

Company No: 473058-T

Global Environment Centre
(Incorporated in Malaysia and Limited by Guarantee)

**Reports and financial statements
for the year ended 31 December 2013**

SSY PARTNERS
Chartered Accountants



Global Environment Centre

(Incorporated in Malaysia and Limited by Guarantee)

Reports and financial statements for the year ended 31 December 2013

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Global Environment Centre
(Incorporated in Malaysia and Limited by Guarantee)

**Board Members' Report
for the year ended 31 December 2013**

The Board Members hereby submit their report together with the audited financial statements of the Centre for the financial year ended 31 December 2013.

Principal activities

The Centre is established to receive and administer funds for charitable, educational scientific and research purposes, all for the well being of humankind and other inhabitants of the globe and not conducted primarily for profit. The main objectives include the promotion and support activities relating to the protection of the global environment, organising workshops, creating awareness, providing training, facilitating projects and preparing projects and policy papers thereto. There have been no significant changes in the nature of these activities during the financial year.

Financial results

Surplus for the year

RM

176,765

Reserves and provisions

All materials transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Board Members

The Board Members of the Centre who held office since the date of the last report are as follows:

Zainudin bin Ismail
Mohd Ali bin Hashim

They are also the members of the Centre.

Board Members' benefits

Since the end of the previous financial year, no Board Member has received or become entitled to received a benefit by reason of a contract made by the Centre, or with a firm of which the Board Member is a partner or with a company in which the Board Member has a substantial financial interest.

Global Environment Centre

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Board Members' benefits (continued)

Neither during nor at the end of the financial year was the Centre a party to any arrangement whose object was to enable the Board Members to acquire benefits by means of the acquisition of shares in, or debentures of, the Centre or any other body corporate.

Other statutory information

Before the financial statements of the Centre were made out, the Board Members took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount to which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Centre inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Centre misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Centre misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

In the opinion of the Board Members:

- (a) the results of the Centre's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) no contingent or other liability of the Centre has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Centre to meet its obligations when they fall due, except as disclosed in the financial statements.

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Other statutory information (continued)

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 Board Members, would affect substantially the results of the operations of the Centre for the financial year in which this report is made; and
- (b) no charge has arisen on the assets of the Centre which secures the liability of any other person nor has any contingent liability arisen in the Centre.

Auditors

The auditors, Messrs SSY Partners, have indicated their willingness to continue in office.

Signed by the Board Members in accordance with a resolution of the Board dated 25 JUN 2014


Zainudin bin Ismail
Board Member


Mohd Ali bin Hashim
Board Member

Subang Jaya

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Statement by Board Members

Pursuant to Section 169(15) of the Companies Act 1965

We, Zainudin bin Ismail and Mohd Ali bin Hashim, being the Board Members of Global Environment Centre, do hereby state that, in the opinion of the Board Members, the accompanying financial statements set out on pages 7 to 39 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Centre as at 31 December 2013 and of its financial performance and cash flows for the year then ended.

Signed by the Board Members in accordance with a resolution of the Board dated 25 JUN 2014



Zainudin bin Ismail
Board Member

Subang Jaya



Mohd Ali bin Hashim
Board Member

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act 1965

I, Faizal Parish bin Abdullah, being the officer primarily responsible for the financial management of Global Environment Centre, do solemnly and sincerely declare that the Centre financial statements set out on pages 7 to 39 are in my opinion 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 abovenamed Faizal Parish bin Abdullah
at Puchong in the state of Selangor
on 25 JUN 2014

Before me,



Faizal Parish bin Abdullah
Officer

Independent Auditors' Report to the Members of Global Environment Centre

(Centre No: 473058-T)

(Incorporated in Malaysia and Limited by Guarantee)

Report on the Financial Statements

We have audited the financial statements of Global Environment Centre, which comprise the statement of financial position as at 31 December 2013, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 39.

Board Members' Responsibility for the Financial Statements

The Board Members of the Centre are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Board Members are also responsible for such internal control as the Board Members determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Centre's preparation of financial statements that give a true and fair view 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 Centre's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report to the Members of Global Environment Centre (continued)

(Centre No: 473058-T)

(Incorporated in Malaysia and Limited by Guarantee)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Centre as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

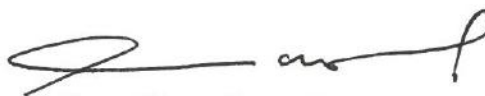
In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Centre have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the Members of the Centre, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



SSY Partners
AF: 0040
Chartered Accountants



Gary Yong Yoon Shing
No. 633/03/15 (J/PH)
Partner

Subang Jaya

25 JUN 2014

Global Environment Centre

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**Statement of Financial Position
as at 31 December 2013**

	Note	2013 RM	2012 RM
ASSETS			
Non-current assets			
Plant and equipment	6	202,404	198,778
Current assets			
Project grants receivables	7	414,237	438,589
Other receivables and deposits	8	123,252	94,274
Fixed deposits with a licensed bank	9	528,084	517,335
Cash and bank balances		3,531,631	2,712,763
		4,597,204	3,762,961
TOTAL ASSETS		4,799,608	3,961,739
EQUITY AND LIABILITIES			
Reserves			
Accumulated fund		1,499,164	1,322,399
TOTAL EQUITY		1,499,164	1,322,399
Non-current liabilities			
Finance lease payables	10	15,775	29,135
		15,775	29,135
Current liabilities			
Project grants pending	11	3,239,684	2,541,538
Other payables and accruals	12	27,861	53,055
Finance lease payables	10	17,124	15,612
		3,284,669	2,610,205
TOTAL LIABILITIES		3,300,444	2,639,340
TOTAL EQUITY AND LIABILITIES		4,799,608	3,961,739

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

Global Environment Centre
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**Statement of Comprehensive Income
for the year ended 31 December 2013**

	Note	2013 RM	2012 RM
Revenue		5,022,139	5,459,965
Other operating income		203,115	115,718
Operating expenses		(5,045,078)	(5,551,127)
Profit from operations		180,176	24,556
Finance costs		(3,411)	(2,122)
Surplus before taxation	13	176,765	22,434
Taxation	14	-	-
Surplus for the year		176,765	22,434

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

Global Environment Centre
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**Statement of Changes in Equity
for the year ended 31 December 2013**

	Accumulated fund RM
At 1 January 2013	1,322,399
Surplus for the year	176,765
At 31 December 2013	<u>1,499,164</u>
At 1 January 2012	1,299,965
Surplus for the year	22,434
At 31 December 2012	<u>1,322,399</u>

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

Global Environment Centre

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**Statement of Cash Flows
for the year ended 31 December 2013**

	2013 RM	2012 RM
Cash flows from operating activities		
Surplus before taxation	176,765	22,434
Adjustments for:		
Bad debts written off	366,845	46,820
Depreciation of plant and equipment	65,078	52,790
Finance lease interest	3,411	2,122
Unrealised foreign exchange loss	-	16,908
Interest income	(10,749)	(18,308)
Operating surplus before working capital changes	601,035	122,766
(Increase)/decrease in project grants receivables	(342,493)	254,413
Increase in other receivables and deposits	(28,978)	(43,552)
Increase in project grants pending	698,146	1,063,964
Decrease in other payables and accruals	(25,194)	(19,687)
Net cash generated from operating activities	902,831	1,377,904
Cash flows from investing activities		
Purchase of plant and equipment	(68,704)	(71,706)
Interest received	10,749	18,308
Net cash used in investing activities	(57,955)	(53,398)
Cash flows from financing activities		
Repayment of finance lease payables	(11,848)	(15,002)
Finance lease interest paid	(3,411)	(2,122)
Net cash used in financing activities	(15,259)	(17,124)
Net increase in cash and cash equivalents	829,617	1,307,382
Cash and cash equivalents at beginning of the year	3,230,098	1,864,838
Effect of currency translation differences	-	57,878
Cash and cash equivalents at end of the year	4,059,715	3,230,098
Cash and cash equivalents comprise:		
Cash in hand	5,000	3,000
Cash at bank	3,526,631	2,709,763
Fixed deposits with a licensed bank	528,084	517,335
	4,059,715	3,230,098

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

Global Environment Centre

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Statement of Cash Flows for the year ended 31 December 2013 (continued)

	2013 RM	2012 RM
Currency profile of cash and cash equivalents is as follows:		
Euro	2,135,885	1,476,436
United States Dollar	1,154,563	852,892
Malaysian Ringgit	769,267	900,770
	<u>4,059,715</u>	<u>3,230,098</u>

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

Global Environment Centre

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Notes to the Financial Statements for the year ended 31 December 2013

1. Corporate information

The Centre is a public company limited by guarantee, incorporated and domiciled in Malaysia.

The registered office of the Centre is located at Level 6, Menara Uni.Asia, 1008, Jalan Sultan Ismail, 50350 Kuala Lumpur.

The principal place of business of the Centre is located at 2nd Floor, Wisma Hing, No. 76-78, Jalan SS 2/72, 47300 Petaling Jaya, Selangor.

The Centre is established to receive and administer funds for charitable, educational scientific and research purposes, all for the well being of humankind and other inhabitants of the globe and not conducted primarily for profit. The main objectives include the promotion and support activities relating to the protection of the global environment, organising workshops, creating awareness, providing training, facilitating projects and preparing projects and policy papers thereto. There have been no significant changes in the nature of these activities during the financial year.

The number of employees in the Centre at the end of the financial year was 25 (2012: 22).

The financial statements were authorised for issue by the Board in accordance with a resolution of the Board Members on **25 JUN 2014**

2. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The financial statements of the Centre have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies (Note 3).

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia requires the Board Members 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 the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia (RM).

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3. Significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial year.

(a) Plant and equipment, and depreciation

All items of plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Centre and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss as incurred.

Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of plant and equipment is computed on a straight-line basis over the estimated useful lives plant and equipment as follows:

Computers	20%
Motor vehicle	20%
Office equipment	15%
Furniture and fittings	15%
Field equipment	15%
Office renovation	30%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate to ensure that the amount, method and period 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.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss in the year plant and equipment is derecognised.

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3. Significant accounting policies (continued)

(b) Project grants receivables

Project grants receivables represent grants pledged by various organisations and are recognised and carried at original invoiced amount.

(c) Project grants pending

Project grants pending are in respect of grants received pending on disbursements of approved project expenditure according to the terms and conditions of the grants.

(d) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts on a review of all outstanding amounts at the financial year end.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposits, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Payables

Payables are stated at cost, which the fair value of the consideration to be paid in the future for goods and services received.

(g) Provision for liabilities

Provision for liabilities are recognised when the Centre has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each financial year end 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. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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(Incorporated in Malaysia and Limited by Guarantee)

3. Significant accounting policies (continued)

(h) Leases

i Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

ii Finance lease

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and accumulated impairment losses. The corresponding liability is included in the statement of financial position as borrowings.

In calculating the present value of the minimum lease payment, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance cost and the reduction of the outstanding liabilities. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with the depreciation for plant and equipment as described in Note 3(a).

Global Environment Centre

(Incorporated in Malaysia and Limited by Guarantee)

3. Significant accounting policies (continued)

(h) Leases (continued)

iii Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of lease of land and buildings, the minimum lease payments or up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings elements of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

(i) Revenue recognition

Revenue of the Centre represents grants received and services rendered and other income is recognised on cash receipt basis.

(j) Employee benefits

i Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Centre. 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 plan

Defined contribution plans are post-employment benefit plans under which the Centre pays fixed contributions into separate entities or funds and will have no legal or construction obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, the Centre makes contributions to the statutory provident fund, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

Global Environment Centre

(Incorporated in Malaysia and Limited by Guarantee)

3. Significant accounting policies (continued)

(j) Employee benefits (continued)

iii Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Centre recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits due more than twelve months after the financial year end are discounted to present value.

(k) Foreign currencies

Foreign currency transactions

In preparing the financial statements of the Centre, transactions in currencies other than the Centre's reporting currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each financial year end, monetary items denominated in foreign currencies are translated at the rates prevailing at financial year end. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

Global Environment Centre

(Incorporated in Malaysia and Limited by Guarantee)

3. Significant accounting policies (continued)

(k) Foreign currencies (continued)

Foreign currency transactions (continued)

The principal closing rates used in translation of foreign currency amounts are as follows:

	2013 RM	2012 RM
1 Euro (EUR)	4.5263	4.0000
1 United States Dollar (USD)	3.2815	3.1030

(l) Impairment of assets

The carrying amounts of assets, other than investment property, construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each financial year end to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell 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.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down 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.

An impairment loss is recognised in the income statement in the period in which it arises.

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3. Significant accounting policies (continued)

(l) Impairment of assets (continued)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset for the prior years. A reversal of impairment loss for an asset 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. Impairment loss on goodwill is not reversed in a subsequent period.

(m) Financial instruments

Financial instruments carried on the statement of financial position include cash and bank balances, receivables, payables and borrowings. The recognition methods adopted are disclosed in the respective accounting policy statements.

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 instruments classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Centre has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

Financial assets are recognised in the statement of financial position when the Centre becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting.

On initial recognition, financial assets are measured at fair value, plus transaction costs for financial assets not at 'fair value through profit or loss'. Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets or a shorter period to the net carrying amount of the financial assets.

After initial recognition, financial assets are classified into one of four categories: financial assets at 'fair value through profit or loss', 'held-to-maturity' investments, loans and receivables and 'available-for-sale' financial assets.

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3. Significant accounting policies (continued)

(m) Financial assets (continued)

i Financial assets at 'fair value through profit or loss'

Financial assets are classified as financial assets at 'fair value through profit or loss' when the financial assets are either 'held for trading', or upon initial recognition, financial assets are designated as financial assets at 'fair value through profit or loss'.

A financial asset is classified as 'held for trading' if:

- it is acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective hedging instrument.

Financial assets (other than 'held for trading') are designated as financial assets at 'fair value through profit or loss' upon initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases; or
- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as financial assets at 'fair value through profit or loss'.

After initial recognition, financial assets at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial assets at 'fair value through profit or loss' are recognised in profit or loss.

ii 'Held-to-maturity' investments

'Held-to-maturity' investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Centre has the positive intention and ability to hold to maturity.

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3. Significant accounting policies (continued)

(m) Financial instruments (continued)

Financial assets (continued)

ii 'Held-to-maturity' investments (continued)

After initial recognition, 'held-to-maturity' investments are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when 'held-to-maturity' investments are derecognised or impaired.

iii Loans and receivables

Loans and receivables are non-derivative financial assets (such as trade receivables, loans assets, unquoted debt instruments and deposits held in banks) with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when loans and receivables are derecognised or impaired.

iv 'Available-for-sale' financial assets

Financial assets are classified as 'available-for-sale' financial assets when the financial assets are either designated as such upon initial recognition or are not classified in any of the three preceding categories.

Investment in quoted equity and debt instruments that are traded in active market and certain unquoted equity instruments (when the fair value can be determined using a valuation technique) are classified as 'available-for-sale' financial assets. 'Available-for-sale' financial assets are measured at fair value.

Gains or losses on 'available-for-sale' financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains or losses on monetary instruments, until the 'available-for-sale' financial assets are derecognised.

The cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial assets is derecognised.

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3. Significant accounting policies (continued)

(m) Financial instruments (continued)

Financial assets (continued)

iv 'Available-for-sale' financial assets (continued)

Interest calculated using the effective interest method is recognised in profit or loss. Dividends on 'available-for-sale' equity instruments are recognised in profit or loss when the Centre's right to receive payment is established.

v Investment in unquoted equity instruments carried at cost

Investment in equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such an unquoted equity instruments, are measured at cost less any accumulated impairment losses.

vi Reclassifications of financial assets

The Centre does not reclassify derivative out of the 'fair value through profit or loss' category while they are held or in issue. Equally, the Centre does not reclassify other financial assets out of the financial assets at 'fair value through profit or loss' category if upon initial recognition, those financial assets were designated as financial assets at 'fair value through profit or loss'. Other financial assets are not reclassified into the financial assets at 'fair value through profit or loss' category after initial recognition under another category.

When it is no longer appropriate to classify an investment as 'held-to-maturity' as a result of a change in intention and ability, the investment is reclassified as held for sale and re-measured at fair value. Any difference between the carrying amount and fair value of the investment is recognised in other comprehensive income.

vii Impairment of financial assets

At the end of each financial year, the Centre assesses whether there is any objective evidence that financial assets held, other than financial assets at 'fair value through profit or loss', are impaired.

Financial assets are impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial assets which have an impact on the estimated future cash flows of the financial assets that can be reliably measured.

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3. Significant accounting policies (continued)

(m) Financial instruments (continued)

Financial assets (continued)

vii Impairment of financial assets (continued)

For investment in equity instruments classified as 'available-for-sale', financial assets, objective evidence that the financial assets are impaired include the disappearance of an active trading market, significant financial difficulties, and a significant and/or prolonged decline of the market price below the cost.

For other financial assets, objective evidence could include:

- significant financial difficulty of the issuer; or
- default or significant delay in payments and delinquency in interest or principal payments; or
- a breach of contract; or
- the lender granting to the borrower a concession that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

Impairment losses, in respect of 'held-to-maturity' investments carried at amortised cost are measured as the differences between the assets' carrying amounts and the present values of their estimated future cash flows discounted at the 'held-to-maturity' investments' original effective interest rate.

For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment. Objective evidence of impairment for a portfolio of receivables could include the Centre's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade and other receivables, and staff loan receivables which are reduced through the use of an allowance account, and when these becomes uncollectible. Any impairment loss is recognised in profit or loss immediately.

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3. Significant accounting policies (continued)

(m) Financial instruments (continued)

Financial assets (continued)

vii Impairment of financial assets (continued)

If, in later periods, the amount of any impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

If there is objective evidence that impairment losses have been incurred on financial assets carried at cost, the amount of any impairment loss is measured as the differences between the carrying amounts of the financial assets and the present value of their estimated future cash flows discounted at the current market rate of return for a similar financial assets. Such impairment losses are not reversed.

For 'available-for-sale' financial assets, if a decline in fair value has been recognised in other comprehensive income and there is objective evidence that the assets are impaired, the cumulative losses that have been recognised are reclassified to profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as 'available-for-sale' financial assets are not reversed through profit or loss. If the fair value of a debt instrument classified as an 'available-for-sale' financial asset subsequently increases, and the increase can be objectively related to an event occurring after the impairment losses were recognised in profit or loss, the impairment losses are reversed and recognised in profit or loss.

viii Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the Centre transfers the financial assets and the transfer qualifies for derecognition.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income are recognised in profit or loss.

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3. Significant accounting policies (continued)

(m) Financial instruments (continued)

Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Centre becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value, plus transaction costs for financial liabilities not at 'fair value through profit or loss'. After initial recognition, financial liabilities are either classified as financial liabilities at 'fair value through profit or loss' or amortised cost using the effective interest method.

i Financial liabilities at 'fair value through profit or loss'

Financial liabilities are classified as financial liabilities at 'fair value through profit or loss' when the financial liabilities are either 'held for trading' or upon initial recognition, the financial liabilities are designated as at 'fair value through profit or loss'.

A financial liability is classified as 'held for trading' if:

- it is incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective hedging instrument.

Financial liabilities (other than 'held for trading') are designated as financial liabilities at 'fair value through profit or loss' upon initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as financial liabilities at 'fair value through profit or loss'.

After initial recognition, financial liabilities at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial liabilities at 'fair value through profit or loss' are recognised in profit or loss.

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3. Significant accounting policies (continued)

(m) Financial instruments (continued)

Financial liabilities (continued)

ii Financial liabilities at amortised cost using the effective interest method

Effective interest method is a method of calculating the amortised cost of financial liabilities and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liabilities or a shorter period to the net carrying amount of the financial liabilities.

After initial recognition, financial liabilities other than financial liabilities at 'fair value through profit or loss' are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities are derecognised or impaired.

iii Derecognition of financial assets

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of financial liabilities derecognised and the consideration paid is recognised in profit or loss.

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3. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations

During the financial year, the Centre has adopted the following new and revised Malaysian Financial Reporting Standards and amendments to certain standards (collectively referred to as 'MFRSs'), issued by the Malaysian Accounting Standards Board ('MASB') which are effective for the financial year of the Centre beginning 1 January 2013:

MFRSs that have been issued and effective which do not have any significant impact on these financial statements

The following new and revised MFRSs issued by the MASB, effective for financial year of the Centre beginning 1 January 2013, have been adopted, but the adoptions do not have any significant impact on the financial statements:

MFRS 10:	Consolidated Financial Statements
MFRS 11:	Joint Arrangements
MFRS 12:	Disclosure of Interests in Other Entities
MFRS 13:	Fair Value Measurement
Amendment to MFRS 1:	Government Loans
Amendment to MFRS 7:	Financial Instruments: Disclosures
Amendment to MFRS 7:	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 9:	Financial Instruments
Amendment to MFRS 10:	Consolidated Financial Statements
Amendment to MFRS 11:	Joint Arrangements
Amendment to MFRS 12:	Disclosure of Interest in Other Entities: Transition Guidance
Amendment to MFRS 101:	Presentation of Financial Statements
Amendment to MFRS 116:	Property, Plant and Equipment
Amendment to MFRS 119:	Employee Benefits
Amendment to MFRS 127:	Separate Financial Statements
Amendment to MFRS 128:	Investment in Associates and Joint Ventures
Amendment to MFRS 132:	Financial Instruments: Presentation
Amendment to MFRS 134:	Interim Financial Reporting

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4. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations (continued)

MFRSs that have been issued and effective which do not have any significant impact on these financial statements (continued)

MFRS 10 replaces the parts of MFRS 127 Consolidated and Separate Financial Statements that deal with consolidated financial statements. IC Interpretation 112 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of MFRS 10. Under MFRS 10, there is only one basis for consolidation, that is control. In addition, MFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in MFRS 10 to deal with complex scenarios.

MFRS 11 replaces MFRS 131 Interests in Joint Ventures. MFRS 11 deals with how a joint arrangement of which two or more parties have joint control shall be classified. IC Interpretation 113 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of MFRS 11. Under MFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under MFRS 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under MFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under MFRS 131 can be accounted for using the equity method or proportionate consolidation accounting.

MFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in MFRS 12 are more extensive than those in the current standards.

MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. MFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards.

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4. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations (continued)

MFRSs that have been issued and effective which do not have any significant impact on these financial statements (continued)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant changes relate to the accounting for defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

MFRSs that have been issued but not effective

The following revised MFRSs issued by MASB, effective for financial periods beginning on or after 1 January 2014 have not been adopted, and the adoptions are not expected to have any or significant impact on the financial statements:

Amendment to MFRS 10:	Consolidated Financial Statements
Amendment to MFRS 12:	Disclosure of Interest in Other Entities
Amendment to MFRS 127:	Separate Financial Statements
Amendment to MFRS 132:	Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 136:	Recoverable Amount Disclosures for Non-Financial Assets
Amendment to MFRS 139:	Novation of Derivatives and Continuation of Hedge Accounting

The following new MFRS issued by the MASB, effective for financial periods beginning on or after 1 January 2015, has not been adopted, and the adoptions are not expected to have any or significant impact on the financial statements:

MFRS 9:	Financial Instruments
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4. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations (continued)

MFRSs that have been issued but not effective (continued)

MFRS 9 requires all recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of MFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at 'fair value through profit or loss') attributable to changes in the credit risk of that liability. Specifically, under MFRS 9, for financial liabilities that are designated as at 'fair value through profit or loss', the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

MFRS that affects the reported results and/or financial position

The following revised MFRS issued by the MASB, effective for financial periods beginning on or after 1 July 2012, has been adopted by the Centre during the financial year beginning 1 January 2013:

Amendment to MFRS 101: Presentation of Financial Statements

The amendment to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are branched into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

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5. Significant accounting estimates

Key Sources of Estimation Uncertainty

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Centre's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Depreciation of plant and equipment

The Centre depreciates the plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method. The estimated useful lives applied by the Centre as disclosed in Note 3(a) reflect the Board Members' estimates of the periods that the Centre expects to derive future economic benefits from the use of the Centre's plant and equipment.

(b) Impairment of plant and equipment

The Centre carried out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit (CGU) to which the plant and equipment are allocated. Estimating the value-in-use requires the Centre to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Allowances for doubtful debts

The collectability of receivables is assessed on an ongoing basis. An allowance for doubtful debts is made for any account considered to be doubtful for collection. The allowance for doubtful debt is made based on a review of all outstanding accounts at the end of the reporting period. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each company.

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6. Plant and equipment

	Computers RM	Motor vehicle RM	Office equipment RM	Furniture and fittings RM	Field equipment RM	Office renovation RM	Total RM
Carrying amount							
At 1 January 2013	61,736	45,000	20,045	8,131	63,862	4	198,778
Additions	49,426	-	1,180	12,138	4,090	1,870	68,704
Depreciation charge	(27,994)	(15,000)	(4,266)	(2,592)	(14,992)	(234)	(65,078)
At 31 December 2013	83,168	30,000	16,959	17,677	52,960	1,640	202,404
At 31 December 2013							
Cost	431,176	75,000	65,846	53,379	118,096	15,560	759,057
Accumulated depreciation	(348,008)	(45,000)	(48,887)	(35,702)	(65,136)	(13,920)	(556,653)
Carrying amount	83,168	30,000	16,959	17,677	52,960	1,640	202,404
Carrying amount							
At 1 January 2012	61,059	60,000	18,263	4,931	35,605	4	179,862
Additions	22,030	-	6,000	4,630	39,046	-	71,706
Depreciation charge	(21,353)	(15,000)	(4,218)	(1,430)	(10,789)	-	(52,790)
At 31 December 2012	61,736	45,000	20,045	8,131	63,862	4	198,778
At 31 December 2012							
Cost	381,750	75,000	64,666	41,241	114,006	13,690	690,353
Accumulated depreciation	(320,014)	(30,000)	(44,621)	(33,110)	(50,144)	(13,686)	(491,575)
Carrying amount	61,736	45,000	20,045	8,131	63,862	4	198,778

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6. Plant and equipment (continued)

Motor vehicle with carrying amount RM30,000 (2012: RM45,000) as at the financial year end is under finance lease arrangement.

7. Project grants receivables

The currency profile of project grants receivables is as follows:

	2013 RM	2012 RM
United States Dollar	72,295	99,867
Malaysian Ringgit	341,942	338,722
	<u>414,237</u>	<u>438,589</u>

8. Other receivables and deposits

	2013 RM	2012 RM
Other receivables	99,197	77,220
Deposits	24,055	17,054
	<u>123,252</u>	<u>94,274</u>

9. Fixed deposits with a licensed bank

The interest rate of the fixed deposits during the year is 2.80% (2012: 2.80%) per annum.

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10. Finance lease payables

	2013 RM	2012 RM
Minimum finance lease payments		
- not later than one year	17,124	17,124
- later than one year and not later than two years	17,554	17,124
- later than two years and not later than five years	-	15,689
Total minimum finance lease payments	34,678	49,937
Less: Future finance charges on finance lease	(1,779)	(5,190)
Present value of finance lease payables	32,899	44,747
Present value of finance lease payables		
- not later than one year	15,906	15,612
- later than one year and not later than two years	16,993	15,906
- later than two years and not later than five years	-	13,229
	32,899	44,747
Presented as:		
- Non-current liabilities	16,993	29,135
- Current liabilities	15,906	15,612
	32,899	44,747

The finance lease payables bear interest rates at 2.83% (2012: 2.83%) per annum.

11. Project grants pending

The currency profile of project grants pending is as follows:

	2013 RM	2012 RM
Euro	2,135,023	1,449,442
United States Dollar	913,979	911,223
Malaysian Ringgit	190,682	180,873
	3,239,684	2,541,538

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12. Other payables and accruals

	2013 RM	2012 RM
Sundry payables	20,261	49,255
Accruals	7,600	3,800
	<u>27,861</u>	<u>53,055</u>

13. Surplus before taxation

	2013 RM	2012 RM
Surplus before taxation is arrived at after charging:		
Staff costs		
- Salaries and allowances	1,397,498	1,420,946
- Temporary staff costs	84,381	30,017
- Employees Provident Fund	170,659	171,963
- Social security costs	12,527	11,175
- Medical costs	26,056	28,986
- Staff welfare training	31,617	31,476
Bad debts written off	219,109	46,820
Depreciation of plant and equipment	65,078	52,790
Rental of office	58,800	58,800
Rental of equipment	10,405	13,882
Auditors' remuneration		
- statutory audit	3,800	3,800
- non-statutory audit	13,920	16,950
Unrealised foreign exchange loss	-	16,908
Finance lease interest	3,411	2,122
	<u>3,411</u>	<u>2,122</u>
and crediting:		
Interest income	10,749	18,308
Realised foreign exchange gain	167,502	-
	<u>167,502</u>	<u>-</u>

14. Taxation

Taxation has not been provided for the Centre's surplus because the Centre has been approved for tax exemption under Section 44(6) of the Income Tax Act 1967 effective from the year of assessment 2007. Application has been made to the Inland Revenue Board for tax exemption for the earlier years.

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15. Non-cancellable contracts

At the financial year end, the commitment in respect of non-cancellable operating lease for the rental of a property is as follows:-

	2013 RM	2012 RM
As lessee		
Future minimum lease payments		
- not later than one year	24,000	7,000
- later than one year but not later than two years	14,000	-
	<u>38,000</u>	<u>7,000</u>

16. Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables [L&R]
- (b) Other financial liabilities [OFL]

	Carrying amount RM	L&R RM	OFL RM
2013			
Non-derivative financial assets			
Project grants receivables	414,237	414,237	-
Other receivables and deposits	123,252	123,252	-
Fixed deposits with a licensed bank	528,084	528,084	-
Cash and bank balances	3,531,631	3,531,631	-
	<u>4,597,204</u>	<u>4,597,204</u>	<u>-</u>
Non-derivative financial liabilities			
Project grants pending	3,239,684	-	3,239,684
Other payables and accruals	27,861	-	27,861
Finance lease liabilities	32,899	-	32,899
	<u>3,300,444</u>	<u>-</u>	<u>3,300,444</u>
2012			
Non-derivative financial assets			
Project grants receivables	438,589	438,589	-
Other receivables and deposits	94,274	94,274	-
Fixed deposits with a licensed bank	517,335	517,335	-
Cash and bank balances	2,712,763	2,712,763	-
	<u>3,762,961</u>	<u>3,762,961</u>	<u>-</u>

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16. Categories of financial instruments (continued)

	Carrying amount RM	L&R RM	OFL RM
2012			
Non-derivative financial liabilities			
Project grants pending	2,541,538	-	2,541,538
Other payables and accruals	53,055	-	53,055
Finance lease liabilities	44,747	-	44,747
	<u>2,639,340</u>	<u>-</u>	<u>2,639,340</u>

17. Financial risk management policies

The Centre's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Centre's businesses whilst managing its risks. The Board Members review and agree policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Centre's policy that no trading in derivative financial instruments shall be undertaken.

The main areas of financial risks faced by the Centre and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Centre has no significant interest-bearing financial assets, the Centre's income and operating cash flows are substantially independent of changes in market interest rates.

The Centre's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Centre's interest rate risk arises primarily from interest-bearing borrowings. The Centre's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

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17. Financial risk management policies (continued)

(a) Interest rate risk (continued)

Interest rate sensitivity analysis

i Fair value sensitivity analysis for fixed rate instrument

The Centre does not account for any fixed rate financial liabilities at 'fair value through profit or loss' and do not designate derivatives as hedging instrument under fair value hedge accounting method. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

(b) Liquidity risk

The Centre manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Centre maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Centre strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Centre raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(c) Foreign currency risk

The Centre is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD) and Euro (EUR).

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts. The Centre maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

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17. Financial risk management policies (continued)

(c) Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

The sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period with all other variables held constant is as follows:

	Decrease/ (increase) in the Centre's results 2013 RM	(Increase)/ decrease in the Centre's results 2012 RM
Effects on surplus before taxation:		
USD		
- strengthened by 5% (2012: 5%)	15,644	2,077
- weakened by 5% (2012: 5%)	<u>(15,644)</u>	<u>(2,077)</u>
EUR:		
- strengthened by 5% (2012: 5%)	43	1,349
- weakened by 5% (2012: 5%)	<u>(43)</u>	<u>(1,349)</u>

18. Fair values of the financial instruments

The fair values of the financial instruments of the Centre as at 31 December 2013 are not materially different from their carrying values.

19. Comparative figures

The following comparative figures have been reclassified to conform to current year's presentation:

	As previously stated RM	Reclassified RM	Restated RM
<u>Income statement</u>			
Operating expenses	5,553,249	(2,122)	5,551,127
Finance costs	<u>-</u>	<u>2,122</u>	<u>2,122</u>

