FINANCIAL HIGHLIGHTS AND IMPACT FROM ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")

The Group was a Transitioning Entity and its financial statements for the period up to and including the financial year ended 31 March 2018 were prepared in accordance with the Financial Reporting Standards ("FRS") framework.

The financial statements of the Group for the financial year ended 31 March 2019 is the first set of financial statements prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") Framework, including MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards". Subject to certain transitional elections, the Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 April 2017, being the transition date, and throughout all periods presented, as if these policies had always been in effect.

Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 141 "Agriculture: Bearer Plants" introduce a new category of biological assets i.e. bearer plants. A bearer plant is a living plant that is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants are accounted for under MFRS 116 as an item of property, plant and equipment. Agricultural produce growing on bearer plants are measured at fair value less costs to sell under MFRS 141, with fair value changes recognised in profit or loss as the produce grows.

Prior to the adoption of MFRS 116 and MFRS 141, all new planting expenditure incurred from land clearing, planting, field upkeep and maintenance to the point of maturity was capitalised under plantation development expenditure and was not amortised. Replanting expenditure which represents cost incurred to replant old planted areas was charged to profit or loss as and when incurred. Agricultural produce which forms part of the bearer plants was not recognised and identified separately.

With the adoption of the Amendments to MFRS 116 and MFRS 141, new planting expenditure and replanting expenditure are accounted for as property, plant and equipment in accordance with MFRS 116 and measured at cost less accumulated depreciation, whereas produce growing on bearer plants within the scope of MFRS 141 are measured at fair value less costs to sell.

The adoption of the Amendments to MFRS 116 and MFRS 141 have resulted in additional depreciation on property, plant and equipment and replanting expenditure that were charged to profit or loss prior to the adoption of the Amendments to MFRS 116 and MFRS 141 being reversed and capitalised under property, plant and equipment. Changes in fair value less costs to sell of the produce growing on bearer plants are now recognised in profit or loss.

The additional depreciation on bearer plants, net of the capitalised replanting expenditure and fair value changes of the produce growing on bearer plants had resulted in lower profit before taxation for the Group.

Accordingly, presented under the MFRS framework, the Group’s profit before taxation for the financial year ended 31 March 2018 were now recorded at RM50.77 million, compared to RM77.30 million when it was presented under the FRS framework.

The Group’s performance continued to be depressed by the volatility in the foreign currency exchange market. For the financial year under review, the Rupiah further weakened against the US Dollar and closed the year at IDR14,244 (31 March 2018: IDR13,756 per US Dollar). As a result, the Group recorded a net foreign exchange loss of RM25.79 million.

In anticipation of the continued volatility and uncertainty in the market in the near term, the Group had taken a proactive move to refinance its existing term loans with a 2 years grace period. Besides from that, to contain the increasing interest expense, the Group had refinanced part of its’ US Dollar denominated borrowings, in the amount of USD46.85 million with a Japanese Yen denominated borrowing.