REEF CHECK MALAYSIA
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020
(In Ringgit Malaysia)

Registration No. 200701025419 (783440-X)

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 2020.

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	423,950

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
* also a member of the Company

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: 1 3 AUG 2021

Registration No. 200701025419 (783440-X)

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 2020, 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: 13 AUG 2021

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 13 AUG 2021

LIM JIT CHENG

Before me,

PESURUHJAYA SUMPAH
W641
MOHD IBRAHIM BIN YAAKOB
01 Januari 2019
hingga
31 Disember 2021
MALAYSIA

COMMISSIONER FOR OATHS

the Spaces
Blok B01-B-15
Level 15, Menara 2
KL Eco City
3 Jalan Bangsar
59200 Kuala Lumpur

Russell Bedford
taking you further

Russell Bedford LC & Company
(AF 1237)
Chartered Accountants
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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 2020, 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 2020, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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:

Russell Bedford
taking you further

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
02831/01/2022 J
CHARTERED ACCOUNTANT

Kuala Lumpur

Dated: 13 August 2021

REEF CHECK MALAYSIA
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Revenue	4	1,773,387	1,066,431
Staff costs	5	(880,665)	(696,064)
Depreciation		(42,765)	(35,862)
Other operating expenses		(431,423)	(348,927)
Profit/(Loss) from operations	6	418,534	(14,422)
Finance income	7	6,138	7,429
Profit/(Loss)before tax		424,672	(6,993)
Income tax expense	8	(722)	-
Net profit/(loss)/Total comprehensive income/(loss) for the year		423,950	(6,993)

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM	2019 RM
Non current assets			
Equipment	9	128,610	165,015
Current assets			
Trade receivables	10	66,000	14,590
Other receivables, deposits and prepayments	11	9,370	11,504
Fixed deposit with a licensed bank		256,487	250,349
Cash and bank balances		670,513	276,178
		1,002,370	552,621
Total assets		1,130,980	717,636
Equity			
Retained profits		1,123,680	699,730
Current liabilities			
Other payables and accruals		7,300	17,906
Total liablitites		7,300	17,906
Total equity and liablitites		1,130,980	717,636

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

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Retained profits RM	Total RM
At 1 January 2019	706,723	706,723
Net loss/Total comprehensive loss for the year	(6,993)	(6,993)
At 31 December 2019	699,730	699,730
Net profit/Total comprehensive income for the year	423,950	423,950
At 31 December 2020	1,123,680	1,123,680

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

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RM	2019 RM
Cash flows from/(used in) operating activities		
Profit/(Loss) before tax	424,672	(6,993)
Adjustments for:		
Bad debts written off	-	1,560
Depreciation	42,765	35,862
Interest income	(6,138)	(7,429)
Operating profit before working capital changes	461,299	23,000
(Increase)/Decrease in trade and other receivables	(49,276)	199,100
(Decrease)/Increase in trade and other payables	(10,606)	8,914
Cash flows generated from operations	401,417	231,014
Income tax paid	(722)	-
Net cash generated from operating activities	400,695	231,014
Cash flows from/(used in) investing activities		
Purchase of equipment	(6,360)	(167,697)
Increase in fixed deposits with maturities of more than 3 months	(6,138)	(7,429)
Interest income received	6,138	7,429
Net cash used in investing activities	(6,360)	(167,697)
Net increase in cash and cash equivalents	394,335	63,317
Cash and cash equivalents at beginning of year	276,178	212,861
Cash and cash equivalents at end of year	670,513	276,178
Cash and cash equivalents comprise:		
Cash and bank balances	670,513	276,178
Fixed deposits with a licensed bank	256,487	250,349
	927,000	526,527
Less: Fixed deposits with maturities of more than 3 months	(256,487)	(250,349)
	670,513	276,178

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 Suite 38, Level 21, Mercu 3, No. 3, Jalan Bangsar, KL Eco City, 59200 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 13 August 2021.

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.

2.2.1 **Basis of accounting** (continued)

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.

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:

	2020	**2019**
	RM	**RM**
United States Dollar	4.017	4.093

2.2.2 **Significant accounting policies** (continued)

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.

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.

Revenue is recognised only when it is probable that the Company will collect the consideration to which it will be entitled to in exchange for the goods or services sold.

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 the profit or loss.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

2.2.2 **Significant accounting policies** (continued)

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.

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

The Company has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

2.2.2 **Significant accounting policies** (continued)

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.

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 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).

2.2.2 **Significant accounting policies** (continued)

Financial instruments (continued)

(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.

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 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") on 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 profit or loss.

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 and contract assets, 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 and contract assets are deducted from the gross carrying amount of the assets.

2.2.2 **Significant accounting policies** (continued)

Expected credit losses (continued)

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.

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.

2.2.2 **Significant accounting policies** (continued)

Expected credit losses (continued)

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.

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.

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

	2020 RM	2019 RM
Type of goods or service		
Sales of training materials	14,094	6,925
Sales of training courses	17,345	56,140
Total revenue from contracts with customers	31,439	63,065
Others		
Sponsorship and donation income	1,741,948	1,003,366
	1,773,387	1,066,431

	2020 RM	2019 RM
Geographical markets		
Malaysia	30,004	63,065
Indonesia	1,435	-
Total revenue from contracts with customers	31,439	63,065

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 materials

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.

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

	2020 RM	2019 RM
Defined contribution plan	72,069	58,993
Salaries, wages, bonus and allowances	798,765	628,718
Others employee related expenses	9,831	8,353
	880,665	696,064

6. Profit/(Loss) from operations

	2020 RM	2019 RM
Profit/(Loss) from operations is arrived at after charging:		
Auditors' remuneration	2,000	2,000
Bad debts written off	-	1,560
Loss on foreign exchange - realised	23	7
Expenses relating to short term leases	63,215	15,920

7. Finance income

	2020 RM	2019 RM
Interest income from short term deposits	6,138	7,429

8. Income tax expense

	2020 RM	2019 RM
Expected income tax payable		
- under provision in prior years	(722)	-

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

9. Equipment

	Motor boat and motor vehicle RM	Furniture, fittings and equipment RM	Machinery RM	Total RM
Cost				
At 1 January 2019	19,800	61,946	14,389	96,135
Additions	-	11,749	155,948	167,697
Write offs	(13,800)	-	-	(13,800)
At 31 December 2019	6,000	73,695	170,337	250,032
Additions	-	6,360	-	6,360
At 31 December 2020	6,000	80,055	170,337	256,392
Accumulated depreciation				
At 1 January 2019	19,800	40,997	2,158	62,955
Charge for the year	-	6,993	28,869	35,862
Write offs	(13,800)	-	-	(13,800)
At 31 December 2019	6,000	47,990	31,027	85,017
Charge for the year	-	8,697	34,068	42,765
At 31 December 2020	6,000	56,687	65,095	127,782
Net book value				
At 31 December 2020	-	23,368	105,242	128,610
At 31 December 2019	-	25,705	139,310	165,015

10. Trade receivables

The Company's normal trade credit term is 30 days. (2019: 30 days)

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

	2020 RM	2019 RM
Not past due	-	-
1 - 30 days past due	16,000	6,410
31 - 60 days past due	-	8,180
More than 60 days past due	50,000	-
	66,000	14,590

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

11. Other receivables, deposits and prepayments

	2020 RM	2019 RM
Advance payment for purchase of machinery	5,670	-
Deposits	2,400	6,400
Prepayments	1,300	5,104
	9,370	11,504

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:

	2020 RM	2019 RM
Financial assets		
Amortised cost:		
- trade and other receivables	68,400	20,990
- fixed deposits with licensed banks	256,487	250,349
- cash and bank balances	670,513	276,178
	995,400	547,517
Financial liabilities		
- other payables and accruals	7,300	5,500

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.

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.

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

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:

	2020 **RM**	**2020** **RM**
Bank balances with one financial institution (2019: one)	847,011	491,314

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

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) Bank balances

The bank balances are held with reputable financial institutions with high credit ratings and no history of default. Impairment on bank balances has been measured on a 12-month ECL and reflects the short term maturities of the exposures. The Company considers that its 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.

REEF CHECK MALAYSIA
(Incorporated in Malaysia)

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020 RM	2019 RM
Revenue			
Sales of services – training courses		17,345	56,140
Sales of goods – training materials		14,094	6,925
Sponsorship income		1,741,948	1,003,366
		1,773,387	1,066,431
Staff costs			
EPF and SOCSO		81,900	67,346
Salaries, wages and allowances		798,765	628,718
		(880,665)	(696,064)
Depreciation		(42,765)	(35,862)
Other operating expenses	**Appendix A**	(431,423)	(348,927)
Profit/(Loss) from operation		418,534	(14,422)
Finance income:			
Interest income from short term deposits		6,138	7,429
Profit/(Loss) before tax		424,672	(6,993)

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

REEF CHECK MALAYSIA
(Incorporated in Malaysia)

Appendix A

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

Other operating expenses

	2020 RM	2019 RM
Accounting fees	1,500	1,500
Advertisement and promotion	4,515	1,089
Auditors' remuneration	2,000	2,000
Bad debts written off	-	1,560
Bank charges	1,223	738
Custom charges	1,253	-
Consultancy fee	27,000	-
Consumables	4,058	-
Dive services	21,484	84,187
Donation and gift	17	290
Entertainment	662	980
Expenses relating to short term leases	63,215	15,920
Filing fee	-	700
Freight charges	1,978	7,382
General expenses	1,527	8,032
Insurance	7,755	3,108
License fee	-	200
Loss on foreign exchange - realised	23	7
Low value assets	5,635	3,236
Meals and accommodation	64,578	94,188
Penalty	-	16
Petrol	5,571	5,078
Printing, stationery and postages	6,527	6,462
Professional fees	29,124	372
Rental of:		
- equipment	-	1,470
- office	-	12,969
- accommodation	-	16,500
Repair and maintenance	43,574	12,615
Secretarial fees	2,400	3,640
Seminar and symposium	34,112	300
Service tax	2,034	614
Sponsorship	11,260	500
Staff welfare	1,002	-
Stamp duty	-	30
Subscription	-	1,833
Tax fees	1,000	1,000
Telephone expenses	4,172	4,225
Transportation	19,656	12,516
Training materials	-	690
Travelling expenses	18,833	40,505
Tools and eqiupment	16,101	-
Upkeep of office equipment	3,315	1,741
Upkeep of motor vehicle	361	-
Waste management	23,411	-
Water and electricity	547	734
	431,423	348,927

The statement has been prepared for management purpose only.
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