MALAYSIAN NATURE SOCIETY
(Society No. 1288/50)
(Registered Under Malaysian Societies Act 1966)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

Society No. 1288/50

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(Registered Under Malaysian Societies Act 1966)

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MALAYSIAN NATURE SOCIETY
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STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020

	Note	2020 RM	2019 RM
ASSETS			
Non-current asset			
Equipment	5	7,509	6,777
Total non-current asset		7,509	6,777
Current assets			
Inventories	6	42,464	51,614
Trade and other receivables	7	753,036	685,299
Cash and bank balances	8	105,770	227,342
Fixed deposits with licensed banks	9	2,982,485	2,852,661
Total current assets		3,883,755	3,816,916
TOTAL ASSETS		3,891,264	3,823,693
EQUITY AND LIABILITIES			
Equity			
Accumulated funds	10	1,851,149	1,920,601
Non-current liability			
Other payables	11	379,462	366,200
Total non-current liability		379,462	366,200
Current liabilities			
Other payables and accruals	11	212,971	166,699
Contract liabilities	12	1,447,682	1,370,193
Total current liabilities		1,660,653	1,536,892
TOTAL LIABILITIES		2,040,115	1,903,092
TOTAL EQUITY AND LIABILITIES		3,891,264	3,823,693

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

MALAYSIAN NATURE SOCIETY
(Registered Under Malaysian Societies Act 1966)

STATEMENT OF INCOME AND EXPENDITURE
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	Note	2020 RM	2019 RM
Revenue	13	4,326,267	4,777,726
Expenditure	14	(4,565,920)	(4,625,154)
Net reversal of impairment loss/ (impairment loss) on receivables		48,709	(9,655)
		(190,944)	142,917
Finance income		121,492	147,386
(Deficit)/Surplus of total income over total expenditure for the financial year		(69,452)	290,303
Surplus brought forward		1,920,601	1,630,298
Surplus carried forward		1,851,149	1,920,601

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

MALAYSIAN NATURE SOCIETY
(Registered Under Malaysian Societies Act 1966)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

	2020 RM	2019 RM
Cash flows from operating activities		
(Deficit)/Surplus for the financial year	(69,452)	290,303
Adjustments for:		
Depreciation of equipment	1,948	1,412
Interest income	(121,492)	(147,386)
Allowance for impairment on receivables	-	51,059
Reversal of allowance for impairment no longer required	(48,709)	(41,404)
Operating profit before changes in working capital	(237,705)	153,984
Changes in working capital:		
Inventories	9,150	(51,614)
Receivables	(19,028)	118,925
Payables	137,023	(1,348,166)
Net cash used in operations	(110,560)	(1,126,871)
Cash flows from investing activities		
Purchase of equipment	(2,680)	(3,250)
Interest received	121,492	147,386
(Placement)/Withdrawal of deposits	(112,825)	323,381
Net cash from investing activities	5,987	467,517
Net decrease in cash and cash equivalents	(104,573)	(659,354)
Cash and cash equivalents at the beginning of the financial year	921,955	1,581,309
Cash and cash equivalents at the end of the financial year	817,382	921,955
Analysis of cash and cash equivalents		
Cash and bank balances (Note 8)	105,770	227,342
Fixed deposits with licensed banks (Note 9)	2,982,485	2,852,661
Less: Non-short term deposits	(2,270,873)	(2,158,048)
	817,382	921,955

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

MALAYSIAN NATURE SOCIETY
(Registered Under Malaysian Societies Act 1966)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Society is a non-governmental organisation whose objectives are the appreciation and conservation of the natural heritage of Malaysia.

The Malaysian Nature Society is registered under the Malaysian Societies Act 1966. The Society is domiciled in Malaysia.

The registered office and principal place of business of the Society is at JKR 641, Jalan Kelantan, Bukit Persekutuan, 50480 Kuala Lumpur.

The financial statements were authorised for issue by the Council Members in accordance with a resolution of the Council Members on 19 August 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Society have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards.

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Society has adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year.

New MFRS	
MFRS 16	Leases

Amendments/Improvements to MFRSs	
MFRS 3	Business Combination
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Cost
MFRS 128	Investment in Associates and Joint Ventures

New IC Int	
IC Int 23	Uncertainty over Income Tax Treatments

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Society and did not result in significant changes to the Society's existing accounting policies, except for those as discussed below.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (Continued)

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease.*

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statement of financial position except for short-term and low value asset leases.

The Society has applied MFRS 16 using the modified retrospective approach at the date of initial application (i.e. 1 June 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Society has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 June 2019. Existing lease contracts that are still effective on 1 June 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The Society has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office premises and equipment that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as equipment. The Society recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Society has not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First time adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#/
MFRS 16	Leases	1 June 2020*/ 1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*
* *Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020*
\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

The Society plans to adopt the above applicable new MFRSs and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Society are summarised below.

Annual Improvements to MFRS Standards 2018–2020

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

Amendment to MFRS 16 Leases

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

2. **BASIS OF PREPARATION (CONTINUED)**

2.3 **New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)**

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

2.4 **Functional and presentation currency**

The financial statements of the Society are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Society's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

2.5 **Basis of measurement**

The financial statements of the Society have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.6 **Use of estimates and judgement**

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the income and expenditure during the reporting period. It also requires Council Members to exercise their judgement in the process of applying the Society's accounting policies. Although these estimates and judgement are based on the Council Members' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Society's financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Society.

3.1 Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Society using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.2 Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Society becomes a party to the contractual provisions of the financial instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Society has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Society has applied the practical expedient are measured at the transaction price determined under MFRS 15.

(a) Subsequent measurement

The Society categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Society categorises the financial instruments as follows (Continued):

(i) Financial assets (Continued)

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Society reclassifies financial assets when and only when its business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Society's business model for managing the asset and the cash flow characteristics of the asset. Below are the measurement categories into which the Society classifies its debt instruments:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.7(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through profit or loss (FVPL)**

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.2 **Financial instruments (Continued)**

(a) **Subsequent measurement (Continued)**

The Society categorises the financial instruments as follows (Continued):

(ii) **Financial liabilities**

The Society classifies its financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Society has not designated any financial liability as at fair value through profit or loss.

<u>Financial liabilities at amortised cost</u>

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

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

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

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Society commits itself to purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

(c) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive the cash flows from the asset expire, or

(ii) the Society has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Society has transferred substantially all the risks and rewards of the asset, or (b) the Society has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Society evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Society continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Society also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Society has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Society could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) 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, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Equipment

(a) Recognition and measurement

All equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items of equipment.

(b) Subsequent costs

The cost of replacing a part of an item of equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Society and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Equipment are depreciated on a straight-line basis by allocating their depreciable amounts over their remaining useful lives at the following annual rates:

Furniture and equipment	20%
Computer and software	25%
Renovation	20%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.4 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on average cost formula. Allowance for inventory obsolescence is made for all deteriorated, damaged, obsolete or slow-moving inventories.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Contract liabilities

Contract liability is the obligation to transfer goods or services to customers for which the Society has received the consideration or has billed the customers.

3.6 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits, bank balances and other short term, highly liquid investments with maturity of three months or less, that are readily convertible to known amount of cash and which are subject to insignificant risk of change in value.

3.7 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Society measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Society applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Society 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 Society's historical experience and informed credit assessment and including forward-looking information.

The Society assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Society considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Society in full, without taking into account any credit enhancements held by the Society; or
- the contractual payment of the financial asset is more than 90 days past due unless the Society has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.7 **Impairment of assets (Continued)**

(a) **Impairment of financial assets (Continued)**

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Society is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Society assesses whether financial assets carried at amortised cost is credit-impaired. 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 include observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default of past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Society determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Society's procedure for recovery of amounts due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of assets (Continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Society makes an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.8 **Leases**

(a) **Definition of lease**

Accounting policies applied from 1 June 2019

At inception of a contract, the Society assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Society assesses whether:

- the contract involves the use of an identified asset;
- the Society has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Society has the right to direct the use of the asset.

Accounting policies applied until 31 May 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(b) **Lessee accounting**

Accounting policies applied from 1 June 2019

Short-term leases and leases of low-value assets

The Society 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 leases of low-value assets. The Society recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Accounting policies applied until 31 May 2019

If the Society is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.8 **Leases (Continued)**

(b) **Lessee accounting (Continued)**

Accounting policies applied until 31 May 2019 (Continued)

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature equipment.

For operating leases, the Society does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

3.9 **Employee benefits**

(a) **Short-term employee benefits**

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Society.

(b) **Defined contribution plans**

As required by law, the Society contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.10 **Provision**

Provisions are recognised when the Society has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.11 **Revenue**

The Society recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Society expects to be entitled in exchange for those goods or services.

Revenue recognition of the Society is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Society measures revenue from sale of goods or services at its transaction price, being the amount of consideration to which the Society expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Society uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Society expects to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Society estimates it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the goods or services underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Society assesses the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components

The Society has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Society expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) **Sponsorship income**

Revenue from sponsorship income is recognised at a point in time as the services or activities are rendered for which the sponsorship intend to compensate and the transaction can be estimated reliably. In the event the outcome of the transaction could not be measured reliably, revenue is recognised to the content of the expenses incurred that are recoverable.

(b) **Donations**

Donations are recognised at a point in time on receipts basis and when the outcome of the transactions can be ascertained reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue (Continued)

(c) Membership fees

Membership fees are accounted for on receipts basis and recognised over time throughout the membership period. Membership fees relating to periods beyond the current financial year is recognised as prepaid membership fees under contract liabilities in the statement of financial position,

(d) Sale of goods

Revenue from sale of goods are recognised at a point in time upon delivery of goods and customers' acceptance and where applicable.

(e) Services

Revenue from services are recognised at a point in time as the service or activities are rendered and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(f) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(g) Interest income

Interest income is recognised using the effective interest method.

3.12 Fair value measurement

Fair value of an asset or a liability, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Society uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Society recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

There is no significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial statements.

5. EQUIPMENT

	Furniture and equipment RM	Computer and software RM	Renovation RM	Total RM
2020				
Cost				
At 1 June 2019	126,562	92,437	28,394	247,393
Additions	2,680	-	-	2,680
At 31 May 2020	129,242	92,437	28,394	250,073
Accumulated depreciation				
At 1 June 2019	119,785	92,437	28,394	240,616
Depreciation for the financial year	1,948	-	-	1,948
At 31 May 2020	121,733	92,437	28,394	242,564
Net carrying amount				
At 31 May 2020	7,509	-	-	7,509
2019				
Cost				
At 1 June 2018	123,312	92,437	28,394	244,143
Additions	3,250	-	-	3,250
At 31 May 2019	126,562	92,437	28,394	247,393
Accumulated depreciation				
At 1 June 2018	118,373	92,437	28,394	239,204
Depreciation for the financial year	1,412	-	-	1,412
At 31 May 2019	119,785	92,437	28,394	240,616
Net carrying amount				
At 31 May 2019	6,777	-	-	6,777

6. INVENTORIES

	2020 RM	2019 RM
At net realisable value		
Finished goods	42,464	51,614

Sale of inventories recognised in revenue is amounted to RM35,515 (2019: RM70,034).

7. TRADE AND OTHER RECEIVABLES

	Note	2020 RM	2019 RM
Trade			
Trade receivables	(a)	373,647	266,373
Less: Allowance for impairment losses		(2,350)	(51,059)
		371,297	215,314
Non-trade			
Other receivables		361,296	425,017
Deposits		18,398	21,998
Prepayments		2,045	22,970
		381,739	469,985
		753,036	685,299

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Society is ranging from 30 to 60 (2019: 30 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.

Receivables that are impaired

The Society's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	2020 RM	2019 RM
At 1 June 2019/2018	51,059	41,404
Charge for the financial year		
- Individually assessed	-	51,059
Reversal of impairment losses	(48,709)	(41,404)
At 31 May	2,350	51,059

The information about the credit exposures are disclosed in Note 16(b)(i).

8. CASH AND BANK BALANCES

The currency profile of cash and bank balances are as follows:

	2020 RM	2019 RM
Ringgit Malaysia	64,545	186,117
Pound Sterling	41,225	41,225
	105,770	227,342

9. **FIXED DEPOSITS WITH LICENSED BANKS**

The fixed deposits with licensed banks at the end of the reporting date bear interest at rates ranging from 1.90% to 4.25% (2019: 3.10% to 4.20%) per annum and mature within 1 to 15 months (2019: 4 to 15 months).

10. **ACCUMULATED FUNDS**

	2020 RM	2019 RM
General Fund	1,411,289	1,566,441
Malaysian Nature Society Projects	(2,372,911)	(2,135,378)
Donation Fund	242,823	216,398
Sustainability Fund	1,145,005	918,982
Funds under custodianship of Board of Trustees		
70th Anniversary Celebration	351,041	333,500
Merdeka Award Fund	301,822	286,738
Heritage Fund	74,971	71,649
Building Fund	1,014,296	979,458
- Advanced for operating expenses	(317,187)	(317,187)
	1,851,149	1,920,601

11. **OTHER PAYABLES AND ACCRUALS**

	Note	2020 RM	2019 RM
Non-current liabilities			
Fiduciary funds	(a)	379,462	366,200
		379,462	366,200
Current liabilities			
Other payables		134,897	122,895
Accruals		78,074	43,804
		212,971	166,699

(a) Fiduciary funds refer to the funds held in fiduciary capacity by Malaysian Nature Society. During the financial year, the number of fiduciary funds held by the Society are 3 (2019: 3).

12. **CONTRACT LIABILITIES**

	2020 RM	2019 RM
Deferred income	1,280,239	1,166,884
Prepaid membership fees	167,443	203,309
	1,447,682	1,370,193

12. CONTRACT LIABILITIES (CONTINUED)

Deferred income is income relating to sponsorships for projects which are accounted for on receipts basis but deferred so as to match the income recognised with the related costs for which the income is intended to compensate.

13. REVENUE

	2020 RM	2019 RM
Revenue for projects of the Society		
Revenue from contract with customers		
Conservation	1,326,213	1,409,995
Centres and environmental education	1,853,466	2,069,069
General fund - services	55,845	176,921
Raptor watch and editorial	53,972	85,518
Membership	442,098	679,517
Corporate partnership	341,352	65,376
	4,072,946	4,486,396
Revenue other than projects of the Society		
Donation reserve	27,298	38,514
Sustainability	226,023	252,150
Heritage	-	666
	253,321	291,330
	4,326,267	4,777,726
Timing of revenue recognition:		
At a point in time	3,884,169	4,098,209
Over time	442,098	679,517
	4,326,267	4,777,726

14. EXPENDITURE

	2020 RM	2019 RM
Expenditure for projects of the Society		
General fund - services	412,405	344,666
Conservation	1,453,973	1,396,653
Centres and environmental education	1,835,366	1,996,681
Raptor watch and editorial	135,163	147,687
Membership	421,876	554,701
Corporate partnership	306,263	164,446
	4,565,047	4,604,834
Expenditure other than projects of the Society		
Donation reserve	873	20,320
	873	20,320
	4,565,920	4,625,154

14. **EXPENDITURE (CONTINUED)**

Included in expenditure of the Society during the financial year is expenses related to short-term leases and low value assets amounted to RM17,239.

15. **TAX EXEMPTION**

The Society has been granted an exemption from income tax under Schedule 6 Part 1 Paragraph 13 of the Income Tax Act 1967. Consequently, no taxation is provided for the financial year.

16. **FINANCIAL INSTRUMENTS**

(a) **Categories of financial instruments**

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned:

(i) Amortised cost

	Amortised cost RM	**Carrying amount RM**
2020		
Financial assets		
Trade and other receivables *	750,991	750,991
Cash and bank balances	105,770	105,770
Fixed deposits with licensed banks	2,982,485	2,982,485
	3,839,246	3,839,246
Financial liability		
Other payables and accruals ^	212,971	212,971
	212,971	212,971
2019		
Financial assets		
Trade and other receivables *	662,329	662,329
Cash and bank balances	227,342	227,342
Fixed deposits with licensed banks	2,852,661	2,852,661
	3,742,332	3,742,332
Financial liability		
Other payables and accruals ^	166,699	166,699
	166,699	166,699

* Exclude prepayments
^ Exclude fiduciary funds

16. **FINANCIAL INSTRUMENTS (CONTINUED)**

(b) **Financial risk management**

The Society's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Society does not trade in financial instruments.

(i) **Credit risk**

Credit risk is the risk of financial loss to the Society that may arise on outstanding financial instruments should a counterparty default on its obligations. The Society's exposure to credit risk primarily arises from its trade and other receivables. The Society has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

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

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Society considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Society has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Society applies the simplified approach in providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected credit losses also incorporate forward looking information.

The information about the credit risk exposure on the Society's trade receivables using provision matrix are as follows:

	Gross carrying amount RM	ECL allowance RM	Net balance RM
2020			
Current	208,069	-	208,069
1 to 30 days past due	162,785	-	162,785
31 to 60 days past due	353	-	353
More than 121 days past due	90	-	90
Credit impaired:			
- individually impaired	2,350	(2,350)	-
	373,647	(2,350)	371,297

16. **FINANCIAL INSTRUMENTS (CONTINUED)**

(b) **Financial risk management (Continued)**

(i) **Credit risk (Continued)**

The information about the credit risk exposure on the Society's trade receivables using provision matrix are as follows: (Continued)

	Gross carrying amount RM	ECL allowance RM	Net balance RM
1 to 30 days past due	44,683	-	44,683
31 to 60 days past due	169,360	-	169,360
61 to 90 days past due	450	-	450
More than 121 days past due	821	-	821
Credit impaired:			
- individually impaired	51,059	(51,059)	-
	266,373	(51,059)	215,314

Other receivables and other financial assets

For other receivables and other financial assets (including cash and short-term deposits), the Society minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Society's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

The Society considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Society compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Society considers the other receivables and other financial assets as at 31 May 2020 to have low credit risk. As at the reporting date, the Society did not recognise any loss allowance for impairment for other receivables and other financial assets.

Refer to Note 3.7(a) for the Society's other accounting policies for impairment of financial assets.

16. **FINANCIAL INSTRUMENTS (CONTINUED)**

(b) **Financial risk management (Continued)**

(ii) **Liquidity risk**

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

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

Maturity analysis

The maturity analysis of the Society 's financial liabilities by its relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM
2020			
Other payables and accruals	212,971	212,971	212,971
2019			
Other payables and accruals	166,699	166,699	166,699

(iii) **Foreign currency risk**

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates.

The Society holds cash and bank balances denominated in foreign currencies for working capital purposes. The foreign currency exposure profile of cash and bank balances of the Society is disclosed in Note 8.

Sensitivity analysis for foreign currency risk

A 5% strengthening/weakening of the RM against the Pound Sterling at the end of the reporting period would have immaterial impact on deficit for the financial year. As such, no sensitivity analysis is presented.

16. **FINANCIAL INSTRUMENTS (CONTINUED)**

(c) **Fair value measurement**

The carrying amounts of cash and bank balances, fixed deposits with licensed banks, short-term receivables and payable are reasonable approximation to their fair values due to the relatively short-term nature of these financial instruments.

17. **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBEQUENT TO END OF REPORTING PERIOD**

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel restriction, lockdown, social distancing and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and other parts of the world.

The Society has performed assessments on the overall impact of the situation on the Society's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there is no material adverse effect on the financial statements for the financial year ended 31 May 2020.

Given the fluidity of the situation, the Society will continuously monitor the impact of COVID-19 and take appropriate and timely measures to minimise the impact of the outbreak on the Society's operations.

Society No.1288/50

MALAYSIAN NATURE SOCIETY
(Registered Under Malaysian Societies Act 1966)

STATEMENT BY COUNCIL MEMBERS

We, **PROF DR. AHMAD ISMAIL** and **YOW NGAN CHEE**, being two of the Council Members of Malaysian Nature Society, do hereby state that in the opinion of the Council Members, the accompanying financial statements set out on pages 1 to 29 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Society as at 31 May 2020 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Council Members:

....
PROF DR. AHMAD ISMAIL
President

....
YOW NGAN CHEE
Honorary Treasurer

Kuala Lumpur

Date: 19 August 2020

Baker Tilly Monteiro Heng PLT
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INDEPENDENT AUDITORS' REPORT TO THE COUNCIL MEMBERS OF MALAYSIAN NATURE SOCIETY
(Registered Under Malaysian Societies Act 1966)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malaysian Nature Society ("the Society"), which comprise the statement of financial position as at 31 May 2020, and the statement of income and expenditure and statement of cash flows of the Society for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 29.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Society as at 31 May 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("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 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.

Responsibilities of the Council Members for the Financial Statements

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

In preparing the financial statements of the Society, the Council Members are responsible for assessing the Society'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 the Council Members either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

The Council Members of the Society are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Society 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 approved standards on auditing in Malaysia and 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 approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Society, 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 Society's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council Members.

- conclude on the appropriateness of the Council Members' 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 Society'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 of the Society 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 Society to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements of the Society, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council Members 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.

bakertilly

Other Matters

This report is made solely to the Council Members of the Society, as a body, and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Andrew Choong Tuck Kuan
03264/04/2021 J
Chartered Accountant

Kuala Lumpur

Date: 19 August 2020