (sen)	13(a)	**23.16**	22.88		
- diluted (sen)	13(b)	**23.15**	22.88		

The notes on pages 86 to 175 form part of these financial statements.

Statements of Comprehensive Income

For the financial year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Profit for the financial year		**1,747,091**	1,724,824	**1,617,748**	1,620,899
Other comprehensive income/(expense)					
Items that will be reclassified subsequently to profit or loss:					
- currency translation differences	32(c)	**-**	49	**-**	-
- net change in cash flow hedge	32(c)	**20,684**	(18,691)	**20,618**	(18,691)
Other comprehensive income/(expense) for the financial year		**20,684**	(18,642)	**20,618**	(18,691)
Total comprehensive income for the financial year		**1,767,775**	1,706,182	**1,638,366**	1,602,208
Attributable to:					
- equity holders of the Company		**1,759,636**	1,698,800		
- non-controlling interest		**8,139**	7,382		
		1,767,775	1,706,182		

The notes on pages 86 to 175 form part of these financial statements.

Statements of Financial Position

As at 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	15	**4,227,252**	4,008,811	**-**	-
Intangible assets	16	**11,267,127**	11,176,121	**-**	-
Investments in subsidiaries	17	**-**	-	**35,045,523**	35,022,142
Loan to a subsidiary	17	**-**	-	**-**	1,205,763
Available-for-sale investment	20	**50**	50	**-**	-
Receivables, deposits and prepayments	21	**49,506**	-	**-**	-
Derivative financial instruments	22	**567,227**	244,452	**567,227**	244,452
Deferred tax assets	23	**55,386**	102,045	**-**	-
TOTAL NON-CURRENT ASSETS		**16,166,548**	15,531,479	**35,612,750**	36,472,357
CURRENT ASSETS					
Inventories	24	**13,247**	12,440	**-**	-
Receivables, deposits and prepayments	21	**1,217,895**	970,453	**527**	1,815
Amounts due from subsidiaries	17	**-**	-	**74**	81
Amount due from penultimate holding company	25	**207**	259	**-**	-
Amounts due from related parties	26	**24,401**	26,584	**-**	-
Loans to subsidiaries	17	**-**	-	**636,795**	-
Derivative financial instruments	22	**210,097**	-	**209,874**	-
Tax recoverable		**56,102**	37,874	**964**	554
Cash and cash equivalents	27	**1,296,448**	1,530,519	**21,153**	185,960
TOTAL CURRENT ASSETS		**2,818,397**	2,578,129	**869,387**	188,410
TOTAL ASSETS		**18,984,945**	18,109,608	**36,482,137**	36,660,767

The notes on pages 86 to 175 form part of these financial statements.

Statements of Financial Position

As at 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
LESS: CURRENT LIABILITIES					
Provisions for liabilities and charges	28	**149,323**	65,012	**-**	-
Payables and accruals	29	**3,466,573**	3,001,627	**482**	893
Amount due to a subsidiary	17	**-**	-	**823**	1,160
Amounts due to fellow subsidiaries	25	**2,212**	487	**-**	-
Amounts due to related parties	26	**9,283**	24,429	**-**	-
Loan from a related party	26	**29,012**	28,875	**-**	-
Loans from a subsidiary	17	**-**	-	**-**	400,000
Borrowings	30	**1,076,948**	879,695	**1,064,080**	865,644
Derivative financial instruments	22	**-**	15,848	**-**	15,848
Taxation		**160,184**	167,275	**-**	-
TOTAL CURRENT LIABILITIES		**4,893,535**	4,183,248	**1,065,385**	1,283,545
NET CURRENT LIABILITIES		**(2,075,138)**	(1,605,119)	**(195,998)**	(1,095,135)
NON-CURRENT LIABILITIES					
Provisions for liabilities and charges	28	**151,038**	134,130	**-**	-
Payables and accruals	29	**425,620**	453,722	**-**	-
Borrowings	30	**8,800,704**	8,118,389	**8,792,724**	8,106,534
Deferred tax liabilities	23	**493,532**	482,352	**-**	-
TOTAL NON-CURRENT LIABILITIES		**9,870,894**	9,188,593	**8,792,724**	8,106,534
NET ASSETS		**4,220,516**	4,737,767	**26,624,028**	27,270,688
EQUITY					
Share capital	31	**750,998**	750,658	**750,998**	750,658
Reserves	32	**3,439,017**	3,964,747	**25,873,030**	26,520,030
Equity attributable to equity holders of the Company		**4,190,015**	4,715,405	**26,624,028**	27,270,688
Non-controlling interest		**30,501**	22,362	**-**	-
TOTAL EQUITY		**4,220,516**	4,737,767	**26,624,028**	27,270,688

The notes on pages 86 to 175 form part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

Group	Note	Attributable to equity holders of the Company: Issued and fully paid ordinary shares of RM0.10 each — Number of shares '000	Issued and fully paid ordinary shares of RM0.10 each — Nominal value RM'000	Share premium RM'000	Merger relief (Note 32(a)) RM'000	Reserve arising from reverse acquisition (Note 32(b)) RM'000	Other reserves (Note 32(c)) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
As at 1 January 2015		7,506,581	750,658	39,012	25,331,550	(22,728,901)	100,161	1,222,925	4,715,405	22,362	4,737,767
Profit for the financial year		-	-	-	-	-	-	1,738,952	1,738,952	8,139	1,747,091
Other comprehensive income for the financial year		-	-	-	-	-	20,684	-	20,684	-	20,684
Total comprehensive income for the financial year		-	-	-	-	-	20,684	1,738,952	1,759,636	8,139	1,767,775
Dividends for the financial year ended 2014	14	-	-	-	(1,201,284)	-	-	-	(1,201,284)	-	(1,201,284)
Dividends for the financial year ended 2015	14	-	-	-	(1,126,402)	-	-	-	(1,126,402)	-	(1,126,402)
Employee Share Option Scheme ("ESOS") and Long-term Incentive Plan ("LTIP"):											
- share-based payment expense		-	-	-	-	-	16,163	-	16,163	-	16,163
- shares issued		3,395	340	21,015	-	-	(904)	-	20,451	-	20,451
- share options lapsed		-	-	-	-	-	(260)	260	-	-	-
Incentive arrangement:											
- share-based payment expense	31(d)	-	-	-	-	-	8,122	-	8,122	-	8,122
- shares acquired		-	-	-	-	-	(2,076)	-	(2,076)	-	(2,076)
Total transactions with owners, recognised directly in equity		3,395	340	21,015	(2,327,686)	-	21,045	260	(2,285,026)	-	(2,285,026)
As at 31 December 2015		7,509,976	750,998	60,027	23,003,864	(22,728,901)	141,890	2,962,137	4,190,015	30,501	4,220,516

The notes on pages 86 to 175 form part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

Group	Note	Attributable to equity holders of the Company: Issued and fully paid ordinary shares of RM0.10 each: Number of shares '000	Nominal value RM'000	Share premium RM'000	Merger relief (Note 32(a)) RM'000	Reserve arising from reverse acquisition (Note 32(b)) RM'000	Other reserves (Note 32(c)) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
As at 1 January 2014		7,503,455	750,345	20,233	27,758,000	(22,728,901)	120,904	81,255	6,001,836	14,980	6,016,816
Profit for the financial year		-	-	-	-	-	-	1,717,442	1,717,442	7,382	1,724,824
Other comprehensive expense for the financial year		-	-	-	-	-	(18,642)	-	(18,642)	-	(18,642)
Total comprehensive (expense)/ income for the financial year		-	-	-	-	-	(18,642)	1,717,442	1,698,800	7,382	1,706,182
Dividends for the financial year ended 2013	14	-	-	-	(625,000)	-	-	(575,841)	(1,200,841)	-	(1,200,841)
Dividends for the financial year ended 2014	14	-	-	-	(1,801,450)	-	-	-	(1,801,450)	-	(1,801,450)
ESOS:											
- share-based payment expense	31(b)	-	-	-	-	-	2,389	-	2,389	-	2,389
- shares issued		3,126	313	18,779	-	-	(607)	-	18,485	-	18,485
- share options lapsed		-	-	-	-	-	(69)	69	-	-	-
Incentive arrangement:											
- share-based payment expense	31(d)	-	-	-	-	-	977	-	977	-	977
- shares acquired		-	-	-	-	-	(4,791)	-	(4,791)	-	(4,791)
Total transactions with owners, recognised directly in equity		3,126	313	18,779	(2,426,450)	-	(2,101)	(575,772)	(2,985,231)	-	(2,985,231)
As at 31 December 2014		7,506,581	750,658	39,012	25,331,550	(22,728,901)	100,161	1,222,925	4,715,405	22,362	4,737,767

The notes on pages 86 to 175 form part of these financial statements.

Statements of Changes in Equity
For the financial year ended 31 December 2015

Company	Note	Issued and fully paid ordinary shares of RM0.10 each: Number of shares '000	Issued and fully paid ordinary shares of RM0.10 each: Nominal value RM'000	Share premium RM'000	Other reserves (Note 32(c)) RM'000	Merger relief (Note 32(a)) RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 January 2015		7,506,581	750,658	39,012	100,161	25,331,550	1,049,307	27,270,688
Profit for the financial year		-	-	-	-	-	1,617,748	1,617,748
Other comprehensive income for the financial year		-	-	-	20,618	-	-	20,618
Total comprehensive income for the financial year		-	-	-	20,618	-	1,617,748	1,638,366
Dividends for the financial year ended 2014	14	-	-	-	-	(1,201,284)	-	(1,201,284)
Dividends for the financial year ended 2015	14	-	-	-	-	(1,126,402)	-	(1,126,402)
ESOS and LTIP:								
- share-based payment expense		-	-	-	16,163	-	-	16,163
- shares issued		3,395	340	21,015	(904)	-	-	20,451
- share options lapsed		-	-	-	(260)	-	260	-
Incentive arrangement:								
- share-based payment expense	31(d)	-	-	-	8,122	-	-	8,122
- shares acquired		-	-	-	(2,076)	-	-	(2,076)
Total transactions with owners, recognised directly in equity		3,395	340	21,015	21,045	(2,327,686)	260	(2,285,026)
As at 31 December 2015		7,509,976	750,998	60,027	141,824	23,003,864	2,667,315	26,624,028

The notes on pages 86 to 175 form part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

Company	Note	Issued and fully paid ordinary shares of RM0.10 each Number of shares '000	Nominal value RM'000	Share premium RM'000	Other reserves (Note 32(c)) RM'000	Merger relief (Note 32(a)) RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 January 2014		7,503,455	750,345	20,233	120,953	27,758,000	4,180	28,653,711
Profit for the financial year		-	-	-	-	-	1,620,899	1,620,899
Other comprehensive expense for the financial year		-	-	-	(18,691)	-	-	(18,691)
Total comprehensive (expense)/ income for the financial year		-	-	-	(18,691)	-	1,620,899	1,602,208
Dividends for the financial year ended 2013	14	-	-	-	-	(625,000)	(575,841)	(1,200,841)
Dividends for the financial year ended 2014	14	-	-	-	-	(1,801,450)	-	(1,801,450)
ESOS:								
- share-based payment expense	31(b)	-	-	-	2,389	-	-	2,389
- shares issued		3,126	313	18,779	(607)	-	-	18,485
- share options lapsed		-	-	-	(69)	-	69	-
Incentive arrangement:								
- share-based payment expense	31(d)	-	-	-	977	-	-	977
- shares acquired		-	-	-	(4,791)	-	-	(4,791)
Total transactions with owners, recognised directly in equity		3,126	313	18,779	(2,101)	(2,426,450)	(575,772)	(2,985,231)
As at 31 December 2014		7,506,581	750,658	39,012	100,161	25,331,550	1,049,307	27,270,688

The notes on pages 86 to 175 form part of these financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial year	**1,747,091**	1,724,824	**1,617,748**	1,620,899
Adjustments for:				
Allowance for:				
- impairment of receivables, deposits and prepayments	**61,441**	96,584	**-**	-
- inventories obsolescence	**1,780**	2,515	**-**	-
Amortisation of intangible assets	**277,720**	248,417	**-**	-
Bad debts recovered	**(19,003)**	(17,889)	**-**	-
Depreciation of property, plant and equipment	**1,153,751**	1,155,866	**-**	-
Dividend income	**-**	-	**(2,037,000)**	(1,985,000)
Fair value gains on forward foreign exchange contracts	**(1,950)**	-	**-**	-
Finance costs	**468,404**	423,805	**462,488**	417,328
Finance income	**(56,673)**	(44,344)	**(61,293)**	(71,477)
Gain on disposal of property, plant and equipment	**(1,586)**	(4,359)	**-**	-
Inventories written down	**-**	3,871	**-**	-
Loss on liquidation of a subsidiary	**-**	49	**-**	-
Property, plant and equipment written off, net of adjustment	**29,755**	14,770	**-**	-
Provision for:				
- contract obligations and legal claims	**7,897**	11,484	**-**	-
- site rectification and decommissioning works	**1,961**	2,660	**-**	-
- staff incentive scheme	**98,333**	48,914	**-**	-
Reversal of allowance for:				
- impairment of property, plant and equipment	**(532)**	(1,165)	**-**	-
- impairment of receivables, deposits and prepayments	**(14,077)**	(24,449)	**-**	-
- inventories obsolescence	**(2,136)**	(14,620)	**-**	-
Share-based payments	**24,285**	3,366	**-**	-
Tax expenses	**713,499**	711,200	**8**	590
Unrealised loss on foreign exchange	**94,349**	43,542	**-**	-
Write-back of provision for:				
- Career Transition Scheme ("CTS") costs	**-**	(793)	**-**	-
- contract obligations and legal claims	**-**	(22,093)	**-**	-
- site rectification and decommissioning works	**(4,601)**	(2,636)	**-**	-
- staff incentive scheme	**-**	(40,820)	**-**	-
	4,579,708	4,318,699	**(18,049)**	(17,660)

The notes on pages 86 to 175 form part of these financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Payment for CTS costs	28	**-**	(18,576)	**-**	-
Payment for contract obligations and legal claims	28	**(6,125)**	(8,004)	**-**	-
Payment under staff incentive scheme	28	**(8,730)**	(38,569)	**-**	-
Payments for site rectification and decommissioning works	28	**(5,066)**	(1,887)	**-**	-
Operating cash flows before working capital changes		**4,559,787**	4,251,663	**(18,049)**	(17,660)
Changes in working capital:					
Inventories		**(451)**	66,227	**-**	-
Receivables		**(326,124)**	(75,594)	**220**	121
Payables		**476,578**	462,597	**(416)**	70
Related parties balances		**(12,965)**	(1,861)	**-**	-
Fellow subsidiaries balances		**1,725**	(3,161)	**-**	-
Penultimate holding company balances		**52**	43	**-**	36
Subsidiaries balances		**-**	-	**1,142**	(5,716)
Cash flows from/(used in) operations		**4,698,602**	4,699,914	**(17,103)**	(23,149)
Dividends received		**-**	-	**2,037,000**	1,985,000
Interest received		**55,764**	43,314	**65,063**	71,465
Tax paid		**(680,979)**	(636,856)	**(418)**	(906)
Net cash flows from operating activities		**4,073,387**	4,106,372	**2,084,542**	2,032,410
CASH FLOWS FROM INVESTING ACTIVITIES					
Loan to a subsidiary		**-**	-	**(690,000)**	-
Loans repayment from subsidiaries		**-**	-	**650,000**	150,000
Purchase of intangible assets		**(368,726)**	(257,960)	**-**	-
Purchase of property, plant and equipment		**(1,511,820)**	(978,370)	**-**	-
Proceeds from disposal of property, plant and equipment		**1,586**	4,393	**-**	-
Net cash flows (used in)/from investing activities		**(1,878,960)**	(1,231,937)	**(40,000)**	150,000

The notes on pages 86 to 175 form part of these financial statements.

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares pursuant to ESOS		**20,451**	18,485	**20,451**	18,485
Shares acquired pursuant to incentive arrangement		**(2,076)**	(4,791)	**(2,076)**	-
Drawdown of borrowings		**1,190,000**	2,150,000	**1,190,000**	2,150,000
Loans from a subsidiary		**-**	-	**610,000**	-
Repayment of loans from a subsidiary		**-**	-	**(405,000)**	-
Repayment of borrowings		**(841,500)**	(920,750)	**(841,500)**	(920,750)
Repayment of lease financing		**(7,568)**	(2,181)	**-**	-
Payments of finance costs		**(460,602)**	(390,645)	**(453,538)**	(402,533)
Ordinary share dividends paid		**(2,327,686)**	(3,002,291)	**(2,327,686)**	(3,002,291)
Net cash flows used in financing activities		**(2,428,981)**	(2,152,173)	**(2,209,349)**	(2,157,089)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(234,554)**	722,262	**(164,807)**	25,321
EFFECTS OF EXCHANGE RATE CHANGES		**483**	311	**-**	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**1,530,519**	807,946	**185,960**	160,639
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	27	**1,296,448**	1,530,519	**21,153**	185,960

The notes on pages 86 to 175 form part of these financial statements.

1 GENERAL INFORMATION

The principal activity of the Company is investment holding, whilst the principal activities of the Group, comprising the Company and its subsidiaries, are the provision of mobile, fixed line and international gateway telecommunications services as well as Internet and broadband services, and corporate support functions for the Group. Details of the principal activities of the subsidiaries are shown in Note 18 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The Directors regard BGSM Equity Holdings Sdn. Bhd. as the immediate holding company, BGSM Management Sdn. Bhd. as the intermediate holding company, Maxis Communications Berhad ("MCB") as the penultimate holding company and Binariang GSM Sdn. Bhd. ("BGSM") as the ultimate holding company. All these companies are incorporated and domiciled in Malaysia.

The address of the registered office of business of the Company is as follows:

Level 21, Menara Maxis
Kuala Lumpur City Centre
Off Jalan Ampang
50088 Kuala Lumpur

The address of the principal place of business of the Company is as follows:

Level 8, 11, 14 - 25, Menara Maxis
Kuala Lumpur City Centre
Off Jalan Ampang
50088 Kuala Lumpur

2 BASIS OF PREPARATION

The financial statements of the Group and of 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 summary of significant accounting policies in Note 3 to the financial statements.

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgments 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 4 to the financial statements.

(a) Improvements to published standards that are effective and applicable to the Group and the Company

The Group and the Company have applied the following improvements to published standards that are applicable to the Group and the Company for the first time for the financial year beginning on 1 January 2015:

- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle

The adoption of the above improvements to published standards did not have any significant effect on the consolidated and separate financial statements of the Group and the Company respectively upon their initial application.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective

A number of new standards and amendments to published standards are effective for financial year beginning after 1 January 2015. None of these is expected to have a significant effect on the consolidated and separate financial statements of the Group and the Company respectively, except for standards set out below:

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. 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 fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For financial liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The Group and the Company are in the process of assessing the impact of MFRS 9.

- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The standard 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. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group and the Company are in the process of assessing the impact of MFRS 15.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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 and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in the statement of profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate 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 net identifiable assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 directly in the statement of profit or loss. See accounting policy Note 3(d)(ii) on goodwill.

Inter-company 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 policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

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

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, 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. This may mean that amounts previously recognised in other comprehensive income are reclassified to the statement of profit or loss.

(b) 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"). These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

When there is a change in an entity's functional currency, the entity shall apply the translation procedures applicable to the new functional currency prospectively from the date of the change.

(ii) Transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the date of the transactions.

Monetary assets and liabilities in foreign currencies at the reporting date are translated into the functional currency at exchange rates ruling at the date.

Exchange differences arising from the settlement of foreign currency transactions and the translation of monetary assets and liabilities denominated in foreign currencies at year end are recognised in the statement of profit or loss. However, exchange differences are deferred in other comprehensive income when they arise from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

(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 date of that statement of financial position;
- income and expenses for each statement of profit or loss 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 at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of, exchange differences that were recorded in equity are reclassified to the statement of profit or loss, as part of the gain or loss on sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies (continued)

(iv) Closing rates

The principal closing rates used in translation of foreign currency amounts were as follows:

Foreign currencies	2015 RM	2014 RM
1 Singapore Dollar ("SGD")	**3.04**	2.65
1 Special Drawing Rights ("SDR")[1]	**5.98**	5.08
1 United States Dollar ("USD")	**4.30**	3.50

Note:
[1] Represents the closing international accounting settlement rate with international carriers.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure (including borrowing and staff costs) that is directly attributable to the acquisition of property, plant and equipment and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of certain property, plant and equipment items include the costs of dismantling and removing the item and restoring the sites on which these items are located. These costs are due to obligations incurred either when the items were installed or as a consequence of having used these items during a particular period.

Certain telecommunications assets are stated at the amount of cash or cash equivalent that would have to be paid if the same or an equivalent asset was acquired. Included in telecommunications equipment are purchased computer software costs which are integral to such equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits 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 statement of profit or loss during the financial year in which they are incurred.

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

Leasehold land and buildings held for own use are classified as operating or finance leases in the same way as leases of other assets.

Long-term leasehold land is land with a remaining lease period exceeding 50 years. Leasehold land is amortised over the lease term on a straight-line method, summarised as follows:

Long-term leasehold land	77 – 90 years
Short-term leasehold land	50 years

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

All other property, plant and equipment are depreciated on the straight-line method to write-off the cost of each category of assets to its residual value over its estimated useful life, summarised as follows:

Buildings	42 – 50 years
Telecommunications equipment	2 – 25 years
Submarine cables (included within telecommunications equipment)	10 – 25 years
Site decommissioning works (included within telecommunications equipment)	15 years
Motor vehicles	5 years
Office furniture, fittings and equipment	3 – 7 years

Capital work-in-progress and capital inventories comprising mainly telecommunications equipment, information technology system and renovations are not depreciated until they are ready for their intended use.

Residual values and useful lives are reassessed and adjusted, if appropriate, at each reporting date.

At each reporting date, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(g)(i) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of profit or loss.

(d) Intangible assets

The Group acquires intangible assets either as part of a business combination or through separate acquisition. Intangible assets acquired in a business combination are recorded at their fair value at the date of acquisition and recognised separately from goodwill. On initial acquisition, management judgment is applied to determine the appropriate allocation of purchase consideration to the assets being acquired, including goodwill and identifiable intangible assets.

(i) Spectrum rights

The Group's spectrum rights consist of telecommunications licences with allocated spectrum rights which were acquired as part of a business combination and other spectrum rights. Spectrum rights that are considered to have an indefinite economic useful life are not amortised but tested for impairment on an annual basis, and where an indication of impairment exists. Spectrum rights that are considered to have a finite life are amortised on a straight-line basis over the period of expected benefit and assessed at each reporting date whether there is any indication of impairment exists.

See accounting policy Note 3(g)(i) on impairment of non-financial assets.

The estimated useful lives of the spectrum rights of the Group are as follows:

Telecommunications licences with allocated spectrum rights	Indefinite life
Other spectrum rights	4 years

Management assesses the indefinite economic useful life assumption applied to the acquired intangible assets annually.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(ii) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregation of the consideration transferred for purchase of subsidiaries or businesses, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill is measured at cost less any accumulated impairment losses. Negative goodwill is recognised immediately in the statement of profit or loss.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. See accounting policy Note 3(g)(i) on impairment of non-financial assets. Each CGU or a group of CGUs represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which is expected to benefit from the synergies of the combination.

(iii) Customer acquisition costs

Expenditures incurred in providing the customer a free or subsidised device including installation costs, provided the customer signs a non-cancellable contract for a predetermined contractual period of one to two years, are capitalised as intangible assets and amortised over the contractual period on a straight-line method. Customer acquisition costs are assessed at each reporting date whether there is any indication that the customer acquisition costs may be impaired. See accounting policy Note 3(g)(i) on impairment of non-financial assets.

(e) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost plus the fair value of share options, share grants and shares acquired, over the Company's equity instruments for employees (including full-time executive directors) of the subsidiaries during the vesting period, deemed as capital contribution. See accounting policy Note 3(t)(v) on share-based compensation benefits. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(g)(i) on impairment of non-financial assets.

(f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(i) Classification and measurement

Financial assets

The Group and the Company classify their financial assets in the following categories: at fair value through profit or loss, held-to-maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and, in the case of assets classified as held-to-maturity, reassesses this designation at each reporting date.

The Group and the Company do not hold any financial assets carried at fair value through profit or loss (except for derivative financial instruments) and held-to-maturity. See accounting policy Note 3(h) on derivative financial instruments and hedging activities.

Financial assets are classified as current assets; except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets in this category are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these assets are recognised in the statement of profit or loss.

The Group's and the Company's loans and receivables comprise receivables (including inter-companies and related parties balances), cash and cash equivalents in the statement of financial position.

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Financial assets in this category are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset and subsequently, at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments, interest and dividends are recognised in the statement of profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the statement of profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments for which the fair value cannot be reliably measured are recognised at cost less impairment loss.

The Group's available-for-sale financial asset comprises investment in unquoted shares.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(i) Classification and measurement (continued)

Financial liabilities

The Group and the Company classify their financial liabilities in the following categories: at fair value through profit or loss, other financial liabilities and financial guarantee contracts. Management determines the classification of financial liabilities at initial recognition.

The Group and the Company do not hold any financial liabilities carried at fair value through profit or loss (except for derivative financial instruments) and financial guarantee contracts. See accounting policy Note 3(h) on derivative financial instruments and hedging activities.

Other financial liabilities are non-derivative financial liabilities. Other financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial liability and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the statement of profit or loss.

The Group's and the Company's other financial liabilities comprise payables (including inter-companies and related parties balances) and borrowings in the statement of financial position. Financial liabilities are classified as current liabilities; except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current liabilities.

(ii) Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Group and the Company become party to the contractual provisions of the instrument.

(iii) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the risks and rewards relating to the financial assets have expired or have been fully transferred or have been partially transferred with no control over the same.

Financial liabilities are derecognised when the liability is either discharged, cancelled, expired or has been restructured with substantially different terms.

(iv) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of assets

(i) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite economic useful life are subject to amortisation and are reviewed for impairment 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 costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Any impairment loss is charged to the statement of profit or loss. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the statement of profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

(ii) Financial assets

Financial assets carried at amortised cost

Financial assets are impaired when there is objective evidence as a result of one or more events that the present value of estimated discounted future cash flows is lower than the carrying value. Any impairment losses are recognised immediately in the statement of profit or loss.

Financial assets are continuously monitored and allowances applied against financial assets consist of both specific impairments and collective impairments based on the Group's and the Company's historical loss experiences for the relevant aged category and taking into account general economic conditions. Historical loss experience allowances are calculated by line of business in order to reflect the specific nature of the financial assets relevant to that line of business.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

Financial assets classified as available-for-sale

Significant or prolonged decline in fair value below cost and significant financial difficulties of the issuer or obligor are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is reclassified from equity to the statement of profit or loss. Impairment losses in the statement of profit or loss on available-for-sale equity investments are not reversed through the statement of profit or loss in the subsequent period. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date.

A derivative financial instrument is carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative that does not qualify for hedge accounting are classified as "held for trading" financial instrument. Changes in fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

The Group and the Company designate and document 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 and the Company assess both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, and apply hedge accounting only where effectiveness tests are met on both a prospective and retrospective basis. The 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 current liability.

The Group and the Company do not have any fair value hedges and net investment hedges.

Cash flow hedge

The Group and the Company use cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency and/or interest rate fluctuations over the hedging period on the Group's and the Company's borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains and losses on remeasuring the fair value of the hedging instrument is recognised in other comprehensive income and accumulated in equity in the cash flow hedging reserve until such time as the hedged items affect profit or loss, then the gains or losses are reclassified to the statement of profit or loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the statement of profit or loss. The application of hedge accounting will create some volatility in equity reserve balances.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time remain in equity and are recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. Where a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately reclassified to the statement of profit or loss.

(i) Fair value estimates

The fair value of the financial assets, financial liabilities and derivative financial instruments is estimated for recognition and measurement or for disclosure purposes.

In assessing the fair value of financial instruments, the Group and the Company make certain assumptions and apply the estimated discounted value of future cash flows to determine the fair value of financial instruments. The fair values of financial assets and financial liabilities are estimated by discounting future cash flows at the current interest rate available to the respective companies.

The face values for financial assets and financial liabilities with a maturity of less than one year are assumed to be approximately equal to their fair values.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Fair value estimates (continued)

For derivative financial instruments that are measured at fair value, the fair values are determined using a valuation technique which utilises data from recognised financial information sources. Assumptions are based on market conditions existing at each reporting date. The fair values of cross currency interest rate and interest rate swaps are calculated as the present value of estimated future cash flow using an appropriate market-based yield curve. The fair values of forward foreign exchange contracts are determined using the forward exchange rates as at each reporting date.

(j) Inventories

Inventories, which comprise telecommunications components, incidentals and devices, are stated at the lower of cost and net realisable value. Cost includes the actual cost of materials and incidentals in bringing the inventories to their present location and condition, and is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Receivables

Receivables are carried at invoice amount and/or income earned less an allowance for impairment. The allowance is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables. When the debt becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the statement of profit or loss.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

(m) Share capital

(i) Classification

Ordinary shares and 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. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

External costs directly attributable to the issue of new shares are deducted, net of tax, against proceeds and shown in equity.

(iii) Dividends to shareholders of the Company

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Directors except for the final dividend which is subject to approval by the Company's shareholders.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Payables

Payables, including accruals, represent liabilities for goods received and services rendered to the Group and the Company prior to the end of the financial year and which remain unpaid. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets. Other borrowing costs are recognised as an expense in the statement of profit or loss when incurred.

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 drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility 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.

Interest expense, redeemable preference shares dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance costs in the statement of profit or loss.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit or loss within finance costs.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(i) Borrowings in a designated hedging relationship

Borrowings subject to cash flow hedges are recognised initially at fair value based on the applicable spot price plus any transaction costs that are directly attributable to the issue of borrowing. These borrowings are subsequently carried at amortised costs, translated at applicable spot exchange rate at reporting date. Any difference between the final amount paid to discharge the borrowing and the initial proceeds is recognised in the statement of profit or loss over the borrowing period using the effective interest method.

Currency gains or losses on the borrowings are recognised in the statement of profit or loss, along with the associated gains or losses on the hedging instrument, which have been reclassified from the cash flow hedging reserve to the statement of profit or loss.

(ii) Borrowings not in a designated hedging relationship

Borrowings not in a designated hedging relationship are initially recognised at fair value plus transaction costs that are directly attributable to the issue of borrowing. These borrowings are subsequently carried at amortised costs. Any difference between the final amount paid to discharge the borrowing and the initial proceeds is recognised in the statement of profit or loss over the borrowing period using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Provisions for liabilities and charges

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. Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation by discounting the expected future cash flows at 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 interest expense.

(i) Site rectification and decommissioning works

Provision for site rectification works is based on management's best estimate and the past trend of costs for rectification works to be carried out to fulfil new regulatory guidelines and requirements imposed after network cell sites were built.

Provision for decommissioning works is the estimated costs of dismantling and removing the structures on identified sites and restoring these sites. This obligation is incurred either when the items are installed or as a consequence of having used the items during a particular period.

(ii) Contract obligations and legal claims

Provisions for contract obligations and legal claims are made in respect of network and content costs. The Group and the Company recognise a provision for contract obligations when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Contract obligations are measured at the lower of cost to fulfil the contract or the cost to exit it.

(iii) Staff incentive scheme

Provision for staff incentive scheme is based on management's best estimate of the total amount payable as at reporting date based on the service and/or performance conditions of individual employees and/or financial performance of the Group.

(iv) Restructuring costs

Provision for restructuring costs is made in respect of employee termination payments under the Career Transition Scheme ("CTS") based on management's best estimate of the amount payable as at reporting date offered to selected employees. See accounting policy Note 3(t)(ii) on employee termination benefits.

(q) Income taxes

The tax expenses for the period comprise current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, and real property gains taxes payable on disposal of properties.

Deferred tax is provided 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 liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also 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 or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, investment tax allowance or unused tax losses can be utilised.

Deferred tax liability is recognised for all taxable temporary differences arising on investments in subsidiaries except for deferred tax liability where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively 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.

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred and current 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 tax assets and liabilities relate to taxes levied by the same taxation authority or either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

(r) Finance leases and hire purchase agreements

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

Finance leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance lease balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets acquired under finance leases or hire purchase agreements are depreciated or amortised over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

(s) Operating leases

Leases of assets where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the lease period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts an offer of benefits in exchange for termination of employment. The Group and the Company recognise 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 the employee. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iii) Post-employment benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity on a mandatory, contractual or voluntary basis, and the Group and the Company have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's and the Company's contributions to defined contribution plans are charged to the statement of profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. The Group and the Company recognise a provision when an employee has provided services in exchange for employee benefits to be paid in the future. When contributions to a defined contribution plan are not expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service, they shall be discounted to present value.

(iv) Other long-term employee benefits

The liabilities for deferred remuneration are not expected to be settled wholly within 12 months after the end of the reporting period in which the employee services are provided. When the level of benefit depends on the length of service, an obligation arises when the service is rendered. Measurement of that obligation reflects the probability that payment will be required and the length of time for which payment is expected to be made.

The obligation is presented as current liabilities in the statement of financial position if the Group and the Company do not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(v) Share-based compensation benefits

The Group and the Company operate equity-settled, share-based compensation plans for eligible employees (including full-time executive directors) of the Group and of the Company, pursuant to the Employee Share Option Scheme ("ESOS"), Long-term Incentive Plan ("LTIP") and incentive arrangement. Where the Group and the Company pay for services of employees using the share options and shares, the fair value of the share options, share grants and shares acquired in exchange for the services of the employees are recognised as an employee benefit expense in the statement of profit or loss over the vesting periods, with a corresponding increase in equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (continued)

(v) Share-based compensation benefits (continued)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options and shares at grant date and the number of share options and shares to be vested by the vesting date. At each reporting date, the Group and the Company revise their estimates of the number of share options and shares that are expected to be vested by the vesting date. Any revision of this estimate is included in the statement of profit or loss and with the corresponding adjustment in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and grant date.

The fair value of share options is measured using a modified Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on maturity of the share options), expected dividends and the risk-free interest rate (based on data from recognised financial information sources). The fair value of share grants and shares acquired for employees for nil consideration under the LTIP and incentive arrangement respectively, are measured using the observable market price of the shares at the grant date.

Non-market vesting conditions attached to the transactions are not taken into account in determining fair value. Non-market vesting and service conditions are included in assumptions about the number of options or shares that are expected to vest.

When share options or share grants are exercised, the proceeds received, if any, from the exercise of the share options or share grants together with the corresponding share-based payments reserve, net of any directly attributable transaction costs are transferred to share capital (nominal value) and share premium. If the share options or share grants expire or lapse, the corresponding share-based payments reserve attributable to the share options or share grants are transferred to retained earnings.

When share options or share grants are forfeited due to failure by the employee to satisfy the service and/or performance conditions, any expenses previously recognised in relation to such share options or share grants are reversed effective on the date of the forfeiture.

When shares of the Company are acquired from the open market at market price using cash incentive payable to employees, the transactions are recorded in share-based payments reserve.

In the separate financial statements of the Company, the share options, share grants and shares acquired, over the Company's equity instruments for the employees of subsidiary undertakings in the Group, are treated as a capital contribution. The fair value of the share options, share grants and shares acquired to employees of the subsidiary in exchange for the services of employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and of the Company's activities. The Group's revenue is shown net of returns, rebates, discounts and amounts collected on behalf of third parties and after eliminating sales within the Group.

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's and of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group and the Company base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

(i) Telecommunications revenue

Revenues from mobile postpaid services and fixed line services are recognised when services are rendered for usage based billing and on time proportion basis for fixed fee or time based billing. Service discounts and incentives are accounted for as a reduction of revenue when granted.

Revenue from mobile prepaid services comprises sales of starter packs and prepaid top-up tickets. Revenue from sales of starter packs is recognised at the point of sale to third parties while the revenue from the preloaded talk time within the pack is recognised when services are rendered. Revenue from sales of prepaid top-up tickets is recognised when services are rendered. The credits on preloaded talk time within the starter packs and prepaid top-up tickets can be deferred up to the point of customer churn or upon expiry, after which such amounts are recognised as revenue.

Unutilised credits of prepaid top-up tickets sold to customers and distributors and unutilised airtime on certain postpaid rate plans which have been deferred as described above are recognised as deferred income.

Revenues from the provision of network facilities, public switched services, Internet services and Internet application services are recognised at the time of customer usage and when services are rendered. Service discounts and incentives are accounted as a reduction of revenue when granted.

Revenue earned from carriers for international gateway services is recognised at the time the calls occur and when services are rendered.

Revenue from the sale of devices is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.

Where the Group's role in a transaction is that of a principal, revenue is recognised on a gross basis, representing the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost. Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis and represents the margin earned.

(ii) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

(iii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

(v) Government grants

As a Universal Service Provider ("USP"), the Group is entitled to claim certain qualified expenses from the relevant authorities in relation to USP projects. The claim qualifies as a government grant and is recognised at its fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss 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 payables and accruals as government grant and are credited to the statement of profit or loss on a straight-line basis over the expected useful lives of the related assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Contingent liabilities

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 the 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.

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

The Group recognises separately the contingent liabilities of the acquiree 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 acquisition.

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 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 "Revenue".

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers comprising the Chief Executive Officer and the Chief Financial and Strategy Officer. The chief operating decision-makers are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 and the Company make 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 on the Group's and the Company'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 financial year are outlined below.

(a) Intangible assets

The telecommunications licences with allocated spectrum rights are not subject to amortisation and are tested annually for impairment as the Directors are of the opinion that the licences can be renewed in perpetuity at negligible cost and the associated spectrum rights, similar to land, have an indefinite economic useful life. Correspondingly, deferred tax has not been recognised.

The estimated economic useful life reflects the Group's expectation of the period over which the Group will continue to recover benefits from the licence.

The economic useful life is periodically reviewed, taking into consideration such factors as changes in technology and the regulatory environment. See Note 16 to the financial statements for the key assumptions on the impairment assessment of intangible assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Critical accounting estimates and assumptions (continued)

(b) Estimated useful lives and impairment assessment of property, plant and equipment

The Group reviews annually the estimated useful lives and assesses for indicators of impairment of property, plant and equipment based on factors such as business plans and strategies, historical sector and industry trends, general market and economic conditions, expected level of usage, future technological developments and other available information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any impairment or reduction in the estimated useful lives of property, plant and equipment would increase charges to the statement of profit or loss and decrease their carrying value. Impairment assessment was carried out for dedicated telecommunications equipment during the financial year. See Note 15 to the financial statements for the impact of the changes in the estimated useful lives and impairment of property, plant and equipment.

(c) Provisions for liabilities and charges

The Group recognises provisions for liabilities and charges when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provision requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each reporting date and adjusted to reflect the Group's current best estimate. See Note 28 to the financial statements for the impact on change in estimate in relation to the provision for site rectification and decommissioning works.

5 SEGMENT REPORTING

Segment reporting is not presented as the Group is primarily engaged in providing integrated telecommunication services in Malaysia, whereby the measurement of profit or loss including EBITDA[1] that is used by the chief operating decision-makers is on a Group basis.

The Group's operations are mainly in Malaysia. In determining the geographical segments of the Group, revenues are based on the country in which the customer or international operator is located. Non-current assets by geographical segments are not disclosed as all operations of the Group are based in Malaysia.

	Group	
	2015 RM'000	**2014 RM'000**
Malaysia	**8,417,789**	8,122,353
Other countries[2]	**182,784**	266,149
Total revenue	**8,600,573**	8,388,502
EBITDA	**4,331,429**	4,229,063

Notes:

[1] Defined as profit before finance income, finance costs, tax, depreciation, amortisation and allowance for write down of identified network costs.

[2] Represents revenue from roaming partners and hubbing revenue.

6 REVENUE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Telecommunication services	**8,569,917**	8,333,854	**-**	-
Sale of devices	**30,656**	54,648	**-**	-
Dividend income from subsidiaries	**-**	-	**2,037,000**	1,985,000
	8,600,573	8,388,502	**2,037,000**	1,985,000

7 PROFIT FROM OPERATIONS

The following items have been charged/(credited) in arriving at the profit from operations:

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Allowance for:					
- impairment of receivables, deposits and prepayments	21	**61,441**	96,584	**-**	-
- inventories obsolescence		**1,780**	2,515	**-**	-
Amortisation of intangible assets	16	**277,720**	248,417	**-**	-
Auditors' remuneration:(1)					
- fees for statutory audits:					
- auditors of the Group		**739**	1,197	**30**	48
- fees for audit related services:					
- auditors of the Group(2)		**533**	746	**271**	618
- others		**40**	34	**-**	-
- fees for other services:					
- member firms of PwC Malaysia(3)		**2,446**	2,088	**18**	53
- others		**70**	-	**-**	-
Bad debts recovered		**(19,003)**	(17,889)	**-**	-
Commissions, sales and marketing expenses		**596,303**	581,824	**-**	-
Depreciation of property, plant and equipment	15	**1,153,751**	1,155,866	**-**	-

Notes:

(1) The Audit Committee, in ensuring the independence of the Group's external auditors is consistently maintained, has set out clear policies and guidelines as to the type of non-audit services that can be offered as well as a structured approval process that has to be adhered to before any such non-audit services are commissioned. Under these policies and guidelines, non-audit services can be offered by the Group's external auditors if the Group can realise efficiencies and value-added benefits from such services.

(2) Fees incurred in connection with performance of half-year reviews, agreed-upon procedures, regulatory compliance reporting and accounting consultation paid or payable to PricewaterhouseCoopers ("PwC") Malaysia, auditors of the Group and of the Company.

(3) Fees incurred for assisting the Group in connection with tax compliance and advisory services paid or payable to member firms of PwC Malaysia, auditors of the Group and of the Company.

7 PROFIT FROM OPERATIONS (CONTINUED)

The following items have been charged/(credited) in arriving at the profit from operations: (continued)

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Device expense:					
- handset expense		**45,730**	61,131	**-**	-
- other device expense		**35,176**	47,870	**-**	-
Fair value gains on forward foreign exchange contracts		**(1,950)**	-	**-**	-
Gain on disposal of property, plant and equipment		**(1,586)**	(4,359)	**-**	-
Government grant		**(61,785)**	(96,772)	**-**	-
Indirect taxes on mobile prepaid services		**57,720**	204,250	**-**	-
Interconnect expenses		**882,183**	779,705	**-**	-
Inventories written down		**-**	3,871	**-**	-
Licenses and spectrum related fees, and other regulatory fees under the Communications and Multimedia Act, 1998		**194,275**	177,368	**-**	-
Loss on foreign exchange:					
- realised		**46,001**	1,921	**32**	30
- unrealised		**94,349**	43,542	**-**	-
Loss on liquidation of a subsidiary		**-**	49	**-**	-
Management fees charged by a subsidiary		**-**	-	**11,619**	10,981
Property, plant and equipment written off, net of adjustment		**29,755**	14,770	**-**	-
Provision for:					
- contract obligations and legal claims	28	**7,897**	11,484	**-**	-
- site rectification and decommissioning works	28	**1,961**	2,660	**-**	-
- staff incentive scheme (included in staff cost)	28	**98,333**	48,914	**-**	-
Rental income from network cell sites (included in telecommunication services revenue)		**(85,345)**	(82,065)	**-**	-
Rental of equipment		**15,389**	15,320	**-**	-
Rental of land and buildings		**46,626**	60,323	**-**	-
Rental of network cell sites		**262,213**	252,640	**-**	-
Reversal of allowance for:					
- impairment of property, plant and equipment	15	**(532)**	(1,165)	**-**	-
- impairment of receivables, deposits and prepayments	21	**(14,077)**	(24,449)	**-**	-
- inventories obsolescence		**(2,136)**	(14,620)	**-**	-
Roaming expense		**187,073**	147,598	**-**	-

7 PROFIT FROM OPERATIONS (CONTINUED)

The following items have been charged/(credited) in arriving at the profit from operations: (continued)

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Staff cost:					
- Directors' fees	8	**2,703**	2,989	**2,703**	2,989
- staff cost (including Executive Director's salaries, other short-term and long-term employee benefits, and incentive arrangement)	10	**465,022**	399,129	**-**	-
Universal Service Provision contributions		**415,301**	433,855	**-**	-
Write-back of provision for:					
- CTS costs (included in staff cost)	28	**-**	(793)	**-**	-
- contract obligations and legal claims	28	**-**	(22,093)	**-**	-
- site rectification and decommissioning works	28	**(4,601)**	(2,636)	**-**	-
- staff incentive scheme (included in staff cost)	28	**-**	(40,820)	**-**	-

8 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

Non-Executive Directors
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
Robert William Boyle
Tan Sri Mokhzani bin Mahathir
Alvin Michael Hew Thai Kheam
Hamidah Naziadin
Fraser Mark Curley
Lim Ghee Keong
Mohammed Abdullah K. Alharbi *(appointed with effect from 29 May 2015)*
Augustus Ralph Marshall *(resigned with effect from 14 July 2015)*
Dr. Ibrahim Abdulrahman H. Kadi *(resigned with effect from 18 March 2015)*
Krishnan Ravi Kumar *(resigned with effect from 30 April 2015)*

Executive Director
Morten Lundal

8 DIRECTORS' REMUNERATION (CONTINUED)

The aggregate amount of emoluments received/receivable by Directors of the Company during the financial year is as follows:

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Non-Executive Directors					
Fees	7	**2,703**	2,989	**2,703**	2,989
Estimated monetary value of benefits-in-kind		**43**	53	**43**	53
		2,746	3,042	**2,746**	3,042
Executive Director					
Salaries and other short-term employee benefits		**18,290**	16,695	**-**	-
Other long-term employee benefits:					
- current year		**2,064**	-	**-**	-
- prior year		**1,214**	-	**-**	-
Incentive arrangement:	31(d)				
- current year		**5,558**	977	**-**	-
- prior year		**2,564**	-	**-**	-
Estimated monetary value of benefits-in-kind		**310**	328	**-**	-
		30,000	18,000	**-**	-
Total Directors' remuneration		**32,746**	21,042	**2,746**	3,042

The remuneration for Executive Director of the Company was paid by Maxis Mobile Sdn. Bhd., a wholly-owned subsidiary of the Company and provider of corporate support and services functions for the Group, and was charged to the Company as management fees at RM1,846,000 (2014: RM560,000).

The remuneration of the Company's Directors analysed in bands of RM50,000 are as follows:

Range of remuneration[1]	Executive	Non-Executive
RM50,001 – RM100,000	**-**	**2**
RM100,001 – RM150,000	**-**	**1**
RM150,001 – RM200,000	**-**	**1**
RM200,001 – RM250,000	**-**	**1**
RM250,001 – RM300,000	**-**	**3**
RM300,001 – RM350,000	**-**	**1**
RM350,001 – RM400,000	**-**	**1**
RM450,001 – RM500,000	**-**	**1**
RM29,950,001 – RM30,000,000	**1**	**-**

Note:

[1] Remuneration paid to the Directors of the Company includes fees, salaries, other emoluments including bonuses and other benefits, incentive arrangement and estimated monetary value of benefits-in-kind.

9 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel comprise persons including Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

The aggregate amount of emoluments received/receivable by key management personnel excluding Directors of the Company during the financial year is as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Salaries and other short-term employee benefits	**10,470**	11,279
Defined contribution plan	**1,124**	965
Share-based payments	**1,716**	23
Estimated monetary value of benefits-in-kind	**125**	569
	13,435	12,836

The remuneration for certain key management personnel of the Group was paid by Maxis Mobile Sdn. Bhd., a wholly-owned subsidiary of the Company and provider of corporate support and services functions for the Group, and was charged to the Company as management fees at RM514,000 (2014: RM234,000).

Total key management personnel remuneration of the Group and of the Company for the financial year is RM46,181,000 (2014: RM33,878,000) and RM2,746,000 (2014: RM3,042,000) respectively.

10 STAFF COST (INCLUDING EXECUTIVE DIRECTOR'S SALARIES, OTHER SHORT-TERM AND LONG-TERM EMPLOYEE BENEFITS, AND INCENTIVE ARRANGEMENT)

	Group	
	2015 RM'000	**2014 RM'000**
Wages, salaries and bonuses	**355,149**	317,214
CTS costs[1]	**-**	(793)
Defined contribution plan	**43,538**	32,367
Other short-term employee benefits	**38,772**	46,975
Other long-term employee benefits	**3,278**	-
Incentive arrangement	**8,122**	977
ESOS and LTIP	**16,163**	2,389
	465,022	399,129

Note:
(1) In 2013, the Group underlook an organisational refinement exercise and CTS was offered to selected employees.

11 FINANCE INCOME AND COSTS

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
(a) Finance income					
Interest income on:					
- deposits with licensed banks		**55,307**	44,344	**2,799**	4,014
- loans due from subsidiaries		**-**	-	**58,494**	67,463
- receivables		**1,366**	-	**-**	-
		56,673	44,344	**61,293**	71,477
(b) Finance costs					
Accretion of site rectification and decommissioning works costs and changes in costs estimate on provision (net)	28	**8,135**	8,816	**-**	-
Interest expense on:					
- bank borrowings		**181,409**	229,350	**181,409**	229,350
- deferred payment creditors		**12,312**	13,376	**-**	-
- finance leases		**1,461**	1,785	**-**	-
- loan from a related party		**2,267**	2,228	**-**	-
- loans from subsidiaries		**-**	-	**18,372**	20,026
- others		**413**	487	**300**	189
Loss on foreign exchange on bank borrowings		**523,717**	218,431	**523,717**	218,431
Net fair value gain on cross currency interest rate swaps and interest rate swaps: cash flow hedge, reclassified from equity	32(c)	**(527,879)**	(219,673)	**(527,879)**	(219,673)
Profit on:					
- Commodity Murabahah Term Financing		**118,972**	45,486	**118,972**	45,486
- Islamic Medium Term Notes		**147,597**	123,519	**147,597**	123,519
		468,404	423,805	**462,488**	417,328

12 TAX EXPENSES

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current tax:					
- current year		**663,541**	699,308	**120**	900
- over accrual in prior years		**(7,881)**	(448)	**(112)**	(310)
		655,660	698,860	**8**	590
Deferred tax:					
- origination and reversal of temporary differences		**69,643**	32,697	**-**	-
- recognition and reversal of prior years' temporary differences		**(13,660)**	(150)	**-**	-
- changes in tax rate		**1,856**	(20,207)	**-**	-
	23	**57,839**	12,340	**-**	-
Tax expenses		**713,499**	711,200	**8**	590

The Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) on the estimated chargeable profit for the financial year. Subsequent to the announcement of reduction in the corporate tax rate to 24% with effect from year of assessment 2016 in the Malaysian Budget 2014, the computation of deferred tax assets and deferred tax liabilities has been adjusted accordingly to reflect such changes. Taxes in foreign jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

The explanation of the relationship between the tax expenses and profit before tax is as follows:

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Numerical reconciliation between the Malaysian tax rate and average effective tax rate				
Malaysian tax rate	**25**	25	**25**	25
Tax effects of:				
- expenses not deductible for tax purposes	**5**	5	**6**	6
- income not subject to tax	**-**	-	**(31)**	(31)
- changes in tax rate	**-**	(1)	**-**	-
- recognition of prior years' temporary differences	**(1)**	-	**-**	-
Average effective tax rate	**29**	29	**-**	-

13 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2015	**2014**
Profit attributable to the equity holders of the Company (RM'000)	**1,738,952**	1,717,442
Weighted average number of issued ordinary shares ('000)	**7,507,892**	7,504,923
Basic earnings per share (sen)	**23.16**	22.88

(b) Diluted earnings per share

Diluted earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the Company for the financial year by the weighted average number of shares in issue and issuable under the share options. The weighted average number of issued ordinary shares has been adjusted to assume full conversion of all dilutive potential ordinary shares, which consists of share options.

Share grants are treated as contingently issuable shares because their issue is contingent upon satisfying specified vesting conditions comprising, amongst others, performance targets and/or conditions, as disclosed in Note 31(c) to the financial statements, in addition to the passage of time. Share grants are excluded from the computation of diluted earnings per share where the vesting conditions would not have been satisfied as at the end of the financial year.

	Group	
	2015	**2014**
Profit attributable to the equity holders of the Company (RM'000)	**1,738,952**	1,717,442
Weighted average number of issued ordinary shares ('000)	**7,507,892**	7,504,923
Adjustment for share options ('000)	**2,649**	2,099
Adjusted weighted average number of ordinary shares for diluted earnings per share ('000)	**7,510,541**	7,507,022
Diluted earnings per share (sen)	**23.15**	22.88

14 DIVIDENDS

	Group and Company			
	2015		2014	
	Single-tier tax-exempt dividend per share Sen	Amount of dividends, single-tier tax-exempt RM'000	Single-tier tax-exempt dividend per share Sen	Amount of dividends, single-tier tax-exempt RM'000
Dividends paid in respect of the financial year ended 31 December 2013:				
- fourth interim ordinary	-	-	8.0	600,388
- final ordinary	-	-	8.0	600,453
	-	-	16.0	1,200,841
Dividends paid in respect of the financial year ended 31 December 2014:				
- first interim ordinary	-	-	8.0	600,453
- second interim ordinary	-	-	8.0	600,489
- third interim ordinary	-	-	8.0	600,508
- fourth interim ordinary	**8.0**	**600,571**	-	-
- final ordinary	**8.0**	**600,713**	-	-
	16.0	**1,201,284**	24.0	1,801,450
Dividends paid in respect of the financial year ended 31 December 2015:				
- first interim ordinary	**5.0**	**375,445**	-	-
- second interim ordinary	**5.0**	**375,462**	-	-
- third interim ordinary	**5.0**	**375,495**	-	-
	15.0	**1,126,402**	-	-
Dividend per share recognised as distribution to ordinary equity holders of the Company	**31.0**	**2,327,686**	40.0	3,002,291

Subsequent to the financial year, on 4 February 2016, the Directors declared a fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2015 which will be paid on 25 March 2016.

The Directors do not recommend payment of any final dividend in respect of the financial year ended 31 December 2015.

15 PROPERTY, PLANT AND EQUIPMENT

Group	As at 1.1.2015 RM'000	Additions RM'000	Changes in costs estimate (Note 28) RM'000	Reclassi-fications RM'000	Disposals RM'000	Assets written off RM'000	As at 31.12.2015 RM'000
2015							
At cost							
Long-term leasehold land	3,111	-	-	-	-	-	3,111
Short-term leasehold land	3,490	-	-	-	-	-	3,490
Freehold land	18,260	-	-	-	-	-	18,260
Buildings	76,756	-	-	-	-	-	76,756
Telecommunications equipment	6,874,312	37,491	4,758	1,110,914	-	(542,489)	7,484,986
Motor vehicles	11,912	5,529	-	-	-	(241)	17,200
Office furniture, fittings and equipment	1,103,749	17,685	-	156,391	-	(101,908)	1,175,917
	8,091,590	60,705	4,758	1,267,305	-	(644,638)	8,779,720
Capital work-in-progress	433,804	1,273,403	-	(1,196,020)	-	(3,301)	507,886
Capital inventories	23,564	62,549	-	(71,285)	(2,850)	-	11,978
	8,548,958	1,396,657	4,758	-	(2,850)	(647,939)	9,299,584

Group	As at 1.1.2015 RM'000	Change for the financial year RM'000	Changes in costs estimate (Note 28) RM'000	Reclassi-fications RM'000	Released on disposals RM'000	Assets written off RM'000	As at 31.12.2015 RM'000
Accumulated depreciation							
Long-term leasehold land	195	36	-	-	-	-	231
Short-term leasehold land	425	82	-	-	-	-	507
Buildings	10,965	1,998	-	-	-	-	12,963
Telecommunications equipment	3,769,411	980,270	-	(262)	-	(531,843)	4,217,576
Motor vehicles	7,261	2,956	-	-	-	(214)	10,003
Office furniture, fittings and equipment	677,211	168,409	-	262	-	(86,127)	759,755
	4,465,468	1,153,751	-	-	-	(618,184)	5,001,035
Impairment loss							
Telecommunications equipment	70,131	-	-	-	-	-	70,131
Capital inventories	4,548	(532)	-	-	(2,850)	-	1,166
	74,679	(532)	-	-	(2,850)	-	71,297
Accumulated depreciation and impairment loss	4,540,147	1,153,219	-	-	(2,850)	(618,184)	5,072,332

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	As at 1.1.2014 RM'000	Additions RM'000	Adjustment/ changes in costs estimate RM'000	Reclassi-fications RM'000	Disposals RM'000	Assets written off RM'000	As at 31.12.2014 RM'000
2014							
At cost							
Long-term leasehold land	3,111	-	-	-	-	-	3,111
Short-term leasehold land	3,490	-	-	-	-	-	3,490
Freehold land	18,260	-	-	-	-	-	18,260
Buildings	76,756	-	-	-	-	-	76,756
Telecommunications equipment	6,837,084	26,751	6,669	767,735	-	(763,927)	6,874,312
Motor vehicles	11,297	2,143	-	-	(1,528)	-	11,912
Office furniture, fittings and equipment	881,935	15,938	-	210,375	-	(4,499)	1,103,749
	7,831,933	44,832	6,669	978,110	(1,528)	(768,426)	8,091,590
Capital work-in-progress	315,677	1,011,888	9,223	(902,984)	-	-	433,804
Capital inventories	26,828	76,496	-	(75,126)	-	(4,634)	23,564
	8,174,438	1,133,216	15,892[(1)]	-	(1,528)	(773,060)	8,548,958

Group	As at 1.1.2014 RM'000	Change for the financial year RM'000	Adjustment/ changes in costs estimate RM'000	Reclassi-fications RM'000	Released on disposals RM'000	Assets written off RM'000	As at 31.12.2014 RM'000
Accumulated depreciation							
Long-term leasehold land	159	36	-	-	-	-	195
Short-term leasehold land	343	82	-	-	-	-	425
Buildings	8,968	1,997	-	-	-	-	10,965
Telecommunications equipment	3,498,258	1,011,598	-	-	-	(740,445)	3,769,411
Motor vehicles	6,038	2,717	-	-	(1,494)	-	7,261
Office furniture, fittings and equipment	541,763	139,436	-	-	-	(3,988)	677,211
	4,055,529	1,155,866	-	-	(1,494)	(744,433)	4,465,468
Impairment loss							
Telecommunications equipment	70,131	-	-	-	-	-	70,131
Capital inventories	10,347	(1,165)	-	-	-	(4,634)	4,548
	80,478	(1,165)	-	-	-	(4,634)	74,679
Accumulated depreciation and impairment loss	4,136,007	1,154,701	-	-	(1,494)	(749,067)	4,540,147

Note:

[(1)] Includes changes in costs estimate of RM6,669,000 as disclosed in Note 28 to the financial statements.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2015	**2014**
	RM'000	**RM'000**
Net book value		
Long-term leasehold land	**2,880**	2,916
Short-term leasehold land	**2,983**	3,065
Freehold land	**18,260**	18,260
Buildings	**63,793**	65,791
Telecommunications equipment	**3,197,279**	3,034,770
Motor vehicles	**7,197**	4,651
Office furniture, fittings and equipment	**416,162**	426,538
Capital work-in-progress	**507,886**	433,804
Capital inventories	**10,812**	19,016
	4,227,252	4,008,811

Capital work-in-progress is reclassified to the respective categories of property, plant and equipment on completion.

During the financial year, reversals of impairment of property, plant and equipment for capital inventories amounting to RM532,000 (2014: RM1,165,000) (included within network operation costs in the statement of profit or loss) were made, upon identification of their planned usage.

During the financial year, the Group had written off property, plant and equipment, net of adjustment, of RM29,755,000 (2014: RM14,770,000) arising from decommissioning of assets and discontinuing of projects.

For the current financial year, the Group revised the useful lives of certain telecommunications equipment and office equipment ranging from 2 years to 10 years to a remaining useful lives ranging from 1 month to 5 years as part of the network and information technology modernisation programmes to support the business. The revision was accounted as a change in accounting estimate and as a result, the depreciation charge for the current financial year has increased by RM81,333,000.

For the financial year ended 31 December 2014, the Group revised the useful lives of certain telecommunications equipment ranging from 2 years to 20 years to a remaining useful lives ranging from 1 month to 8 years as part of the network modernisation programme to support the business. The revision was accounted as a change in accounting estimate and as a result, the depreciation charge for the financial year ended 31 December 2014 had increased by RM260,585,000.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Additions of property, plant and equipment during the financial year include purchases by means of finance leases and deferred payment schemes amounting to RM3,133,000 (2014: RM8,578,000) and RM Nil (2014: RM149,546,000) respectively.

The net book value of property, plant and equipment held under finance leases at the reporting date are as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Motor vehicles	**295**	2,380
Office furniture, fittings and equipment	**8,208**	8,090
	8,503	10,470

16 INTANGIBLE ASSETS

		Spectrum rights			
Group	**Goodwill RM'000**	**Telecommu-nications licences with allocated spectrum rights RM'000**	**Other spectrum rights RM'000**	**Customer acquisition costs RM'000**	**Total RM'000**
2015					
As at 1 January 2015	**219,087**	**10,707,381**	**27,466**	**222,187**	**11,176,121**
Additions during the financial year	**-**	**-**	**-**	**368,726**	**368,726**
Amortisation charge for the financial year	**-**	**-**	**(7,491)**	**(270,229)**	**(277,720)**
As at 31 December 2015	**219,087**	**10,707,381**	**19,975**	**320,684**	**11,267,127**
Cost	**219,087**	**10,707,381**	**37,453**	**627,470**[1]	**11,591,391**
Accumulated amortisation	**-**	**-**	**(17,478)**	**(306,786)**[1]	**(324,264)**
As at 31 December 2015	**219,087**	**10,707,381**	**19,975**	**320,684**	**11,267,127**

Note:
[1] During the year, the Group wrote off customer acquisition costs of RM229,027,000 that had been fully amortised.

16 INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill RM'000	Spectrum rights: Telecommunications licences with allocated spectrum rights RM'000	Spectrum rights: Other spectrum rights RM'000	Customer acquisition costs RM'000	Total RM'000
2014					
As at 1 January 2014	219,087	10,707,381	34,956	205,154	11,166,578
Additions during the financial year	-	-	-	257,960	257,960
Amortisation charge for the financial year	-	-	(7,490)	(240,927)	(248,417)
As at 31 December 2014	219,087	10,707,381	27,466	222,187	11,176,121
Cost	219,087	10,707,381	37,453	487,771[1]	11,451,692
Accumulated amortisation	-	-	(9,987)	(265,584)[1]	(275,571)
As at 31 December 2014	219,087	10,707,381	27,466	222,187	11,176,121

Note:
[1] In previous year, the Group wrote off customer acquisition costs of RM723,209,000 that had been fully amortised.

Amortisation charge was included in the statements of profit or loss in the following line items:

	Group 2015 RM'000	Group 2014 RM'000
Administrative expenses	**270,229**	240,927
Network operation costs	**7,491**	7,490
	277,720	248,417

The remaining amortisation periods at the reporting date are as follows:

	Group 2015	Group 2014
Customer acquisition costs	**1 to 23 months**	1 to 23 months
Other spectrum rights	**24 months**	36 months

The carrying amount of intangible assets held under a finance lease at the reporting date is RM6,642,000 (2014: RM9,132,000).

16 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for CGU containing goodwill and telecommunications licenses with allocated spectrum rights

For the purpose of impairment testing, carrying amounts of goodwill and telecommunications licenses with allocated spectrum rights are allocated to the integrated telecommunication services CGU.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on internally approved financial budgets covering five years (2014: five years) period.

The key assumptions used in the value in use calculations are as follows:

(a) compounded revenue and EBITDA annual growth rates of 2.0% (2014: 1.9%) and 1.8% (2014: 2.3%) respectively for five years (2014: five years) financial budget period which reflect management's expectations based on past experience and future expectations of business performance;

(b) post-tax discount rate of 7.3% (2014: 8.0%). In accordance with the requirements of MFRS 136 "Impairment of Assets", this translates into pre-tax discount rate of 13.3% (2014: 15.2%). The discount rates used reflect specific risks relating to the integrated telecommunication services; and

(c) terminal growth rate of 2.0% (2014: 2.0%) represents the growth rate applied to extrapolate pre-tax cash flow beyond the five year (2014: five year) financial budget period. This growth rate is based on management's assessment of future trends in the mobile telecommunications industry and based on both external and internal sources.

The key assumptions in the forecasts that are most likely to be sensitive are changes in discount rates during the forecast period. However, based on the sensitivity analysis performed, the Directors have concluded that any variation of 10% in the base case assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

17 INTEREST IN SUBSIDIARIES

		Company	
	Note	**2015 RM'000**	**2014 RM'000**
Non-current assets:			
- investments in subsidiaries	18	**35,045,523**	35,022,142
- loan to a subsidiary	(a)	**-**	1,205,763
Current assets:			
- amounts due from subsidiaries	(b)	**74**	81
- loans to subsidiaries	(a)	**636,795**	-
Current liabilities:			
- amount due to a subsidiary	(b)	**(823)**	(1,160)
- loans from a subsidiary	(a)	**-**	(400,000)
		35,681,569	35,826,826

17 INTEREST IN SUBSIDIARIES (CONTINUED)

(a) Loans to/(from) subsidiaries - Interest bearing

The terms of the loans are as follows:

Company					
2015		**2014**			
Principal amount RM'000	**Loans outstanding RM'000**	**Principal amount RM'000**	**Loans outstanding RM'000**	**Currency denomination**	**Repayment terms**
1,200,000	**366,795**	1,200,000	1,205,763	RM	The loan is repayable based on a scheduled repayment as below: **Months after the first drawdown / Instalment %** 72 / 27.8 78 / 35.1 84 / 37.1 During the financial year, the Company early settled a portion of the loan amounting to RM835,000,000, of which RM605,000,000 was set-off against loans from a subsidiary. The remaining loan is repayable in 72 months after the first drawdown.
270,000	**270,000**	-	-	RM	The loan is repayable one year after the drawdown date.
1,470,000	**636,795**	1,200,000	1,205,763		
-	**-**	(400,000)	(400,000)	RM	During the financial year, these loans were set-off against loan to a subsidiary.

The loans to/(from) subsidiaries are unsecured and carry interest rates ranging from 5.00% to 5.63% (2014: 5.00% to 5.18%) per annum as at the reporting date.

(b) Amounts due from/(to) subsidiaries - Non-interest bearing

The amounts due from/(to) subsidiaries are unsecured and with 30 days credit period (2014: 30 days).

18 INVESTMENTS IN SUBSIDIARIES

	Note	Company 2015 RM'000	Company 2014 RM'000
Unquoted shares, at cost		**35,012,760**	35,012,760
Fair value of share options and share grants, and shares acquired, over the Company's equity instruments for employees of subsidiaries, net of shares issued		**32,763**	9,382
	17	**35,045,523**	35,022,142

Information on the subsidiaries is as follows:

Name	Country of incorporation and place of business	Principal activities	Proportion of ownership interests held by the Group 2015	Proportion of ownership interests held by the Group 2014	Proportion of ownership interests held by non-controlling interests 2015	Proportion of ownership interests held by non-controlling interests 2014	Paid-up capital 2015	Paid-up capital 2014
Advanced Wireless Technologies Sdn. Bhd. (517551-U)	Malaysia	Provider of wireless multimedia related services	**75%**	75%	**25%**	25%	**RM3,333,336**	RM3,333,336
Maxis Broadband Sdn. Bhd. (234053-D)(1)	Malaysia	Operator of a national public switched network and provider of Internet and Internet application services and includes owning, maintaining, building and operating radio facilities and associated switches	**100%**	100%	**-**	-	**RM1,000,002**	RM1,000,002
Maxis Collections Sdn. Bhd. (383275-M)(1)	Malaysia	Collector of telecommunications revenue for fellow subsidiaries	**100%**	100%	**-**	-	**RM2**	RM2
Maxis International Sdn. Bhd. (240071-T)(1)	Malaysia	Operator of an international gateway	**100%**	100%	**-**	-	**RM2,500,002**	RM2,500,002
Maxis Mobile Sdn. Bhd. (229892-M)(1)	Malaysia	Operator of mobile telecommunications for special niche projects such as Universal Service Provision, provider of corporate support and services functions to the intermediate holding companies and fellow subsidiaries and provider of hire purchase facility to a fellow subsidiary	**100%**	100%	**-**	-	**RM2,500,002**	RM2,500,002

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Information on the subsidiaries is as follows: (continued)

Name	Country of incorporation and place of business	Principal activities	Proportion of ownership interests held by the Group		Proportion of ownership interests held by non-controlling interests		Paid-up capital	
			2015	**2014**	**2015**	**2014**	**2015**	**2014**
Maxis Mobile Services Sdn. Bhd. (73315-V)[1]	Malaysia	Provider of mobile telecommunications products and services	**100%**	100%	**-**	-	**RM1,293,884,000**	RM1,293,884,000
Maxis Multimedia Sdn. Bhd. (530188-A)	Malaysia	Provider of multimedia related services (dormant)	**100%**	100%	**-**	-	**RM2**	RM2
Subsidiary of Advanced Wireless Technologies Sdn. Bhd.								
UMTS (Malaysia) Sdn. Bhd. (520422-D)	Malaysia	3G spectrum assignment holder	**75%**	75%	**25%**	25%	**RM2,500,002**	RM2,500,002
Subsidiary of Maxis Broadband Sdn. Bhd.								
Maxis Online Sdn. Bhd. (235849-A)	Malaysia	Holder of investments (dormant)	**100%**	100%	**-**	-	**RM2**	RM2
Subsidiary of Maxis Mobile Sdn. Bhd.								
Maxis Mobile (L) Ltd (LL-01709)[2]	Malaysia	Holder of investments	**100%**	100%	**-**	-	**USD10,000**	USD10,000

Notes:

[1] On 2 December 2015, Maxis Broadband Sdn. Bhd. entered into separate sale and purchase agreements with each of Maxis Collections Sdn. Bhd., Maxis International Sdn. Bhd., Maxis Mobile Sdn. Bhd. and Maxis Mobile Services Sdn. Bhd. to purchase their respective businesses and undertakings including relevant assets and liabilities, as disclosed in Note 38 to the financial statements.

[2] Maxis Mobile (L) Ltd is a company registered under the Labuan Companies Act, 1990, with shares issued in USD.

As at the reporting date, the total non-controlling interest is RM30,501,000 (2014: RM22,362,000) in respect of Advanced Wireless Technologies Sdn. Bhd. and its wholly-owned subsidiary, which is not material to the Group.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Financial assets:					
Loans to subsidiaries	17	-	-	636,795	1,205,763
Receivables and deposits	21	1,102,162	797,542	91	79
Amounts due from subsidiaries	17	-	-	74	81
Amount due from penultimate holding company	25	207	259	-	-
Amounts due from related parties	26	24,401	26,584	-	-
Cash and cash equivalents	27	1,296,448	1,530,519	21,153	185,960
Loans and receivables		2,423,218	2,354,904	658,113	1,391,883
Available-for-sale investment	20	50	50	-	-
Derivative financial instruments	22	777,324	244,452	777,101	244,452
Financial liabilities:					
Payables and accruals	29	2,653,505	2,253,301	480	893
Amount due to a subsidiary	17	-	-	823	1,160
Amounts due to fellow subsidiaries	25	2,212	487	-	-
Amounts due to related parties	26	9,283	24,429	-	-
Loans from a subsidiary	17	-	-	-	400,000
Loan from a related party	26	29,012	28,875	-	-
Borrowings	30	9,877,652	8,998,084	9,856,804	8,972,178
Other financial liabilities		12,571,664	11,305,176	9,858,107	9,374,231
Derivative financial instruments	22	-	15,848	-	15,848

20 AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	**50**	50

The Group has one-twenty fourth (1/24th) interest in Konsortium Rangkaian Serantau Sdn. Bhd. This entity was formed for the purpose of implementing one of the entry point projects to lower the costs of Internet Protocol transit and domestic bandwidths by aggregating capacity of its shareholders to secure lower prices from suppliers. The fair value cannot be reliably measured as there is no active market upon which it is traded. Hence, it is carried at cost.

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current					
Trade receivables	(a)	**49,506**	-	**-**	-
Current					
Trade receivables	(a)	**735,594**	624,883	**-**	-
Other receivables		**271,247**	151,875	**28**	79
Deposits		**106,331**	91,279	**63**	-
Prepayments		**165,239**	172,911	**436**	1,736
		1,278,411	1,040,948	**527**	1,815
Allowance for impairment:	(b)				
- trade receivables		**(47,118)**	(53,086)	**-**	-
- other receivables		**(3,711)**	(7,180)	**-**	-
- deposits		**(9,687)**	(10,229)	**-**	-
		(60,516)	(70,495)	**-**	-
		1,217,895	970,453	**527**	1,815
		1,267,401	970,453	**527**	1,815

(a) Trade receivables

The Group's trade receivables include receivables on deferred payment terms amounting to RM103,316,000 (2014: RM Nil), which allows eligible customers to purchase mobile devices on up to 24 monthly instalments.

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (continued)

Other than the above, the Group's credit policy provides trade receivables with credit periods of up to 60 days (2014: up to 60 days). The Group has no significant exposure to any individual customer, geographical location or industry category. Significant credit and recovery risks associated with receivables have been provided for in the financial statements.

Given the varied nature of the Group's customer base, the following analysis of trade receivables by type of customer is considered the most appropriate disclosure of credit concentrations.

	Group	
	2015 RM'000	**2014 RM'000**
Subscribers:		
- individual	**424,787**	308,484
- corporate	**161,052**	139,753
Interconnect and roaming:		
- domestic	**105,409**	86,700
- international	**55,941**	32,139
Distributors	**37,911**	57,807
	785,100	624,883

Trade receivables are secured by subscribers' deposits and bank guarantees of RM35,160,000 (2014: RM32,137,000) and RM37,950,000 (2014: RM50,950,000) respectively.

The ageing analysis of the Group's gross trade receivables is as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Neither past due nor impaired	**642,645**	475,289
1 to 90 days past due not impaired	**6,255**	9,340
91 to 180 days past due not impaired	**2,017**	637
More than 180 days past due not impaired	**227**	220
	651,144	485,486
Impaired[1]:		
- collectively	**105,938**	105,094
- individually[2]	**28,018**	34,303
	133,956	139,397
	785,100	624,883

Notes:

[1] Represents gross trade receivables which have been either partially or fully impaired.

[2] Individually impaired due to default in payment terms.

21 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (continued)

Trade receivables that are neither past due nor impaired

With respect to the trade receivables that are neither past due nor impaired, there is no indication as of the reporting date that the debtors will not meet their payment obligations since the Group selects the highest possible quality creditworthy counterparties. The quality of these trade receivables is such that management believes no impairment provision is necessary, except in situations where they are part of individually impaired trade receivables.

Trade receivables that are past due but not impaired

No allowance for impairment was made in respect of these past due trade receivables based on the past historical collection trends.

(b) Allowance for impairment

Movement on the Group allowance for impairment of receivables and deposits is as follows:

		Group	
	Note	2015 RM'000	2014 RM'000
As at 1 January		**70,495**	70,210
Charged to statement of profit or loss	7	**61,441**	96,584
Reversed from statement of profit or loss	7	**(14,077)**	(24,449)
Amount written off		**(57,343)**	(71,850)
As at 31 December		**60,516**	70,495

22 DERIVATIVE FINANCIAL INSTRUMENTS

		Group			
		2015		2014	
	Note	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Non-current					
Derivative designated in hedging relationship					
Cross Currency Interest Rate Swaps ("CCIRS"):	(a)				
- cash flow hedge on USD denominated borrowings		**485,266**	**-**	192,668	-
- cash flow hedge on SGD denominated borrowings		**51,145**	**-**	18,751	-
		536,411	**-**	211,419	-
Interest Rate Swaps ("IRS"):	(b)				
- cash flow hedge on RM denominated borrowings		**30,816**	**-**	33,033	-
		567,227	**-**	244,452	-
Current					
Derivative designated in hedging relationship					
CCIRS:	(a)				
- cash flow hedge on USD denominated borrowings		**209,874**	**-**	-	15,848
Forward foreign exchange contracts:	(c)				
- cash flow hedge on USD forecast transactions		**66**	**-**	-	-
Derivative not designated in hedging relationship					
Forward foreign exchange contract	(c)	**157**	**-**	-	-
		210,097	**-**	-	15,848
		777,324	**-**	244,452	15,848

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

		Company			
		2015		2014	
	Note	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<u>Non-current</u>					
Derivative designated in hedging relationship					
CCIRS:	(a)				
- cash flow hedge on USD denominated borrowings		**485,266**	**-**	192,668	-
- cash flow hedge on SGD denominated borrowings		**51,145**	**-**	18,751	-
		536,411	**-**	211,419	-
IRS:	(b)				
- cash flow hedge on RM denominated borrowings		**30,816**	**-**	33,033	-
		567,227	**-**	244,452	-
<u>Current</u>					
Derivative designated in hedging relationship					
CCIRS:	(a)				
- cash flow hedge on USD denominated borrowings		**209,874**	**-**	-	15,848
		777,101	**-**	244,452	15,848

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The details of the derivative financial instruments are set out as below:

(a) CCIRS

Commencement date	Contract/ Notional amount 2015 RM'000	2014 RM'000	Exchange Rate	Interest Rate
24 February 2010	**1,287,750**	2,129,250	The Group and Company pay RM in exchange for receiving USD at a predetermined exchange rate of RM3.40/USD according to the scheduled principal and interest repayment of the syndicated loan in which principal exchange occurs semi-annually commencing from the fourth year of the syndicated loan.	The Group and Company pay a fixed interest rate of 4.75% per annum in exchange for receiving London Interbank Offered Rate ("LIBOR") plus a spread on the amortising outstanding principal amount.
13 August 2010	**314,500**	314,500	The Group and Company pay RM in exchange for receiving USD at a predetermined exchange rate of RM3.145/USD for its principal and interest in which at the end of the tenure, principal is on bullet repayment basis.	The Group and Company pay a fixed interest rate of 5.25% per annum in exchange for receiving LIBOR plus a spread on the notional principal amount.
28 February 2011	**304,900**	304,900	The Group and Company pay RM in exchange for receiving USD at a predetermined exchange rate of RM3.048/USD and RM3.050/USD on each USD50 million respectively for its principal and interest in which at the end of the tenure, principal is on bullet repayment basis.	The Group and Company pay Kuala Lumpur Interbank Offered Rate ("KLIBOR") plus a spread in exchange for receiving LIBOR plus a spread on the notional principal amount.
28 February 2011	**167,300**	167,300	The Group and Company pay RM in exchange for receiving SGD at a predetermined exchange rate of RM2.39/SGD for its principal and interest in which at the end of the tenure, principal is on bullet repayment basis.	The Group and Company pay KLIBOR plus a spread in exchange for receiving Singapore Swap Offer Rate ("SOR") plus a spread on the notional principal amount.
14 June 2011	**227,250**	227,250	The Group and Company pay RM in exchange for receiving USD at a predetermined exchange rate of RM3.03/USD for its principal and interest in which at the end of the tenure, principal is on bullet repayment basis.	The Group and Company pay a fixed interest rate of 4.99% in exchange for receiving LIBOR plus a spread on the notional principal amount.

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The details of the derivative financial instruments are set out as below: (continued)

(b) IRS

Commencement date	Contract/ Notional amount 2015 RM'000	Contract/ Notional amount 2014 RM'000	Interest Rate
17 July 2012	**200,000**	200,000	The Group and Company pay a fixed interest rate of 3.50% per annum in exchange for receiving KLIBOR on the notional principal amount.
25 July 2012	**500,000**	500,000	The Group and Company pay a fixed interest rate of 3.43% per annum in exchange for receiving KLIBOR on the notional principal amount.

(c) Forward foreign exchange contracts

Commencement date	Contract/ Notional amount 2015 RM'000	Contract value in foreign currency 2015 USD'000	Exchange Rate
28 December 2015	**43,161**	**10,000**	The Group pays RM in exchange for receiving USD at pre determined exchange rate of RM4.3161/USD on the notional amount at the maturity date.
29 December 2015	**56,083**	**13,000**	The Group pays RM in exchange for receiving USD at pre determined exchange rates that range from RM4.3112/USD to RM4.3186/USD on the notional amounts at the maturity dates.

At the reporting date, the Group and the Company have recognised net derivative financial assets of RM777,324,000 (2014: RM228,604,000) and RM777,101,000 (2014: RM228,604,000) respectively, an increase in fair value gains by RM548,720,000 (2014: RM200,982,000) and RM548,497,000 (2014: RM200,982,000) respectively from the prior financial year, on remeasuring the fair values of the derivative financial instruments for:

(i) derivative designated in hedging relationship

The increase in fair value gains from the prior financial year for the Group and the Company were RM548,563,000 (2014: RM200,982,000) and RM548,497,000 (2014: RM200,982,000) respectively, with the corresponding movement included in equity in the cash flow hedging reserve.

For the current financial year, RM527,879,000 was reclassified to the statements of profit or loss to offset the foreign exchange losses of RM523,717,000 which arose from the weakening RM against USD and SGD, and the interest expense of RM4,162,000 as the underlying interest rates were higher than the hedged interest rates on the borrowings. This has resulted in an increase in the credit balance of the cash flow hedging reserve of the Group and the Company as at 31 December 2015 by RM20,684,000 and RM20,618,000 respectively.

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) derivative designated in hedging relationship (continued)

For the financial year ended 31 December 2014, RM219,673,000 was reclassified to the statements of profit or loss to offset the foreign exchange losses of RM218,431,000 which arose from the weakening RM against USD and SGD, and the interest expense of RM1,242,000 as the underlying interest rates were higher than the hedged interest rates on the borrowings. This reduced the credit balance of the cash flow hedging reserve of the Group and the Company as at 31 December 2014 by RM18,691,000.

For derivatives designated as cash flow hedge on borrowings, the gains or losses recognised in the cash flow hedging reserve in equity will be continuously released to the statements of profit or loss within finance costs until the underlying borrowings are repaid. As the Group and the Company intend to hold the borrowings and associated derivative financial instruments to maturity, any changes to the fair values of the derivative financial instruments will not impact the statements of profit or loss and will be taken to the cash flow hedging reserve in equity.

For derivatives designated as cash flow hedge on forecast transactions, the gains or losses on changes to the fair value of derivative financial instruments are recognised in the cash flow hedging reserve in equity until such time that the hedged items affect profit or loss, then the gains or losses are transferred to statements of profit or loss.

(ii) derivative not designated in hedging relationship

The increase in the Group's fair value gains of RM157,000 which is due to changes in foreign currency exchange spot and forward rates respectively has been charged to the statements of profit or loss within other expenses.

As the derivative financial instrument is used to hedge the fair value movement attributable to the foreign exchange rate fluctuation associated to certain payable balances denominated in USD as at reporting date, any changes to the fair values of the derivative financial instruments will impact the statements of profit or loss within other expenses until the maturity of the derivative financial instruments.

The method and assumption applied in determining the fair value of derivatives are disclosed in Note 3(i) to the financial statements.

23 DEFERRED TAXATION

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 shown in the statements of financial position:

	Group	
	2015 RM'000	**2014 RM'000**
Deferred tax assets	**55,386**	102,045
Deferred tax liabilities	**(493,532)**	(482,352)
	(438,146)	(380,307)

23 DEFERRED TAXATION (CONTINUED)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Deferred tax assets:		
- to be recovered after more than 12 months	**22**	10
- to be recovered within 12 months	**55,364**	102,035
	55,386	102,045
Deferred tax liabilities:		
- to be recovered after more than 12 months	**(479,400)**	(449,710)
- to be recovered within 12 months	**(14,132)**	(32,642)
	(493,532)	(482,352)
Deferred tax liabilities (net)	**(438,146)**	(380,307)

The movements in deferred tax assets/(liabilities) during the financial year comprise the following:

Group	Note	Property, plant and equipment RM'000	Intangible assets RM'000	Deferred income RM'000	Provisions RM'000	Investment allowance RM'000	Others RM'000	Total RM'000
As at 1 January 2015		**(755,987)**	**(54,956)**	**105,436**	**273,622**	**50,251**	**1,327**	**(380,307)**
(Charged)/credited to statement of profit or loss:	12							
- relating to origination and reversal of temporary differences		**(43,538)**	**(24,123)**	**(3,993)**	**(9,473)**	**(11,700)**	**36,844**	**(55,983)**
- relating to changes in tax rate		**9,880**	**2,596**	**(4,058)**	**(9,161)**	**(74)**	**(1,039)**	**(1,856)**
As at 31 December 2015		**(789,645)**	**(76,483)**	**97,385**	**254,988**	**38,477**	**37,132**	**(438,146)**
As at 1 January 2014		(784,935)	(51,289)	95,173	306,643	64,242	2,199	(367,967)
Credited/(charged) to statement of profit or loss:	12							
- relating to origination and reversal of temporary differences		6,352	(4,257)	10,263	(31,558)	(12,475)	(872)	(32,547)
- relating to changes in tax rate		22,596	590	-	(1,463)	(1,516)	-	20,207
As at 31 December 2014		(755,987)	(54,956)	105,436	273,622	50,251	1,327	(380,307)

23 DEFERRED TAXATION (CONTINUED)

	Group 2015 RM'000	Group 2014 RM'000
Deferred tax assets (before offsetting):		
- deferred income	**97,385**	105,436
- provisions	**254,988**	273,622
- investment allowance	**38,477**	50,251
- others	**37,314**	1,675
	428,164	430,984
Offsetting	**(372,778)**	(328,939)
Deferred tax assets (after offsetting)	**55,386**	102,045
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	**(789,645)**	(755,987)
- intangible assets	**(76,483)**	(54,956)
- others	**(182)**	(348)
	(866,310)	(811,291)
Offsetting	**372,778**	328,939
Deferred tax liabilities (after offsetting)	**(493,532)**	(482,352)

24 INVENTORIES

	Group 2015 RM'000	Group 2014 RM'000
Telecommunications materials and supplies	**5,110**	4,350
Devices	**8,137**	8,090
	13,247	12,440

The Group reversed RM2,136,000 (2014: RM14,620,000) of inventory write down as the Group was able to utilise those inventories.

25 FELLOW SUBSIDIARIES AND PENULTIMATE HOLDING COMPANY BALANCES

	Group	
	2015	**2014**
	RM'000	**RM'000**
Current asset:		
- amount due from penultimate holding company	**207**	259
Current liability:		
- amounts due to fellow subsidiaries	**(2,212)**	(487)
	(2,005)	(228)

The amounts due from/(to) penultimate holding company and fellow subsidiaries are unsecured, non-interest bearing and with 30 days credit period (2014: 30 days).

26 RELATED PARTIES BALANCES

		Group	
	Note	**2015**	**2014**
		RM'000	**RM'000**
Current asset:			
- amounts due from related parties	(a)	**24,401**	26,584
Current liabilities:			
- amounts due to related parties	(a)	**(9,283)**	(24,429)
- loan from a related party	(b)	**(29,012)**	(28,875)

(a) The amounts due from/(to) related parties are trade in nature, unsecured, interest free and with credit periods of up to 60 days (2014: up to 60 days).

(b) Loan from a related party, who is a shareholder of Advanced Wireless Technologies Sdn. Bhd., is unsecured and is denominated in RM. The principal and interest of the loan were repayable on 9 December 2015, being the end of the second five years from the drawdown date of 9 December 2005. The Group had repaid the interest of RM2,130,000 (2014: RM2,228,000). Subject to full settlement of the principal outstanding, the interest rate as at the reporting date is 7.85% (2014: 7.85%) per annum.

27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year comprise the following:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits with licensed banks	**1,123,583**	1,422,723	**5,668**	185,824
Cash and bank balances	**172,865**	107,796	**15,485**	136
Cash and cash equivalents	**1,296,448**	1,530,519	**21,153**	185,960

Deposits with licensed banks are held in short-term money market and fixed deposits.

Deposits with licensed banks of the Group and of the Company at the end of the financial year have an average maturity of 19 days (2014: 16 days) and 60 days (2014: 17 days) respectively. Bank balances are deposits held at call with banks.

The credit quality of bank balances and deposits with licensed banks can be assessed by reference to external credit ratings as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Local licensed banks[1]:				
- AAA	**738,724**	737,738	**16,987**	100,262
- AA1	**127,231**	135,921	**-**	-
- AA2	**426,599**	652,282	**4,160**	85,698
Offshore licensed banks[2]:				
- Aa2	**36**	-	**-**	-
- Aa3	**-**	33	**-**	-
- A1	**-**	2,758	**-**	-
- A2	**3,375**	1,389	**-**	-
- BAA2	**-**	5	**-**	-
- BA2	**4**	-	**-**	-
	1,295,969	1,530,126	**21,147**	185,960

Note:
Source: Bloomberg with ratings provided by:
(1) RAM Ratings Services Berhad
(2) Moody's

28 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Note	Site rectification and decommi-ssioning works RM'000	Contract obligations and legal claims RM'000	Staff incentive scheme RM'000	CTS costs RM'000	Total RM'000
As at 1 January 2015		**140,812**	**50,565**	**7,765**	**-**	**199,142**
Capitalised during the financial year		**4,657**	**-**	**-**	**-**	**4,657**
Changes in costs estimate on provision for site decommissioning works:						
- included in finance costs	11(b)	**(7,423)**	**-**	**-**	**-**	**(7,423)**
- included in property, plant and equipment		**4,758**	**-**	**-**	**-**	**4,758**
Charged to statement of profit or loss:						
- included in profit from operations	7	**1,961**	**7,897**	**98,333**	**-**	**108,191**
- included in finance costs	11(b)	**15,558**	**-**	**-**	**-**	**15,558**
Paid during the financial year		**(5,066)**	**(6,125)**	**(8,730)**	**-**	**(19,921)**
Reversed from statement of profit or loss	7	**(4,601)**	**-**	**-**	**-**	**(4,601)**
As at 31 December 2015		**150,656**	**52,337**	**97,368**	**-**	**300,361**
As at 1 January 2014		118,240	69,178	38,240	19,369	245,027
Capitalised during the financial year		8,950	-	-	-	8,950
Changes in costs estimate on provision for site decommissioning works:						
- included in finance costs	11(b)	(6,736)	-	-	-	(6,736)
- included in property, plant and equipment		6,669	-	-	-	6,669
Charged to statement of profit or loss:						
- included in profit from operations	7	2,660	11,484	48,914	-	63,058
- included in finance costs	11(b)	15,552	-	-	-	15,552
Paid during the financial year		(1,887)	(8,004)	(38,569)	(18,576)	(67,036)
Reversed from statement of profit or loss	7	(2,636)	(22,093)	(40,820)	(793)	(66,342)
As at 31 December 2014		140,812	50,565	7,765	-	199,142

28 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Group	Site rectification and decommissioning works RM'000	Contract obligations and legal claims RM'000	Staff incentive scheme RM'000	CTS costs RM'000	Total RM'000
Represented by:					
Non-current liabilities	**147,362**	**-**	**3,676**	**-**	**151,038**
Current liabilities	**3,294**	**52,337**	**93,692**	**-**	**149,323**
As at 31 December 2015	**150,656**	**52,337**	**97,368**	**-**	**300,361**
Non-current liabilities	134,130	-	-	-	134,130
Current liabilities	6,682	50,565	7,765	-	65,012
As at 31 December 2014	140,812	50,565	7,765	-	199,142

Descriptions of the above provisions are as disclosed in Note 3(p) to the financial statements.

Site decommissioning works

As at 31 December 2015, a provision of RM147,362,000 (2014: RM134,130,000) has been recognised for dismantling, removal and site restoration costs. The provision is estimated using the assumption that decommissioning will only take place upon the expiry of the lease terms (inclusive of secondary terms) of 15 to 30 years (2014: 15 to 30 years). The provision has been estimated based on the current conditions of the sites, at the estimated costs to be incurred upon the expiry of lease terms and discounted at the current market interest rate available to the Group.

Contract obligations and legal claims

In the Directors' opinion, the net negotiated cost to exit the contract will not give rise to any significant loss beyond the amounts provided at the reporting date.

29 PAYABLES AND ACCRUALS

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Non-current				
Trade payables	**417,992**	448,900	**-**	-
Other accruals	**7,628**	4,822	**-**	-
	425,620	453,722	**-**	-
Current				
Intercarrier and roaming payables	**125,744**	36,507	**-**	-
Intercarrier and roaming accruals	**90,041**	93,133	**-**	-
Subscribers' deposits	**103,324**	109,546	**-**	-
Trade payables	**1,539,047**	1,100,825	**-**	-
Trade accruals	**383,706**	349,995	**-**	-
Other payables	**58,997**	116,057	**229**	284
Other accruals	**458,416**	507,242	**253**	609
Advance payments from subscribers	**52,385**	51,197	**-**	-
Deferred income	**399,145**	413,269	**-**	-
Payroll liabilities	**-**	12	**-**	-
Government grant	**255,768**	223,844	**-**	-
	3,466,573	3,001,627	**482**	893
	3,892,193	3,455,349	**482**	893

Current trade payables and other payables of the Group and of the Company carry credit periods of up to 90 days (2014: 180 days). The Group's current and non-current trade payables include an amount of RM551,101,000 (2014: RM557,323,000), denominated in USD, which is payable under deferred payment schemes, repayable on a half-yearly basis in 10 to 11 equal instalments commencing from 30 or 36 months from the commencement dates of the contracts and carry interest rates ranging from 2.43% to 3.03% (2014: 2.19% to 2.56%) per annum as at the reporting date.

As disclosed in Note 22 to the financial statements, certain payable balances denominated in USD amounting to USD10,000,000 are hedged using forward foreign exchange contracts against fluctuations in USD/RM exchange rate for which no hedge accounting is applied.

The Group's other accruals include lease equalisation for office buildings of RM7,737,000 (2014: RM4,885,000) with the remaining lease periods ranging from 1 year 8 months to 12 years 5 months (2014: 2 years 8 months to 13 years 5 months).

30 BORROWINGS

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Non-current					
Secured					
Finance lease liabilities	(a)	**7,980**	11,855	**-**	-
Unsecured					
Syndicated term loans	(b)	**991,684**	1,670,763	**991,684**	1,670,763
Term loans	(c)	**1,959,327**	1,790,997	**1,959,327**	1,790,997
Islamic Medium Term Notes	(d)	**3,325,483**	2,484,105	**3,325,483**	2,484,105
Commodity Murabahah Term Financing	(e)	**2,516,230**	2,160,669	**2,516,230**	2,160,669
		8,800,704	8,118,389	**8,792,724**	8,106,534
Current					
Secured					
Finance lease liabilities	(a)	**12,868**	14,051	**-**	-
Unsecured					
Syndicated term loan	(b)	**1,064,080**	865,644	**1,064,080**	865,644
		1,076,948	879,695	**1,064,080**	865,644
		9,877,652	8,998,084	**9,856,804**	8,972,178

(a) Finance lease liabilities

The Group leased certain assets under finance lease with terms of three to five years (2014: three to five years). The finance leases have remaining terms of one to four years (2014: one to three years) which the Group has options for another one to five years extension subject to renewal conditions by the lessor for certain leased assets.

The weighted average effective interest rate of the Group's finance lease liabilities is 10.00% (2014: 10.13%) per annum. These leases are effectively secured as the rights to the leased assets revert to the lessor in the event of defaults.

30 BORROWINGS (CONTINUED)

(a) Finance lease liabilities (continued)

Finance lease liabilities represent outstanding obligations payable in respect of assets acquired under finance lease commitment and are analysed as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Not later than one year	**13,875**	15,555
Later than one year and not later than five years	**8,384**	12,858
	22,259	28,413
Less: Future finance charges	**(1,411)**	(2,507)
Present value	**20,848**	25,906
Representing lease liabilities:		
- non-current	**7,980**	11,855
- current	**12,868**	14,051
	20,848	25,906

(b) Non-current and current unsecured syndicated term loans

(i) USD750,000,000 syndicated term loan

This syndicated term loan was drawn down on 24 February 2010 and is repayable in six semi-annual instalments commencing on 24 August 2014 with final maturity on 24 February 2017. During the financial year, two (2014: one) instalments of USD123,750,000 each were repaid. As disclosed in Note 22 to the financial statements, the Company has entered into CCIRS where the principal sum and interest under this term loan is hedged against fluctuations in USD/RM exchange rate and in LIBOR.

(ii) USD100,000,000 syndicated term loan

This syndicated term loan was drawn down on 13 August 2010 and is repayable in one lump sum on the loan's maturity date, 13 August 2020. As disclosed in Note 22 to the financial statements, the Company has entered into CCIRS where the principal sum and interest under this term loan is hedged against fluctuations in USD/RM exchange rate and in LIBOR.

(c) Non-current unsecured term loans

(i) RM1,000,000,000 term loan

This term loan was drawn down on 27 December 2011 and is repayable in one lump sum on the loan's maturity date, 27 December 2022. As disclosed in Note 22 to the financial statements, the Company has entered into IRS where the interest under this term loan is partially hedged against fluctuations in KLIBOR.

30 BORROWINGS (CONTINUED)

(c) Non-current unsecured term loans (continued)

(ii) USD100,000,000 term loans

These term loans were all drawn down on 28 February 2011 and are repayable in one lump sum on their respective loan maturity dates, 28 February 2021. As disclosed in Note 22 to the financial statements, the Company has entered into CCIRS where the principal sum and interest under these term loans are hedged against fluctuations in USD/RM exchange rate and in LIBOR.

(iii) SGD70,000,000 term loan

This term loan was drawn down on 28 February 2011 and is repayable in one lump sum on the loan's maturity date, 28 February 2021. As disclosed in Note 22 to the financial statements, the Company has entered into CCIRS where the principal sum and interest under this term loan is hedged against fluctuations in SGD/RM exchange rate and in SOR.

(iv) USD75,000,000 term loan

This term loan was drawn down on 14 June 2011 and is repayable in one lump sum on the loan's maturity date, 14 June 2021. As disclosed in Note 22 to the financial statements, the Company has entered into CCIRS where the principal sum and interest under this term loan is hedged against fluctuations in USD/RM exchange rate and in LIBOR.

(d) Islamic Medium Term Notes

(i) Sukuk Musharakah

On 24 February 2012, the Company established an unrated Islamic Medium Term Notes Programme with an aggregate nominal value of up to RM2.45 billion ("Sukuk Programme") based on the Islamic principle of Musharakah. The Sukuk Programme has a tenure of 30 years from the date of first issue under the Sukuk Programme.

On the same date, the Company made the first issuance under the Sukuk Programme of RM2.45 billion nominal value with a tenure of 10 years ("Sukuk Musharakah"), redeemable on its maturity date on 24 February 2022. The profit is payable semi-annually.

Maxis Mobile Services Sdn. Bhd. and Maxis Broadband Sdn. Bhd., both wholly-owned subsidiaries of the Company provide unconditional and irrevocable corporate guarantees under the Sukuk Programme.

30 BORROWINGS (CONTINUED)

(d) Islamic Medium Term Notes (continued)

(ii) Sukuk Murabahah

On 17 June 2015, the Company established an Unrated Islamic Medium Term Notes ("Sukuk Murabahah") Programme with an aggregate nominal value of up to RM5.0 billion, based on the Islamic principle of Murabahah (via a Tawarruq arrangement) ("Unrated Sukuk Murabahah Programme"). The Unrated Sukuk Murabahah Programme has a tenure of 30 years from the date of the first issuance of Sukuk Murabahah under the Unrated Sukuk Murabahah Programme.

On 22 June 2015, the Company issued the first series of Sukuk Murabahah amounting to RM840,000,000, in nominal value, for a tenure of 10 years, of which RM420,750,000 was utilised to repay one instalment of the USD750,000,000 syndicated term loan as disclosed in Note 30(b) to the financial statements. It is redeemable on its maturity date on 20 June 2025. The profit is payable semi-annually.

Maxis Mobile Services Sdn. Bhd. and Maxis Broadband Sdn. Bhd., both wholly-owned subsidiaries of the Company, provide unconditional and irrevocable corporate guarantees under the Unrated Sukuk Murabahah Programme.

(e) Non-current and unsecured Commodity Murabahah Term Financing

On 2 April 2014, the Company entered into an agreement for Commodity Murabahah Term Financing facility up to RM2.50 billion based on the Islamic principle of Murabahah. This facility has a tenure of 10 years from its first utilisation, which is repayable in one lump sum on 7 April 2024. In the prior year, the Company had drawn down RM2.15 billion of the facility amount of which RM500,000,000 and RM420,750,000 were utilised for repayment of the RM500,000,000 revolving credit facility and the initial instalment of the USD750,000,000 syndicated term loan as disclosed in Notes 30(f) and 30(b) to the financial statements respectively. The remaining RM350,000,000 of the facility was drawn down during the financial year, which was utilised to repay part of one instalment of the USD750,000,000 syndicated term loan as disclosed in Note 30(b) to the financial statements.

(f) Current unsecured revolving credit

In the prior year, RM500,000,000 revolving credit facility was fully repaid on its maturity date, 22 September 2014.

30 BORROWINGS (CONTINUED)

Contractual terms of borrowings

Group	Contractual interest rate/ profit margin at reporting date (per annum) %	Functional currency/ currency exposure	Total carrying amount RM'000	Maturity profile < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015							
Secured							
Finance lease liabilities		**RM/RM**	**20,848**	**12,868**	**6,134**	**1,846**	**-**
Unsecured							
Syndicated term loans	**1.35% - 1.60% + LIBOR [1]**	**RM/USD**	**2,055,764**	**1,064,080**	**563,561**	**428,123**	**-**
Term loans	**0.75% + COF [2]**	**RM/RM**	**997,142**	**-**	**-**	**-**	**997,142**
	1.50% - 1.60% + LIBOR [1]	**RM/USD**	**749,801**	**-**	**-**	**-**	**749,801**
	1.25% + SOR [3]	**RM/SGD**	**212,384**	**-**	**-**	**-**	**212,384**
Islamic Medium Term Notes	**5.00% - 5.40%**	**RM/RM**	**3,325,483**	**-**	**-**	**-**	**3,325,483**
Commodity Murabahah Term Financing	**0.70 + COF [2]**	**RM/RM**	**2,516,230**	**-**	**-**	**-**	**2,516,230**
			9,877,652	**1,076,948**	**569,695**	**429,969**	**7,801,040**
At 31 December 2014							
Secured							
Finance lease liabilities		RM/RM	25,906	14,051	6,768	5,087	-
Unsecured							
Syndicated term loans	1.35% - 1.60% + LIBOR [1]	RM/USD	2,536,407	865,644	864,056	459,016	347,691
Term loans	0.75% + COF [2]	RM/RM	996,758	-	-	-	996,758
	1.50% - 1.60% + LIBOR [1]	RM/USD	609,622	-	-	-	609,622
	1.25% + SOR [3]	RM/SGD	184,617	-	-	-	184,617
Islamic Medium Term Notes	5.00%	RM/RM	2,484,105	-	-	-	2,484,105
Commodity Murabahah Term Financing	0.70 + COF [2]	RM/RM	2,160,669	-	-	-	2,160,669
			8,998,084	879,695	870,824	464,103	6,783,462

Notes:
[1] LIBOR denotes London Interbank Offered Rate.
[2] COF denotes Cost of Funds.
[3] SOR denotes Singapore Swap Offer Rate.

30 BORROWINGS (CONTINUED)

Contractual terms of borrowings (continued)

Company	Contractual interest rate/ profit margin at reporting date (per annum) %	Functional currency/ currency exposure	Total carrying amount RM'000	Maturity profile < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015							
Unsecured							
Syndicated term loans	**1.35% - 1.60% + LIBOR [1]**	**RM/USD**	**2,055,764**	**1,064,080**	**563,561**	**428,123**	**-**
Term loans	**0.75% + COF [2]**	**RM/RM**	**997,142**	**-**	**-**	**-**	**997,142**
	1.50% - 1.60% + LIBOR [1]	**RM/USD**	**749,801**	**-**	**-**	**-**	**749,801**
	1.25% + SOR [3]	**RM/SGD**	**212,384**	**-**	**-**	**-**	**212,384**
Islamic Medium Term Notes	**5.00% - 5.40%**	**RM/RM**	**3,325,483**	**-**	**-**	**-**	**3,325,483**
Commodity Murabahah Term Financing	**0.70 + COF [2]**	**RM/RM**	**2,516,230**	**-**	**-**	**-**	**2,516,230**
			9,856,804	**1,064,080**	**563,561**	**428,123**	**7,801,040**
At 31 December 2014							
Unsecured							
Syndicated term loans	1.35% - 1.60% + LIBOR [1]	RM/USD	2,536,407	865,644	864,056	459,016	347,691
Term loans	0.75% + COF [2]	RM/RM	996,758	-	-	-	996,758
	1.50% - 1.60% + LIBOR [1]	RM/USD	609,622	-	-	-	609,622
	1.25% + SOR [3]	RM/SGD	184,617	-	-	-	184,617
Islamic Medium Term Notes	5.00%	RM/RM	2,484,105	-	-	-	2,484,105
Commodity Murabahah Term Financing	0.70 + COF [2]	RM/RM	2,160,669	-	-	-	2,160,669
			8,972,178	865,644	864,056	459,016	6,783,462

Notes:
[1] LIBOR denotes London Interbank Offered Rate.
[2] COF denotes Cost of Funds.
[3] SOR denotes Singapore Swap Offer Rate.

31 SHARE CAPITAL

(a) Share capital

	Group and Company	
	2015 and 2014	
	Number of shares '000	Nominal value RM'000
Authorised ordinary shares of RM0.10 each		
As at 1 January/31 December	12,000,000	1,200,000

(b) ESOS

Pursuant to the ESOS implemented on 17 September 2009, the Company will make available new shares, not exceeding in aggregate 250,000,000 shares during the existence of the ESOS/LTIP, to be issued under the share options granted. The ESOS is for the benefit of eligible employees and eligible directors (executive and non-executive) of the Group. The ESOS is for a period of 10 years and is governed by the ESOS Bye-Laws as set out in the Company's Prospectus dated 28 October 2009 issued in relation to its initial public offering.

An ESOS/LTIP Committee comprising Directors of the Company has been set up to administer the ESOS/LTIP. The ESOS/LTIP Committee may from time to time offer share options to eligible employees and eligible directors of the Group to subscribe for new ordinary shares of RM0.10 each in the Company.

The salient features of the ESOS are as follows:

(i) The total number of shares which may be issued under the ESOS shall not exceed in aggregate 250,000,000 shares during the existence of the ESOS save and except for any circumstances which may be specified in the Bye-Laws;

(ii) Subject to the discretion of the Directors, any employee of the Company and its subsidiaries who has a written employment contract and any director (executive or non-executive) of the Company, shall be eligible to participate in the ESOS;

(iii) The number of new shares that may be offered under the ESOS shall be at the discretion of the Directors after taking into consideration the performance, seniority and number of years of service as well as the employees' actual or potential contribution to the Group;

(iv) In the event of a change in the capital structure of the Company except under certain circumstances, the Directors may make or provide for adjustments to be made in the share options price and/or in the number of shares covered by outstanding share options as the Directors at their discretion, may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of the optionee or provide for adjustments in the number of shares to give the optionee the same proportion of the issued ordinary share capital of the Company to which the optionee was previously entitled;

(v) The subscription price upon the exercise of the share options under the ESOS shall be the weighted average market price quoted for the five market days immediately preceding the date on which the share options are granted;

(vi) The ESOS has a contractual term of 10 years. All share options shall become exercisable to the extent of one-third of the share options granted on each of the first three anniversaries from the date the share options were granted provided the optionee has been in continuous service with the Group throughout the period;

(vii) Subject to paragraph (vi) above, an optionee may exercise share options in whole or part in multiples of 100 shares only at such time in accordance with any guidelines as may be prescribed by the Directors from time to time; and

31 SHARE CAPITAL (CONTINUED)

(b) ESOS (continued)

The salient features of the ESOS are as follows: (continued)

(viii) The optionees have no right to participate by virtue of the share options in any share issue of any other company. However, shares issued upon the exercise of the share options shall rank pari passu in all respects with the then existing issued shares save that they will not entitle the holders thereof to receive any rights or bonus issues or dividends or distributions, the entitlement date of which precedes the date of issue of the shares.

Movement in the number of share options outstanding and their exercise prices is as follows:

			Number of options over ordinary shares of RM0.10 each in the Company					
Grant date	**Expiry date**	**Exercise price RM/share**	**Outstanding as at 1.1.2015 '000**	**Granted '000**	**Exercised '000**	**Forfeited/ Lapsed '000**	**Outstanding as at 31.12.2015 '000**	**Exercisable as at 31.12.2015 '000**
2015								
1 July 2011	17 September 2019	**5.45**	**5,973**	**-**	**(1,478)**	**(95)**	**4,400**	**4,400**
1 July 2012	17 September 2019	**6.41**	**15,833**	**-**	**(1,559)**	**(828)**	**13,446**	**13,446**
1 July 2013	17 September 2019	**6.78**	**12,053**	**-**	**(358)**	**(922)**	**10,773**	**8,082**
1 August 2015	17 September 2019	**6.53**	**-**	**69,623**	**-**	**(1,445)**	**68,178**	**-**
			33,859	**69,623**	**(3,395)**	**(3,290)**	**96,797**	**25,928**
Weighted average exercise price (RM per share)			**6.37**	**6.53**	**6.03**	**6.54**	**6.49**	**6.36**

			Number of options over ordinary shares of RM0.10 each in the Company					
Grant date	**Expiry date**	**Exercise price RM/share**	**Outstanding as at 1.1.2014 '000**	**Granted '000**	**Exercised '000**	**Forfeited/ Lapsed '000**	**Outstanding as at 31.12.2014 '000**	**Exercisable as at 31.12.2014 '000**
2014								
1 July 2011	17 September 2019	5.45	7,729	-	(1,661)	(95)	5,973	5,973
1 July 2012	17 September 2019	6.41	17,791	-	(1,355)	(603)	15,833	11,750
1 July 2013	17 September 2019	6.78	13,068	-	(110)	(905)	12,053	5,922
			38,588	-	(3,126)	(1,603)	33,859	23,645
Weighted average exercise price (RM per share)			6.34	-	5.91	6.56	6.37	6.26

The share options exercised during the financial year resulted in 3,394,900 (2014: 3,126,100) shares being issued and the related weighted average share price at the date of exercise was RM6.91 (2014: RM6.86) per share.

The weighted average remaining contractual life for the share options as at the reporting date is 3 years 8 months (2014: 4 years 8 months).

31 SHARE CAPITAL (CONTINUED)

(b) ESOS (continued)

The weighted average fair value of share options granted during the financial year determined using a modified Black Scholes model was RM0.68 (2014: RM Nil). The key inputs into the model were:

	Group and Company
	2015
Valuation assumptions:	
Weighted average share price at date of grant (per share)	6.53
Exercise price (per share)	6.53
Expected volatility	11.38%
Expected share option life	4.2 years
Expected dividend yield per annum	3.2%
Risk-free interest rate per annum	4.0%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices since the Company's Initial Public Offering ("Listing").

Value of employee services received for issue of share options:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Share-based payment expense	12,065	2,389	12,065	2,389
Capitalised as investment in subsidiaries for share-based payments allocated to the employees of the subsidiaries	-	-	(12,065)	(2,389)
Total expense recognised as share-based payments	12,065	2,389	-	-

(c) LTIP

The Company's LTIP is governed by the By-Laws which was approved by the shareholders on 28 April 2015 and is administered by the ESOS/LTIP Committee which is appointed by the Board of Directors of the Company, in accordance with the By-Laws. The ESOS/LTIP Committee may from time to time, offer LTIP to eligible employees (including an executive director) of the Group and includes any person who is proposed to be employed as an employee of the Group (including an executive director).

The LTIP comprises a Performance Share Grant ("PS Grant") and a Restricted Share Grant ("RS Grant") which shall be in force for a period of 10 years commencing from the effective date of the implementation of the LTIP. The LTIP took effect on 31 July 2015.

31 SHARE CAPITAL (CONTINUED)

(c) LTIP (continued)

The salient features of the LTIP are as follows:

(i) The maximum number of new shares which may be made available under the LTIP and/or allotted and issued upon vesting of the new shares under the LTIP shall not, when aggregated with the total number of new shares allotted and issued and/or to be allotted and issued under the existing ESOS, exceed 250,000,000 shares at any point of time during the duration of the LTIP;

(ii) The ESOS/LTIP Committee shall decide from time to time at its discretion to determine or vary the terms and conditions of the offer, such as eligibility criteria and allocation for each grant (i.e. the entitlement to receive new shares under the LTIP), the timing and frequency of the award of the grant, the performance target and/or performance conditions to be met prior to offer and vesting of the grant and the vesting period;

(iii) The total number of new shares that may be offered under the LTIP shall be at the discretion of the ESOS/LTIP Committee;

(iv) In the event of any alteration in the capital structure of the Company except under certain circumstances, the ESOS/LTIP Committee may make or provide for alterations or adjustments to be made in the number of unvested new shares and/or the method and/or manner in the vesting of the new shares comprised in a grant;

(v) The LTIP shall take effect on the effective date of the implementation of the LTIP and shall be in force for a period of 10 years, expiring on 31 July 2025;

(vi) The new shares to be allotted and issued pursuant to the LTIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued shares and the grant holders shall not be entitled to any dividends, rights, allotments, entitlements and/or any other distributions, for which the entitlement date is prior to the date of issue of the shares; and

(vii) The share grants will only be vested to the eligible employees of the Group (including an executive director) who have duly accepted the offer of grants under the LTIP, on their respective vesting dates, provided the following vesting conditions are fully and duly satisfied:

- eligible employees of the Group (including an executive director) must remain in employment with the Group and shall not have given notice of resignation or received a notice of termination of service as at the vesting dates.

- eligible employees of the Group (including an executive director) having achieved his/her performance target and/or performance condition as stipulated by the ESOS/LTIP Committee and as set out in their offer of grants.

During the financial year, 8,376,000 PS Grant under the LTIP were granted to the eligible employees of the Group. Subject to the terms and conditions of the By-Laws governing the LTIP, the employees shall be entitled to receive new ordinary share of RM0.10 each in the Company, to be allotted and issued pursuant to the LTIP ("new shares"), upon vesting of the new shares after meeting the vesting conditions as set out in the letter of offer for the shares under the LTIP. The vesting conditions comprising, amongst others, the performance targets and/or conditions for the period commencing from 1 January 2015 and ending on 31 December 2017, as stipulated by ESOS/LTIP Committee. The vesting date is on 30 April 2018, subject to meeting such performance targets.

31 SHARE CAPITAL (CONTINUED)

(c) LTIP (continued)

Movement in the number of PS Grant under the LTIP is as follows:

	Number of share grants over ordinary share of RM0.10 each in the Company					
Grant date	**Outstanding as at 1.1.2015 '000**	**Granted '000**	**Vested '000**	**Forfeited '000**	**Outstanding as at 31.12.2015 '000**	**Exerciseable as at 31.12.2015 '000**
31 July 2015	-	8,376	-	(91)	8,285	-

The weighted average fair value of share grants under the PS Grant based on observable market price was RM6.53 (2014: RM Nil).

Value of employee services received under the LTIP:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Share-based payment expense	4,098	-	4,098	-
Capitalised as investment in subsidiaries for share-based payments allocated to the employees of the subsidiaries	-	-	(4,098)	-
Total expense recognised as share-based payments	4,098	-	-	-

(d) Incentive arrangement

Pursuant to the terms and conditions of the incentive arrangement which forms part of the employment contract which an eligible director had entered into with the Company, the cash incentives payable to the eligible director were used to acquire shares of the Company from the open market. During the financial year, 315,215 (2014: 687,175) shares of the Company were acquired from the open market, and are currently held by CIMB Commerce Trustee Berhad or its nominee. Subject to fulfilment of the vesting conditions and the terms of the incentive arrangement, these shares will vest on the eligible director on a deferred basis. In addition to the eligible director's interest in these shares, the eligible director is also deemed interested in such additional number of shares in the Company which shall only be determinable in the future, to be acquired using future cash incentives payable to the eligible director, pursuant to the terms and conditions of such incentive arrangement.

31 SHARE CAPITAL (CONTINUED)

(d) Incentive arrangement (continued)

Movement in the number of shares under the incentive arrangement is as follows:

	Group and Company	
	2015	**2014**
	'000	**'000**
As at 1 January	**687**	-
Acquired	**315**	687
As at 31 December	**1,002**	687

For the financial year, the weighted average fair value of shares acquired under the incentive arrangement based on observable market price was RM6.97 (2014: RM6.97).

Value of employee services received under the incentive arrangement:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Share-based payment expense	**8,122**	977	**8,122**	977
Capitalised as investment in subsidiaries for share-based payments allocated to the employee of a subsidiary	**-**	-	**(8,122)**	(977)
Total expense recognised as share-based payments	**8,122**	977	**-**	-

32 RESERVES

(a) Merger relief

The merger relief was created prior to the listing and quotation exercise of the Company's shares on the Main Market of Bursa Malaysia Securities Berhad in 2009 where MCB implemented a restructuring exercise to consolidate its telecommunications operations in Malaysia under the Company ("Pre-Listing Restructuring"). The Company acquired the entire issued and paid-up share capital of the subsidiaries held by MCB. Pursuant to Section 60(4)(a) of the Companies Act, 1965, the premium on the shares issued by the Company as consideration for the acquisition of the subsidiaries is not recorded as share premium. The difference between the issue price and the nominal value of shares issued is classified as merger relief.

(b) Reserve arising from reverse acquisition

The reserve arising from reverse acquisition was created during the Pre-Listing Restructuring exercise where Maxis Mobile Services Sdn. Bhd. was identified as the accounting acquirer in accordance to MFRS 3 "Business Combination". The difference between the issued equity of the Company and issued equity of Maxis Mobile Services Sdn. Bhd. together with the deemed purchase consideration of subsidiaries other than Maxis Mobile Services Sdn. Bhd. and the cash distribution to MCB, is recorded as reserve arising from reverse acquisition.

32 RESERVES (CONTINUED)

(c) Other reserves

Group	Note	Share-based payments RM'000	Cash flow hedging RM'000	Currency translation differences RM'000	Total RM'000
2015					
As at 1 January 2015		**57,588**	**42,573**	**-**	**100,161**
Net change in hedging:					
- fair value gains		**-**	**548,563**	**-**	**548,563**
- reclassified to finance costs	11(b)	**-**	**(527,879)**	**-**	**(527,879)**
ESOS and LTIP:					
- share-based payment expense		**16,163**	**-**	**-**	**16,163**
- shares issued		**(904)**	**-**	**-**	**(904)**
- share options lapsed		**(260)**	**-**	**-**	**(260)**
Incentive arrangement:					
- share-based payment expense		**8,122**	**-**	**-**	**8,122**
- shares acquired		**(2,076)**	**-**	**-**	**(2,076)**
As at 31 December 2015		**78,633**	**63,257**	**-**	**141,890**
2014					
As at 1 January 2014		59,689	61,264	(49)	120,904
Currency translation differences					
- reclassified to profit or loss on liquidation of a subsidiary		-	-	49	49
Net change in hedging:					
- fair value gains		-	200,982	-	200,982
- reclassified to finance costs	11(b)	-	(219,673)	-	(219,673)
ESOS:					
- share-based payment expense		2,389	-	-	2,389
- shares issued		(607)	-	-	(607)
- share options lapsed		(69)	-	-	(69)
Incentive arrangement:					
- share-based payment expense		977	-	-	977
- shares acquired		(4,791)	-	-	(4,791)
As at 31 December 2014		57,588	42,573	-	100,161

32 RESERVES (CONTINUED)

(c) Other reserves (continued)

Company	Note	Share-based payments RM'000	Cash flow hedging RM'000	Total RM'000
2015				
As at 1 January 2015		**57,588**	**42,573**	**100,161**
Net change in hedging:				
- fair value gains		**-**	**548,497**	**548,497**
- reclassified to finance costs	11(b)	**-**	**(527,879)**	**(527,879)**
ESOS and LTIP:				
- share-based payment expense		**16,163**	**-**	**16,163**
- shares issued		**(904)**	**-**	**(904)**
- share options lapsed		**(260)**	**-**	**(260)**
Incentive arrangement:				
- share-based payment expense		**8,122**	**-**	**8,122**
- shares acquired		**(2,076)**	**-**	**(2,076)**
As at 31 December 2015		**78,633**	**63,191**	**141,824**
2014				
As at 1 January 2014		59,689	61,264	120,953
Net change in hedging:				
- fair value gains		-	200,982	200,982
- reclassified to finance costs	11(b)	-	(219,673)	(219,673)
ESOS:				
- share-based payment expense		2,389	-	2,389
- shares issued		(607)	-	(607)
- share options lapsed		(69)	-	(69)
Incentive arrangement:				
- share-based payment expense		977	-	977
- shares acquired		(4,791)	-	(4,791)
As at 31 December 2014		57,588	42,573	100,161

32 RESERVES (CONTINUED)

(c) Other reserves (continued)

The share-based payments reserve comprises:

(a) discount on shares issued to retail investors in relation to the Listing;

(b) fair value of share options and shares grants less any shares issued under the ESOS and LTIP respectively; and

(c) fair value of shares less any shares acquired under the incentive arrangement.

The cash flow hedging reserve represents the deferred fair value gains/(losses) relating to derivative financial instruments used to hedge certain borrowings and forecast transactions of the Group and of the Company.

The currency translation differences reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities.

33 FINANCIAL RISK MANAGEMENT

The Group's and the Company's activities expose them to a variety of financial risks, including market risk (interest rate risk and foreign exchange risk), credit risk, liquidity risk and capital risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performances. The Group and the Company use derivative financial instruments to hedge designated risk exposures of the underlying hedge items and do not enter into derivative financial instruments for speculative purposes.

The Group and the Company have established financial risk management policies and procedures/mandates which provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

(a) Market risk

Market risk is the risk that the fair value or future cash flow of the financial instruments that will fluctuate because of changes in market prices. The various components of market risk that the Group and the Company are exposed to are discussed below.

(i) Foreign exchange risk

The objectives of the Group's and of the Company's currency risk management policies are to allow the Group and the Company to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. Forward foreign exchange contracts are used to manage foreign exchange exposures arising from all known material foreign currency denominated commitments as and when they arise and to hedge the movements in exchange rates by establishing the rate at which a foreign currency monetary item will be settled. Gains and losses on foreign currency forward contracts entered into as hedges of foreign currency monetary items are recognised in the financial statements when the exchange differences of the hedged monetary items are recognised in the financial statements. Cross currency interest rate swap contracts are also used to hedge the volatility in the cash flow attributable to variability in the foreign currency denominated borrowings from the inception to maturity of the borrowings.

The currency exposure of financial assets and financial liabilities of the Group and of the Company that are not denominated in the functional currency of the respective companies are set out below. Currency risks in respect of intragroup receivables and payables have been included in the Group's currency exposure table as this exposure is not eliminated at the Group level.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Group	Currency exposure at 31 December 2015			
	SGD RM'000	USD RM'000	SDR RM'000	Others RM'000
Functional currency				
Ringgit Malaysia				
Receivables	12	1,794	17,081	-
Deposits, bank and cash balances	-	7,093	-	51
Payables	(1,822)	(701,821)	(62,599)	(1,335)
Amounts due to fellow subsidiaries	-	(2,180)	(32)	-
Amounts due (to)/from related parties, net	-	(322)	276	-
Syndicated term loans	-	(2,055,764)	-	-
Term loans	(212,384)	(749,801)	-	-
Gross exposure	(214,194)	(3,501,001)	(45,274)	(1,284)
CCIRS:				
- syndicated term loans	-	2,055,764	-	-
- term loans	212,384	749,801	-	-
Forward foreign exchange contract:				
- payables	-	98,785	-	-
Net exposure	(1,810)	(596,651)	(45,274)	(1,284)

Group	Currency exposure at 31 December 2014			
	SGD RM'000	USD RM'000	SDR RM'000	Others RM'000
Functional currency				
Ringgit Malaysia				
Receivables	7	3,068	28,377	-
Deposits, bank and cash balances	-	6,739	-	48
Payables	(85)	(646,913)	(16,183)	(773)
Amounts due from related parties, net	-	215	839	100
Syndicated term loans	-	(2,536,407)	-	-
Term loans	(184,617)	(609,622)	-	-
Gross exposure	(184,695)	(3,782,920)	13,033	(625)
CCIRS:				
- syndicated term loans	-	2,536,407	-	-
- term loans	184,617	609,622	-	-
Net exposure	(78)	(636,891)	13,033	(625)

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Company	**Currency exposure at 31 December 2015**			
	SGD RM'000	**USD RM'000**	**SDR RM'000**	**Others RM'000**
Functional currency Ringgit Malaysia				
Deposits, bank and cash balances	**-**	**2**	**-**	**-**
Syndicated term loans	**-**	**(2,055,764)**	**-**	**-**
Term loans	**(212,384)**	**(749,801)**	**-**	**-**
Gross exposure	**(212,384)**	**(2,805,563)**	**-**	**-**
CCIRS:				
- syndicated term loans	**-**	**2,055,764**	**-**	**-**
- term loans	**212,384**	**749,801**	**-**	**-**
Net exposure	**-**	**2**	**-**	**-**

Company	**Currency exposure at 31 December 2014**			
	SGD RM'000	**USD RM'000**	**SDR RM'000**	**Others RM'000**
Functional currency Ringgit Malaysia				
Deposits, bank and cash balances	-	1	-	-
Syndicated term loans	-	(2,536,407)	-	-
Term loans	(184,617)	(609,622)	-	-
Gross exposure	(184,617)	(3,146,028)	-	-
CCIRS:				
- syndicated term loans	-	2,536,407	-	-
- term loans	184,617	609,622	-	-
Net exposure	-	1	-	-

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The sensitivity of the Group's and of the Company's profit before tax for the financial year and equity to a reasonably possible change in the USD exchange rate against the Group's and the Company's functional currency, RM, with all other factors remaining constant and based on the composition of assets and liabilities at the reporting date are set out as below.

	Impact on profit before tax for the financial year		Impact on equity [1]			
	Group		Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
USD/RM						
- strengthened 5% (2014: 5%)	**(34,769)**	(31,845)	**8,437**	6,785	**5,655**	6,785
- weakened 5% (2014: 5%)	**34,769**	31,845	**(8,437)**	(6,785)	**(5,655)**	(6,785)

Note:
(1) Represents cash flow hedging reserve

The impacts on profit before tax for the financial year are mainly as a result of foreign currency gains/losses on translation of USD denominated receivables, deposits, bank balances and unhedged payables. For USD borrowings and payables in a designated hedging relationship, as these are effectively hedged, the foreign currency movements will not have any impact on the statement of profit or loss.

(ii) Interest rate risk

The Group's and the Company's interest rate risk arises from deposits with licensed banks, deferred payment creditors, borrowings, loan from a related party and inter-company loans carrying fixed and variable interest rates. The objectives of the Group's and of the Company's interest rate risk management policies are to allow the Group and the Company to effectively manage the interest rate fluctuation through the use of fixed and floating interest rates debt and derivative financial instruments. The Group and the Company adopt a non-speculative stance which favours predictability over interest rate fluctuations. The interest rate profiles of the Group's and of the Company's borrowings are also regularly reviewed against prevailing and anticipated market interest rates to determine whether refinancing or early repayment is warranted.

The Group and the Company manage their cash flow interest rate risk by using cross currency interest rate swap contracts and interest rate swap contracts. Such swaps have the economic effect of converting certain borrowings from floating rates to fixed rates.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of cross currency interest rate swap and interest rate swap contracts) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows:

Group	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015							
Deposits with licensed banks	4.13	1,123,583	-	1,123,583	-	-	-
Trade payables	3.00	(551,101)	(551,101)	-	-	-	-
Finance lease liabilities	10.00	(20,848)	-	(12,868)	(6,134)	(1,846)	-
Syndicated term loans	2.00	(2,055,764)	(2,055,764)	-	-	-	-
Term loans	3.62	(1,959,327)	(1,959,327)	-	-	-	-
Islamic Medium Term Notes	5.10	(3,325,483)	-	-	-	-	(3,325,483)
Commodity Murabahah Term Financing	4.87	(2,516,230)	(2,516,230)	-	-	-	-
Loan from a related party	7.85	(29,012)	(29,012)	-	-	-	-
Gross exposure		(9,334,182)	(7,111,434)				
CCIRS and IRS:							
- syndicated term loans	4.85		2,055,764	(1,064,080)	(563,561)	(428,123)	-
- term loans	4.52		1,020,188	-	-	-	(1,020,188)
Net exposure			(4,035,482)				

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of cross currency interest rate swap and interest rate swap contracts) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows: (continued)

Group	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2014							
Deposits with licensed banks	3.82	1,422,723	-	1,422,723	-	-	-
Trade payables	2.54	(557,323)	(557,323)	-	-	-	-
Finance lease liabilities	10.13	(25,906)	-	(14,051)	(6,768)	(5,087)	-
Syndicated term loans	1.87	(2,536,407)	(2,536,407)	-	-	-	-
Term loans	3.58	(1,790,997)	(1,790,997)	-	-	-	-
Islamic Medium Term Notes	5.01	(2,484,105)	-	-	-	-	(2,484,105)
Commodity Murabahah Term Financing	4.87	(2,160,669)	(2,160,669)	-	-	-	-
Loan from a related party	7.85	(28,875)	(28,875)	-	-	-	-
Gross exposure		(8,161,559)	(7,074,271)				
CCIRS and IRS:							
- syndicated term loans	4.82		2,536,407	(865,644)	(864,056)	(459,016)	(347,691)
- term loans	4.54		960,028	-	-	-	(960,028)
Net exposure			(3,577,836)				

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of cross currency interest rate swap and interest rate swap contracts) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows: (continued)

Company	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015							
Loans to subsidiaries	5.27	636,795	270,000	366,795	-	-	-
Deposits with licensed banks	3.70	5,668	-	5,668	-	-	-
Syndicated term loans	2.00	(2,055,764)	(2,055,764)	-	-	-	-
Term loans	3.62	(1,959,327)	(1,959,327)	-	-	-	-
Islamic Medium Term Notes	5.10	(3,325,483)	-	-	-	-	(3,325,483)
Commodity Murabahah Term Financing	4.87	(2,516,230)	(2,516,230)	-	-	-	-
Gross exposure		(9,214,341)	(6,261,321)				
CCIRS and IRS:							
- syndicated term loans	4.85		2,055,764	(1,064,080)	(563,561)	(428,123)	-
- term loans	4.52		1,020,188	-	-	-	(1,020,188)
Net exposure			(3,185,369)				

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The net exposure of financial assets and financial liabilities of the Group and of the Company to interest rate risk (before and after taking effect of cross currency interest rate swap and interest rate swap contracts) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows: (continued)

Company	Weighted average effective interest rate/ profit margin at reporting date (per annum) %	Total carrying amount RM'000	Floating interest rate < 1 year RM'000	Fixed interest rate/profit margin < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2014							
Loan to a subsidiary	5.00	1,205,763	-	-	758,409	447,354	-
Deposits with licensed banks	3.74	185,824	-	185,824	-	-	-
Loans from a subsidiary	5.18	(400,000)	(400,000)	-	-	-	-
Syndicated term loans	1.87	(2,536,407)	(2,536,407)	-	-	-	-
Term loans	3.58	(1,790,997)	(1,790,997)	-	-	-	-
Islamic Medium Term Notes	5.01	(2,484,105)	-	-	-	-	(2,484,105)
Commodity Murabahah Term Financing	4.87	(2,160,669)	(2,160,669)	-	-	-	-
Gross exposure		(7,980,591)	(6,888,073)				
CCIRS and IRS:							
- syndicated term loans	4.82		2,536,407	(865,644)	(864,056)	(459,016)	(347,691)
- term loans	4.54		960,028	-	-	-	(960,028)
Net exposure			(3,391,638)				

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The sensitivity of the Group's and of the Company's profit before tax for the financial year and equity to a reasonably possible change in RM and USD interest rates with all other factors held constant and based on composition of liabilities with floating interest rates at the reporting date are as follows:

	Impact on profit before tax for the financial year				Impact on equity[1]	
	Group		Company		Group and Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
RM						
- increased by 0.5% (2014: 0.5%)	**(14,077)**	(14,958)	**(12,727)**	(16,958)	**17,787**	20,345
- decreased by 0.5% (2014: 0.5%)	**14,077**	14,958	**12,727**	16,958	**(17,787)**	(20,345)
USD						
- increased by 0.5% (2014: 0.5%)	**(2,756)**	(2,787)	**-**	-	**21,877**	26,815
- decreased by 0.5% (2014: 0.5%)	**2,756**	2,787	**-**	-	**(21,877)**	(26,815)

Note:
[1] Represents cash flow hedging reserve

The impacts on profit before tax for the financial year are mainly as a result of interest expenses/income on floating rate payables, loan from a related party and borrowings not in a designated hedging relationship. For borrowings in a designated hedging relationship, as these are effectively hedged, the interest rate movements will not have any impact on the statement of profit or loss.

(b) Credit risk

The objectives of the Group's and of the Company's credit risk management policies are to manage their exposure to credit risk from deposits, cash and bank balances, receivables, derivative financial instruments and inter-company loans. They do not expect any third parties to fail to meet their obligations given the Group's and the Company's policies of selecting creditworthy counterparties.

The Group has no significant concentration of credit risk as the Group's policy limits the concentration of financial exposure to any single counterparty. Credit risk of trade receivables is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting the Group's dealings with creditworthy business partners and customers. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. At the Company level, inter-company loans exposure to bad debts is not significant since the subsidiaries do not have historical default.

For deposits, cash and bank balances, the Group and the Company seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions. As for derivative financial instruments, the Group and the Company enter into the contracts with various reputable counterparties to minimise the credit risks. The Group and the Company consider the risk of material loss in the event of non-performance by the above parties to be unlikely. The Group's and the Company's maximum exposure to credit risk is equal to the carrying value of those financial instruments.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The objectives of the Group's and of the Company's liquidity risk management policies are to monitor rolling forecasts of the Group's and of the Company's liquidity requirements to ensure they have sufficient cash to meet operational and financing needs as and when they fall due, availability of funding by keeping committed credit lines and to meet external covenant compliance. Surplus cash held is invested in interest bearing money market deposits and time deposits. The Group and the Company are exposed to liquidity risk where there could be difficulty in raising funds to meet commitments associated with financial instruments.

As at 31 December 2015, the Group and the Company have unissued Sukuk of RM4.16 billion under the Unrated Sukuk Murabahah Programme, as disclosed in Note 30(d)(ii) to the financial statements. The Group and the Company are able to issue new Sukuk to refinance other debt/finance obligations of the Group and/or to finance capital expenditure, working capital, general funding and/or general corporate requirements of the Group. There is no restriction under the terms of the Unrated Sukuk Murabahah Programme for such intended purposes.

The undiscounted contractual cash flow payables under the financial instruments as at the reporting date are as follows:

Group	Total[1] RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015					
Payables and accruals[2]					
- principal	2,653,377	2,227,757	125,215	292,876	7,529
- interest[3]	41,081	15,816	11,781	13,484	-
Amounts due to fellow subsidiaries	2,212	2,212	-	-	-
Amounts due to related parties	9,283	9,283	-	-	-
Loan from a related party					
- principal	28,875	28,875	-	-	-
- interest[3]	137	137	-	-	-
Finance lease liabilities	22,259	13,875	6,463	1,921	-
Bank borrowings[2]					
- principal	4,020,727	1,063,013	563,719	429,500	1,964,495
- interest[3]	517,231	97,805	81,010	233,609	104,807
Islamic Medium Term Notes					
- nominal value	3,290,000	-	-	-	3,290,000
- profit[3]	1,228,407	168,320	167,860	504,040	388,187
Commodity Murabahah Term Financing					
- nominal value	2,500,000	-	-	-	2,500,000
- profit[3]	1,030,833	121,997	121,510	364,863	422,463
Net settled derivative financial instruments (CCIRS, IRS and forward foreign exchange contracts)[2][3]	(614,221)	(181,975)	(98,068)	(67,588)	(266,590)
	14,730,201	3,567,115	979,490	1,772,705	8,410,891

Notes:

(1) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.

(2) Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.

(3) Based on contractual interest rates/profit margin as at the reporting date.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The undiscounted contractual cash flow payables under the financial instruments as at the reporting date are as follows: (continued)

Group	Total[1] RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2014					
Payables and accruals[2]					
- principal	2,248,017	1,799,117	108,423	292,722	47,755
- interest[3]	41,891	13,624	10,895	16,752	620
Amounts due to fellow subsidiaries	487	487	-	-	-
Amounts due to related parties	24,429	24,429	-	-	-
Loan from a related party					
- principal	28,875	28,875	-	-	-
- interest[3]	2,130	2,130	-	-	-
Finance lease liabilities	28,413	15,555	7,589	5,269	-
Bank borrowings[2]					
- principal	4,338,510	865,879	865,879	459,178	2,147,574
- interest[3]	565,770	98,245	84,459	211,589	171,477
Islamic Medium Term Notes					
- nominal value	2,450,000	-	-	-	2,450,000
- profit[3]	919,925	122,500	122,836	367,500	307,089
Commodity Murabahah Term Financing					
- nominal value	2,150,000	-	-	-	2,150,000
- profit[3]	979,581	103,565	103,849	310,695	461,472
Net settled derivative financial instruments (CCIRS and IRS)[2][3]	40,078	55,044	28,584	66,775	(110,325)
	13,818,106	3,129,450	1,332,514	1,730,480	7,625,662

Notes:

(1) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.

(2) Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.

(3) Based on contractual interest rates/profit margin as at the reporting date.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The undiscounted contractual cash flow payables under the financial instruments as at the reporting date are as follows: (continued)

Company	Total[1] RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2015					
Payables and accruals	480	480	-	-	-
Amount due to a subsidiary	823	823	-	-	-
Bank borrowings[2]					
- principal	4,020,727	1,063,013	563,719	429,500	1,964,495
- interest[3]	517,231	97,805	81,010	233,609	104,807
Islamic Medium Term Notes					
- nominal value	3,290,000	-	-	-	3,290,000
- profit[3]	1,228,407	168,320	167,860	504,040	388,187
Commodity Murabahah Term Financing					
- nominal value	2,500,000	-	-	-	2,500,000
- profit[3]	1,030,833	121,997	121,510	364,863	422,463
Net settled derivative financial instruments (CCIRS and IRS)[2][3]	(614,680)	(182,434)	(98,068)	(67,588)	(266,590)
	11,973,821	1,270,004	836,031	1,464,424	8,403,362

Notes:

(1) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.

(2) Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.

(3) Based on contractual interest rates/profit margin as at the reporting date.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The undiscounted contractual cash flow payables under the financial instruments as at the reporting date are as follows: (continued)

Company	Total[1] RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
At 31 December 2014					
Payables and accruals	893	893	-	-	-
Amount due to a subsidiary	1,160	1,160	-	-	-
Loans from a subsidiary	400,000	400,000	-	-	-
Bank borrowings[2]					
- principal	4,338,510	865,879	865,879	459,178	2,147,574
- interest[3]	565,770	98,245	84,459	211,589	171,477
Islamic Medium Term Notes					
- nominal value	2,450,000	-	-	-	2,450,000
- profit[3]	919,925	122,500	122,836	367,500	307,089
Commodity Murabahah Term Financing					
- nominal value	2,150,000	-	-	-	2,150,000
- profit[3]	979,581	103,565	103,849	310,695	461,472
Net settled derivative financial instruments (CCIRS and IRS)[2][3]	40,078	55,044	28,584	66,775	(110,325)
	11,845,917	1,647,286	1,205,607	1,415,737	7,577,287

Notes:

(1) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile with the amounts disclosed in the statements of financial position.

(2) Foreign currency denominated financial instruments are translated to RM using closing rate as at the reporting date.

(3) Based on contractual interest rates/profit margin as at the reporting date.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk management

The Group's and the Company's objective when managing capital is to safeguard the Group's and the Company's abilities to continue as a going concern while at the same time provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders.

Under the requirement of Bursa Malaysia Securities Berhad Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity of more than 25% of the issued and paid-up capital (excluding treasury shares) and maintain such shareholders' equity of not less than RM40 million. The Company has complied with this requirement.

The Company is also required by the external lenders to maintain financial covenant ratios on Group net debt to Group EBITDA and Group EBITDA to Group interest expense. These financial covenant ratios have been fully complied with by the Company for the financial years ended 31 December 2015 and 31 December 2014.

The Group also monitors capital which comprise of borrowings and equity on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest bearing financial liabilities (include loan from a related party, current and non-current borrowings and derivative financial instruments designated in hedging relationship on borrowings on a net basis as shown in the statements of financial position but exclude deferred payment scheme as disclosed in Note 29 to the financial statements) less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the statements of financial position. The gearing ratios at 31 December 2015 and 31 December 2014 were as follows:

		Group	
	Note	**2015 RM'000**	**2014 RM'000**
Total interest bearing financial liabilities		**9,129,563**	8,798,355
Less: Cash and cash equivalents	27	**(1,296,448)**	(1,530,519)
Net debt		**7,833,115**	7,267,836
Total equity		**4,220,516**	4,737,767
Gearing ratio		**1.9**	1.5

The increase in the gearing ratio as at 31 December 2015 is primarily due to the additional borrowings drawn down during the financial year and reduction in total equity.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value estimation

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximated their fair values except as set out below measured using Level 3 valuation technique:

		Group		Company	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
At 31 December 2015					
Financial liability:					
Borrowings					
- finance lease liabilities	30(a)	**7,980**	**6,731**	**-**	**-**
- Islamic Medium Term Notes (Sukuk Musharakah)		**2,485,513**	**2,449,777**	**2,485,513**	**2,449,777**
At 31 December 2014					
Financial asset:					
Loan to a subsidiary	17	-	-	1,205,763	1,189,095
Financial liability:					
Borrowings					
- finance lease liabilities	30(a)	11,855	9,602	-	-
- Islamic Medium Term Notes	30(d)	2,484,105	2,502,657	2,484,105	2,502,657

The valuation technique used to derive the Level 3 disclosure for financial asset is based on the estimated cash flow and discount rate of the underlying counterparty while financial liability is based on the estimated cash flow and discount rate of the Group and the Company.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value estimation (continued)

(ii) Financial instruments carried at fair value

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation technique, at reporting date:

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Derivative financial instruments (CCIRS, IRS and forward foreign exchange contracts):					
- assets		**777,324**	244,452	**777,101**	244,452
- liabilities		**-**	(15,848)	**-**	(15,848)
	22	**777,324**	228,604	**777,101**	228,604

The fair values of CCIRS and IRS are calculated as the present value of estimated future cash flow using an appropriate market-based yield curve. The fair values of forward foreign exchange contracts are determined using forward exchange rates as at each reporting date.

(f) Offsetting financial assets and financial liabilities

(i) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements.

Group	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set-off in the statement of financial position: Financial instruments RM'000	Related amounts not set-off in the statement of financial position: Cash collateral received RM'000	Net amount RM'000
At 31 December 2015						
Receivables and deposits	**539,069**	**(146,679)**	**392,390**	**-**	**(35,160)**	**357,230**
Amount due from a fellow subsidiary	**111**	**(111)**	**-**	**-**	**-**	**-**
Amounts due from related parties	**48**	**(48)**	**-**	**-**	**-**	**-**
	539,228	**(146,838)**	**392,390**	**-**	**(35,160)**	**357,230**

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities (continued)

(i) Financial assets (continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements.(continued)

Group	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set-off in the statement of financial position: Financial instruments RM'000	Related amounts not set-off in the statement of financial position: Cash collateral received RM'000	Net amount RM'000
At 31 December 2014						
Receivables and deposits	434,701	(87,403)	347,298	-	(32,137)	315,161
Amount due from a fellow subsidiary	508	(66)	442	-	-	442
Amounts due from related parties	590	(391)	199	-	-	199
	435,799	(87,860)	347,939	-	(32,137)	315,802
Company						
At 31 December 2015						
Amounts due from subsidiaries	**134**	**(60)**	**74**	**-**	**-**	**74**
At 31 December 2014						
Amounts due from subsidiaries	81	-	81	-	-	81

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities (continued)

(ii) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements.

				Related amounts not set-off in the statement of financial position		
Group	**Gross amounts of recognised financial liabilities RM'000**	**Gross amounts of recognised financial assets set-off in the statement of financial position RM'000**	**Net amounts of financial liabilities presented in the statement of financial position RM'000**	**Financial instruments RM'000**	**Cash collateral received RM'000**	**Net amount RM'000**
At 31 December 2015						
Payables and accruals	**472,158**	**(146,679)**	**325,479**	**(35,160)**	**-**	**290,319**
Amount due to a fellow subsidiary	**1,422**	**(111)**	**1,311**	**-**	**-**	**1,311**
Amounts due to related parties	**368**	**(48)**	**320**	**-**	**-**	**320**
	473,948	**(146,838)**	**327,110**	**(35,160)**	**-**	**291,950**
At 31 December 2014						
Payables and accruals	292,743	(87,403)	205,340	(32,137)	-	173,203
Amount due to a fellow subsidiary	574	(66)	508	-	-	508
Amounts due to related parties	394	(391)	3	-	-	3
	293,711	(87,860)	205,851	(32,137)	-	173,714
Company						
At 31 December 2015						
Amount due to a subsidiary	**883**	**(60)**	**823**	**-**	**-**	**823**
At 31 December 2014						
Amount due to a subsidiary	1,160	-	1,160	-	-	1,160

34 CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment approved by the Directors and not provided for in the financial statements as at reporting date, are as follows:

	Group	
	2015 **RM'000**	**2014** **RM'000**
Contracted for	**256,981**	162,608
Not contracted for	**1,190,019**	957,622
	1,447,000	1,120,230

35 OPERATING LEASE COMMITMENTS

Generally, the Group leases certain network infrastructure, content rights, offices and customer service centres under operating leases. The leases run for a period of 3 to 15 years (2014: 2 to 10 years). Certain operating leases contain renewal options with market review clauses. The Group does not have the option to purchase the leased assets at the expiry of the lease period.

The future minimum lease payments under non-cancellable operating leases are as follows, of which RM20,138,000 (2014: RM26,238,000) has been recognised as disclosed in Note 28 to the financial statements:

	Group	
	2015 **RM'000**	**2014** **RM'000**
Not later than one year	**222,903**	201,012
Later than one year but not later than five years	**660,351**	487,450
Later than five years	**185,538**	106,382
	1,068,792	794,844

Included in the future minimum lease payments are lease commitments for network infrastructure which are based on the number of co-sharing parties for each individual site as at the reporting date.

36 RELATED PARTIES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant transactions, balances and commitments. The related party transactions described below were carried out on agreed terms with the related parties. None of these balances are secured.

	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
Group	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Sales of goods and services to:								
- MEASAT Broadcast Network Systems Sdn. Bhd.[1] (VSAT, telephony, bandwidth and broadband services)	**79,952**	72,209	**20,671**	20,331	**-**	-	**20,671**	20,331
- Saudi Telecom Company ("STC")[2] (roaming and international calls)	**9,931**	17,032	**-**	900	**-**	-	**-**	900
- MEASAT Global Berhad Group[3] (revenue share for the leasing of satellite bandwidth)	**4,767**	6,605	**1,733**	3,051	**-**	-	**1,733**	3,051
Purchases of goods and services from:								
- Aircel Limited Group[4] (interconnect, roaming and international calls)	**8,894**	6,102	**(2,212)**	(489)	**-**	-	**(2,212)**	(489)
- Tanjong City Centre Property Management Sdn. Bhd.[5] (rental, signage, parking and utility charges)	**28,459**	37,640	**(767)**	(983)	**(234,377)**	(6,497)	**(235,144)**	(7,480)
- MEASAT Global Berhad Group[3] (transponder and teleport lease rental)	**39,720**	29,155	**(1,050)**	(7,176)	**(9,958)**	(17,214)	**(11,008)**	(24,390)
- Astro Digital 5 Sdn. Bhd.[1] (content provisioning, publishing and advertising agent)	**2,147**	4,955	**(4,170)**	(5,915)	**-**	-	**(4,170)**	(5,915)
- MEASAT Broadcast Network Systems Sdn. Bhd.[1] (mobile TV and IPTV contents)	**5,541**	20,178	**(12)**	(100)	**-**	(6,238)	**(12)**	(6,338)

36 RELATED PARTIES (CONTINUED)

Group	Transaction value		Balance outstanding		Commitments		Total balance outstanding, including commitments	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchases of goods and services from: (continued)								
- UTSB Management Sdn. Bhd.[(5)] (corporate management services)	**25,000**	25,000	**(2,083)**	(6,625)	**(18,750)**	(43,750)	**(20,833)**	(50,375)
- SRG Asia Pacific Sdn. Bhd.[(6)] (call handling and telemarketing services)	**15,899**	19,024	**(934)**	(2,708)	**-**	-	**(934)**	(2,708)
- UMTS (Malaysia) Sdn. Bhd.[(7)] (usage of 3G spectrum)	**49,274**	43,633	**(3,975)**	29,300	**-**	-	**(3,975)**	29,300

Notes:
The Group has entered into the above related party transactions with parties whose relationships are set out below.

Usaha Tegas Sdn. Bhd. ("UTSB"), STC and Harapan Nusantara Sdn. Bhd. are parties related to the Company, by virtue of having joint control over BGSM, pursuant to a shareholders' agreement in relation to BGSM. BGSM is the ultimate holding company of the Company.

The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean is deemed to have an interest in all of the Company shares in which UTSB has an interest, it does not have any economic or beneficial interest over the Company shares, as such interest is held subject to the terms of the discretionary trust.

(1) Subsidiary of a company which is an associate of UTSB
(2) A major shareholder of BGSM, as described above
(3) Subsidiary of a company in which TAK has a 99.999% direct equity interest
(4) Subsidiary of BGSM
(5) Subsidiary of UTSB
(6) Subsidiary of a company whereby a person connected to TAK has a deemed equity interest
(7) Subsidiary of the Company and associate of a company which is an associate of UTSB. The transaction values and outstanding balances are eliminated in the consolidated financial statements

	Company	
	2015 RM'000	2014 RM'000
Amount charged by a subsidiary:		
- management fees	**11,619**	10,981
Payment on behalf of operating expenses for subsidiaries	**185**	238

37 CONTINGENT LIABILITIES

In the normal course of business, there are contingent liabilities arising from legal recourse sought by the Group's and the Company's customers or vendors, indemnities given to financial institutions on bank guarantees and claims from the authorities. There were no material losses anticipated as a result of these transactions.

38 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 2 December 2015, the Company announced a proposed internal reorganisation involving its subsidiaries which will result in the consolidation and integration of the business and undertakings of the Company's wholly-owned subsidiaries, namely Maxis Collections Sdn. Bhd., Maxis International Sdn. Bhd., Maxis Mobile Sdn. Bhd. and Maxis Mobile Services Sdn. Bhd., under Maxis Broadband Sdn. Bhd. ("MBSB") ("Proposed Internal Reorganisation"). In order to effect the Proposed Internal Reorganisation, MBSB on the same day, entered into separate sale and purchase agreements with the respective entities to purchase their businesses and undertakings including relevant assets and liabilities.

The Proposed Internal Reorganisation is another important step of the Group's transformation. The objective is to deliver operational efficiency and provide the Group with greater operational agility and flexibility to respond quickly in a fast evolving telecommunications market.

Barring unforeseen circumstances, and subject to the fulfilment of applicable conditions precedent, the Company expects to complete the Proposed Internal Reorganisation within the first half of year 2016.

39 EVENT AFTER THE FINANCIAL YEAR

On 1 February 2016, the Group received a notice of spectrum reallocation of 900 MHz and 1800 MHz bands from Malaysian Communications and Multimedia Commission ("MCMC"), which would reduce the spectrum available to the Group. The Group noted MCMC's decision to convert the annual Apparatus Assignment fee to an upfront Spectrum Assignment fee with long-term certainty for the spectrum and that MCMC recognises this fee needs to be seen in the perspective of the continuous high investment level the industry will need to reach national goals.

The Group will consider the impact of the above changes once a detailed review is carried out with better clarity on the matter.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 4 February 2016.

Supplementary Information

DISCLOSURE PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained earnings is prepared 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 whilst the disclosure at the Group level is based on the prescribed format by Bursa Malaysia Securities Berhad.

	Group		**Company**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Realised	**3,670,851**	1,767,032	**2,667,315**	1,049,307
Unrealised	**(650,180)**	(494,420)	**-**	-
Total retained earnings	**3,020,671**	1,272,612	**2,667,315**	1,049,307
Less: Consolidation adjustments	**(58,534)**	(49,687)	**-**	-
Retained earnings as at 31 December	**2,962,137**	1,222,925	**2,667,315**	1,049,307

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Morten Lundal, being two of the Directors of Maxis Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 75 to 175 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out on page 176 has been prepared in accordance with the 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.

Signed on behalf of the Board of Directors in accordance with their resolution dated 4 February 2016.

RAJA TAN SRI DATO' SERI ARSHAD BIN RAJA TUN UDA
DIRECTOR

MORTEN LUNDAL
DIRECTOR

Kuala Lumpur

Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Nasution bin Mohamed, the officer primarily responsible for the financial management of Maxis Berhad, do solemnly and sincerely declare that the financial statements set out on pages 75 to 175 and supplementary information set out on page 176 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

NASUTION BIN MOHAMED

Subscribed and solemnly declared by the abovenamed Nasution bin Mohamed at Kuala Lumpur in Malaysia on 4 February 2016, before me.

PESURUHJAYA SUMPAH
No: W626
Nama: HAJJAH JAMILAH ISMAIL
MALAYSIA

COMMISSIONER FOR OATHS

Lot 5.30, Tingkat 5
Wisma Central
Jalan Ampang
50450 Kuala Lumpur

Independent Auditors' Report to the Members of MAXIS BERHAD

(Incorporated in Malaysia)
(Company No. 867573 A)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Maxis Berhad on pages 75 to 175 which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in Notes 1 to 40.

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 Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 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 judgment, 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 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 have been properly kept in accordance with the provisions of the Act.

(b) 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.

(c) Our 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 on page 176 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
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/16 (J))
Chartered Accountant

Kuala Lumpur
4 February 2016