

Independent **Auditors' Report**  
to the members of Kumpulan Fima Berhad (Incorporated in Malaysia)

*Key Audit Matters (cont'd.)*

**Revenue recognition**  
**(Refer to Note 3 to the financial statements)**

Revenue from production of security documents, net sale of oil palm products and sales of food products recognised by the Group amounted to approximately RM134.8 million, RM118.4 million and RM130.3 million respectively. Given its magnitude and significant volume of transactions involved, revenue recognition is identified as an area of focus in our audit.

As part of our audit, we performed the following procedures to address the possible cause of revenue misstatement, particularly in respect of the timing and amount of revenue recognised:

- (a) Obtained an understanding of the Group's relevant internal controls and tested the controls over timing and amount of revenue recognised;
- (b) Inspected the terms of significant sales contracts to determine the point of transfer of control to customers;
- (c) Inspected documents evidencing the delivery of goods to customers; and
- (d) Tested the recording of sales transactions close to the year end to establish whether the transactions were recorded in the correct accounting period.

**Review of inventory costing**  
**(Refer to Note 19 to the financial statements)**

Included in the Group's inventories as at 31 March 2019 is work-in-progress amounting to approximately RM33 million and finished goods amounting to approximately RM20 million derived from the Group's manufacturing and food segment respectively. The Group uses standard costing in measuring its finished goods, which includes an element of estimation in the allocation of overhead costs. We considered this to be a key audit matter given the level of judgements involved in determining the cost of inventories and the magnitude of the balances.

As part of our audit, we performed the following:

- (a) Obtained an understanding of management's process in the application of standard costing in measuring its work-in-progress, including the allocation of overhead costs;
- (b) We tested the costing on samples of work-in-progress by examining and recomputing the elements which made up the standard cost;
- (c) Assessed the general and logical access controls surrounding the data input process of the inventory system and the accounting system by involving our IT audit professionals; and
- (d) For finished goods, we considered the work of our component auditor in determining the cost of inventories of focusing on areas similar to (a),(b) and (c) above.