

8. FINANCIAL INFORMATION (Cont'd)

The majority of our capital commitments as at 31 December 2011 were related to capital expenditures for construction of new production facilities, capacity expansion, upgrading of machinery and equipment, other improvements to our production facilities and buildings. Except as disclosed above, as at 31 December 2011, we are not aware of any material capital commitments incurred or known to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position. We expect to meet our material commitments through our cash and cash equivalents on hand, cash generated from future operations and financing activities.

(f) Contingent liabilities and material litigation

As at the Latest Practicable Date, our Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on our results of operations or financial condition.

As at the Latest Practicable Date, we are not engaged in any material litigation or arbitration, either as plaintiff or defendant, and we are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position.

(g) Off-balance sheet arrangements

We do not have any off-balance sheet arrangements which are reasonably likely to have a current or future material effect on results of operations or our financial condition.

(h) Financial risk management

We are exposed to certain financial risks that arise in our normal course of business. The objective of our financial risk management is to minimise potential adverse effects from the unpredictability of financial markets on our financial performance. We use relevant financial instruments to hedge our exposure to such risk, including commodities futures and foreign currency forward contracts.

Our Board has overall responsibility for the oversight of financial risk management, including the identification of operational and strategic risk, and subsequent action plans to manage these risks. Our management is responsible for identifying, monitoring and managing our risk exposures.

Our key financial risks are summarised below.

(i) Commodity price risk

We are exposed to fluctuations in the prices of commodities, particularly raw sugar, which are affected by unpredictable factors such as weather conditions and levels of global demand, production and supply. We currently attempt to manage our exposure to price fluctuations in these commodities by entering into futures contracts. For information regarding risks related to our hedging transactions, refer to Section 5.2.7 of this Prospectus.

8. FINANCIAL INFORMATION (Cont'd)

Based on our hedged commodities positions as of 31 December 2011, if the price of raw sugar increases or decreases by 10%, with all other variables held constant, our profit after tax would have increased or decreased by RM2.3 million.

(ii) Foreign currency risk

We are exposed to foreign currency risk as a result of transactions entered into in currencies other than RM, which primarily consist of purchases of raw materials, export sales, operating costs for our foreign subsidiaries and other investments overseas. These transactions are predominantly denominated in USD and, to a lesser extent, in CAD. We use currency forward contracts from time to time to manage our foreign exchange exposures. As at 31 December 2011, if the USD and the CAD had strengthened or weakened by 10% against the RM, with all other variables held constant, we would expect that our profit after tax would have decreased or increased, respectively, by approximately RM40.5 million.

(iii) Interest rate risk

Our exposure to interest risk arises mainly from our borrowings. Borrowings issued at variable rates expose us to interest rate risk which is partially offset by cash deposits held at variable rates. We monitor interest rates prior to making deposits and bank borrowings to ensure that the applicable rates are established at acceptable levels. We borrow from and lend to related companies at fixed rates to manage our interest rate exposure. As at 31 December 2011, if interest rates on our floating rate borrowings had been 0.1% higher or lower, with all other variables held constant, our profit after tax would have decreased or increased, by approximately RM0.5 million.

(iv) Credit risk

We generally have no significant concentration of credit risk due to the large number of our customers. Credit risk is minimised and monitored by limiting our dealings to creditworthy business counterparties, setting credit limits on exposures, applying credit approval controls and obtaining collateral or security deposits where appropriate. For further information about our customers, refer to Section 7.13 of this Prospectus. Our bank and cash balances are largely placed with a number of major financial institutions in Malaysia, Canada and the United States.

(v) Liquidity and cash flow risks

We maintain sufficient levels of cash and cash equivalents to meet our operational and working capital needs by closely monitoring both the rolling forecasts and actual cash flows. We also have access to credit facilities maintained with a number of financial institutions to meet our liquidity requirements.

8. FINANCIAL INFORMATION (Cont'd)

We seek to ensure that all the Subsidiaries maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities. We aim to achieve this through efficient working capital management related to, for example, inventory, accounts receivable and accounts payable, that enables us to convert our current assets into cash to meet all demands for payment as and when they become due.

(vi) Capital risk

Our primary objective when managing capital is to ensure that we maintain healthy capital ratios to support our business and maximise shareholder value. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to our shareholders, return capital to shareholders or issue new shares. Consistent with other companies in the industry, we monitor capital on the basis of the gearing ratio, which can be found in Section 8.12.5(c) of this Prospectus.

8.12.6 Seasonality

Sales of oils and fats products and refined sugar products in Malaysia typically increase slightly during the months leading up to major holidays and festivals in Malaysia, especially Hari Raya and Chinese New Year, due to increased consumer demand for cooking oil and refined sugar used in holiday cooking and baking needs. In addition, the harvest of FFB in oil palm plantations tends to increase in the second half of the year as a result of rainfall patterns in Malaysia, which typically results in greater supply of CPO and PK during the second half of the year as FFB is processed following its harvest.

8.12.7 Inflation

We do not believe that inflation has had a material impact on our historical business, financial condition or results of operations for the period presented. However, inflation may affect our financial performance by increasing certain of our operating expenses denominated in RM, including expenses relating to labour costs, selling and distribution expenses and administrative expenses. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset higher costs through increased selling prices of our products and/or increased government subsidies.

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8. FINANCIAL INFORMATION *(Cont'd)*

8.13 SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN FRS AND IFRS

The financial statements of our Group have been prepared in accordance with FRS, which differ in certain significant respects from IFRS. Malaysia fully converged with IFRS on 1 January 2012, although FGVH elected to be a Transitioning Entity (as defined under MFRS) until 1 January 2013. The matters described below should not be expected to reveal all differences between FRS and IFRS that are relevant to us or the industries in which we operate.

This summary should not be construed to be exhaustive and the matters described below should not be expected to reveal all differences between FRS and IFRS that are relevant to us or the industries in which we operate. Our management has made no attempt to quantify the impact of the differences between FRS and IFRS nor has any attempt been made to identify all disclosures, presentation or classification differences that would affect the manner in which transactions or events are presented in the financial information. Accordingly, it should not be construed that the following summary of certain differences between FRS and IFRS is complete.

Regulatory bodies that promulgate FRS and IFRS have significant ongoing projects that could affect future comparisons such as this one. Further, no attempt has been made to identify future differences between FRS and IFRS as a result of prescribed changes in financial accounting standards and regulations. Finally, no attempt has been made to identify all future differences between FRS and IFRS that may affect the financial information set out in this Prospectus, either as a result of transactions or for events that may occur in the future.

Prospective investors should consult their own professional advisers for an understanding of the differences between FRS and IFRS and how those differences might affect the financial information contained herein.

The following is a summary of significant differences between FRS and IFRS as applicable to us.

Biological Assets

IAS 41 prescribes the accounting treatment, the representation in the financial statements and the disclosures for the agricultural activities. According to IAS 41, agricultural activity is defined as the management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

The biological transformation of a biological asset comprises the process of growth, genetic transformation, production, and procreation, both from a qualitative perspective and from a quantitative point of view. While the biological assets represent living animals or plants, agricultural produce represents the harvested product of these assets, such as milk, wool, meat, fruits or cereals. IAS 41 applies to harvested products obtained during the agricultural activity from the biological assets only at the point of harvest.

Biological assets will be measured using a fair value model as fair value has greater relevance, reliability, comparability and understandability as a measurement of future economic benefits expected from biological assets. There are no significant differences between IAS 41 and MFRS 141 and our Group is currently planning to implement this standard beginning 1 January 2013.

9. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



The Board of Directors
Felda Global Ventures Holdings Berhad
Level 3, Balai Felda
Jalan Gurney 1
54000 Kuala Lumpur

21 May 2012

PwC/TSP/MBJ/EC/py/2018J

Dear Sirs,

INTRODUCTION

This Accountants' Report ('the Report') has been prepared by PricewaterhouseCoopers, an approved company auditor for the purpose of inclusion in the Prospectus in connection with the listing of Felda Global Ventures Holdings Berhad ('FGVH') on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities') and should not be relied on for any other purposes.

The audited consolidated financial statements do not incorporate the effects of the initial public offering of up to 2,188,890,900 ordinary shares of RM1.00 each in FGVH ('IPO') and listing of FGVH on the Main Market of Bursa Malaysia Securities Berhad ('Listing'). Therefore, they are not indicative of the financial results, financial position and cash flows that would have occurred if the IPO and Listing have been effected on 31 December 2011 or the future financial position, results and cash flows of FGVH.

Pre-listing and Listing Proposal

On 26 March 2012 the Board of Directors of FGVH approved a proposed corporate reorganisation and Pre-Listing Restructuring to list FGVH on the Main Market of Bursa Securities. The corporate reorganisation includes the following:

- a. FGVH entered into an agreement with FELDA on 1 November 2011 to lease (i) lands with individual land titles issued to FELDA as the registered owner, (ii) existing lands granted to FELDA for development but where individual land titles have not been issued to FELDA and (iii) other lands to be alienated or to be acquired by FELDA in the future;

*PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
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21 May 2012**

INTRODUCTION (CONTINUED)

Pre-listing and Listing Proposal (continued)

- b. FELDA converted all of its outstanding 329,949,500 redeemable and non-voting convertible preference shares ('RCPS') and 570,590,000 redeemable cumulative and non-voting convertible preference shares ('RCCPS') in FGVH into 900,539,500 FGVH Shares.

After the abovementioned conversion, the issued and paid-up share capital of FGVH increased from 1,767,612,000 FGVH Shares to 2,668,151,500 FGVH Shares; and

- c. Listing of FGVH on Bursa Securities upon completion of the Pre-Listing Restructuring, Public Issue and Offer for Sale of FGVH shares.

Content of this Report

This Accountants' Report includes the following sections:

Section	Content
I FGVH	Historical information for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011. The historical information includes FGVH's 49% interest in FHB.
II Felda Holdings Berhad ('FHB')	Historical information for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011.
III Carve-out financial statements of Plantation Estates ('PE') owned by Federal Land Development Authority ('FELDA'), and operated by Felda Plantations Sdn. Bhd. ('FPSB')	Historical information carved-out from the consolidated financial statements of FELDA for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011.

9. ACCOUNTANTS' REPORT (*Cont'd*)



**The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012**

SECTION I

FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

1 GENERAL INFORMATION

FGVH was incorporated in Malaysia as a private limited company on 19 December 2007 and was converted to a public company on 18 January 2012.

FGVH is principally an investment holding company.

The address of the registered office and principal place of business of FGVH is 6th Floor, Balai Felda, Jalan Gurney Satu, 54000 Kuala Lumpur.

The details of FGVH's subsidiaries which are incorporated in Malaysia, except where as stated, are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>FGVH's effective interest</u>		
			<u>2009</u> %	<u>2010</u> %	<u>2011</u> %
<u>Direct subsidiaries</u>					
Felda Global Ventures North America Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0
Felda Global Ventures Indonesia Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0
Felda Global Ventures Middle East Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	-
Felda Global Ventures Sugar Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0
Felda Global Ventures Kalimantan Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

1 GENERAL INFORMATION (CONTINUED)

The details of FGVH's subsidiaries which are incorporated in Malaysia, except where as stated, are as follows: (continued)

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>FGVH's effective interest</u>		
			<u>2009</u> %	<u>2010</u> %	<u>2011</u> %
<u>Direct subsidiaries (continued)</u>					
Felda Global Ventures Perlis Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0
Felda Global Ventures India Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0
FGV USA Properties, Inc*	United States of America	Operator of residential real estate located in Braintree, Massachusetts	100.0	100.0	100.0
Felda Global Ventures Livestock Sdn. Bhd.	Malaysia	Investment holding	-	100.0	100.0
MSM Malaysia Holdings Berhad (11% direct interest and 40% indirect interest held through Felda Global Ventures Sugar Sdn. Bhd.)	Malaysia	Investment holding	-	-	51.0
<u>Indirect subsidiaries</u>					
<u>Subsidiary of Felda Global Ventures Middle East Sdn. Bhd.</u>					
Felda Global Ventures Arabia Ltd#	Kingdom of Saudi Arabia	Managing and operating hotels, residential resorts and restaurants	90.0	90.0	-

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

1 GENERAL INFORMATION (CONTINUED)

The details of FGVH's subsidiaries which are incorporated in Malaysia, except where as stated, are as follows: (continued)

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>FGVH's effective interest</u>		
			<u>2009</u>	<u>2010</u>	<u>2011</u>
			%	%	%
<u>Indirect subsidiaries (continued)</u>					
<u>Subsidiary of Felda Global Ventures North America Sdn. Bhd.</u>					
Felda Global Ventures North America U.S., LLC#@	United States of America	Provision of treasury services	100.0	100.0	100.0
Twin Rivers Technologies Holdings, Inc#	United States of America	Investment holding	97.0	97.0	100.0
<u>Subsidiaries of Twin Rivers Technologies Holding, Inc</u>					
Twin Rivers Technologies US, Inc#	United States of America	Investment holding	97.0	97.0	100.0
Twin Rivers Technologies Holdings Enterprises De Transformations De Graines Oleagineuses Du Québec Ulc#	Canada	Investment holding	97.0	97.0	100.0
<u>Subsidiary of Twin Rivers Technologies US, Inc</u>					
Twin Rivers Technologies Manufacturing Corporation#	United States of America	Procurement, processing and supply of fatty acids	97.0	97.0	100.0

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

1 GENERAL INFORMATION (CONTINUED)

The details of FGVH's subsidiaries which are incorporated in Malaysia, except where as stated, are as follows: (continued)

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>FGVH's effective interest</u>		
			<u>2009</u> %	<u>2010</u> %	<u>2011</u> %
<u>Indirect subsidiaries (continued)</u>					
<u>Subsidiary of Twin Rivers Technologies Holdings Enterprises De Transformations De Graines Oleagineuses Du Québec Ulc</u>					
Twin Rivers Technologies Enterprises De Transformation De Graines Oleagineuses Du Quebec Ulc#	Canada	Processing canola seed and soybeans and its related by-products on behalf of a jointly controlled entity	97.0	97.0	100.0
<u>Subsidiary of Twin Rivers Technologies Manufacturing Corporation</u>					
Fore River Transportation Corporation#	United States of America	Operation, management and maintenance of a railroad service	97.0	97.0	100.0

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

1 GENERAL INFORMATION (CONTINUED)

The details of FGVH's subsidiaries which are incorporated in Malaysia, except where as stated, are as follows: (continued)

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>FGVH's effective interest</u>		
			<u>2009</u> %	<u>2010</u> %	<u>2011</u> %

Indirect subsidiaries (continued)Subsidiaries of MSMMalaysia Holdings Berhad

Malayan Sugar Manufacturing Company Berhad	Malaysia	Sugar refining and investment holding	-	100.0	51.0
Kilang Gula Felda Perlis Sendirian Berhad**	Malaysia	Cane milling and sugar refining	-	74.5	51.0
Astakonas Sdn. Bhd.	Malaysia	Provision of transportation services	-	100.0	51.0
MSM Properties Sdn. Bhd.*	Malaysia	Dormant	-	100.0	51.0

* Not audited by PricewaterhouseCoopers, Malaysia

Audited by an affiliate of PricewaterhouseCoopers, Malaysia

@ Entity is consolidated as a special purpose entity pursuant to IC Interpretation 112: Consolidation - Special Purpose Entities

** Kilang Gula Felda Perlis Sendirian Berhad was a direct subsidiary in financial year 2010

Subsidiaries are all those entities over which FGVH has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether FGVH controls another entity.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

2 FINANCIAL STATEMENTS AND AUDITORS

The financial statements of FGVH for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 have been drawn up so as to give a true and fair view of the financial position of FGVH and its financial performance and cash flows for the financial years then ended and reported on by us without qualification to the shareholders of FGVH as a body in accordance with Section 174 of the Companies Act, 1965 and for no other purpose.

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT

The financial statements of FGVH included in this Report have been prepared from the audited financial statements of FGVH for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011.

The financial statements of FGVH have been prepared under the historical cost convention unless otherwise indicated in the individual policy statements in Note 4 to this Report.

The financial statements of FGVH have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards ('FRS'), the Malaysian Accounting Standards Board ('MASB') Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The preparation of financial statements in conformity with the Companies Act, 1965 and FRS, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the Directors to make 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 period. Actual results could differ from these estimates.

The preparation of the above financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying FGVH's accounting policies. 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 7 to this Report.

- (i) New standards, amendments to published standards and interpretations which are applicable and adopted by FGVH are as follows:

Financial year ended 31 December 2009:

There were no new accounting standards that are applicable to FGVH for the financial year ended 31 December 2009.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (i) New standards, amendments to published standards and interpretations which are applicable and adopted by FGVH are as follows (continued):

Financial year ended 31 December 2010:

- FRS 4 Insurance Contracts
- FRS 7 Financial Instruments: Disclosures
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendment to FRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Amendment to FRS 7 Financial Instruments: Disclosures
- Amendment to FRS 127 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendment to FRS 132 Financial Instruments: Presentation
- Amendment to FRS 139 Financial Instruments: Recognition and Measurement
- Revised FRS 101 Presentation of Financial Statements
- Improvement to FRSs (2009) in connection with IASB Improvements to IFRSs in 2008
 - FRS 7 Financial Instruments: Disclosures
 - FRS 136 Impairment of Assets
 - FRS 138 Intangible Assets
 - FRS 140 Investment Property
- Improvement to FRSs in connection with IASB Improvements to IFRSs in 2009
 - FRS 107 Statement of Cash Flows
 - FRS 117 Leases
 - FRS 118 Revenue
 - FRS 136 Impairment of Asset
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
 PwC/TSP/MBJ/EC/py/2018J
 21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (i) New standards, amendments to published standards and interpretations which are applicable and adopted by FGVH are as follows (continued):

Financial year ended 31 December 2010 (continued):

The adoption of the above new/revised standards and interpretations did not have a significant financial impact on FGVH and did not result in substantial changes in FGVH's policies except for FRS 7, FRS 139 and Revised FRS 101. The principal effects are discussed below:

- FRS 7 Financial Instruments: Disclosures (effective from 1 January 2010) provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total finance income and expense as a net amount within finance costs on the face of profit or loss.
- FRS 139 Financial Instruments: Recognition and Measurement (effective from 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances.

FRS 139 has been prospectively applied at FGVH. Retrospective application is not permitted. Any adjustment of the previous carrying amount are recognised as an adjustment of the balance of retained earnings or, if appropriate, another category of equity, at the beginning of the financial year in which this standard is initially applied.

- Revised FRS 101 Presentation of Financial Statements (effective from 1 January 2010) affects the presentation of the component of the financial statements and does not change the recognition and measurement of specific transactions. It introduces Statements of Comprehensive Income to present non-owner changes in equity separately from owner changes in equity and changes the terms Balance Sheet and Cash Flow Statement into Statements of Financial Position and Statements of Cash Flows, respectively. Other changes include presentation of an additional Statement of Financial Position as at the opening of comparative period when there is retrospective adjustment, restatement or reclassification, and disclosure of information that enables users to evaluate FGVH's objectives, policies and processes for managing capital.

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012**

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (i) New standards, amendments to published standards and interpretations which are applicable and adopted by FGVH are as follows (continued):

Financial year ended 31 December 2010 (continued):

The effects on the financial statements following the adoption of FRS 139 are disclosed in Note 6 to this Report. The effects on the financial statements following the adoption of FRS 7 and Revised FRS 101 are mainly disclosures.

Financial year ended 31 December 2011:

- Revised FRS 3 Business Combinations
- Revised FRS 127 Consolidated and Separate Financial Statements
- Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Amendment to FRS 7 Financial Instruments: Disclosures
- Amendment to FRS 132 Financial Instruments Presentation: The Classification of Rights Issues
- Amendment to FRS 138 Intangible Assets
- IC Interpretation 4 Determining whether an Arrangement Contains a Lease

The adoption of the above new/revised standards and interpretations did not have a significant financial impact on FGVH and did not result in substantial changes in FGVH's policies except for Revised FRS 3, Revised FRS 127, Amendment to FRS 7 and IC Interpretation 4. The principal effects are discussed below:

- Revised FRS 3 Business Combinations (effective from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (i) New standards, amendments to published standards and interpretations which are applicable and adopted by FGVH are as follows (continued):

Financial year ended 31 December 2011 (continued):

- Revised FRS 127 'Consolidated and Separate Financial Statements' (effective from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, 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 attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.
- Amendment to FRS 7 Financial Instruments: Disclosures (effective from 1 January 2011) enhanced the disclosure on fair value measurement using three level of fair value hierarchy and reinforces existing principles for disclosure about liquidity risk.
- IC Interpretation 4 Determining whether an Arrangement Contains a Lease (effective from 1 January 2011) requires FGVH to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 Leases should be applied to the lease element of the arrangement.

The adoption of Revised FRS 3, Revised FRS 127 and IC Interpretation 4 does not have a significant financial impact to FGVH. The effects on the financial statements following the adoption of Amendment to FRS 7 are mainly disclosures.

In addition, the following standards are applicable to FGVH for the financial year ended 31 December 2011 as it is in the process of filing its consolidated financial statements with the Securities Commission Malaysia for the purpose of issuing its shares on Bursa Malaysia Securities Berhad.

- FRS 8 Operating Segments
- FRS 133 Earnings Per Share ('EPS')

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (i) New standards, amendments to published standards and interpretations which are applicable and adopted by FGVH are as follows (continued):

Financial year ended 31 December 2011 (continued):

The principal effects resulting from the adoption of FRS 8 and FRS 133 are discussed as below:

- FRS 8 requires a management approach to identifying and measuring the financial performance of an entity's operating segments. Segment reporting (Note 9.11) will be based on information used internally by management.
- FRS 133 prescribes principles for the determination and presentation of EPS (Note 9.10), so as to improve performance comparisons between different entities.

These standards require retrospective application and therefore comparative information has been included for the financial year ended 31 December 2009.

- (ii) New standards, amendments to published standards and interpretations to existing standards that are applicable to FGVH but not yet effective and have not yet been early adopted:

Financial year ending 31 December 2012:

- Amendment to IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
- Amendment to FRS 7 Financial Instruments : Disclosures on Transfers of Financial Assets
- Amendment to FRS 112 Income Taxes
- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Revised FRS 124 Related Party Disclosures

The adoption of the above new/revised standards and interpretations are discussed below:

- Amendments to IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements. FGVH will apply this standard from financial period beginning on 1 January 2012.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards that are applicable to FGVH but not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2012 (continued):

The adoption of the above new/revised standards and interpretations are discussed below (continued):

- Amendment to FRS 7 Financial Instruments: Disclosures on Transfers of Financial Assets (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. FGVH will apply this standard from financial period beginning on 1 January 2012.

The adoption of Amendment to FRS 7 will result in additional disclosure requirements for FGVH.

- Amendment to FRS 112 Income Taxes (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. FRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in FRS 140 'Investment Property'. As a result of the amendments, IC Interpretation 121 'Income taxes - Recovery of Revalued Non-depreciable Assets' will no longer apply to investment properties carried at fair value. The amendments also incorporate into FRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn. FGVH will apply this standard from financial period beginning on 1 January 2012.

The adoption of Amendment to FRS 112 does not have a significant financial impact to FGVH.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards that are applicable to FGVH but not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2012 (continued):

The adoption of the above new/revised standards and interpretations are discussed below (continued):

- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss. FGVH will apply this standard from financial period beginning on 1 January 2012.
- Revised FRS 124 Related Party Disclosures (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government-related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.

FGVH will apply this standard from financial period beginning on 1 January 2012.

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards that are applicable to FGVH but not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2013:

In the financial year beginning 1 January 2013, FGVH will be adopting the new IFRS-compliant framework, Malaysia Financial Reporting Standards ('MFRS'). MFRS 1 First-time Adoption of MFRS provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

The impact of adoption of MFRS to FGVH based on mandatory exemptions and optional exceptions for first-time MFRS adoptions is pending assessment by the Directors.

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosures of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 141 Agriculture
- Amendment to MFRS 1 First time Adoption of Fixed Dates and Hyperinflation
- Amendment to MFRS 101 Presentation of Items of Other Comprehensive Income
- Amendment to MFRS 119 Employee Benefits
- Revised MFRS 127 Separate Financial Statements
- Revised MFRS 128 Investments in Associates and Jointly Controlled Entities
- IC Interpretation 20 Stripping Costs in Production Phase of a Surface Mine

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)
- (ii) New standards, amendments to published standards and interpretations to existing standards that are applicable to FGVH but not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2013 (continued):

The principal effects resulting from the adoption of MFRS 10, MFRS 11, MFRS 12, MFRS 13, MFRS 141, Amendment to MFRS 7, Amendment to MFRS 101, Amendment to MFRS 119, Revised MFRS 127, Revised MFRS 128, Amendment to MFRS 132 and MFRS 9 are discussed below:

- MFRS 10 Consolidated Financial Statements (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

The adoption of MFRS 10 will result in additional disclosure requirements for FGVH.

FGVH will apply this standard from financial period beginning on 1 January 2013.

- MFRS 11 Joint Arrangements (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

The adoption of MFRS 11 will result in additional disclosure requirements for FGVH.

FGVH will apply this standard from financial period beginning on 1 January 2013.

9. ACCOUNTANTS' REPORT (Cont'd)



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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards that are applicable to FGVH but not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2013 (continued):

The principal effects resulting from the adoption of MFRS 10, MFRS 11, MFRS 12, MFRS 13, MFRS 141, Amendment to MFRS 7, Amendment to MFRS 101, Amendment to MFRS 119, Revised MFRS 127, Revised MFRS 128, Amendment to MFRS 132 and MFRS 9 are discussed below (continued):

- MFRS 12 Disclosures of Interests in Other Entities (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 Investments in Associates. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

The adoption of MFRS 12 will result in additional disclosure requirements for FGVH.

FGVH will apply this standard from financial period beginning on 1 January 2013.

- MFRS 13 Fair Value Measurement (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 Financial instruments: Disclosures, but apply to all assets and liabilities measured at fair value, not just financial ones.

The adoption of MFRS 13 will result in additional disclosure requirements for FGVH.

FGVH will apply this standard from financial period beginning on 1 January 2013.

- MFRS 141 Agriculture requires biological assets and agricultural produce at the point of harvest to be measured at fair value less costs to sell.

Upon adoption of MFRS 141 on 1 January 2013, the biological assets of FGVH will be fair valued and the impact of the fair value adjustment will be accounted for retrospectively by adjusting retained earnings. Subsequent changes in fair value after that date of the biological assets shall be included in profit or loss in the period in which the changes arise.

FGVH will apply this standard from financial period beginning on 1 January 2013.

9. ACCOUNTANTS' REPORT (Cont'd)



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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)
- (ii) New standards, amendments to published standards and interpretations to existing standards that are applicable to FGVH but not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2013 (continued):

- Amendment to MFRS 7 Financial Instruments: Disclosures (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

FGVH will apply this standard from financial period beginning on 1 January 2013.

- Amendment to MFRS 101 Presentation of Items of Other Comprehensive Income (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ('OCI') in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

The adoption of Amendment to MFRS 101 will result in additional disclosure requirements for FGVH.

FGVH will apply this standard from financial period beginning on 1 January 2013.

- Amendment to MFRS 119 Employee Benefits (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

The adoption of Amendment to MFRS 119 will not have a material impact although FGVH will no longer apply the corridor method.

FGVH will apply this standard from financial period beginning on 1 January 2013.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards that are applicable to FGVH but not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2013 (continued):

- The Revised MFRS 127 Separate Financial Statements (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

The adoption of revised MFRS 127 will result in additional disclosure requirements for FGVH.

FGVH will apply this standard from financial period beginning on 1 January 2013.

- The Revised MFRS 128 Investments in Associates and Joint Ventures (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

The adoption of revised MFRS 128 will result in additional disclosure requirements for FGVH.

FGVH will apply this standard from financial period beginning on 1 January 2013.

Financial year ending 31 December 2014:

- Amendment to MFRS 132 Financial Instruments: Presentation (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

FGVH will apply this standard from financial period beginning on 1 January 2014.

9. ACCOUNTANTS' REPORT (Cont'd)



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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards that are applicable to FGVH but not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2015:

- MFRS 9 Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ('FVTPL'). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 9 on impairment of financial assets and hedge accounting continues to apply.

The adoption of MFRS 9 will result in additional disclosure requirements for FGVH, including disclosures on transition from MFRS 139 to MFRS 9.

FGVH will apply this standard from financial period beginning on 1 January 2015.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of FGVH and all its subsidiaries made up to the end of the financial year. Subsidiaries are all entities over which FGVH has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether FGVH controls another entity.

The results of subsidiaries acquired or disposed of during the financial year are included in profit or loss from the effective date of acquisition or up to the effective date of control ceases, as appropriate.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with the policies adopted by FGVH.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

The acquisition method of accounting is used to account for the acquisition of subsidiaries by FGVH. Under the acquisition method of accounting, the cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange or acquisition date. The cost of an acquisition includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the non-controlling interests. The excess of the cost of acquisition over the fair value of FGVH's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Acquisition of subsidiaries that meets the conditions of a merger is accounted for using the merger method. The acquisitions of Felda Global Ventures Indonesia Sdn. Bhd. ('FGVI'), Felda Global Ventures Middle East Sdn. Bhd. ('FGVME') and Felda Global Ventures North America Sdn. Bhd. ('FGVNA') which met the conditions of a merger are accounted for using that basis.

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

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

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

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and FGVH's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences or other reserves that relate to the subsidiary and is recognised in profit or loss.

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 non-controlling interests.

Change in accounting policy

FGVH has changed its accounting policy on business combinations and accounting for non-controlling interests when it adopted the revised FRS 3 Business Combinations and FRS 127 Consolidated and Separate Financial Statements.

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interests in the acquiree were measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of FGVH was accounted for as a revaluation.

FGVH has applied the new policies prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Non-controlling interests

For purchases or disposals from or to non-controlling interests for consideration other than cash and not at fair value, the accretion or dilution of FGVH's interests is treated as an equity transaction between the subsidiary and its shareholders. The difference between FGVH's share of net assets immediately before and immediately after the change in stake and any consideration received or paid is adjusted to or against FGVH's retained earnings.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, associates and jointly controlled entities over FGVH's share of the fair value of their identifiable net assets including contingent liabilities at the date of acquisition. Goodwill on acquisition in respect of a subsidiary is included in the consolidated statement of financial position as intangible assets, or if arising in respect of an associate or jointly controlled entity, is included in investments in associates or jointly controlled entity.

Separately recognised goodwill is tested annually for impairment or if events or circumstances occur indicating that impairment may exist and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates

Associates are those corporations, partnerships or other entities in which FGVH exercises significant influence, but which it does not control generally accompanying a shareholding of between 20% and 50% of the voting right. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. FGVH's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. See significant accounting policies Note 4(c) on goodwill.

Equity accounting is discontinued when FGVH ceases to have significant influence over the entity or when an associate is classified as an asset held for sale.

FGVH's share of its associates' post-acquisition profits or losses after tax and non-controlling interests is recognised in profit or loss, and its share of post-acquisition movements in reserves, other than movements in non-controlling interests recorded in the associates' own consolidated financial statements, is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When FGVH's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interest which in substance is net investment, FGVH does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between FGVH and its associates are eliminated to the extent of FGVH's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, in applying the equity method, appropriate adjustments are made to the associates' financial statements to ensure consistency with FGVH's accounting policies.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Jointly controlled entities

Jointly controlled entities are all those corporations, partnerships or other entities over which there is contractually agreed sharing of control by FGVH with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control. FGVH's interest in the jointly controlled entities is accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting is discontinued when FGVH ceases to have joint control over the jointly controlled entity.

Equity accounting involves recognising FGVH's share of the post acquisition results of jointly controlled entities in profit or loss and its share of post acquisition movements within reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

FGVH recognises the portion of gains or losses on the sale of assets by FGVH to the jointly controlled entities that is attributable to the other venturers. FGVH does not recognise its share of profits or losses from the jointly controlled entities that result from the purchase of assets by FGVH from the jointly controlled entities until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Where necessary, in applying the equity method, appropriate adjustments are made to the jointly controlled entities financial statements to ensure consistency with FGVH's accounting policies.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets

Classification

FGVH has changed its accounting policy for recognition and measurement of financial assets upon adoption of FRS 139 Financial Instruments: Recognition and Measurement on 1 January 2010.

Previously, short-term investments and marketable securities (included in associate's financial statements), if any, are carried at the lower of cost and market value, and trade receivables are carried at invoice amount. FGVH has applied the new policy according to the transitional provision of FRS 139 by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, of the current financial year. The impact of the change in the accounting policy is disclosed in Note 6 to this Report.

FGVH classifies its financial assets in the following categories: at fair value through profit or loss, 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 its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(iii) Available-for-sale financial assets

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

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which FGVH commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Subsequent measurement - gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 4(g)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when FGVH's right to receive payments is established.

Financial assets and 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.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets

Assets carried at amortised cost

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- FGVH, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) Adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

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

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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

Assets classified as available-for-sale

FGVH assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

FGVH uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of an instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial liabilities

Financial liabilities within the scope of FRS 139 are recognised on the statement of financial position when, and only when, FGVH becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method except for derivatives which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(i) 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 re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. FGVH did not apply hedge accounting during the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

Property, plant and equipment are initially stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price 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. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see significant accounting policies Note 4(w) on borrowing costs).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to FGVH and the costs of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

All other property, plant and equipment are depreciated on a straight-line basis to write-off the cost of each asset to their residual values over their estimated useful lives as follows:

<u>Property, plant and equipment</u>	<u>Estimated useful lives (years)</u>
Leasehold land	90 to 99
Buildings, structures and renovations	3 to 50
Plant and machineries	3 to 31
Motor vehicles	3 to 10
Office equipment, tools and other equipment	3 to 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale. Depreciation on assets under construction commences when the assets are ready for their intended use.

At each statement of financial position date, FGVH assess whether there is any indication of impairment. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 4(n) on impairment of non-financial assets. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets and are included in the profit or loss.

(k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies note 4(n) on impairment of non-financial assets.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (continued)

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intangible assets are amortised using the straight-line basis over their estimated useful lives as follows:

<u>Intangible assets</u>	<u>Estimated useful lives (years)</u>
Brand	26 years
Completed technology	9 years
Lease agreement	18 years
Customer relationships	9 years
Trade names	5 years

Brand is related to a sugar brand 'Prai', acquired as part of the acquisition of the sugar business in financial year ended 31 December 2010. Completed technology is related to a license for a subsidiary to use certain technologies involved with producing oleic tallow. Lease agreement is related to a lease agreement for a subsidiary to lease several assets to a customer. Twin Rivers Technologies US, Inc ('TRT US') is the lessor of a portion of its facility to a tenant under a non-cancellable operating lease. This property includes natural oil tanks and an oil pipeline system. Customer relationships are related to contracts for a subsidiary to sell its product to several customers. Trade name is related to the trade name 'Twin Rivers Technologies' acquired as part of the acquisition of the fatty acids business operation in USA in 2007.

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

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Biological assets

Planting development costs comprises new planting development costs which are accounted for under the capital maintenance method. Under the capital maintenance method, development costs incurred (for example land clearing and upkeep of trees) up to the maturity period of 3 years is capitalised and not amortised, and are shown as a non-current asset net of accumulated impairment losses. Replanting expenses are charged to profit or loss in the year in which they are incurred.

When the planted area is replanted with a different crop, the previously capitalised development costs is expensed off in the profit or loss and a new planting development costs in respect of the new crop is capitalised.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See significant accounting policies note 4(n) on impairment of non-financial assets.

(m) Inventories

Inventories which consist of soybeans and canola seed, tallow, coconut oil, canola and soybean oil, meal products, other fatty acid products, raw sugar, refined sugar, molasses and consumables are stated at lower of cost and net realisable value.

Cost is determined using first-in, first-out ('FIFO') method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(n) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful lives, 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 asset's carrying amount exceeds its recoverable amount. The impairment loss is charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets are reviewed for possible reversal of impairment at each reporting date.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the statement of financial position date.

Deferred tax is provided for on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 and unused tax losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in reserve, in which case the deferred tax is also recognised directly in reserve.

Deferred tax liabilities are not recognised for temporary differences that arise from initial recognition of assets and liabilities, at initial recognition or upon subsequent measurement, that at the time of transaction, affect neither accounting profit nor taxable profit. Deferred taxation recognised includes temporary differences arising from tax credit.

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised and no deferred tax assets is recognised when tax credit is available.

(p) Foreign currencies

Functional and presentation currency

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

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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Foreign currencies (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other (losses)/gains – net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Group companies

The results and financial position of all 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:

- (i) 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;
- (ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Foreign currencies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to exchange differences within shareholders' equity. When a foreign operation is sold, such exchanges differences are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(q) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and FGVH will comply with all attached conditions. Government grants relating to income are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate. Government grants relating to the purchase of assets are presented as a reduction of the carrying amount of the related assets. The government grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

(r) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to FGVH and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue from production and distribution of fatty acids, vegetable oil and protein meal

Revenue from production and distribution of fatty acids, vegetable oil and protein meal are recognised when persuasive evidence of an arrangement exists, the price is fixed and determinable, the product has been delivered to the customer and there is a reasonable assurance of collection of the sales proceeds.

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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

(ii) Revenue from production and distribution of refined sugar and molasses

Revenue from production and distribution of refined sugar and molasses comprises the invoiced value for the sale of goods, net of sales taxes, rebates, and discounts. The revenue is recognised upon the delivery of goods when significant risk and rewards of ownership of the goods are transferred to the buyer.

(iii) Sugar subsidy from Government

Subsidy received from the Government of Malaysia for the refined sugar products sold relates to the difference between estimated market price and the controlled price determined by the government for sale of refined sugar in the domestic market. This subsidy is credited to profit or loss and recognised as part of revenue in the accounting period in which the corresponding sales of goods are recognised.

(iv) Revenue from tolling arrangements

Revenue from tolling arrangement is recognised when the service is performed.

(v) Revenue from rental of apartments

Revenue from rental of apartments is recognised on an accrual basis.

(vi) Revenue from sales of food and beverages

Revenue from sales of food and beverages are recognised upon completion of service rendered and delivery of goods, net of sales taxes, rebates and discounts. The revenue is recognised upon the delivery of goods, which significant risk and rewards of ownership of the goods are transferred to the buyer.

(vii) Finance income

Finance income is recognised using the effective interest method. When a loan and receivable is impaired, FGVH reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as finance income. Finance income on impaired loan and receivables are recognised using the original effective interest rate.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

(viii) Management fees

Management fees are recognised when FGVH's right to receive payment is established.

(ix) Rental income

Rental income related to rental of properties and plants are recognised over the period of tenancy or usage, as appropriate.

(x) Dividend income

Dividend income is recognised when the shareholders' right to receive is established.

(s) Dividend distribution

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date.

(t) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to FGVH all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating leases – FGVH as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(iii) Operating leases – FGVH as lessor

Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(v) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (continued)

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which FGVH pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred.

As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ('EPF').

(iii) Defined benefit plan

A defined benefit plan is a retirement plan that defines an amount of retirement benefits to be paid, usually as a function of one or more factors such as age, years of service or compensation.

FGVH operates a non-funded defined benefit retirement plan. Under the plan, retirement benefits are determinable by reference to employees' earnings, designation and years of service and payable upon attaining the normal retirement age. The liabilities in respect of defined benefit plans are the present value of the defined benefit obligations at the statement of financial position date together with adjustments for actuarial gains/losses and past service cost. FGVH determines the present value of the defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the statement of financial position date.

The defined benefit obligations, calculated using the projected unit credit method, are determined by independent actuaries, considering the estimated future cash outflows using market yields at statement of financial position date of government securities which have currency and terms to maturity approximating the terms of the related liabilities.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (continued)

(iii) Defined benefit plan (continued)

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in profit or loss are determined by the corridor method in accordance with FRS 119 Employee Benefits and are charged or credited to profit or loss over the average remaining service lives of the related employees participating in the defined benefit plans.

(iv) Share-based compensation

FGVH's stock incentive plan, an equity-settled, share-based compensation plan, allows the employees, officers, directors, consultants and advisors of a subsidiary and its subsidiary corporations (collectively referred to as 'employees'), to acquire ordinary shares of the subsidiary. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each statement of financial position date, FGVH revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(x) Contingent liabilities

FGVH 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 uncertain future events beyond the control of FGVH 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 case where there is a liability that cannot be recognised because it cannot be measured reliably.

(y) Equity instruments

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. See significant accounting policies Note 4(f) on compound financial instruments. Dividends on ordinary shares are recognised in the period in which they are declared.

The transaction costs of an equity transactions are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Segment information is presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Committee.

(aa) Share based payment

The differences between the fair value of the shares issued and the proceeds arising from the shares issuance are taken to profit or loss as share based payment. The issue of equity instruments for an identifiable consideration below its fair value would give rise to unidentifiable goods or services which shall be accounted for as a share based transaction.

(ab) Financial guarantee contracts

Financial guarantee contracts are contracts that require FGVH to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with FRS 137 Provisions, contingent liabilities and contingent assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Provisions

Provisions are recognised when:

- FGVH has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Where FGVH expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

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

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

(ad) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(ae) Earnings per share

FGVH presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated based on the consolidated profit after taxation attributable to equity shareholders of FGVH and divided by the weighted number of ordinary shares in issue. Diluted EPS is calculated based on the consolidated profit after taxation attributable to equity shareholders of FGVH and divided by the weighted number of ordinary shares in issue, assuming conversion of the outstanding RCPS and RCCPS into ordinary shares of RM1 each.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(af) Compound financial instruments

Compound financial instruments issued by FGVH comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method until extinguished on conversion or maturity of the compound instrument. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except when the compound instrument is redeemed or repurchased before maturity.

Upon conversion of the convertible instrument into equity shares, the amount credited to share capital and share premium is the aggregate of the carrying amounts of the liability components classified within liability and equity at the time of conversion. No gain or loss is recognised.

5 RISK MANAGEMENT POLICIES

(a) Financial risk management policies

FGVH is exposed to market risk (including foreign currency risk, commodity price risk and interest rate risk), credit risk and liquidity risk arising from its business activities. FGVH's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on FGVH's financial performance. FGVH uses relevant financial instruments to hedge the risk of such commercial exposure. Such financial instruments are not held for trade or speculative purposes.

The Board of Directors has overall responsibility for the oversight of financial risk management which include risk identification, operational or strategic, and the subsequent action plans to manage these risks. Management is responsible for identifying, monitoring and managing FGVH's risk exposures.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Financial risk management policies (continued)

Market risk

(i) Foreign currency risk

Currency risk arises when transactions are denominated in foreign currencies. FGVH is exposed to foreign currency exposure from its purchases of raw materials and investment in overseas countries, which are mainly in United States Dollar ('USD') and Canadian Dollar ('CAD'). FGVH manages its currency exposure through currency forward contracts.

A 10% strengthening/weakening of the USD and CAD against the Malaysian Ringgit ('RM') at the date of statement of financial position would have impact to FGVH's profit after tax of RM40,465,000 (2010: RM14,203,000, 2009: RM(33,807,000)) and to FGVH's equity of approximately RM43,636,000 (2010: RM19,317,000, 2009: RM5,254,000) (include foreign exchange reserves impact of RM3,171,000 (2010: RM5,114,000, 2009: RM28,553,000)). The analysis assumes that all other variables are remaining constant.

(ii) Commodity price risk

FGVH is exposed to commodity price which is subject to fluctuations of unpredictable factors such as weather, change of global demand, global production and prices. The revenue of FGVH is subject to price fluctuations in the commodity market. FGVH uses commodity futures contracts to mitigate a portion of such risk.

A sensitivity analysis has been performed based on the exposure to commodity price as at settlement date for FGVH's commodity derivative portfolio as at financial year end. The analysis is based on the assumption that the price of commodity increase or decrease by 10% with all other variables held constant; FGVH's profit after tax would increase or decrease approximately by:

	<u>2010</u> RM'000	<u>2011</u> RM'000
Sugar	15,362	2,306
Soy	380	-
Canola	1,429	-
	<u>17,171</u>	<u>2,306</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(iii) Cash flow and fair value interest rate risk

FGVH's interest rate risk arises mainly from borrowings. Borrowings issued at variable rates expose FGVH to cash flow interest rate risk which is partially offset by cash held at variable rates. FGVH borrows from and lends money to other related companies mainly at fixed rates to manage its cash flow interest rate risk exposure. FGVH is not exposed to fair value interest rate risk as all its borrowings from financial institutions and from/to other related companies are not classified as available-for-sale or fair value through profits or loss.

The interest rate profile of FGVH's interest bearing financial assets, based on carrying amounts as at the end of the reporting period was:

	2009 RM'000	2010 RM'000	2011 RM'000
<u>Financial assets</u>			
<u>At fixed rate</u>			
Fixed deposits	286,418	391,460	1,506,997
Loan due from a subsidiary	-	-	-
	<u>286,418</u>	<u>391,460</u>	<u>1,506,997</u>
<u>At floating rate</u>			
Amount due from jointly controlled entity	-	-	45,520
	<u>-</u>	<u>-</u>	<u>45,520</u>

If interest rates on its floating rate financial assets had been 10 basis points higher/lower with all other variables held constant, the profit after tax of FGVH will increase/decrease by approximately RM21,000 (2010: RM nil, 2009 : RM nil).

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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

The interest rate profile of FGVH's interest bearing term loans and borrowings, based on carrying amounts as at the end of the reporting period was:

	2009 RM'000	2010 RM'000	2011 RM'000
<u>Financial liabilities</u>			
<u>At fixed rate</u>			
Loan due to ultimate holding body	1,610,000	1,835,000	1,835,000
<u>At floating rate</u>			
Term loans	320,000	290,000	51,171
Revolving credits	-	182,058	463,021
Bankers acceptances	-	217,000	288,300
Total term loans and borrowings	<u>1,930,000</u>	<u>2,524,058</u>	<u>2,637,492</u>

If interest rates on its floating rate borrowings had been 10 basis points higher/lower with all other variables held constant, profit after tax for the year will increase/decrease approximately by RM461,000 (2010: RM587,000, 2009: RM53,820).

Other financial assets and financial liabilities are non-interest bearing, hence are not affected by changes in interest rate.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to FGVH. FGVH adopts the policy of dealing with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The financial assets exposure can be illustrated as follows:

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

	Financial assets RM'000	Guarantees given for a subsidiary RM'000	Revolving commitment given to a jointly controlled entity RM'000	Maximum exposure RM'000
<u>As at 31 December 2009</u>				
Trade receivable	50,208	-	-	50,208
Other receivables	335,104	-	-	335,104
Amount due from other related parties	5,796	-	-	5,796
Loan due from other related company	46,491	-	-	46,491
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>As at 31 December 2010</u>				
Trade receivable	319,614	-	-	319,614
Other receivables	79,523	-	-	79,523
Amount due from other related parties	1,965	-	-	1,965
Loan due from other related company	34,952	-	-	34,952
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>As at 31 December 2011</u>				
Trade receivable	305,387	-	-	305,387
Other receivables	90,091	-	-	90,091
Amount due from a jointly controlled entity	45,520	-	75,664	121,184
Amount due from other related parties	4,118	-	-	4,118
Loan due from other related company	27,926	-	-	27,926
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

In addition, the trade receivable exposure is continuously closely monitored and followed up by the finance and marketing departments. FGVH generally has no significant concentration of credit risk due to FGVH's large number of customers.

FGVH's bank and cash balances were largely placed with major financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions, including those non-rated financial institutions of which certain fixed deposits have been placed, is remote on the basis of their financial strength.

Liquidity risk

Liquidity risk is the risk that FGVH will encounter difficulties in meeting its obligations due to shortage of funds. FGVH maintains a sufficient level of cash and cash equivalents to meet FGVH's working capital requirement by closely monitoring its cash flow. Due to the nature of its business, FGVH has adopted a prudent liquidity risk management in maintaining and obtaining sufficient credit facilities from financial institutions.

The table below summarises the maturity profile of FGVH's financial liabilities based on the remaining period at the statement of financial position date. The amounts disclosed in the table are based on contractual undiscounted cash flows.

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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>At 31 December 2009</u>					
Loan due to ultimate holding body	-	173,256	686,602	1,420,674	2,280,532
Advance from ultimate holding body	-	1,005,195	-	-	1,005,195
Amount due to ultimate holding body	1,740	-	-	-	1,740
Amount due to an associate	33,744	16,872	67,486	50,615	168,717
Amounts due to other related companies	454	-	-	-	454
Borrowings	30,000	56,496	263,124	-	349,620
Payables	166,971	-	-	-	166,971
Total undiscounted financial liabilities	232,909	1,251,819	1,017,212	1,471,289	3,973,229

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)At 31 December 2010

Loan due to ultimate holding body	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
Amount due to an associate	5,417	182,701	876,858	1,364,068	2,429,044
Amounts due to other related companies	18,054	42,179	75,922	-	136,155
Borrowings	71,705	-	-	-	71,705
Payables	444,058	69,464	193,659	-	707,181
	122,512	-	-	-	122,512
Total undiscounted financial liabilities	661,746	294,344	1,146,439	1,364,068	3,466,597

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>At 31 December 2011</u>					
Loan due to ultimate holding body	5,448	394,316	844,818	1,093,142	2,337,724
Amount due to associate	21	-	-	-	21
Amount due to jointly controlled entity	35,091	-	-	-	35,091
Amounts due to other related companies	87,905	-	-	-	87,905
Borrowings	761,974	41,733	-	-	803,707
Payables	121,015	-	-	-	121,015
Total undiscounted financial liabilities	1,011,454	436,049	844,818	1,093,142	3,385,463

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Financial risk management policies (continued)

FGVH maintains sufficient liquidity by closely monitoring its cash flow. Any surplus cash held over and above balance required for working capital management are invested in interest bearing current and fixed deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by its projected cash flow.

(b) Capital risk management policies

The primary objective of FGVH's capital management policies is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

FGVH manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, FGVH may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011.

FGVH monitors capital using a gearing ratio, which is total debt divided by total equity attributable to owners of FGVH. FGVH includes borrowings and other financing related amounts due to related companies (which comprise of loan due to ultimate holding body and amount due to an associate) within net debt, borrowings, loan due to ultimate holding body and amount due to an associate. Capital includes share capital, redeemable preference shares, share premium, reserves and retained earnings. FGVH's gearing for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 are 117%, 89% and 81% respectively.

The gearing ratios analysis for FGVH are as disclosed below:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Total debt	2,041,419	2,648,037	2,642,940
Equity attributable to owners of FGVH	1,746,441	2,957,705	3,267,521
Gearing ratio	<u>117%</u>	<u>90%</u>	<u>81%</u>

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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as fair value through profit or loss) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by FGVH is the current bid price.

The fair value of forward foreign currency contracts is determined using quoted forward exchange rate at the statement of financial position date. The carrying amounts of financial assets and financial liabilities as reflected in the statement of financial position approximate their net fair values except as disclosed in the financial statements.

Effective 1 January 2011, FGVH adopted the Amendment to FRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents FGVH's assets and liabilities that are measured at fair value at 31 December 2010 and 31 December 2011. No valuation was performed for financial year ended 31 December 2009.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total balance</u> RM'000
<u>2010</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Derivatives	41,363	5,056	-	46,419
Total assets	41,363	5,056	-	46,419

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(c) Fair value estimation (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total balance</u>
	RM'000	RM'000	RM'000	RM'000
<u>2011</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Derivatives	2,051	791	-	2,842
Total assets	2,051	791	-	2,842

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by FGVH is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily ICE Futures U.S. Sugar No 11 Contract as trading commodities.

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. There are no financial instruments included in level 3 as at the financial year end.

The carrying amounts of financial assets and financial liabilities as reflected in the statement of financial position approximate their fair values.

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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

6 EFFECTS OF THE ADOPTION OF NEW FINANCIAL REPORTING STANDARDS AND ADJUSTMENTS ARISING FROM FINALISATION OF PURCHASE PRICE ALLOCATION FOR ACQUISITION OF JOINTLY CONTROLLED ENTITIES

(a) Financial year ended 31 December 2010

The following tables disclose the impact of adoption of FRS 139 as highlighted in Note 3(i) of this Report and adjustment arising from finalisation of purchase price allocation for acquisition of jointly controlled entities on the financial statements of FGVH.

(i) Impact on FGVH's statement of financial position

	<u>Balance as at 31 December 2009</u>			<u>Balances as at 1 January 2010</u>	
	Adjustments to the initial accounting for the acquisitions				
	As previously reported	of jointly controlled entities	As restated	FRS 139	As adjusted
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Non-current assets</u>					
Interests in jointly controlled entities	286,013	(11,202)	274,811	11,994	286,805
Interest in associates	1,843,767	-	1,843,767	(11,300)	1,832,467
<u>Non-current liabilities</u>					
Advances from ultimate holding body	1,005,195	-	1,005,195	(40,306)	964,889
<u>Current liabilities</u>					
Derivatives financial liabilities	-	-	-	286	286
<u>Reserves and equity</u>					
Foreign exchange reserve	24,070	-	24,070	(77)	23,993
Other reserve	-	-	-	55,707	55,707
Accumulated losses	(34,039)	(11,202)	(45,241)	(14,910)	(60,151)
Non-controlling interests	1,561	-	1,561	(6)	1,555

The impact above relates to adjustments to the initial accounting for the acquisitions of jointly controlled entities and adoption of FRS 139.

9. ACCOUNTANTS' REPORT (Cont'd)



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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 6 EFFECTS OF THE ADOPTION OF NEW FINANCIAL REPORTING STANDARDS AND ADJUSTMENTS ARISING FROM FINALISATION OF PURCHASE PRICE ALLOCATION FOR ACQUISITION OF JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) Financial year ended 31 December 2010 (continued)

(i) Impact on FGVH's statement of financial position (continued)

	Increase/(decrease) to balances as at <u>31 December 2010</u> FRS 139 RM'000
<u>Non-current assets</u>	
Interest in associates	20,945
Interests in jointly controlled entities	4,010
<u>Current assets</u>	
Derivative financial assets	46,419
<u>Current liabilities</u>	
Amount due to an associate	5,961
<u>Reserves and equity</u>	
Share premium	(10,801)
Other reserve	40,306
Retained earnings	35,908

The impact above relates to the initial adoption of FRS 139.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

6 EFFECTS OF THE ADOPTION OF NEW FINANCIAL REPORTING STANDARDS AND ADJUSTMENTS ARISING FROM FINALISATION OF PURCHASE PRICE ALLOCATION FOR ACQUISITION OF JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) Financial year ended 31 December 2010 (continued)

(ii) Impact on FGVH's statement of comprehensive income

	As previously reported RM'000	Adjustments to the initial accounting for the acquisitions of jointly controlled entities RM'000	As restated RM'000
Share of results in jointly controlled entities	20,020	(11,202)	8,818
			Increase for the financial year ended <u>31 December 2010</u> <u>FRS 139</u> RM'000
Other losses (Note 9.3)			66,316
Finance costs – unwinding of discount (Note 9.4)			35,466
Share of results in associates			15,034
Share of results in jointly control entities			7,566

The impact above relates to adjustments to the initial accounting for the acquisitions of jointly controlled entities and adoption of FRS 139.

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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Impairment of goodwill

FGVH determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units (CGU) to which the goodwill is allocated. Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts of CGUs were determined based on the higher of fair value less cost to sell or value in use calculations. As a result of the impairment assessment, FGVH has recognised an impairment loss of RM42,792,000 (2010: RM30,375,000, 2009: RMnil). The key assumptions and the sensitivity analysis in respect of the critical accounting estimates made are as disclosed in Note 9.13 to this Report.

(b) Impairment of intangible assets other than goodwill and property, plant and equipment

FGVH tests intangible assets other than goodwill and property, plant and equipment for impairment if there are any objective evidence of impairment. Management have assessed that intangible assets other than goodwill and property, plant and equipment may be potentially impaired. The recoverable amounts of CGU were determined based on the higher of fair value less cost to sell or value in use calculations.

As a result of the impairment assessment, FGVH has recognised an impairment of RM164,687,000 (2010: RM17,660,000, 2009: RMnil) against its lands, buildings and machineries. The key assumptions used are those of a market participant and are consistent with external sources of information and historical data. The key assumptions and the sensitivity analysis in respect of the critical accounting estimates made are as disclosed in Note 9.12 to this Report.

(c) Impairment loss on investment in associates and jointly controlled entities

FGVH test investment in associates and jointly controlled entities for impairment if there are any indicators of impairment.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Impairment loss on investment in associates and jointly controlled entities (continued)

Investment in Felda Iffco Sdn. Bhd. ('FISB'), a jointly controlled entity

At 31 December 2011, FGVH's investment in a jointly controlled entity, FISB was tested for impairment.

The impairment assessment requires an estimation of the recoverable amount of the investment in FISB. The recoverable amount of the investment in FISB was determined based on the cash flow projections expected to be attributable to the equity holder. The key assumptions used to determine the recoverable amount of investment in FISB in respect of critical accounting estimates made are as disclosed in Note 9.16 to this Report.

No impairment loss has been recognised by FGVH as the recoverable amount exceeds the carrying value.

(d) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgment regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. The amount of deferred tax assets arising from tax losses not recognised amounted to RM172,532,000 (2010: RM139,919,000, 2009: RM115,123,000).

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS

8.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Financial year ended 31 December		
	Note	2009 RM'000	2010 RM'000	2011 RM'000
<u>Continuing operations</u>				
Revenue	9.1	615,494	3,149,510	4,201,168
Cost of sales		(583,399)	(2,725,537)	(3,950,976)
Gross profit		32,095	423,973	250,192
Other operating income	9.2	6,301	7,917	74,354
Selling and distribution costs		(56,273)	(98,562)	(96,983)
Administrative expenses		(65,055)	(82,496)	(115,706)
Other operating expenses		(68,620)	(45,388)	(83,812)
Other gain/ (losses), net	9.3	-	(66,316)	35,923
Finance income	9.4	6,878	12,243	38,055
Finance costs	9.4	(10,035)	(151,557)	(141,211)
Share of results from associates				
- FHB	9.15	349,227	173,091	227,773
- Others	9.15	-	218,134	101,555
Share of results from jointly controlled entities	9.16	8,818	(24,668)	(53,964)
Profit before taxation	9.5	203,336	366,371	236,176
Taxation	9.7	(13,457)	(79,116)	(87,387)
Profit for the financial year from continuing operations		189,879	287,255	148,789
<u>Discontinued operations</u>				
Loss for the financial year from discontinued operations	9.8	(139,297)	-	-
Profit for the financial year		50,582	287,255	148,789

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

	<u>Note</u>	<u>Financial year ended 31 December</u>		
		<u>2009</u>	<u>2010</u>	<u>2011</u>
		RM'000	RM'000	RM'000
Profit attributable to:				
<u>Continuing operations</u>				
Owners of FGVH		218,605	289,899	76,306
Non-controlling interests		(28,726)	(2,644)	72,483
		<u>189,879</u>	<u>287,255</u>	<u>148,789</u>
<u>Discontinued operations</u>				
Owners of FGVH		(139,297)	-	-
Non-controlling interests		-	-	-
		<u>(139,297)</u>	<u>-</u>	<u>-</u>
Profit for the financial year		50,582	287,255	148,789
Other comprehensive income:				
Share of other comprehensive income of associates				
- FHB		-	439	20,851
- Others		-	685	(710)
Share of other comprehensive income of jointly controlled entities		-	(20,211)	(3,194)
Other reserve		-	(2,934)	-
Currency translation differences		19,846	(62,912)	(4,255)
Other comprehensive income for the financial year, net of tax		<u>19,846</u>	<u>(84,933)</u>	<u>12,692</u>
Total comprehensive income for the financial year		<u>70,428</u>	<u>202,322</u>	<u>161,481</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

	<u>Note</u>	<u>Financial year ended 31 December</u>		
		<u>2009</u>	<u>2010</u>	<u>2011</u>
		RM'000	RM'000	RM'000
Total comprehensive income attributable to:				
- Owners of FGVH		99,144	201,150	88,998
- Non-controlling interests		(28,716)	1,172	72,483
		<u>70,428</u>	<u>202,322</u>	<u>161,481</u>
Continuing operations:				
Basic EPS (sen)	9.10	42.1	16.4	4.3
Diluted EPS (sen)	9.10	42.1	14.1	2.8
Discontinued operations:				
Basic EPS (sen)	9.10	(30.0)	-	-
Diluted EPS (sen)	9.10	(30.0)	-	-

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		
		2009	2010	2011
		RM'000	RM'000	RM'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	9.12	661,768	1,156,458	1,001,764
Goodwill and intangible assets	9.13	97,844	710,053	662,686
Interests in associates				
- FHB	9.15	1,843,767	1,876,163	1,894,272
- Others	9.15	-	419,762	493,925
Interests in jointly controlled entities	9.16	274,811	330,650	349,353
Prepaid lease payments	9.17	26,721	855	785
Loan due from other related company	9.22	34,772	24,399	17,090
Amount due from jointly controlled entity	9.21	-	-	45,520
Deposits and other receivables	9.20	275,901	-	-
Biological assets	9.19	-	-	622
Deferred tax assets	9.36	-	36,545	41,998
		<u>3,215,584</u>	<u>4,554,885</u>	<u>4,508,015</u>
<u>Current assets</u>				
Inventories	9.18	95,273	499,529	406,629
Biological assets	9.19	-	11,360	11,198
Receivables	9.20	109,411	399,137	395,478
Amounts due from other related companies	9.21	5,796	1,965	4,118
Amount due from an associate	9.21	-	51	-
Tax recoverable		593	4,612	21,729
Loan due from other related company	9.22	11,719	10,553	10,836
Derivative financial assets	9.23	-	46,419	2,842
Cash and cash equivalents	9.24	1,564,722	451,169	1,777,824
Assets held for sale	9.25	-	36,740	-
		<u>1,787,514</u>	<u>1,461,535</u>	<u>2,630,654</u>
Total assets		<u>5,003,098</u>	<u>6,016,420</u>	<u>7,138,669</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		<u>As at 31 December</u>		
	<u>Note</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
		RM'000	RM'000	RM'000
EQUITY AND LIABILITIES				
Share capital	9.26	1,767,612	1,767,612	1,767,612
Redeemable preference shares	9.27	-	10,052	9,005
Share premium	9.28	-	984,342	881,783
Foreign exchange reserve	9.29	24,070	(58,034)	(60,608)
Other reserves	9.30	-	51,244	68,188
Retained earnings	9.31	(45,241)	202,489	601,541
Equity attributable to owners of FGVH		1,746,441	2,957,705	3,267,521
Non-controlling interests		1,561	45,335	823,362
Total equity		1,748,002	3,003,040	4,090,883
<u>Non-current liabilities</u>				
Borrowings	9.32	290,000	245,000	40,518
Loan due to ultimate holding body	9.33	1,610,000	1,835,000	1,835,000
Provision for liabilities	9.34	4,259	5,883	7,398
Provision for defined benefit plan	9.35	-	1,032	492
Advances from ultimate holding body	9.21	1,005,195	-	-
Amount due to an associate	9.21	111,419	100,508	-
Deferred tax liabilities	9.36	-	149,317	136,908
		3,020,873	2,336,740	2,020,316

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		As at 31 December		
	<u>Note</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
		RM'000	RM'000	RM'000
<u>Current liabilities</u>				
Payables	9.37	166,971	122,512	121,015
Loan due to ultimate holding body	9.33	1,740	5,417	5,448
Amount due to an associate	9.21	33,744	18,054	21
Amount due to jointly controlled entity	9.21	-	-	35,091
Amount due to other related companies	9.21	454	71,705	87,905
Borrowings	9.32	30,000	444,058	761,974
Provision for liabilities	9.34	343	308	1,738
Current tax liabilities		971	13,859	14,278
Liabilities directly associated with assets classified as held for sale	9.25	-	727	-
		<u>234,223</u>	<u>676,640</u>	<u>1,027,470</u>
Total liabilities		<u>3,255,096</u>	<u>3,013,380</u>	<u>3,047,786</u>
Total equity and liabilities		5,003,098	6,016,420	7,138,669



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1 FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital RM'000	Foreign exchange reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
2009							
At 1 January		200,000	4,234	(43,746)	160,488	43,108	203,596
Profit for the financial year		-	-	90,510	90,510	(28,726)	61,784
- as previously stated		-	-	(11,202)	(11,202)	-	(11,202)
- adjustments to the initial accounting for the acquisitions of jointly controlled entities	9.16	-	-	-	-	-	-
- as restated		-	-	79,308	79,308	(28,726)	50,582
Other comprehensive income for the financial year, net of tax		-	19,836	-	19,836	10	19,846
- currency translation difference		-	19,836	79,308	99,144	(28,716)	70,428
Total comprehensive income for the financial year		-	19,836	79,308	99,144	(28,716)	70,428

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Share capital RM'000	Foreign exchange reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
2009 (continued)							
Issuance of shares	9.26	1,567,612	-	-	1,567,612	-	1,567,612
Accretion of interest		-	-	(45,511)	(45,511)	(12,831)	(58,342)
Dividend paid		-	-	(35,292)	(35,292)	-	(35,292)
- for the financial year ended 31 December	9.9	-	-	(35,292)	(35,292)	-	(35,292)
Total transactions with owners		1,567,612	-	(80,803)	1,486,809	(12,831)	1,473,978
At 31 December, as restated		1,767,612	24,070	(45,241)	1,746,441	1,561	1,748,002

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

2010	Note	Share capital RM'000	Redeemable preference shares RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Available for sale reserve RM'000	Other reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January, as previously stated		1,767,612	-	-	24,070	-	-	(34,039)	1,757,643	1,561	1,759,204
Adjustments to the initial accounting for the acquisitions of jointly controlled entities		-	-	-	-	-	-	(11,202)	(11,202)	-	(11,202)
At 1 January, as restated	6(a)	1,767,612	-	-	24,070	-	-	(45,241)	1,746,441	1,561	1,748,002
Adjustments on application of FRS 139		-	-	-	(77)	15,546	40,161	(14,910)	40,720	(6)	40,714
At 1 January, as adjusted		1,767,612	-	-	23,993	15,546	40,161	(60,151)	1,787,161	1,555	1,788,716
Profit for the financial year		-	-	-	-	-	-	289,899	289,899	(2,644)	287,255
Other comprehensive income for the financial year, net of tax		-	-	-	-	-	-	-	-	-	-
- Currency translation differences		-	-	-	(62,971)	-	-	-	(62,971)	59	(62,912)
- Other reserve		-	-	-	-	-	(6,691)	-	(6,691)	3,757	(2,934)
- Share of other comprehensive income of associate - FHB		-	-	-	(2,570)	5,911	-	(2,217)	1,124	-	1,124
- Share of other comprehensive income of jointly controlled entities		-	-	-	(16,486)	(3,556)	(127)	(42)	(20,211)	-	(20,211)
Total comprehensive income for the financial year		-	-	-	(82,027)	2,355	(6,818)	287,640	201,150	1,172	202,322

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Share capital RM'000	Redeemable preference shares RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Available for sale reserve RM'000	Other reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
2010 (continued)											
Issuance of redeemable preference shares	9.27	-	10,052	984,342	-	-	-	-	994,394	-	994,394
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	46,605	46,605
Dividend paid - for the financial year ended 31 December 2010 (interim)	9.9	-	-	-	-	-	-	(25,000)	(25,000)	-	(25,000)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	(3,997)	(3,997)
Total transactions with owners		-	10,052	984,342	-	-	-	(25,000)	969,394	42,608	1,012,002
At 31 December		1,767,612	10,052	984,342	(58,034)	17,901	33,343	202,489	2,957,705	45,335	3,003,040

9. ACCOUNTANTS' REPORT (Cont'd)



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1 FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Share capital RM'000	Redeemable preference shares RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Other reserves				Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
						Available for sale reserve RM'000	Capital redemption reserve RM'000	Other RM'000					
2011													
At 1 January		1,767,612	10,052	984,342	(58,034)	17,901	-	33,343	202,489	2,957,705	45,335	3,003,040	
Profit for the financial year		-	-	-	-	-	-	-	76,306	76,306	72,483	148,789	
Other comprehensive income for the financial year, net of tax		-	-	-	(4,255)	-	-	-	-	(4,255)	-	(4,255)	
- Currency translation differences		-	-	-	(453)	20,594	-	-	-	20,141	-	20,141	
- Share of other comprehensive income of associates		-	-	-	1,358	(4,969)	-	272	145	(3,194)	-	(3,194)	
- Share of other comprehensive income of jointly controlled entities		-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income for the financial year		-	-	-	(3,350)	15,625	-	272	145	12,692	-	12,692	
		-	-	-	(3,350)	15,625	-	272	76,451	88,998	72,483	161,481	

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Note	Share capital RM'000	Redeemable preference shares RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Available for sale reserve RM'000	Other reserves			Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
						Capital redemption reserve RM'000	Other reserve RM'000	RM'000				
Issuance of redeemable preference shares	-	(1,047)	(102,559)	-	-	1,047	-	(1,047)	(103,606)	-	-	(103,606)
Redemption of preference shares	-	-	-	776	-	-	-	-	776	945	1,721	1,721
Disposal of subsidiaries	-	-	-	-	-	-	-	(7,594)	(7,594)	3,767	3,767	(3,827)
Accretion of interest in subsidiaries	-	-	-	-	-	-	-	356,242	356,242	737,313	737,313	1,093,555
Dilution of interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	(25,000)
- for the financial year ended	-	-	-	-	-	-	-	-	-	-	-	-
31 December 2011 (interim)	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(36,481)	(36,481)	(36,481)
Total transactions with owner	-	(1,047)	(102,559)	776	-	1,047	-	322,601	220,818	705,544	926,362	926,362
At 31 December	1,767,612	9,005	881,783	(60,608)	33,526	1,047	33,615	601,541	3,267,521	823,362	4,090,883	4,090,883

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.4 CONSOLIDATED STATEMENTS OF CASH FLOWS

		As at 31 December		
	<u>Note</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
		RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial year		50,582	287,255	148,789
Adjustments for:				
<u>Continuing operations</u>				
Taxation		13,457	79,116	87,387
Depreciation of property, plant and equipment		18,393	72,230	71,330
Amortisation of intangible assets		9,030	11,456	5,851
Amortisation of prepaid lease payments		7,120	3,212	70
Loss on disposal of property, plant and equipment		-	28	28
Impairment loss on prepaid lease payment		68,620	-	-
Impairment loss on property, plant and equipment		-	17,660	164,687
Impairment loss on intangible assets		-	30,375	42,792
Impairment loss on investment in a jointly controlled entity		-	-	-
Gain on disposal of subsidiaries		-	-	(68,220)
Impairment for/(reversal of) impairment of receivables		931	(455)	79
Provision for asset retirement		295	265	259
Provision for restructuring		-	-	4,392
Provision for capital lease		-	1,800	-
Share of results from associates				
- FHB	9.15	(349,227)	(173,091)	(227,773)
- Others	9.15	-	(218,134)	(101,555)
Share of results from jointly controlled entities	9.16	(8,818)	24,668	53,964
Net unrealised foreign exchange (gain)/loss		(2,483)	5,083	(4,565)
Finance costs		10,035	151,557	141,211
Finance income		(6,878)	(12,243)	(38,055)
Other (gains)/losses		-	66,316	(35,923)
Provision for retirement benefits		-	106	78
Property, plant and equipment written off		-	163	1,203

9. ACCOUNTANTS' REPORT (Cont'd)



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 8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
 8.4 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	As at 31 December		
Note	2009	2010	2011
	RM'000	RM'000	RM'000
<u>Discontinued operation</u>			
Depreciation of property, plant and equipment	4,228	-	-
Loss on disposal of subsidiary	37,122	-	-
Amortisation of intangible assets	35	-	-
Allowance for doubtful debts	1,269	-	-
Operating (loss)/profit before working capital changes from	(146,289)	347,367	246,029
Changes in working capital:			
Inventories	226,736	(60,916)	92,900
Biological assets	-	10,417	(459)
Receivables	5,181	(202,351)	88,662
Due to ultimate holding body	1,722	3,676	31
Due (to)/from other related companies	46,802	3,980	14,046
Due to an associate	1	(20,691)	(136,083)
Due from/to jointly controlled entity	-	-	35,092
Payables	(128,955)	(242,436)	(10,652)
Cash used in operations	5,198	(160,954)	329,566
Finance income	6,878	8,457	35,285
Taxation paid	(18,912)	(94,456)	(109,182)
Retirement benefit paid	-	(520)	(618)
Net cash used in operating activities	(6,836)	(247,473)	255,051

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.4 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	As at 31 December		
		2009	2010	2011
		RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(314,291)	(187,334)	(82,928)
Accretion of interest in subsidiaries		(58,342)	-	(3,827)
Proceeds from dilution of interest in subsidiaries		-	-	1,160,505
Net cash in/(out) from disposal of subsidiaries		22,993	-	(12,325)
Payment for asset retirement obligation		(25)	(17)	(33)
Proceeds from disposal of property, plant and equipment		-	20	392
Acquisition of subsidiary		(265,525)	(1,088,225)	-
Acquisition of an associate				
- FHB		(1,567,612)	-	-
Acquisition of a jointly controlled entity		(102,269)	(88,724)	(75,664)
Deposit for acquisition of a subsidiary		(10,376)	-	(5,775)
(Loan to)/repayment of loan to a related party		(46,491)	10,980	10,456
Loan to a jointly controlled entity		-	-	(45,520)
Dividend received from associates				
- FHB		50,282	131,948	177,003
- Others		-	6,670	26,682
Net cash used in investing activities		(2,291,656)	(1,214,682)	1,148,966

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.4 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

		As at 31 December		
	<u>Note</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
		RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan received from ultimate holding body		1,610,723	225,000	-
Drawdown of borrowings		320,000	184,046	332,133
Repayment of borrowings		(223,761)	(491,500)	(290,000)
Net proceeds from bankers acceptances		-	542,000	71,300
Payment for capital lease		-	-	(461)
Dividend paid to shareholder		(35,292)	(25,000)	(25,000)
Dividend paid to non-controlling interests		-	(3,997)	(36,481)
Proceeds from issuance of share capital		1,567,612	-	-
Finance costs paid		(10,035)	(107,331)	(123,587)
Increase in fixed deposits pledged for bank guarantee		-	(34,136)	(286,510)
Net cash (used in)/generated from financing activities		3,229,247	289,082	(358,606)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
		930,755	(1,173,073)	1,045,411
Effect of foreign exchange rate changes		29,641	25,384	(5,266)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR				
		604,326	1,564,722	417,033
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR				
	9.24	1,564,722	417,033	1,457,178

9. ACCOUNTANTS' REPORT (Cont'd)



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 8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
 8.4 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Non-cash transactions:

Financial year ended 31 December 2009

Acquisition of 50% equity interest in FISB (Note 9.16) and disposal of 100% equity interest in Twin Rivers Technologies Natural Ingredients ('TRTNI') (Note 9.8).

Financial year ended 31 December 2010

On 20 September 2010, RM1,005,194,738 of amount due to the ultimate holding body had been converted into RCPS/ RCCPS issued by FGVH.

Financial year ended 31 December 2011

On 20 May 2011, as part of the corporate reorganisation to list MSM Malaysia Holdings Berhad ('MSM Holdings'), Felda Global Ventures Perlis Sdn. Bhd. ('FGVP'), a subsidiary of FGVH, transferred its sugar cane cultivation operations in Chuping to Kilang Gula Felda Perlis Sdn. Bhd. ('KGFP'), a subsidiary, for a purchase consideration of RM106,209,770 and FGVP subsequently had nominated FGVH to receive KGFP's shares (refer to Note 9.14) The nomination of KGFP's shares by FGVP to FGVH was to partly settle an amount due from FGVP to FGVH of RM47,521,993.

On 20 May 2011, as part of the corporate reorganisation scheme to list MSM Holdings, FGVH disposed its entire equity interest in KGFP to MSM Holdings for RM665,227,332 which was satisfied through the increase of 190.1 million new MSM Holdings shares at issue price of RM3.50 per share. At the same date, an associate of FGVH, FHB, declared a dividend-in-specie by way of distributing its 36.2 million MSM Holdings shares amounted to RM126.7 million, of which 17.7 million of MSM Holdings shares amounted to RM62.1 million was received by FGVH (Note 9.14).

On 30 December 2011, FGVH fully redeemed its 104,655,238 RCCPS E and RCCPS F of RM0.01 each following the disposal of 100% equity interest of FGVME to its ultimate holding body, Lembaga Kemajuan Tanah Persekutuan ('FELDA'), by the way of transferring its 104,655,200 Redeemable and Non-voting Convertible Preference Shares ('RCPS') B amounted to RM103,606,096 in FGVME held by FGVH to FELDA to settle the total amount of prepaid Ijarah borne by FGVH to FELDA.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS

9.1 REVENUE

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
<u>Continuing operations:</u>			
Revenue from production and distribution of fatty acids	606,710	612,235	797,591
Revenue from sales of vegetable oil and protein meal	-	377,027	1,087,336
Revenue from rental of apartments	3,938	7,524	5,207
Revenue from sales of food and beverages	4,846	2,377	1,465
Revenue from sales of refined sugar and molasses	-	1,667,723	2,144,911
Revenue from tolling arrangements	-	-	3,928
Sugar subsidy from Government	-	479,898	154,640
Management fees	-	2,726	6,090
	<u>615,494</u>	<u>3,149,510</u>	<u>4,201,168</u>

9.2 OTHER OPERATING INCOME

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
<u>Continuing operations:</u>			
Rental of land and buildings	1,699	2,604	1,395
Gain from disposal of subsidiaries	-	-	68,220
Realised foreign exchange gains	8	3,127	-
Unrealised foreign exchange gains	3,704	-	4,565
Other operating income	890	2,186	174
	<u>6,301</u>	<u>7,917</u>	<u>74,354</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.3 OTHER GAINS/(LOSSES), NET

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Futures contracts			
- Fair value gains/(losses) (Note 9.23)	-	(19,313)	38,288
Foreign exchange forward contracts			
- Fair value losses (Note 9.23)	-	(47,003)	(2,365)
	-	(66,316)	35,923

9.4 FINANCE INCOME AND COSTS

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
<u>Continuing operations:</u>			
Finance costs			
- term loans	(8,295)	(11,834)	(19,932)
- revolving credits	-	(4,877)	(3,236)
- loan from ultimate holding body	(1,740)	(87,981)	(91,383)
- bankers acceptances	-	(6,316)	(9,067)
- unwinding of discount	-	(35,466)	(17,593)
Unrealised foreign currency exchange loss on translation of cash and cash equivalents denominated in foreign currency	-	(5,083)	-
Net finance costs	(10,035)	(151,557)	(141,211)
Finance income:			
- finance income from financial institutions	6,878	8,457	35,285
- unwinding of discounts of financial assets	-	3,786	2,770
Total finance income	6,878	12,243	38,055
Net finance costs	(3,157)	(139,314)	(103,156)

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.5 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Continuing operations:			
Cost of raw materials and chemicals for production of refined sugar, fatty acids, vegetable oil and protein meal	569,017	2,334,095	3,612,203
Cost of petrol and diesel	-	2,992	3,090
Amortisation of prepaid lease payments (Note 9.17)	7,120	3,212	70
Food and beverages costs	851	-	-
Depreciation of property, plant and equipment (Note 9.12)	18,393	72,230	71,330
Impairment loss on property, plant and equipment (Note 9.12)	-	17,660	164,687
Loss on disposal of property, plant and equipment	-	28	28
Gain on disposal of subsidiaries	-	-	(68,220)
Write-off of property, plant and equipment	-	163	1,203
Amortisation of goodwill and intangible assets (Note 9.13)	9,030	11,456	5,851
Provision for asset retirement (Note 9.34)	295	265	259
Provision for capital lease (Note 9.34)	-	1,800	-
Provision for restructuring (Note 9.34)	-	-	4,392
Impairment of /(reversal of impairment) of receivables	931	(455)	79
Allowance for inventories obsolescence	-	135	1,428
Rental			
- land and buildings	84	207	1,398
- other rental expenses	1,501	201	320
Auditors' remuneration	3,250	2,586	2,337
Staff costs*	29,306	137,103	142,474
Impairment loss on prepaid lease payments	68,620	-	-
Repair and maintenance of refining plants and mills	-	18,710	21,019
Net foreign exchange loss/(gain)	2,483	5,083	(4,565)
Share based expense	-	-	3,374
Other operating expenses:			
-Impairment of intangible assets (Note 9.13)	-	30,375	42,792

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.5 PROFIT BEFORE TAXATION (CONTINUED)

* Staff costs (excluding Directors' remuneration) are analysed as follows:

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Wages, salaries and bonuses	27,348	113,190	108,573
Defined contribution plan	428	5,993	9,674
Social security costs	13	490	86
Other employee benefits	1,517	17,430	24,141
	<u>29,306</u>	<u>137,103</u>	<u>142,474</u>

9.6 DIRECTORS' REMUNERATION

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Fees	364	612	618
Salaries, bonuses and allowances	254	533	1,892
Defined contribution plan	27	72	242
Other employee benefits	-	10	25
	<u>645</u>	<u>1,227</u>	<u>2,777</u>

9.7 TAXATION

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Current tax:			
Malaysian income tax			
- In respect of current financial year	12,182	79,502	108,119
- In respect of prior financial year	37	133	3,455
Foreign income tax			
- In respect of current financial year	1,238	(31)	(6,325)
Deferred tax (Note 9.36)	-	(488)	(17,862)
	<u>13,457</u>	<u>79,116</u>	<u>87,387</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
9.7 TAXATION (CONTINUED)

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

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Profit before taxation	203,336	366,371	236,176
Malaysian corporate tax rate of 25% (2010: 25%, 2009: 25%)	50,834	91,593	59,044
Tax effect of			
- income subject to tax rate of 20%	(2,376)	-	-
- different tax rates in other countries	82,463	(29,976)	(21,089)
- expenses not deductible for tax purposes	39,364	109,294	86,418
- income not subject to tax	(156,865)	(149,952)	(127,174)
- deferred tax assets not recognised during the financial year	-	55,182	74,957
- under provision of income tax in prior financial year	37	133	3,455
- withholding tax on finance income from foreign countries	-	8,857	12,817
- others	-	(6,015)	(1,041)
	13,457	79,116	87,387

9. ACCOUNTANTS' REPORT (Cont'd)



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9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.8 DISCONTINUED OPERATIONS

	<u>Financial year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Loss from production and distribution of fatty ester	(120,736)	-	-
Loss on disposal of business	(18,561)	-	-
	<u>(139,297)</u>	<u>-</u>	<u>-</u>

The results of the discontinued operations are as follows:

Revenue	257,911	-	-
Cost of sales	(355,746)	-	-
Other operating income	2,187	-	-
Selling and distribution costs	(11,335)	-	-
Other operating expenses	(7,159)	-	-
Loss on disposal of business	(18,561)	-	-
Finance costs	(6,594)	-	-
Loss before taxation	<u>(139,297)</u>	<u>-</u>	<u>-</u>
Taxation – foreign income tax	-	-	-
Loss for the financial year	<u>(139,297)</u>	<u>-</u>	<u>-</u>

Financial year ended 31 December 2009

On 1 December 2009, a subsidiary, TRT US disposed its wholly-owned private limited liability company, TRTNI, to FINA, Inc. ('FINA') for a total fair value purchase consideration of USD21,428,236 (RM75,480,960) which is receivable as follows:

- (i) RM27,687,255 payable upon execution of the share purchase agreement; and
- (ii) 5 annual instalments of RM9,558,741 payable in December of each financial year commencing 30 December 2010.

9. ACCOUNTANTS' REPORT (Cont'd)



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9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.8 DISCONTINUED OPERATIONS (CONTINUED)

An amount of RM nil (2010: RM34,950,980, 2009: RM52,449,564) remains payable as at 31 December 2011 (Note 9.22).

The following amounts have been charged in arriving at loss for the financial year from discontinued operation:

	<u>Financial year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
<u>Discontinued operations:</u>			
Amortisation of intangible asset	35	-	-
Loss on disposal of business	18,561	-	-
Depreciation of property, plant and equipment	4,228	-	-
Allowance for doubtful debts	1,269	-	-
Staff costs*	8,046	-	-
	<u>8,046</u>	<u>-</u>	<u>-</u>
* Staff costs are analysed as follows:			
Wages, salaries and bonuses	5,958	-	-
Other employee benefits	2,088	-	-
	<u>8,046</u>	<u>-</u>	<u>-</u>

9.9 DIVIDEND PER SHARE

Dividends declared and paid are as follows:

	<u>Gross dividend per share</u>	<u>Amount of dividend</u>
	Sen	RM'000
Interim single-tier dividend for the financial year ended:		
- 31 December 2009 (paid on 25 November 2009)	2.00	35,292
- 31 December 2010 (paid on 25 November 2010)	1.41	25,000
- 31 December 2011 (paid on 23 December 2011)	1.41	25,000
	<u>1.41</u>	<u>25,000</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.10 EARNINGS PER SHARE

	<u>Financial year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	Sen	Sen	Sen
Continuing operations:			
Basic EPS	42.1	16.4	4.3
Diluted EPS	42.1	14.1	2.8
Discontinued operations:			
Basic EPS	(30.0)	-	-
Diluted EPS	(30.0)	-	-

The basic EPS has been calculated based on the consolidated profit after taxation attributable to equity shareholders of FGVH and divided by the weighted number of ordinary shares in issue.

	<u>Financial year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Profit attributable to equity shareholders (RM'000)	194,196	289,899	76,306
Weighted average number of ordinary shares in issue (thousands)	461,269	1,767,612	1,767,612

The diluted EPS has been calculated based on the consolidated profit after taxation attributable to equity shareholders of FGVH and divided by the weighted number of ordinary shares in issue, assuming conversion of the outstanding RCPS and RCCPS into ordinary shares of RM1 each.

	<u>Financial year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Profit attributable to equity shareholders (RM'000)	194,196	289,899	76,306
Weighted average number of ordinary shares in issue (thousands)	461,269	1,767,612	1,767,612
Adjustment for:			
- Assumed conversion of convertible debts (thousands)	-	283,658	1,004,908
Weighted average number of ordinary shares for diluted EPS (thousands)	461,269	2,051,270	2,772,520

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision-maker ('CODM'). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Committee ('MC'). The MC considers the business from primarily a product perspective. The reportable operating segments have been identified to be as follows:

- Palm oil and other multicrops – Cultivation, harvesting and purchase of Fresh Fruit Bunch ('FFB'), processing of FFB and selling of Crude Palm Oil ('CPO') and Palm Kernel ('PK') and processing of rubber and cocoa.
- Sugar – Sugar refining, sugarcane milling and sales and marketing of refined sugar.
- Oils & fats and oleochemicals – Refining of CPO, fractionation of Refined Bleached Deodorised Palm Oil ('RBDPO'), crushing of PK, production of consumer end products and production of oleochemicals namely fatty acid and glycerine.
- Logistics & services – Bulking and transportation facilities and services, engineering, construction and property development, information technology, security and travel.
- Investment holding – Business operations in investment holding and provision of management services.
- All other segments – operating segments that are not material and not aggregated into any of the reportable segments above. These include portfolio and property management.

9. ACCOUNTANTS' REPORT (Cont'd)



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9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
9.11 SEGMENT REPORTING (CONTINUED)

The segment information provided to the MC for the reportable segments for the financial year reported is as follows:

		Palm oil and other multicrops RM'000	Oils & fats and Oleo chemicals RM'000	Logistics & services RM'000	Investment Holdings RM'000	All other segments RM'000	Reconciliation RM'000	Total RM'000
2009								
Total segment revenue		10,101,208	6,346,999	643,406	66,389	52,305	(16,594,813)	615,494
Less: Inter segment revenue		(3,951,097)	(298,091)	(302,672)	(59,451)	(18,981)	4,630,292	-
Revenue from external customers		6,150,111	6,048,908	340,734	6,938	33,324	(11,964,521)	615,494

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 SEGMENT REPORTING (CONTINUED)

	Palm oil and other multicrops RM'000	Oils & fats and Oleo chemicals RM'000	Logistics & services RM'000	Investment Holdings RM'000	All other segments RM'000	Reconciliation RM'000	Total RM'000
<u>2009 (continued)</u>							
Finance income	17,948	4,556	4,734	6,878	2,474	(29,712)	6,878
Finance costs	(8,464)	(7,671)	(22)	(7,335)	(1,639)	15,096	(10,035)
Depreciation and amortisation	(80,645)	(43,505)	(44,495)	(7,662)	(569)	142,333	(34,543)
Share of results of jointly controlled entities	-	8,818	-	-	-	-	8,818
Share of results of associates	-	-	-	-	-	349,227	349,227
Profit/(loss) before taxation	514,163	59,584	140,428	375,706	(396,841)	(489,704)	203,336
Taxation							(13,457)
Profit after taxation from continuing operations							189,879
Loss for the financial year from discontinued operations							(139,297)
Profit for the financial year							50,582

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 SEGMENT REPORTING (CONTINUED)

2009 (continued)

The analysis of external revenue by segment:

	Palm oil and other multicrops RM'000	Oils & fats and Oleo chemicals RM'000	Logistics & services RM'000	Investment Holdings RM'000	All other segments RM'000	Reconciliation RM'000	Total RM'000
FGVH and its subsidiaries Associate - FHB	- 6,150,111	606,710 5,442,198	- 340,734	3,399 3,539	5,385 27,939	- (11,964,521)	615,494 -
Revenue from external customers	6,150,111	6,048,908	340,734	6,938	33,324	(11,964,521)	615,494
The analysis of profit before taxation by segment:							
FGVH and its subsidiaries Associate - FHB	- 514,163	(74,839) 134,423	- 140,428	(23,644) 399,350	5,502 (402,343)	(52,910) (436,794)	(145,891) 349,227
Profit/(loss) before taxation	514,163	59,584	140,428	375,706	(396,841)	(489,704)	203,336

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9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 SEGMENT REPORTING (CONTINUED)

	Palm oil and other multicrops RM'000	Sugar RM'000	Oils & fats and Oleo chemicals RM'000	Logistics & services RM'000	Investment Holdings RM'000	All other segments RM'000	Reconciliation RM'000	Total RM'000
2010								
Total segment revenue	12,264,640	2,201,003	8,174,550	652,047	701,277	6,909	(20,850,916)	3,149,510
Less: Inter segment revenue	(4,469,107)	(53,203)	(215,659)	(296,538)	(685,609)	(116)	5,720,232	-
Revenue from external customers	7,795,533	2,147,800	7,958,891	355,509	15,668	6,793	(15,130,684)	3,149,510

9. ACCOUNTANTS' REPORT (Cont'd)



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The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ("FGVH") (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 SEGMENT REPORTING (CONTINUED)

	Palm oil and other multicrops RM'000	Sugar RM'000	Oils & fats and Oleo chemicals RM'000	Logistics & services RM'000	Investment Holdings RM'000	All other segments RM'000	Reconciliation RM'000	Total RM'000
<u>2010 (continued)</u>								
Finance income	17,370	3,495	8,356	4,456	4,981	2,586	(29,001)	12,243
Finance costs	(13,387)	(6,404)	(27,132)	(1,296)	(115,865)	(1,177)	13,704	(151,557)
Depreciation and amortisation	(74,235)	(47,024)	(63,387)	(28,517)	(3,904)	(190)	130,359	(86,898)
Impairment	-	-	(48,035)	-	-	-	-	(48,035)
Share of results of jointly controlled entities	(2,203)	-	(22,465)	-	-	-	-	(24,668)
Share of results of associates	218,134	-	-	-	-	-	173,091	391,225
Profit/(loss) before taxation for the financial year	433,010	345,963	(65,217)	136,617	637,654	(3,379)	(1,118,277)	366,371
Taxation								(79,116)
Profit after taxation for the financial year								287,255

9. ACCOUNTANTS' REPORT (Cont'd)



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The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 SEGMENT REPORTING (CONTINUED)

	Palm oil and other multicrops RM'000	Sugar RM'000	Oils & fats and Oleo chemicals RM'000	Logistics & services RM'000	Investment Holdings RM'000	All other segments RM'000	Reconciliation RM'000	Total RM'000
<u>2010 (continued)</u>								
The analysis of external revenue by segment:								
FGVH and its subsidiaries Associate - FHB	- 7,795,533	2,147,800 -	989,262 6,969,629	- 355,509	9,649 6,019	2,799 3,994	- (15,130,684)	3,149,510 -
Revenue from external customers	7,795,533	2,147,800	7,958,891	355,509	15,668	6,793	(15,130,684)	3,149,510
The analysis of profit before taxation by segment:								
FGVH and its subsidiaries Associate - FHB	- 433,010	345,963 -	(200,595) 135,378	- 136,617	314,432 323,222	(4,022) 643	(262,498) (855,779)	193,280 173,091
Profit/(loss) before taxation	433,010	345,963	(65,217)	136,617	637,654	(3,379)	(1,118,277)	366,371

9. ACCOUNTANTS' REPORT (Cont'd)



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The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 SEGMENT REPORTING (CONTINUED)

	Palm oil and other multicrops RM'000	Sugar RM'000	Oils & fats and Oleo chemicals RM'000	Logistics & services RM'000	Investment Holdings RM'000	All other segments RM'000	Reconciliation RM'000	Total RM'000
<u>2011</u>								
Total segment revenue	15,830,475	2,319,105	10,791,050	728,064	760,730	3,139	(26,231,395)	4,201,168
Less: Inter-segment revenue	(5,885,399)	(19,554)	(245,090)	(339,481)	(743,293)	-	7,232,817	-
Revenue from external customers	9,945,076	2,299,551	10,545,960	388,583	17,437	3,139	(18,998,578)	4,201,168

9. ACCOUNTANTS' REPORT (Cont'd)



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The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
9.11 SEGMENT REPORTING (CONTINUED)

	Palm oil and other multicrops	Sugar	Oils & fats and Oleo chemicals	Logistics & services	Investment Holdings	All other segments	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2011 (continued)</u>								
Finance income	20,986	13,156	8,363	10,823	23,625	2,969	(41,867)	38,055
Finance costs	(18,136)	(13,800)	(26,614)	(811)	(115,351)	-	33,501	(141,211)
Depreciation and amortisation	(109,779)	(24,401)	(89,643)	(44,091)	(1,748)	(343)	192,754	(77,251)
Impairment	-	(3,889)	(203,590)	-	-	-	-	(207,479)
Gain on disposal of subsidiaries	-	-	-	-	532,936	-	(464,716)	68,220
Share of results of jointly controlled entities	(5,466)	-	(48,498)	-	-	-	-	(53,964)
Share of results of associates	101,555	-	-	-	-	-	227,773	329,328
Profit/(loss) before taxation for the financial year	664,546	425,942	(389,472)	158,588	197,860	(223)	(821,065)	236,176
Taxation								(87,387)
Profit after taxation for the financial year								148,789

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 SEGMENT REPORTING (CONTINUED)

	Palm oil and multicrops RM'000	Sugar RM'000	Oils & fats and Oleo chemicals RM'000	Logistics & services RM'000	Investment Holdings RM'000	All other segments RM'000	Reconciliation RM'000	Total RM'000
2011 (continued)								
The analysis of external revenue by segment:								
FGVH and its subsidiaries	-	2,299,551	1,888,855	-	10,944	1,818	-	4,201,168
Associate - FHB	9,945,076	-	8,657,105	388,583	6,493	1,321	(18,998,578)	-
Revenue from external customers	9,945,076	2,299,551	10,545,960	388,583	17,437	3,139	(18,998,578)	4,201,168
The analysis of profit before taxation by segment:								
FGVH and its subsidiaries-	-	425,942	(412,789)	-	(233,790)	(2,256)	231,296	8,403
Associate - FHB	664,546	-	23,317	158,588	431,650	2,033	(1,052,361)	227,773
Profit/(loss) before taxation	664,546	425,942	(389,472)	158,588	197,860	(223)	(821,065)	236,176

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9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 SEGMENT REPORTING (CONTINUED)

The revenue from external parties reported to the MC is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Segment assets and segment liabilities are not disclosed as it is not reported to the CODM.

Revenues from external customers are derived from sales of goods and services as explained above.

The analysis of external revenue is as follows:

	<u>Financial year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Malaysia	5,076,554	7,929,880	10,969,122
Overseas			
- China	1,737,056	1,602,873	2,465,370
- Asia (excluding Malaysia, China, Pakistan and Indonesia)	2,050,720	2,618,790	2,693,689
- United States and Canada	949,160	1,453,946	1,857,123
- Europe	849,710	1,582,916	1,852,472
- Pakistan	1,700,658	2,664,202	2,276,922
- Indonesia	355	22,450	1,639
- Others	215,802	405,137	1,083,409
Reconciliation -- Associate: FHB	(11,964,521)	(15,130,684)	(18,998,578)
	<u>615,494</u>	<u>3,149,510</u>	<u>4,201,168</u>

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 SEGMENT REPORTING (CONTINUED)

The analysis of non-current assets (excluding financial assets and deferred tax assets) is as follows:

	As at 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Malaysia	5,603,057	10,618,434	11,086,968
Overseas			
- US and Canada	796,934	761,997	635,400
- Pakistan	27,485	24,825	22,101
- Indonesia	26,189	20,046	18,583
- Others	18,253	16,660	14,626
Reconciliation			
- FGVH and its subsidiaries	(128,206)	(3,370,267)	(3,823,461)
- Associate: FHB	(3,438,801)	(3,577,754)	(3,550,810)
	<u>2,904,911</u>	<u>4,493,941</u>	<u>4,403,407</u>

No revenues from transactions with a single external customer amount to 10 per cent or more of FGVH's revenues.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings, structures and renovations RM'000	Buildings and assets under construction RM'000	Motor vehicles and machineries RM'000	Office equipment, tools and other equipment RM'000	Total RM'000
<u>2009</u>						
<u>Cost</u>						
At 1 January	18,564	113,532	147,413	148,019	12,151	439,679
Additions	13,725	4,230	276,286	16,609	3,441	314,291
Disposal of a subsidiary (Note 9.14)	(2,303)	(12,587)	-	(62,606)	(1,727)	(79,223)
Exchange differences	(512)	(1,043)	14,101	(1,139)	(257)	11,150
Reclassification	-	-	-	(1,792)	1,792	-
At 31 December	29,474	104,132	437,800	99,091	15,400	685,897

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings, structures and renovations RM'000	Buildings and assets under construction RM'000	Motor vehicles and machineries RM'000	Office equipment, tools and other equipment RM'000	Total RM'000
2009 (continued)						
<u>Accumulated depreciation</u>						
At 1 January	-	3,660	-	10,939	1,645	16,244
Charge for the financial year	-	5,509	-	10,301	2,583	18,393
Disposal of a subsidiary (Note 9.14)	-	(670)	-	(7,824)	(656)	(9,150)
Exchange differences	-	(213)	-	(1,014)	(131)	(1,358)
Reclassification	-	(5)	-	(84)	89	-
At 31 December	-	8,281	-	12,318	3,530	24,129
Net book value at 31 December	29,474	95,851	437,800	86,773	11,870	661,768

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9. ACCOUNTANTS' REPORT (Cont'd)



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 Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings, structures and renovations RM'000	Buildings and assets under construction RM'000	Motor vehicles and machineries RM'000	Office equipment, tools and other equipment RM'000	Total RM'000
<u>2010</u>							
<u>Cost</u>							
At 1 January	29,474	-	104,132	437,800	99,091	15,400	685,897
Acquisition of subsidiaries (Note 9.14)	6,486	151,510	85,394	8,061	230,029	2,521	484,001
Additions	-	-	2,475	166,708	12,162	5,989	187,334
Exchange differences	(2,953)	-	(35,820)	(682)	22,299	3,100	(14,056)
Disposals	-	-	-	-	(105)	(79)	(184)
Write-offs	-	-	(283)	-	(2,768)	(886)	(3,937)
Reclassification	204	-	254,994	(595,709)	340,505	6	-
Transfer to assets held for sale (Note 9.25)	-	-	(266)	-	(71)	(609)	(946)
At 31 December	33,211	151,510	410,626	16,178	701,142	25,442	1,338,109

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2010 (continued)

Accumulated depreciation/impairment

At 1 January
Charge for the financial year
Impairment loss
Disposals
Write-offs
Exchange differences
Transfer to assets held for sale (Note 9.25)

Freehold land RM'000	Leasehold land RM'000	Buildings, structures and renovations RM'000	Buildings and assets under construction RM'000	Motor vehicles and machineries RM'000	Office equipment, tools and other equipment RM'000	Total RM'000
-	-	8,281	-	12,318	3,530	24,129
-	2,857	14,786	-	49,521	5,066	72,230
-	-	-	-	17,660	-	17,660
-	-	-	-	(69)	(66)	(135)
-	-	(283)	-	(2,631)	(860)	(3,774)
-	-	2,315	-	65,065	4,576	71,956
-	-	(126)	-	(10)	(279)	(415)
-	-	24,973	-	141,854	11,967	181,651
33,211	148,653	385,653	16,178	559,288	13,475	1,156,458

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9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2011	Freehold land	Leasehold land	Buildings, structures and renovations	Buildings and assets under construction	Motor vehicles and machineries	Office equipment, tools and other equipment	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	33,211	151,510	410,626	16,178	701,142	25,442	1,338,109
Additions	-	225	16,197	41,553	21,788	3,165	82,928
Exchange differences	438	-	6,506	312	4,034	746	12,036
Disposals	-	-	(135)	-	(1,184)	(12)	(1,331)
Write-offs	-	-	(7)	(149)	(5,755)	(939)	(6,850)
Reclassification	-	-	1,578	(19,631)	17,764	289	-
At 31 December	33,649	151,735	434,765	38,263	737,789	28,691	1,424,892
Accumulated depreciation/impairment							
At 1 January	-	2,857	24,973	-	141,854	11,967	181,651
Charge for the year	-	2,847	15,359	-	48,257	4,867	71,330
Impairment loss	4,201	3,189	57,591	-	98,391	1,315	164,687
Disposals	-	-	-	-	(911)	(1)	(912)
Write-offs	-	-	(78)	-	(4,716)	(853)	(5,647)
Exchange differences	153	-	3,995	-	7,414	457	12,019
At 31 December	4,354	8,893	101,840	-	290,289	17,752	423,128
Net book value at 31 December	29,295	142,842	332,925	38,263	447,500	10,939	1,001,764

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9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) As at 31 December 2011, the market conditions during the financial year, the continuing losses and the internal restructuring in a subsidiary, Twin Rivers Technologies Enterprise de Transformation De Graines Oleagineuses Du Quebec Inc ('TRT ETGO') were identified as indicators for impairment test to be performed for goodwill and property, plant and equipment in relation to the CGU for refined food oil business operation in Canada.

The recoverable amount of the CGU has been determined based on the fair value less cost to sell method using a discounted cash flow. The projections used in the cash flow cover a five-year period.

Impairment test for property, plant and equipment in relation to the CGU for refined food oil business operation in Canada was carried out together with goodwill in respect of the CGU (refer to Note 9.13).

As a result of the impairment assessment, FGVH has recognised a total impairment of RM203,590,000 (which represent RM160,798,000 (allocated on a pro-rate basis) for property, plant and equipment and RM42,792,000 for goodwill) in relation to the CGU for refined food oil business operation in Canada which is recorded as an impairment loss in cost of sales and other operating expenses respectively.

Based on sensitivity analysis performed by FGVH, the impact of 1% increase in the discount rate used, which is a key assumption, will result in additional impairment loss of approximately RM65,000,000.

- (b) On 24 November 2011, the Board of Directors of a subsidiary, MSM Holdings, approved a plan which involved conversion of a subsidiary's existing sugar cane cultivation to oil palm and rubber plantations. As a result, there existed an impairment indicator on the subsidiary's property, plant and equipment used for sugar cane cultivation and milling activities. The subsidiary carried out an impairment review of these assets. Based on the impairment review, the subsidiary recognised an impairment loss of RM3,657,000 on the leasehold land, plant and machinery and sundry equipment during the financial year ended 31 December 2011. The recoverable amounts of these assets were determined by reference to their fair value less costs to sell. The fair value less costs to sell was determined by the Directors based on an independent valuation carried out by the professional valuer (Raine & Horne International Zaki + Partners Sdn. Bhd..) on 11 December 2011 using comparison method by reference to recent transactions and sales involving other similar properties in the vicinity and scrap value of similar assets for plant and machinery.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (c) As at 31 December 2011, TRT ETGO's subordinated loan with FGVNA, a subsidiary of FGVH, is collateralised by all of its property, plant and equipment for a carrying amount of RM545,510,000 (2010: RM740,064,000 loan from FGVNA and external borrowings obtained by TRT ETGO).
- (d) Included in additions in the current financial year is an amount of RM22,745,000 which relates to addition that has been recorded due to non-compliance with certain covenants in respect of deferred grant received from Investissement Quebec, an agency of the Quebec provincial government in relation to the development and construction of oilseed crushing plant in Becancour. Refer to Note 9.37 to this Report.



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 GOODWILL AND INTANGIBLE ASSETS

	Goodwill RM'000	Brand RM'000	Completed technology RM'000	Lease agreement RM'000	Customer relation- ship RM'000	Trade name RM'000	Total RM'000
<u>2009</u>							
At 1 January	46,783	-	3,466	3,427	45,063	9,345	108,084
Amortisation charge	-	-	(453)	(208)	(5,854)	(2,515)	(9,030)
Disposal of a subsidiary (Note 9.14)	-	-	-	-	(259)	-	(259)
Exchange differences	(507)	-	(25)	(31)	(355)	(33)	(951)
At 31 December	46,276	-	2,988	3,188	38,595	6,797	97,844
Expected remaining useful lives as at 31 December (Years)			8	17	8	4	

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Brand RM'000	Completed technology RM'000	Lease agreement RM'000	Customer relation- ship RM'000	Trade name RM'000	Total RM'000
2010							
At 1 January	46,276	-	2,988	3,188	38,595	6,797	97,844
Acquisition of subsidiaries during the financial year (Note 9.14)	576,241	86,033	-	-	-	-	662,274
Amortisation charge	-	(3,226)	(413)	(189)	(5,335)	(2,293)	(11,456)
Impairment loss	-	-	(325)	-	(29,495)	(555)	(30,375)
Exchange differences	(4,605)	-	(269)	(310)	(2,485)	(565)	(8,234)
At 31 December	617,912	82,807	1,981	2,689	1,280	3,384	710,053
Expected remaining useful lives as at 31 December (Years)		26	7	16	7	3	

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Brand RM'000	Completed technology RM'000	Lease agreement RM'000	Customer relation- ship RM'000	Trade name RM'000	Total RM'000
2011							
At 1 January	617,912	82,807	1,981	2,689	1,280	3,384	710,053
Impairment loss	(42,792)	-	-	-	-	-	(42,792)
Amortisation charge	-	(3,226)	(340)	(181)	(219)	(1,885)	(5,851)
Exchange differences	1,120	-	42	66	26	22	1,276
At 31 December	576,240	79,581	1,683	2,574	1,087	1,521	662,686
Expected remaining useful lives as at 31 December (Years)		25	6	15	6	2	

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
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I. FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9. NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill

Goodwill is allocated to FGVH's CGU in respect of sugar business operation in Malaysia and the refined food oil business operation in Canada as follows:

	<u>As at 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Sugar business operation in Malaysia (Note 9.14)	-	576,241	576,241
Refined food oil business operation in Canada	46,276	41,671	-
	<u>46,276</u>	<u>617,912</u>	<u>576,241</u>

(a) Sugar business operation in Malaysia

The goodwill relates to the acquisition of the Sugar Business by FGVH and is allocated to the Sugar Business as a whole. This represents the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of the CGU is determined based on value-in-use calculation using cash flows projections based on financial budgets approved by the Directors covering a three-year period and applying a terminal value multiple using longer-term sustainable growth rates.

The key assumptions used for the CGU's value-in-use calculation are:

	<u>2010</u>	<u>2011</u>
Gross margin	22%	13%
Terminal value growth rate	2%	4%
Discount rate	10%	9%

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(a) Sugar business operation in Malaysia (continued)

(i) Gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the financial year immediately before the budgeted financial year, adjusted for market and economic conditions, which includes expectations of raw sugar pricing under long term contracts and subsidies receivable from the Government of Malaysia and expected efficiency improvement.

(ii) Terminal value growth rate

The terminal growth rate used based on long term growth rates in the sugar industry in Malaysia.

(iii) Discount rate

Discount rate used reflects specific industry risks relating to the sugar business.

Management believes that there is no reasonably possible change in any of the above key assumptions which would cause the carrying amount of the CGU to exceed the recoverable amount.

(b) Refined food oil business operation in Canada

31 December 2010

As at 31 December 2010, FGVH performed its annual goodwill assessment based on a value in use calculation using cash flows projections based on financial budgets approved by the Directors covering a five-year period and applying a terminal value multiple using longer-term sustainable growth rates stated below.

The key assumptions used for the CGU's value in use calculation are:

	<u>2009</u>	<u>2010</u>
Gross margin	5%	5%
Terminal value growth rate	1%	2%
Discount rate	11%	12%

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Refined food oil business operation in Canada (continued)

(i) Gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the financial year immediately before the budgeted financial year, adjusted for market and economic condition, and expected efficiency improvement.

(ii) Terminal value growth rate

Average growth rate used is consistent with the long term industry growth rate in Canada.

(iii) Discount rate

Discount rate used reflects specific risks relating to the business operation.

31 December 2011

FGVH had a goodwill balance of RM42,792,000 allocated to refined food oil business operation in Canada. As at 31 December 2011, FGVH performed its annual goodwill impairment assessment by estimating the recoverable amount of the CGU (the goodwill and the property, plant and equipment as stated in Note 9.12) using fair value less cost to sell calculation. The impairment assessment of the CGU was determined using a discounted cash flow calculation using cash flow projections based on financial budgets approved by the Directors covering a five-year period and applying a terminal value multiple using longer-term sustainable growth rates stated below.

The key assumptions used for the fair value less cost to sell calculation are:

- (i) Tolling Fee is based on average estimated compound annual growth rate of approximately 3% from 2011 to 2016. The basis used was in line with executed Tolling Fee Agreement dated 9 December 2011 between Bunge ETGO L.P. and TRT ETGO.
- (ii) Share of results from Bunge ETGO L.P., a jointly controlled entity set up during the financial year was derived from the 2012 Initial Budget prepared by Bunge ETGO L.P. and for 2013 to 2016 were based on preliminary assumptions made by management taking into consideration 2012 Initial Budget prepared by Bunge ETGO L.P. and its projected capacity.

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Refined food oil business operation in Canada (continued)

31 December 2011 (continued)

(iii) Discount rate used is 12.4% which reflects specific risks relating to the business operation.

(iv) Terminal value is based on 2016 earnings before interest, taxes, depreciation and amortisation ('EBITDA') multiplied by a terminal value multiplier of 7.6.

Based on the fair value less cost to sell calculation using the key assumptions above, FGVH has recognised a total impairment of RM42,792,000 which is recorded as an impairment loss in other operating expenses for the financial year ended 31 December 2011.

Management believes that there is no reasonably possible change in any of the above key assumptions which would cause the recoverable amount to exceed the carrying amount of the CGU.

(c) Impairment test for intangible assets other than goodwill

The intangible assets other than goodwill ('Other Intangible Assets') is in respect of the fatty acids business operation in USA. Other Intangible Assets including the property, plant and equipment were tested for impairment during the financial year ended 31 December 2011 due to losses incurred. The impairment assessment requires an estimation of the value-in-use of the CGU to which the intangible assets in respect of the fatty acids business operation in USA were allocated.

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flows projections based on financial budgets approved by the Directors covering a five-year period and applying a terminal value multiple using longer-term sustainable growth rates stated below.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(c) Intangible assets other than goodwill (continued)

The key assumptions used for the CGU's value-in-use calculations are:

	<u>2010</u>	<u>2011</u>
Gross margin	8%	9%
Terminal value growth rate	2%	2%
Discount rate	9%	13%

(i) Gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the financial year immediately before the budgeted financial year, adjusted for market and economic condition, and expected efficiency improvement.

(ii) Terminal value growth rate

Average growth rate used is consistent with the long term industry growth rate in USA.

(iii) Discount rate

Discount rate used reflects specific risks relating to the business operation.

Based on the assessment done, using the key assumptions above, the total impairment charge for the fatty acids business operations in USA during the financial year is RMnil (2010: RM30,375,000, 2009: RM nil).

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES

Financial year ended 31 December 2009

- I On 19 June 2009, a subsidiary of FGVH, FGVNA incorporated Felda Global Ventures North America U.S., LLC, incorporated and operating in United States of America. The entity is a special purpose entity incorporated as an intermediary to channel funds to the other subsidiaries of FGVNA for tax planning purposes.
- II On 16 September 2009, FGVH incorporated Felda Global Ventures India Sdn. Bhd. ('FGV India'), a private limited liability company, incorporated and operating in Malaysia. The paid-up capital for FGV India is 2 ordinary shares of RM1 each.
- III On 30 October 2009, FGVH incorporated FGVP, a private limited liability company, incorporated and operating in Malaysia. The paid-up capital for FGVP is 2 ordinary shares of RM1 each.
- IV On 30 September 2009, a subsidiary of FGVH, FGVNA acquired additional 10% equity interest from the existing shareholder of Twin Rivers Technologies Holdings, Inc ('TRTH'), comprising 11,764 ordinary shares for a cash consideration of RM13,600,000. On 28 October 2010, FGVNA acquired another 2% equity interest from the existing shareholder of TRTH, comprising 2,353 ordinary shares for a cash consideration of RM3,196,000. Consequently, FGVH's effective interest in TRTH increased from 85% to 97%.
- V On 1 December 2009, a subsidiary of FGVH, TRT US disposed off its wholly-owned private limited liability company, TRTNI, to FINA, Inc. ('FINA') for a total consideration of RM75,480,960.

9. ACCOUNTANTS' REPORT (Cont'd)



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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
 9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
 9.14 SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2009 (continued)

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

	<u>2009</u> RM'000
<u>Net assets disposed</u>	
Property, plant and equipment (Note 9.12)	70,073
Inventories	43,327
Trade and other receivables	22,888
Intangible asset (Note 9.13)	259
Cash and bank balances	39
Trade and other payables	(23,983)
Loss on disposal	(37,122)
	<hr/>
Sales proceeds	75,481
Less: Deferred sales consideration	(52,449)
Cash and bank balances disposed	(39)
	<hr/>
Net cash proceeds from disposal	<u>22,993</u>

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2010

I FGVH acquired certain investments connected to the sugar business of PPB Group Berhad ('PPB') in Malaysia, which comprised the following:

- (i) On 1 January 2010, a wholly-owned subsidiary of FGVH, Felda Global Ventures Sugar Sdn. Bhd. ('FGVS') completed the acquisition of Malayan Sugar Manufacturing Company Berhad ('MSM') for a purchase consideration of RM1,221,160,661 in cash. Consequently, MSM became a wholly owned subsidiary of FGVH.
- (ii) On 1 January 2010, FGVH completed the acquisition of 50% equity interest of Kilang Gula Felda Perlis Sendirian Berhad ('KGFP') for a purchase consideration of RM26,310,000 in cash. With the completion of the acquisition of 50% of the equity interest of KGFP, FGVH's effective shareholdings increased from 24.5% to 74.5% and consequently KGFP became a subsidiary of FGVH.
- (iii) On 12 January 2010, a wholly owned subsidiary of FGVH, FGVP, completed the acquisition of the Chuping Cane Division, the sugar plantation division of PPB for a purchase consideration of RM45,000,000 in cash.

The acquisitions in (i),(ii) and(iii) which were made via agreement with PPB with a total purchase consideration of RM1,292,470,661, being the fair value of the business acquired, had been accounted for as single acquisition of the Sugar Business.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
- 9.14 SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2010 (continued)

The combined effect of the acquisition of the sugar business of PPB can be summarised below:

	<u>Carrying value</u>	<u>Fair value</u>
	RM'000	RM'000
Property, plant and equipment (Note 9.12)	354,625	484,001
Prepaid lease payment (Note 9.17)	991	925
Intangible asset (Note 9.13)	-	86,033
Inventories	315,803	341,742
Biological assets	21,777	21,777
Receivables	161,824	161,783
Derivative financial assets	6,033	6,034
Cash and cash equivalents	150,793	150,793
Payables	(198,350)	(197,034)
Provision for defined benefit plan (Note 9.35)	(1,446)	(1,446)
Deferred tax liabilities (Note 9.36)	(52,620)	(113,260)
Current tax liabilities	(34,074)	(34,074)
Borrowings	(136,500)	(136,500)
Total net assets acquired	588,856	770,774
Non- controlling interests	(27,023)	(39,709)
	<u>561,833</u>	<u>731,065</u>

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2010 (continued)

	<u>2010</u> RM'000
The cash outflow on acquisition is as follows:	
Purchase consideration:	
- settled in cash	1,292,471
- dividends paid to PPB during the financial year ended 31 December 2010 after acquisition	14,835
Total purchase consideration	1,307,306
Cash and cash equivalents of subsidiaries acquired	(150,793)
Net cash outflow of FGVH	1,156,513
Less: deposit paid during financial year ended 31 December 2009	(68,287)
Net cash outflow of FGVH	1,088,226
Purchase consideration	1,307,306
Fair value of net asset acquired (less non-controlling interests)	(731,065)
Goodwill on acquisition (Note 9.13)	576,241

The goodwill is attributable to assembled workforce and the limited competition in the market of the Sugar Business, which cannot be separately recognised as an intangible asset.

In conjunction with the acquisition of the Sugar Business above, on 1 January 2010, FGVH also completed the acquisition of 20% equity interest in Tradewinds (M) Berhad ('Tradewinds') from Grenfell Holdings Sdn. Bhd., a company related to PPB, for a cash consideration of RM207,613,551, being the fair value of the investment acquired. Consequently, Tradewinds became an associate of FGVH (see Note 9.15).

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
- 9.14 SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2010 (continued)

The effect of the acquisition of the Sugar Business on the financial results of FGVH is shown below:

	<u>2010</u> RM'000
Revenue	2,168,598
Cost of sales	(1,746,054)
	<hr/>
	422,544
Other income	4,299
Operating expenses	(121,111)
Taxation	(72,866)
	<hr/>
Profit after tax	<u>232,866</u>

- II On 5 March 2010, FGVH incorporated Felda Global Ventures Livestock Sdn. Bhd. ('FGVL'), a private limited liability company, incorporated and operating in Malaysia. The paid-up capital for FGVL is 2 ordinary shares of RM1 each.

Financial year ended 31 December 2011

- I In February 2011, the Board of Directors of FGVH approved a proposed corporate reorganisation scheme to restructure and to list the Sugar Business of FGVH on the Main Market of Bursa Malaysia Securities Berhad. The corporate reorganisation includes the following:

- (i) On 28 March 2011, a subsidiary of FGVH, FGVS disposed its 20% equity interest of MSM to Koperasi Permodalan Felda Malaysia Berhad ('KPF') for a cash consideration of RM269,090,000.

The disposal of the 20% equity interest in MSM resulted in a dilution of equity interest in MSM from 100% to 80% in FGVH and is regarded as a transaction with non-controlling interests. The gain of RM80,525,000 arising from the dilution of equity interest has been recognised in retained earnings.

- (ii) Incorporation of MSM Holdings on 10 March 2011 to be the listing vehicle.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ("FGVH") (CONTINUED)
 9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
 9.14 SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2011 (continued)

(iii) On 20 May 2011, pre-listing restructuring had taken place as follows:

- (a) Transfer of FGVP's sugar cane cultivation operations in Chuping including certain assets and liabilities to KGFP for a purchase consideration of RM106,209,770, which was satisfied through the issuance of 25.4 million new KGFP shares at issue price of RM4.19 per share. FGVP had nominated FGVH to receive KGFP's shares.

The transfer of the sugar cane cultivation operations in Chuping to KGFP resulted in a dilution of equity interest in the sugar cane cultivation operations from 100% to 82% in FGVH and is regarded as a transaction with non-controlling interests. The loss of RM19,084,000 arising from the dilution of equity interest has been recognised in retained earnings.

- (b) Acquisition of the entire equity interest in MSM and KGFP by MSM Holdings for a purchase consideration of RM1,230,992,000 and RM791,937,300 respectively satisfied by issuance of a total of 578.0 million new MSM Holdings shares at issue price of RM3.50 per share.

The acquisition of the entire equity interest in MSM by MSM Holdings resulted in an accretion of equity interest in MSM from 80% to 82% in FGVH and is regarded as a transaction with non-controlling interests. The gain of RM14,956,000 arising from the accretion of equity interest has been recognised in retained earnings.

The acquisition of the entire equity interest in KGFP by MSM Holdings resulted in an accretion of equity interest in KGFP from 74.5% to 82% in FGVH and is regarded as a transaction with non-controlling interests. The gain of RM27,117,000 arising from the accretion of equity interest has been recognised in retained earnings.

- (c) Dividend-in-specie was declared by FHB, an associate of FGVH, to its shareholders for its 36.2 million investment in MSM Holdings shares amounted to RM126,709,968, of which 17.7 million of MSM Holdings shares amounted to RM62,088,000 was received by FGVH.

The declaration of dividend-in-specie by FHB resulted in an accretion of equity interest in MSM Holdings from 82% to 85% in FGVH and is regarded as a transaction with non-controlling interests. The loss of RM27,759,000 arising from the accretion of equity interest has been recognised in retained earnings.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2011 (continued)

(iv) On 28 June 2011, MSM Holdings was listed after undertaking a public offering through:

- (a) the issuance of 125 million shares by MSM Holdings; and
- (b) the selling of 131 million of MSM Holdings shares by FGVH;

at the price of RM3.50 per share, for public issue and of which 51.8 million of MSM Holdings shares was subscribed/acquired by KPF, resulting in a total cash inflows RM891,415,000.

The issuance of shares by MSM Holdings and selling of MSM Holdings shares by FGVH resulted in a dilution of equity interest in MSM Holdings from 85% to 51% in FGVH and is regarded as a transaction with non-controlling interests. The gain of RM280,550,000 arising from the dilution of equity interest has been recognised in retained earnings.

The effect of the corporate reorganisation to FGVH is summarised as follows:

	<u>2011</u> RM'000
Dilution of equity interest in MSM from 100% to 80% (Refer (i))	80,525
Dilution of equity interest in the sugar cane cultivation operations from 100% to 82% (Refer (iii) (a))	(19,084)
Accretion of equity interest in MSM from 80% to 82% (Refer (iii) (b))	14,956
Accretion of equity interest in KGFP from 74.5% to 82% (Refer (iii) (b))	27,054
Accretion of equity interest in MSM Holdings from 82% to 85% (Refer (iii) (c))	(27,759)
Dilution of equity interest in MSM Holdings from 85% to 51% (Refer (iv))	280,550
Total	<u>356,242</u>

Following the completion of the listing, FGVH owns 51% effective equity interest in MSM Holdings, a public listed company with 100% equity interest in MSM and KGFP, including the sugar cane cultivation business of FGVP within KGFP.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2011 (continued)

- II On 30 September 2011, a subsidiary of FGVH, FGVNA acquired the remaining 3% equity interest from the existing shareholder of TRTH, comprise of 3,529 ordinary shares for a cash consideration of RM3,827,000. Consequently, FGVH's effective interest in TRTH increased from 97% to 100%.

The acquisition of the remaining equity interest in TRTH is regarded as a transaction with non-controlling interests, and the loss of RM7,594,000 arising from the accretion of equity interest has been recognised in retained earnings.

- III On 30 September 2011, the investment in FGVME (including the interest in the subsidiary of FGVME, Felda Global Ventures Arabia Ltd) was disposed off to FELDA for a total consideration of RM1 which resulted in a gain on disposal of RM68,220,000 for FGVH.

The effect of the disposal of the subsidiaries on the financial position of FGVH as at financial year end is as follows:

	<u>2011</u> RM'000
<u>Net asset disposed</u>	
Prepaid lease payments	17,966
Property, plant and equipment	583
Inventories	32
Receivables	5,360
Cash and cash equivalents	12,325
Payables	(1,825)
Non-controlling interests	945
Gain on disposal	68,220
	<hr/>
Sales consideration	103,606
Less: Redemption of RCCPS from FELDA	(103,606)
Sales proceeds*	0
Cash and cash equivalents disposed	(12,325)
	<hr/>
Net cash outflows from disposals	(12,325)
	<hr/>

* RM1

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
- 9.14 SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2011 (continued)

IV Impairment loss on investment in subsidiaries

At 31 December 2011, FGVH's investment in subsidiaries in respect of the fatty acid business operation in USA and refined food oil business operation in Canada were tested for impairment during the financial year due to losses incurred.

The impairment assessment requires an estimation of the recoverable amount of the CGU owned by FGVNA, in respect of the fatty acid business operation in USA and refined food oil business operation in Canada. The recoverable amount was computed using value in use calculation based on cash flow projections expected to be attributable to the equity holder, with key assumptions that are consistent with the key assumptions used by management to assess the impairment of the CGUs in respect of the fatty acid business operations in USA and refined food oil business operations in Canada as disclosed in Note 9.13 to this Report.

As a result of the impairment assessment, FGVH has recognised an impairment loss of RM743,700,000 (2010: RM nil, 2009 :RM nil) which is recorded as an impairment loss in profit or loss against investment in a subsidiary.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.15 INTERESTS IN ASSOCIATES

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Share of net assets of associates			
- FHB	1,843,767	1,876,163	1,894,272
- Others	-	419,762	493,925
	<u>1,843,767</u>	<u>2,295,925</u>	<u>2,388,197</u>

Summarised financial statements in respect of FGVH's share of revenue, profit, assets and liabilities of its associates are set out below:

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Revenue			
- FHB	1,160,544	14,907,246	18,715,721
- Others	-	5,575,625	7,293,792
	<u>1,160,544</u>	<u>20,482,871</u>	<u>26,009,513</u>
Share of results for the financial year, excluding gain from bargain purchase			
- FHB	48,255	173,091	227,773
- Others	-	102,088	101,555
	<u>48,255</u>	<u>275,179</u>	<u>329,328</u>
Gain from bargain purchase			
- FHB	300,972	-	-
- Others	-	116,046	-
	<u>300,972</u>	<u>116,046</u>	<u>-</u>
Share of results for the financial year			
- FHB	349,227	173,091	227,773
- Others	-	218,134	101,555
	<u>349,227</u>	<u>391,225</u>	<u>329,328</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.15 INTERESTS IN ASSOCIATES (CONTINUED)

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Current assets			
- FHB	2,056,223	2,003,973	2,319,942
- Others	-	475,290	732,132
	<u>2,056,223</u>	<u>2,479,263</u>	<u>3,052,074</u>
Non-current assets			
- FHB	1,051,542	1,187,089	1,493,799
- Others	-	774,155	862,079
	<u>1,051,542</u>	<u>1,961,244</u>	<u>2,355,878</u>
Current liabilities			
- FHB	(1,063,316)	(1,213,411)	(1,958,561)
- Others	-	(423,371)	(464,055)
	<u>(1,063,316)</u>	<u>(1,636,782)</u>	<u>(2,422,616)</u>
Non-current liabilities			
- FHB	(200,682)	(101,488)	(149,670)
- Others	-	(406,311)	(447,469)
	<u>(200,682)</u>	<u>(507,799)</u>	<u>(597,139)</u>
Share of associate net assets			
- FHB	1,843,767	1,876,163	1,705,510
- Others	-	419,762	682,687
	<u>1,843,767</u>	<u>2,295,925</u>	<u>2,388,197</u>
Share of capital commitments of associates			
- FHB	28,894	135,816	390,711
- Others	-	429,378	114,800
	<u>28,894</u>	<u>565,194</u>	<u>505,511</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.15 INTERESTS IN ASSOCIATES (CONTINUED)

Details of associates, which are incorporated in Malaysia and have financial year ending 31 December, are as follows:

<u>Name of company</u>	<u>FGVH's effective interest</u>			<u>Principal activities</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	
	%	%	%	
<u>Direct associates</u>				
FHB (a)	49.0	49.0	49.0	Investment holding and providing shared services to FELDA
Tradewinds (b) and	-	20.0	20.0	Provisions of management services investment holding

(a) Financial year ended 31 December 2009

FGVH acquired a 49% equity interest in FHB from the ultimate holding body for a total purchase consideration of RM1,567,612,000, for cash. The difference between the purchase consideration and the share of fair values of the identifiable net assets and liabilities of FHB resulted in a gain from bargain purchase of RM300,972,000 which had been recognised in the profit or loss of FGVH during the financial year ended 31 December 2009.

(b) Financial year ended 31 December 2010

FGVH completed the acquisition of 20% of Tradewinds from Grenfell Holdings Sdn. Bhd., a company related to PPB, for a cash consideration of RM207,613,551, being the fair value of the investment acquired. The difference between the purchase consideration and the share of fair values of the identifiable net assets and liabilities of Tradewinds resulted in a gain from bargain purchase of RM116,046,000 which had been recognised in the profit or loss of FGVH during the financial year ended 31 December 2010.

(c) Financial year ended 31 December 2011

No acquisition or disposal of associates during the financial year ended 31 December 2011.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.16 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Share of net assets of jointly controlled entities, excluding goodwill			
- as previously stated	263,508	330,650	349,353
- prior financial year adjustment	(3,596)	-	-
	<u>259,912</u>	<u>330,650</u>	<u>349,353</u>
Gain from bargain purchase			
- as previously stated	22,505	-	-
- prior financial year adjustment	(7,606)	-	-
	<u>14,899</u>	<u>-</u>	<u>-</u>
- as restated			
	<u>14,899</u>	<u>-</u>	<u>-</u>
Share of net assets of jointly controlled entities	<u>274,811</u>	<u>330,650</u>	<u>349,353</u>

The prior financial year adjustments of RM11,202,027 in respect of gain from bargain purchase arose as a result of the completion in the financial year ended 31 December 2010 or the purchase price allocation of the assets and liabilities of jointly controlled entities acquired in financial year ended 31 December 2009 (Note 6 (a)(i)). The adjustments mainly arose from updated valuation of the property, plant and equipment of the jointly controlled entities.

FGVH's share of the assets and liabilities in the jointly controlled entities are as follows:

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Non-current assets	406,775	454,375	522,139
Current assets	257,389	590,071	878,494
Current liabilities	(273,063)	(452,529)	(776,852)
Non-current liabilities	(116,290)	(261,267)	(274,428)
Net assets	<u>274,811</u>	<u>330,650</u>	<u>349,353</u>
Share of capital commitments of jointly controlled entities	<u>195,198</u>	<u>246,998</u>	<u>196,755</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.16 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

FGVH's shares of the results of the jointly controlled entities are as follows:

	Financial year ended 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	101,754	3,400,554	6,901,019
Share of results for the financial year, excluding gain from bargain purchase	(6,081)	(24,668)	(53,964)
Gain from bargain purchase	14,899	-	-
Share of results for the financial year	8,818	(24,668)	(53,964)

Details of the jointly controlled entities, which are incorporated in Malaysia and have financial year ending 31 December, are as follow:

<u>Name of company</u>	FGVH's			<u>Principal activities</u>
	<u>effective interest</u>			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	
	%	%	%	
<u>Direct jointly controlled entities</u>				
Felda Iffco Sdn. Bhd. (I)	50.0	50.0	50.0	Refining, processing and packing of palm oil based products
Felda IffcoAllana (Malaysia) Sdn. Bhd. (III)	-	50.0	50.0	Dormant

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.16 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

<u>Name of company</u>	<u>FGVH's effective interest</u>			<u>Principal activities</u>
	<u>2009</u> %	<u>2010</u> %	<u>2011</u> %	
<u>Indirect jointly controlled entities</u>				
Trurich Resources Sdn. Bhd. (II)	50.0	50.0	50.0	Developing and establishing commercial oil palm plantation operations
Bunge ETGO G.P.	-	-	49.0	Sole general partner of Bunge ETGO L.P. including having management and control of the partnership.
Bunge ETGO L.P.	-	-	49.0	Originating oilseeds, causing such oilseeds to be processed, marketing the resulting oil, meals, hulls and other by-products from such processing.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.16 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) Financial year ended 31 December 2009

(I) FGVH acquired 50% equity interest in FISB from FHB for fair value consideration of RM145,162,657 which is repayable as follows:

- (i) 10% deposit payable upon execution of the shares purchase agreement;
- (ii) 3 equal annual instalments of RM16,871,647 payable in July of each financial year; and
- (iii) remaining 4 equal annual instalments of RM25,307,470 payable in July of each financial year.

The repayment of purchase consideration can be analysed below:

	Financial year ended 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Payable			
- within one financial year	33,743	16,872	-
- after one financial year	134,973	118,101	-
	<u>168,716</u>	<u>134,973</u>	<u>-</u>
Less: Discounting	(23,554)	(23,554)	-
Unwinding of discount	-	5,961	-
	<u>(23,554)</u>	<u>(17,593)</u>	<u>-</u>
	<u>145,162</u>	<u>117,380</u>	<u>-</u>

(II) A subsidiary of FGVH, Felda Global Ventures Kalimantan Sdn. Bhd. ('FGV Kalimantan') acquired a 50% equity interest in Trurich Resources Sdn. Bhd. from Lembaga Tabung Haji for a total purchase consideration of RM102,269,433.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.16 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

(b) Financial year ended 31 December 2010

- (I) FGVH subscribed and paid for 15,682,500 new ordinary shares of RM1.00 each, issued by FISB for RM15,682,500. The issuance of shares by FISB was also subscribed and paid by the other shareholder at the same amount.
- (II) A subsidiary of FGVH, FGVL had entered into a joint venture agreement to acquire 40% equity interest in Felda IffcoAllana (Malaysia) Sdn. Bhd. ('FIAM'). As at 31 December 2010, FIAM is a dormant company of which FGVL has 50% of the equity interest in FIAM via subscription of 1 out of 2 ordinary shares issued by FIAM at RM1.00 each.

(c) Financial year ended 31 December 2011

- (I) On 9 December 2011, a wholly-owned subsidiary of FGVH, TRT ETGO entered into an agreement to acquire a 49% equity interest in Bunge ETGO GP. Inc ('Bunge ETGO') for a consideration of RM75.66 million and working capital loan advance of RM45.52 million.
- (II) On 9 December 2011, a wholly-owned subsidiary of FGVH, TRT ETGO formed a limited partnership, Bunge ETGO L.P., along with Bunge Ventures Canada L.P. ('Bunge'). Under the terms of this limited partnership, Bunge ETGO L.P. is responsible to carry over TRT ETGO for originating oilseeds, causing such oilseeds to be processed, and marketing the resulting oil, meals, hulls and other by-products from such processing. Bunge ETGO assumes all incidental ancillary activities related to foregoing, including risk management activities such as hedging activities, forward sales and similar strategies.
- (III) At 31 December 2011, FGVH's investment in a jointly controlled entity, FISB was tested for impairment during the financial year due to losses incurred.

The impairment assessment requires an estimation of the recoverable amount of the investment in FISB. The recoverable amount of the investment in FISB was computed using value in use calculation based on the cash flow projections expected to be attributable to equity holder. The key assumptions used to determine the recoverable amount of investment in FISB are as follows:

- (i) Average budgeted gross margin used is 3% which is approved by the board of directors of FISB, taking into consideration the market and economic condition, and expected efficiency improvement of the significant CGUs within FISB;
- (ii) Terminal growth rate used is 3% which is consistent with the long term industry growth rate of the industry FISB operates in; and
- (iii) Discount rate used is 9% which reflects specific risks relating to the business operation of FISB.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.16 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

(c) Financial year ended 31 December 2011 (continued)

No impairment loss has been recognised by FGVH as the recoverable amount exceeds the carrying value.

9.17 PREPAID LEASE PAYMENTS

The prepaid lease payments were payment for rights to use the following:

	<u>2009</u> Leasehold building RM'000
<u>Cost</u>	
At 1 January	103,655
Currency translation differences	(2,328)
At 31 December	<u>101,327</u>
<u>Accumulated depreciation and impairment loss</u>	
At 1 January	6,678
Amortisation charge	7,120
Currency translation differences	(7,812)
Impairment loss	68,620
At 31 December	<u>74,606</u>
Net book value	<u><u>26,721</u></u>

The impairment loss for the financial year ended 31 December 2009 arose from the recoverable amounts of certain leasehold apartments and food courts being lower than their carrying values.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.17 PREPAID LEASE PAYMENTS (CONTINUED)

	2010		
	Leasehold building RM'000	Leasehold land RM'000	Total RM'000
<u>Cost</u>			
At 1 January	101,327	-	101,327
Acquisition of subsidiaries	-	925	925
Transfer to assets held for sale (Note 9.25)	(101,327)	-	(101,327)
At 31 December	-	925	925
<u>Accumulated depreciation and impairment loss</u>			
At 1 January	74,607	-	74,607
Amortisation charge	3,142	70	3,212
Transfer to assets held for sale (Note 9.25)	(77,749)	-	(77,749)
At 31 December	-	70	70
Net book value	-	855	855

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.17 PREPAID LEASE PAYMENTS (CONTINUED)

	2011		
	Leasehold building RM'000	Leasehold land RM'000	Total RM'000
<u>Cost</u>			
At 1 January	-	925	925
At 31 December	-	925	925
<u>Accumulated depreciation and impairment loss</u>			
At 1 January	-	70	70
Amortisation charge	-	70	70
At 31 December	-	140	140
Net book value	-	785	785

9.18 INVENTORIES

	As at 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Raw materials	49,563	328,731	251,484
Work in progress	5,686	40,568	27,358
Finished goods	40,024	130,230	127,787
	95,273	499,529	406,629

The inventories above are presented net of allowance for inventory obsolescence of RM1,428,000 (2010: RM135,000, 2009: RMNil).

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.19 BIOLOGICAL ASSETS

	As at 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Non-current	-	-	622
Current	-	11,360	11,198
	-	11,360	11,820

9.20 RECEIVABLES

	As at 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Non-current assets:			
Deposits (a)(i)	272,237	-	-
Other receivables (a) (ii)	3,664	-	-
	275,901	-	-
Current assets:			
Trade receivables (b) (i)	51,113	319,989	305,466
Less: Allowance for impairment	(905)	(375)	(79)
Total trade receivables	50,208	319,614	305,387
Other receivables	19,262	62,077	60,510
Dividend receivable	-	-	6,172
Prepayments	39,908	15,499	16,237
Deposits (c)(i)	33	1,947	7,172
Total other receivables	59,203	79,523	90,091
Total receivables	385,312	399,137	395,478

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.20 RECEIVABLES (CONTINUED)

(a) Financial year ended 31 December 2009

- i The deposit relates to the 5% deposit paid in connection with the acquisitions of 100% equity interest in MSM and Chuping Cane division, Perlis, 50% equity interest in KGFP and 20% equity interest in Tradewinds (refer to Note 9.14).
- ii Other receivables relates to the stamp duty of RM3,663,999 paid to the Inland Revenue for the proposed shares transfer from PPB to FGVH in connection with the acquisition of MSM.

(b) Financial year ended 31 December 2010

- i Included in trade receivables is sugar subsidy receivable from Government of Malaysia of RM21,107,000 (2010: RM49,734,000, 2009: RM nil).

(c) Financial year ended 31 December 2011

- i Included in deposits at 31 December 2011 is a 35% refundable deposit paid by FGV Kalimantan, a subsidiary of FGVH, in connection with the proposed acquisition of 95% equity interest in PT Citra Niaga Perkasa (refer to Note 9.42).

The receivables are denominated as follows:

	As at 31 December		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
- RM	276,124	147,251	158,934
- USD	70,588	159,391	200,986
- Saudi Arabia Riyal	2,537	-	-
- Canadian Dollar	36,063	92,495	35,558
	<u>385,312</u>	<u>399,137</u>	<u>395,478</u>

The credit terms of trade receivables are due up to 30 days (2010: up to 30 days, 2009: up to 30 days).

9. ACCOUNTANTS' REPORT (Cont'd)



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I. FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9. NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.20 RECEIVABLES (CONTINUED)

Past due but not impaired

As at 31 December 2011, RM182,142,000 (2010: RM164,691,000, 2009: RM49,937,000) of receivables were past due but not impaired. These relate to number of external parties where there is no expectation of default. The ageing and history of default analysis of these receivables are as follows:

	<u>As at 31 December</u>			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	
	RM'000	RM'000	RM'000	
Less than 30 days past due	47,947	160,230	173,342	
Between 30 and 60 days past due	446	1,634	2,633	
Between 61 and 90 days past due	13	1,160	1,602	
Between 91 days and 1 year past due	1,531	1,667	4,565	
	<u>49,937</u>	<u>164,691</u>	<u>182,142</u>	
	<u>No history</u>	<u>History</u>	<u>New</u>	<u>Total</u>
	<u>of default</u>	<u>of default</u>	<u>Customer</u>	<u>RM'000</u>
	RM'000	RM'000	RM'000	
<u>2009</u>				
Less than 30 days past due	47,947	-	-	47,947
Between 30 and 60 days past due	446	-	-	446
Between 61 and 90 days past due	13	-	-	13
Between 91 days and 1 year past due	1,531	-	-	1,531
More than 1 year past due	-	-	-	-
At 31 December 2009	<u>49,937</u>	<u>-</u>	<u>-</u>	<u>49,937</u>
<u>2010</u>				
Less than 30 days past due	158,732	-	1,498	160,230
Between 30 and 60 days past due	1,634	-	-	1,634
Between 61 and 90 days past due	1,159	-	1	1,160
Between 91 days and 1 year past due	1,667	-	-	1,667
More than 1 year past due	-	-	-	-
At 31 December 2010	<u>163,192</u>	<u>-</u>	<u>1,499</u>	<u>164,691</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.20 RECEIVABLES (CONTINUED)

Past due but not impaired (continued)

	No history of default RM'000	History of default RM'000	New Customer RM'000	Total RM'000
2011				
Less than 30 days past due	155,766	-	17,576	173,342
Between 30 and 60 days past due	2,633	-	-	2,633
Between 61 and 90 days past due	1,602	-	-	1,602
Between 91 days and 1 year past due	4,561	-	4	4,565
More than 1 year past due	-	-	-	-
At 31 December 2011	<u>164,562</u>	<u>-</u>	<u>17,580</u>	<u>182,142</u>

Impaired and provided for

As at 31 December 2011, receivables of RM79,000 (2010: RM375,000, 2009: RM905,000) were impaired and provided for. The individually impaired receivables mainly relate to the recoverability of receivables from the discontinued operations and certain refundable deposits.

Movement of FGVH's impairment of receivables are as follows:

	As at 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
At 1 January	-	905	375
Charged/(credited) to profit or loss	905	(455)	79
Amount written off	-	-	(385)
Currency translation differences	-	(75)	10
At 31 December	<u>905</u>	<u>375</u>	<u>79</u>

Receivables balances of RM213,336,000 (2010: RM234,446,000, 2009: RM335,375,000) which are neither past due nor impaired were not significantly impacted by any credit risks.

9. ACCOUNTANTS' REPORT (Cont'd)



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- I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)
- 9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
- 9.21 AMOUNTS DUE FROM/ (TO) ULTIMATE HOLDING BODY, ASSOCIATE, OTHER RELATED COMPANIES AND ADVANCES FROM ULTIMATE HOLDING BODY

Amounts due from

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Associate: FHB	-	51	-
Jointly controlled entity	-	-	45,520
Other related companies	5,796	1,965	4,118
	<u>5,796</u>	<u>2,016</u>	<u>49,638</u>

Amounts due to

Advances from ultimate holding body	1,005,195	-	-
Associate: FHB			
- Non- current	111,419	100,508	-
- Current	33,744	18,054	21
Jointly controlled entity	-	-	35,091
Other related companies	454	71,705	87,905
	<u>1,150,812</u>	<u>190,267</u>	<u>123,017</u>

Amounts due from/(to) ultimate holding body, associate, other related companies and advances from ultimate holding body are unsecured, interest free and have no fixed term of repayment.

Amounts due to other related companies are unsecured, interest free and are payable between 60 to 120 days (2010: 60 to 120 days).

Amount due to FHB includes the purchase price for the acquisition of a jointly controlled entity, FISB which was acquired in the financial year ended 31 December 2009 for a total fair value consideration of RM145,162,657. The repayment terms are as disclosed in Note 9.15 to this Report.

Advances from ultimate holding body of RM1,005,194,738 as at 31 December 2009 were unsecured, interest free and the ultimate holding body had agreed not to demand for the repayment of the amount owing by FGVH within the period of 12 months. The amounts had been converted into RCPS/RCCPS during the financial year ended 31 December 2010.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.21 AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING BODY, ASSOCIATE, OTHER RELATED COMPANIES AND ADVANCES FROM ULTIMATE HOLDING BODY (CONTINUED)

Past due but not impaired

As at 31 December 2011, RM4,118,000 (2010: RM1,965,000, 2009: RM5,796,000) of amounts due from associate and other related companies (mainly associate and jointly controlled entities) were past due but not impaired. These relate to the recoverability of management fees and investments where there is no expectation of default. The ageing analysis of these balances is as follows:

	Less than 30 days past due RM'000	Between 30 and 60 days past due RM'000	Between 61 and 90 days past due RM'000	Between 91 and 1 year past due RM'000	More than 1 year past due RM'000	Total RM'000
<u>At 31 December 2009</u>						
Amount due from other related companies	5,796	-	-	-	-	5,796
<u>At 31 December 2010</u>						
Amount due from other related companies	449	225	135	1,000	156	1,965
	449	225	135	1,000	156	1,965
<u>At 31 December 2011</u>						
Amount due from other related companies	2,030	-	128	886	1,074	4,118
	2,030	-	128	886	1,074	4,118

Impaired and provided for

There is no amount due for FGVH that was past due but not impaired or impaired and provided for for the financial year ended 31 December 2009, 31 December 2010 and 31 December 2011.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.22 LOAN DUE FROM OTHER RELATED COMPANY (UNSECURED)

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
<u>Current</u>			
Promissory note	11,719	10,553	10,836
<u>Non-current</u>			
Promissory note	34,772	24,399	17,090
	<u>46,491</u>	<u>34,952</u>	<u>27,926</u>

The maturity profile of loan due from other related company is as follows:

Less than 1 year	9,298	8,738	9,309
Between 1 to 2 years	9,298	8,738	9,309
Between 2 to 3 years	9,298	8,738	9,308
Between 3 to 4 years	9,298	8,738	-
Between 4 to 5 years	9,299	-	-
	<u>46,491</u>	<u>34,952</u>	<u>27,926</u>

The loan due from a related company, FINA (subsidiary of a jointly controlled entity) is denominated in USD, unsecured, charged at market interest rate of 8% (2010:8%, 2009:8%) per annum and repayable in five annual instalments of RM9,309,000 commencing on 30 December 2010. As at 31 December 2011, there is no loan due from a related company that was past due but not impaired or impaired and provided for.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.23 DERIVATIVE FINANCIAL ASSETS

	As at 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
At 1 January	-	(286)	46,419
Acquisition of subsidiaries	-	6,034	-
Settlement of derivatives during the financial year (net)	-	106,987	(79,298)
Fair value losses taken to profit or loss (Note 9.3)			
- futures contracts	-	(19,313)	38,288
- foreign currency forward contracts (Note 9.3)	-	(47,003)	(2,365)
Currency translation differences	-	-	(202)
At 31 December	-	46,419	2,842

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.23 DERIVATIVE FINANCIAL ASSETS (CONTINUED)

	2009				2010				2011			
	Contract/ Notional Amount		Derivative Assets		Contract/ Notional Amount		Derivative Assets		Contract/ Notional Amount		Derivative Assets	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Foreign currency forward contracts	-	-	-	-	34,017	5,056	-	-	23,503	791	-	-
Sugar futures contracts	-	-	-	-	476,184	20,482	-	-	69,173	2,051	-	-
Soy hedging contracts	-	-	-	-	4,941	2,860	-	-	-	-	-	-
Canola futures contracts	-	-	-	-	34,045	18,021	-	-	-	-	-	-
	-	-	-	-	549,187	46,419	-	-	92,676	2,842	-	-

FGVH classifies derivative financial instruments as financial assets at fair value through profit or loss. None of the derivatives are designated as hedges as FGVH did not apply hedge accounting during the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.24 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Fixed deposits in:			
Licensed banks	102,859	197,524	1,290,647
Licensed financial institutions	183,559	193,936	216,350
	286,418	391,460	1,506,997
Cash and bank balances	1,278,304	59,709	270,827
	1,564,722	451,169	1,777,824
Less: Fixed deposits pledged	-	(34,136)	(320,646)
	1,564,722	417,033	1,457,178

Included in fixed deposits is an amount of RM320,646,000 (2010: RM34,136,000, 2009: RMnil) which has been pledged to a bank as security for bank guarantee granted to a subsidiary.

Credit rating profiles of banks in which the fixed deposits have been placed are as follows:

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
- AAA	275,558	98,597	674,204
- AA-	-	34,136	155,229
- AA2	-	-	180,000
- A1	-	13,500	314,399
- A2	-	-	47,211
- Non-rated	10,860	245,227	135,954
	286,418	391,460	1,506,997
Cash and bank balances	1,278,304	59,709	270,827
	1,564,722	451,169	1,777,824

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.24 CASH AND CASH EQUIVALENTS (CONTINUED)

The fixed deposits, cash and bank balances are denominated as follows:

	As at 31 December		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
RM	1,386,676	376,299	1,432,923
USD	91,192	15,317	241,928
Saudi Arabia Riyal	3,578	-	-
Canadian Dollar	83,261	59,552	102,972
Indonesia Rupiah	15	1	1
	<u>1,564,722</u>	<u>451,169</u>	<u>1,777,824</u>

The weighted average interest rates (per annum) of deposits and bank balances that were effective at the financial year end were as follows:

	At financial year		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	%	%	%
Licensed banks	2.72	2.30	1.78
Licensed financial institutions	<u>2.65</u>	<u>3.20</u>	<u>3.08</u>

Fixed deposits as at 31 December 2011 for FGVH have average maturity periods of 228 days (2010: 365, 2009: 22). Cash and bank balances are deposits held at call with banks.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.25 ASSETS HELD FOR SALE AND LIABILITIES RELATED TO ASSETS HELD FOR SALE

The assets and liabilities associated with assets held for sale and liabilities related to assets held for sale are as follows:

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Assets classified as held for sale	-	36,740	-
Liabilities directly associated with assets classified as held for sale	-	(727)	-
	-	36,013	-
<u>Assets:</u>			
Property, plant and equipment (Note 9.12)	-	531	-
Prepaid lease payments (Note 9.17)	-	23,578	-
Inventories	-	21	-
Trade and other receivables	-	5,412	-
Deposits, cash and bank balances	-	7,198	-
Assets classified as held for sale	-	36,740	-
<u>Liabilities:</u>			
Trade and other payables	-	(720)	-
Taxation	-	(7)	-
Liabilities directly associated with assets classified as held for sale	-	(727)	-
	-	36,013	-

Financial year ended 31 December 2010

The Board of Directors of FGVH approved the disposal of its entire 100% equity interest in FGVME to the ultimate holding body, FELDA including 104,655,200 RCPS B. FGVH will redeem the RCCPS E and F from FELDA by way of transferring RCPS B in FGVME held by FGVH to FELDA to settle the total amount of prepaid Ijarah lease borne by FGVH to FELDA. FGVH expects the disposal to be completed during the financial year ending 31 December 2011. The net assets and liabilities are expected to be fully recovered from the disposal.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.25 ASSETS HELD FOR SALE AND LIABILITIES RELATED TO ASSETS HELD FOR SALE (CONTINUED)

Financial year ended 31 December 2011

The disposal has been completed on 30 September 2011 (refer Note 9.14).

9.26 SHARE CAPITAL

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Authorised share capital:			
Ordinary shares of RM1 per share			
At 1 January	300,000	2,000,000	2,000,000
Created during the financial year	1,700,000	-	-
At 31 December	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid share capital:			
Ordinary shares of RM1 per share			
At 1 January	200,000	1,767,612	1,767,612
Issued during the financial year	1,567,612	-	-
At 31 December	<u>1,767,612</u>	<u>1,767,612</u>	<u>1,767,612</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of FGVH. All ordinary shares rank equally with regard to FGVH's residual assets.

Financial year ended 31 December 2009

FGVH issued 1,567,612,000 new ordinary shares of RM1 each at an issue price of RM1 per ordinary share for cash. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of FGVH.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.27 REDEEMABLE AND NON-VOTING CONVERTIBLE PREFERENCE SHARES ('RCPS') AND REDEEMABLE CUMULATIVE AND NON-VOTING CONVERTIBLE PREFERENCE SHARES

	Number of preference shares of RM0.01 each			Amount		
	2009	2010	2011	2009	2010	2011
				RM'000	RM'000	RM'000
Authorised RCPS/RCCPS of RM0.01 each:						
At 1 January	-	-	1,250,000,000	-	-	12,500
Created during the financial year						
- RCPS A	-	300,000,000	-	-	3,000	-
- RCPS B	-	100,000,000	-	-	1,000	-
- RCCPS A	-	200,000,000	-	-	2,000	-
- RCCPS B	-	350,000,000	-	-	3,500	-
- RCCPS C	-	100,000,000	-	-	1,000	-
- RCCPS D	-	50,000,000	-	-	500	-
- RCCPS E	-	100,000,000	-	-	1,000	-
- RCCPS F	-	50,000,000	-	-	500	-
	-	1,250,000,000	-	-	12,500	-
At 31 December	-	1,250,000,000	1,250,000,000	-	12,500	12,500
Issued and fully paid RCPS/RCCPS of RM0.01 each:						
At 1 January	-	-	1,005,194,738	-	-	10,052
Issued/(redeemed) during the financial year						
- RCPS A	-	252,460,000	-	-	2,525	-
- RCPS B	-	77,489,500	-	-	775	-
- RCCPS A	-	164,030,000	-	-	1,640	-
- RCCPS B	-	300,470,000	-	-	3,005	-
- RCCPS C	-	69,970,000	-	-	700	-
- RCCPS D	-	36,120,000	-	-	361	-
- RCCPS E	-	94,358,206	(94,358,206)	-	943	(944)
- RCCPS F	-	10,297,032	(10,297,032)	-	103	(103)
	-	1,005,194,738	(104,655,238)	-	10,052	(1,047)
At 31 December	-	1,005,194,738	900,539,500	-	10,052	9,005

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.27 REDEEMABLE AND NON-VOTING CONVERTIBLE PREFERENCE SHARES ('RCPS') AND
 REDEEMABLE CUMULATIVE AND NON-VOTING CONVERTIBLE PREFERENCE SHARES
 ('RCCPS') (CONTINUED)

Financial year ended 31 December 2010

On 20 September 2010, the amount due to the ultimate holding body of RM994,394,121 previously advanced to FGVH for the funding of various overseas investments, had been converted into 329,949,500 RCPS and 675,245,238 RCCPS, at a nominal value of RM0.01 and a premium of RM0.99 per share.

Financial year ended 31 December 2011

On 30 December 2011, FGVH fully redeemed the 104,655,238 RCCPS E and RCCPS F of RM0.01 each amounting to RM103,606,096 following the disposal of 100% equity interest of FGVME to its ultimate holding body, FELDA by the way of transferring 104,655,200 RCPS B of RM0.01 each amounting to RM103,606,096 in FGVME held by FGVH to FELDA to settle the total amount of prepaid Ijarah lease borne by FGVH to FELDA.

The key terms of RCPS are as follows:

- (i) The dividend payable is based on the performance of the investment to be declared by the Board of Directors of FGVH as they shall deem fit;
- (ii) The holder of the RCPS does not have the right to vote at any general meeting except for as stated in the Schedule 2 of the Subscription Agreement;
- (iii) The holder of the RCPS will be entitled to convert part or whole of the RCPS into ordinary shares of RM1 each on the basis of one RCPS for one new ordinary shares of RM1 each issued and fully paid-up on or before the redemption date; and
- (iv) FGVH will have the right at any time to redeem in whole or in part for RM1 each RCPS issued.

The key terms of RCCPS are as follows:

- (i) The dividend payable is based on the net proceeds received by FGVH to be declared by the Board of Directors of FGVH as they shall deem fit;
- (ii) The holder of the RCCPS does not have the right to vote at any general meeting except for as stated in the Schedule 2 of the Subscription Agreement;
- (iii) The holder of the RCCPS will be entitled to convert part or whole of the RCCPS into ordinary shares of RM1 each on the basis of one RCPS for one new ordinary shares of RM1 each issued and fully paid-up on or before the redemption date; and
- (iv) FGVH will have the right at any time to redeem in whole or in part for RM1 each RCCPS issued.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.28 SHARE PREMIUM

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
At 1 January	-	-	984,342
Issue/(Redemption) of RCPS/RCCPS (Note 9.27)	-	995,143	(102,559)
Adjustment arising from discount on derecognition of financial liability upon conversion into RCPS/RCCPS (Note 9.39)	-	(10,801)	-
As at 31 December	-	984,342	881,783

9.29 FOREIGN EXCHANGE RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of FGVH's presentation currency.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.30 OTHER RESERVES

	As at 31 December		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Capital contribution from ultimate holding body	-	33,615	33,615
Capital redemption reserves	-	-	1,047
Other reserves	-	17,629	33,526
	<u>-</u>	<u>51,244</u>	<u>68,188</u>

Capital contribution relates to difference between fair value and amount of advance from FELDA as a result of the application of FRS 139.

Capital redemption reserves relates to reserve created upon redemption of shares as required by Companies Act, 1965.

Other reserves relates to FGVH's share of the available-for-sale reserve of a jointly controlled entity and associates.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.31 RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

FGVH has opted to pay single tier dividends as it does not have any Section 108 tax credits.

9.32 BORROWINGS

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
<u>Short term borrowings</u>			
Secured:			
Revolving credits	-	182,058	461,634
Term loan	-	-	12,040
Bankers acceptances	-	207,000	-
Unsecured:			
Term loan	30,000	45,000	-
Bankers acceptances	-	10,000	288,300
	<u>30,000</u>	<u>444,058</u>	<u>761,974</u>
<u>Long term borrowings</u>			
Secured:			
Revolving credits	-	-	1,387
Term loan	-	-	39,131
Unsecured:			
Term loans	290,000	245,000	-
	<u>290,000</u>	<u>245,000</u>	<u>40,518</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.32 BORROWINGS (CONTINUED)

	As at 31 December		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
<u>Total borrowings</u>			
Revolving credits	-	182,058	463,021
Term loans	320,000	290,000	51,171
Bankers acceptances	-	217,000	288,300
	320,000	689,058	802,492
Less: Repayable after more than one year	(290,000)	(245,000)	(40,518)
Repayable within one year	30,000	444,058	761,974

The maturity profile of borrowings is as follows:

Less than 1 year	30,000	444,058	761,974
Between 1 and 3 years	105,000	140,000	40,518
Between 4 and 5 years	185,000	105,000	-
	320,000	689,058	802,492

The borrowings are denominated as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
- RM	320,000	507,000	288,300
- USD	-	46,282	90,581
- Canadian Dollar	-	135,776	423,611
	320,000	689,058	802,492

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.32 BORROWINGS (CONTINUED)

Effective interest rates for borrowings are as follows:

	Interest rate	Effective interest rate at date of statement of financial position % per annum
<u>2009</u>		
Term loans	Floating	12.25
<u>2010</u>		
Term loans	Floating	3.93
Revolving credits	Floating	2.01
Bankers acceptances	Floating	3.20
<u>2011</u>		
Term loans	Floating	1.88
Revolving credits	Floating	1.03
Bankers acceptances	Floating	3.55

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.33 LOAN DUE TO ULTIMATE HOLDING BODY (UNSECURED)

	2009 RM'000	2010 RM'000	2011 RM'000
Unsecured:			
Non-current	1,610,000	1,835,000	1,835,000
Current	1,740	5,417	5,448
	<u>1,611,740</u>	<u>1,840,417</u>	<u>1,840,448</u>

The loan is repayable as follows:

2010	1,740	-	-
2011	-	5,417	-
2012	-	-	5,448
2013	214,286	214,286	214,286
2014	214,286	214,286	214,286
2015	214,286	214,286	214,286
2016	214,286	214,286	214,286
2017	214,286	214,286	214,286
2018	214,285	214,285	214,285
2019	324,285	214,285	214,285
2020	-	335,000	335,000
	<u>1,611,740</u>	<u>1,840,417</u>	<u>1,840,448</u>

The loan is denominated as follows:

RM	<u>1,611,740</u>	<u>1,840,417</u>	<u>1,840,448</u>
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Effective interest rates for borrowings are as follows:

	2009	2010	2011
	Effective interest rate at date of statement of financial position	Effective interest rate at date of statement of financial position	Effective interest rate at date of statement of financial position
	Interest rate % per annum	Interest rate % per annum	Interest rate % per annum
Loan due to ultimate holding body	Fixed <u>4.595</u>	Fixed <u>4.805</u>	Fixed <u>4.805</u>

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.34 PROVISION FOR LIABILITIES

	Provision for asset retirement RM'000	Provision for capital lease RM'000	Total RM'000
<u>2009</u>			
At 1 January	4,387	-	4,387
Provision during the financial year	295	-	295
Payment made during the financial year	(25)	-	(25)
Currency translation differences	(55)	-	(55)
	<u>4,602</u>	<u>-</u>	<u>4,602</u>
Less: payable within 12 months	(343)	-	(343)
At 31 December	<u>4,259</u>	<u>-</u>	<u>4,259</u>
	Provision for asset retirement RM'000	Provision for capital lease RM'000	Total RM'000
<u>2010</u>			
At 1 January	4,601	-	4,601
Provision during the financial year	265	1,800	2,065
Payment made during the financial year	(17)	-	(17)
Currency translation differences	(458)	-	(458)
	<u>4,391</u>	<u>1,800</u>	<u>6,191</u>
Less: payable within 12 months	(308)	-	(308)
At 31 December	<u>4,083</u>	<u>1,800</u>	<u>5,883</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.34 PROVISION FOR LIABILITIES (CONTINUED)

2011	Provision for asset retirement RM'000	Provision for capital lease RM'000	Provision for restructuring RM'000	Total RM'000
At 1 January	4,391	1,800	-	6,191
Provision during the financial year	259	-	4,392	4,651
Reclassification	-	(1,387)	-	(1,387)
Payment made during the year	(33)	(461)	-	(494)
Currency translation differences	127	48	-	175
	4,744	-	4,392	9,136
Less: payable within 12 months	(317)	-	(1,421)	(1,738)
At 31 December	4,427	-	2,971	7,398

Provision for asset retirement relates to existence of asbestos at FGVH's manufacturing facility in Quincy, Massachusetts. The asset retirement obligation was based on detailed estimates, adjusted for inflation, escalated to the estimated spending dates, and then discounted using an average credit adjusted risk-free interest rate of 7.9% of which represents management's best estimate of the liability. Actual costs to be incurred in future periods may vary from estimates, given the inherent uncertainties in evaluating certain exposures subject to the imprecision in estimating the asset retirement obligation.

During the financial year, a subsidiary of FGVH, TRT ETGO recorded a restructuring provision of RM4,392,000. The provision relates principally to the down-sizing of the finance and commercialisation departments following the TRT ETGO's investment in a joint venture. The restructuring plan was drawn up and announced to the employee in 2011 and the provision was recognised during the financial year ended 31 December 2011.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.35 PROVISION FOR DEFINED BENEFIT PLAN

	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000
Non-current	-	1,032	492

The movements during the financial year in the amounts recognised in the statement of financial position of FGVH are as follows:

	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000
At 1 January	-	-	1,032
Acquisition of subsidiary (Note 9.14)	-	1,446	-
Charged to profit or loss	-	106	78
Benefits paid-unfunded obligations	-	(520)	(618)
At 31 December	-	1,032	492

	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000
Present value of unfunded obligations	-	1,101	494
Unrecognised actuarial losses	-	(69)	(2)
Net liabilities	-	1,032	492

The amounts recognised in the profit or loss is as follows:

	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000
Current service cost	-	40	42
Interest cost	-	66	36
Expense recognised in the profit or loss	-	106	78

The principal actuarial assumptions used in respect of FGVH's unfunded defined retirement benefits are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Discount rate	-	5.00%	6.25%
Expected rate of salary increase	-	5.00%	6.00%

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.36 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 statement of financial position:

	As at 31 December		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Subject to income tax			
- Deferred tax assets	-	36,545	41,998
- Deferred tax liabilities	-	(149,317)	(136,908)
At 1 January	-	-	(112,772)
Acquisition of sugar business (Note 9.14)	-	(113,260)	-
Charged/(credited) to profit or loss (Note 9.7):			
- intangible assets	-	807	2,285
- property, plant and equipment	-	24,290	4,114
- prepaid lease payments	-	714	-
- inventories	5,968	9,341	440
- receivables	-	(9,802)	5,655
- payables	(3,106)	(1,643)	2,126
- provisions	-	(103)	(141)
- tax losses	(817)	(24,785)	2,662
- others	(2,045)	1,669	721
	-	488	17,862
At 31 December	-	(112,772)	(94,910)

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.36 DEFERRED TAXATION (CONTINUED)

	<u>As at 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Deferred tax assets			
- payables	4,890	7,835	9,961
- inventories	3,072	216	656
- provisions	-	258	117
- tax losses	6,325	29,660	32,322
- others	8,749	-	-
Amount before offsetting	23,036	37,969	43,056
Offsetting	(23,036)	(1,424)	(1,058)
	-	36,545	41,998
Deferred tax liabilities			
- intangible assets	-	(15,538)	(13,253)
- property, plant and equipment	23,036	(121,968)	(117,854)
- prepaid lease payments	-	(2,306)	(2,306)
- receivables	-	(10,204)	(4,549)
- others	-	(725)	(4)
Amount before offsetting	23,036	(150,741)	(137,966)
Offsetting	(23,036)	1,424	1,058
	-	(149,317)	(136,908)

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.36 DEFERRED TAXATION (CONTINUED)

The amount of deductible temporary differences and unused tax losses (a portion of which have expiry dates ranging from 2012 to 2028) for which no deferred tax assets are recognised in the statement of financial position by certain subsidiaries as the Directors are of the view it is not probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilised is as follows:

	As at 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Deductible temporary differences	-	1,186	52
Unused tax losses	460,491	559,677	690,126
	<u>460,491</u>	<u>560,863</u>	<u>690,178</u>

9.37 PAYABLES

	2009 RM'000	2010 RM'000	2011 RM'000
Trade payables	101,558	58,919	22,562
Other payables and accruals	65,413	63,593	98,453
	<u>166,971</u>	<u>122,512</u>	<u>121,015</u>

Included in other payables is deferred grant of RM22,745,000 (2010: RM nil, 2009: RM nil) received from Investissement Quebec ('Grantor'), an agency of the Quebec provincial government which provides for a grant totalling CAD7,499,999 (RM23,290,000). Under the terms of the agreement, the Grantor will reimburse TRT ETGO, 5% of the cost incurred to develop and construct the oilseed crushing plant in Becancour. TRT ETGO received RM16,038,000 during the year ended 31 December 2010, representing the remaining amount due under the grant. This grant was originally recorded as a reduction of the cost of the property, plant and equipment acquired under grant. As at 31 December 2011 and 2010, two of the covenants were not met. As a result of the non-compliance with the covenants, FGVH recorded the amount as a liability in other payables as at 31 December 2011.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.37 PAYABLES (CONTINUED)

	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000
The payables are denominated as follows:			
- RM	1,634	39,183	6,783
- USD	164,881	26,064	55,957
- Canadian Dollar	-	57,265	58,275
- Saudi Arabia Riyal	456	-	-
	<u>166,971</u>	<u>122,512</u>	<u>121,015</u>

The credit terms of trade payables range up to 60 days (2010: up to 45, 2009: up to 45) days.

9.38 SHARE INCENTIVE PLAN

In March 2008, the board of directors of a subsidiary approved the 'Twin Rivers Technologies Holdings, Inc. 2008 Stock Incentive Plan' (the 'Stock Incentive Plan') in order to secure the benefits arising from capital stock ownership by employees, officers, directors, consultants and advisors of the subsidiary and its subsidiary operations.

As at 31 December 2011, stock option grants representing options to purchase 548 (2010: 4,532, 2009 : 4,532) shares remain outstanding. The option grant provided that the options would vest in four annual installments (the option 'Vesting Period') if, and only if, the holder of the options was employed by one of the entities participating in the Stock Incentive Plan ('Companies') at the end of the financial year in which the options were to vest and the Companies achieved at least 90% of specified EBITDA targets (as reflected in the Companies' audited financial statements) during that financial year. The Companies did not achieve the EBITDA targets for the first three years of the Vesting Period. Accordingly, none of the options have currently vested. The final Vesting Period concludes on 1 January 2012 and these options will only vest during this period if the Companies achieve EBITDA of USD85.5 million (RM261.39 million) in any of the financial year. As the Companies did not achieve this EBITDA, the plan is deemed to have been cancelled effective 1 January 2012.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.39 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

Related parties and relationships are summarised as follows:

(i) Ultimate holding body - FELDA	
(ii) Jointly controlled entities - Felda Iffco Allana Malaysia Sdn. Bhd. ('FIAM') - FISB - Bunge ETGO L.P. - Trurich Resources Sdn. Bhd. ('Trurich')	
(iii) Associated companies - FHB - Tradewinds	
(iv) Other related parties	<u>Relationship</u>
Delima Oil Products Sdn. Bhd. ('DOPSB')	Subsidiary of FHB
Felda Agricultural Services Sdn. Bhd. ('FASSB')	Subsidiary of FHB
Felda Bulkiers Sdn. Bhd. ('FBSB')	Subsidiary of FHB
Felda D'Saji Sdn. Bhd. ('FDSB')	Subsidiary of KPF
Felda Engineering Services Sdn. Bhd. ('FESSB')	Subsidiary of FHB
Felda Farm Products Sdn. Bhd. ('FFPSB')	Subsidiary of FHB
Felda Herbal Corporation Sdn. Bhd. ('FHCSB')	Subsidiary of FELDA
Felda Johore Bulkiers Sdn. Bhd. ('FJBBS')	Subsidiary of FHB
Felda Kernel Products Sdn. Bhd. ('FKPSB')	Subsidiary of FHB
Felda Marketing Services Sdn. Bhd. ('FELMA')	Subsidiary of FHB
Felda Palm Industries Sdn. Bhd. ('FPISB')	Subsidiary of FHB
Felda Plantations Sdn. Bhd. ('FPSB')	Subsidiary of FHB
Felda Prodata Systems Sdn. Bhd. ('FPSSB')	Subsidiary of FHB
Felda Properties Sdn. Bhd. ('Felda Properties')	Subsidiary of FHB
Felda Rubber Industries Sdn. Bhd. ('FRISB')	Subsidiary of FHB
Felda Security Services Sdn. Bhd. ('FSSSB')	Subsidiary of FHB
Felda Technoplant Sdn. Bhd. ('Felda Technoplant')	Subsidiary of FHB
Felda Trading Sdn. Bhd. ('FTSB')	Subsidiary of KPF
Felda Travel Sdn. Bhd. ('Felda Travel')	Subsidiary of FHB
Felda Transport Services Sdn. Bhd. ('FTSSB')	Subsidiary of FHB
Felda Vegetable Oil Products Sdn. Bhd. ('FVOPSB')	Subsidiary of FHB
Felda Iffco North America Sdn. Bhd. ('FINA')	Subsidiary of FISB
FPM Sdn. Bhd. ('FPMSB')	Subsidiary of FHB
Malaysian Cocoa Manufacturing Sdn. Bhd. ('MCM')	Subsidiary of FHB
Koperasi Permodalan Felda Malaysia Berhad ('KPF')	Holding company of FHB
Plantation Resorts Sdn. Bhd. ('Plantation Resorts')	Subsidiary of FHB

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sales of services and investments

	Financial year ended		
	2009	2010	2011
	RM'000	RM'000	RM'000
Sales of goods:			
- FTSB	-	2,632	23,168
Sales of services:			
- FHB	-	155	3,710
- FPISB	-	1,178	955
- FELMA	-	26	42
- FTSSB	-	63	52
- FVOPSB	-	130	554
- FKPSB	-	104	19
- MCM	-	29	-
- FPSB	-	111	125
- FASSB	-	240	284
- FFPSB	-	33	-
- Felda Technoplant	-	154	-
- Felda Properties	-	6	1
- FBSB	-	33	33
- FJBSB	-	16	16
- FPMSB	-	120	71
- FSSSB	-	16	2
- FRISB	-	88	81
- FPSSB	-	137	53
- DOPSB	-	69	209
- FESSB	-	18	3
- Felda Travel	-	2	59
- FDSB	-	6	-
- Bunge ETGO .L.P	-	-	3,928
Sales of investment: FINA	75,481	-	-

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Purchases of good, services and investments

	Financial year ended		
	2009	2010	2011
	RM'000	RM'000	RM'000
Purchase of palm oil products:			
- FTSB	3	3	-
- FELMA	203,556	246,994	341,054
Purchase of services:			
- FTSSB	-	-	46
- FESSB	-	-	629
- DOPSB	-	-	6
- Plantation Resorts	-	-	22
- FDSB	250	1,146	233
- FELDA Technoplant	-	-	141
- FFPSB	-	-	27
- MCM	-	-	9
- FPSB	20	6	-
- FPSSB	191	700	1,036
- FSSSB	1	27	131
- FTSB	33	8	202
- Felda Travel	577	1,187	3,236
- FELMA	-	3,367	-
- FASSB	135	-	-
- FHB	1	1,322	1,796
Rental of building from FELDA	84	184	546
Purchase of investments:			
- FELDA	1,567,612	-	-
- FHB	145,162	-	-

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	Financial year ended		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Salaries and bonuses	686	6,732	15,938
Defined contribution retirement plan	119	1,036	2,419
Other short term employee benefit	146	286	1,259
	<u>951</u>	<u>8,054</u>	<u>19,616</u>

Key management personnel of FGVH include General Manager and above who have authority and responsibility for planning, directing and controlling the activities of FGVH, directly or indirectly.

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Financial year-end balances

	Financial year ended		
	2009	2010	2011
	RM'000	RM'000	RM'000
Receivables from other related parties:			
- FINA	5,796	-	-
- FPISB	-	294	1,053
- FPSB	-	4	125
- FPSSB	-	23	-
- FSSSB	-	1	2
- FVOPSB	-	11	554
- FKPSB	-	9	-
- FJBSB	-	7	-
- FTSSB	-	11	1
- DOPSB	-	23	209
- FASSB	-	20	-
- MCM	-	2	-
- FFPSB	-	33	6
- FTSB	-	500	893
- Felda Technoplant	-	26	-
- FIAM	-	1,000	1,011
- FRISB	-	-	81
- FELMA	-	-	4
- FISB	-	-	1
- Felda Travel	-	-	36
- Felda Properties	-	1	-
- FPM	-	-	71
- FGV Arabia	-	-	27
- Tuirich	-	-	44
	<u>5,796</u>	<u>1,965</u>	<u>4,118</u>
Receivable from an associate:			
- FHB	-	51	-
	<u>-</u>	<u>51</u>	<u>-</u>
Receivable from a jointly controlled entity			
- Bunge ETGO L.P.	-	-	45,520
	<u>-</u>	<u>-</u>	<u>45,520</u>

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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Financial year-end balances (continued)

	Financial year ended		
	2009	2010	2011
	RM'000	RM'000	RM'000
Amount due to an associate, FHB:			
- Non- current	111,419	100,508	-
- Current	33,744	18,054	21
	<u>145,163</u>	<u>118,562</u>	<u>21</u>
Amounts due to other related companies:			
- FDSB	218	104	34
- FPSB	-	15	-
- FPSSB	10	278	174
- FTSB	27	16	239
- Felda Travel	199	604	735
- KPF	-	2	-
- FESSB	-	156	11
- FASSB	-	4	-
- FTSSB	-	-	38
- FKPSB	-	-	67
- DOPSB	-	-	6
- Felda Techoplant	-	-	141
- MCM	-	-	22
- Felda Properties	-	-	6
- FSSB	-	-	1
- FELMA	-	70,526	86,431
	<u>454</u>	<u>71,705</u>	<u>87,905</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Loans due from and to related parties

(i) Loan due from Felda Iffco Inc., a subsidiary of jointly controlled entity:

	As at 31 December		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
At 1 January	-	46,491	34,952
Loans advanced during the financial year	46,491	-	-
Repayment	-	(10,980)	(10,456)
Finance income	-	3,786	2,770
Currency translation differences	-	(4,345)	660
At 31 December	<u>46,491</u>	<u>34,952</u>	<u>27,926</u>

(ii) Loans due to ultimate holding body:

	As at 31 December		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
At 1 January	-	1,611,740	1,840,417
Loans advanced during the financial year	1,610,000	225,000	-
Finance costs	1,740	87,981	91,383
Finance costs paid	-	(84,304)	(91,352)
At 31 December	<u>1,611,740</u>	<u>1,840,417</u>	<u>1,840,448</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Loans due from and to related parties (continued)

(iii) Amount due to FELDA:

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Amount due to ultimate holding body:			
- At 1 January as previously stated	1,004,472	1,005,195	-
- Effect of adopting FRS 139 (Note 6(a))	-	(40,306)	-
- As restated	1,004,472	964,889	-
Unwinding of discount	-	29,505	-
Adjustment arising from derecognition of financial liability upon conversion into RCPS/RCCPS (Note 9.28)	-	10,801	-
Advance received	723	-	-
Conversion into RCPS/RCCPS	-	(1,005,195)	-
At 31 December	1,005,195	-	-

9. ACCOUNTANTS' REPORT (Cont'd)



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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.40 COMMITMENTS

(a) Operating lease arrangements

(i) FGVH as lessee:

FGVH leases premises, railroad cars, storage tanks, meal storage facilities and certain equipments from various parties under operating lease arrangement.

A subsidiary of FGVH, Malayan Sugar Manufacturing Company Berhad ('MSMCB') also leases land in Prai further to a lease arrangement between the subsidiary and Keretapi Tanah Melayu Berhad on behalf of Federal Lands Commissioner. In 1992, the land was transferred by Federal Lands Commissioner to Perbadanan Aset Keretapi ('PAK'). MSMCB has signed the lease agreement with PAK with lease period of 30 years expiring on 30th November 2024 with the option to renew for a further term of 30 years to 2054.

None of the leases includes contingent rentals. There are no restrictions placed upon FGVH by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Within 1 year	3,674	11,407	10,406
Between 1 and 2 years	1,960	10,062	9,020
Between 2 and 3 years	1,522	8,914	6,857
Between 3 and 4 years	1,218	6,829	5,960
Between 4 and 5 years	133	38,799	5,232
More than 5 years	-	-	20,820
	<u>8,507</u>	<u>76,011</u>	<u>58,295</u>

The lease payments recognised in profit or loss during the financial year amounted to RM11,202,000 (2010: RM9,576,000, 2009: RM4,034,000).

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.40 COMMITMENTS (CONTINUED)

(a) Operating lease arrangements (continued)

(ii) FGVH as lessor:

Operating lease income represent rentals receivable by FGVH for natural oil tanks and oil pipeline system rented out.

The future aggregate minimum lease receivables under non-cancellable operating lease are as follows:

	As at 31 December		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Within 1 year	1,293	1,164	1,195
Between 1 and 2 years	1,293	1,164	1,195
Between 2 and 3 years	1,293	1,164	1,195
Between 3 and 4 years	1,292	1,164	598
Between 4 and 5 years	1,292	582	-
After 5 years	646	-	-
	<u>7,109</u>	<u>5,238</u>	<u>4,183</u>

Rental income recognised in profit or loss during the financial year amounted to RM1,084,000 (2010: RM1,140,000, 2009: RM1,329,000).

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.40 COMMITMENTS (CONTINUED)

(b) Capital commitments

	As at 31 December		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Capital expenditure approved and contracted for:			
Property, plant and equipment	77,715	18,896	20,105
Capital expenditure approved but not contracted for:			
Property, plant and equipment	-	33,617	85,161
	<u>77,715</u>	<u>52,513</u>	<u>105,266</u>

(c) Guarantees

- (i) In the ordinary course of business, FGVH has given guarantees totalling approximately RM326,675,000 (2010: RM54,532,000, 2009: RM40,100,000) to a financial institution for loan made by subsidiaries and to a supplier in respect of purchases of materials by a subsidiary.
- (ii) In the ordinary course of business, an associate of FGVH, Felda Holdings Bhd, has given guarantees totalling RM6,723,526 (2010: RM6,187,429, 2009: RM17,615,142) to a government enterprise and other third parties in respect of service obtained and purchases of inventories and materials.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.41 CONTINGENT LIABILITIES

(a) An associate of FGVH, FHB, has the following contingent liabilities, of which FGVH is not jointly or severally liable:

- (i) On 12 June 2009, FPISB and FELDA were sued by 645 settlers of Felda Maokil Scheme in Johor for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM71.8 million. The Putrajaya Court of Appeal had on 30 November 2011 decided that the case shall be heard before an arbitration proceeding based on section 10 of the Arbitration Act 2005 and original agreement between the settlers and FELDA which mentioned that if any dispute arises, the dispute shall be heard before an arbitration proceeding. On 7 December 2011, FPISB's counsel had filed the order from the Court of Appeal before the Senior Assistant Registrar ('SAR') of Johor Bahru High Court and on 22 February 2012, the plaintiffs informed the SAR that the application for appeal before the Federal Court is pending judgment order from the Court of Appeal. The SAR then instructed that if the appeal is not allowed then the onus to initiate arbitration proceedings will be on the plaintiffs and not on the defendants. The SAR then gave a new mention date on 29 August 2012 for both parties to update the status of appeal and arbitration.
- (ii) On 3 September 2010, FPISB and FELDA were sued by 514 settlers of Felda Seriting Scheme and 252 settlers of Felda Gugusan Raja Alias Scheme in Jempol, Negeri Sembilan for alleged fraud and manipulation of the extraction rate for palm oil. The claim amounted to RM15.4 million for year 2008 only. FPISB filed Pleading and Statement of Defence ('SOD') in the Seremban High Court on 22 December 2011 together with confirmation of documents which was filed by the Plaintiffs. On 22 December 2011, the SAR informed that the judge has instructed the case to go through mediation process before undergoing full trial. On 7 March 2012, the SAR directed both parties to file pleading, documents and issues to be tried. Further, on 26 March 2012 the SAR informed both parties to file supplementary documents/evidence for mediation on 9 April 2012. The date for mediation proceedings was scheduled for 9 May 2012. The mediation failed and the Court fixed a case management date of 26 July 2012 for further instructions.

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
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21 May 2012**

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.41 CONTINGENT LIABILITIES (CONTINUED)

(a) An associate of FGVH, FHB, has the following contingent liabilities, of which FGVH is not jointly or severally liable (continued):

(iii) On 12 July 2011, FPISB and FELDA were sued by 711 settlers of Felda Jengka 1 to 25 and Felda Sg. Tekam in Temerloh, Pahang for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM22.9 million. FPISB has filed SOD in the Temerloh High Court on 9 September 2011 and the plaintiffs had filed their reply on 9 November 2011. The case has gone through the case management before the SAR on 10 November 2011. FPISB has filed an affidavit in reply to the Statement of Reply of SOD on 20 December 2011 as well as application to strike out Plaintiffs' claim. On 3 April 2012 both parties have filed written submissions for the application to Strike-Out Ground on Plaintiffs' claims. The Court has on 24 April 2012 allowed order in terms for application by FELDA and FPISB to strike out 42 Plaintiffs with cost on the cause. The Court also fixed the matter for further case management on 24 May 2012 with directions that the parties are to file Bundle of Pleadings, Bundle of Documents, Statement of Issues to be Tried and Statement of Agreed Facts.

(iv) On 20 September 2011, FPISB and FELDA were sued by 550 settlers of Gugusan Bera for alleged fraud and manipulation of the extraction rate of palm oil. The plaintiffs are claiming for a share from the sale of kernel, burn ash and sludge oil which was derived from their FFB consignments sold to FPISB's mills. The claim amounted to RM19.2 million for year 2008 only. FPISB has filed Memorandum of Appearance in High Court on 15 November. FPISB has filed a SOD on 3 January 2012. On 25 January 2012, Plaintiffs have filed the reply to the SOD and Defendants have filed a reply to it on 9 February 2012. Defendants also have filed an application to Strike-Out Ground on Plaintiffs' claims on the same date. During the latest case management on 22 February 2012, the SAR instructed Plaintiffs to reply to the Application to Strike-Out Ground on 8 March 2012 and 22 March 2012 for Defendants to reply to the Plaintiffs' reply. Further, both parties have filed written submissions on the Strike-Out Ground issue. The Court has on 19 April 2012 allowed order in terms for application by FELDA and FPISB to strike out 20 Plaintiffs with cost on the cause. The Court also fixed the matter for further case management on 24 May 2012 with directions that the parties are to file Bundle of Pleadings, Bundle of Documents, Statement of Issues to be Tried and Statement of Agreed Facts.

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
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21 May 2012**

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.41 CONTINGENT LIABILITIES (CONTINUED)

- (a) An associate of FGVH, FHB, has the following contingent liabilities, of which FGVH is not jointly or severally liable (continued):
- (v) On 10 November 2011, FPISB and FELDA were sued by 365 settlers of Felda Jengka 1 to 7, 10, 13 to 19, 23 to 24, Felda Ulu Jempol and Felda Sg. Tekam Utara for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM11.7 million for year 2008 only. FPISB has filed Memorandum of Appearance in Temerloh High Court on 15 November 2011. FPISB has filed a SOD on 27 December 2011. Defendants had also filed an application to Strike-Out Ground on Plaintiffs' claims on 9 February 2012. During the latest case management on 22 February 2012, the SAR instructed Plaintiffs to reply to the Application to Strike-Out Ground on 8 March 2012 and 22 March 2012 for Defendants to reply to the Plaintiffs' reply. Further, both parties have filed written submissions on the Strike-Out Ground issue. The Court has on 19 April 2012 allowed order in terms for application by FELDA and FPISB to strike out 20 Plaintiffs with cost on the cause. The Court also fixed the matter for further case management on 24 May 2012 with directions that the parties are to file Bundle of Pleadings, Bundle of Documents, Statement of Issues to be Tried and Statement of Agreed Facts.

Based on available information and on the legal advices received, the Directors of FHB are of the view that there is a reasonable chance of defending all the above claims and therefore, no provision has been made in the financial statements of FHB.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.41 CONTINGENT LIABILITIES (CONTINUED)

(b) An associate of FGVH, Tradewinds (M) Bhd, has the following contingent liabilities, of which FGVH is not jointly or severally liable:

- (i) On 5 May 2006, Padiberas Nasional Berhad ('Bernas'), have received a Writ of Summons and Statement of Claim initiated by A Halim Bin Hamzah and 291 others ('the Plaintiffs'). The civil suit was brought by the Plaintiffs against Bernas and 24 others ('the Defendants') claiming that the year 2000 Voluntary Separation Scheme initiated by Bernas is void and of no effect. In relation to this suit, Bernas had filed Summons in Chambers for the Writ and Statement of Claim as against the said Defendants be struck out.

The Court had granted Order in Terms for the Bernas' Application to strike out the 21st Defendant with cost payable to Bernas but dismissed Bernas' Application to strike out the 2nd to 12 Defendants on 3 September 2007. On 3 March 2008, the Court dismissed Bernas' Application to strike out the 2nd to 12th Defendants from being the party to the suit. Bernas' solicitors had on 17 April 2008, filed Statements of Defence for the 2nd to 12th Defendants. The matter is fixed for hearing on 12 to 16 March 2012. The Court has fixed 30 April 2012 for decision of the said matter. On 30 April 2012, The Court dismissed the Plaintiffs' claims with no order as to cost.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.41 CONTINGENT LIABILITIES (CONTINUED)

(b) An associate of FGVH, Tradewinds (M) Bhd, has the following contingent liabilities, of which FGVH is not jointly or severally liable (continued):

- (ii) On 6 June 2006, Bernas was served with a sealed copy of Originating Summons and Affidavit in Support ('the Plaintiffs Application') for and on behalf of the 690 others ('the Plaintiffs') claiming that the Plaintiffs as employees of Bernas whose service of employment have been terminated before attaining the age of 55 due to reasons other than that of compulsory retirement, optional retirement, death or a disability are entitled to the Retirement/Termination Benefits Provision. They demand for the Termination Benefit to be paid with 8% interest per annum from 1 January 2004, together with their Employee Provident Fund contribution until the date of the Order, with costs to be paid by Bernas.

Plaintiffs through their solicitors had filed an application on 7 March 2011 for leave to appeal to the Federal Court against the entire decision of the Court of Appeal given on 7 February 2011. Plaintiffs' application for leave to appeal at the Federal Court has been allowed. The Court has fixed the matter for decision on 4 June 2012.

- (iii) On 4 January 2010, Bernas was served with a sealed copy of Originating Summons and Affidavit in Support ('the Plaintiffs Application') for and on behalf of 242 others ('the Plaintiffs') claiming that the Plaintiffs as employees of Bernas whose service of employment have been terminated before attaining the age of 55 due to reasons other than that of compulsory retirement, optional retirement, death or a disability, are entitled to the Retirement/Termination Benefits Provision. They demand for the Termination Benefit to be paid with 8% interest per annum from 1 January 2004, together with their Employee Provident Fund contribution until the date of the Order, with costs to be paid by Bernas. The case has been fixed for mention on 6 June 2012.

Based on available information and on the legal advice received, the Directors are of the view that there is a reasonable chance of defending all the above claims and therefore, no provision has been made in the financial statements.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.41 CONTINGENT LIABILITIES (CONTINUED)

(b) An associate of FGVH, Tradewinds, has the following contingent liabilities, of which FGVH is not jointly or severally liable (continued):

(iv) The contingent liabilities of Tradewinds Plantation Berhad Group ('TPB Group'), a subsidiary of Tradewinds as at 31 December 2011 were as follows:

	RM'000
Letters of guarantee issued to government agencies	96
Pending litigation	11,039
	<u>11,135</u>

The pending material litigation against the TPB Group is a claim filed against a subsidiary of Mardec, Mardec Yala Co. Ltd., for the alleged wrongful transfer of shares and the claim for compensation of Thai Baht (THB) 110.0 million (approximately RM11.039 million). On 3 December 2007, the Court had dismissed the claim and issued a written judgment. However, the claimant has filed an appeal against the judgment of which the Court has dismissed the claims. The claimant has filed a second appeal to the Supreme Court on 30 July 2010. Pending the outcome of the second appeal expected to be given by the end of 2013, no provision has been made in the financial statements of TPB Group.

Based on available information and on the legal advices received, the Directors of Tradewinds (M) Bhd are of the view that there is a reasonable chance of defending all the above claims and therefore, no provision has been made in the financial statements of Tradewinds (M) Bhd.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.42 SIGNIFICANT EVENTS DURING THE PERIOD REPORTED

(a) In February 2011, the Board of Directors of FGVH approved a proposed corporate reorganisation Scheme to restructure and to list the Sugar Business of FGVH on the Main Market of Bursa Malaysia Securities Berhad. The proposed corporate reorganisation include the following:

(i) Declaration of special dividends on 2 March 2011:

- by MSM amounting to RM300 million to its shareholder, Felda Global Ventures Sugar Sdn. Bhd. ('FGVS');
- by KGFP amounting to RM35.0 million to its shareholders, FGVH and FHB;

(ii) Incorporation of MSM Holdings on 10 March 2011 to be the listing vehicle;

(iii) Pre-Listing Restructuring:

- Transfer of FGVP sugar cane cultivation operations in Chuping including certain assets and liabilities to KGFP for a purchase consideration of RM106.2 million, which was satisfied through the issuance of 25.4 million new KGFP shares at issue price of RM4.19 per share. FGVP had nominated FGVH to receive KGFP's shares. The excluded assets and liabilities of RM11.9 million (net), which will not be transferred, will not be included in MSM's post-reorganisation group;
- Acquisition of the entire equity interest in MSM and KGFP by MSM ('Acquisition') for a purchase consideration of RM175.9 million and RM113.1 million respectively to be satisfied by issuance of a total of 578.0 million new MSM Holdings shares at issue price of RM0.50 per share.

(iv) On 28 June 2011, MSM Holdings was listed on the Main Market of Bursa Malaysia Securities Berhad.

Following the completion of the listing, FGVH owns 51% effective equity interest in MSM Holdings, a public listed company with 100% equity interest in MSM and KGFP, including the sugar cane cultivation business of FGVP within KGFP.

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.42 SIGNIFICANT EVENTS DURING THE PERIOD REPORTED (CONTINUED)

- (b) On 30 September 2011, FGVH entered into an agreement with its ultimate holding body, FELDA to dispose its entire interest in FGVME and Felda Global Ventures Arabia Ltd. The disposal was effected by a total consideration of RM1 and redemption of RCCPS E of RM94.36 million and RCCPS F of RM10.29 million by way of a transfer of FGVH's RCPS B amounting to RM104.65 million.
- (c) On 30 September 2011, a wholly-owned subsidiary of FGVH, FGVNA acquired the other remaining 3% equity interest of TRTH, comprising 3,529 ordinary shares for a cash consideration of RM3.83 million. Consequently, FGVH's effective interest in TRTH increased from 97% to 100%.
- (d) On 14 October 2011, FGV Kalimantan, a subsidiary of FGVH, entered into a Sale and Purchase of Shares Agreement to acquire 95% interest in PT Citra Niaga Perkasa from Joko Sintrajaya for a total consideration of RM16.5 million, which will be completed upon the receipt of relevant regulatory approvals in Indonesia. To date, FGV Kalimantan has paid RM13.2 million which is 80% of the total purchase consideration.

The acquisition was completed on 27 February 2012. The impact of acquisition to the financial results to FGVH for the period to 31 March 2012 is not material. The purchase price allocation is currently being determined as of the date of this Report.

- (e) Land Lease Agreement ('LLA') between FGVH and FELDA

FGVH entered into an agreement with FELDA on 1 November 2011 to lease (i) lands with individual land titles issued to FELDA as the registered owner; (ii) existing lands granted to FELDA for development but where individual land titles have not been issued to FELDA; and (iii) other lands to be alienated or to be acquired by FELDA in the future.

The LLA will commence on 1 January 2012 or upon fulfilment of statutory approvals, whichever is later, which includes consent by the relevant State Authorities in which the lands are situated. The lease term is 99 years from the commencement date and if the current lease period is less than the lease term, FELDA shall on a best effort basis obtain an extension such that the remainder of the lease term can be completed; otherwise the lease term shall be the remaining lease period as at 1 January 2012.

Under the terms of the LLA, FGVH will have the sole and absolute control over existing and future crops and vegetation, rights to undertake replanting and receive replanting incentives from the Government of Malaysia as well as ownership and control over the infrastructure of the Plantation Estates.

This transaction has been accounted for as a business combination under common control. Under the merger method of accounting, the assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder, FELDA, at the date of transfer.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.42 SIGNIFICANT EVENTS DURING THE PERIOD REPORTED (CONTINUED)

- (f) On 9 December 2011, a wholly-owned subsidiary of FGVH, TRT ETGO entered into a joint venture agreement to acquire a 49% equity interest in Bunge ETGO GP. Inc ('Bunge ETGO') for a consideration of RM151.
- (g) On 9 December 2011, a wholly-owned subsidiary of FGVH, TRT ETGO formed a limited partnership, Bunge ETGO L.P., along with Bunge Ventures Canada L.P. ('Bunge') for a consideration of RM75.66 million and working capital loan advance of RM45.52 million. Under the terms of this limited partnership, Bunge ETGO L.P. is responsible to carry over TRT ETGO for originating oilseeds, causing such oilseeds to be processed, and marketing the resulting oil, meals, hulls and other by-products from such processing. Bunge ETGO assumes all incidental ancillary activities related to foregoing, including risk management activities such as hedging activities, forward sales and similar strategies.

9.43 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) On 2 January 2012, FGVH entered into a supplemental agreement (Addendum No.001) which is supplemental to the LLA between FGVH ('Lessee') and FELDA ('Lessor') dated 1 November 2011. The addendum shall be read together and construed as an integral part of the LLA.

The addendum includes the transfer of property, plant and equipment, current assets and current liabilities at a consideration being the audited net book value of the plantation estates as at 31 December 2011.

- (b) On 6 January 2012, FGVH incorporated Felda Global Ventures Plantations Sdn. Bhd. ('FGV Plantations'), a private limited liability company, incorporated and operating in Malaysia. The paid up capital for FGV Plantation is 2 ordinary shares of RM1 each. On 27 February 2012, FGV Plantations increased its paid up share capital to RM100,000,000 ordinary shares of RM1 each by issuance of 99,999,998 shares of RM1 each for cash.
- (c) On 6 January 2012, FGV Plantations incorporated Felda Global Ventures Plantations (Malaysia) Sdn. Bhd. ('FGVPM'), a private limited liability company, incorporated and operating in Malaysia. The paid up capital for FGVPM is 2 ordinary shares of RM1 each. On 28 February 2012, FGVPM increased its paid up share capital to RM100,000,000 ordinary shares of RM1 each by issuance of 99,999,998 shares of RM1 each for cash.
- (d) On 6 January 2012, FGVH incorporated Felda Global Ventures Downstream Sdn. Bhd. ('FGV Downstream'), a private limited liability company, incorporated and operating in Malaysia. The paid up capital for FGV Downstream is 2 ordinary shares of RM1 each.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.43 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(e) On 6 January 2012, as part of its restructuring process, FELDA, FGVH and FGVP had entered into a Novation Agreement whereby all benefits, rights, title, interest, obligations, undertakings, covenants and liabilities of FGVH under the Land Lease Agreement shall be transferred by FGVH to FGVP from 1 January 2012 and FELDA has consented to the transfer of all of FGVH's benefits, rights, title, interest, obligations, undertakings, covenants and liabilities to FGVP subject to the terms and conditions of the Novation Agreement.

(f) On 6 January 2012, FGVP, a subsidiary of FGVH, signed a tenancy agreement with FELDA whereby FELDA agreed to grant tenancy and FGVP agreed to accept tenancy of (a) all lands listed in Exhibit 1 of the Agreement for which individual land titles have been issued to FELDA but pending Approvals from the relevant authorities ('Remaining Existing Lands'); and (b) all lands listed in Exhibit 2 of the agreement for which the State Authority has granted FELDA the right to develop but individual land titles have not been issued to FELDA ('Additional Existing Lands') (the Remaining Existing Lands and Additional Existing Lands shall collectively be referred to as 'Lands'), both together measuring 336,009.70 hectares.

In the event that the Approvals for any part of the Lands are obtained from time to time or individual land titles are issued by the state authorities for any part of the Additional Existing Lands and the Approvals are obtained ('Approved Lands'), the parties will proceed to register the lease, and thereafter the Approved Lands shall be excluded from this agreement and the tenancy therein and shall fall under the lease in the Land Lease Agreement.

The Lease Consideration for the LLA is computed on the following basis for 99 years: (i) an annual fixed lease amount and (ii) 15% of yearly plantation operating profit attributable to the lands which is calculated in accordance with the terms of the LLA. The Lease Amount shall be reassessed every 20 years based on the then prevailing state land premium.

(g) On 9 January 2012, the board of directors of FELDA had approved for the conversion of RCPS and RCCPS by FGVH to FELDA into Ordinary Shares. The number of RCPS and RCCPS to be converted is 329,949,500 and 570,590,000 respectively, at a nominal value of RM0.01 and a premium of RM0.99 per share. The RCPS and RCCPS conversion has been completed as at 17 May 2012, resulting in an increase in the issued and paid share capital of FGVH from RM1,767,612,000 to RM2,668,151,500.

(h) On 18 January 2012, FGVH was converted to a public company for purpose of listing on Bursa Securities and on the same date FGVH has changed its name to Felda Global Ventures Holdings Berhad (formerly known as Felda Global Ventures Holdings Sdn. Bhd.).

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.43 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

- (i) On 20 January 2012, the Board of Directors of FGVH approved a proposed corporate reorganisation Scheme to restructure and to list FGVH on the Main Market of Bursa Malaysia Securities Berhad. This was subsequently updated by the Board of Directors on 16 April 2012 and 24 April 2012.

The corporate reorganisation includes the following:

- i. FELDA to convert all of its outstanding 329,949,500 redeemable and non-voting convertible preference shares ('RCPS') and 570,590,000 redeemable cumulative and non-voting convertible preference shares ('RCCPS') in FGVH into 900,539,500 FGVH Shares.
 - ii. Listing of FGVH on the Bursa Securities upon completion of the Pre-Listing Restructuring by undertaking the IPO which consists of an Institutional Offering and a Retail Offering, totalling up to 2,188,890,900 IPO Shares comprising (i) Offer for Sale of 1,208,890,900 shares ('Offer Shares') by FELDA ('the Selling Shareholder') and (ii) the offering of 980,000,000 new shares ('Issue Shares'), subject to clawback and reallocation provisions. This is expected to generate proceeds amounting to RM4.46 billion.
- (j) On 21 January 2012, FGVPM signed a tenancy agreement with FELDA in respect of the implementation of the LLA whereby FELDA agreed to grant tenancy and FGVPM agreed to accept tenancy of certain plantation lands measuring 19,854.42 hectares which are owned by FELDA that are subject to consideration of the special circumstances affecting the lands), which the parties have decided to segregate the tenancies of these lands.

FGVPM shall pay to FELDA an agreed consideration which reflects the Lease Consideration in accordance with the LLA.

- (k) On 17 February 2012, FGVH incorporated Pakatan Mastiara Sdn. Bhd. ('Pakatan Mastiara'), a private limited liability company, incorporated and operating in Malaysia. The paid up capital for Pakatan Mastiara is 2 ordinary shares of RM1 each. Subsequently, on 28 March 2012, Pakatan Mastiara has changed its name to Felda Global Ventures Shared Services Centre Sdn. Bhd.

9. ACCOUNTANTS' REPORT (Cont'd)



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Felda Global Ventures Holdings Berhad
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I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.43 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

- (l) On 22 February 2012, FGVPM and FPISB, a subsidiary of an associate, FHB, entered into a supply and delivery agreement for the sale of FFB produced by FGVPM on FELDA-leased land to FPISB and the purchase of CPO produced by FPISB at their mills (as defined in this agreement) that is not purchased by DOP for its own business and consumption, which is currently approximately 21,000 MT of CPO per month, by FGVPM.

In respect of the sale of FFB, FPISB shall pay FGVPM a price based on a formula comprising the relevant extraction rates of FFB and the price of the FFB, minus the processing charges and other related costs. Prices for the FFB will be based on MPOB's prices for Peninsular Malaysia or Sabah and Sarawak. In respect of the sale of CPO, FGVPM shall pay FPISB a price based on MPOB's CPO price for Peninsular Malaysia or Sabah and Sarawak.

The agreement is valid for a period of 99 years, commencing from 1 March 2012 ('Effective Date') to 28 February 2111, or such other period that the parties may mutually agree in writing, unless otherwise terminated in accordance with the terms thereof.

The parties acknowledge that FPISB shall continue to source and purchase FFB from third parties to fulfill its requirements and to maximise the utilisation factor of its mills, at its own costs, risk and expense and FPISB agrees and undertakes to indemnify and keep FGVPM harmless against any liabilities, costs, damages, disputes, demands, claims, compensations or litigations in any form whatsoever in relation to FPISB's purchase of all FFB from third parties at any time, including those prior to the Effective Date.

FGVPM or FPISB may terminate the agreement at any time without assigning any reason whatsoever, in respect of, (a) one and up to three mills, by giving 6 months prior written notice to the other party; and (b) more than three mills, by giving 24 months prior written notice to the other party.

- (m) On 12 April 2012 and 21 May 2012, FGV Downstream entered into a Sale and Purchase Agreement and Supplemental Agreement respectively with FGVH to acquire 100% interest in the ordinary shares in Felda Global Ventures North America Sdn. Bhd. ('FGVNA') 100% of the redeemable convertible preference shares and loan due to FGVH. The Sale and Purchase Agreement transaction was completed on 9 May 2012.
- (n) On 12 April 2012 and 21 May 2012, FGV Plantations entered into a Sale and Purchase Agreement and Supplemental Agreement respectively with FGVH to acquire 100% interest in the ordinary shares in FGVK, 100% of the redeemable convertible preference shares and loan due to FGVH. The Sale and Purchase Agreement transaction was completed on 9 May 2012.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.43 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

- (o) On 9 May 2012, FGVH completed an internal reorganisation involving the following transactions:
- i. Transfer of FGVH's 2 ordinary shares held in FGV Kalimantan to FGV Plantations for a purchase consideration of RM795,489; and
 - ii. Transfer of FGVH's 50,000,000 ordinary shares in FGVNA to FGV Downstream for a purchase consideration of (RM688,484,206).
- (p) On 10 May 2012, FPI and FELDA were sued by 770 settlers of Rancangan Felda Chini 1 to 5 and Rancangan Felda Chini Timur 1 to 3 in Pahang for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM24.8 million for year 2008 only. FPISB has filed Memorandum of Appearance in High Court on 16 May 2012. The case is fixed for first Case Management on 21 May 2012. The Defendants are currently in the midst of preparing the Defence.
- (q) On 14 May 2012, FGV Downstream entered into a Memorandum of Understanding with Louis Dreyfus Commodities Asia Pte. Ltd. ('LDC') with a view of exploring and evaluating the potential opportunities available to collaborate and enter into a joint venture arrangement in the trading and marketing business and also downstream assets joint venture in the oil palm industry.
- On the same date, FGVH, FELDA and LDC entered into Joint Venture Partner Investment Agreement whereby LDC has agreed to acquire the Offer Shares from FELDA, subject to the terms of the JV Partner Investment Agreement, representing 2.5% of the enlarged issued and paid-up share capital immediately following the Admission at the Institutional Price. This agreement is conditional upon the terms and condition as stipulated therein the agreement.
- (r) On 15 May 2012, FGVH entered into a Memorandum of Understanding with Vitol, S.A. to consider and discuss further the feasibility of collaboration on the supply, international trading and marketing, international logistical operations, hedging and derivatives on commodities other than oils and fats and to serve as a basis for a potential joint venture between the parties.
- (s) On 16 May 2012, FGVH's authorised share capital was increased from RM2,012,500,000 comprising 2,012,500,000 ordinary shares of RM1 each to RM4,000,000,000 comprising 4,000,000,000 ordinary shares of RM1 each and 1 special share of RM1 each.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.43 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

- (t) On 21 May 2012, the Board of Directors of FGVH approved a proposal to amend the Articles of Association of FGVH to enable the creation of a Special Share, which will be held by the Minister of Finance (Incorporated). The Special Share shall confer the following rights:
- i. The Special Shareholder shall have the right from time to time to appoint any existing Director to be a Government Appointed Director so that there shall not be more than three Government Appointed Director at any one time and such Government Appointed Directors shall hold the position of the Chairman of the Board of Directors, Managing Director/ Chief Executive Officer and one Director.
 - ii. The Special Shareholder or any person acting on behalf of the Special Shareholder shall be entitled to receive notice of and to attend and speak at all general meetings or any other meeting of any class or shareholders of FGVH, but the Special Share shall carry no right to vote or any other rights at any such meeting.
 - iii. The Special Shareholder may, subject to the provisions of the Acts, require FGVH to redeem the Special Share at par at any time by serving written notice upon FGVH and delivering the relevant share certificate.
 - iv. In a distribution of capital in a winding up of FGVH, the Special Shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other Member. The Special Share shall confer no other right to participate in the capital or profits of FGVH.
 - v. Each of the following matters shall be deemed to be a variation of the rights attaching to the Special Share and shall accordingly only be effective with the consent in writing of the Special Shareholder:
 - a. The variation of the rights attached to the Special Share as stated in this Articles of Association or the amendment, or removal, or alteration of the effect of all or any of the following Articles:
 - Article 2 - definitions of 'Special Share' and 'Special Shareholder', and
 - Article 3A and Article 80.
 - b. A proposal for the winding-up or dissolution of FGVH.
 - c. The creation or issue of any shares ('Proposed New Shares') in the capital of FGVH with voting rights attached thereto being shares with rights identical to those attaching to ordinary shares of FGVH, and which when aggregated with all other existing issued shares, the Proposed New Shares will carry the rights to cast on a poll more than 10% of the total voting rights of all members having the right to vote at general meetings of FGVH.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
 PwC/TSP/MBJ/EC/py/2018J
 21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.43 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(t) On 21 May 2012, the Board of Directors of FGVH approved a proposal to amend the Articles of Association of FGVH to enable the creation of a Special Share, which will be held by the Minister of Finance (Incorporated). The Special Share shall confer the following rights:
 (continued)

d. Any disposal by any company in FGVH (which expression in this Articles means FGVH and its subsidiaries for the time being) which, alone or when aggregated with any other disposal or disposals forming part of, or connected with the same or a connected transaction, constitutes a disposal of the whole or a material part of the assets of FGVH. A part of FGVH's assets shall only be deemed to be material if:

- the aggregate book value of the asset disposed or the aggregate value of the total consideration to be received on its disposal is more than 20% of the book value of FGVH net tangible assets (excluding goodwill and other intangibles and after deducting loan capital, long term borrowings, minority interest and amounts set aside for future taxation) represented by such shareholders' fund of FGVH;
- the average profits attributable to it are more than 20% of the average profits of FGVH.

For this purpose, the expression 'average profits' means the average of the profits before taxation excluding interest payable and similar charges and extraordinary items, for the last three financial years for which audited consolidated accounts of FGVH have been published, calculated by reference to the profits for the financial year or years for which audited consolidated accounts of FGVH have been Prepared.

e. Any take-over, merger or change in the business carried on by FGVH, which because carried on by FGVH, which because of its significance is required by the Act, the Bursa Securities or any other Exchange on which FGVH's shares are listed to be subject to approval by FGVH in general meeting.

The Special Share may be held only by or transferred only to the Minister of Finance (Incorporated) or its successor or any Minister, representative or any person authorised by the Government of Malaysia to act on its behalf.

The Special Share was issued on 21 May 2012.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
 PwC/TSP/MBJ/EC/py/2018J
 21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.43 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

- (u) On 21 May 2012, FGV Downstream entered into a Sale and Purchase Agreement with FGVH to acquire FGVH's 50% interest in the ordinary shares in FISB.
- (v) On 21 May 2012, FGVH have agreed with FHB to an arrangement for provision of management services between FGVH and FHB whereby FGVH has agreed to provide management services to FHB and to appoint FHB to provide to FGVH management support services, for the period commencing from 1 April 2012 until 31 December 2012. This arrangement is entered between FHB and FGVH at arm's length for the mutual benefit of both FGVH and FHB.
- (w) On 21 May 2012, FGVP M entered into an addendum to the tenancy agreement dated 6 January 2012 to exclude all Sarawak Lands measuring 8,280 hectares from the application of the tenancy agreement and the LLA until FGVP M has obtained the status of Native as defined in the Land Code (Cap 81) of Sarawak, obtained approval by the State Authority for the lease and registered the lease instrument.

On the same date, FGVP M entered into a Management Agreement ('MA') with FELDA in respect of the Sarawak Lands to manage the operations of these lands for a contract period of one year that is automatically renewed on a yearly basis. Throughout the contract period, FGVP M shall purchase all FFB produced on these lands, In consideration of the appointment of FELDA under the MA, FGVP M shall bear all costs, expenses and expenditures in any form whatsoever in relation to the plantation operations of the Sarawak Lands.

FGVP M shall pay a sum of (i) FFB purchase price less (ii) RM4.3million and 15% of the plantations operating profit to FELDA. FELDA in return shall pay FGVP M a management fee based on the formula above.

This agreement will take effect from 1 January 2012.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
 PwC/TSP/MBJ/EC/py/2018J
 21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.44 COMPARATIVES

The following comparatives have been reclassified to conform with financial year ended 31 December 2011 presentation which more accurately reflect the nature of the relevant transactions. FGVH's prior year result is not affected by these reclassifications.

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Statement of comprehensive income for the financial year ended 31 December 2009			
- Cost of sales	(585,063)	1,664	(583,399)
- Administrative expenses	(63,391)	(1,664)	(65,055)
- Share of results from associates	324,818	24,409	349,227
- Other operating income	37,588	(31,287)	6,301
- Finance income	-	6,878	6,878
Statement of financial position as at 31 December 2009			
- Payables	166,914	57	166,971
- Amount due to other related companies	510	(57)	453

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 Felda Global Ventures Holdings Berhad
 PwC/TSP/MBJ/EC/py/2018J
 21 May 2012

I FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH') (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.44 COMPARATIVES (CONTINUED)

The following comparatives have been reclassified to conform with current year presentation which more accurately reflects the nature of the relevant transactions. FGVH prior year result is not affected by these reclassifications.

	As previously <u>reported</u> RM'000	<u>Reclassification</u> RM'000	As <u>restated</u> RM'000
Statement of comprehensive income for the financial year ended 31 December 2010:			
- Cost of sales	2,707,877	17,660	2,725,537
- Other operating income	20,160	(12,243)	7,917
- Other operating expenses	(63,048)	17,660	(45,388)
- Finance income	-	12,243	12,243
Statement of financial position as at 31 December 2010:			
- Payables	193,038	(70,526)	122,512
- Amount due to other related companies	1,179	70,526	71,705

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/EC/py/2018J
21 May 2012

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Amintuhen Coopers'.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Thayaparan A/L S. Sangarapillai'.

THAYAPARAN A/L S. SANGARAPILLAI
(No. 2085/09/12 (J))
Chartered Accountant

9. ACCOUNTANTS' REPORT *(Cont'd)*



**The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/lh/2016J
21 May 2012**

SECTION II

FELDA HOLDINGS BHD. ('FHB')

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/lh/2016J
21 May 2012

II FELDA HOLDINGS BHD.

1 GENERAL INFORMATION

FHB was incorporated in Malaysia as a limited liability company on 6 September 1995. On 3 October 2003, FHB changed its status into a public limited liability company.

The principal activities of FHB consist of investment holding, assisting, planning, controlling, managing and providing shared services to FELDA and its related companies.

The address of the registered office and principal place of business of FHB is 9th Floor, Balai Felda, Jalan Gurney Satu, 54000 Kuala Lumpur.

The details of FHB's subsidiaries which are incorporated in Malaysia, except where as stated, are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>FHB's effective interest</u>		
			<u>2009</u> %	<u>2010</u> %	<u>2011</u> %
<u>Direct subsidiaries</u>					
Felda Palm Industries Sdn. Bhd.	Malaysia	Purchase of fresh fruit bunches, processing and sale of its finished products and investment holding	72.0	72.0	72.0
Felda Plantations Sdn. Bhd.	Malaysia	Plantation management services	51.0	51.0	51.0
Felda Transport Services Sdn. Bhd.	Malaysia	Provision of transportation services for palm oil based products	51.0	51.0	51.0
Felda Rubber Industries Sdn. Bhd.	Malaysia	Processing of raw latex to concentrated latex and Standard Malaysia Rubber ('SMR')	71.4	71.4	71.4
Felda Enterprises Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0
Felda Prodata Systems Sdn. Bhd.	Malaysia	Provision of computer services, sale of computer software and equipment	80.0	80.0	80.0

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/lh/2016J
21 May 2012**

II FELDA HOLDINGS BHD. (CONTINUED)

1 GENERAL INFORMATION (CONTINUED)

The details of FHB's subsidiaries which are incorporated in Malaysia, except where as stated, are as follows (continued):

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>FHB's effective interest</u>		
			<u>2009</u> %	<u>2010</u> %	<u>2011</u> %
<u>Direct subsidiaries (continued)</u>					
Felda Engineering Services Sdn. Bhd.	Malaysia	Engineering services including project management, sale of industrial equipment and road maintenance	51.0	51.0	51.0
Felda Security Services Sdn. Bhd.	Malaysia	Provision of security services	51.0	51.0	51.0
Felda Technoplant Sdn. Bhd.	Malaysia	Management of replanting programmes	100.0	100.0	100.0
Felda-Johore Bulkurs Sdn. Bhd.	Malaysia	Storing and handling of palm oil products	72.7	72.7	72.7
Malaysia Cocoa Manufacturing Sdn. Bhd.	Malaysia	Processing and selling of cocoa powder and cocoa butter	100.0	100.0	100.0
FPM Sdn. Bhd.	Malaysia	Manufacturing and selling of granulated compound fertilisers	100.0	100.0	100.0
F.W.Q. Enterprises (Pvt.) Ltd.*	Pakistan	Provision of jetty services	65.0	65.0	64.9
Felda Travel Sdn. Bhd.	Malaysia	Travel and tour agent	100.0	100.0	100.0
Felda Agricultural Services Sdn. Bhd.	Malaysia	Production and sale of palm oil, cocoa, rat poison, fertilisers and oil palm seeds and provision of agricultural research services	76.9	76.9	76.9

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/lh/2016J
21 May 2012**

II FELDA HOLDINGS BHD. (CONTINUED)

1 GENERAL INFORMATION (CONTINUED)

The details of FHB's subsidiaries which are incorporated in Malaysia, except where as stated, are as follows (continued):

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>FHB's effective interest</u>		
			<u>2009</u> %	<u>2010</u> %	<u>2011</u> %
<u>Indirect subsidiaries</u>					
Felda Vegetable Oil Products Sdn. Bhd.	Malaysia	Processing palm oil and its by-products	48.0	48.0	48.0
Felda Kernel Products Sdn. Bhd.	Malaysia	Processing of oil palm kernels	60.0	60.0	60.0
Felda Oil Products Sdn. Bhd.	Malaysia	Processing, packaging and marketing of finished consumer and industrial palm oil products	47.5	-	-
Delima Oil Products Sdn. Bhd.	Malaysia	Processing, packaging and distribution of finished consumer and industrial palm oil products	72.0	72.0	72.0
Felda Marketing Services Sdn. Bhd.	Malaysia	Marketing of FHB's products	36.7	36.7	36.7
Sutrajaya Shipping Sdn. Bhd.	Malaysia	Dormant	72.0	72.0	72.0
Felda Bulkera Sdn. Bhd.	Malaysia	Storing and handling export of palm oil, oleochemical products, latex concentrate and SMR	86.1	86.1	86.1
F.S. Oils Sdn. Bhd.*	Malaysia	Dormant	48.0	48.0	48.0
P.T. Patisindo Sawit #	Indonesia	Storing and handling export of vegetable oil	72.7	72.7	72.7

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/lh/2016J
21 May 2012**

II FELDA HOLDINGS BHD. (CONTINUED)

1 GENERAL INFORMATION (CONTINUED)

The details of FHB's subsidiaries which are incorporated in Malaysia, except where as stated, are as follows (continued):

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>FHB's effective interest</u>		
			<u>2009</u> %	<u>2010</u> %	<u>2011</u> %
<u>Indirect subsidiaries (continued)</u>					
Felda Grain Terminal Sdn. Bhd.	Malaysia	Handling, storage, transportation, mixing and blending of palm kernel meal and grains	60.6	70.1	70.1
Felda Properties Sdn. Bhd.	Malaysia	Property development and management of FELDA projects	51.0	51.0	51.0
Felda Construction Sdn. Bhd.	Malaysia	Provision of construction services	51.0	51.0	51.0
Felda Rubber Products Sdn. Bhd	Malaysia	Dormant	71.4	71.4	71.4
Feltex Co. Ltd.*	Thailand	Processing and marketing of latex concentrate	36.4	36.4	36.4
Felda Farm Products Sdn. Bhd.	Malaysia	Breeding and trading of cattle	51.0	51.0	51.0
Plantation Resorts Sdn. Bhd.	Malaysia	Management of resorts and recreational centre	76.9	76.9	76.9
Pericon.com Sdn. Bhd.	Malaysia	Dormant	80.0	-	-
P.T. Felda Indo Rubber *	Indonesia	Processing and marketing of latex	64.3	64.3	64.3

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/lh/2016J
21 May 2012

II FELDA HOLDINGS BHD. (CONTINUED)

1 GENERAL INFORMATION (CONTINUED)

The details of FHB's subsidiaries which are incorporated in Malaysia, except where as stated, are as follows (continued):

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>FHB's effective interest</u>		
			<u>2009</u> %	<u>2010</u> %	<u>2011</u> %
<u>Indirect subsidiaries (continued)</u>					
Allied Engineering Consultancy Services Sdn. Bhd. *¥	Malaysia	Provision of engineering consultancy services	51.0	51.0	51.0
FNI Biofuel Sdn. Bhd. *	Malaysia	Dormant	42.5	42.5	42.5
Langsat Bulkiers Sdn. Bhd.	Malaysia	Provision of bulking installation services for palm oil and related vegetable oil products	29.1	29.1	72.7

* Not audited by PricewaterhouseCoopers, Malaysia

Audited by an affiliate of PricewaterhouseCoopers, Malaysia

¥ Entity is consolidated as a special purpose entity pursuant to IC 112: Consolidation - Special Purpose Entities

Subsidiaries are all those entities over which FHB has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether FHB controls another entity.

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/lh/2016J
21 May 2012**

II FELDA HOLDINGS BHD. (CONTINUED)

2 FINANCIAL STATEMENTS AND AUDITORS

The financial statements of FHB for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 have been drawn up so as to give a true and fair view of the financial position of FHB and its financial performance and cash flows and reported on by us without qualification to the shareholders of FHB as a body in accordance with Section 174 of the Companies Act, 1965 and for no other purpose.

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT

The financial statements of FHB included in this Report have been prepared from the audited financial statements of FHB for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011.

The financial statements of FHB have been prepared under the historical cost convention unless otherwise indicated in the individual policy statements in Note 4 to this Report.

The financial statements of FHB have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards ('FRS'), the Malaysian Accounting Standards Board ('MASB') Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The preparation of financial statements in conformity with the Companies Act, 1965 and FRS, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the Directors to make 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 period. Actual results could differ from these estimates.

The preparation of the above financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying FHB's accounting policies. 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 7 to this Report.

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/lh/2016J
21 May 2012**

II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (i) New standards, amendments to published standards and interpretations, which are applicable and adopted by FHB are as follows:

Financial year ended 31 December 2009:

There were no new accounting standards which were applicable to FHB for the financial year ended 31 December 2009.

Financial year ended 31 December 2010:

- FRS 4 Insurance Contracts
- FRS 7 Financial Instruments: Disclosures
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Revised FRS 101 Presentation of Financial Statements
- Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Amendment to FRS 7 Financial Instruments: Disclosures
- Amendment to FRS 127 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives
- Amendment to FRS 132 Financial Instruments: Presentation
- Amendment to FRS 139 Financial Instruments: Recognition and Measurement
- Improvement to FRSs (2009) in connection with IASB Improvements to IFRSs in 2008
 - FRS 7 Financial Instruments: Disclosures
 - FRS 136 Impairment of Assets
 - FRS 138 Intangible Assets
 - FRS 140 Investment Property
- Improvement to FRSs in connection with IASB Improvements to IFRSs in 2009
 - FRS 107 Statement of Cash Flows
 - FRS 117 Leases
 - FRS 118 Revenue
 - FRS 136 Impairment of Asset
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/TSP/MBJ/lh/2016J
21 May 2012**

II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (i) New standards, amendments to published standards and interpretations, which are applicable and adopted by FHB are as follows (continued):

Financial year ended 31 December 2010 (continued):

The adoption of the above new/revised standards and interpretations did not have a significant financial impact on FHB and did not result in substantial changes in FHB's policies except for FRS 139, Improvement to FRS 117, FRS 7 and Revised FRS 101. The principal effects resulting from the adoption of FRS 139, Improvement to FRS 117, FRS 7 and Revised FRS 101 are discussed below:

- FRS 139 Financial Instruments: Recognition and Measurement (effective from 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances.

FRS 139 has been prospectively applied at FHB. Retrospective application is not permitted. Any adjustment of the previous carrying amount are recognised as an adjustment of the balance of retained earnings or, if appropriate, another category of equity, at the beginning of the financial year in which this standard is initially applied.

- Improvement to FRS 117 Leases (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

The adoption of FRS 117 has resulted in FHB having to reclassify certain leasehold lands to property, plant and equipment and investment properties. This change in classification has no effect on the results of FHB. The reclassification has been accounted for retrospectively in accordance with the transitional provision and prior year comparatives have been reclassified accordingly.

- FRS 7 Financial Instruments: Disclosures (effective from 1 January 2010) provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total finance income and expense as a net amount within finance costs on the face of profit or loss.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (i) New standards, amendments to published standards and interpretations, which are applicable and adopted by FHB are as follows (continued):

Financial year ended 31 December 2010 (continued):

- Revised FRS 101 Presentation of Financial Statements (effective from 1 January 2010) affects the presentation of the component of the financial statements and does not change the recognition and measurement of specific transactions. It introduces Statement of Comprehensive Income to present non-owner changes in equity separately from owner changes in equity and changes the terms Balance Sheet and Cash Flow Statement into Statement of Financial Position and Statement of Cash Flows, respectively. Other changes include presentation an additional Statement of Financial Position as at the opening of comparative period when there is retrospective adjustment, restatement or reclassification, and disclosure of information that enables users to evaluate FHB's objectives, policies and processes for managing capital.

The effects on the financial statements following the adoption FRS 139 and Improvement to FRS 117 are disclosed in Note 6 to this Report. The effects on the financial statements following the adoption of FRS 7 and Revised FRS 101 are mainly disclosures.

Financial year ended 31 December 2011:

- Revised FRS 3 Business Combinations
- Revised FRS 127 Consolidated and Separate Financial Statements
- Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Amendment to FRS 7 Financial Instruments: Disclosures
- Amendment to FRS 132 Financial Instruments Presentation: The Classification of Rights Issues
- Amendment to FRS 138 Intangible Assets
- IC Interpretation 4 Determining whether an Arrangement Contains a Lease
- IC Interpretation 17 Distribution of Non-cash Assets to Owners

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
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II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (i) New standards, amendments to published standards and interpretations, which are applicable and adopted by FHB are as follows (continued):

Financial year ended 31 December 2011 (continued):

The adoption of the above new/revised standards and interpretations did not have a significant financial impact on FHB and did not result in substantial changes in FHB's policies except for Revised FRS 3, IC Interpretation 17, Amendment for FRS 7 and IC Interpretation 4. The principal effects resulting from the adoption of Revised FRS 3, IC Interpretation 17, Amendment for FRS 7 and IC Interpretation 4 are discussed below:

- Revised FRS 3 Business Combinations (effective from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.
- IC Interpretation 17 Distribution of Non-cash Assets to Owners (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.
- Amendment to FRS 7 Financial Instruments: Disclosures (effective from 1 January 2011) enhanced the disclosure on fair value measurement using three level of fair value hierarchy and reinforces existing principles for disclosure about liquidity risk.
- IC Interpretation 4 Determining whether an Arrangement Contains a Lease (effective from 1 January 2011) requires FHB to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 Leases should be applied to the lease element of the arrangement.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (i) New standards, amendments to published standards and interpretations, which are applicable and adopted by FHB are as follows (continued):

Financial year ended 31 December 2011 (continued):

The adoption of Revised FRS 3, IC Interpretation 17 and IC Interpretation 4 does not have a significant financial impact to FHB. The effects on the financial statements following the adoption of Amendment to FRS 7 are mainly disclosures.

- (ii) New standards, amendments to published standards and interpretations to existing standards which are applicable to FHB but not yet effective and have not yet been early adopted:

Financial year ending 31 December 2012:

- Amendments to IC Interpretation 14 FRS 119 The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Revised FRS 124 Related Party Disclosures
- Amendment to FRS 112 Income Taxes
- Amendment to FRS 7 Financial Instruments

The adoption of the above new/revised standards and interpretations are discussed below:

- Amendments to IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements.

FHB will apply this standard from the financial year beginning on 1 January 2012.

- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

FHB will apply this standard from the financial year beginning on 1 January 2012.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards which are applicable to FHB but are not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2012 (continued):

- Revised FRS 124 Related Party Disclosures (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.

The adoption of FRS 124 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2012.

- Amendment to FRS 7 Financial Instruments: Disclosures on Transfers of Financial Assets (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

The adoption of Amendment to FRS 7 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2012.

- Amendment to FRS 112 Income Taxes (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. FRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in FRS 140 'Investment Property'. As a result of the amendments, IC Interpretation 121 'Income taxes - recovery of revalued non-depreciable assets' will no longer apply to investment properties carried at fair value. The amendments also incorporate into FRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

FHB will apply this standard from the financial year beginning on 1 January 2012.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards which are applicable to FHB but are not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2013:

In the financial year beginning after 1 January 2013, FHB will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ('MFRS'). MFRS 1 'First-time adoption of MFRS' provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

The impact of adoption of MFRS 1 to FHB based on mandatory exemptions and optional exceptions for first-time MFRS adoptions is pending assessment by the Directors.

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosures of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 141 Agriculture
- Amendment to MFRS 7 Financial Instruments: Disclosures
- Amendment to MFRS 101 Presentation of Items of Other Comprehensive Income
- Amendment to MFRS 119 Employee Benefits
- Revised MFRS 127 Separate Financial Statements
- Revised MFRS 128 Investments in Associates and Jointly Controlled Entities

The principal effects resulting from the adoption of MFRS 10, MFRS 11, MFRS 12, MFRS 13, MFRS 141, Amendment to MFRS 7, Amendment to MFRS 101, Amendment to MFRS 119, Revised MFRS 127 and Revised MFRS 128 are discussed below:

- MFRS 10 Consolidated Financial Statements (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 Consolidated and separate financial statements and IC Interpretation 112 Consolidation – special purpose entities.

The adoption of MFRS 10 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2013.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards which are applicable to FHB but are not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2013 (continued):

- MFRS 11 Joint Arrangements (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

The adoption of MFRS 11 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2013.

- MFRS 12 Disclosures of Interests In Other Entities (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 'Investments in associates'. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

The adoption of MFRS 12 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2013.

- MFRS 13 Fair Value Measurement (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

The adoption of MFRS 13 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2013.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards which are applicable to FHB but are not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2013 (continued):

- MFRS 141 Agriculture (effective from 1 January 2012) requires biological assets and agricultural produce at the point of harvest to be measured at fair value less costs to sell.

Upon adoption of MFRS141 on 1 January 2013, the biological assets of FHB will be fair valued and the impact of the fair value adjustment will be accounted for retrospectively by adjusting retained earnings. Subsequent changes in fair value after that date of the biological assets shall be included in profit or loss in the period in which the changes arise.

FHB will apply this standard from the financial year beginning on 1 January 2013.

- Amendment to MFRS 7 Financial instruments: Disclosures (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The adoption of Amendment to MFRS 7 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2013.

- Amendment to MFRS 101 Presentation of Items of Other Comprehensive Income (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ('OCI') in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

The adoption of Amendment to MFRS 101 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2013.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards which are applicable to FHB but are not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2013 (continued):

- Amendment to MFRS 119 Employee Benefits (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

The adoption of Amendment to MFRS 119 will not have a material impact although FHB will no longer apply the corridor method.

FHB will apply this standard from the financial year beginning on 1 January 2013.

- The Revised MFRS 127 Separate Financial Statements (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

The adoption of revised MFRS 127 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2013.

- The Revised MFRS 128 Investments in Associates and Joint Ventures (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

The adoption of revised MFRS 128 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2013.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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II FELDA HOLDINGS BHD. (CONTINUED)

3 BASIS FOR PREPARATION OF THE HISTORICAL FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (ii) New standards, amendments to published standards and interpretations to existing standards which are applicable to FHB but are not yet effective and have not yet been early adopted (continued):

Financial year ending 31 December 2014:

- Amendment to MFRS 132 Financial Instruments: Presentation (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

The adoption of Amendment to MFRS 132 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2014.

Financial year ending 31 December 2015

- MFRS 9 Financial Instruments - Classification and Measurement of Financial Assets And Financial Liabilities (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ('FVTPL'). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ('OCI').

There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 9 on impairment of financial assets and hedge accounting continues to apply.

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

The adoption of MFRS 9 will result in additional disclosure requirements for FHB.

FHB will apply this standard from the financial year beginning on 1 January 2015.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of FHB and all its subsidiaries made up to the end of the financial year. Subsidiaries are all entities over which FHB has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether FHB controls another entity.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the effective date of control obtained or up to when the effective date of control ceases, as appropriate.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with the policies adopted by FHB.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by FHB. Under the acquisition method of accounting, the cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the non-controlling interests. The excess of the cost of acquisition over the fair value of FHB's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by FHB. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Under the merger method of accounting, the results of entities or businesses under common control are presented as if the merger had been effected throughout the current and previous financial years or from the date when these entities came under the control of the common controlling party (if shorter). The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between the carrying value of the investment in the subsidiaries over the nominal value of the share acquired is taken to merger reserve and regarded as a non-distributable reserve, which is then set off against suitable reserves on the consolidated financial statements.

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

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 attribution to non-controlling interests for prior years is not restated.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and FHB's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences or other reserves that relate to the subsidiary and is recognised in profit or loss attributable to the parent.

Change in accounting policy

FHB has changed its accounting policy on business combinations and accounting for non-controlling interests when it adopted the revised FRS 3 'Business Combinations' and FRS 127 'Consolidated and Separate Financial Statements'.

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interests in the acquiree were measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of FHB was accounted for as a revaluation.

FHB has applied the new policies prospectively to transactions occurring on or after 1 January 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Non-controlling interests

FHB treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of FHB. 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 a separate reserve within equity attributable to owners of FHB.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, associates and jointly controlled entities over FHB's share of the fair value of their identifiable net assets including contingent liabilities at the date of acquisition. Goodwill on acquisition in respect of a subsidiary is included in the consolidated statement of financial position as intangible assets, or if arising in respect of an associate or jointly controlled entity, is included in investments in associates or jointly controlled entity.

Separately recognised goodwill is tested annually for impairment or if events or circumstances occur indicating that impairment may exist and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(d) Associates

Associates are those corporations, partnerships or other entities in which FHB exercises significant influence, but which it does not control or jointly control generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. FHB's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. See significant accounting policies note 4(c) on goodwill.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates (continued)

Equity accounting is discontinued when FHB ceases to have significant influence over the entity or when an associate is classified as an asset held for sale.

FHB's share of its associates' post-acquisition profits or losses after tax and non-controlling interests is recognised in profit or loss, and its share of post-acquisition movements in reserves, other than movements in non-controlling interests recorded in the associates' own consolidated financial statements is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When FHB's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, FHB does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between FHB and its associates are eliminated to the extent of FHB's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, in applying the equity method, appropriate adjustments are made to the associates' financial statements to ensure consistency with FHB's accounting policies.

(e) Jointly controlled entities

Jointly controlled entities are all those corporations, partnerships or other entities over which there is contractually agreed sharing of control by FHB with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control. FHB's interest in the jointly controlled entities is accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting is discontinued when FHB ceases to have joint control over the jointly controlled entity.

Equity accounting involves recognising FHB's share of the post acquisition results of jointly controlled entities in profit or loss and its share of post acquisition movements within reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

FHB recognises the portion of gains or losses on the sale of assets by FHB to the jointly controlled entities that is attributable to the other venturers. FHB does not recognise its share of profits or losses from the jointly controlled entities that result from the purchase of assets by FHB from the jointly controlled entities until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Jointly controlled entities (continued)

Where necessary, in applying the equity method, appropriate adjustments are made to the jointly controlled entities financial statements to ensure consistency with FHB's accounting policies.

(f) Financial assets

Classification

FHB has changed its accounting policy for recognition and measurement of financial assets upon adoption of FRS 139 'Financial instruments: Recognition and Measurement' on 1 January 2010.

Previously, short term investments are carried at the lower of cost and market value, and trade receivables are carried at invoiced amounts. FHB has applied the new policy according to the transitional provision of FRS 139 by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, of the current financial year. The impact of the change in the accounting policy is disclosed in Note 6 to this Report.

FHB classifies its financial assets in the following categories: at fair value through profit or loss, 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 its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. FHB's loans and receivables comprise trade and other receivables, loans and amounts due from related companies and cash and cash equivalents in the statement of financial position.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

(iii) Available-for-sale financial assets

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

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which FHB commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in profit or loss.

Subsequent measurement - gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 4(g)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when FHB's right to receive payments is established.

Financial assets and 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.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- FHB, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- (a) Adverse changes in the payment status of borrowers in the portfolio; and
- (b) National or local economic conditions that correlate with defaults on the assets in the portfolio.

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

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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

(ii) Assets classified as available for sale

FHB assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

FHB uses criteria and measurement of impairment loss applicable for assets carried at amortised cost' above. If, in a subsequent period, the fair value of an instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

(h) Financial liabilities

Financial liabilities within the scope of FRS 139 are recognised on the statement of financial position when, and only when, FHB becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method except for derivatives which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial liabilities (continued)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(i) 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 re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading. FHB did not apply hedge accounting during the financial year.

(j) Property, plant and equipment

Property, plant and equipment are initially stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price 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. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see significant accounting policies note 4 (ad) on borrowing costs). Storage tanks and pipelines are subsequently shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to FHB and the costs of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

As allowed by the transitional provisions of International Accounting Standard No. 16 (Revised) 'Property, Plant and Equipment' as adopted by MASB, the valuation of the previously revalued assets have not been updated and these assets shall continue to be stated at their carrying amounts less accumulated depreciation and impairment losses.

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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

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

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives as follows:

<u>Property, plant and equipment</u>	<u>Estimated useful lives (years)</u>
Leasehold land	50 to 99
Buildings and renovations	5 to 50
Improvements	5 to 50
Plant and machineries	5 to 30
Storage tanks and pipelines	10 to 20
Motor vehicles	5 to 20
Office equipment, furniture and fittings	2 to 10
Jetty	2 to 25

<u>Property, plant and equipment under grant from FELDA</u>	<u>Estimated useful lives (years)</u>
Building	50
Furniture and fittings	25
Lab and equipment	33
Motor vehicles	50
Plant and machineries	14

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale. Depreciation on assets under construction commences when the assets are ready for their intended use.

At each statement of financial position date, FHB assesses whether there is any indication of impairment. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies note 4(p) on impairment of non-financial assets. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets and are included in the profit or loss.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

The assets' residual values and estimated useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

At each statement of financial position date, FHB assesses whether there is any indication of impairment. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies note 4(p) on impairment of non-financial assets. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets and are included in profit or loss.

An intangible asset shall be recognised if, and only if:

- (i) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- (ii) the cost of the asset can be measured reliably.

An intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

(l) Investment properties

Investment properties, principally comprising freehold land and buildings, are held for long-term rental yields or capital appreciation and are not occupied by FHB. Investment properties are carried at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Freehold land that is classified as investment property is not depreciated. Buildings are depreciated between 30 to 50 years.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(m) Non current assets (or disposal groups) held for sale

Non current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Biological assets

(i) Livestock

All direct costs for livestock are accumulated until it matures. Subsequent to that, the costs that have been capitalised are amortised based on a straight line method over its expected useful productive life. The estimate maturity period and amortisation rate for livestock are as follows:

<u>Livestock</u>	<u>Estimated maturity periods (years)</u>	<u>Amortisation rate</u>
Bulls	3 years	4 years
Cows	3 years or when they reproduce, whichever earlier	7 years
Dogs	1 year	8 years

(ii) Plantations

Planting development costs comprises new planting development costs which are accounted for under the capital maintenance method. Under the capital maintenance method, development costs incurred (for example land clearing and upkeep of trees) up to the maturity period of 3 years is capitalised and not amortised, and are shown as a non-current asset net of accumulated impairment losses. Replanting expenses are charged to the profit or loss in the year in which they are incurred.

When the planted area is replanted with a different crop, the previously capitalised development costs is expensed off in the profit or loss and a new planting development costs in respect of the new crop is capitalised.

(iii) Orchards

Orchards are planted with fruit trees and maintained for sale purposes. The upkeep and maintenance incurred and the upkeep of the fruit trees are capitalised until it reaches a certain maturity level. Once it reaches a mature stage, the cost of upkeep and maintenance is charged to profit or loss.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. The significant accounting policy for impairment of non-financial assets is stated in Note 4(p).

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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average and first-in first-out basis.

The cost of finished goods and work-in-progress comprise raw materials cost, direct labour, other direct costs and related production overheads (based on normal operating capacity). Cost of raw materials, chemicals and store and replaceable products includes purchase costs and cost of bringing the inventories to their present location and condition.

Nursery expenditure is divided into two, immature seedling aged less than 12 months and mature seedling aged more than 12 months. Nursery expenditure for immature seedling is included as part of work-in-progress in inventories and nursery expenditure for mature seedling is charged to profit or loss.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(p) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful lives, 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 asset's carrying amount exceeds its recoverable amount. The impairment loss is charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets are reviewed for possible reversal of impairment at each reporting date.

(q) Research and development expenses

All expenses relating to research and development are charged to profit or loss as and when incurred. Development expenses in respect of a project are only capitalised as intangible assets when the following conditions are met:

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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Research and development expenses (continued)

- the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably;
- the technical feasibility of the product or process can be demonstrated;
- FHB intends to produce and market, or use, the product or process;
- the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated; and
- adequate resources exists or their availability can be demonstrated, to complete the project and to market or use the product or process.

Development expenses that have been capitalised are amortised from the commencement of commercial production of the product to which they relate on the straight line basis over the period of its expected benefit.

The useful life and amortisation of capitalised development expenses are assessed annually.

(r) Zakat

FHB recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised as and when FHB has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a subsidiary has been in operation for at least 12 months, i.e. for the period known as 'haul (eligible period)'.

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for 2011 is 2.5% of the zakat base. The zakat base of FHB is determined based on the profit after tax of eligible companies within FHB after deducting dividend income and certain non operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

(s) Income taxes

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the statement of financial position date.

Deferred tax is provided for, using the 'liability method', on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 and unused tax losses can be utilised.

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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income taxes (continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in reserve, in which case the deferred tax is also recognised directly in reserve.

(t) Construction contracts

Contracts costs are recognised when incurred. When the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised over the period of the contract as revenue and expenses respectively. FHB uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract.

When the outcome of construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; contract costs are recognised when incurred.

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

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on construction contracts under trade receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on construction contracts under trade, other payables and accruals.

(u) Property development activities

Land held for property development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as a non-current asset and is stated at cost less accumulated impairment losses.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Property development activities (continued)

Land held for property development (continued)

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. 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 under Note 4(p) on impairment of non-financial assets.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities can be completed within FHB's normal operating cycle of 2 to 4 years.

Property development costs

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

When the outcome of the development activity can be estimated reliably, property development revenue and expenses are recognised by using the stage of completion method. The stage of completion method is measure by reference to the proportion that property development costs incurred bear to the estimated total costs for the property development.

When the outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable; property development costs on the development units sold are recognised when incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, the expected loss is recognised as an expense immediately.

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

Where revenue recognised in the profit or loss exceeds billings to purchasers, the balance is shown as accrued billings under trade receivables (within current assets). Where billings to purchasers exceed revenue recognised in profit or loss, the balance is shown as progress billings under trade, other payables and accruals (within current liabilities).

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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'other operating expenses'. All other foreign exchange gains and losses are presented in profit or loss within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

Group companies

The results and financial position of all 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:

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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies (continued)

- (i) 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;
- (ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) 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 entities and of borrowings are taken to exchange differences within shareholders' equity. When a foreign operation is sold, such exchanges differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(w) Government grants

Replanting grants from FELDA

The replanting grant programme introduced by FELDA is to finance the replanting of FELDA settlers' land. Such grants are prepaid by FELDA for a three-year replanting programme. The accumulated replanting expenditure incurred by FHB on behalf of FELDA settlers for the year is deducted from the total grant received at year end.

Capital grants from FELDA

Grants received to finance property, plant and equipment are credited to the statement of financial position and amortised over the period of the related assets' useful lives or until the assets are disposed or written off.

Grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to FHB and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue from sales of goods

Revenue from sale of goods is recognised upon the delivery of goods net of sales taxes, rebates and discounts. The revenue is recognised when significant risks and rewards from ownership of the goods are transferred to the buyer.

Subsidy receivable from the Government of Malaysia for the goods sold relates to the difference between estimated market price and the controlled price determined by the Government for sale of cooking oil in the domestic market limited to the amount agreed with the Government on an annual basis. This subsidy is credited to the profit or loss and recognised as part of revenue in the accounting period in which the corresponding sales of goods are recognised.

(ii) Revenue from rendering of services

Revenue from sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific service which is assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Finance income

Finance income is recognised using the effective interest method. When a loan or receivable is impaired, FHB reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as finance income. Finance income on impaired loan and receivables are recognised using the original effective interest rate.

(iv) Dividend income

Dividend income is recognised when the shareholders' right to receive is established.

(y) Dividend distribution

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(aa) Operating leases

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

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

Initial direct costs incurred by FHB in negotiating and arranging operating leases are recognised in profit or loss when incurred.

Following the adoption of the improvement to FRS 117 'Leases', leasehold land in which FHB has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Refer to Note 6 to this Report for the impact of this change in accounting policy.

Payments for rights to use land and buildings over a predetermined period if meets the requirement of an operating lease, are classified as prepaid lease payments and are stated at cost less accumulated amortisation and accumulated impairment losses. The prepaid lease payments are amortised on a straight line basis over lease periods ranging from 15 to 49 years.

(ab) Finance leases

Leases of assets where FHB assumes substantially all benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as finance lease liabilities under term loans. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the incremental borrowing rate is used.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Finance leases (continued)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ac) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which FHB pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred.

As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ('EPF').

(iii) Defined benefit plan

A defined benefit plan is a retirement plan that defines an amount of retirement benefits to be paid, usually as a function of one or more factors such as age, years of service or compensation.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Employee benefits (continued)

(iii) Defined benefit plan (continued)

FHB operates a non-funded defined benefit retirement plan. Under the plan, retirement benefits are determinable by reference to employees' earnings, designation and years of service and payable upon attaining the normal retirement age. The liabilities in respect of defined benefit plans are the present value of the defined benefit obligations at the statement of financial position date together with adjustments for actuarial gains/losses and past service cost. FHB determines the present value of the defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the statement of financial position date.

The defined benefit obligations, calculated using the projected unit credit method, are determined by independent actuaries considering the estimated future cash outflows using market yields at the statement of financial position date of government securities which have currency and terms to maturity approximating the terms of the related liabilities.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in profit or loss are determined by the corridor method in accordance with FRS 119 'Employee Benefits' and are charged or credited to profit or loss over the average remaining service lives of the related employees participating in the defined benefit plans.

(iv) Termination benefits

FHB pays termination benefits in cases of termination of employment within the framework of a restructuring. Termination benefits are recognised as a liability and an expense when FHB has an approved detailed formal plan for the termination without realistic possibility of withdrawal.

(ad) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Borrowings (continued)

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

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

Borrowing costs incurred to finance qualifying assets are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the assets for their intended use. All other borrowing costs are expensed as incurred.

(ae) Share capital

(i) Classification

Ordinary shares and special share with discretionary dividends are classified as equity.

(ii) Share issue costs

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

(af) Contingent liabilities

FHB 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 uncertain future events beyond the control of FHB 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 situation where there is a liability that cannot be recognised because it cannot be measured reliably.

(ag) Provisions

Provisions are recognised when:

- FHB has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ag) Provisions (continued)

Where FHB expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

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

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

5 RISK MANAGEMENT POLICIES

(a) Risk management policies

FHB is exposed to market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk arising from its business activities. FHB's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on FHB financial performance. FHB uses relevant financial instruments to hedge the risk of such commercial exposure. Such financial instruments are not held for trade or speculative purposes.

The Board of Directors has overall responsibility for the oversight of financial risk management which include risk identification, operational or strategic, and the subsequent action plans to manage these risks. The management is responsible for identifying, monitoring and managing FHB's risk exposures.

Market risk

(i) Foreign currency risk

Currency risk arises when transactions are denominated in foreign currencies. FHB is exposed to foreign currency exposure from its purchases of fertilizer and sale of crude palm oil which are mainly in United States Dollars ('USD').

FHB manages its currency exposure through currency forward contracts.

9. ACCOUNTANTS' REPORT (Cont'd)



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- II FELDA HOLDINGS BHD. (CONTINUED)
- 5 RISK MANAGEMENT POLICIES (CONTINUED)
- (a) Risk management policies (continued)

- (i) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

A 5% strengthening/weakening of the USD against the RM at the statement of financial position date would have a profit after tax impact of approximately RM41,952,000 (2010: RM10,001,000, 2009: RM2,911,000) higher / lower to FHB. The analysis assumes that all other variables remain constant.

- (ii) Price risk

Price risk is the risk that the fair value or future cash flows of FHB's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

Equity price risk:

FHB is exposed to equity price risk arising from its investment in quoted and unquoted equity instruments. The quoted equity investments are listed on the Bursa Malaysia and foreign stock exchanges and classified as available-for-sale financial assets or financial asset at fair value through profit or loss based on the purpose for which the quoted equity investments were acquired. Unquoted investments are valued using the Price Earnings (PE)/Price to Book (PB) comparative method and classified as available-for-sale financial asset. The sensitivity analysis in relation to equity price risk is as follows:

Financial assets	Sensitivity factor	2010		2011	
		Impact to PAT RM'000	Impact to equity RM'000	Impact to PAT RM'000	Impact to equity RM'000
Available-for-sale - unquoted	Comparable PE multiple and PB multiple variance by 5%	-	6,636	-	7,547
- quoted	Share price variance by 5%	-	2,803	-	4,203
Fair value through profit or loss -quoted	Share price variance by 5%	736	736	1,009	1,009
Total impact		736	10,175	1,009	12,759

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II FELDA HOLDINGS BHD. (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Risk management policies (continued)

(ii) Price risk (continued):

Commodity price risk

The price of oil palm fresh fruit produce is dependent on Crude Palm Oil prices which are subject to fluctuations due to unpredictable factors such as weather, change of global demand, global production, crude oil prices and global production of similar and competitor's crops. During the normal course of business, the values of FHB's open sales of oil palm fresh fruit produce changes continuously in line with the movement of the Crude Palm Oil price. The revenue of FHB is subject to price fluctuations in the commodity market. FHB uses palm oil futures contracts and cocoa bean futures contracts to mitigate such risk.

As at 31 December 2011, a 5% increase/decrease in the oil palm commodity price index, with all other variables held constant, would have an impact on FHB's profit after tax by RM1,858,000 (2010: RM15,944,000, 2009: RM7,143,000) higher or RM761,000 (2010: RM6,568,000, 2009: RM7,382,000) lower respectively. A 5% increase/decrease in the cocoa bean commodity price index, with all other variable held constant, would have an impact on FHB's profit after tax by RM9,000,000 (2010: RM9,095,000, 2009: RM7,950,000) higher or lower.

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. FHB's income and operating cash flows are not materially impacted by changes in market interest rates. Interest rate exposure arises from fixed deposits and cash at bank as well as from long term borrowings. All borrowings are issued at variable rates, thus FHB is exposed to cash flow interest rate risk which is partially offset by cash held at variable rates. FHB is not exposed to fair value interest rate risk as all its borrowings from financial institution and from/to related companies are not classified as available-for-sale or fair value through profit and loss.

At 31 December 2011, if interest rates on its floating rate borrowings had been 10 basis points higher or lower with all other variables held constant, FHB profit after tax for the financial year will decrease or increase by approximately RM415,000 (2010: RM1,243,000, 2009: RM512,000).

9. ACCOUNTANTS' REPORT (Cont'd)



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- II FELDA HOLDINGS BHD. (CONTINUED)
- 5 RISK MANAGEMENT POLICIES (CONTINUED)
- (a) Risk management policies (continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to FHB. FHB adopts the policy of dealing with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The financial assets exposure can be illustrated as follows:

	Financial assets RM'000	Collateral held as security RM'000	Net exposure RM'000
2009			
Trade receivable	686,579	345,655	340,924
Other receivable	87,376	-	87,376
Amount due from FELDA	388,305	-	388,305
Amount due from a shareholder	33,833	-	33,833
2010			
Trade receivable	1,197,422	749,678	447,744
Other receivable	69,514	-	69,514
Amount due from FELDA	149,942	-	149,942
Amount due from a shareholder	19,133	-	19,133
2011			
Trade receivable	1,441,062	650,933	790,129
Other receivable	87,922	-	87,922
Amount due from FELDA	317,072	-	317,072
Amount due from a shareholder	1,127	-	1,127

In addition, the trade receivable exposure is continuously closely monitored and followed up by finance and marketing department. FHB generally has no significant concentration of credit risk due to the large number of customers, except for amount due from FELDA of which has no history of default. FHB's bank and cash balances were largely placed with major financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions including those non-rated financial institutions of which certain fixed deposits have been placed, is remote on the basis of their financial strength.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Risk management policies (continued)

Liquidity risk

Liquidity risk is the risk that FHB will encounter difficulties in meeting its obligations due to shortage of funds. FHB maintains a sufficient level of cash and cash equivalents to meet FHB's working capital requirements by closely monitoring its cash flows. Due to the nature of its business, FHB adopts prudent liquidity risk management in maintaining and obtaining sufficient credit facilities from financial institutions.

The table below summaries the maturity profile of FHB's financial liabilities based on the remaining contractual period at the statement of financial position date. The amounts disclosed in the table are based on contractual undiscounted cash flows.

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>At 31 December 2009</u>					
Terms loans	1,075	1,119	1,119	1,119	4,432
Borrowings (excluding finance lease liabilities)	677,826	-	-	-	677,826
Trade and other payables	896,525	-	-	-	896,525
Amount due to FELDA	521,531	-	-	-	521,531
Total undiscounted financial liabilities	2,096,957	1,119	1,119	1,119	2,100,314

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Risk management policies (continued)

Liquidity risk (continued)

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>At 31 December 2010</u>					
Terms loans	1,075	1,849	4,206	2,944	10,074
Borrowings (excluding finance lease liabilities)	981,107	-	-	-	981,107
Trade and other payables	798,976	-	-	-	798,976
Amount due to FELDA	589,090	-	-	-	589,090
Derivative financial liabilities	1,182,298	-	-	-	1,182,298
Total undiscounted financial liabilities	<u>3,552,546</u>	<u>1,849</u>	<u>4,206</u>	<u>2,944</u>	<u>3,561,545</u>
<u>At 31 December 2011</u>					
Terms loans	1,075	2,195	5,687	-	8,957
Borrowings	1,142,170	-	-	-	1,142,170
Trade and other payables	1,028,049	-	-	-	1,028,049
Amount due to FELDA	592,775	-	-	-	592,775
Derivative financial liabilities	1,228,858	-	-	-	1,228,858
Total undiscounted financial liabilities	<u>3,992,927</u>	<u>2,195</u>	<u>5,687</u>	<u>-</u>	<u>4,000,809</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Risk management policies (continued)

Liquidity risk (continued)

FHB maintains sufficient liquidity by closely monitoring its cash flows. Any surplus cash held over and above balances required for working capital management are invested in interest bearing current and fixed deposits with appropriate maturities to provide sufficient headroom as determined by its projected cash flows.

As at the statement of financial position date, the remaining contractual maturity periods for all of FHB's financial liabilities are within a period of less than 1 year.

(b) Capital risk management policies

The primary objective of FHB's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

FHB manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, FHB may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011.

FHB monitors capital using a gearing ratio, which is total debt divided by total equity attributable to the owners of FHB. FHB includes term loan and borrowings within its total debt. Total equity attributable to owners of FHB includes share capital and reserves.

The gearing ratios analysis for FHB is as disclosed below:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Total debt	683,201	990,887	1,150,875
Equity attributable to owners of FHB	3,331,753	3,474,627	3,595,594
Gearing ratio	<u>21%</u>	<u>29%</u>	<u>32%</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)
 5 RISK MANAGEMENT POLICIES (CONTINUED)
 (c) Fair value estimation

Effective 1 January 2011, FHB adopted the Amendment to FRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents FHB's assets and liabilities that are measured at fair value at 31 December 2010 and 31 December 2011. There was no fair valuation of assets as at 31 December 2009.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total balance RM'000
<u>As at 31 December 2010</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Derivatives	20,117	14,519	-	34,636
- Trading securities	19,631	-	-	19,631
Available-for-sale financial assets				
- Equity securities	56,513	-	137,357	193,870
Total assets	<u>96,261</u>	<u>14,519</u>	<u>137,357</u>	<u>248,137</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
- Derivatives	4,314	85	-	4,399
Total liabilities	<u>4,314</u>	<u>85</u>	<u>-</u>	<u>4,399</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(c) Fair value estimation (continued)

The following table presents FHB's assets and liabilities that are measured at fair value at 31 December 2010 and 31 December 2011. There was no fair valuation asset as at 31 December 2009 (continued).

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	balance
				RM'000
<u>As at 31 December 2011</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
- Derivatives	-	1,874	-	1,874
- Trading securities	26,907	-	-	26,907
Available-for-sale financial assets				
- Equity securities	84,066	-	156,688	240,754
Total assets	<u>110,973</u>	<u>1,874</u>	<u>156,688</u>	<u>269,535</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
- Derivatives	56	12,518	-	12,574
Total liabilities	<u>56</u>	<u>12,518</u>	<u>-</u>	<u>12,574</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by FHB is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed in Bursa Malaysia Securities Berhad, classified as trading securities or available-for-sale and commodity derivatives quoted on an established commodity exchange.

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II FELDA HOLDINGS BHD. (CONTINUED)

5 RISK MANAGEMENT POLICIES (CONTINUED)

(c) Fair value estimation (continued)

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forward contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table present the changes in level 3 instruments for the financial year:

	Available for sale financial assets - Equity security		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
1 January	-	128,147	137,357
Additions	-	4,630	1,110
Gain transferred to available-for-sale reserves	-	4,580	18,220
31 December	-	137,357	156,687

Sensitivity analysis in relation to equity securities classified as available-for-sale financial assets under level 3 is disclosed in Note 5(a)(ii). The carrying amounts of financial assets and financial liabilities as reflected in the statement of financial position approximate their fair values.

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II FELDA HOLDINGS BHD. (CONTINUED)

6 EFFECTS OF THE ADOPTION OF NEW FINANCIAL REPORTING STANDARDS

Financial year ended 31 December 2010

The following tables disclose the impact of the adoption of FRS 139 and Amendments to FRS 117 on the financial statements of FHB as highlighted in Note 3 of Notes to this Report.

(a) Impact on FHB's statement of financial position

	<u>Balances as at 31 December 2008</u>		
	As previously <u>reported</u> RM'000	<u>FRS 117</u> RM'000	As <u>restated</u> RM'000
<u>Non-current assets</u>			
Property, plant and equipment (Note 9.10):			
Cost	3,877,609	144,652	4,022,261
Accumulated depreciation	(2,493,470)	(36,578)	(2,530,048)
Net book value	<u>1,384,139</u>	<u>108,074</u>	<u>1,492,213</u>
Investment properties (Note 9.13):			
Cost	41,912	1,655	43,567
Accumulated depreciation	(17,182)	(381)	(17,563)
	<u>24,730</u>	<u>1,274</u>	<u>26,004</u>
Prepaid lease payments (Note 9.21):			
Cost	210,493	(146,307)	64,186
Accumulated amortisation and impairment losses	(57,321)	36,959	(20,362)
	<u>153,172</u>	<u>(109,348)</u>	<u>43,824</u>

The adoption of FRS 117 has resulted in FHB having to reclassify certain leasehold lands to property, plant and equipment and investment properties. This change in classification has no effect on the results of FHB. The reclassification has been accounted for retrospectively in accordance with the transitional provision and prior year comparatives have been reclassified accordingly.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

6 EFFECTS OF THE ADOPTION OF NEW FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Impact on FHB's statement of financial position (continued)

	Balances as at 31 December 2009			Balances as at 1 January 2010	
	As previously reported RM'000	FRS 117 RM'000	As restated RM'000	FRS 139 RM'000	As adjusted RM'000
<u>Non-current assets</u>					
Property, plant and equipment (Note 9.10):					
Cost	3,944,828	144,652	4,089,480	-	4,089,480
Accumulated depreciation	(2,359,456)	(36,578)	(2,396,034)	-	(2,396,034)
	<u>1,585,372</u>	<u>108,074</u>	<u>1,693,446</u>	<u>-</u>	<u>1,693,446</u>
Investment properties (Note 9.13):					
Cost	49,229	1,655	50,884	-	50,884
Accumulated depreciation	(17,184)	(381)	(17,565)	-	(17,565)
	<u>32,045</u>	<u>1,274</u>	<u>33,319</u>	<u>-</u>	<u>33,319</u>
Prepaid lease payments (Note 9.21):					
Cost	221,863	(146,307)	75,556	-	75,556
Accumulated depreciation	(60,123)	36,959	(23,164)	-	(23,164)
	<u>161,740</u>	<u>(109,348)</u>	<u>52,392</u>	<u>-</u>	<u>52,392</u>
Available-for-sale financial assets	-	-	-	98,004	98,004
Long term investment	69,087	-	69,087	(69,087)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,917</u>	<u>29,917</u>
<u>Current assets</u>					
Trade receivables	663,090	-	663,090	(18)	663,072
Other receivables	110,865	-	110,865	(4,089)	106,776
Inventories	1,252,107	-	1,252,107	(1,919)	1,250,188
Amount due from a shareholder	33,833	-	33,833	(23,553)	10,280
Financial assets at fair value through profit and loss	-	-	-	9,034	9,034
Derivative financial assets	-	-	-	2,064	2,064
Short term investment	19,429	-	19,429	(19,429)	-

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

6 EFFECTS OF THE ADOPTION OF NEW FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Impact on FHB's statement of financial position (continued)

	Balances as at 31 December 2009			Balances as at 1 January 2010	
	As previously reported RM'000	FRS 117 RM'000	As restated RM'000	FRS 139 RM'000	As adjusted RM'000
Current liabilities					
Other payables and accruals	896,525	-	896,525	(5,097)	891,428
Derivative financial liabilities	-	-	-	13,379	13,379
Reserves					
Retained earnings	3,042,654	-	3,042,654	(29,113)	3,013,541
Available-for-sale reserve	-	-	-	16,180	16,180
Non controlling interests	921,587	-	921,587	(4,342)	917,245

FRS 139 has been prospectively applied at FHB. Retrospective application is not permitted. Any adjustment of the previous carrying amount are recognised as an adjustment of the balance of retained earnings or, if appropriate, another category of equity, at the beginning of the financial year in which this standard is initially applied.

	Increase/ (decrease) to balances as at 31 December 2010		
	FRS 117 RM'000	FRS 139 RM'000	Total RM'000
Non-current assets			
Property, plant and equipment	101,487	-	101,487
Investment properties	1,088	-	1,088
Prepaid lease payments	(102,575)	-	(102,575)
Available-for-sale financial assets	-	1,967	1,967
Current assets			
Financial assets at fair value through profit and loss	-	1,095	1,095
Derivative financial assets	-	20,606	20,606
Current liabilities			
Derivative financial liabilities	-	(8,980)	(8,980)

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

6 EFFECTS OF THE ADOPTION OF NEW FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Impact on FHB's statement of financial position (continued)

	Increase/ (decrease) to balances as at 31 December 2010		
	<u>FRS 117</u>	<u>FRS 139</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>Reserves</u>			
Retained earnings	-	30,681	30,681
Available-for-sale reserves	-	1,690	1,690
Non-controlling interests	-	277	277
	<u> </u>	<u> </u>	<u> </u>

(b) Impact on FHB's statement of comprehensive income

	<u>For the financial year ended 31 December 2009</u>		
	<u>As previously reported</u>	<u>FRS 139</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Other losses-net	-	(29,113)	(29,113)
Other comprehensive income:			
Available-for-sale financial asset	-	16,180	16,180
	<u> </u>	<u> </u>	<u> </u>

	<u>Increase/(decrease) for the financial year ended 31 December 2010</u>	
	<u>FRS 139</u>	
	RM'000	
Other gains-net	30,681	
Other comprehensive income:		
Available-for-sale financial asset	1,690	
	<u> </u>	

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

- (a) Impairment of property, plant and equipment, prepaid lease payments and investment properties

FHB tests property, plant and equipment, prepaid lease payments and investment properties for impairment if there are any indicators of impairment. Management have assessed that certain palm oil mills, transportation depots and freehold land may be potentially impaired or impairments in previous financial years may be reversible. The recoverable amounts of cash generating units were determined based on value in use calculations and fair values less costs to sell where appropriate. Based on these calculations, a total impairment charge of RM1,922,229 (2010: RM2,063,088, 2009: RM540,565), and a reversal of impairment amounting to RM1,160,756 (2010: RM1,443,991, 2009: RM25,662,997) were recognised.

- (b) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgment regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. The amount of deferred tax assets on tax losses not recognised amounted to RM6,591,000 (2010: RM15,158,000, 2009: RM Nil).

- (c) Provision for defined benefit plan

The present value of the pension obligations depends on a number of factors that determined on an actual basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension obligations.

FHB determine the appropriate discount rate at the end of each year. It is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, FHB considers the interest rate of high-quality corporate bonds denominated in the currency which the benefit will be paid and that have terms to maturity approximating the terms of related pension obligation.

9. ACCOUNTANTS' REPORT (Cont'd)



**The Board of Directors
Felda Global Ventures Holdings Berhad
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II FELDA HOLDINGS BHD. (CONTINUED)

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Provision for defined benefit plan (continued)

Key assumptions used in estimating the future obligations of FHB arising from the retirement benefits scheme are disclosed in Note 9.35 to this Report.

Where the discount rate used increased/decreased by 1% from managements' estimate, the carrying amount of the pension obligations would be lower by RM5,952,000 or higher by RM7,332,000.

(d) Construction contracts

FHB recognises contract revenue based on percentage of completion method. The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Significant judgment is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgments, FHB relies on past experience and work of specialists.

(e) Fair value of unquoted available-for-sale financial assets

The fair value of unquoted available-for-sale financial assets is determined by using comparative Price Earnings (PE)/Price to Book (PB) multiple methods. FHB uses its judgement to make assumptions that are mainly based on market conditions existing at the end of each reporting period. See financial risk management objective and policies Note 5 (a)(ii) on the sensitivity analysis.

(f) Impairment of available-for-sale financial assets

FHB follows the guidance of FRS 139 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, FHB evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

As at 31 December 2010 and 31 December 2011, the fair value of all available-for-sale financial assets were above cost.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS

8.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Financial year ended 31 December		
		2009 RM'000	2010 RM'000	2011 RM'000
Revenue	9.1	11,964,582	15,130,683	18,998,578
Cost of sales		(10,679,677)	(13,988,635)	(17,556,696)
Gross profit		1,284,905	1,142,048	1,441,882
Other operating income	9.2	127,041	228,194	129,475
Selling and distribution costs		(182,646)	(163,491)	(185,366)
Administrative expenses		(458,585)	(485,800)	(505,193)
Other operating expenses		(38,533)	(44,810)	(29,574)
Other gains/ (losses) - net	9.3	-	30,681	(11,322)
Finance costs	9.4	(16,092)	(25,007)	(41,259)
Finance income	9.4	28,222	37,437	64,838
Share of results from associates	9.15	42,574	35,445	55,289
Share of results from jointly controlled entities	9.16	17,421	5,406	7,415
Profit before zakat and taxation	9.5	804,307	760,103	926,185
Zakat	9.7	(14,184)	(18,105)	(10,973)
Taxation	9.8	(178,519)	(127,758)	(193,220)
Profit for the financial year		611,604	614,240	721,992
Other comprehensive income:				
Available-for-sale reserve		-	1,967	45,682
Currency translation differences		(5,112)	(8,311)	161
		(5,112)	(6,344)	45,843
Total comprehensive income for the financial year		606,492	607,896	767,835
Profit attributable to:				
Owners of FHB		443,225	434,320	566,354
Non-controlling interests		168,379	179,920	155,638
		611,604	614,240	721,992
Dividend per share (sen) paid (interim)	9.9	174.3	122.4	276.5
Total comprehensive income attributable to:				
Owners of FHB		434,771	429,613	608,907
Non-controlling interests		171,721	178,283	158,928
		606,492	607,896	767,835

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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II FELDA HOLDINGS BHD. (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Note	2009	2010	2011
		RM'000	RM'000	RM'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	9.10	1,693,446	1,874,627	2,036,920
Intangible assets	9.11	4,517	4,576	10,607
Property, plant and equipment under grant from FELDA	9.12	14,534	14,155	13,752
Investment properties	9.13	33,319	32,822	31,047
Interests in associates	9.15	510,587	506,500	451,592
Interests in jointly controlled entities	9.16	33,587	33,471	41,299
Amount due from a shareholder	9.26	134,973	100,499	-
Available-for-sale financial assets	9.17	-	193,870	240,754
Long term investments	9.19	69,087	-	-
Biological assets	9.20	62,042	59,148	55,953
Prepaid lease payments	9.21	52,392	49,369	46,787
Deferred tax assets	9.22	48,358	43,872	44,386
Other receivables		-	7,113	3,038
		<u>2,656,842</u>	<u>2,920,022</u>	<u>2,976,135</u>
<u>Current assets</u>				
Inventories	9.23	1,252,107	1,119,774	1,220,784
Biological assets	9.20	18,205	2,029	3,196
Trade receivables	9.24	686,579	1,197,422	1,441,062
Other receivables, deposits and prepayments	9.25	87,376	69,514	87,922
Tax recoverable		56,308	65,217	31,815
Amount due from ultimate holding company	9.26	83	463	178
Amount due from FELDA	9.26	388,305	149,942	317,072
Amount due from a shareholder	9.26	33,833	19,133	1,127
Amount due from associates	9.26	76,116	55,374	40,999
Loan due from an associate	9.27	-	3,158	2,410
Financial assets at fair value through profit or loss	9.18	-	19,631	26,907
Derivative financial assets	9.28	-	34,636	1,874
Short term investments	9.29	19,429	-	-
Fixed deposits	9.30	1,046,349	1,044,672	1,349,373
Cash and bank balances	9.30	201,914	313,668	203,505
Assets held for sale	9.31	28,389	289	-
		<u>3,894,993</u>	<u>4,094,922</u>	<u>4,728,224</u>
Total assets		6,551,835	7,014,944	7,704,359

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		As at 31 December		
	Note	2009 RM'000	2010 RM'000	2011 RM'000
EQUITY AND LIABILITIES				
<u>Capital and reserves</u>				
Share capital	9.32	220,000	220,000	220,000
Reserves	9.33	3,111,753	3,254,627	3,375,594
Equity attributable to owners of FHB		3,331,753	3,474,627	3,595,594
Non-controlling interests		921,587	941,235	986,371
Total equity		4,253,340	4,415,862	4,581,965
<u>Non-current liabilities</u>				
Term loans	9.34	4,300	8,705	7,630
Deferred tax liabilities	9.22	125,876	148,529	171,563
Provision for defined benefit plan	9.35	20,553	21,919	39,933
Replanting grant from FELDA	9.36	10,453	10,811	63,220
Capital grant from FELDA	9.37	17,534	17,155	16,752
		178,716	207,119	299,098
<u>Current liabilities</u>				
Trade, other payables and accruals	9.38	896,525	798,976	1,028,049
Amount due to a shareholder	9.26	-	419	1,971
Amount due to FELDA	9.26	521,531	589,090	592,775
Amount due to an associate	9.26	-	55	-
Dividend payables		-	-	29,400
Derivative financial liabilities	9.28	-	4,399	12,574
Term loans	9.34	1,075	1,075	1,075
Borrowings	9.39	677,826	981,107	1,142,170
Current tax liabilities		18,033	16,842	15,282
Liabilities directly associated with assets classified as held for sale	9.31	4,789	-	-
		2,119,779	2,391,963	2,823,296
Total liabilities		2,298,495	2,599,082	3,122,394
Total equity and liabilities		6,551,835	7,014,944	7,704,359

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)
8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)
8.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Special share of RM1 RM'000	Issued and paid-up share capital Ordinary shares of RM1 each RM'000	Share premium RM'000	Capital reserve RM'000	Foreign exchange reserve RM'000	Available-for-sale reserve RM'000	Retained earnings RM'000	Attributable to owners of FHB RM'000	Non-controlling interests RM'000	Total equity RM'000
2009											
At 1 January		*	220,000	89,425	994	(17,492)	-	2,906,281	3,199,208	959,322	4,158,530
Profit for the financial year		-	-	-	-	-	-	443,225	443,225	168,379	611,604
Other comprehensive income for the financial year, net of tax		-	-	-	-	(8,454)	-	-	(8,454)	3,342	(5,112)
Total comprehensive income for the financial year		-	-	-	-	(8,454)	-	443,225	434,771	171,721	606,492
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	(136,007)	(136,007)
Dividends paid - for the financial year ended 31 December 2009 (interim)	9.9	-	-	-	-	-	-	(287,545)	(287,545)	-	(287,545)
Accretion of interests in a subsidiary		-	-	-	-	-	-	(19,307)	(19,307)	(68,671)	(87,978)
Acquisition of shares in a subsidiary		-	-	-	-	-	-	-	-	2,377	2,377
Disposal of a subsidiary		-	-	-	-	4,626	-	-	4,626	(6,978)	(2,352)
Deemed disposal of a subsidiary		-	-	-	-	-	-	-	-	(177)	(177)
Total transaction with owners		-	-	-	-	4,626	-	(306,852)	(302,226)	(209,456)	(511,682)
At 31 December		*	220,000	89,425	994	(21,320)	-	3,042,654	3,331,753	921,587	4,253,340

* RM1

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9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Note	Special share of RM1 RM'000	Issued and paid-up share capital		Share premium RM'000	Capital reserve RM'000	Foreign exchange reserve RM'000	Available- for-sale reserve RM'000	Retained earnings RM'000	Attributable to owners of FHB RM'000	Non- controlling interests RM'000	Total equity RM'000
		Ordinary shares of RM1 each RM'000	RM'000								
2010											
At 1 January	*	220,000	89,425	-	994	(21,320)	16,180	3,013,541	3,318,820	917,245	4,236,065
Profit for the financial year		-	-	-	-	-	-	434,320	434,320	179,920	614,240
Other comprehensive income for the financial year, net of tax		-	-	-	-	(6,397)	1,690	-	(6,397)	(1,914)	(8,311)
- Currency translation difference		-	-	-	-	(6,397)	1,690	-	1,690	277	1,967
- Available-for-sale financial asset movement		-	-	-	-	(6,397)	1,690	-	(4,707)	(1,637)	(6,344)
Total comprehensive income for the financial year		-	-	-	-	(6,397)	1,690	434,320	429,613	178,283	607,896
Accretion of interests in a subsidiary		-	-	-	-	-	-	(861)	(861)	(1,154)	(2,015)
Acquisition of shares in a subsidiary		-	-	-	-	-	-	(3,665)	(3,665)	6,128	2,463
Disposal of a subsidiary		-	-	-	-	-	-	-	-	(14,599)	(14,599)
Dividends paid		-	-	-	-	-	-	-	-	-	-
- for the financial year ended 31 December 2010 (interim)		-	-	-	-	-	-	(269,280)	(269,280)	-	(269,280)
Dividends paid to non-controlling interest of subsidiaries		-	-	-	-	-	-	-	-	(144,668)	(144,668)
Total transaction with owners		-	-	-	-	-	-	(273,806)	(273,806)	(154,293)	(428,099)
At 31 December	*	220,000	89,425	-	994	(27,717)	17,870	3,174,055	3,474,627	941,235	4,415,862

* RM1

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II FELDA HOLDINGS BHD. (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Note	Issued and paid-up share capital		Share premium	Capital reserve	Foreign exchange reserve	Available-for-sale reserve	Retained earnings	Attributable to owners of FHB	Non-controlling interests	Total equity
		Special share of RM1	Ordinary shares of RM1 each	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011											
At 1 January		-	220,000	89,425	994	(27,717)	17,870	3,174,055	3,474,627	941,235	4,415,862
Profit for the financial year		-	-	-	-	-	-	566,354	566,354	155,638	721,992
Other comprehensive income for the financial year, net of tax		-	-	-	-	409	-	-	409	(248)	161
- Currency translation differences		-	-	-	-	-	42,144	-	42,144	3,538	45,682
- Available-for-sale financial asset movement		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	-	409	42,144	566,354	608,907	158,928	767,835
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	(114,106)	(114,106)
Dividends paid		-	-	-	-	-	-	-	-	-	-
- for the financial year ended 31 December 2011 (interim)	9-9	-	-	-	-	-	-	(487,940)	(487,940)	-	(487,940)
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	269	269
Dilution of interests in a subsidiary		-	-	-	-	-	-	-	-	45	45
Total transaction with owners		-	-	-	-	-	-	(487,940)	(487,940)	(113,792)	(601,732)
At 31 December		-	220,000	89,425	994	(27,308)	60,014	3,252,469	3,595,594	986,371	4,581,965

* RM1

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.4 CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Note</u>	<u>As at 31 December</u>		
		<u>2009</u>	<u>2010</u>	<u>2011</u>
		RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year		611,604	614,240	721,992
Adjustments for:				
Taxation and zakat		192,703	145,863	204,193
Amortisation of grant from FELDA		(383)	(379)	(404)
Depreciation of property, plant and equipment under grant from FELDA		383	379	372
Amortisation of biological assets		701	111	337
Share of results of associates		(42,574)	(35,445)	(55,289)
Share of results of jointly controlled entities		(17,421)	(5,406)	(7,415)
Depreciation of property, plant and equipment		129,951	135,283	171,080
Depreciation of investment properties		1,310	1,906	1,903
Amortisation of intangible assets		1,237	1,302	1,767
Amortisation of prepaid lease payments		6,674	3,514	5,046
Loss/(gain) on disposal of property, plant and equipment		22,573	883	(5,191)
Gain on disposal of investments		(5,866)	(2,086)	-
Gain on disposal of subsidiaries		(5,003)	(18,905)	-
Gain on disposal of associates		(8,677)	(66,034)	(56,157)
Gain on disposal of joint controlled entities		(10,370)	-	-
Gain on disposal of investment properties		-	-	(1,414)
Gain on disposal of asset held for sale		-	-	(472)
Gain from bargain purchase on acquisition of subsidiary		-	-	(572)
Property, plant and equipment written-off		-	8,286	8,894
Finance costs		16,092	25,007	41,259
Finance income		(28,222)	(37,437)	(64,838)
Dividend income		(6,227)	(5,422)	(8,065)
Loss/(gain) on disposal of biological assets		326	(724)	(3,493)
Biological assets written-off		366	202	2,350
Write-back of impairment on receivables		(2,610)	(16,860)	(1,500)
Bad debts recovered		(1,188)	(378)	(1,896)
Impairment loss on property, plant and equipment		541	620	762
Impairment loss on biological assets		1,719	4,944	532
Impairment loss on prepaid lease payments		-	-	90

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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II FELDA HOLDINGS BHD. (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.4 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	<u>Note</u>	<u>As at 31 December</u>		
		<u>2009</u>	<u>2010</u>	<u>2011</u>
		RM'000	RM'000	RM'000
Adjustments for: (continued)				
Reversal of impairment of property, plant and equipment		(10,231)	-	-
Reversal of impairment loss on prepaid lease payments		(1,660)	-	-
Write-down of inventories		4,127	545	15,223
Write-back in market value of investments		(2,237)	(180)	-
Other losses/(gains) - net		-	(30,681)	11,322
Movement for retirement benefits		(1,379)	1,366	49
Net unrealised foreign exchange (gain)/loss		(5,090)	-	-
Gain on disposal of property, plant and equipment under deferred grant		-	-	(115)
Working capital changes:		841,169	724,514	980,350
Inventories		(120,482)	129,868	(117,555)
Trade and other receivables, deposits and prepayments		(42,327)	(422,793)	(260,263)
Amounts due from/to ultimate holding company, FELDA, a shareholder, associates and a jointly controlled entity		(43,876)	357,123	80,659
Trade and other payables and accruals		106,318	(92,408)	204,457
Cash flow from operations		740,802	696,304	887,648
Tax paid		(181,340)	(111,969)	(142,224)
Zakat paid		(14,184)	(18,105)	(10,973)
Tax refund		313	443	3,367
Net replanting grant received		64,216	56,870	104,473
Operating expenses from replanting grant		(57,708)	(56,512)	(52,064)
Net cash generated from operating activities		552,099	567,031	790,227

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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II FELDA HOLDINGS BHD. (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.4 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	<u>Note</u>	<u>As at 31 December</u>		
		<u>2009</u>	<u>2010</u>	<u>2011</u>
		RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(382,231)	(336,703)	(321,127)
Finance income received		28,222	37,437	64,838
Purchase of investments		(123,613)	(104,800)	(8,157)
Proceeds from disposal of investments		16,177	7,390	-
Proceeds from disposal of investments properties		-	-	2,884
Proceeds from disposal of property, plant and equipment		9,206	3,275	8,727
Proceeds from disposal of assets held for sale		-	-	761
Net cash in/(out) flow from disposal of subsidiaries		6,072	(35,078)	9
Accretion of interest in subsidiaries		(96,473)	(2,015)	-
Acquisition of shares in subsidiaries		-	2,463	-
Dividend received from other investments		6,227	5,422	8,065
Dividend received from associates		83,971	15,882	37,583
Dividend received from joint venture		9,375	-	-
Proceeds from disposal of associates		2,691	90,645	-
Purchase of biological assets		(2,935)	(1,812)	(444)
Proceeds from disposal of biological assets		1,181	1,068	4,118
Purchase of intangible assets		(647)	(1,361)	(7,798)
Proceeds from disposal of property, plant and equipment under deferred grant		-	-	146
Purchase of prepaid lease payments		(5,437)	-	(2,572)
Purchase of investment properties		(6,229)	(18)	-
Net cash used in investing activities		(454,443)	(318,205)	(212,967)

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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II FELDA HOLDINGS BHD. (CONTINUED)

8 HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

8.4 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

		As at 31 December		
	<u>Note</u>	2009 RM'000	2010 RM'000	2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan to an associate		-	(3,158)	-
Movement in restricted cash		(1,465)	-	-
Drawdown of borrowings		1,182,875	1,920,902	2,694,180
Repayment of term loan and borrowings		(1,164,973)	(1,616,440)	(2,559,674)
Dividend paid to non-controlling interests		(136,007)	(144,668)	(114,106)
Dividend paid to shareholders		(287,545)	(269,280)	(361,230)
Finance costs paid		(16,092)	(25,007)	(41,259)
Net cash used in financing activities		(423,207)	(137,651)	(382,089)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(325,551)	111,175	195,171
Effects of currency translation differences		(1,285)	(281)	(489)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		1,574,068	1,247,232	1,358,126
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	9.41	1,247,232	1,358,126	1,552,808

Non-cash transactions:Financial year ended 31 December 2009

The investment in Felda Iffco Sdn. Bhd. was disposed off to Felda Global Ventures Holdings Berhad (formerly known as Felda Global Ventures Holdings Sdn. Bhd.) ('FGVH') for a total consideration of RM168,716,470, which resulted in a net gain on disposal of RM10,369,630 for FHB (Note 9.16).

Financial year ended 31 December 2010

There were no significant non cash transactions during the financial year ended 31 December 2010

Financial year ended 31 December 2011

On 20 May 2011, as part of the corporate reorganisation for listing purposes performed by FGVH, a significant shareholder of FHB, to list its sugar business, FHB disposed its entire interest in Kilang Gula Felda Perlis Sdn. Bhd. ('KGFP') (subsequent to the dilution of equity interest in KGFP from 50% to 16% as disclosed in Note 9.15) to MSM Malaysia Holdings Bhd ('MSMH') at carrying value of RM21,224,000 for RM126,710,000, which was satisfied through the issuance of 36.2 million new MSM shares at issue price of RM3.50 per share (which represent 6% of the equity interest in MSMH). FHB has declared a dividend-in-specie to its shareholders for its entire 6% investment in MSMH amounting to RM126,710,000.

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS

9.1 REVENUE

	Financial year ended 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Goods sold	11,415,520	14,425,163	18,097,550
Services rendered	229,041	270,188	272,590
Management fees, investment, rental and dividend income	166,918	178,876	265,719
Subsidy from the Government of Malaysia for the goods sold	140,538	223,437	351,057
Construction revenue	12,565	24,248	7,686
Other revenue	-	8,771	3,976
	<u>11,964,582</u>	<u>15,130,683</u>	<u>18,998,578</u>

9.2 OTHER OPERATING INCOME

	Financial year ended 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Gain on disposal of property, plant and equipment	-	-	5,191
Gain on disposal of biological assets	-	724	3,493
Dividend income from			
- unquoted investments	4,677	84	-
- quoted investments	1,550	5,338	8,065
Rental income	2,485	2,386	1,861
Gain on disposal of investments	5,866	2,086	-
Gain on disposal of associates	8,677	66,034	56,157
Gain on disposal of subsidiaries	5,003	18,905	-
Gain on disposal of a jointly controlled entity	10,370	-	-
Gain from bargain purchase on acquisition of subsidiary	-	-	572
Sale of excess oil	1,190	154	2,560
Income from sale of scrap	7,030	19,144	9,904
Bad debts recovered	1,188	378	1,896
Gain arising from foreign exchange translation	23,159	59,856	15,576
Homestead income	1,259	138	120
Income from electricity supply in relation to Biomass project	5,396	5,529	3,823
Tax penalty written back	-	2,958	-
Miscellaneous income	49,191	44,480	20,257
	<u>127,041</u>	<u>228,194</u>	<u>129,475</u>

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.3 OTHER GAINS /(LOSSES) -NET

	Financial year ended 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Financial assets at fair value through profit or loss			
- Fair value gains (Note 9.18)	-	1,095	321
Foreign currency forward contracts			
- Fair value losses	-	(1,679)	(11,752)
Palm oil futures contracts			
- Fair value gains/(losses)	-	32,767	(3,639)
Cocoa beans futures contracts			
- Fair value (losses)/gains	-	(1,502)	3,748
	-	30,681	(11,322)

9.4 FINANCE INCOME/(COSTS)

	Financial year ended 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Finance income:			
- fixed deposit	28,222	37,437	47,278
- unwinding of discount in settlement of amount due from a shareholder	-	-	17,560
Total finance income	28,222	37,437	64,838
Finance costs:			
- Term loans	(830)	(869)	(1,466)
- Bank borrowings	(15,151)	(22,146)	(39,181)
- Others	(111)	(1,992)	(612)
Total finance costs	(16,092)	(25,007)	(41,259)
Net finance income/(costs)	12,130	12,430	23,579

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
Felda Global Ventures Holdings Berhad
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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.5 PROFIT BEFORE ZAKAT AND TAXATION

The following amounts have been charged/(credited) in arriving at profit before zakat and taxation:

	<u>Financial year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Property, plant and equipment			
- depreciation	129,951	135,283	171,080
- write-offs	-	8,286	8,894
- loss / (gain) on disposal	22,573	883	(5,191)
- (Reversal of impairment) / Impairment losses	(9,690)	620	762
Property, plant and equipment under grant from FELDA			
- depreciation	383	379	372
- gain on disposal	-	-	(115)
Investment properties			
- depreciation	1,310	1,906	1,903
- gain on disposal	-	-	(1,414)
Investments			
- reversal of impairment	(2,237)	-	-
- write-back in market value	-	(180)	-
Amortisation of intangible assets	1,237	1,302	1,767
Prepaid lease payments			
- amortisation	6,674	3,514	5,046
- reversal of impairment	(1,660)	-	-
- impairment losses	-	-	90
Rental			
- plant and machineries and storage tanks	16,477	20,630	14,585
- land and buildings	20,169	14,965	17,711
- other rental expenses	12,526	10,993	12,223
Biological assets			
- amortisation	701	111	337
- write-offs	366	202	2,350
- loss/ (gain) on disposal	326	(724)	(3,493)
- impairment losses	1,719	4,944	532
Auditors' remuneration	1,282	1,221	1,484
Inventories			
- write down	4,127	545	15,223
Write-back of impairment financial asset	(2,610)	(16,860)	(1,500)
Contribution to Yayasan FELDA	1,560	9,592	14,953
Research and non-capitalised development costs	12,766	18,309	30,945
Staff costs*	557,555	589,185	654,891
Cost of raw materials and consumables used	11,480,627	14,365,939	19,383,508
Repair and maintenance of refining plants and mills	99,135	85,698	113,038
Repair and maintenance of motor vehicles	13,935	12,490	20,309
Construction costs recognised as an expense	20,836	32,459	23,637
Loss arising from foreign exchange	1,248	1,407	6,667

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.5 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

The following amounts have been charged/(credited) in arriving at profit before zakat and taxation (continued):

	<u>Financial year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
* Staff costs (excluding directors' remuneration) are analysed as follows:			
Wages, salaries and bonuses	445,137	477,887	529,738
Defined contribution plan	66,209	65,119	67,305
Defined benefit plan	3,313	3,220	5,588
Other employee benefits	42,896	42,959	52,260
	<u>557,555</u>	<u>589,185</u>	<u>654,891</u>

9.6 DIRECTORS' REMUNERATION

	<u>Financial year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Fees	1,323	1,162	1,088
Salaries and bonuses	1,227	945	-
Defined contribution plan	197	151	-
Other employee benefits	170	112	107
Amount payable to a firm of which a Director is a member for professional services rendered	169	83	-
	<u>3,086</u>	<u>2,453</u>	<u>1,195</u>
Estimated monetary value of benefits-in-kind	<u>91</u>	<u>46</u>	<u>36</u>

9. ACCOUNTANTS' REPORT (Cont'd)



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Felda Global Ventures Holdings Berhad
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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.7 ZAKAT

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Movement in zakat liability:			
At beginning of financial year	-	-	-
Current financial year's zakat expense	14,184	18,105	10,973
Zakat paid	(14,184)	(18,105)	(10,973)
At end of financial year	-	-	-

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council is 2.5% (2010: 2.5%, 2009: 2.5%) of the zakat base. The zakat base of FHB is determined based on the profit after tax of eligible companies within FHB after deducting dividend income and certain non operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

9.8 TAXATION

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Current tax			
- Malaysian income tax	126,689	117,646	163,981
- over provision of prior years' taxation	(1,040)	(17,332)	5,208
	125,649	100,314	169,189
- Foreign income tax	180	305	1,642
Deferred tax (Note 9.22)	52,690	27,139	22,389
	178,519	127,758	193,220
Current tax:			
- In respect of current year			
- income tax	125,192	117,646	163,981
- foreign income tax	180	305	1,642
- In respect of prior year	457	(17,332)	5,208
Deferred tax (Note 9.22)	52,690	27,139	22,389
	178,519	127,758	193,220

9. ACCOUNTANTS' REPORT (Cont'd)



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Felda Global Ventures Holdings Berhad
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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.8 TAXATION (CONTINUED)

The numerical reconciliation of the relationship between taxation and profit before taxation after zakat are as follows:

	Financial year ended 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
Profit before taxation and after zakat	790,123	741,998	915,212
Malaysian corporate tax rate of 25% (2010: 25%, 2009: 25%)	197,531	185,500	228,803
Tax effect of			
- expenses not deductible for tax purposes	35,126	15,224	21,751
- income not subject to tax	(23,696)	(23,668)	(33,308)
- tax incentives utilised during the year	(29,402)	(31,966)	(29,234)
- (over)/under provision of prior years' taxation	(1,040)	(17,332)	5,208
	178,519	127,758	193,220

9.9 DIVIDEND PER SHARE

	Gross dividend per share Sen	Amount of dividend RM'000
Interim tax exempt dividend-in-specie of 36.2 million shares in MSM Malaysia Holdings Bhd for the financial year ended - 31 December 2011, distributed on 25 May 2011	57.6	126,710
Interim tax exempt dividend for the financial year ended - 31 December 2009, paid on 25 November 2009	174.3	287,545
- 31 December 2010, paid on 23 December 2010	122.4	269,280
Interim gross dividend less income tax of 25% for the financial year ended - 31 December 2011, paid on 21 December 2011	218.9	361,230

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.10 PROPERTY, PLANT AND EQUIPMENT

2009	Land and buildings RM'000	Plant and machineries RM'000	Storage tanks and pipelines (cost) RM'000	Storage tanks and pipelines (valuation) RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Jetty RM'000	Assets under construction RM'000	Total RM'000
<u>Cost/valuation</u>									
At 1 January (Note 6(a))	866,448	1,996,857	267,902	11,260	361,476	281,296	18,087	218,935	4,022,261
Additions	12,293	44,483	3,749	-	24,550	15,399	15	281,742	382,231
Currency translation differences	1,526	1,721	981	-	48	206	(1,109)	2,097	5,470
Disposals	(5,749)	(19,810)	-	-	(11,510)	(874)	-	(103)	(38,046)
Disposal of a subsidiary (Note 9.14)	(10,333)	(12,462)	-	-	(168)	(286)	-	(3,288)	(26,537)
Deemed disposal of a subsidiary (Note 9.14)	-	-	-	-	(12,183)	(45)	-	(66)	(12,294)
Write-offs	(10,496)	(105,250)	(1,292)	-	(6,954)	(19,243)	-	-	(143,235)
Reclassifications	94,311	205,496	32,595	-	2,372	6,981	19,189	(360,944)	-
Transfer to prepaid lease payments (Note 9.21)	-	-	-	-	-	-	-	(8,484)	(8,484)
Transfer to biological assets (Note 9.20)	-	-	-	-	-	-	-	(8,484)	(8,484)
Transfer from/ (to) investment properties (Note 9.13)	4,400	-	-	-	-	-	-	(5,488)	(1,088)
Transfer to assets held for sale (Note 9.31)	(16,169)	(57,382)	(3,110)	-	29	(705)	-	(4,977)	(82,314)
At 31 December	936,231	2,053,653	300,825	11,260	357,660	282,729	36,182	110,940	4,089,480

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RM'000	Plant and machineries RM'000	Storage tanks and pipelines (cost) RM'000	Storage tanks and pipelines (valuation) RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Jetty RM'000	Assets under construction RM'000	Total RM'000
2009									
Accumulated depreciation and impairment									
At 1 January (Note 6(a))	481,905	1,430,439	153,117	11,260	227,389	214,125	8,892	2,921	2,530,048
Depreciation charge	18,090	58,677	8,586	-	21,142	22,177	1,279	-	129,951
Reversal of impairment loss	(933)	(4,991)	-	-	(581)	(267)	-	(2,918)	(9,690)
Currency translation differences	278	2,491	369	-	(155)	55	(42)	-	2,996
Disposals	(5,660)	(19,303)	-	-	(9,975)	(574)	-	-	(35,512)
Disposal of a subsidiary (Note 9.14)	(1,015)	(8,398)	-	-	(91)	(124)	-	-	(9,628)
Deemed disposal of a subsidiary (Note 9.14)	-	-	-	-	(2,005)	(14)	-	-	(2,019)
Write-offs	(10,496)	(105,250)	(1,292)	-	(6,954)	(19,243)	-	-	(143,235)
Reclassifications	(4)	4	-	-	-	-	-	-	-
Transfer from investment properties (Note 9.13)	1,308	-	-	-	-	-	-	-	1,308
Transfer to assets held for sale (Note 9.31)	(15,194)	(49,026)	(3,080)	-	(204)	(681)	-	-	(68,185)
As at 31 December	468,279	1,304,643	157,700	11,260	228,566	215,454	10,129	3	2,396,034
Net book value at 31 December	467,952	749,010	143,125	-	129,094	67,275	26,053	110,937	1,693,446

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9-10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RM'000	Plant and machineries RM'000	Storage tanks and pipelines (cost) RM'000	Storage tanks and pipelines (valuation) RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Jetty RM'000	Assets under construction RM'000	Total RM'000
2010									
Cost/valuation									
At 1 January (Note 6(a))	936,231	2,053,653	300,825	11,260	357,660	282,729	36,182	110,940	4,089,480
Additions	38,501	41,085	2,585	-	27,980	18,565	77	207,910	336,703
Currency translation differences	(592)	(738)	(827)	-	(59)	(114)	(1,370)	(218)	(3,918)
Disposals	(1,234)	(3,703)	(2,148)	-	(15,430)	(205)	-	-	(22,720)
Write-offs	(5,909)	(79,245)	(497)	-	(23,319)	(11,059)	-	(112)	(120,141)
Reclassifications	54,478	36,143	8,781	-	-	3,144	-	(102,546)	-
Transfer to prepaid lease payments (Note 9.21)	(669)	-	-	-	-	-	-	-	(669)
Transfer to investment properties (Note 9.13)	-	-	-	-	-	-	-	(1,135)	(1,135)
At 31 December	1,020,806	2,047,195	308,719	11,260	346,832	293,060	34,889	214,839	4,277,600

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2010

Accumulated depreciation and impairment

	Land and buildings RM'000	Plant and machineries RM'000	Storage tanks and pipelines (cost) RM'000	Storage tanks and pipelines (valuation) RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Jetty RM'000	Assets under construction RM'000	Total RM'000
At 1 January (Note 6(a))	468,279	1,304,643	157,700	11,260	228,566	215,454	10,129	3	2,396,034
Depreciation charge	21,619	59,933	9,389	-	22,848	20,256	1,238	-	135,283
Impairment loss/ (reversal of impairment)	(246)	(79)	-	-	728	217	-	-	620
Currency translation differences	(138)	(125)	503	-	(25)	(34)	727	-	908
Disposals	-	(3,665)	-	-	(14,709)	(188)	-	-	(18,562)
Write-offs	(5,570)	(72,299)	(497)	-	(22,706)	(10,783)	-	-	(111,855)
Reclassifications	14,936	(15,051)	-	-	-	115	-	-	-
Transfer from investment properties (Note 9.13)	545	-	-	-	-	-	-	-	545
At 31 December	499,425	1,273,357	167,095	11,260	214,702	225,037	12,094	3	2,402,973
Net book value at 31 December	521,381	773,838	141,624	-	132,130	68,023	22,795	214,836	1,874,627

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9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RM'000	Plant and machineries RM'000	Storage tanks and pipelines (cost) RM'000	Storage tanks and pipelines (valuation) RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Jetty RM'000	Assets under construction RM'000	Total RM'000
<u>2011</u>									
<u>Accumulated depreciation and impairment</u>									
At 1 January	499,425	1,273,357	167,095	11,260	214,702	225,037	12,094	3	2,402,973
Depreciation charge	30,784	80,828	10,256	-	25,661	21,807	1,744	-	171,080
Impairment loss/ (reversal of impairment)	-	(1,160)	-	-	1,922	-	-	-	762
Currency translation differences	(19)	(16)	9	-	(5)	2	(29)	-	(58)
Disposals	-	(2,697)	(348)	-	(2,007)	(537)	-	-	(5,589)
Write-offs	(6,253)	(25,810)	(76)	-	(3,502)	(10,952)	-	(2)	(46,595)
Reclassifications	284	(344)	(1)	-	-	61	-	-	-
Transfer from investment properties (Note 9.13)	(698)	-	-	-	-	-	-	-	(698)
At 31 December	523,523	1,324,158	176,935	11,260	236,771	235,418	13,809	1	2,521,875
Net book value at 31 December	613,787	940,034	147,057	-	117,642	78,731	22,239	117,430	2,036,920

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings

	Freehold land RM'000	Leasehold land RM'000	Buildings and renovation RM'000	Building improvements RM'000	Total RM'000
2009					
<u>Cost</u>					
At 1 January, as previously stated	10,598	-	585,713	125,485	721,796
Effects of amendment to FRS 117 (Note 6(a))	-	144,652	-	-	144,652
At 1 January, as restated	10,598	144,652	585,713	125,485	866,448
Additions	-	-	11,140	1,153	12,293
Currency translation differences	36	-	1,490	-	1,526
Disposals	-	-	(5,749)	-	(5,749)
Disposal of a subsidiary	(2,943)	-	(7,390)	-	(10,333)
Write-offs	-	-	(5,268)	(5,228)	(10,496)
Reclassifications	-	-	91,568	2,743	94,311
Transfer to assets held for sale	-	-	(11,400)	(4,769)	(16,169)
Transfer from investment properties	-	-	4,849	(449)	4,400
At 31 December	7,691	144,652	664,953	118,935	936,231
<u>Accumulated depreciation and impairment</u>					
At 1 January, as previously stated	-	-	362,040	83,287	445,327
Effects of amendment to FRS 117 (Note 6(a))	-	36,578	-	-	36,578
At 1 January, as restated	-	36,578	362,040	83,287	481,905
Depreciation charge	-	-	15,341	2,749	18,090
Currency translation differences	-	-	278	-	278
Disposals	-	-	(5,660)	-	(5,660)
Disposal of a subsidiary	-	-	(1,015)	-	(1,015)
Write-offs	-	-	(4,693)	(5,803)	(10,496)
Reclassifications	-	-	-	(4)	(4)
Transfer to assets held for sale	-	-	(10,702)	(4,492)	(15,194)
Transfer from investment properties	-	-	1,488	(180)	1,308
Reversal of impairment loss	-	-	(331)	(602)	(933)
At 31 December	-	36,578	356,746	74,955	468,279
Net book value at 31 December	7,691	108,074	308,207	43,980	467,952

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings (continued)

2010	Freehold land RM'000	Leasehold land RM'000	Buildings and renovation RM'000	Building improvements RM'000	Total RM'000
<u>Cost</u>					
At 1 January, as previously stated	7,691	-	664,953	118,935	791,579
Effects of amendment to FRS 117 (Note 6(a))	-	144,652	-	-	144,652
At 1 January, as restated	7,691	144,652	664,953	118,935	936,231
Additions	-	30,794	6,569	1,138	38,501
Currency translation differences	(16)	-	(579)	3	(592)
Disposals	-	-	(1,234)	-	(1,234)
Write-offs	-	-	(4,460)	(1,449)	(5,909)
Reclassifications	86	1,433	47,494	5,465	54,478
Transfer to prepaid lease payments	(669)	-	-	-	(669)
At 31 December	7,092	176,879	712,743	124,092	1,020,806
<u>Accumulated depreciation and impairment</u>					
At 1 January, as previously stated	-	-	356,746	74,955	431,701
Effects of amendment to FRS 117 (Note 6(a))	-	36,578	-	-	36,578
At 1 January, as restated	-	36,578	356,746	74,955	468,279
Depreciation charge	-	3,825	14,107	3,687	21,619
Currency translation differences	-	-	(137)	(1)	(138)
Write-offs	-	-	(4,322)	(1,248)	(5,570)
Reclassifications	-	-	14,936	-	14,936
Transfer from investment properties	-	-	545	-	545
Reversal of impairment loss	-	(5)	(53)	(188)	(246)
At 31 December	-	40,398	381,822	77,205	499,425
Net book value at 31 December	7,092	136,481	330,921	46,887	521,381

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings (continued)

	Freehold land	Leasehold land	Buildings and renovation	Building improvements	Total
2011	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>					
At 1 January	7,092	176,879	712,743	124,092	1,020,806
Additions	-	21,240	18,268	3,836	43,344
Currency translation differences	5	-	254	-	259
Disposals	-	-	-	-	-
Write-offs	-	(3,526)	(6,258)	(1,210)	(10,994)
Reclassifications	-	-	64,255	15,057	79,312
Acquisition of a subsidiary	-	5,879	1,000	-	6,879
Transfer to investment properties	-	-	(2,296)	-	(2,296)
At 31 December	7,097	200,472	787,966	141,775	1,137,310
<u>Accumulated depreciation and impairment</u>					
At 1 January	-	40,398	381,822	77,205	499,425
Depreciation charge	-	3,212	21,853	5,719	30,784
Impairment loss	-	-	-	-	-
Currency translation differences	-	-	(19)	-	(19)
Write-offs	-	(16)	(4,896)	(1,341)	(6,253)
Reclassifications	-	-	267	17	284
Transfer to investment properties	-	-	(698)	-	(698)
At 31 December	-	43,594	398,329	81,600	523,523
Net book value at 31 December	7,097	156,878	389,637	60,175	613,787

Storage tanks and pipelines of a subsidiary that were revalued on 31 December 1981 were based on a valuation performed by an independent professional valuer. As permitted by the transitional provisions, the valuation of the previously revalued assets have not been updated and these assets shall continue to be stated at their carrying amounts less accumulated depreciation and impairment losses.

The net book value of property, plant and equipment pledged as security for term loans amounted to RM43,000,000 (2010: RM18,000,000, 2009: RM14,324,000).

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.11 INTANGIBLE ASSETS

	As at 31 December		
	2009	2010	2011
	RM'000	RM'000	RM'000
<u>Software</u>			
<u>Cost</u>			
At 1 January	5,901	6,548	7,909
Additions	647	1,361	7,798
At 31 December	6,548	7,909	15,707
<u>Accumulated amortisation</u>			
At 1 January	794	2,031	3,333
Amortisation charge	1,237	1,302	1,767
At 31 December	2,031	3,333	5,100
Net book value at 31 December	4,517	4,576	10,607

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.12 PROPERTY, PLANT AND EQUIPMENT UNDER GRANT FROM FELDA

<u>2009</u>	<u>Building</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Lab and equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Plant and machineries</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>						
At 1 January and 31 December	15,674	68	213	574	384	16,913
<u>Accumulated depreciation</u>						
At 1 January	1,117	52	162	529	136	1,996
Charge for the financial year	328	3	8	15	29	383
At 31 December	1,445	55	170	544	165	2,379
Net book value at 31 December	14,229	13	43	30	219	14,534

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.12 PROPERTY, PLANT AND EQUIPMENT UNDER GRANT FROM FELDA

	Building RM'000	Furniture and fittings RM'000	Lab and equipment RM'000	Motor vehicles RM'000	Plant and machineries RM'000	Total RM'000
<u>2010</u>						
<u>Cost</u>						
At 1 January	15,674	68	213	574	384	16,913
Disposal	-	-	-	(44)	-	(44)
At 31 December	15,674	68	213	530	384	16,869
<u>Accumulated depreciation</u>						
At 1 January	1,445	55	170	544	165	2,379
Charge for the financial year	328	3	6	13	29	379
Disposal	-	-	-	(44)	-	(44)
At 31 December	1,773	58	176	513	194	2,714
Net book value at 31 December	13,901	10	37	17	190	14,155

9. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.12 PROPERTY, PLANT AND EQUIPMENT UNDER GRANT FROM FELDA (CONTINUED)

	2011 Cost	Building RM'000	Furniture and fittings RM'000	Lab and equipment RM'000	Motor vehicles RM'000	Plant and machineries RM'000	Total RM'000
At 1 January		15,674	68	213	530	384	16,869
Disposal		(69)	-	-	-	-	(69)
At 31 December		15,605	68	213	530	384	16,800
<u>Accumulated depreciation</u>							
At 1 January		1,773	58	176	513	194	2,714
Charge for the financial year		327	3	5	9	28	372
Disposal		(38)	-	-	-	-	(38)
At 31 December		2,062	61	181	522	222	3,048
Net book value at 31 December		13,543	7	32	8	162	13,752

Property, plant and equipment under grant from FELDA relate to assets at a development and planning programme in Sungai Tengi and biotechnology centre in Nilai.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 INVESTMENT PROPERTIES

	Freehold land RM'000	Leasehold land RM'000	Building RM'000	Total RM'000
<u>2009</u>				
<u>Cost</u>				
At 1 January, as previously stated	11,934	-	29,978	41,912
Effects of amendment to FRS 117 (Note 6(a))	-	1,655	-	1,655
At 1 January, as restated	11,934	1,655	29,978	43,567
Additions	-	-	6,229	6,229
Transfer from property, plant and equipment (Note 9.10)	-	-	1,088	1,088
At 31 December	11,934	1,655	37,295	50,884
<u>Accumulated depreciation and impairment</u>				
At 1 January, as previously stated	-	-	17,182	17,182
Effects of amendment to FRS 117 (Note 6(a))	-	381	-	381
At 1 January, as restated	-	381	17,182	17,563
Depreciation charge	-	-	1,310	1,310
Transfer to property plant and equipment (Note 9.10)	-	-	(1,308)	(1,308)
At 31 December	-	381	17,184	17,565
Net book value at 31 December	11,934	1,274	20,111	33,319

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 INVESTMENT PROPERTIES (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Building RM'000	Total RM'000
<u>2010</u> <u>Cost</u>				
At 1 January, as previously stated	11,934	-	37,295	49,229
Effects of amendment to FRS 117 (Note 6(a))	-	1,655	-	1,655
At 1 January, as restated	11,934	1,655	37,295	50,884
Additions	-	-	18	18
Transfer from property, plant and equipment (Note 9.10)	-	-	1,135	1,135
Transfer to asset held for sale (Note 9.31)	-	(176)	(561)	(737)
At 31 December	11,934	1,479	37,887	51,300
<u>Accumulated depreciation and impairment</u>				
At 1 January, as previously stated	-	-	17,184	17,184
Effects of amendment to FRS 117 (Note 6(a))	-	381	-	381
At 1 January, as restated	-	381	17,184	17,565
Depreciation charge	-	33	1,873	1,906
Transfer to property plant and equipment (Note 9.10)	-	-	(545)	(545)
Transfer to asset held for sale (Note 9.31)	-	(23)	(425)	(448)
At 31 December	-	391	18,087	18,478
Net book value at 31 December	11,934	1,088	19,800	32,822

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 INVESTMENT PROPERTIES (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Building RM'000	Total RM'000
<u>2011</u>				
<u>Cost</u>				
At 1 January	11,934	1,479	37,887	51,300
Disposal	(759)	-	(1,284)	(2,043)
Transfer from property, plant and equipment (Note 9.10)	-	-	2,296	2,296
At 31 December	11,175	1,479	38,899	51,553
<u>Accumulated depreciation and impairment</u>				
At 1 January	-	391	18,087	18,478
Depreciation charge	-	17	1,886	1,903
Disposal	-	-	(573)	(573)
Transfer from property, plant and equipment (Note 9.10)	-	-	698	698
At 31 December	-	408	20,098	20,506
Net book value at 31 December	11,175	1,071	18,801	31,047

The fair value of the investment properties amounted to RM99,428,000 (2010: RM67,253,600, 2009: RM71,255,000) were based on valuations made by independent professionally qualified valuers.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.13 INVESTMENT PROPERTIES (CONTINUED)

The following amounts have been recognised in profit or loss:

	<u>Financial year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RM'000	RM'000	RM'000
Rental income from investment properties	3,527	3,765	3,594
Direct operating expenses arising from investment properties that generate rental income	2,597	2,019	3,518
Direct operating expenses arising from investment properties that did not generate rental income	232	232	31

9.14 SUBSIDIARIES

(a) The details of changes in investment in subsidiaries are as follows:

(i) Financial year ended 31 December 2009

- I FHB exchanged its 30% equity in interest in Behn Meyer & Co (M) Sdn. Bhd. ('Behn Meyer') for additional 30% investment in FPM Sdn. Bhd. ('FPM') held by Behn Meyer valued at RM37,500,000 and acquired the remaining 20% equity interest in FPM from a third party for a total consideration of RM25,000,000. As a result, FPM became a wholly-owned subsidiary of FHB. The increase in FHB's effective interest in FPM resulted in a debit to retained earnings of FHB of RM13,405,178 from non-controlling interests.
- II Felda-CFA Logistics Sdn. Bhd. issued additional ordinary shares, which were not taken up by FHB, which resulted in a dilution of FHB's effective equity interest from 30.6% to 15.3% and therefore was deemed as disposal of a subsidiary turning it into an associate of FHB. Refer to (c) below and Note 9.15.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES (CONTINUED)

(a) The details of changes in investment in subsidiaries are as follows (continued):

(i) Financial year ended 31 December 2009 (continued)

- III The investment in Naratha Agro Industries Pte. Ltd. and Naratha Agro Industries Sri Lanka Pte. Ltd. were disposed off to a third party for a total consideration of RM6,500,000, which resulted in a net gain on disposal of RM4,891,740 for FHB.
- IV Felda Palm Industries Sdn. Bhd. ('FPISB'), a subsidiary of FHB, subscribed for a 59% equity interest in FNI Biofuel Sdn. Bhd., a newly incorporated company, for RM295,000.
- V FHB purchased the remaining 32.5% equity interest in Sutrajaya Shipping Sdn. Bhd. from its ultimate holding company for a total consideration of RM33,806,200. In addition, FPISB, the immediate holding company of Sutrajaya Shipping Sdn. Bhd. also acquired 16.5% equity interest from Felda Transport Services Sdn. Bhd. for RM17,006,800. This resulted in an increase in FHB's effective interest from 45% to 72% and a debit adjustment of RM5,735,126 was made to FHB's retained earnings from non-controlling interests.

(ii) Financial year ended 31 December 2010

- I FPISB, a subsidiary of FHB subscribed to additional shares issued by FNI Biofuel Sdn. Bhd. for RM3,540,000 to maintain its 59% equity interest in the company.
- II Felda-Johore Bulkiers Sdn. Bhd. ('FJB'), a subsidiary of FHB acquired an additional 13% equity interest from an existing shareholder of Felda Grains Terminals Sdn. Bhd. ('FGT'), comprising 260,000 shares for a cash consideration of RM2,015,000. Consequently, FHB's effective equity interest in FGT increased from 60.6% to 70.1%.
- III Pericon.Com Sdn. Bhd. was liquidated, which resulted in a net gain of RM43,000
- IV The investment in Felda Oil Products Sdn. Bhd. was disposed off to Felda Iffco Sdn. Bhd. for a total consideration of RM32,076,000, which resulted in a gain on disposal of RM18,905,000 for FHB.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES (CONTINUED)

(a) The details of changes in investment in subsidiaries are as follows (continued):

(iii) Financial year ended 31 December 2011

- I On 4 November 2011, FPM, a wholly-owned subsidiary of FHB increased its authorised share capital from RM50,000,000 divided into 50,000,000 ordinary shares of RM1.00 each to RM70,000,000 ordinary shares of RM1.00 each by creation of 20,000,000 ordinary shares of RM1.00 each.

At the same time, FPM issued 20,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per ordinary share amounting to RM20,000,000 for cash, for additional working capital purposes. The new ordinary shares ranked pari passu in all respects with the existing ordinary shares of FPM. FHB has fully subscribed for the shares to maintain its 100% shareholding of FPM.

- II On 20 October 2011, FJB, a subsidiary of FHB acquired the remaining 60% equity interest of Langsat Bulkers Sdn. Bhd. ('LBSB') from Tanjung Langsat Port Sdn. Bhd., the existing shareholder of LBSB, comprising 4,200,000 shares for a purchase consideration of RM630,000 for business expansion purpose. Consequently, FHB's equity interest increased from 29.1% to 72.7% and LBSB, previously an associate becomes a subsidiary to FHB.
- III On 12 December 2011, LBSB issued 27,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per ordinary share amounting to RM27,000,000. FJB has fully subscribed for the shares and FHB maintain its effective equity interests of 72.7% in LBSB. Refer Note 9.14 (d).
- IV During the financial year, FWQ Enterprises (Pvt) Ltd., a subsidiary of FHB issued additional ordinary shares which were not taken up by FHB resulting in a dilution of FHB's effective equity from 65.0% to 64.9%.

The effect of the dilution of equity interest is not significant to the financial statements of FHB.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES (CONTINUED)

(b) The effect of the disposal of the subsidiaries on the financial position of FHB is as follows:

	Financial year ended 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
<u>Net assets disposed</u>			
Property, plant and equipment (Note 9.10)	16,909	15,523	-
Deferred tax asset	-	6,244	-
Long term investment/available for sale financial assets	504	14	-
Prepaid lease payments	-	239	-
Inventories	1,093	3,743	-
Trade and other receivables	7,738	67,164	-
Cash and cash equivalents	428	67,154	-
Trade and other payables	(17,571)	(131,992)	-
Borrowings	(486)	-	-
Provision for retirement benefit (Note 9.35)	(29)	(319)	-
Non-controlling interests	(6,978)	(14,599)	-
Gain on disposal	4,892	18,905	-
Sales proceed	6,500	32,076	-
Cash and cash equivalents disposed	(428)	(67,154)	-
Net cash inflows/(outflows) from disposals	6,072	(35,078)	-

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES (CONTINUED)

- (c) The effect of the deemed disposal of the subsidiaries on the financial position of FHB is as follows:

	Financial year ended 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
<u>Net assets deemed as disposed</u>			
Property, plant and equipment (Note 9.10)	10,275	-	-
Inventories	32	-	-
Trade and other receivables	1,487	-	-
Trade and other payables	(1,621)	-	-
Loan	(9,659)	-	-
Deferred taxation (Note 9.22)	(259)	-	-
Non-controlling interests	(177)	-	-
	<hr/>	<hr/>	<hr/>
Total net assets of subsidiary deemed as disposed	78	-	-
Share of net asset in associate retained	(188)	-	-
Gain on disposal	110	-	-
	<hr/>	<hr/>	<hr/>
Sales proceed	-	-	-
Cash and cash equivalent disposed	-	-	-
	<hr/>	<hr/>	<hr/>
Net cash inflows/ (outflows) from disposals	-	-	-
	<hr/>	<hr/>	<hr/>

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES (CONTINUED)

(d) Acquisition of a subsidiary company

The effect of the acquisition of a subsidiary on the financial position of FHB is as follows:

	Financial year ended 31 December 2011	
	Carrying value RM '000	Fair value RM '000
Property, plant and equipment (Note 9.10)	26,374	26,896
Inventories	50	50
Receivables	789	789
Cash and cash equivalents	422	422
Payables	(3,019)	(1,560)
Deferred tax liabilities (Note 9.22)	-	(131)
Borrowings	(25,481)	(25,481)
Total net assets acquired	(865)	985
Attributable to:		
- Owners of FHB		716
- Non-controlling interests		269
		985

All the receivables fall within the normal credit period and are expected to be recovered.

The fair values of the non-controlling interests of 27.3% is measured on the fair value of net tangible assets recognised, based on the valuations by independent professional qualified valuer.

Total cash inflow on acquisition is as follows:	RM'000
Fair value of purchase consideration*	413
Cash and cash equivalents of subsidiary acquired	(422)
Net cash inflow to FHB	(9)
Fair value of purchase consideration	413
Fair value of net assets acquired	(985)
Gain from bargain purchase	(572)

* Included in the fair value of purchase consideration is cash consideration of RM630,000 less fair value adjustment on favourable rent and discount of RM217,000.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.14 SUBSIDIARIES (CONTINUED)

(d) Acquisition of a subsidiary company (continued)

The effect of the acquisition of a subsidiary on the financial result of FHB during the financial year ended 31 December 2011 is shown below:

	RM'000
Revenue	566
Cost of sales	(507)
	<hr/> 59
Other operating income	1,462
Administrative expenses	(178)
	<hr/> 1,343
Profit before taxation	1,343
Taxation	-
	<hr/> 1,343
Profit for the financial year	<hr/> <hr/> 1,343

If the acquisition of the subsidiary is made at the beginning of the financial year, the revenue and profit after tax of FHB would have increased by approximately RM2,093,000 and decreased by approximately RM1,811,000 respectively.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.15 INTERESTS IN ASSOCIATES

	As at 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Share of net assets of associates	510,587	506,500	451,592

Details of associates, which are incorporated in Malaysia and have financial years ending 31 December, except where stated, are as follow:

Name of company	FHB's effective interest			Principal activities
	2009 %	2010 %	2011 %	
<u>Direct associates</u>				
FPG Oleochemicals Sdn. Bhd.	50.0	50.0	50.0	Processing and selling of oleochemical products
Kilang Gula Felda Perlis Sdn. Bhd.	50.0	50.0	-	Processing of sugar cane, manufacturing and sale of sugar
Malaysia Pakistan Joint Venture Sdn. Bhd.	37.5	37.5	37.5	Investment holding
Voray Holdings Ltd. (incorporated in Hong Kong) (30 September)	45.0	45.0	45.0	Investment holding
PK Education Sdn. Bhd.	30.0	30.0	30.0	Management of an educational institute
Paragon Yield Sdn. Bhd.	30.0	30.0	30.0	Investment holding
Mapak Edible Oils (Pvt.) Ltd. (incorporated in Pakistan) (30 June)	30.0	30.0	30.0	Manufacturing and marketing of finished customer and industrial palm oil products

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.15 INTERESTS IN ASSOCIATES (CONTINUED)

<u>Name of company</u>	<u>FHB's effective interest</u>			<u>Principal activities</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	
	%	%	%	
<u>Indirect associates</u>				
Taiko Clay Chemicals Sdn. Bhd.	21.6	21.6	21.6	Manufacturing and sale of activated bleaching earth
BH Insurance (M) Bhd.	7.3	-	-	Provision of general insurance services
Felda-CFA Logistics Sdn. Bhd.	15.3	15.3	15.3	Provision of haulage services
Felda Herbal Corporation Sdn. Bhd.	15.4	15.4	15.4	Dormant
Langsat Bulkiers Sdn. Bhd. (a subsidiary during financial year ended 31 December 2011)	29.1	29.1	72.7	Provision of bulking installation services for palm oil and related vegetable oil products
MEO Trading Sdn. Bhd.	30.0	30.0	30.0	Futures trading

(i) Financial year ended 31 December 2010

- I FHB had subscribed for additional shares issued by MEO Trading Sdn. Bhd. for RM1,500,000 to maintain its 30% equity interest.
- II FHB exchanged its 20% equity in interest in BH Insurance (M) Bhd (held by a subsidiary of FHB, Felda Marketing Services Sdn. Bhd. ('FELMA') for 16% equity interest in Axa Affin General Insurance Bhd, held by Affin Holdings Bhd which was valued at RM90,645,041, resulting in a net gain on disposal of RM66,034,241 for FHB. The 16% acquired equity investment in Axa Affin General Insurance Bhd. was classified as an available-for-sale financial asset.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.15 INTERESTS IN ASSOCIATES (CONTINUED)

(ii) Financial year ended 31 December 2011

As part of the corporate reorganisation for listing purposes performed by FGVH, a significant shareholder of FHB, to list its sugar business, on 20 May 2011, FHB had disposed KGFP which involved the following:

- I KGFP acquired the sugar cane cultivation operation of Felda Global Ventures Perlis Sdn. Bhd. ('FGVP'), a 100% subsidiary of FGVH for RM106,210,000, which was satisfied through the issuance of 25.4 million new KGFP shares at issue price of RM4.19 per share. The issuance of shares by KGFP has diluted FHB's interest in KGFP from 50% to 16%.
- II Subsequently, FHB disposed its entire 16% interest in KGFP to MSMH at carrying value of RM21,223,000 for RM126,710,000, which was satisfied through the issuance of 36.2 million new MSM shares at issue price of RM3.50 per share (which represents 6% of equity interest in MSMH).
- III Finally, FHB declared a dividend-in-specie to its shareholders for its entire 6% investment in MSMH.

The dilution of interest in KGFP from 50% to 16% and subsequent disposal of KGFP on the same date resulted in gain on disposal of RM56,157,000 for FHB.

9. ACCOUNTANTS' REPORT (Cont'd)



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II FELDA HOLDINGS BHD. (CONTINUED)

9 NOTES TO THE HISTORICAL FINANCIAL STATEMENTS (CONTINUED)

9.15 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial statements in respect of FHB's share of revenue, profit, assets and liabilities of its associates are set out below:

	As at 31 December		
	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	1,303,245	1,166,393	1,130,522
FHB's share of results for the financial year	42,574	35,445	55,289
Non-current assets	379,687	257,511	219,571
Current assets	554,218	534,554	401,162
Current liabilities	(270,430)	(236,566)	(143,907)
Non-current liabilities	(152,888)	(48,999)	(25,234)
FHB's share of associates net assets	510,587	506,500	451,592
Share of capital commitments of associates	13,614	10,113	6,976
Share of operating lease commitments of associates	2,483	1,786	8,173

FHB's share of losses of associates for the financial year that have not been recognised amounted to RM126,000 (2010: RM116,000, 2009: RM1,293,000). The cumulative share of losses not recognised amounted to RM5,691,000 (2010: RM5,565,000, 2009: RM5,449,000).