

# **SESRIC Training Course on Foreign Investment Survey**

**Central Statistical Bureau, Kuwait**

**Third Day, 22 November 2017 (Wednesday)**

**Department of Statistics Malaysia | 20-22 November 2017**

# Overview – Third Day

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- ✓ **Collecting FDI Data through Financial Statements**
- ✓ **Understanding Basic Accounting Cycle**
- ✓ **Extract FDI Information through Financial Statements**
- ✓ **Production Sharing Agreement (PSA)**
- ✓ **Portfolio Investment**
- ✓ **Other Investment**

# Collecting FDI Data

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## Options to collect FDI data

### ITRS

(but no data on FDI stock and reinvestment of earnings)

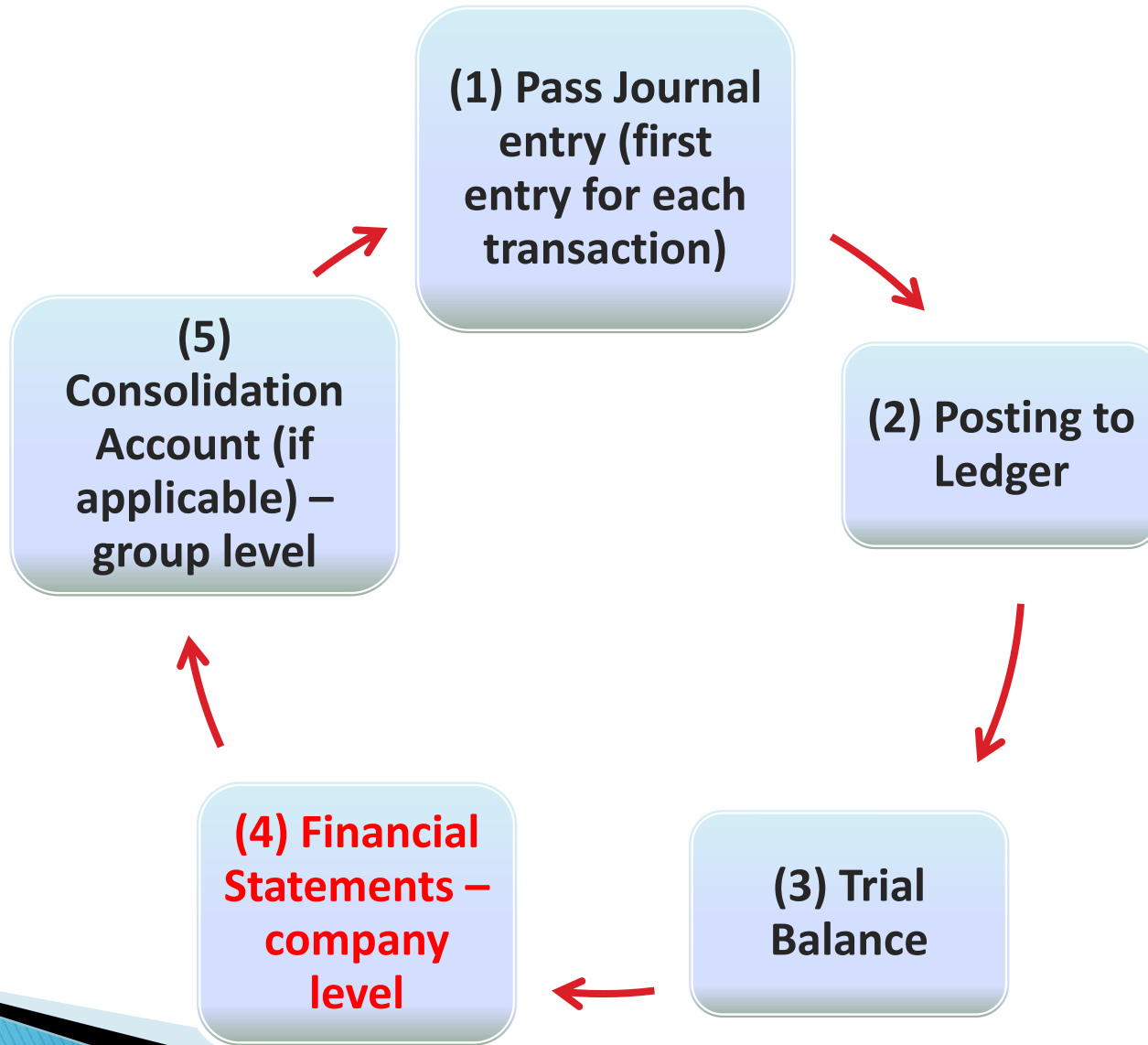
### Enterprise Financial statements

(could derive the FDI data from them)

### FDI Survey

(could collect more complete data including **gross** and **net**)

# Understanding Enterprise Basic Full Set Accounting Cycle



# Understanding Basic Accounting Cycle : (1) Journal entry

## Journal entry

- is the first entry of each enterprise transactions.
- every transactions are recorded in two sides, that is debit record (DR) in an account and credit record (CR) in another account. This to ensure the recordings are balance.

<u>No.</u>	<u>Classification of Account</u>	<u>Increase</u>	<u>Decrease</u>	<u>Item in P/L or B/S</u>
1	Assets	Debit	Credit	B/S (brought forward item)
2	Expenditure	Debit	Credit	P/L (non-brought forward item)
3	Liability	Credit	Debit	B/S (brought forward item)
4	Equity	Credit	Debit	B/S (brought forward item)
5	Income	Credit	Debit	P/L (non-brought forward item)

$$\text{Accounting Equation: } A + E = L + E + I$$

# Understanding Basic Accounting Cycle : (1) Journal entry

## Example of Transactions:

### **Transaction 1:**

Injection of share paid up capital (equity) in Enterprise A amounted to USD10 mil. in cash by parent company.

### **Journal Entry** in Enterprise A book:

**Debit :** Cash in bank (B/S -Assets) 10 mil.

**Credit:** Share paid up capital (B/S - Equity) 10 mil.

### **Transaction 2:**

Enterprise A made a loan drawdown from parent company amounted to USD25 mil.

### **Journal Entry** in Enterprise A book:

**Debit :** Cash in bank (B/S -Assets) 25 mil.

**Credit:** Intercompany loan (B/S - Liability) 25 mil.

# Components of Financial Statements

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**(1)**

**Profit & Loss Acct  
/ Income  
Statement**

*(include  
Manufacturing and  
Trading Acct)*

**(2)**

**Balance Sheets /  
Statement of  
Financial Position**

**(3)**

**Statement of  
Changes in Equity**

**(4)**

**Cash Flow  
Statements**

*Supported by more detailed information in Notes to the Financial Statements*

# Financial Statements: Profit and Loss Account

An **income statement** (US English) or **profit and loss account** (UK English) (also referred to as a **profit and loss statement** (P&L), **revenue statement**, **statement of financial performance**, **earnings statement**, **operating statement**, or **statement of income**) is one of the **financial statements** of a company and shows the company's **revenues** and **expenses** during a particular period.

It indicates how the revenues (money received from the sale of products and services before expenses are taken out, also known as the “top line”) are transformed into the **net income** (the result after all revenues and expenses have been accounted for, also known as “net profit” or the “bottom line”).

**Can extract Reinvestment of Earnings (flows) from P&L Acct**

## Statements Of Comprehensive Income For The Financial Year Ended 30 June 2014

Note	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
REVENUE	180,142,785	133,843,844	167,853,363	125,417,775
OTHER OPERATING INCOME	8,253	9,033	8,253	9,033
	180,151,038	133,852,877	167,861,616	125,426,808
OPERATING EXPENSES				
- Depreciation and amortisation expenses	(5,737,442)	(4,944,843)	(5,883,245)	(3,192,205)
- Employee benefit costs	(94,782,880)	(92,970,007)	(92,827,888)	(88,200,445)
- Impairment loss	(149,401)	-	(3,283,405)	(2,825)
- Maintenance expenses	(2,111,585)	(1,466,515)	(1,854,181)	(1,229,861)
- Rental expenses	(10,184,316)	(9,934,313)	(7,922,387)	(7,690,025)
- Telecommunication and utilities expenses	(5,538,830)	(4,292,521)	(5,013,687)	(3,707,961)
- Travelling expenses	(1,182,078)	(1,277,718)	(778,561)	(626,994)
- Marketing expenses	(10,678,341)	(89,473)	(10,860,888)	(37,349)
- Other operating expenses	(8,764,588)	(4,649,107)	(7,044,038)	(2,572,686)
	(138,102,368)	(119,624,594)	(133,028,088)	(107,660,251)
PROFIT FROM OPERATIONS	22,048,672	14,228,283	34,833,528	17,766,557
NET FINANCE INCOME/(COSTS)				
Finance income	422,055	176,704	382,463	176,704
Finance costs	(24,720)	(303)	(24,708)	-
	397,335	176,401	357,755	176,704
SHARE OF (LOSS)/ PROFIT OF THE JOINT VENTURE	(153,061)	247,910	-	-
PROFIT BEFORE TAXATION	22,312,916	14,652,594	35,191,283	17,943,261
TAXATION	90,398	(36,103)	(128,861)	(161,030)
NET PROFIT FOR THE FINANCIAL YEAR	22,403,314	14,616,491	34,962,422	17,782,231
OTHER COMPREHENSIVE LOSS				
Items that may be subsequently reclassified to profit or loss:				
- Currency translation differences	(688,834)	(27,395)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	21,714,480	14,589,096	34,833,522	17,782,231



# Financial Statement: Balance Sheet

a **balance sheet** or **statement of financial position** is a summary of the financial balances of a corporation .

Assets, liabilities and ownership equity are listed as of a specific date, such as the end of its financial year.

A balance sheet is often described as a "snapshot of a company's financial condition".

## Statements Of Financial Position

As At 30 June 2014

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
<b>NON-CURRENT ASSETS</b>					
Plant and equipment	14	11,046,417	13,795,067	8,795,406	10,290,286
Software licenses	15	812,290	-	812,290	-
Investment in subsidiaries	16	-	-	8,007,089	6,774,524
Investment in joint ventures	17	1,000,983	1,030,444	1	1
Deferred tax assets	23	876,706	411,252	876,706	411,252
Tax receivable		482,866	-	-	-
		<b>14,034,262</b>	<b>15,237,563</b>	<b>18,092,592</b>	<b>17,486,033</b>
<b>CURRENT ASSETS</b>					
Trade receivables	18	87,180,804	38,136,536	88,888,647	31,690,055
Other receivables	19	6,888,164	6,811,475	4,871,016	5,435,679
Amounts due from subsidiaries	20	-	-	4,808,568	10,002,566
Tax receivable		888,239	637,543	-	17,121
Cash and cash equivalents	21	59,796,814	16,674,836	55,968,911	14,820,865
		<b>70,463,920</b>	<b>61,660,390</b>	<b>71,537,142</b>	<b>62,566,376</b>
<b>LESS: CURRENT LIABILITY</b>					
Trade and other payables	22	12,887,887	6,792,620	12,592,404	5,427,187
<b>NET CURRENT ASSETS</b>		<b>57,576,033</b>	<b>54,867,770</b>	<b>58,945,738</b>	<b>56,539,179</b>
<b>LESS: NON-CURRENT LIABILITY</b>					
Deferred tax liabilities	23	86,300	303,080	-	-
		<b>86,300</b>	<b>303,080</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		<b>71,689,730</b>	<b>70,564,690</b>	<b>78,945,738</b>	<b>74,124,252</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Share capital	24	28,621,180	28,621,130	28,621,180	28,621,130
Share premium reserve	25	1,982,894	1,982,894	1,982,894	1,982,894
Currency translation reserve	25	(1,063,886)	(471,872)	-	-
Retained earnings	25	41,049,542	39,392,546	48,342,668	43,523,128
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>71,689,730</b>	<b>70,564,690</b>	<b>78,945,738</b>	<b>74,124,252</b>
<b>NON-CONTROLLING INTEREST</b>		<b>(39,000)</b>	<b>25,506</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>71,650,730</b>	<b>70,590,196</b>	<b>78,945,738</b>	<b>74,124,252</b>

# Extract FDI from Financial Statements

## Statements Of Comprehensive Income

For The Financial Year Ended 30 June 2014

		Group		Company	
	Note	2014	2013	2014	2013
		RM	RM	RM	RM
REVENUE	6	160,142,785	133,843,844	157,653,248	125,417,775
OTHER OPERATING INCOME		8,253	9,033	8,253	9,033
		160,151,018	133,852,877	157,661,501	125,426,808
OPERATING EXPENSES					
- Depreciation and amortisation expenses		(5,737,442)	(4,944,843)	(3,863,245)	(3,592,205)
- Employee benefit costs	7	(96,752,880)	(92,970,007)	(92,527,999)	(88,200,445)
- Impairment loss		(148,401)	-	(3,263,405)	(2,825)
- Maintenance expenses		(2,111,585)	(1,466,615)	(1,954,161)	(1,229,861)
- Rental expenses	8	(10,188,318)	(9,934,313)	(7,922,367)	(7,690,025)
- Telecommunication and utilities expenses		(5,536,630)	(4,292,521)	(5,013,587)	(3,707,961)
- Travelling expenses		(1,182,073)	(1,277,718)	(776,561)	(626,994)
- Marketing expenses		(10,678,341)	(89,470)	(10,660,696)	(37,249)
- Other operating expenses		(5,754,586)	(4,649,107)	(7,044,038)	(2,572,686)
		(138,102,356)	(119,624,594)	(133,026,089)	(107,660,251)
PROFIT FROM OPERATIONS		22,048,662	14,228,283	24,635,432	17,766,557
NET FINANCE INCOME/(COSTS)					
Finance income		422,055	176,704	392,488	176,704
Finance costs		(24,720)	(303)	(24,708)	-
	9	397,335	176,401	367,780	176,704
SHARE OF (LOSS)/ PROFIT OF THE JOINT VENTURE	17	(133,081)	247,910	-	-
PROFIT BEFORE TAXATION	10	22,312,916	14,652,594	25,003,212	17,943,261
TAXATION	11	90,246	(96,103)	(128,951)	(161,030)
NET PROFIT FOR THE FINANCIAL YEAR		22,403,162	14,556,491	24,874,261	17,782,231
OTHER COMPREHENSIVE LOSS					
Items that may be subsequently reclassified to profit or loss:					
- Currency translation differences		(586,824)	(27,395)	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>21,816,238</b>	<b>14,529,096</b>	<b>24,874,261</b>	<b>17,782,231</b>

Possible  
Inward FDI  
Reinvestment  
of Earnings  
(Flows)

# Extract FDI from Financial Statements

## Statements Of Comprehensive Income For The Financial Year Ended 30 June 2014 ( Continued )

Possible  
Inward FDI  
Reinvestment  
of Earnings  
(Flows)

Note	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
NET PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO:				
- Owners of the Company	23,201,606	14,852,100	24,874,261	17,782,231
- Non-controlling interest	(798,444)	(295,609)	-	-
	<b>22,403,162</b>	<b>14,556,491</b>	<b>24,874,261</b>	<b>17,782,231</b>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO:				
- Owners of the Company	22,621,990	14,817,624	24,874,261	17,782,231
- Non-controlling interest	(805,752)	(288,528)	-	-
	<b>21,816,238</b>	<b>14,529,096</b>	<b>24,874,261</b>	<b>17,782,231</b>
Earnings per share:				
- Basic (sen)	12 <b>7.83</b>	5.01		

# Extract FDI Data from Financial Statement

## Consolidated Balance Sheets

(in millions)

### ASSETS

Cash and cash equivalents

Accounts receivable, net

Inventory, net

Other current assets

Total current assets

Property, plant and equipment, net

Intangible assets, net

Other assets, net

Total assets

### LIABILITIES AND SHAREHOLDERS' DEFICIT

#### Liabilities:

Current portion of long-term debt and capital lease obligations

Accounts payable

Accrued liabilities and other

Total current liabilities

Long-term debt

Other liabilities

Total liabilities

#### Shareholders' deficit:

Preferred shares, par value \$0.01 per share; 100 shares authorized, no shares issued and outstanding at December 31, 2013 or 2012

Common shares, par value \$0.01 per share; 900 shares authorized, 258 and 249 issued and outstanding at December 31, 2013 and 2012, respectively

Additional paid-in capital

Accumulated other comprehensive earnings

Accumulated deficit

December 31,  
2013

December 31,  
2012

\$ 747 \$ 711

388 384

733 797

127 166

1,995 2,058

681 715

52 64

319 334

\$ 3,047 \$ 3,171

\$ 93 \$ 6

398 323

371 543

862 872

6,386 6,375

393 455

7,641 7,702

— —

3 2

8,326 8,217

49 14

(12,972) (12,764)

Possible FDI  
Trade Credit  
Assets (Stock)

Possible FDI  
Trade Credit  
Liabilities  
(Stock)

Possible  
Inward FDI  
Equity (Stock)

# Extract FDI Data from Financial Statement

## Supplemental Condensed Consolidating Balance Sheet December 31, 2013

(in millions)	Freescall Ltd.	Guarantors	Freescall Inc.	Non-Guarantors	Eliminations	Consolidated
<b>Assets</b>						
Cash and cash equivalents	\$ 1	\$ —	\$ 235	\$ 511	\$ —	\$ 747
Inter-company receivable	169	—	445	504	(1,118)	—
Accounts receivable, net	—	—	91	297	—	388
Inventory, net	—	—	276	457	—	733
Other current assets	—	—	74	53	—	127
Total current assets	170	—	1,121	1,822	(1,118)	1,995
Property, plant and equipment, net	—	—	327	354	—	681
Investment in affiliates	(4,721)	(4,721)	1,364	—	8,078	—
Intangible assets, net	—	—	52	—	—	52
Inter-company note receivable	—	118	—	161	(279)	—
Other assets, net	—	—	156	163	—	319
<b>Total Assets</b>	<u><u>\$(4,551)</u></u>	<u><u>\$(4,603)</u></u>	<u><u>\$ 3,020</u></u>	<u><u>\$2,500</u></u>	<u><u>\$ 6,681</u></u>	<u><u>\$ 3,047</u></u>
<b>Liabilities and Shareholders' (Deficit) Equity</b>						
Current portion of long-term debt and capital lease obligations	\$ —	\$ —	\$ 93	\$ —	\$ —	\$ 93
Inter-company payable	—	—	565	553	(1,118)	—
Accounts payable	—	—	241	157	—	398
Accrued liabilities and other	—	—	245	126	—	371
Total current liabilities	—	—	1,144	836	(1,118)	862
Long-term debt	—	—	6,386	—	—	6,386
Inter-company note payable	43	118	—	118	(279)	—
Other liabilities	—	—	211	182	—	393
Total liabilities	43	118	7,741	1,136	(1,397)	7,641
Total shareholders' (deficit) equity	(4,594)	(4,721)	(4,721)	1,364	8,078	(4,594)
<b>Total Liabilities and Shareholders' (Deficit) Equity</b>	<u><u>\$(4,551)</u></u>	<u><u>\$(4,603)</u></u>	<u><u>\$ 3,020</u></u>	<u><u>\$2,500</u></u>	<u><u>\$ 6,681</u></u>	<u><u>\$ 3,047</u></u>

Possible FDI  
Trade Credit  
Assets (Stock)

Possible  
Outward FDI  
Equity Assets  
(Stock)

Possible FDI  
Trade Credit  
& Loans  
Liability  
(Stock)

Possible  
Inward FDI  
Equity (Stock)

# Extract FDI from Financial Statements

## Statements Of Financial Position

As At 30 June 2014

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
<b>NON-CURRENT ASSETS</b>					
Plant and equipment	14	11,345,417	13,795,867	8,735,445	10,299,286
Software licences	15	612,299	-	612,299	-
Investment in subsidiaries	16	-	-	9,307,693	6,774,534
Investment in joint venture	17	1,697,363	1,830,444	1	1
Deferred tax assets	23	376,744	411,252	376,744	411,252
Tax recoverable		492,466	-	-	-
		<b>14,524,289</b>	<b>16,037,563</b>	<b>19,032,182</b>	<b>17,485,073</b>
<b>CURRENT ASSETS</b>					
Trade receivables	18	37,120,894	38,139,536	36,668,547	31,690,055
Other receivables	19	6,338,164	6,911,475	4,871,018	5,435,679
Amounts due from subsidiaries	20	-	-	4,626,158	10,002,566
Tax recoverable		202,236	937,543	-	17,121
Cash and cash equivalents	21	26,765,014	15,614,836	25,358,161	14,920,955
		<b>70,426,308</b>	<b>61,603,390</b>	<b>71,523,884</b>	<b>62,066,376</b>
<b>LESS: CURRENT LIABILITY</b>					
Trade and other payables	22	12,997,697	6,792,620	12,292,344	5,427,197
<b>NET CURRENT ASSETS</b>		<b>57,428,611</b>	<b>54,810,770</b>	<b>59,231,540</b>	<b>56,639,179</b>
<b>LESS: NON-CURRENT LIABILITY</b>					
Deferred tax liabilities	23	86,200	303,080	-	-
		<b>86,200</b>	<b>303,080</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		<b>71,866,700</b>	<b>70,545,253</b>	<b>78,263,722</b>	<b>74,124,252</b>

Possible  
Outward FDI  
Intercompany  
Loans Asset  
(Stock)



# Extract FDI from Financial Statements

## Statements Of Financial Position

As At 30 June 2014 ( Continued )

		Group		Company	
	Note	2014	2013	2014	2013
		RM	RM	RM	RM
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	24	<b>29,621,130</b>	29,621,130	<b>29,621,130</b>	29,621,130
Share premium reserve	25	<b>1,982,994</b>	1,982,994	<b>1,982,994</b>	1,982,994
Currency translation reserve	25	<b>(1,051,488)</b>	(471,872)	-	-
Retained earnings	25	<b>41,853,260</b>	39,386,445	<b>46,659,598</b>	42,520,128
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<b>72,405,896</b>	70,518,697	<b>78,263,722</b>	74,124,252
NON-CONTROLLING INTEREST		<b>(539,196)</b>	26,556	-	-
TOTAL EQUITY		<b>71,866,700</b>	70,545,253	<b>78,263,722</b>	74,124,252

*Inward FDI  
Equity (Stock)*

*Inward FDI  
Reinvestment  
of Earnings  
(Stock)*

# Extract FDI from Financial Statements

## Statements Of Changes In Equity

For The Financial Year Ended 30 June 2014

	Attributable to owners of the Company							
	Issued and fully paid ordinary shares of RM0.10 each							
	Note	Number of shares unit	Nominal value RM	Share premium reserve RM	Currency translation reserve RM	Retained earnings RM	Non-controlling interest RM	Total equity RM
<u>Group</u>								
Balance as at 1 July 2013		296,211,300	29,621,130	1,982,994	(471,872)	39,386,445	26,556	70,545,253
Currency translation differences, representing total income and expense recognised directly in equity		-	-	-	(579,616)	-	(7,308)	(586,924)
Net profit for the financial year		-	-	-	-	23,201,606	(798,444)	22,403,162
<i>Total comprehensive income for the financial year</i>		-	-	-	(579,616)	23,201,606	(805,752)	21,816,238
Transactions with owners:								
Increase in non-controlling interest arising from additional shares issued		-	-	-	-	-	240,000	240,000
Dividends for financial year ended:								
- 30 June 2013	13	-	-	-	-	(5,924,226)	-	(5,924,226)
- 30 June 2014	13	-	-	-	-	(14,810,565)	-	(14,810,565)
<i>Total transactions with owners recognised directly in equity</i>		-	-	-	-	(20,734,791)	240,000	(20,494,791)
Balance as at 30 June 2014		296,211,300	29,621,130	1,982,994	(1,051,488)	41,853,260	(539,196)	71,866,700

Inward FDI  
Equity  
(Flows)



# Notes To The Financial Statements

For The Financial Year Ended 30 June 2014 (Continued)

## 6 REVENUE

Revenue represents the following types of services rendered:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Outsourcing services	<b>158,062,020</b>	124,477,796	<b>157,653,243</b>	125,417,775
Training and consultancy	<b>1,080,745</b>	9,366,048	-	-
	<b>160,142,765</b>	133,843,844	<b>157,653,243</b>	125,417,775

# Notes To The Financial Statements

For The Financial Year Ended 30 June 2014 (Continued)

## 16 INVESTMENT IN SUBSIDIARIES

	<b>Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares at cost	<b>2,678,055</b>	2,118,055
Advances to subsidiaries	<b>8,757,967</b>	4,656,479
	<b>11,436,022</b>	6,774,534
Less: Impairment loss	<b>(2,128,329)</b>	-
	<b>9,307,693</b>	6,774,534

On 1 October 2013, the issued and paid up share capital of Scicom International College Sdn. Bhd. was increased from RM200,000 to RM1,000,000 by way of allotment and issuance of 800,000 new ordinary shares of RM1.00 each at par value, of which 560,000 new ordinary shares were subscribed by the Company.

The advances are unsecured and are non-interest bearing with no fixed terms of repayment. The Company does not currently anticipate any repayment of the advances. These advances have been treated as extensions of its investments in subsidiaries.

Details of the subsidiaries are as follows:

<b>Name</b>	<b>Group's effective interest</b>		<b>Principal activities</b>
	<b>2014</b>	<b>2013</b>	
	<b>%</b>	<b>%</b>	
<u>Subsidiaries of the Company</u>			
<u>Incorporated in Malaysia</u>			
Scicom (Academy) Sdn. Bhd.*	100	100	Provides customer service training products as well as contact centre consulting and marketing services.
Scicom International College Sdn. Bhd. *	70	70	Provides higher educational courses and academic training certification.
<u>Incorporated in India</u>			
Scicom Contact Centre Services Private Limited^	100	100	Dormant.
<u>Incorporated in the United Kingdom</u>			
Scicom International (UK) Ltd.^	100	100	Investment holding.

List of Affiliate  
Outward FDI

# Notes To The Financial Statements

For The Financial Year Ended 30 June 2014 (Continued)

## 16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

<u>Name</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
	<u>2014</u>	<u>2013</u>	
	<u>%</u>	<u>%</u>	
<u>Subsidiaries of the Company</u> (continued)			
<u>Incorporated in the United States of America</u>			
<u>Subsidiary of Scicom International (UK) Ltd.</u>			
Scicom Inc.^	100	100	Dormant.
<u>Incorporated in Indonesia</u>			
PT Scicom Indonesia^	100	100	Provides customer contact centre outsourcing services.
<u>Incorporated in Sri Lanka</u>			
Scicom Lanka (Private) Limited**	70	70	Provides customer contact centre outsourcing services.

\* Audited by PricewaterhouseCoopers, Malaysia.

\*\* Audited by a firm other than PricewaterhouseCoopers, Malaysia.

^ Not required by their local laws to appoint statutory auditors.

Non-controlling interests are not material to the Group.

### Impairment assessment of investment in a subsidiary

During the financial year, the Company had undertaken the test of impairment of its investment in a subsidiary following an impairment indicator arising from accumulated losses incurred by the subsidiary. The recoverable amount is based on a number of key assumptions as follows:

- The value in use is calculated using the budgeted cash flows of the subsidiary for five years from 2015 to 2019; and
- The discount rate used to calculate the value in use is 26.85%.

Based on the impairment test performed, the investment in the subsidiary has been impaired by RM1,589,068. The impairment charge is included as part of impairment loss in the statement of comprehensive income.

List of Affiliate  
Outward FDI

# Notes To The Financial Statements

## For The Financial Year Ended 30 June 2014 (Continued)

### 18 TRADE RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
<u>Financial assets</u>				
<u>Trade receivables</u>				
Third parties	26,881,253	24,111,455	26,685,247	17,722,089
Unbilled receivables	9,803,871	12,031,511	9,547,379	11,971,396
Joint venture	435,921	1,996,570	435,921	1,996,570
	<b>37,121,045</b>	38,139,536	<b>36,668,547</b>	31,690,055
Less: Impairment loss				
- Third parties	(151)	-	-	-
	<b>37,120,894</b>	38,139,536	<b>36,668,547</b>	31,690,055

Credit terms of trade receivables range from 30 to 120 days (2013: 30 to 120 days).

The Group's and the Company's historical experience in collection of trade receivables falls largely within the credit period. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Company's trade receivables.

# Notes To The Financial Statements

For The Financial Year Ended 30 June 2014 (Continued)

## 22 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
<u>Financial liabilities</u>				
Trade payables	332,521	352,842	298,500	352,842
Accruals	1,495,182	948,074	1,261,969	683,190
Performance-related bonus	5,362,689	1,177,647	5,327,595	1,086,817
Other payroll-related liabilities	612,386	230,399	550,283	227,310
Other payables	3,633,448	2,518,321	3,408,986	1,519,763
	<b>11,436,226</b>	<b>5,227,283</b>	<b>10,847,333</b>	<b>3,869,922</b>
<u>Non-financial liabilities</u>				
Other payroll-related liabilities	1,397,808	1,346,861	1,358,846	1,346,861
Other payables	163,663	218,476	86,165	210,414
	<b>12,997,697</b>	<b>6,792,620</b>	<b>12,292,344</b>	<b>5,427,197</b>

Credit terms of trade payables range from cash basis to 90 days (2013: cash basis to 90 days).



# Notes To The Financial Statements

For The Financial Year Ended 30 June 2014 (Continued)

## 24 SHARE CAPITAL

Share capital is the amount subscribed for shares at nominal value.

	Group and Company	
	2014	2013
	RM	RM
Authorised ordinary shares of RM0.10 each: At the beginning/end of the financial year	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid ordinary shares of RM0.10 each: At the beginning/end of the financial year	<u>29,621,130</u>	<u>29,621,130</u>

# Analysis of Shareholdings

## LIST OF 30 LARGEST REGISTERED SHAREHOLDERS AS AT 2 OCTOBER 2014 (As shown in the record of Depositors)

No.	Name of Shareholder	No. of Shares Held	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NETINSAT ASIA SDN BHD (PBCL-0G0024)	40,000,000	13.504
2	MIDF AMANAH INVESTMENT NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEO SURESH ARIYANAYAKAM (MGN-LSA0005M)	23,000,000	7.765
3	TA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEO SURESH ARIYANAYAKAM	22,257,500	7.514
4	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAGANATH DEREK STEVEN SABAPATHY	18,000,000	6.077
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NETINSAT ASIA SDN BHD (PB)	16,200,000	5.469
6	ALI BIN ABDUL KADIR	11,000,000	3.714
7	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEO SURESH ARIYANAYAKAM	10,046,300	3.392
8	LEO SURESH ARIYANAYAKAM	8,400,420	2.836
9	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	7,838,860	2.646
10	SIEH KOK SWEE	6,628,000	2.238
11	LALITHA D/O K KRISHNAN NAMBIAR	5,000,000	1.688
12	KHOO LOON SEE	4,754,240	1.605
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (MAYBAN INV)	4,525,000	1.528
14	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	4,172,800	1.409

Direct Investor  
Inward FDI

# **Production Sharing Agreement (PSA)**



# Production Sharing Agreement (PSA)

- ▶ **PSAs** are a common type of contract signed between a government and a resource extraction company (or group of companies) concerning how much of the resource (Oil / Gas / Natural Minerals) extracted from the country each will receive.
- ▶ **PSA and FDI:**
  - ▶ When a direct investment enterprise is set up for exploration for natural resources, expenditures related to that exploration is treated as capital expenditure.
  - ▶ Inward investment flows from the nonresident DI are recorded in the BOP statistics as FDI.

# PSA Related Terms

## ▶ Cumulative Revenue of the PSA:

It contains the values of the recovered cost, profit oil, and excess oil.

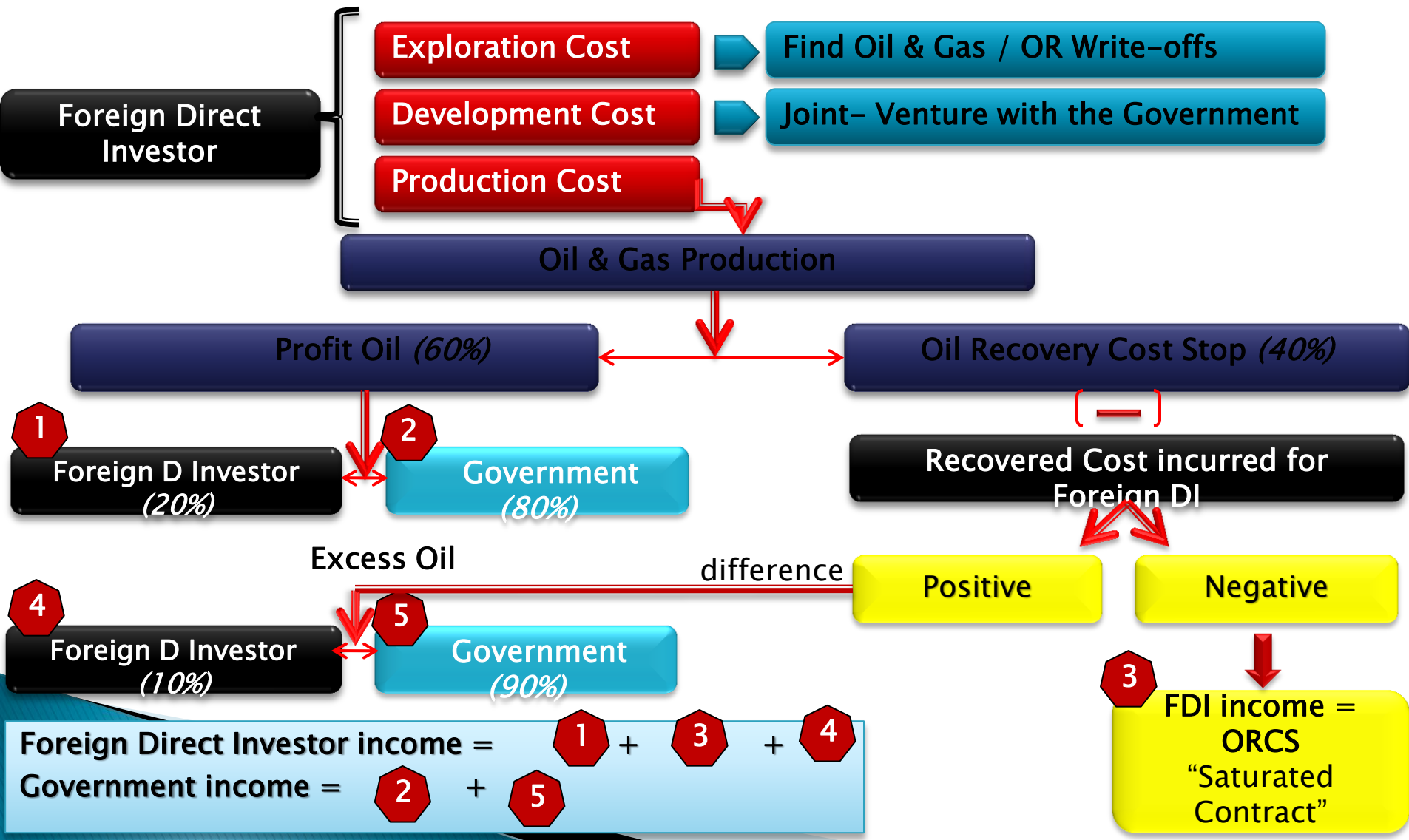
- ▶ Profit oil: is the shared amount between the government and the foreign investor by rule. It could be 80/20 & 70/30 & 60/40 ... etc.
- ▶ Recovered cost: is the amount of costs recoverable from the government to the foreign investor. It is often limited to an amount called "cost stop".
- ▶ Excess oil: is the difference between the costs and the cost stop, when the costs incurred are smaller than the cost stop. Usually, but not necessarily, the excess oil is shared between the government and the foreign investor according to the same rules of the profit oil.

## ▶ Cumulative Expenditure of the PSA:

It contains the values of the exploration cost, development cost, operation cost, and the pre-exploration cost.

- ▶ Bonuses or Royalty: An additional compensation given to the company above. It's a popular term in the Oil industry, and it can take many shapes, Such as: (Signature Bonus – Development Bonus – Production Bonus – Five years extensions Bonus – Training Bonus – Assignment Bonus).

# PSA Diagram



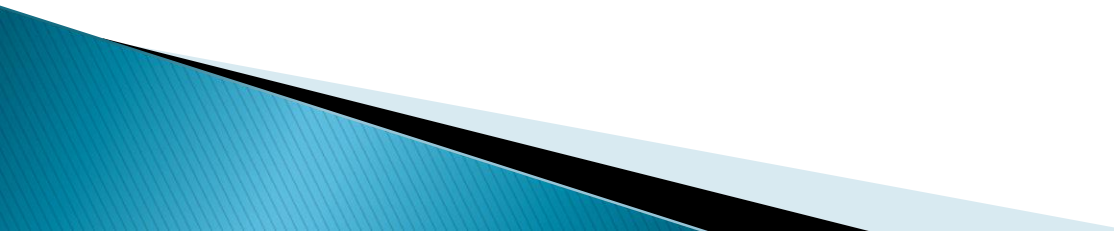
# The Characteristics of the Upstream Compilation

- ▶ The upstream exploration is considered one of the major sectors in many of the Oil & Gas production countries as it contributes a big portion of the FDI stock. and it is better to be treated separately because of its different nature of the down stream Oil & Gas.
- ▶ In normal cases, in many countries, the data of the ongoing PSAs are available only through the ministry of Petroleum (representing the Government). So the compilers don't need to survey the companies about anything.
- ▶ No Sampling in Oil and gas Compilation. So it is better to tackle all the Population units. The number of the PSA concessions is limited and well known in most of the countries.
- ▶ A survey form should be sent every quarter to the Ministry of Petroleum, and its related entities.

# FDI Formulas

- FDI Stock = Cumulative expenditures of Oil & Gas production
  - + Net Bonuses
  - + Debt Obligations by the government to the foreign direct investors
  - + Deposits in Banks for the foreign direct investors
  - Loans from Banks for the foreign direct investors
  - Value of Recovered cost for the foreign direct investors
  
- *If the “Net Bonuses” is not refundable to the foreign investor, it should be neglected in the previous equation. Ex: The case of Egypt.*
  
- Income of Foreign Company = Value of Recovered Cost
  - + Foreign company's share of Profit Oil & Gas
  - + Foreign company's share of Excess Oil & Gas
  
- Revenue of Foreign Company = Foreign company's share of Profit Oil & Gas
  - + Foreign company's share of Excess Oil & Gas

# Valuation of Oil & Gas Reserves

- ▶ Only few of the oil and gas Production countries estimate the reserves of natural resources under their ground and territorial water.
  - ▶ Estimating the reserves require using some technical and financial tools based on the expected international prices of the crude, taking into consideration all the variable aspects of the world conflicts, and the policies of OPEC, and big crude exporters in the world.
  - ▶ Net present value should be used as a financial tool to estimate the expected value of the crude during the lifetime of the well.
  - ▶ Finally, due to the overestimation of the FDI stock as a result of reserve compilation in some countries, these countries should mention in the submitted methodology all the tools and technical issue behind all figures.
- 

# **Portfolio Investment**



# Portfolio Investment : Stock Market

<u>Country</u>	<u>Stock Market</u>	<u>Established</u>
Malaysia	Bursa Malaysia (fka Kuala Lumpur Stock Exchange)	1976
Kuwait	Boursa Kuwait (fka Kuwait Stock Exchange)	1977





# Real Estate Compilation

- ▶ In any country, Real-Estate which owned by foreigners must be included in the FDI compilation process.
- ▶ The Central banks could monitor the transactions from non-residents for the purposes of building or buying a real-estate in the corresponding economy.
- ▶ **ITRS** is one of the important tools to capture these transaction from abroad, but in most cases the ITRS cannot do this task in a perfect way, because:
  - 1- **Determining the principle economy of the transaction:** In some cases the transfer goes and comes in circles around the world through two or three commercial banks to get their final destination, and that may mislead to determine the source economy.
  - 2- **The purposes of the transfer:** In most of the cases, the purpose of the transfer is not written and satisfied from the source bank, and that may lead to underestimate the value of the real estate investment.
- ▶ Many approaches could be done to raise the accuracy of real estate compilation. **One of these methods is by modeling.** But FDI compilers cannot make the model assumption alone, and they need the help of the census institutions in their economy, in order to provide them with data about migrants, remittances, household income.

# Portfolio Investment : Introduction

- ▶ Portfolio investment is defined as cross-border transactions and positions involving **debt or equity securities, other than** those included in direct investment or reserve assets (BPM6, para 6.54).
- ▶ **Securities** are debt and equity instruments that have characteristic of **negotiability**.
  - that is, their legal ownership is readily **transferable** from one unit to another unit by delivery or endorsement.
- ▶ Negotiable instruments are designed to be **traded on organized markets** (BPM6, para 5.15).
- ▶ Can be **bought and sold**
  - Often many holders/owners over their life (para 6.54).
- ▶ Which makes it a efficient, flexible way of raising and investing money
  - Money not tied/locked up
  - Investor **doesn't** need to get **involved** in management.
  - Often very **liquid**
- ▶ Offer a range of risks and return trade-offs

# FDI vs Portfolio Investment (PFI)

## FDI

- ✓ equity ownership  $\geq 10\%$
- ✓ involve transactions between enterprises within FDIR
- ✓ usually undertaken by multinational companies
- ✓ involve establishing more of a substantial, long-term interest in the economy
- ✓ the nature of FDI, such as creating or acquiring a manufacturing facility, makes it much more difficult to liquidate or pull out of the investment

## PFI

- ✓ equity ownership  $< 10\%$
- ✓ no direct relationship among enterprises involve in this transactions
- ✓ doesn't offer control over the business entity in which the investment is made
- ✓ typically has a shorter time frame for investment return than FDI
- ✓ because securities are easily traded (buy and sell), PFI are more liquid

# Portfolio Investment : BPM6 Standard Components

Balance of payments	Net acquisition of financial assets	Net incurrence of liabilities
3.2 Portfolio investment (FP)		
3.2.1 Equity and investment fund shares (F5P)		
3.2.1.1 Central bank	n.a.	
3.2.1.1.9 Monetary authorities (where relevant)	n.a.	
3.2.1.2 Deposit-taking corporations, except the central bank		
3.2.1.3 General government	n.a.	
3.2.1.4 Other sectors		
3.2.1.4.1 Other financial corporations		
3.2.1.4.2 Nonfinancial corporations, households, and NPISHs		
3.2.1.0.1 Equity securities other than investment fund shares (F51P)		
3.2.1.0.1.1 Listed (F511P)		
3.2.1.0.1.2 Unlisted (F512P)		
3.2.1.0.2 Investment fund shares/units (F52P)		
Of which: 3.2.1.0.2.1 Reinvestment of earnings		
Of which: 3.2.1.0.2.0.1 Money market fund shares/units (F521P)		
3.2.2 Debt securities (F3P)		
3.2.2.1 Central bank		
3.2.2.1.1 Short-term		
3.2.2.1.2 Long-term		
3.2.2.1.9 Monetary authorities (where relevant)		
3.2.2.1.1.9.1 Short-term		
3.2.2.1.1.9.2 Long-term		
3.2.2.2 Deposit-taking corporations, except the central bank		
3.2.2.2.1 Short-term		
3.2.2.2.2 Long-term		
3.2.2.3 General government		
3.2.2.3.1 Short-term		
3.2.2.3.2 Long-term		
3.2.2.4 Other sectors		
3.2.2.4.0.1 Short-term		
3.2.2.4.0.2 Long-term		
3.2.2.4.1 Other financial corporations		
3.2.2.4.1.1 Short-term		
3.2.2.4.1.2 Long-term		
3.2.2.4.2 Nonfinancial corporations, households, and NPISHs		
3.2.2.4.2.1 Short-term		
3.2.2.4.2.2 Long-term		

# Portfolio Investment : Equity Securities

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- Equity consists of ordinary shares/stocks, participating preference shares.
- Equity securities covers listed/quoted and unlisted shares (BPM6, para 5.24).
- Investment funds are **collective investment** undertakings through which investors pool funds for investment in financial or nonfinancial assets or both.
- These funds **issue shares** (if a corporate structure is used) or **units** (if a trust structure is used).
- Investment fund shares/units that are evidenced by securities and that are not reserve assets or direct investment are included in portfolio investment.

# Portfolio Investment : Debt Securities

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- ▶ Debt securities are **negotiable instruments** serving as evidence of a debt (BPM6, para 5.44).
- ▶ Debt instruments are those instruments that **require the payment of principal and/or interest** at some point(s) in the future (BPM6, para 5.31).
  - Payments are independent of the earnings (profit/losses) of the issuer.
- ▶ Long-term debt securities include:
  - Convertible bonds into equity
  - Nonparticipating preferred stocks
  - Bonds with optional maturity dates of over one year.
  - Zero-coupon and other deep-discounted bonds
  - Indexed bonds
  - Asset-backed securities
  - Perpetual bonds
- ▶ Short-term debt securities include:
  - Treasury bills
  - Bankers' acceptances
  - Certificates of deposit
  - Commercial paper

# Portfolio Investment : Examples of Debt Securities

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- ▶ Long-term debt securities include:
  - Convertible bonds into equity (BPM6, para 5.46).
  - Nonparticipating preferred stocks (BPM6, para 5.46).
  - Bonds with optional maturity dates of over one year.
  - Zero-coupon and other deep-discounted bonds (BPM6, para 7.31)
  - Indexed bonds (BPM6, para 5.49)
  - Asset-backed securities (BPM6, para 5.47)
  - Perpetual bonds
- ▶ Short-term debt securities include:
  - Treasury bills (BPM6, para 5.44)
  - Bankers' acceptances (BPM6, para 5.48)
  - Certificates of deposit (BPM6, para 5.44)
  - Commercial paper (BPM6, para 5.44)

# Portfolio Investment : Data Sources

## Securities Issued by Residents (Liabilities)

- ✓ In Domestic Capital Market
  - Primary and Secondary register of securities (eg. Central Securities Depository) or Custodians, security brokers, domestic stock exchange.
- ✓ In Foreign Capital Market
  - Through Nonresident intermediaries :
    - Residents enterprise issuing securities, official bodies informed about new issue.
  - Through Residents Intermediaries:
    - resident issuer, residents investment managers/ custodians

## Securities Issued by Non Residents (Assets)

- ✓ In Domestic Capital Market
  - Primary and Secondary register of securities (eg. Central Securities Depository) or Custodians, security brokers, domestic stock exchange.
- ✓ In Foreign Capital Market Owned by Residents)
  - Through Nonresident intermediaries :
    - Resident owners of securities or resident nominees.
  - Through Residents Intermediaries:
    - resident owners of securities, residents investment managers/ custodians/nominees



# **Other Investment**

# Other Investment

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- ▶ Other investment is a *residual category*, comprising all transactions *not* included under direct investment, portfolio investment, financial derivatives, and reserve assets.
- ▶ Assets and liabilities are classified:
  - by instrument categories,
  - by resident institutional sectors, and
  - by maturity.

# Other Investment : BPM6 Standard Components

Balance of payments	Net acquisition of financial assets	Net incurrence of liabilities
3.4 Other investment		
3.4.1 Other equity		
3.4.2 Currency and deposits		
3.4.3 Loans		
3.4.4 Insurance, pension, and standardized guarantee schemes		
3.4.5 Trade credit and advances		
3.4.6 Other accounts receivable/payable-other		

# Other Investment : Data collection through Survey

Name of Company:

Company Registration Number:

Reporting Year :

Reporting Quarter :

## Form 2A: Exposure of Reporting Entity with Non-Residents - Financial Assets

Form 2A: Exposure of Reporting Entity with Non-Residents - Financial Assets																								
Type of Data Item																								
1. Equity Capital 2. Equity Securities 3. Retained Earnings 4. Bonds and Notes 5. Money Market Instruments 6. Non-participating RPS			7. Loans 8. Trade Credit 9. Financial Derivatives 10. Currency and Deposits 11. Real Estate 12. Others																					
Profile and Position of Assets																								
No.	Type of Data Item	Purpose Code	ISIN Profile (Particulars of securities subscribed) <sup>1/</sup>						Non-Resident (NR) Counter Party						Ref. No.	Currency Code <sup>10/</sup>	In Reporting Currency						Discrepancy <sup>11/</sup>	
			Indicator (ISIN - "Y" Sec. Ref. No. - "N")	ISIN Code / Security Ref. No. <sup>2/</sup>	Name of Issue	Issuer			Name <sup>5/</sup>	Country <sup>3/</sup>	Institutional Sector <sup>7/</sup>	Business Sector <sup>8/</sup>	Relationship of NR	% of Shareholding in NR			Opening Position	Transaction(s)		Adjustment		Closing Position		Income Received (Profit / Dividend / Interest Accrued)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
1																								
2																								
3																								
4																								
5																								
6																								
7																								
8																								
9																								
10																								

Note:

1/ Applicable to Equity Securities, Bonds and Notes, Money Market Instruments and Non-participating Redeemable Preference Shares (RPS).

2/ Refers to a code that uniquely identifies a specific security issued in a particular country for the purpose of trading under the international securities transactions. For securities which are issued without the ISIN code, please provide the security reference number.

3/ Refers to country of resident/non-resident issuer, to be reported in 2-digit ISO codes. Applicable to all data items. (Refers to reporting guidelines for a list of country codes).

4/ To denote issuer's sector, whether General Government (GV), Monetary Authority (MA), Public Sector Corporation (PC), Banking Institution (BI), Non-Bank Private Sector (NB) or International Organisation/Agency (IO).

5/ Refers to the name of related non-resident counter-party only.

6/ Refers to country of non-resident counterparty, to be reported in 2-digit ISO codes. Applicable to all data items.

7/ To denote whether General Government (GV), Monetary Authority (MA), Public Sector Corporation (PC), Banking Institution (BI), Non-Bank Private Sector (NB) or International Organisation/Agency (IO). Applicable to all data items except Others

8/ Refers to principal economic activity of related Non-Residents (NR) counter-party.

9/ Refers to the non-resident counterparty's relationship with the resident reporting entities i.e. whether Associate (AS), Subsidiary (SB), Branch (BR), Sister (SI), Parent (PR), Head Office (HO) or Direct Investor (DI). Applicable to all data items except Others.

10/ Refers to currency of denomination, to be reported in 3-digit ISO codes. Applicable to all data items. (Refer to reporting guidelines for a list of currency codes).

11/ Discrepancy = Closing Position - Opening Position - (Debit - Credit + Price Changes + Other Changes).

# THANK YOU

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