

FELCRA BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of plantation services focusing on integration, rehabilitation and development of land including the processing and marketing of commodity products and investment holding, whilst the principal activities of the subsidiary companies are stated in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	88,003	45,998
Non controlling interests	1,348	-
Profit for the year	<u>89,351</u>	<u>45,998</u>

The Company generated plantation revenue and profit amounting to RM1,195,918,046 and RM384,175,607 respectively from consolidation and rehabilitation projects in respect of the year ended 31 December 2013. The Company distributed **RM307,052,227** to participants during the financial year as disclosed in Note 20 to the financial statements.

DIVIDENDS

A final dividend in respect of the financial year ended 31 December 2012, of 3.0 sen per share on 500,000,002 ordinary shares less 25% taxation, declared on 27 June 2013 and paid on 20 January 2014.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2013, of 0.24 sen per share less tax at 25% on 500,000,002 ordinary shares issued on the date of entitlement, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits for the financial year ending 31 December 2014.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

FELCRA BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

SHARE CAPITAL

There were no movements in the share capital of the Company during the financial year.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Datuk Bung Moktar bin Radin	(Appointed w.e.f. 17.7.2013)
Dato' Dr Mohd Isa bin Hussain	
Datuk Seri Ibrahim bin Muhamad	
Dato' Paduka Haji Ghazali bin Haji Ibrahim	
Dato' Ir Haji Azizuddin bin Meor Hamzah	
Dato' Haji Abdul Fattah bin Haji Abdullah	
Dato' Haji A. Aziz bin Deraman	
Dato' Abdul Manan bin Ismail	
Dato' Ismail bin Kasim	(Appointed w.e.f 28.11.2013)
Datuk Haji Baharum bin Haji Mohamed	(Appointed w.e.f. 28.11.2013)
Azaman @ Azman bin Haji Ruslan	(Appointed w.e.f. 28.11.2013)
Zazali bin Salehudin	
(Alternate director to Datuk Seri Ibrahim bin Muhamad)	(Appointed w.e.f. 1.8.2013)
Dato' Haji Juzilman bin Basir	(Retired w.e.f. 19.9.2013)
Dato' Haji Tajuddin bin Abdul Rahman	(Resigned w.e.f. 16.5.2013)
Dato' Haji Ismail bin Haji Abd. Muttalib	(Resigned w.e.f. 16.5.2013)
Datuk Halimah binti Mohamed Sadique	(Resigned w.e.f. 16.5.2013)

DIRECTORS' INTEREST

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year held any shares in the Company and its related corporation during the financial year ended 31 December 2013.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiaries is a party, with the object or objects of enabling the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Since the end of last financial year, no director of the Company has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statement or fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm which the director is a member or with a company in which the director has a substantial financial interest.

FELCRA BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

- i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for bad and doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for bad and doubtful debts; and
- ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors of the Group and of the Company are not aware of any circumstances which would render:

- i) the amount written off for bad debts, or the amount of the provision for bad and doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- ii) the value attributed to the current assets of the Group and of the Company misleading.

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

As at the date of this report, there does not exist:

- i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors:

- i) no contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and

FELCRA BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

- ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

HOLDING CORPORATION

The holding corporation is the Minister of Finance (Incorporated), a body corporate which was incorporated under the Minister of Finance (Incorporation) Act, 1957.

AUDITORS

The auditors, Messrs. Khairuddin Hasyudeen & Razi, retire and have expressed their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the directors,

DATUK BUNG MOKTAR BIN RADIN

Director

DATO' IR HAJI AZIZUDDIN BIN MEOR HAMZAH

Director

Kuala Lumpur

Dated:

FELCRA BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

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

We, **DATUK BUNG MOKTAR BIN RADIN** and **DATO' IR HAJI AZIZUDDIN BIN MEOR HAMZAH**, being two of the directors of FELCRA BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 81 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors,

DATUK BUNG MOKTAR BIN RADIN

Director

DATO' IR HAJI AZIZUDDIN BIN MEOR HAMZAH

Director

Kuala Lumpur

Dated:

FELCRA BERHAD

(Incorporated in Malaysia)

STATUTORY DECLARATION

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

I, **DATO' HAJI RAMLEE BIN ABU BAKAR**, the officer primarily responsible for the financial management of FELCRA BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 9 to 81 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)

DATO' HAJI RAMLEE BIN ABU BAKAR)

at Kuala Lumpur in the)

Federal Territory on)

DATO' HAJI RAMLEE BIN ABU BAKAR

Before me,

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FELCRA BERHAD**

Report on the Financial Statements

We have audited the financial statements of FELCRA BERHAD, which comprise the statement of financial position as at 31 December 2013 of the Group and of the Company, and the statement of comprehensive income, statements of changes in equity and statement of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 81.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FELCRA BERHAD**

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the followings:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KHAIRUDDIN HASYUDEEN & RAZI
AF 1161
Chartered Accountants

Ahmad Khairuddin Salleh
1574/03/15 (J)
Partner of the Firm

Kuala Lumpur
Dated :

FELCRA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current assets					
Property, plant and equipment	5	970,011	942,762	605,617	608,783
Investment properties	6	2,571	-	-	-
Goodwill	7	8,102	8,202	-	-
Investment in subsidiaries	8	-	-	170,348	40,709
Investment in associates	9	24,800	1,632	24,870	1,702
Other investments	10	1,735	1,735	1,185	1,185
Long term receivables recoverable	11	1,547,367	1,415,018	1,547,367	1,415,018
		2,554,586	2,369,349	2,349,387	2,067,397
Current assets					
Inventories	12	109,556	113,561	65,874	80,841
Trade and other receivables	13	302,179	282,345	591,942	617,538
Deposits, cash and bank balances	14	2,202,897	2,418,274	1,894,388	2,183,457
		2,614,632	2,814,180	2,552,204	2,881,836
Current liabilities					
Trade and other payables	15	1,592,478	1,802,506	1,540,301	1,737,916
Loans and borrowings	16	47,884	57,367	43,815	51,150
Dividends payable		11,250	22,590	11,250	22,590
Provision for taxation		8,618	4,104	-	65
		1,660,230	1,886,567	1,595,366	1,811,721
Net current assets		954,402	927,613	956,838	1,070,115
		3,508,988	3,296,962	3,306,225	3,137,512

FELCRA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Equity					
Share capital	17	500,000	500,000	500,000	500,000
Investment by Government	18	146,371	146,371	146,371	146,371
Capital reserves	19	8,515	8,515	7,895	7,895
Unappropriated profits		655,044	578,291	499,704	464,956
Total equity attributable to an equity holder of the Company		1,309,930	1,233,177	1,153,970	1,119,222
Non controlling interests		16,188	16,437	-	-
Total equity		1,326,118	1,249,614	1,153,970	1,119,222
Non current liabilities					
Participants' interests	20	705,909	798,855	705,909	798,855
Loans and borrowings	16	1,335,231	1,108,363	1,320,084	1,094,317
Retirement benefits	21	140,384	138,348	126,262	125,118
Deferred taxation		1,346	1,782	-	-
		2,182,870	2,047,348	2,152,255	2,018,290
		3,508,988	3,296,962	3,306,225	3,137,512

The accompanying notes form an integral part of the financial statements.

FELCRA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue	22	1,321,151	1,585,158	940,123	1,178,173
Cost of sales	23	(915,911)	(1,157,317)	(715,536)	(898,326)
Gross profit		405,240	427,841	224,587	279,847
Other operating income	24	139,132	107,534	133,860	106,263
Administrative expenses		(411,110)	(397,518)	(286,368)	(284,230)
Other operating expenses		(1,068)	(17,442)	(3,394)	(14,348)
Profit from operations		132,194	120,415	68,685	87,532
Finance expenses		(7,161)	(7,296)	(4,834)	(4,823)
		125,033	113,119	63,851	82,709
Share of profits/(loss) of associates, net of tax		1,667	(752)	1,667	(752)
Profit before taxation	25	126,700	112,367	65,518	81,957
Taxation	26	(37,349)	(46,178)	(19,520)	(29,961)
Profit after taxation		89,351	66,189	45,998	51,996
Other comprehensive income, net of taxation		-	-	-	-
Total comprehensive income for the year		89,351	66,189	45,998	51,996
Profit attributable to:					
Owner of the parent		88,003	63,309	45,998	51,996
Non controlling interest		1,348	2,879	-	-
Total comprehensive income for the year		89,351	66,188	45,998	51,996

The accompanying notes form an integral part of the financial statements.

FELCRA BERHAD

(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**GROUP**

	<i>Attributable to owner of the Company</i>				Total RM'000	Non controlling interest RM'000	Total equity RM'000
	Share capital RM'000	<i>Non-distributable</i> Investment by Government RM'000	Capital reserve RM'000	<i>Distributable</i> Unappropriated profits RM'000			
Balance as at 31 December 2011	500,000	146,371	8,515	529,982	1,184,868	16,736	1,201,604
Total comprehensive income for the year	-	-	-	63,309	63,309	2,879	66,188
Dividend to owner of the Company	-	-	-	(15,000)	(15,000)	-	(15,000)
Dividend to non controlling interest	-	-	-	-	-	(3,178)	(3,178)
Balance as at 31 December 2012	500,000	146,371	8,515	578,291	1,233,177	16,437	1,249,614
Total comprehensive income for the year	-	-	-	88,003	88,003	1,348	89,351
Dividend to owner of the Company	-	-	-	(11,250)	(11,250)	-	(11,250)
Dividend to non controlling interest	-	-	-	-	-	(1,597)	(1,597)
Balance as at 31 December 2013	500,000	146,371	8,515	655,044	1,309,930	16,188	1,326,118

FELCRA BERHAD

(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**COMPANY**

	<i>Distributable</i>	<i>Non distributable</i>	<i>Distributable</i>	<i>Total equity</i>
	Share capital	Investment by Government	Capital reserve	Unappropriated profits
	RM'000	RM'000	RM'000	RM'000
Balance as at 31 December 2011	500,000	146,371	7,895	427,960
Total comprehensive income for the year	-	-	-	51,996
Dividend to owner of the Company	-	-	-	(15,000)
Balance as at 31 December 2012	<u>500,000</u>	<u>146,371</u>	<u>7,895</u>	<u>464,956</u>
Total comprehensive income for the year	-	-	-	45,998
Dividend to owner of the Company	-	-	-	(11,250)
Balance as at 31 December 2013	<u><u>500,000</u></u>	<u><u>146,371</u></u>	<u><u>7,895</u></u>	<u><u>499,704</u></u>

FELCRA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	126,700	112,367	65,518	81,957
Adjustments for:				
Amount due from subsidiaries written off	-	-	31	-
Bad debts recovered	-	(491)	-	(491)
Depreciation	67,191	62,840	44,810	42,618
Dividend income	-	-	(12,508)	(16,548)
(Gain)/Loss on disposal of property, plant and equipment	(35,394)	8,025	(35,394)	8,095
(Gain)/Loss on disposal of investment in subsidiaries (Note 27)	(39)	1,305	-	1,305
Impairment loss on trade receivables	-	2,737	-	2,737
Impairment loss on government projects	1,001	1,001	1,001	1,001
Impairment loss on investment in subsidiaries	-	-	2,361	-
Goodwill written off	100	223	-	-
Government projects written off	-	4,335	-	4,335
Reversal of impairment in other investment	-	(690)	-	(690)
Reversal of provision of diminution in inventories	-	(2,069)	-	(2,069)
Retirement benefits expenses	23,803	25,050	21,775	22,694
Retirement benefits paid	(21,767)	(14,526)	(20,630)	(13,807)
Share of (profit)/loss of associates, net of tax	(1,667)	752	(1,667)	752
Interest expense	7,161	7,296	4,834	4,823
Interest income	(64,331)	(74,648)	(62,941)	(75,718)
Operating profit before working capital changes	102,758	133,507	7,190	60,994
Decrease/(Increase) in inventories	4,005	(1,500)	14,967	11,663
(Increase)/Decrease in trade and other receivables	(27,811)	36,936	43,295	(114,203)
Decrease in trade and other payables	(203,014)	(204,657)	(198,648)	(222,460)
Cash used in operations	(124,062)	(35,714)	(133,196)	(264,006)
Tax paid	(33,270)	(58,245)	(37,284)	(43,392)
Interest paid	(7,161)	(7,296)	(4,834)	(4,823)
<i>Net cash used in operating activities</i>	(164,493)	(101,255)	(175,314)	(312,221)

FELCRA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions of property, plant and equipment (Note 5)	(127,072)	(101,507)	(74,275)	(45,271)
Additions of investment in subsidiaries	-	-	(132,000)	-
Additions of investment in associates	(21,500)	(350)	(21,500)	(350)
Additions of investment properties	(2,571)	-	-	-
Additions of other investment	-	(860)	-	(310)
Dividend received	-	-	12,508	16,548
(Withdrawal)/Placement of fixed deposits	(2)	106	(1,055)	132
Interest received	64,331	74,648	62,941	75,718
Net advances given for land development cost	(157,782)	(192,434)	(157,782)	(192,434)
Proceeds from disposal of a subsidiary, net of cash (Note 27)	-	(300)	-	-
Proceeds from disposal of property, plant and equipment	68,026	20,403	68,024	20,403
Proceeds from disposal of investment in subsidiary	-	1,265	-	1,265
Net project receipt	25,433	79,487	25,433	79,487
<i>Net cash used in investing activities</i>	(151,137)	(119,542)	(217,706)	(44,812)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid to the shareholder of the Company	(22,590)	(15,000)	(22,590)	(15,000)
Dividend paid to the minority interests	(1,597)	(3,178)	-	-
Given for participants' interest	(92,946)	(130,815)	(92,946)	(140,497)
Proceeds from loan and borrowings	274,406	39,662	274,406	39,662
Repayment of loan and borrowings	(57,021)	(58,564)	(55,974)	(49,258)
<i>Net cash provided by/(used in) financing activities</i>	100,252	(167,895)	102,896	(165,093)
Net decrease in cash and cash equivalents	(215,378)	(388,692)	(290,124)	(522,126)
Cash and cash equivalents at beginning of the financial year	2,398,670	2,787,362	2,163,943	2,686,069
Cash and cash equivalents at end of the financial year (Note 14)	2,183,292	2,398,670	1,873,819	2,163,943

The accompanying notes form an integral part of the financial statements.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

1. GENERAL

- (a) The Company is principally engaged in the provision of plantation services focusing on integration, rehabilitation and development of land including the processing and marketing of commodity products and investment holding, whilst the principal activities of the subsidiary companies are stated in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.
- (b) The principal place of business and registered office is located at Wisma FELCRA, Lot PT4780, Jalan Rejang, Setapak Jaya, 53300 Kuala Lumpur.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (“FRSs”), generally accepted accounting principles and the provisions of the Companies Act, 1965 in Malaysia.

In August 2008, the MASB and the Financial Reporting Foundation announced their decision to fully converge the existing FRS with the International Financial Reporting Standards (IFRS) in 2013. On 19 November 2011, the MASB issued the new Malaysian Financial Reporting Standards Framework (MFRS Framework). This fully IFRS-compliant framework is applicable for all non-private entities for annual periods beginning on or after 1 January 2013, other than the Transitioning Entities (TEs), which may defer adoption by one year in view of potential changes on the horizon which may change current accounting treatments. On 30 June 2013, the MASB decided to allow TEs to defer the adoption of the MFRS Framework by another year.

TEs are non-private entities within the scope of MFRS 141 – Agriculture and IC Interpretation 15 – Agreements for the Construction of Real Estate, including their parent, significant investor and venture.

The Group and the Company would subsequently adopt the MFRS Framework for the financial year ending 31 December 2015 as it is a transitioning entity. The subsequent adoption of the MFRS Framework would result in the Group and the Company preparing an opening MFRS statement of financial position as at 1 January 2014, which adjusts for differences between the classification and measurement bases in the existing FRS Framework versus that in the new MFRS Framework. This would also result in a restatement of the annual and quarterly financial performance for the financial year ending 31 December 2014 in accordance with MFRS, which would form the MFRS comparatives for the annual and quarterly financial performance for the financial year ending 31 December 2015 respectively.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

The Group and the Company adopted applicable MFRS mandatory for financial periods beginning on or after 1 January 2013, as follows:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*
- MFRS 3 *Business Combinations*
- MFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*
- MFRS 7 *Financial Instruments: Disclosures*
- MFRS 9 *Financial Instruments*
- MFRS 101 *Presentation of Financial Statements*
- MFRS 107 *Statement of Cash Flows*
- MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- MFRS 110 *Events After the Reporting Period*
- MFRS 118 *Revenue*
- MFRS 119 *Employee Benefits*
- MFRS 124 *Related Party Disclosures*
- MFRS 132 *Financial Instruments: Presentation*
- MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- MFRS 139 *Financial Instruments: Recognition and Measurement*

The Group and the Company are in the process of assessing the impact of the adoption of these FRSS, Amendments to FRSS and IC Interpretations since the effects would only be observable in future financial years.

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the MASB but are not yet effective, which have been early adopted by the Group and the Company:

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013:

- MFRS 10 *Consolidated Financial Statements*
- MFRS 11 *Joint Arrangements*
- MFRS 12 *Disclosure of Interests in Other Entities*
- MFRS 13 *Fair Value Measurement*
- MFRS 119 *Employee Benefits (2012)*
- MFRS 127 *Separate Financial Statements*
- Amendments to MFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009 – 2012 Cycle)*
- Amendments to MFRS 101 *Presentation of Financial Statements (Annual Improvements 2009 – 2012 Cycle)*

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

- Amendments to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2009 – 2012 Cycle)*
- Amendments to MFRS 132 *Financial Instruments: Presentations (Annual Improvements 2009 – 2012 Cycle)*

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014:

- Amendments to MFRS 132 *Financial Instruments – Offsetting Financial Assets and Financial Liabilities*

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the MASB but are not yet effective, which have not been early adopted by the Group and the Company:

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015:

- MFRS 9 *Financial Instruments (2009) – IFRS 9 issued by IASB in November 2009*
- MFRS 9 *Financial Instruments (2010) – IFRS 9 issued by IASB in October 2010*
- Amendments to MFRS 7 *Financial Instruments: Disclosures – Mandatory date of MFRS 9 and Transition Disclosures*

The Group and the Company are in the process of assessing the impact on the financial statements arising from the transition from FRSS to MFRSS. However, some of the known effects are described as follows:

MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards

This standard requires an opening MFRS statement of financial position at the date of transition to reflect the retrospective effects of implementing the MFRS Framework for the first time. However, it also provides some exceptions and exemptions to an entity from full retrospective application of MFRSS.

The Group and the Company are in the process of assessing the impact of implementing the MFRS Framework since the effects would only be observable for the financial year ending 31 December 2015.

MFRS 141, Agriculture

This standard prescribes the accounting treatment, financial statements presentation, and disclosures related to agricultural activity. It requires measurement at fair value less costs to sell from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. This standard requires that a change in fair value less costs to sell of a biological asset be included in profit or loss for the period in which it arises.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Interpretation issued but withdrawn subsequently

IC Interpretation 15 – Agreement for the Construction of Real Estate

IC Interpretation 15 addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate. This IC is withdrawn with effect from annual periods beginning on or after 1 January 2013.

Except as disclosed, the adoption of the above will not result in any significant changes the Group's and Company's results and financial position.

- MFRS 2 *Share-based Payment*
- MFRS 4 *Insurance Contracts*
- MFRS 6 *Exploration for Evaluation of Mineral Resources*
- MFRS 8 *Operating Segments*

(b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities as explained in their respective accounting policy Note 4(c) – Financial Instruments.

(c) **Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia (RM), which is the Group and the Company's functional currency and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

(d) **Use of estimates and judgements**

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

- | | |
|-----------------------|--|
| Note 4(f)(i) | – goodwill |
| Note 4(j)(ii) and (l) | – provision for impairment losses and contingencies |
| Note 4(m)(i) | – revenue recognition policy for Lot Kosong – without participants |
| Note 4(p) | – employee benefits |

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

3. **DATE OF AUTHORISATION OF ISSUE**

The financial statements were authorised for issue by the Board of Directors on

4. **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, other than those disclosed in the following notes:

(a) **Basis of consolidation**

(i) **Subsidiaries**

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) **Non-controlling interest**

Non-controlling interest at the end of the reporting period, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company.

Non-controlling interest in the results of the Group are presented in the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between non-controlling interest and the owners of the Company.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Since the beginning of the reporting period, the Group has applied FRS127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provision of the standard and does not have impact on earnings per share.

In the previous years, where losses applicable to the non-controlling exceed the non-controlling interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling, are charged against the Group's interest except to the extent that the non-controlling has a binding obligation to, and is able to, make additional investments to cover the losses.

If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(iii) **Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest including any long-term investments is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Group and Company's statements of financial position at cost less any impairment losses, unless the investment is classified as available-for-sale. The cost of investments includes transaction costs.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(iv) **Changes in Group composition**

When the Group purchases a subsidiary's equity shares from non-controlling interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its non-controlling interests holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(v) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) **Foreign currency**

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) **Financial instruments**

(i) **Initial recognition and measurement**

A financial instrument is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(ii) **Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) **Financial assets at fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) **Held-to-maturity investments**

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) **Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(d) **Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains or losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment in accordance with Note 4(k)(i).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(iv) **Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require a delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) **Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(d) **Property, plant and equipment**

(i) **Recognition and measurement**

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on a fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) **Subsequent costs**

The cost of replacing part of an item or property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) **Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment at the following rates:

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Leasehold land	30-99 years
Buildings and infrastructures	20 years
Machinery and equipment	5 - 14 years
Motor vehicles	5 years
Office equipment and computers	3 - 10 years
Plantation development expenditure	20 years

Depreciation methods, useful lives and residual value are reviewed and adjusted as appropriate at end of the reporting period.

(iv) **Plantation development expenditure**

Plantation development expenditure consists of planting expenditure incurred on land clearing, new planting and upkeep of trees to maturity are capitalised until the point of commercial harvesting, all income earned prior to the point of commercial harvesting and subsidies granted will be utilised to offset against plantation development expenditure. Plantation expense consists of estate labour, supply of fertilizers, contracted plantation works, agriculture consultancy fees and interest expense on funds used for plantation development expenditure.

Upon maturity, all subsequent maintenance expenditure is charged to profit or loss and the capitalised pre-cropping costs are amortised on a straight line basis over 20 years, the expected useful life of oil palms. Oil palm is considered mature only 36 months after the month of planting.

(e) **Investment property**

Investment property comprises of a building held for long term rental yields or for capital appreciation or both, and is not occupied by the Group. Investment property is stated at cost less accumulated depreciation and accumulated impairment.

Depreciation on the building, when completed, is calculated so as to write-off the cost of the asset less residual value on a straight-line basis over the expected useful life.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(f) **Leased assets**

(i) **Finance lease**

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) **Operating leases**

Leases where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position of the Group or the Company. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group has adopted the amendment made to FRS 117, *Leases* in 2012 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(g) **Intangible assets**

(i) **Goodwill**

Goodwill arising on business combination is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities.

For business acquisitions made on or after 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

(ii) **Amortisation**

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(h) **Inventories**

Raw materials, work-in-progress and finished goods other than livestock and nursery costs are measured at the lower of cost and net realisable value. The cost of inventories is based on the first in, first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sales.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Livestock is stated at the net realisable value in accordance with established practices in the livestock industry. The natural increase/decrease resulting from the valuation of livestock at the net realisable value is transferred to a capital reserve account which is not distributable. When the livestock is sold, the difference between its net realisable value and cost will be reversed from the capital reserve account and recognised in profit and loss.

Nursery costs comprise of oil palm seeds, direct labour, fertilizers and other nursery preparation costs. All related expenditure is capitalised. Part of the capitalised current year's expenditure is allocated to profit or loss based on the ratio of mature seeds sold to the total of seeds for the year.

(i) **Long-term receivables recoverable**

(i) **Land development costs**

Land development costs consists of plantation development costs, supply of fertilizers, other supplies and expenses related to the development of land in respect of participants' projects. The amount is recoverable from future profits from participants' projects.

(ii) **Project advances**

Project advances are advances to cover expenses by participants' projects. The amount is recoverable from future profits from participants' projects.

Land development costs and project advances are classified as long term receivables recoverable. These are categorised and measured as loans and receivables in accordance with Note 4(c).

(j) **Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) **Impairment**

(i) **Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal is recognised in the profit or loss.

(ii) **Other assets**

The carrying amounts on other assets (except for inventories, assets arising from construction contracts and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of asset (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) **Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) **Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(n) **Revenue and other income**

(i) **Goods sold**

Revenue from the sale of plantation produce is measured at fair value of the consideration received or receivable, net of returns and allowances, traded discount and volume rebates.

Revenue from the sale of plantation produce from 'Lot Kosong – without participants' are recognised based on proportionate shares between 30% to 40% of the consideration received or receivable, net of returns and allowances, traded discount, volume rebates and related expenses in accordance to the term of agreement with state governments.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) **Services**

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

(iii) **Construction contracts**

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iv) **Dividend income**

Dividend income is recognised when the right to receive payment is established.

(v) **Rental income**

Rental income is recognised on the accrual basis.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(o) **Interest income and borrowing costs**

Interest income is recognised as it accrues using the effective interest method.

All borrowing costs are recognised in profit or loss using the effective interest method in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) **Income tax**

(i) **Current tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(ii) **Deferred tax**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that is no longer probable that the related tax benefit will be realised.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(q) **Employee benefits**

(i) **Short term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) **Defined benefits plans**

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or any other settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

5. PROPERTY, PLANT AND EQUIPMENT

Group

	COST/VALUATION				
	Balance as at	Additions	Transfer/	Disposals	Balance as at
	1.1.2013		Reclassification		31.12.2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land	143,657	174	-	-	143,831
Freehold land	2,793	3,795	-	-	6,588
Buildings and infrastructures	404,221	12,321	10,967	(26,760)	400,749
Plantation development expenditure and projects-in-progress	669,367	80,385	(14,955)	(1,611)	733,186
Machinery and equipment	199,696	14,158	37	(31,643)	182,248
Office equipment and computers	78,147	4,008	3,951	(1,020)	85,086
Motor vehicles	115,377	12,231	-	(4,163)	123,445
	1,613,258	127,072	-	(65,197)	1,675,133

	ACCUMULATED DEPRECIATION				
	Balance as at	Additions	Transfer/	Disposals	Balance as at
	1.1.2013		Reclassification		31.12.2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land	23,643	3,660	-	-	27,303
Freehold land	-	-	-	-	-
Buildings and infrastructures	246,061	14,730	-	(11,317)	249,474
Plantation development expenditure and projects-in-progress	128,360	16,124	-	(522)	143,962
Machinery and equipment	130,360	14,250	-	(16,250)	128,360
Office equipment and computers	54,677	6,814	-	(839)	60,652
Motor vehicles	87,395	11,613	-	(3,637)	95,371
	670,496	67,191	-	(32,565)	705,122

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	CARRYING VALUE		Depreciation 2012 RM'000
	2013	2012	
	RM'000	RM'000	
Leasehold land	116,528	120,014	3,183
Freehold land	6,588	2,793	-
Buildings and infrastructures	151,275	158,160	15,286
Plantation development expenditure and projects-in-progress	589,224	541,007	16,135
Machinery and equipment	53,888	69,336	13,429
Office equipment and computers	24,434	23,470	4,267
Motor vehicles	28,074	27,982	10,540
	970,011	942,762	62,840

Company

	COST/VALUATION				
	Balance as at 1.1.2013	Additions	Transfer/ Reclassification	Disposals	Balance as at 31.12.2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold land	125,981	174	-	-	126,155
Freehold land	2,441	-	-	-	2,441
Buildings and infrastructures	390,423	3,292	10,282	(26,760)	377,237
Plantation development expenditure and projects-in -progress	359,514	55,954	(14,233)	(1,089)	400,146
Machinery and equipment	133,590	2,668	-	(31,302)	104,956
Office equipment and computers	64,064	2,457	3,951	(419)	70,053
Motor vehicles	77,866	9,729	-	(3,861)	83,734
	1,153,879	74,274	-	(63,431)	1,164,722

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	ACCUMULATED DEPRECIATION				Balance as at 31.12.2013 RM'000
	Balance as at 1.1.2013 RM'000	Additions RM'000	Transfer/ Reclassification RM'000	Disposals RM'000	
	Leasehold land	22,364	2,934	-	
Freehold land	-	-	-	-	-
Buildings and infrastructures	240,005	13,553	-	(11,317)	242,241
Plantation development expenditure and projects-in -progress	91,000	7,646	-	-	98,646
Machinery and equipment	86,530	7,540	-	(15,911)	78,159
Office equipment and computers	45,645	5,320	-	(239)	50,726
Motor vehicles	59,552	7,817	-	(3,334)	64,035
	545,096	44,810	-	(30,801)	559,105

	CARRYING VALUE		Depreciation 2012 RM'000
	2013 RM'000	2012 RM'000	
Leasehold land	100,857	103,617	2,942
Freehold land	2,441	2,441	-
Buildings and infrastructures	134,996	150,417	13,925
Plantation development expenditure and projects-in-progress	301,500	268,514	7,646
Machinery and equipment	26,797	47,061	8,313
Office equipment and computers	19,327	18,419	3,155
Motor vehicles	19,699	18,314	6,637
	605,617	608,783	42,618

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013***Assets under finance lease and hire purchase***

Included in property, plant and equipment of the Group are plant and machinery acquired under finance lease and hire purchase plans with an aggregate carrying value of RM20,866,513 (2012: RM23,506,752).

Security

Properties of the Group with an aggregate carrying value of RM4,804,962 (2012: RM2,226,994) are charged to secure bank loans and borrowings in Note 16.

Land

Included in the carrying amounts of land are:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unexpired lease period of less than 50 years	26,877	26,704	26,877	26,704
Unexpired lease period of more than 50 years	89,651	93,310	73,980	76,913
	<u>116,528</u>	<u>120,014</u>	<u>100,857</u>	<u>103,617</u>

6. INVESTMENT PROPERTY

	Group	
	2013 RM'000	2012 RM'000
As at beginning of the financial year	-	-
Additions	2,571	-
As at end of the financial year	<u>2,571</u>	<u>-</u>

A commercial office building is currently under construction. The building has only started its construction during the year. The total cost of the building once completed is estimated at RM3,255,000.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

7. GOODWILL

Group

	RM'000
Cost	
At 1 January 2013	10,044
Impairment loss	
At 1 January 2013	(1,842)
Disposal during the year	(100)
Carrying amounts	<u><u>8,102</u></u>

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's subsidiaries which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying value of goodwill allocated to each unit is as follows:

	Group	
	2013	2012
	RM'000	RM'000
Felcra Processing & Engineering Sdn. Bhd.	7,098	7,098
Felcra Ever Herald Sdn. Bhd.	857	857
Felcra Bekalan dan Perkhidmatan Sdn. Bhd.	147	147
Felcra Hose & Hose Sdn. Bhd.	-	100
	<u><u>8,102</u></u>	<u><u>8,202</u></u>

The recoverable amounts used in the goodwill impairment testing were based on value in use of the investment in the respective subsidiaries. These calculations use pre-tax cash flow projections based on financial budgets approved by respective management.

The value in use was determined by discounting the future cash flows based on the following key assumptions:

- (a) Cash flows were projected for five years based on actual operating results and 5 years budget.
- (b) The anticipated growth rate for revenue was projected in accordance with the Group's 5 years budget and subsequently projected based on estimated commodity price of crude palm oil and fresh fruit bunches.
- (c) A pre-tax discount rate of 4% (2012: 4%) was applied in determining the recoverable amount. The discount rate was estimated based on the Group's weighted average cost of capital.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013**8. INVESTMENT IN SUBSIDIARIES**

	Company	
	2013	2012
	RM'000	RM'000
Unquoted shares, at cost	173,687	41,782
Less: Accumulated impairment losses	(3,339)	(1,073)
	<u>170,348</u>	<u>40,709</u>

Details of the subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Paid up capital</u>	<u>Group's effective interest (%)</u>		<u>Principal activities</u>
		2013	2012	
*Felcra Niaga Sdn. Bhd.	2,000,000	100	100	Provision of agricultural input products and wholesale trading activities
*Felcra Plantation and Services Sdn. Bhd.	100,000	100	100	Provision of agricultural consultancy services and managing a paddy mill
*Felcra Processing & Engineering Sdn. Bhd.	3,750,000	100	100	Management of palm oil mill and sale of palm oil products, sale of equipment, construction contracts, project management, transport services and vehicle servicing
*Felcra Pelita Jemoreng Sdn. Bhd.	14,031,000	60	60	Plantation activities in Jemoreng, Sarawak
*Felcra Urus Estet Sdn. Bhd.	1,000,000	100	100	Plantation management services
*Felcra Sundar Awat-Awat Plantation Sdn. Bhd.	150,000	70	70	Plantation activities in Sundar Awat-Awat, Sarawak
*Felcra Balingian Plantation Sdn. Bhd.	100,000	80	80	Plantation activities in Balingian, Sarawak

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

*Felcra Agro Industry Sdn. Bhd.	3,000,000	100	100	Management of farming projects, provision of farming supplies and labour and conducting agro tourism activities
*Felcra Gedong Plantation Sdn. Bhd.	1,000	70	70	Plantation activities in Gedong, Sarawak
*Felcra Daya Khas Plantation Sdn. Bhd.	100,000	92	92	Plantation activities in district of Sri Aman, Sarawak
*Felcra Bina Sdn. Bhd.	10,000,000	100	100	Building contractor and civil engineers
*Felcra Training and Consultancy Sdn. Bhd.	500,002	100	100	Provision of training and consultancy
*Felcra Hose & Hose Sdn. Bhd.	3,000,002	100	100	Manufacturing of hoses. Ceased operations in year 2012.
*Felcra Ever Herald Sdn. Bhd.	15,000	70	70	Plantation activities in Sarawak
*Felcra Bekalan dan Perkhidmatan Sdn. Bhd.	1,500,000	53	53	General trading
Felcra Education Services Sdn. Bhd.	1,000,002	100	100	Provision of educational services.
Permodalan Felcra Sdn. Bhd.	130,000,000	100	100	Managing and invest funds received from Felcra Berhad
Felcra Properties Sdn. Bhd.	2,000,000	100	100	Property development. Yet to commence operations.
Felcra International Labuan Ltd. (Incorporated in the Federal Territory Labuan, under the Labuan Companies Act, 1990)	95,000	-	100	Dormant

* Audited by other firms of chartered accountants.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

9. **INVESTMENT IN ASSOCIATES**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted shares, at cost	23,187	1,686	23,187	1,686
Share of post-acquisition reserves	(70)	(70)	-	-
Share of loss in associates	1,683	16	1,683	16
	<u>24,800</u>	<u>1,632</u>	<u>24,870</u>	<u>1,702</u>

The associates, which were audited by other firm of chartered accountants, are as follows:

<u>Name of company</u>	<u>Paid up capital</u> RM	<u>Group's effective interest (%)</u>		<u>Principal activities</u>
		2013	2012	
Konsortium Baja Nasional Sdn. Bhd.	1,000,000	35	35	Provision of agriculture inputs
Sinergi Perdana Sdn. Bhd.	4,050,000	33	33	Provision of agriculture related business
Felcra Jaya Samarahan Sdn. Bhd.	20,000,000	30	-	Management of palm oil mill
Felcra Jaya Putra Sdn. Bhd.	35,000,000	36	-	Management of palm oil mill

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Summary financial statements information of associates who have coterminous year end with the Group is as follows:

	2013 RM'000	2012 RM'000
Assets and liabilities		
Current assets	44,680	12,004
Non-current assets	58,270	1,027
Total assets	<u>102,950</u>	<u>13,031</u>
Current liabilities	41,120	10,111
Non-current liabilities	1,474	153
Total liabilities	<u>42,594</u>	<u>10,264</u>
Revenue	141,464	11,228
Loss before taxation	6,888	(3,491)
Taxation	(1,545)	(28)
Loss after taxation	<u>5,343</u>	<u>(3,519)</u>

10. **OTHER INVESTMENTS**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted shares, at cost				
Balance as at 1 January	1,735	875	1,185	875
Additions during the year	-	860	-	310
Balance as at 31 December	<u>1,735</u>	<u>1,735</u>	<u>1,185</u>	<u>1,185</u>
Less: Accumulated impairment losses				
Balance as at 1 January	-	(690)	-	(690)
Reversal during the year	-	690	-	690
Balance as at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,735</u>	<u>1,735</u>	<u>1,185</u>	<u>1,185</u>

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

11. LONG TERM RECEIVABLES RECOVERABLE

	Group and Company	
	2013 RM'000	2012 RM'000
Non-current		
Land development costs	1,479,452	1,315,213
Project advances	67,915	99,805
	<u>1,547,367</u>	<u>1,415,018</u>

Long term receivables recoverable consist of plantation development costs incurred on participants' projects and advances given to projects which are recoverable from future profits generated by the participants' projects.

Movement in participants' projects during the year:

	Group and Company	
	2013 RM'000	2012 RM'000
At 1 January	1,415,018	1,302,071
Additions	157,782	192,434
Receipts	(25,433)	(79,487)
At 31 December	<u>1,547,367</u>	<u>1,415,018</u>

12. INVENTORIES

	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At cost:				
Palm oil products	50,731	59,777	28,144	40,376
Fertilizer	44,558	38,942	25,507	28,840
Nursery costs	8,276	10,535	6,820	9,083
Spares and consumables	2,021	2,999	1,786	1,942
	<u>105,586</u>	<u>112,253</u>	<u>62,257</u>	<u>80,241</u>
At net realisable value:				
Livestock	3,970	1,308	3,617	600
	<u>109,556</u>	<u>113,561</u>	<u>65,874</u>	<u>80,841</u>

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

13. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade					
Trade receivables		183,469	230,620	154,094	191,153
Less: Impairment losses		(2,737)	(2,737)	(2,737)	(2,737)
		180,732	227,883	151,357	188,416
Contract work-in-progress	a	17,461	10,321	-	-
		198,193	238,204	151,357	188,416
Non-trade					
Other receivables		57,013	30,172	48,088	25,975
Less: Impairment losses		(910)	(1,401)	-	-
		56,103	28,771	48,088	25,975
Deposits		7,149	5,832	4,485	3,536
Prepayments		1,153	2,863	1,153	1,058
Amount due from Inland Revenue Board		26,034	6,675	17,699	-
		90,439	44,141	71,425	30,569
Amount due from subsidiaries					
- Interest bearing	b	-	-	138,291	137,606
- Interest free	c	-	-	217,322	260,947
		-	-	355,613	398,553
Amount due from associated companies					
		13,547	-	13,547	-
		302,179	282,345	591,942	617,538

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(a) **Contract work-in-progress**

	Group	
	2013	2012
	RM'000	RM'000
Aggregate costs incurred	333,585	264,619
Add: Attributable profits	43,060	33,194
	<u>376,645</u>	<u>297,813</u>
Less: Progress billings	(369,667)	(305,742)
	<u>6,978</u>	<u>(7,929)</u>
Contract work-in-progress	17,461	10,321
Amount due to contract customers (Note 15)	(10,483)	(18,250)
	<u>6,978</u>	<u>(7,929)</u>

(b) **Interest bearing amount due from subsidiaries**

The amounts due from subsidiaries are non-trade in nature, unsecured, subject to interest at 5% to 6% (2012: 5% to 6%) per annum and are repayable on demand.

(c) **Interest free amount due from subsidiaries**

The amounts due from subsidiaries are non-trade in nature, unsecured, interest free and are repayable on demand.

(d) **Amount due from associated companies**

The amounts due from associated companies are unsecured, interest free and repayable on demand.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

14. **DEPOSITS, CASH AND BANK BALANCES**

	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits are placed with:				
Licensed banks	647,929	851,577	540,876	750,240
Other corporations	828,489	916,665	703,488	866,665
	<u>1,476,418</u>	<u>1,768,242</u>	<u>1,244,364</u>	<u>1,616,905</u>
Cash and bank balances	726,479	650,032	650,024	566,552
	<u>2,202,897</u>	<u>2,418,274</u>	<u>1,894,388</u>	<u>2,183,457</u>
Less: Deposits pledged	(19,606)	(19,604)	(20,569)	(19,513)
	<u><u>2,183,292</u></u>	<u><u>2,398,670</u></u>	<u><u>1,873,819</u></u>	<u><u>2,163,943</u></u>

Deposits placed with licensed banks pledged for a bank facility

Included in the deposits of the Group and of the Company are Government trust monies amounting to RM950,135,543 (2012: RM1,183,795,184) (Note 15a) of which these monies can only be utilised for Government initiated programmes.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

15. **TRADE AND OTHER PAYABLES**

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade					
Trade payables		189,848	135,468	122,294	36,344
		189,848	135,468	122,294	36,344
Non-trade					
Other payables and accruals	a	1,392,147	1,648,788	1,370,693	1,619,366
Amount due to subsidiaries	b	-	-	47,314	82,206
Amount due to contract customers	13(a)	10,483	18,250	-	-
		1,402,630	1,667,038	1,418,007	1,701,572
		1,592,478	1,802,506	1,540,301	1,737,916

(a) **Other payables and accruals**

Included in other payables and accruals of the Group and Company are Government trust monies amounting to RM950,135,543 (2012: RM1,183,795,184). The Government trust monies, all of which are placed in fixed deposits with financial institutions (Note 14), are used in the social and rural development programmes.

(b) **Amount due to subsidiaries**

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013**16. LOANS AND BORROWINGS**

This note provides information about the contractual terms of the Group's and the Company's interest bearing loans and borrowings. Information about the Group's and the Company's exposure to interest rate and foreign currency risk is disclosed in Note 31.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Secured term loans	5,605	6,571	4,922	5,563
Hire purchase and finance lease liabilities	3,387	5,209	-	-
	8,992	11,780	4,922	5,563
Unsecured term loans from Government				
- Land development	37,729	42,615	37,729	42,615
- Participants' housing	1,163	-	1,163	-
- Economic Desa Program	-	2,972	-	2,972
	38,892	45,587	38,892	45,587
	47,884	57,367	43,815	51,150

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current				
Secured term loans	31,245	39,111	25,849	36,861
Hire purchase and finance lease liabilities	9,751	11,796	-	-
	40,996	50,907	25,849	36,861
Unsecured term loans from Government				
- Land development	1,284,478	1,046,536	1,284,478	1,046,536
- Participants' housing	9,757	10,920	9,757	10,920
	1,294,235	1,057,456	1,294,235	1,057,456
	1,335,231	1,108,363	1,320,084	1,094,317

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total borrowings					
Secured term loans		36,850	45,682	30,772	42,424
Hire purchase and finance lease liabilities		13,138	17,005	-	-
Unsecured term loans from Government					
- Land development	a	1,322,207	1,089,151	1,322,207	1,089,151
- Participants housing	b	10,920	10,920	10,920	10,920
- Economic Desa Program	c	-	2,972	-	2,972
		1,333,127	1,103,043	1,333,127	1,103,043
		1,383,115	1,165,730	1,363,899	1,145,467

Security

Deposits placements of the Group and of the Company amounting to RM 19,606,124 (2012: RM19,603,624) and RM20,568,829 (2012: RM19,513,624) respectively in Note 14 are pledged to secure bank loans and overdrafts of the Group and of the Company.

Properties of the Group with an aggregate carrying value of RM4,804,962 (2012: RM2,226,994) in Note 5 are secured over bank loans and overdrafts.

Significant salient features of loans and borrowings

Unsecured term loans from Government

Repayment is based on the schedules agreed upon by the Government and the Company.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Group and Company

Terms of the Government loans are as follows:

(a) Land Development

Terms	← Loans disbursed for the years →						Total
	2000 - 2001	2002 - 2007	2008 - 2009	2010	2011	2012	
Interest rate	4%	4%	4%	4%	4%	4%	
Period of loans	25 years	20 years	20 years	20 years	20 years	15-20 years	
Interest free period	5 years	7 years	6 years	7 years	7 years	3-7 years	
Period of interest capitalisation	None	None	None	None	None	None	
Year from the effective date of the loan in which repayment commences	6 th year	8 th year	7 th year	8 th year	8 th year	4- 8 th year	
Period of repayment	20 years	13 years	14 years	13 years	12 years	12-20 years	
Total outstanding loans for land development (RM)	174,882	248,654	141,258	57,664	466,693	233,056	1,322,207

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(b) **Participants' Housing**

	2013	2012
Terms		
Interest rate	4%	4%
Period of loans	15 years	15 years
Interest free period	3 years	3 years
Period of interest capitalisation	None	None
Year from the effective date of the loan in which repayment commences	4th year	4 th year
Period of repayment	12 years	12 years
Total outstanding loans for land development (RM)	10,920	10,920

(c) **Economic Desa Program**

This was fully settled during the year. It used to bear interest at 4% per annum. These loans were granted for a period of 10 years and repayment commenced in the fourth year from the date of the loan.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013**Terms and debt repayment schedule**

Group	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	2 - 5 years	Over 5 years
2013		RM'000	RM'000	RM'000	RM'000	RM'000
Secured term loans	2013 - 2017	36,850	5,605	11,209	20,036	-
Hire purchase and finance lease liabilities	2013 - 2014	13,138	3,386	9,751	-	-
Unsecured term loans from Government						
- Land development	2013 - 2026	1,322,207	49,446	50,483	176,116	1,046,162
- Participants' housing	2022	10,920	1,163	2,327	3,491	3,939
		1,383,115	59,600	73,770	199,643	1,050,101
2012						
Secured term loans	2012 - 2017	45,682	13,909	24,883	6,891	-
Hire purchase and finance lease liabilities	2012 - 2013	17,005	5,210	11,795	-	-
Unsecured term loans from Government						
- Land development	2012 - 2026	1,089,151	43,108	84,470	139,332	822,241
- Participants' housing	2022	10,920	-	2,327	3,491	5,102
- Economic Desa Program	2014	2,972	2,972	-	-	-
		1,165,730	65,199	123,475	149,714	827,343

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Company	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	2 - 5 years	Over 5 years
2013		RM'000	RM'000	RM'000	RM'000	RM'000
Secured term loans	2013 - 2017	30,772	4,922	25,850	-	-
Unsecured term loans from Government						
- Land development	2013 - 2019	1,322,207	49,446	50,483	176,116	1,046,162
- Participants' housing	2022	10,920	1,164	2,327	3,491	3,939
		<u>1,363,899</u>	<u>55,532</u>	<u>78,660</u>	<u>179,607</u>	<u>1,050,101</u>
2012						
Secured term loans	2012 - 2017	42,424	11,844	23,689	6,891	-
Unsecured term loans from Government						
- Land development	2012 - 2017	1,089,151	43,108	49,446	172,057	824,540
- Participants' housing	2022	10,920	-	2,327	3,491	5,102
- Economic Desa Program	2014	2,972	2,972	-	-	-
		<u>1,145,467</u>	<u>57,924</u>	<u>75,462</u>	<u>182,439</u>	<u>829,642</u>

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Finance lease and hire purchase liabilities

Finance lease and hire purchase liabilities are payable as follows:

Group	Minimum lease payments 2013 RM'000	Interest 2013 RM'000	Principal 2013 RM'000
	Less than 1 year	4,317	930
Between 1 and 5 years	15,015	5,264	9,751
	<u>19,332</u>	<u>6,194</u>	<u>13,138</u>
	Minimum lease payments 2012 RM'000	Interest 2012 RM'000	Principal 2012 RM'000
Less than 1 year	6,154	945	5,209
Between 1 and 5 years	17,284	5,488	11,796
	<u>23,438</u>	<u>6,433</u>	<u>17,005</u>

17. SHARE CAPITAL

	Group and Company	
	2013 RM'000	2012 RM'000
Authorised:		
1,000,000,000 ordinary shares of RM1.00 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and paid-up:		
500,000,002 ordinary shares of RM1.00 each	<u>500,000</u>	<u>500,000</u>

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

18. INVESTMENT BY GOVERNMENT

The investment by Government of RM146,371,315 comprise of the following:

- (i) The statement of financial position of the Company as at 1 September 1997 was based on the financial statements of Lembaga Penyatuan dan Pemulihan Tanah Persekutuan as at 31 August 1997 which was audited by the Auditor General's office. The excess of assets over liabilities totaling RM48,383,860 which was transferred to the Company on 1 September 1997 was classified as investment by Government.
- (ii) On 25 July 2006, the Government had converted RM97,987,455 of term loans from Government into investment by Government as part of their obligation to bear long term loss making participants' projects.

19. CAPITAL RESERVES

The capital reserves comprise the equity portion of financial instruments issued.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2013 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

20. PARTICIPANTS' INTERESTS

Movement in participants' projects during the year:

	Note	Group and Company	
		2013 RM'000	2012 RM'000
Participants' profits from projects	a	279,192	362,037
Development programs for the poor	b	206,505	194,696
Replanting Fund	c	220,212	242,122
		<u>705,909</u>	<u>798,855</u>

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(a) **Participants' profits from projects**

	Group and Company	
	2013	2012
	RM'000	RM'000
Plantation revenue directly attributable to participants	1,195,918	1,398,583
Raw materials and consumables used	(811,743)	(770,024)
Profit for the year	384,175	628,559
Distribution to participants	(307,052)	(511,667)
Profits attributable to participants	77,123	116,892
Residual profits attributable to participants after the distribution	202,069	245,145
Participants' profits from projects	279,192	362,037

The above figures are directly attributable to participants' projects. As such, these figures are separated from those attributable to the Group's and Company's projects, and are separately disclosed in the notes to the financial statements.

(b) **Development programs for the poor**

Development program for the poor is in relation to the funds received from the Government to distribute to the poor people who are FELCRA Participants.

(c) **Replanting Fund**

The Replanting Fund relates to the reserve fund deducted yearly from the projects income for a period of 15 years for replanting purposes. It has been established to subsidise the cost of replanting and/or to provide funding to participants as cost of living allowance during the replanting period.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

21. RETIREMENT BENEFITS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Present value of unfunded obligations				
- Non current	140,384	138,348	126,262	125,118

Liability for defined benefit obligations

The Group operates an unfunded, defined Retirement Benefit Scheme (the Scheme) for its permanent employees regardless the length of service. Only employees who have reached 50 years of age for male employees and 45 years of age for female employees but not exceeding 55 years of age for both gender categories are entitled for payment under the Scheme upon retirement.

The Company is in the midst of revaluing these obligations based on the minimum requirement age of 60 years old for the financial year ending 31 December 2014.

Movements in the net liability recognised in the statements of financial position:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Liability for defined benefit obligations at 1 January	138,348	127,825	125,118	116,231
Retirement benefits paid	(21,767)	(14,527)	(20,631)	(13,807)
Expense recognised in profit or loss (Note 29)	23,803	25,050	21,775	22,694
Liability for defined benefit obligations at 31 December	140,384	138,348	126,262	125,118

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Expenses recognised in statements of financial position

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current service costs	12,423	13,450	10,457	11,243
Interest on obligation	9,006	8,939	8,956	8,826
Amortisation of net actuarial loss	2,374	2,661	2,362	2,625
Net benefit expense	23,803	25,050	21,775	22,694

The expense is recognised in staff costs in the statements of comprehensive income.

Actuarial assumptions

Principal actuarial assumptions used at the reporting date (expressed as weighted averages):

	2013	2012
Discount rate at 31 December	6.00%	6.00%
Expected rate of salary increase	5.00%	5.00%

Historical information

Group	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000
Present value of the defined benefit obligation	140,384	138,348	127,825	119,203	110,544

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Company	2013	2012	2011	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000
Present value of the defined benefit obligation	126,262	125,118	116,230	108,935	101,210

22. REVENUE

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Plantation revenue from the Company's projects				
- sales of crude palm oil	470,922	669,476	470,922	669,476
- sales of agriculture activities	313,003	304,273	313,003	304,273
- revenue derived from participants' projects	143,690	187,876	143,690	187,876
Dividends	750	-	12,508	16,548
Trading	223,710	235,323	-	-
Construction	79,221	95,932	-	-
Others	89,855	92,278	-	-
	1,321,151	1,585,158	940,123	1,178,173

23. COST OF SALES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cost of inventories sold	750,297	946,038	715,536	898,326
Construction				
contract costs	69,315	84,332	-	-
Cost of services rendered	96,299	126,947	-	-
	915,911	1,157,317	715,536	898,326

24. OTHER OPERATING INCOME

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest income	64,331	74,648	62,941	75,717
Rental income	11,032	6,677	11,032	6,677
Gain on disposal of property, plant and equipment	35,394	-	35,394	
Others	28,375	26,209	24,493	23,869
	139,132	107,534	133,860	106,263

25. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following items:

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Auditors' remuneration				
- auditors of the Company	422	423	415	415
- other auditors	244	235	-	-
Amount due from subsidiaries written off	-	-	31	-
Depreciation	67,191	62,840	44,810	42,618
Directors' remuneration				
- fees	1,184	722	376	405
- remuneration	939	703	282	257
- honorarium	388	449	-	-
Finance costs:				
- secured term loans	1,756	2,134	847	1,080
- hire purchase and lease liabilities	1,189	1,021	-	-
- replanting funds	3,649	3,295	3,649	3,294
- others	567	846	338	449
Government projects written off	-	4,335	-	4,335
Loss on disposal of property plant and equipment	-	8,025	-	8,095
Loss on disposal of a subsidiary	-	1,305	-	1,305
Impairment losses on trade receivables	-	2,737	-	2,737
Impairment losses on investment in subsidiaries	-	-	2,361	-
Impairment losses on goodwill	100	223	-	-
Impairment losses on government projects	1,001	1,001	1,001	1,001
Retirement benefits	23,803	25,050	21,775	22,694
Rental expenses	9,865	8,257	7,277	6,979
and after crediting:				
Bad debts recovered	-	491	-	491
Reversal of impairment in other investment	-	690	-	690
Reversal of provision for diminution in inventories	-	2,067	-	2,067

26. **TAXATION**

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current income tax expense	41,547	54,673	22,759	37,305
Overprovision of prior year taxation	(4,198)	(9,048)	(3,239)	(7,344)
Reversal of deferred tax assets	-	553	-	-
	37,349	46,178	19,520	29,961

Reconciliation of tax expense with accounting profit:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Accounting profit	126,700	112,367	65,518	81,957
Tax at the current income tax rate of 25%	31,675	28,092	16,380	20,489
Tax effect in respect of:				
Non-allowable expenses	9,872	26,581	6,379	16,816
Overprovision of prior year taxation	(4,198)	(9,048)	(3,239)	(7,344)
Reversal of deferred tax assets	-	553	-	-
Tax expense	37,349	46,178	19,520	29,961

As at 31 December 2013, the Group has unabsorbed tax losses and unutilised capital allowances of approximately RM33,803,400 (2012: RM48,373,000) and RM12,300 (2012: RM658,000) respectively which can be used to offset future taxable profits subject to agreement with the Inland Revenue Board.

The deferred tax benefits which have not been included in the financial statements due to no assurance beyond any reasonable doubt that future taxable income will be sufficient to allow the benefit to realised are as follows:

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<u>Cummulative timing differences</u>				
Unabsorbed tax losses	33,803	48,373	-	-
Unutilised capital allowances	12	658	-	-
	33,815	49,031	-	-

27. **DISPOSAL OF A SUBSIDIARY, FELCRA INTERNATIONAL LABUAN LTD.**

	Group RM'000 RM
Cash and bank balances	-
Other payables and accruals	(3)
Amount due to holding company	(36)
	<u>(39)</u>
Gain on disposal	39
Total disposal consideration	-
Less: Cash and bank balances	-
Cash flow on disposal, net of cash disposed	<u>-</u>

28. **KEY MANAGEMENT PERSONNEL COMPENSATION**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors				
- fees	1,184	722	376	405
- remuneration	939	703	282	257
- honorarium	388	449	-	-
	2,511	1,874	658	662

29. **STAFF COSTS**

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries, allowances and bonus	147,635	136,089	11,450	109,899
EPF contributions	21,735	22,343	20,302	19,782
Retirement benefit contributions (Note 21)	23,803	25,050	21,775	22,694
Other related expenses	20,117	26,153	18,301	21,301
	213,290	209,635	71,828	173,676

The number of employees in the Group and in the Company at the end of the financial year were 3,087 and 2,704 (2012: 3,223 and 2,840) respectively.

30. **DIVIDENDS**

Dividends recognised in the current year by the Company are:

	Amount		Net Ordinary Shares	
	2013 RM'000	2012 RM'000	2013 sen	2012 sen
In respect of the financial year ended 31.12.2012				
Final dividend:				
3.0 sen less 25% taxation, declared on 27 June 2013 and paid on 20 January 2014	11,250		0.00	
In respect of the financial year ended 31.12.2011				
Final dividend:				
4.0 sen less 25% taxation, declared on 1 June 2012 and paid on 1 June 2012	-	15,000	-	0.00

31. **FINANCIAL INSTRUMENTS**

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013**(a) Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

- (i) Loans and receivables (L&R);
- (ii) Available-for-sale financial assets (AFS);
- (iii) Other liabilities (OL).

	Carrying amount RM'000	L&R RM'000	AFS RM'000
2013			
Financial assets			
Group			
Other investments	1,735	-	1,735
Long term receivables	1,547,367	1,547,367	-
Trade and other receivables	302,179	302,179	-
Cash and cash equivalents	2,202,897	2,202,897	-
	4,054,178	4,052,443	1,735
Company			
Other investments	1,185	-	1,185
Long term receivables	1,547,367	1,547,367	-
Trade and other receivables	591,942	591,942	-
Cash and cash equivalents	1,894,388	1,894,388	-
	4,034,882	4,033,697	1,185

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	Carrying amount RM'000	L&R RM'000	AFS RM'000
2012			
Financial assets			
Group			
Other investments	1,735	-	1,735
Long term receivables	1,415,018	1,415,018	-
Trade and other receivables	282,345	282,345	-
Cash and cash equivalents	2,418,274	2,418,274	-
	<u>4,117,372</u>	<u>4,115,637</u>	<u>1,735</u>
Company			
Other investments	1,185	-	1,185
Long term receivables	1,415,018	1,415,018	-
Trade and other receivables	617,538	617,538	-
Cash and cash equivalents	2,183,457	2,183,457	-
	<u>4,217,198</u>	<u>4,216,013</u>	<u>1,185</u>

	Carrying amount RM'000	OL RM'000
2013		
Financial liabilities		
Group		
Participants' interest	(705,909)	(705,909)
Loans and borrowings	(1,383,115)	(1,383,115,017)
Trade and other payables	(1,592,478)	(1,592,478)
Dividends payable	(11,250)	(11,250)
	<u>(3,692,752)</u>	<u>(1,385,424,654)</u>
Company		
Participants' interest	(705,909)	(705,909)
Loans and borrowings	(1,363,899)	(1,363,899)
Trade and other payables	(1,540,301)	(1,540,301)
Dividends payable	(11,250)	(11,250)
	<u>(3,621,359)</u>	<u>(3,621,359)</u>

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	Carrying amount RM'000	OL RM'000
2012		
Financial liabilities		
Group		
Participants' interest	(798,855)	(798,855)
Loans and borrowings	(1,165,730)	(1,165,730)
Trade and other payables	(1,802,506)	(1,802,506)
Dividends payable	(22,590)	(22,590)
	<u>(3,789,681)</u>	<u>(3,789,681)</u>
Company		
Participants' interest	(798,855)	(798,855)
Loans and borrowings	(1,145,467)	(1,145,467)
Trade and other payables	(1,737,916)	(1,737,916)
Dividends payable	(22,590)	(22,590)
	<u>(3,704,828)</u>	<u>(3,704,828)</u>

(b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees of banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
<u>2013</u>			
Group			
Not past due	82,795	-	82,795
Past due 1-30 days	66,354	-	66,354
Past due 31-120 days	18,360	-	18,360
Past due more than 120 days	15,960	(2,737)	13,223
	183,469	(2,737)	180,732

	Gross RM'000	Individual impairment RM'000	Net RM'000
<u>2013</u>			
Company			
Not past due	69,601	-	69,601
Past due 1-30 days	55,690	-	55,690
Past due 31-120 days	15,850	-	15,850
Past due more than 120 days	12,953	(2,737)	10,216
	154,094	(2,737)	151,357

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	Gross RM'000	Individual impairment RM'000	Net RM'000
<u>2012</u>			
Group			
Not past due	104,705	-	104,705
Past due 1-30 days	59,814	-	59,814
Past due 31-120 days	57,141	-	57,141
Past due more than 120 days	8,960	(2,737)	6,223
	<u>230,620</u>	<u>(2,737)</u>	<u>227,883</u>

	Gross RM'000	Individual impairment RM'000	Net RM'000
<u>2012</u>			
Company			
Not past due	88,438	-	88,438
Past due 1-30 days	51,734	-	51,734
Past due 31-120 days	47,395	-	47,395
Past due more than 120 days	3,586	(2,737)	849
	<u>191,153</u>	<u>(2,737)</u>	<u>188,416</u>

The assessment of recoverability of long term receivables recoverable is performed by reviewing the profitability of the participants' projects. If the participants' projects give indications of impairment that would result in a loss, the Company will request the Government to set-off the relevant impaired receivables against the unsecured government loans that were provided to fund the development cost of participants' projects and investment by Government (as stated in Note 18) as evidenced by past experiences. In addition, amounts in the replanting fund could also be used as set-off. Based on these, impairment loss on long term receivables recoverable was not required.

Investment and other financial assets*Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in licensed with financial institutions and securities that have a credit rating the same given from Rating Agency Malaysia (RAM) or Malaysian Rating Corporation Bhd. (MARC).

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations except for the impairment loss recognised in respect of quoted debentures below. The Group does not have overdue investments that have not been impaired.

The investments and other financial assets are unsecured.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The amounts due from subsidiaries are repayable on demand.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013*Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on undiscounted contractual payments:

Group

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 5 years	More than 5 years
2013	RM'000		RM'000	RM'000	RM'000	RM'000
Secured term loans	36,850	3.80% to 4.75%	41,960	12,466	29,494	-
Unsecured term loans from Government						
- Land development	1,322,207	0% to 4.00%	1,604,866	56,354	366,855	1,181,657
- Participants' housing	10,920	4.00%	19,908	1,163	8,295	10,450
Hire purchase and finance lease liabilities	13,138	3.39% to 5.01%	19,332	4,317	15,015	-
Participants' interest	705,909		705,909	-	-	-
Trade and other payables	1,592,478		1,592,478	-	-	-
Dividends payable	11,250		11,250	-	-	-
	3,692,752		3,995,703	74,300	419,659	1,192,107

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013**Company**

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 5 years	More than 5 years
2013	RM'000		RM'000	RM'000	RM'000	RM'000
Secured term loans	30,772	3.80% to 4.75%	31,610	11,429	20,181	-
Unsecured term loans from Government						
- Land development	1,322,207	0% to 4.00%	1,604,866	56,354	366,855	1,181,657
- Participants' housing	10,920	4.00%	19,908	1,163	8,295	10,450
Participants' interest	705,909		705,909	705,909	-	-
Trade and other payables	1,540,301		1,540,301	1,540,301	-	-
Dividends payable	11,250		11,250	11,250	-	-
	<u>3,621,359</u>		<u>3,913,844</u>	<u>2,326,406</u>	<u>395,331</u>	<u>1,192,107</u>

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013**Group**

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 5 years	More than 5 years
2012	RM'000		RM'000	RM'000	RM'000	RM'000
Secured term loans	45,682	3.80% to 4.75%	50,792	12,466	38,326	-
Unsecured term loans from Government						
- Land development	1,089,151	0% to 4.00%	1,380,865	56,354	371,262	953,249
- Participants' housing	10,920	4.00%	19,908	-	8,295	11,613
- Economic Desa Programme	2,972	4.00%	3,091	3,091	-	-
Hire purchase and finance lease liabilities	17,005	3.39% to 5.01%	23,438	6,155	17,283	-
Participants' interest	798,855		798,855	798,855	-	-
Trade and other payables	1,802,506		1,802,506	1,802,506	-	-
Dividends payable	22,590		22,590	22,590	-	-
	<u>3,789,681</u>		<u>4,102,045</u>	<u>2,702,017</u>	<u>435,166</u>	<u>964,862</u>

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013**Company**

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 5 years	More than 5 years
2012	RM'000		RM'000	RM'000	RM'000	RM'000
Secured term loans	42,424	3.80% to 4.75%	43,262	11,429	31,833	-
Unsecured term loans from Government						
- Land development	1,089,151	0% to 4.00%	1,380,865	56,354	371,262	953,249
- Participants' housing	10,920	4.00%	19,908	-	8,295	11,613
- Economic Desa Programme	2,972	4.00%	3,090	3,091	-	-
Participants' interest	798,855		798,855	798,855	-	-
Trade and other payables	1,737,916		1,737,916	1,737,916	-	-
Dividends payable	22,590		22,590	22,590	-	-
	<u>3,704,828</u>		<u>4,006,486</u>	<u>2,630,235</u>	<u>411,390</u>	<u>964,862</u>

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(iii) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk is primarily *U.S. Dollar (USD)*.

Risk management objectives, policies and processes for managing the risk

The Group and the Company ensure that the net exposure is kept to an acceptable level by monitoring the fluctuation of the foreign currency exchange rates.

Exposure to foreign currency risk

The Company has 1% shareholding in Felcra Cambodia Ltd, a company that operates its business in plantation and trading activities in Cambodia. However, the Company has remained dormant during the financial year under review.

Other than above, the Group is not exposed to foreign currency risk on other financial instruments.

Currency risk sensitivity analysis

The exposure to currency risk of the Group entities is not material and hence, sensitivity analysis is not presented.

Interest rate risk

The Group's deposit placed with licensed banks and borrowings are subject to fixed interest rates, are exposed to a risk of change in their fair value due to changes in interest rates. Other receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group adopts a policy of investing and borrowing mainly in fixed rate instruments to avoid the risk of fluctuation in interest rates.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group 2013 RM'000	Company 2013 RM'000
Fixed rate instruments		
Financial assets		
Amount due from subsidiaries		
- interest bearing portion	-	138,291
Deposits placed with:		
Licensed banks	647,929	540,876
Other corporations	828,489	703,488
Financial liabilities		
Loans and borrowings	(1,383,115)	(1,363,899)
	93,303	18,756
	Group 2012 RM'000	Company 2012 RM'000
Fixed rate instruments		
Financial assets		
Amount due from subsidiaries		
- interest bearing portion	-	137,606
Deposits placed with:		
Licensed banks	851,577	750,240
Other corporations	916,665	866,665
Financial liabilities		
Loans and borrowings	(1,165,730)	(1,145,467)
	602,512	609,044

Interest rate risk sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

FELCRA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2013	
	Carrying Value RM'000	Fair Value RM'000
Group		
Non-current		
Secured term loans	31,245	31,245
Hire purchase and finance lease liabilities	9,751	9,751
Unsecured term loans from Government	1,284,478	1,284,478
Participants' interest	<u>705,909</u>	<u>705,909</u>
	Carrying Value RM'000	Fair Value RM'000
Company		
Non-current		
Secured term loans	25,849	25,849
Unsecured term loans from Government	1,284,478	1,284,478
Participants' interest	<u>705,909</u>	<u>705,909</u>

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

	2012	
	Carrying Value RM'000	Fair Value RM'000
Group		
Non-current		
Secured term loans	39,111	39,111
Hire purchase and finance lease liabilities	11,796	11,796
Unsecured term loans from Government	1,046,536	1,046,536
Participants' interest	798,855	798,855
	Carrying Value RM'000	Fair Value RM'000
Company		
Non-current		
Secured term loans	36,861	36,861
Unsecured term loans from Government	1,046,536	1,046,536
Participants' interest	798,855	798,855

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Non-derivative financial liabilities

Fair value is determined using estimated future cash flows discounted using related market rate for a similar instrument at the reporting date. For hire purchase and finance leases the market rate of interest is determined by reference to similar lease agreements.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013**32. CAPITAL RISK MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust capital structure, the Company may adjust the dividend payment to shareholder. The Company's approach in managing capital is based on defined guidelines that are approved by the Board. There were no changes in the Company's approach to capital management during the year.

The debt-to-equity ratio of the Company at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total debts.

33. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders (single tier system). However, there is a transitional period of 6 years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2013 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 2013, the Company has sufficient tax exempt profits to pay dividends out of its entire retained earnings.

34. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Property, plant and equipment				
Contracted but not provided for	101,874	48,471	101,190	48,471

35. HOLDING CORPORATION

The holding corporation is the Minister of Finance (Incorporated), a body corporate which was incorporated under the Minister of Finance (Incorporation) Act, 1957.

FELCRA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) On 28 June 2013, the Company disposed off its palm oil mill in Selama, Perak for a consideration amounting to RM32,500,000 to an external party.
- (ii) On 31 July 2013, the Company disposed off its palm oil mill in Jayapura, Pahang for a consideration amounting to RM35,000,000 to an external party. Apart from the consideration, this sale included the company getting an annual share from the mill's operations amounting to RM1,500,000 or 36% of the net profit, whichever is higher. As the sale involves Felcra Berhad owning 36% of the new entity's shares, this new Company, Felcra Jaya Putra Sdn. Bhd. is now treated as associate company of Felcra Berhad.

37. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

	Transactions value year ended	
	2013	2012
	RM'000	RM'000
Subsidiaries		
Interest income	2,035	2,524
Sales	507,413	512,905
Purchases	507,413	512,905
Rental income	2,044	1,488

The above transactions have been entered into in the normal course of business and have been established under negotiated terms that are no less favourable than those arranged with independent parties. The outstanding net amounts are disclosed in Note 13 and 15 respectively.

Company no. : 432483-U

FELCRA BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 DECEMBER 2013

FELCRA BERHAD
(Incorporated in Malaysia)

INDEX

Contents	Page
DIRECTORS' REPORT	1 - 4
STATEMENT BY DIRECTORS	5
STATUTORY DECLARATION	6
INDEPENDENT AUDITORS' REPORT	7 - 8
STATEMENT OF FINANCIAL POSITION	9 - 10
STATEMENT OF COMPREHENSIVE INCOME	11
STATEMENT OF CHANGES IN EQUITY	12 - 13
STATEMENT OF CASH FLOWS	14 - 15
NOTES TO THE FINANCIAL STATEMENTS	16 - 81