

**Independent Auditors' Report**

to the members of Kumpulan Fima Berhad (Incorporated in Malaysia)

*Key Audit Matters (cont'd.)****Impairment of goodwill******(Refer to Note 18 to the financial statements)***

As at 31 March 2019, the carrying amount of goodwill recognised by the Group amounted to approximately RM12.7 million.

In accordance with MFRS 136: Impairment of Assets, the Group is required to perform annual impairment test of cash generating units ("CGUs") or groups of CGUs to which goodwill has been allocated. The Group has allocated the goodwill to CGU or group of CGUs according to bulking and plantation business segment.

The Group estimated the recoverable amounts of its CGUs or groups of CGUs to which the goodwill are allocated based value-in-use ("VIU") method. The recoverable amount based on VIU of CGUs or groups of CGUs involves estimating the future cash inflows and outflows that will be derived from the CGUs or groups of CGUs, and discounting them at appropriate rates. The amount and timing of cash flows in the projection are dependent on the key assumptions made, which in turn are affected by expected future market and economic conditions. The key assumptions made in relation to the goodwill on consolidation is disclosed in Note 18(b) to the financial statements.

Given the significant judgement involved in the estimation of the VIU and substantial audit effort required in the assessment of possible variations in the basis and assumptions used by the Group in deriving the recoverable amounts of the respective CGUs or groups of CGUs, we identified impairment of goodwill to be an area of audit focus.

As part of our audit, we performed the following procedures:

- (a) Obtained understanding of the methodologies used by the Group in performing the impairment assessment;
- (b) Evaluated key assumptions used in the preparation of the cash flow forecasts against historical evidence, existing contracts, expectations on future contracts and revenue growth;
- (c) Evaluated the appropriateness of the discount rates used to determine the present value of the cash flows; and
- (d) Assessed the presentation and disclosures in the financial statements including significant accounting policies.

*Information other than the financial statements and auditors' report thereon*

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.