

REEF CHECK MALAYSIA
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018
(In Ringgit Malaysia)

REEF CHECK MALAYSIA
(Incorporated in Malaysia)

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TRUSTEES' REPORT

The trustees submit their report and the audited financial statements of the Company for the financial year ended 31 December 2018.

Principal activities

The Company is a company limited by guarantee and not having a share capital. It is established and maintained exclusively as a non profit charitable organisation to contribute to the sustainable management of coral reefs in Malaysia, to raise public awareness about the value of marine and coastal ecosystems, educate the public about the current crisis affecting marine ecosystems, to develop and implement educational programmes to raise awareness of the need for coral reef conservation and to create a Malaysia-wide network of trained volunteer teams to monitor and report on reef health using a globally accepted standard method and to obtain high quality scientific data on the health of marine and coastal ecosystems through survey programmes.

Financial results

| | RM |
|-----------------------------------|----------------|
| Net profit for the financial year | 188,159 |

In the opinion of the trustees, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

The income and property of the Company whencesoever derived shall be applied solely toward the promotion of the objects of the Company as a non profit charitable organisation and no portion thereof shall be paid or transferred directly or indirectly by way of dividend, bonus or otherwise howsoever by way of profit to the members of the Company.

Reserves and provisions

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

Limited by guarantee

Every member of the Company undertakes to contribute to the assets of the Company in the event of the Company being wound up during the time that he is a member or within one year after he ceased to be a member for payment of debts and liabilities of the Company contracted before he and for the adjustment, of rights of the contributories amongst themselves, such amount as may be required not exceeding Ringgit Malaysia One Hundred (RM100.00).

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Trustees

The trustees of the Company in office since the end of the previous financial year to the date of this report are:

Yeoh Pei Cheen

Ralph Justin Dixon (Alternate trustee to Yeoh Pei Cheen)

Hiew Wai Phang *

Lim Jit Cheng *

Datuk Hiswani Binti Harun

Ning Baizura Binti Hamzah

* also a member of the Company

- Resigned on 31 July 2018

Trustees' benefits

Since the end of the previous financial year, no trustee has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the trustee or with a firm of which the trustee is a member, or with a company in which the trustee has a substantial financial interest.

There were no arrangements during or at the end of the financial year, which had the object of enabling the trustees to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other statutory information

Before the financial statements of the Company were prepared, the trustees took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the trustees are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; and
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the trustees, would substantially affect the results of the operations of the Company for the financial year in which this report is made; and
- (b) no charge has arisen on the assets of the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Company.

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Other statutory information (continued)


No contingent or other liability 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 trustees, will or may affect the ability of the Company to meet its obligations when they fall due.

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

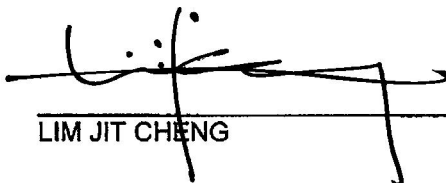
Auditors' remuneration

The auditors' remuneration is disclosed in Note 6 to the financial statements.

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



HIEW WAI PHANG



LIM JIT CHENG

Kuala Lumpur


Dated: **2 6 JUN 2019**

REEF CHECK MALAYSIA
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STATEMENT BY TRUSTEES

The trustees of REEF CHECK MALAYSIA, state that, in the opinion of the trustees, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and the Malaysian Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the the year ended on that date.

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


HIEW WAI PHANG


LIM JIT CHENG

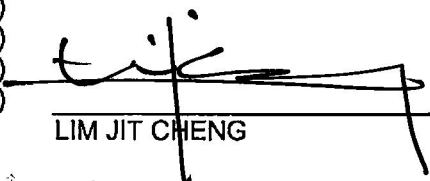
Kuala Lumpur

Dated: **2 6 JUN 2019**

STATUTORY DECLARATION

I, LIM JIT CHENG, being the trustee primarily responsible for the financial management of REEF CHECK MALAYSIA, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements 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 the)
above named LIM JIT CHENG at Kuala)
Lumpur in Wilayah Persekutuan on)
2 6 JUN 2019


LIM JIT CHENG
Before me,



COMMISSIONER FOR OATHS

Tingkat 20 Ambank Group Building
55, Jln. Raja Chulan, 50200 Kuala Lumpur

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
REEF CHECK MALAYSIA**

(Incorporated in Malaysia)

1. Report on the audit of the financial statements

1.1 Opinion

We have audited the accompanying financial statements which comprise the statement of financial position of the Company as at 31 December 2018, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Companies Act 2016 ("Act") and the Malaysian Financial Reporting Standards.

1.2 Basis for opinion

We conducted our audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing. Our responsibilities under those standards are further described in paragraph 1.5.

We are independent of the Company in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the MIA By-Laws and the IESBA Code.

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

1.3 Other information

Management is responsible for the other information. The other information comprises the information included in the Company's trustees' report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

1.4 Responsibilities of management and those charged with governance for the financial statements

The trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with Act and the Malaysian Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

1.5 Auditors' responsibilities for the audit of the financial statements

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion solely to you, as a body, in accordance with Section 266 of the Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1.5 Auditors' responsibilities for the audit of the financial statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

2. Engagement partner

The engagement partner on the audit resulting in this independent auditors' report is Teoh Wuey Sze.



RUSSELL BEDFORD LC & COMPANY
AF 1237
CHARTERED ACCOUNTANTS



TEOH WUEY SZE
02831/01/2020 J
CHARTERED ACCOUNTANT

Kuala Lumpur

Dated: 26 June 2019

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Note | 2018 RM | 2017 RM |
|---|-------------|--------------------|--------------------|
| Revenue | 4 | 1,420,428 | 945,272 |
| Staff costs | 5 | (663,733) | (534,565) |
| Depreciation | | (11,743) | (6,825) |
| Other operating expenses | | (563,841) | (411,951) |
| Profit/(Loss) from operations | 6 | 181,111 | (8,069) |
| Finance income | 7 | 7,048 | 6,648 |
| Profit/(Loss) before tax | | 188,159 | (1,421) |
| Income tax expense | 8 | - | - |
| Net profit/(loss)/Total comprehensive income/(loss) for the year | | 188,159 | (1,421) |

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

| | Note | 2018 RM | 2017 RM |
|---|-------------|--------------------|--------------------|
| Non current assets | | | |
| Equipment | 9 | 33,180 | 27,645 |
| Current assets | | | |
| Trade receivables | 10 | 69,090 | 10,493 |
| Other receivables, deposits and prepayments | 11 | 157,664 | 9,100 |
| Fixed deposit with a licensed bank | | 242,920 | 235,872 |
| Cash and bank balances | | 212,861 | 248,050 |
| | | 682,535 | 503,515 |
| Total assets | | 715,715 | 531,160 |
| Equity | | | |
| Retained profits | | 706,723 | 518,564 |
| Current liability | | | |
| Other payables and accruals | | 8,992 | 12,596 |
| Total equity and liabilities | | 715,715 | 531,160 |

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Retained profits RM | Total RM |
|--|------------------------------------|---------------------|
| At 1 January 2017 | 519,985 | 519,985 |
| Net loss/Total comprehensive loss for the year | (1,421) | (1,421) |
| At 31 December 2017 | 518,564 | 518,564 |
| Net profit/Total comprehensive profit for the year | 188,159 | 188,159 |
| At 31 December 2018 | 706,723 | 706,723 |

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 RM | 2017 RM |
|--|--------------------|--------------------|
| Cash flows from/(used in) operating activities | | |
| Profit/(Loss) before tax | 188,159 | (1,421) |
| Adjustments for: | | |
| Bad debts written off | 9,793 | - |
| Depreciation | 11,743 | 6,825 |
| Interest income | (7,048) | (6,648) |
| Operating profit/(loss) before working capital changes | 202,647 | (1,244) |
| Increase in trade and other receivables | (216,954) | (4,310) |
| (Decrease)/Increase in trade and other payables | (3,604) | 4,339 |
| Cash flows used in operations/Net cash used in operating activities | (17,911) | (1,215) |
| Cash flows from/(used in) investing activities | | |
| Purchase of equipment | (17,278) | (21,990) |
| Increase in fixed deposits with maturities of more than 3 months | (7,048) | (6,648) |
| Interest income received | 7,048 | 6,648 |
| Net cash used in investing activities | (17,278) | (21,990) |
| Net decrease in cash and cash equivalents | (35,189) | (23,205) |
| Cash and cash equivalents at beginning of year | 248,050 | 271,255 |
| Cash and cash equivalents at end of year | 212,861 | 248,050 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 212,861 | 248,050 |
| Fixed deposits with a licensed bank | 242,920 | 235,872 |
| | 455,781 | 483,922 |
| Less: Fixed deposits with maturities of more than 3 months | (242,920) | (235,872) |
| | 212,861 | 248,050 |

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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

1. General information

The Company is a company limited by guarantee and not having a share capital. It is established and maintained exclusively as a non profit charitable organisation to contribute to the sustainable management of coral reefs in Malaysia, to raise public awareness about the value of marine and coastal ecosystems, educate the public about the current crisis affecting marine ecosystems, to develop and implement educational programmes to raise awareness of the need for coral reef conservation and to create a Malaysia-wide network of trained volunteer teams to monitor and report on reef health using a globally accepted standard method and to obtain high quality scientific data on the health of marine and coastal ecosystems through survey programmes.

The Company is a public limited liability company, incorporated and domiciled, in Malaysia.

The registered office is located at 8th Floor, Bangunan Yee Seng 15, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of operations is located at Box 606, Lot 5.19 – 5.22, Wisma Central, Jalan Ampang, Kuala Lumpur.

The financial statements were approved and authorised for issue by the trustees on 26 June 2019.

2. Principal accounting policies

2.1 Statement of compliance

The financial statements of the Company have been prepared and presented in accordance with the provisions of the Companies Act 2016 and the Malaysian Financial Reporting Standards.

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2.2 Basis of preparation of the financial statements

2.2.1 Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised below.

The Company had adopted the new and revised Malaysian Financial Reporting Standards ("MFRSs") and IC Interpretations that become mandatory for the current financial year. The adoption of these new and revised MFRSs and IC Interpretations does not result in significant changes in accounting policies of the Company other than as follows:

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2.2.1 Basis of accounting (continued)

i) MFRS 9 Financial Instruments

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at the inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The effect of adopting MFRS 9 is disclosed in Note 14.1.

The Company has not adopted the new standards, amendments to published standards and IC Interpretations that have been issued but not yet effective. These new standards, amendments to published standards and IC Interpretations do not result in significant changes in accounting policies of the Company upon their initial application other than the following:

i. MFRS 16 Leases (effective for financial periods beginning on or after 1 January 2019)

The scope of MFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance lease under MFRS 117. The standard includes two recognition exemptions for lessees – leases of low value assets and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right of use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change of lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use asset.

Lessor accounting is substantially unchanged. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

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2.2.1 Basis of accounting (continued)

- i. **MFRS 16 Leases** (effective for financial periods beginning on or after 1 January 2019) (continued)

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted.

The Company is in the process of making an assessment of where the impact of MFRS 16 is expected to be in the period of initial application.

2.2.2 Significant accounting policies

Foreign currencies

- (i) **Functional and presentation currency**

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The Company's financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

- (ii) **Foreign currency transactions**

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

- (iii) **Exchange rates**

The principal exchange rates for every unit of foreign currency ruling at reporting date used are as follows:

| | 2018 | 2017 |
|----------------------|-------------|-------------|
| | RM | RM |
| United States Dollar | 4.136 | 4.048 |

Revenue from contracts with customers

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Company's customary business practices.

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2.2.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Company estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Sale of training materials

Revenue from sale of training materials is recognised at a point in time when control of the asset is transferred to the customer, i.e. upon delivery of goods to the customers.

Sale of training courses

Revenue from sale of training course is recognised at a point in time when the services are provided.

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2.2.2 Significant accounting policies (continued)

Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

Obligations for contribution to defined contribution plans such as Employees Provident Fund are recognised as an expense as incurred.

Income tax

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

Deferred tax is provided for, using the 'liability' method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss.

Impairment of assets

The carrying amount of non-financial assets subject to accounting for impairment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss in the reporting period in which it arises.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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 reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

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2.2.2 Significant accounting policies (continued)

Equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation on equipment is calculated to write off the cost of the assets to its residual values on a straight line basis at the following annual rates based on their estimated useful lives:

| | |
|-----------------------------------|-----|
| Furniture, fittings and equipment | 20% |
| Motor boat and motor vehicle | 20% |
| Machinery | 20% |

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and year of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

Leases

Assets acquired under leases (including hire purchase arrangements) which transfer substantially all the risks and rewards incidental to ownership of the assets are recognised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at their fair values or, if lower, at the present value of the minimum lease payments of the leased assets at the inception of the respective leases.

Finance costs, which represent the difference between the total lease commitments and the fair values of the assets acquired, are charged to profit or loss over the term of the relevant lease periods so as to give a constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

All other leases which do not meet such criteria are classified as operating leases. Lease payments under operating leases are recognised in profit or loss on a straight line basis over the terms of the relevant lease.

Lease income from operating leases where the Company is a lessor is recognised in profit or loss on a straight line basis over the lease term.

Financial instruments

Financial instruments are recognised in the statement of financial position when the Company has become a party to the contractual provisions of the instrument.

A financial instrument (unless it is a trade receivable without a significant financing component) is recognised initially at its fair value plus or minus, 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. A trade receivable without significant financing component is initially measured at the transaction price.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income in profit or loss.

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2.2.2 Significant accounting policies (continued)

Financial instruments (continued)

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

On initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at fair value through profit or loss or at amortised cost, as appropriate.

(i) Financial assets at amortised cost

A financial asset is classified at amortised cost if it meets both of the following conditions:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method and are subject to impairment. Gains or losses are recognised in profit or loss when the financial assets at amortised cost are derecognised or impaired, and through the amortisation process (finance income).

(ii) Financial liabilities at amortised cost

Financial liabilities are classified at amortised cost if they are not:

- a) contingent consideration of an acquirer in a business combination;
- b) financial guarantee contracts;
- c) loan commitments;
- d) designated at fair value through profit or loss; or
- e) liabilities that arise when a transfer of a financial asset that does not qualify for derecognition or when the continuing involvement approach applies.

Subsequent to initial recognition, financial liabilities at amortised cost are measured using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities at amortised cost are derecognised, and through the amortisation process (finance cost).

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of the proceeds received net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the reporting period in which they are approved.

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2.2.2 Significant accounting policies (continued)

Financial instruments (continued)

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 (except for equity investment at FVOCI) is recognised in 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 profit or loss.

Expected credit losses

The Company recognises an allowance for expected credit losses ("ECL") for all financial assets at amortised cost.

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECL. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Where appropriate, the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Loss allowances for debt instruments measured at amortised cost are deducted from the gross carrying amount of the assets.

Low credit risk

A financial instrument is determined to have low credit risk if:

- a) the financial instrument has a low risk of default;
- b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

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2.2.2 Significant accounting policies (continued)

Expected credit losses (continued)

Significant increase in credit risk

When determining whether the credit risk of a debt instrument has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Definition of default

The Company considers a debt instrument to be in default when:

- a) The Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company; or
- b) The financial asset is more than 90 days past due.

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable events:

- a) Significant financial difficulties of the debtor;
- b) A breach of contract, such as a default or past due event;
- c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) It becoming probable that the borrower will enter into bankruptcy or other financial reorganisations; or
- e) Disappearance of an active market for that financial asset because of financial difficulties.

Write off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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2.2.2 Significant accounting policies (continued)

Current versus non-current classification

Assets and liabilities are presented based on a current/non-current classification. An asset is current when it is:

- a) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- b) Held primarily for the purpose of trading;
- c) Expected to be realised within twelve months after the reporting period; or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- a) It is expected to be settled in the normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is due to be settled within twelve months after the reporting period; or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Statement of cash flows

Statement of cash flows is prepared using the indirect method.

Cash equivalents comprises cash balances and short term deposits with maturities of three months or less, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

3. Critical accounting estimates and judgements

In the preparation of the financial statements, the trustees are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated by the trustees and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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3. Critical accounting estimates and judgements (continued)

In the process of applying the Company's accounting policies, which are described above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

4. Revenue
4.1 Disaggregation of revenue

Set out below is the disaggregation of the Company's revenue from contracts with customers:

| | 2018 | 2017 |
|--|------------------|----------------|
| | RM | RM |
| Type of goods or service | | |
| Sales of training materials | 12,745 | 18,776 |
| Sales of training courses | 59,260 | 47,080 |
| Total revenue from contracts with customers | 72,005 | 65,856 |
| Others | | |
| Sponsorship and donation income | 1,348,423 | 879,416 |
| | 1,420,428 | 945,272 |
| | 2018 | 2017 |
| | RM | RM |
| Geographical markets | | |
| Malaysia | 69,978 | 65,856 |
| Taiwan | 2,027 | - |
| Total revenue from contracts with customers | 72,005 | 65,856 |

Revenue from sales of training materials and training courses are transferred to customers at a point in time.

Sponsorship and donation income is recognised in the income statement on receipt basis.

4.2 Performance obligations
Sales of training materias

The Company sells training materials. The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 days from delivery.

Sales of training courses

The Company provides training course to train certified divers to conduct Reef Check surveys and participate in coral reef conservation. Revenue is recognised at a point in time when the services are provided.

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4.3 Transaction price allocated to the remaining performance obligations

For practical expediency, no information is provided on the remaining performance obligation at the reporting date that have an original expected duration of one year or less as allowed under the paragraph 121(a) of MFRS 15.

4.4 Financing components

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

5. Staff costs

| | 2018 RM | 2017 RM |
|---------------------------------------|--------------------|--------------------|
| Defined contribution plan | 58,658 | 47,405 |
| Salaries, wages, bonus and allowances | 597,645 | 480,888 |
| Others employee related expenses | 7,430 | 6,272 |
| | <u>663,733</u> | <u>534,565</u> |

6. Profit/(Loss) from operations

| | 2018 RM | 2017 RM |
|--|--------------------|--------------------|
| Profit/(Loss) before tax is arrived at after charging: | | |
| Auditors' remuneration | 2,000 | 2,000 |
| Bad debts written off | 9,793 | - |
| Operating lease expense | | |
| - equipment | 38,782 | 33,951 |
| - office | 53,350 | 52,835 |
| | <u> </u> | <u> </u> |

7. Finance income

| | 2018 RM | 2017 RM |
|--|--------------------|--------------------|
| Interest income from short term deposits | 7,048 | 6,648 |
| | <u> </u> | <u> </u> |

8. Income tax expense

The Company has been granted exemption from income tax under paragraph 13, schedule 6 of the Income Tax Act 1967.

The following deferred tax assets are not recognised as it is not probable that there are taxable profit to utilised these tax credits.

| | 2018 RM | 2017 RM |
|-------------------------------|--------------------|--------------------|
| Tax effects of: | | |
| Unabsorbed capital allowances | 100 | - |
| Unutilised tax losses | 3,700 | 3,700 |
| Amount not recognised | <u>3,800</u> | <u>3,700</u> |

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9. Equipment

| | Motor boat and motor vehicle RM | Furniture, fittings and equipment RM | Machinery RM | Total RM |
|-------------------------------------|--|---|-------------------------|---------------------|
| Cost | | | | |
| At 1 January 2017 | 19,800 | 37,067 | - | 56,867 |
| Additions for the year | - | 21,990 | - | 21,990 |
| At 31 December 2017 | 19,800 | 59,057 | - | 78,857 |
| Additions for the year | - | 2,889 | 14,389 | 17,278 |
| At 31 December 2018 | 19,800 | 61,946 | 14,389 | 96,135 |
| Accumulated depreciation | | | | |
| At 1 January 2017 | 11,880 | 32,507 | - | 44,387 |
| Charge for the year | 3,960 | 2,865 | - | 6,825 |
| At 31 December 2017 | 15,840 | 35,372 | - | 51,212 |
| Charge for the year | 3,960 | 5,625 | 2,158 | 11,743 |
| At 31 December 2018 | 19,800 | 40,997 | 2,158 | 62,955 |
| Net book value | | | | |
| At 31 December 2018 | - | 20,949 | 12,231 | 33,180 |
| At 31 December 2017 | 3,960 | 23,685 | - | 27,645 |

10. Trade receivables

The Company's normal trade credit term is 30 days. (2017: 30 days)

The following table provides information on the trade receivables credit risk exposure.

| | 2018 RM | 2017 RM |
|---|--------------------|--------------------|
| Not impaired or past due | - | - |
| 1 - 30 days past due not impaired | - | - |
| 31 - 60 days past due not impaired | 68,510 | - |
| More than 60 days past due not impaired | 580 | 10,493 |
| | <u>69,090</u> | <u>10,493</u> |

There is no allowance for expected credit loss being made by the Company.

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11. Other receivables, deposits and prepayments

| | 2018 | 2017 |
|---|----------------|--------------|
| | RM | RM |
| Advance payment for purchase of machinery | 99,799 | - |
| Deposits | 5,700 | 5,700 |
| Prepayments | 52,165 | 3,400 |
| | <u>157,664</u> | <u>9,100</u> |

12. Limited by guarantee

Every member of the Company undertakes to contribute to the assets of the Company in the event of the Company being wound up during the time that he is a member or within one year after he ceased to be a member for payment of debts and liabilities of the Company contracted before he and for the adjustment, of rights of the contributories amongst themselves, such amount as may be required not exceeding Ringgit Malaysia One Hundred (RM100.00).

13. Financial instruments, financial risks and capital risk management
13.1 Categories of financial instruments

The following table sets out the financial instruments as at the reporting date:

| | 2018 | 2017 |
|----------------------------------|----------------|----------------|
| | RM | RM |
| Financial assets | | |
| Amortised cost: | | |
| - trade and other receivables | 74,790 | - |
| - cash at bank | 455,781 | - |
| | 530,571 | - |
| Loans and receivables: | | |
| - trade and other receivables | - | 16,843 |
| - cash at bank | - | 483,922 |
| | - | 500,765 |
| | <u>530,571</u> | <u>500,765</u> |
| Financial liabilities | | |
| - other payables and accruals | 8,400 | 9,228 |
| | <u>8,400</u> | <u>9,228</u> |

13.2 Financial risk management policies and objectives

The Company's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Company.

The Company does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

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13.2 Financial risk management policies and objectives (continued)
Liquidity risk management

The Company maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities.

The undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay equal to the carrying amounts of the financial liabilities as disclosed in the respective notes.

Credit risk management

The Company's credit risk is primarily attributable to its trade and other receivables and bank balances. The company minimises credit risk by dealing exclusively with high credit worthy counterparties. At reporting date, there were no significant concentrations of credit risk other than the following:

| | 2018 RM | 2017 RM |
|---|--------------------|--------------------|
| Bank balances with two financial institutions (2017: one) | <u>450,284</u> | <u>445,376</u> |

The Company's credit risk grading framework for expected credit losses ("ECL") model is as follows:

| Category | Definition | Basis for recognition of ECL |
|-----------------|---|-------------------------------------|
| Performing | The debtor has a low risk of default and a strong capacity to meet contractual cash flows. | 12-month ECL |
| Doubtful | Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit impaired |
| Default | Amount is > 90 days past due or there is evidence indicating the asset is credit impaired. | Lifetime ECL – credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery or the debtor is two years past due. | Amount is written off |

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13.2 Financial risk management policies and objectives (continued)

Credit risk management (continued)

i) Trade receivables

For trade receivables, the Company has applied the simplified approach to measure the loss allowance at lifetime expected credit losses. Where appropriate, the Company determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. In determining the ECL of other trade receivables, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

ii) Other receivables

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

iii) Cash and bank balances

The cash and bank balances are held with reputable financial institutions with high credit ratings and no history of default. Impairment on cash and bank balances has been measured on a 12-month ECL and reflects the short term maturities of the exposures. The Company considers that its cash and bank balances have low credit risk based on the external credit ratings of the financial institutions. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, receivables and payables approximate their respective fair values due to the respectively short-term maturity of these financial instruments.

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14. Change in accounting policies

The Company applied MFRS 9 for the first time. The nature and effect of the changes as a result of adoption of the new accounting standard are described below.

14.1 MFRS 9 Financial Instruments

Based on the transitioning provisions, the Company applied MFRS 9 retrospectively and differences arising from the adoption have been recognised directly in retained earning. The Company is not required to restate the comparative information, which continues to be reported under MFRS 139.

The transitioning to MFRS 9 did not have any impact on the retained earning of the Company as at 1 January 2018.

Classification and measurement

MFRS 9 contains three principal classification categories for financial assets which is measured at:

- a) amortised cost;
- b) fair value through profit or loss; and
- c) fair value through other comprehensive income.

The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The assessment of the Company's business model and cash flow characteristics was made based on the facts and circumstances as at the date of initial application of 1 January 2018.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Company. The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets as at 1 January 2018.

| MFRS 139 measurement category | MFRS 9 measurement category | |
|-------------------------------|-----------------------------|-------------------|
| | RM | Amortised cost RM |
| Loans and receivables | | |
| Trade and other receivables | (a) 16,843 | 16,843 |
| Cash and bank balances | 483,922 | 483,922 |
| Total financial assets | 500,765 | 500,765 |

- (a) Trade and other receivables that were classified as loans and receivables under MFRS 139 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

There are no changes in classification and measurement for the Company's financial liabilities at the date of initial application.

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DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 RM | 2017 RM |
|--|------------|------------|
| Revenue | | |
| Sales of services – training courses | 59,260 | 47,080 |
| Sales of goods – training materials | 12,745 | 18,776 |
| Sponsorship income | 1,348,423 | 879,416 |
| | 1,420,428 | 945,272 |
| Staff costs | | |
| EPF and SOCSO | 66,088 | 53,677 |
| Salaries, wages and allowances | 597,645 | 480,888 |
| | (663,733) | (534,565) |
| Depreciation | (11,743) | (6,825) |
| Other operating expenses | (563,841) | (411,951) |
| Profit/(Loss) from operation | 181,111 | (8,069) |
| Finance income: | | |
| Interest income from short term deposits | 7,048 | 6,648 |
| Profit/(Loss) before tax | 188,159 | (1,421) |

Appendix A

The statement has been prepared for management purpose only.
It does not form part of the audited financial statements.

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Appendix A
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018
Other operating expenses

| | 2018 | 2017 |
|--|----------------|----------------|
| | RM | RM |
| Accounting fees | 1,500 | 1,500 |
| Advertisement and promotion | 1,842 | 3,820 |
| Auditors' remuneration | 2,000 | 2,000 |
| Bad debts written off | 9,793 | - |
| Bank charges | 850 | 575 |
| Customs charges | - | 317 |
| Consultancy fee | 105,233 | 74,570 |
| Dive services | 105,542 | 52,048 |
| Entertainment | 969 | 375 |
| Filing fee | 700 | 150 |
| Freight charges | 5,320 | - |
| General expenses | 4,419 | - |
| GST expenses | 7,260 | 12,087 |
| Insurance | 1,275 | 4,240 |
| Low value assets | 3,366 | 18,939 |
| Meals and accommodation | 89,631 | 43,231 |
| Medical fee | 61 | 80 |
| Penalty | - | 14 |
| Petrol | 6,222 | 4,400 |
| Printing, stationery and postages | 4,975 | 7,692 |
| Purchases for reef rehabilitation projects | 1,250 | - |
| Rental of: | | |
| - equipment | 38,782 | 33,951 |
| - office | 53,350 | 52,835 |
| Secretarial fees | 2,640 | 2,580 |
| Seminar and symposium | - | 18,050 |
| Service tax | 53 | - |
| Stamp duty | 10 | - |
| Subscription | 801 | 852 |
| Tax fees | 1,000 | 1,000 |
| Telephone expenses | 4,061 | 6,610 |
| Transportation | 6,300 | 8,437 |
| Training materials | 53,525 | 25,261 |
| Travelling expenses | 40,657 | 31,908 |
| Upkeep of office equipment | 8,542 | 2,410 |
| Upkeep of motor vehicle | 1,883 | 1,706 |
| Water and electricity | 29 | 313 |
| | 563,841 | 411,951 |

The statement has been prepared for management purpose only.
It does not form part of the audited financial statements.