

Islamic Relief Malaysia

(Company No.: 657354-W)

(Incorporated in Malaysia)

Financial Statements

31 December 2016

Company No.: 657354-W

Islamic Relief Malaysia
(Incorporated in Malaysia)

INDEX

Contents	Page
CORPORATE INFORMATION	1
BOARD OF DIRECTOR'S	2 - 5
STATEMENT BY BOARD OF DIRECTOR'S	6
STATUTORY DECLARATION	6
INDEPENDENT AUDITORS' REPORT	7 - 10
STATEMENT OF COMPREHENSIVE INCOME	11
STATEMENT OF FINANCIAL POSITION	12
STATEMENT OF CHANGES IN ACCUMULATED FUNDS	13
STATEMENT OF CASH FLOWS	14 - 15
NOTES TO THE FINANCIAL STATEMENTS	16 - 37

Islamic Relief Malaysia

(Company No.: 657354-W)

(Incorporated in Malaysia)

Corporate information

BOARD OF DIRECTORS	:	Prof. Dr. Azni bin Idris Mariyah binti Suhaimi Dr. Abdul Rahman bin Bidin Haroun Abdel-Hakem Atallah Magdalena binti Samsuddin Dr. Hossam Said
SECRETARY	:	Mustafa Kamil bin Sintol (LS 0008970)
REGISTERED OFFICE	:	No. 319-B, Lorong Kedah Melawati Square Taman Melawati 53100, Kuala Lumpur
PRINCIPAL PLACE OF BUSINESS	:	A-05-1, Paragon Point Jalan Medan PB 5, Seksyen 9 43650 Bandar Baru Bangi Selangor Darul Ehsan
AUDITORS	:	Adam & Co. (AF 1250) Chartered Accountants No. 29-1-1B, Jalan Medan PB 2B Seksyen 9, 43650 Bandar Baru Bangi Selangor Darul Ehsan
PRINCIPAL BANKERS	:	Affin Islamic Bank Berhad Bank Islam Malaysia Berhad Bank Kerjasama Rakyat Malaysia Berhad CIMB Bank Berhad CIMB Islamic Bank Berhad Malayan Banking Berhad

Islamic Relief Malaysia

(Company No.: 657354-W)

(Incorporated in Malaysia)

Board of Directors' report for the year ended 31 December 2016

The Directors hereby submit their report together with the audited financial statements of the Company for the year ended 31 December 2016.

Principal activity

The objective of the Company is to relieve poverty in any part of the world. It is a humanitarian aid company which is dedicated to help in need.

There have been no significant changes in the nature of this activity during the year.

Financial results

	2016 RM
Net surplus for the financial year	548,895
Retained earning brought forward	<u>2,884,513</u>
Retained earning carried forward	<u><u>3,433,408</u></u>

Reserves and provisions

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

Dividends

There were no dividends declared or payable since the end of the previous year.

Issue of shares and debentures

The Company has no shares and debentures.

Company No.: 657354-W

Board of Director of the Company

Trustees who served since the date of the last report are: -

Prof. Dr. Azni bin Idris
Marihah binti Suhaimi
Dr. Abdul Rahman bin Bidin
Haroun Abdel-Hakem Atallah
Magdalena binti Samsuddin
Dr. Hossam Said

Directors' benefits

Since the end of the previous financial year, no Directors' is entitled or become entitled to receive any benefit (other than as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with an Company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Bad and doubtful debts

Before the statement of comprehensive income and statement of financial position of the Company were made out, the Director took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment of receivables and are satisfied that all known bad debts have been written off and adequate impairment had been made for doubtful debts.

At the date of this report, the Director are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for impairment, in the financial statement of the Company inadequate to any substantial extent.

Company No.: 657354-W

Current assets

Before the statement of comprehensive income and statement of financial position of the Company were made out, the Director took reasonable steps to ascertain whether any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the Director are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

At the date of this report, the Director are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist: -

- (i) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liabilities in respect of the Company that has arisen since the end of the financial year, other than as disclosed in the financial statements.

In the opinion of the Director, no contingent liabilities or other liabilities of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may substantially affect the ability of the Company to meet their obligations as and when they fall due.

Change of circumstances

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

Company No.: 657354-W

Items of an unusual nature

The results of the operations of the Company for the year ended 31 December 2016 were not, in the opinion of the Director, substantially affected by any item, transaction or event of a material and unusual nature.

Events subsequent to balance sheet date

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Director, to affect substantially the results of the operations of the Company for the year in which this report is made.

Auditors;

The auditors, Messrs. Adam & Co., have indicated their willingness to be re-appointed.

Signed on behalf of the board of Director in accordance with a resolution of the Director:-



.....
PROF. DR. AZNI BIN IDRIS
Director



.....
MARIHAH BINTI SUHAIMI
Director

Bandar Baru Bangi
Date: 31 MAR 2017

Islamic Relief Malaysia

(Company No.: 657354-W)
(Incorporated in Malaysia)

Statement by Board of Directors pursuant to Section 251 (2) of the Companies Act, 2016

We, PROF. DR. AZNI BIN IDRIS and MARIHAH BINTI SUHAIMI, being two of the Director of ISLAMIC RELIEF MALAYSIA state that, in the opinion, the financial statements set out on pages 11 to 37 are drawn up in accordance with Malaysian Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company at 31 December 2016 and of its results of operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Director:



.....
PROF. DR. AZNI BIN IDRIS
Director



.....
MARIHAH BINTI SUHAIMI
Director

Bandar Baru Bangi
Date: 31 MAR 2017

Statutory declaration pursuant to Section 251 (1) (b) of the Companies Act, 2016

I, PROF. DR. AZNI BIN IDRIS, (I/C No.: 570912-03-5105), the Director primarily responsible for the financial management of ISLAMIC RELIEF MALAYSIA do solemnly and sincerely declare that the financial statements set out on pages 11 to 37 are, to the best of my knowledge and belief, 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 PROF. DR. AZNI BIN IDRIS)
at Bandar Baru Bangi)
in the state of Selangor Darul Ehsan)
on 31 MAR 2017)



PROF. DR. AZNI BIN IDRIS

Before me:-


.....
Commissioner for Oaths



Page 6

NO. 23-1, JALAN 9/9C,
SEKSYEN 9,
43650 BANDAR BARU BANGI,
SELANGOR DARUL EHSAN.

Independent auditors' report to the members of Islamic Relief Malaysia

(Company No.: 657354-W)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Islamic Relief Malaysia, which comprise the statement of financial position as at 31 December 2016 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flow of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 37.

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

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

<p>KUALA LUMPUR No. 5-1, Level 5, PV 128, No. 128 Jalan Genting Klang, 53300 Kuala Lumpur</p> <p>[T] +6 03 4141 6242 [F] +6 03 4141 6275</p>	<p style="text-align: center;">SHAH ALAM</p> <p>No. 5A, Jalan Tengku Ampuan Zabedah Seksyen 9, 40100 Shah Alam, Selangor Darul Ehsan</p> <p>[T] +6 03 5624 4744 / 4044 [F] +6 03 5624 4344</p>	<p style="text-align: center;">BANGI</p> <p>No. 29-17B Jalan Medan P B 2B, Seksyen 9 43650 Bandar Baru Bangi, Selangor Darul Ehsan</p> <p>[T] +6 03 8826 9480 [F] +6 03 8922 2690</p>	<p style="text-align: center;">SEREMBAN</p> <p>No. 408-2, Jalan Haruan 4 Oakland Commercial Center 70300 Seremban, Negeri Sembilan</p> <p>[T] +6 06 6014 700 [F] +6 06 6014 951</p>	<p>E-Mail admin@adamco.my</p> <p>URL www.adamco.my</p>
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Independent auditors' report to the members of Islamic Relief Malaysia (cont'd)

(Company No.: 657354-W)

(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

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

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company 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.

Independent auditors' report to the members of Islamic Relief Malaysia (cont'd)

(Company No.: 657354-W)
(Incorporated in Malaysia)

Auditors' Responsibility for the Audit of the Financial Statements (continued)

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

Islamic Relief Malaysia

(Company No.: 657354-W)

(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 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 Company have been properly kept in accordance with the requirements of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



ADAM & CO.
AF 1250
Chartered Accountants



ADAM SELAMAT BIN MUSA
2019/03/18(J)
Chartered Accountant

Bandar Baru Bangi,
Date: 31 MAR 2017

Islamic Relief Malaysia

(Company No.: 657354-W)

(Incorporated in Malaysia)

Statement of comprehensive income for the year ended 31 December 2016

	Note	2016 RM	2015 RM
REVENUE	5	11,564,764	11,978,216
COST OF SALES	6	<u>(10,351,654)</u>	<u>(14,173,202)</u>
GROSS PROFIT / (LOSS)		1,213,110	(2,194,986)
OTHER INCOME	7	526,303	145,668
LESS: ADMINISTRATION EXPENSES		<u>(1,190,518)</u>	<u>(1,931,622)</u>
SURPLUS / (DEFICIT) BEFORE TAXATION	8	548,895	(3,980,940)
TAXATION	10	<u>-</u>	<u>-</u>
NET SURPLUS / (DEFICIT) FOR THE FINANCIAL YEAR		<u><u>548,895</u></u>	<u><u>(3,980,940)</u></u>

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

Islamic Relief Malaysia

(Company No.: 657354-W)

(Incorporated in Malaysia)

Statement of financial position as at 31 December 2016

	Note	2016 RM	2015 RM
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,607,020	2,778,352
Current assets			
Inventories	12	154,194	137,334
Other receivables, deposit and prepayment	13	257,867	48,816
Cash and bank balances		1,723,440	4,759,694
		2,135,501	4,945,844
Total Assets		<u>4,742,521</u>	<u>7,724,196</u>
EQUITY AND LIABILITIES			
Financed by:			
Accumulated funds			
Unrestricted funds		3,433,408	2,884,513
Current liabilities			
Other payables and accruals	14	1,309,113	1,619,389
Amount due to Headquarters	15	-	3,220,294
		1,309,113	4,839,683
Total Equity and Liabilities		<u>4,742,521</u>	<u>7,724,196</u>

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

Islamic Relief Malaysia

(Company No.: 657354-W)

(Incorporated in Malaysia)

Statement of changes in accumulated funds for the year ended 31 December 2016

	Accumulated funds RM	Total RM
As at 31 December 2014	6,865,453	6,865,453
Net deficit for the financial year	<u>(3,980,940)</u>	<u>(3,980,940)</u>
As at 31 December 2015	2,884,513	2,884,513
Net surplus for the financial year	<u>548,895</u>	<u>548,895</u>
As at 31 December 2016	<u><u>3,433,408</u></u>	<u><u>3,433,408</u></u>

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

Islamic Relief Malaysia

(Company No.: 657354-W)

(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2016

	Note	2016 RM	2015 RM
Operating activities			
Surplus / (Deficit) before taxation		548,895	(3,980,940)
Adjustments for:-			
Depreciation		179,876	154,551
Loss on foreign exchange		2,470	-
Assets written off		-	22,570
Unrealised gain on foreign exchange		-	(5,356)
Unrealised loss on foreign exchange		-	466,335
		<hr/>	<hr/>
Operating surplus / (deficit) before working capital changes		731,241	(3,342,840)
Changes in working capital:-			
Increase in inventories		(16,860)	(92,219)
(Increase) / Decrease in other receivables, deposits and prepayment		(209,223)	87,154
Decrease in amount due to Headquarters		(3,220,294)	-
(Decrease) / Increase in other payables and accruals		(312,574)	1,078,529
		<hr/>	<hr/>
Net cash used in operating activities		(3,027,710)	(2,269,376)
Investing activity			
Purchase of property, plant and equipment	(i)	(8,544)	(72,238)
		<hr/>	<hr/>
Net cash used in investing activity		(8,544)	(72,238)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(3,036,254)	(2,341,614)
Cash and cash equivalents brought forward		4,759,694	7,101,308
		<hr/>	<hr/>
Cash and cash equivalents carried forward	(ii)	1,723,440	4,759,694
		<hr/> <hr/>	<hr/> <hr/>

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

Islamic Relief Malaysia

(Company No.: 657354-W)

(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2016 (cont'd)

i) Acquisition of property, plant and equipment

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM 8,544 (2015: RM 72,238). Cash payments were made to purchase property, plant and equipment.

ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	2016 RM	2015 RM
Bank balances	1,574,026	1,161,444
Cash in hand	149,414	289,195
Investment with licensed banks	-	3,309,055
	<u>1,723,440</u>	<u>4,759,694</u>

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

Islamic Relief Malaysia

(Company No.: 657354-W)
(Incorporated in Malaysia)

Notes to the financial statements for the year ended 31 December 2016

1. Corporate information

1.1 Principal activities

The objective of the Company is to relieve poverty in any part of the world. It is a humanitarian aid Company which is dedicated to help people in need.

There have been no significant changes in the nature of these activities during the year.

The Company is an Company and is incorporated under the Companies Act 2016 in Malaysia. The domicile of the Company is Malaysia.

The registered office and the principal place of business is located at No 319-B Lorong Kedah, Melawati Square, Taman Melawati, 53100, Kuala Lumpur and A-05-1, Paragon Point, Jalan Medan PB 5 Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on **31 MAR 2017**

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), and the requirements of Companies Act, 2016 in Malaysia.

Companies Commission of Malaysia (SSM) has announced that the Companies Act 2016 (CA 2016) will be implemented in phases with the first phase of which came into effect January 31, 2017. With the enforcement of the first phase of the CA 2016, the Companies Act 1965 is repealed.

2. Basis of preparation (cont'd)

2.1 Statement of compliance (cont'd)

The preparation of financial statements in conformity with MFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and reported amounts of revenue and expenses during the reported financial period. It also requires directors' best knowledge of current events and action, and therefore actual results may differ.

2.2 Standard issued but not yet effective

The Company has not adopted the following standard and interpretations that have been issued but not yet effective:

Title	Effective for the financial period beginning on or after
<i>Amendments to MFRS 12: Disclosure of Interests in Other Entities</i>	1 January 2017
<i>Amendments to MFRS 9: Financial Instruments</i>	1 January 2018
<i>Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
<i>MFRS 16 : Lease</i>	1 January 2019

The initial application of the abovementioned standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in the notes to the financial statements.

2.4 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

2. Basis of preparation (cont'd)

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year which the estimates are revised and any future years affected.

There are significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in financial statements.

3. Significant accounting policies

3.1 Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention unless otherwise indicated.

3.2 Financial instrument

Financial instruments are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Company 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.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

3. Significant accounting policies (cont'd)

3.2 Financial instrument (cont'd)

The Company categorise the financial instruments as follows: -

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

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 asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

3. Significant accounting policies (cont'd)

3.2 Financial instrument (cont'd)

(i) Financial assets (cont'd)

Available-for-sale financial assets (cont'd)

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Loans and receivables financial assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Financial liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

3. Significant accounting policies (cont'd)

3.3 Property, plant and equipment and depreciation

All items of property, 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost as modified by the revaluation of certain freehold land and buildings and certain plant and machinery less accumulated depreciation and accumulated impairment loss, if any.

Depreciation is provided on the straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life. Depreciation of an asset does not cease when the assets becomes idle or is retired from active use unless the asset is fully depreciated.

The principal rates used are as follows: -

	%
Building	2
Computers and EDP	10
Furniture and fittings	20
Motor vehicles	20
Office equipment	20
Renovation	20
Signboard	20
Telecommunication equipment	20

The residual values, useful life of assets and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions of the residual values, useful lives and depreciation method are included in profit or loss for the financial year in which the changes arise. Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

An item of property, plant and 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 included in the statement of comprehensive income in the financial year the asset is derecognised.

3. Significant accounting policies (cont'd)

3.4 Impairment of assets

(i) Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

3. Significant accounting policies (cont'd)

3.4 Impairment of assets (cont'd)

(ii) Impairment of non-financial assets (cont'd)

The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

3.5 Inventories

Inventories are valued at the lower of cost and net realisable value on the weighted average cost basis. Cost of raw materials comprised the cost of purchase plus the cost of bringing the inventories to their present location and condition. For finished goods and work-in-progress cost consist of raw materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less selling expenses. In arriving at net realisable value, due allowance is made for all obsolete and slow moving inventories.

3.6 Receivables

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

3. Significant accounting policies (cont'd)

3.7 Cash and cash equivalents

Cash and cash equivalents comprises of cash in bank, bank balances and deposits with licensed bank.

3.8 Payables

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

3.9 Property, plant and equipment

Property, plant and equipment acquired under hire-purchase are capitalised and are depreciated in accordance with the policy stated in Note 3.3 and the corresponding obligations relating to the remaining capital payments are treated as liabilities. Finance charges are charged to the statement of comprehensive income over the period of the plan so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

3.10 Provisions

Provisions are recognised when there is a present obligation, legal or constructive 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 can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

3.11 Taxation

Income tax on the profit for the year comprises current and deferred income tax liabilities. Current income tax liabilities is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the statement of financial position date.

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

3. Significant accounting policies (cont'd)

3.11 Taxation (cont'd)

A deferred income tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred income tax asset is reviewed at each statement of financial position date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reduction will be reversed to the extent of the taxable profit.

3.12 Foreign currencies

Foreign currency transactions are converted into Ringgit Malaysia, the Company's functional currency, at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies at statement of financial position date are translated into Ringgit Malaysia at the exchange rates ruling at that date. All exchange gains and losses are taken up in the statement of comprehensive income.

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

	2016 RM	2015 RM
Great Britain Pound	<u>5.51</u>	<u>6.36</u>

3.13 Employee benefits

Short term employee benefits

Wages, salaries and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlements that have accumulated at the balance sheet date.

3. Significant accounting policies (cont'd)

3.13 Employee benefits (cont'd)

Defined contribution plan

The Company incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

3.14 Revenue recognition

All income is accounted for when the charity has entitlement to funds, the amount can be quantified and there is certainty of receipt.

3.15 Related party

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party, to the extent that it prevents the other party from pursuing its own separate interests in making financial and operating decisions.

4. Significant accounting estimates and judgements

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

(i) Depreciation of property, plant and equipment

The residual values for certain major plant and machinery of the Company are ascertained annually at a percentage of cost to reflect their approximate fair value at the end of their estimated useful lives.

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and equipment to be 5 to 25 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and equipment. Therefore, the future depreciation charges could be revised.

4. Significant accounting estimates and judgements (cont'd)

(ii) *Net realisable values of inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

(iii) *Recoverability of receivables*

The Company makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment of receivables are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the Impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(iv) *Taxation*

The Company is subject to income taxes of different jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognised liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

5. Revenue

	2016 RM	2015 RM
International appeals and programmes	3,177,880	4,515,860
Local appeals and programmes	6,801,443	6,087,235
Unrestricted income	<u>1,585,441</u>	<u>1,375,121</u>
	<u><u>11,564,764</u></u>	<u><u>11,978,216</u></u>

Revenue comprises the income derived from fund and donation from public during the financial year.

6. Cost of sales

	2016 RM	2015 RM
Opening Stock	137,334	45,115
Fundraising and awareness campaign	2,015,549	3,893,996
International appeals and programmes	4,156,617	5,958,476
Local appeals and programmes	4,159,423	4,303,916
Purchases	18,261	104,426
Volunteer programmes	18,664	4,607
Less: Closing Stock (Note 12)	<u>(154,194)</u>	<u>(137,334)</u>
	<u><u>10,351,654</u></u>	<u><u>14,173,202</u></u>

Company No.: 657354-W

7. Other income

	2016 RM	2015 RM
Discount received	322	22,800
Interest from investment	25,458	104,472
Operating fund	5,209	3,010
Rental of multipurpose hall	5,650	8,920
Unrealised gain on foreign exchange	458,694	5,356
Volunteer induction fees	30,970	1,110
	<u>526,303</u>	<u>145,668</u>

8. Surplus / (Deficit) before taxation

	2016 RM	2015 RM
Auditor's remuneration	6,500	10,000
Depreciation (Note 11)	179,876	154,551
Premises rental	70,000	495,000
Warehouse rental	25,800	13,560
Loss on foreign exchange	2,470	-
Unrealised foreign exchange	-	466,335
Staff costs (Note 9)	457,212	404,292
Asset written off	-	22,570
	<u>-</u>	<u>22,570</u>

9. Staff costs

	2016 RM	2015 RM
Salaries and allowance	370,936	364,994
EPF and SOCSO	86,276	39,298
	<u>457,212</u>	<u>404,292</u>

10. Taxation

No provision for taxation has been made in the financial statements as the Company has no chargeable income.

Reconciliation of tax at statutory tax rate to effective tax rate is as follows:

	2016 RM	2015 RM
Surplus / (Deficit) before taxation	<u>548,895</u>	<u>(3,980,940)</u>
Income tax at 24% (2015 : 25%)	131,735	(995,235)
Non deductible expenses	43,763	160,864
Non business income	(145,563)	(36,417)
Unabsorbed loss	<u>(29,935)</u>	<u>870,788</u>
	<u>-</u>	<u>-</u>

11. Property, plant and equipment

	Building	Computers and EDP	Furniture and fittings	Motor Vehicle	Office equipment	Renovation	Signboard	Telecom - munication equipment	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost									
Opening balance	2,450,000	73,542	158,484	160,430	58,048	462,714	38,960	7,168	3,409,346
Additions	-	5,685	-	-	2,859	-	-	-	8,544
Closing balance	2,450,000	79,227	158,484	160,430	60,907	462,714	38,960	7,168	3,417,890
Accumulated depreciation									
Opening balance	176,000	51,777	69,884	102,810	31,995	181,370	9,991	7,167	630,994
Charge for the year	44,000	7,660	31,697	32,086	11,753	44,888	7,792	-	179,876
Closing balance	220,000	59,437	101,581	134,896	43,748	226,258	17,783	7,167	810,870
Net book value									
At 31 December 2016	2,230,000	19,790	56,903	25,534	17,159	236,456	21,177	1	2,607,020

11. Property, plant and equipment (cont'd)

	Building	Computers and EDP	Furniture and fittings	Motor Vehicle	Office equipment	Renovation	Signboard	Telecom- munication equipment	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost									
Opening balance	2,450,000	46,596	144,484	160,430	42,186	469,854	38,960	7,168	3,359,678
Additions	-	26,946	15,570	-	15,862	13,860	-	-	72,238
Written-off	-	-	(1,570)	-	-	(21,000)	-	-	(22,570)
Closing balance	2,450,000	73,542	158,484	160,430	58,048	462,714	38,960	7,168	3,409,346
Accumulated depreciation									
Opening balance	132,000	35,098	49,877	83,605	22,025	141,288	6,095	6,455	476,443
Charge for the year	44,000	16,679	20,007	19,205	9,970	40,082	3,896	712	154,551
Closing balance	176,000	51,777	69,884	102,810	31,995	181,370	9,991	7,167	630,994
Net book value									
At 31 December 2015	2,274,000	21,765	88,600	57,620	26,053	281,344	28,969	1	2,778,352

11. Property, plant and equipment (cont'd)

11.1 Assets acquired under hire purchase

	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation charge RM
2016				
Motor vehicles	<u>160,430</u>	<u>(134,896)</u>	<u>25,534</u>	<u>32,086</u>
2015				
Motor vehicles	<u>160,430</u>	<u>(102,810)</u>	<u>57,620</u>	<u>19,205</u>

12. Inventories

	2016 RM	2015 RM
Finished goods, at cost	<u>154,194</u>	<u>137,334</u>

13. Other receivables, deposit and prepayment

	2016 RM	2015 RM
Other receivables	<u>257,867</u>	<u>48,816</u>

14. Other payables and accruals

	2016 RM	2015 RM
Other payables	1,279,826	136,826
Accruals	<u>29,287</u>	<u>1,482,563</u>
	<u>1,309,113</u>	<u>1,619,389</u>

15. Amount due to Headquarters

The amount due to Headquarters is unsecured, interest free and has no fixed term of repayment.

The Headquarters is Islamic Relief Worldwide, a Company which is incorporated in United Kingdom.

16. Financial instruments

The operations of the Company are subject to a variety of market risks, including credit risk, foreign currency exchange risk, interest rate risk, liquidity risk and cash flow risk and market risk. The Company has formulated guidelines and policies as well as internal controls which seek to minimize the Company exposure to risks associated with the financing, investing and operating activities of the Company.

(a) Financial Risk Management Objectives and Policies

(i) Credit risk

Deposits, cash and bank balances placed with major financial institutions of which the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The Company has a credit policy in place to evaluate customers requiring credit over a certain amount or period. Credit risk is further minimized and is monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Company's management reporting procedures.

16. Financial instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

(i) Credit risk (cont'd)

The Company does not hold any collateral and thus, the credit exposure is continuously monitored by the director.

(ii) Interest rate risk

The Company's exposure to interest rate risk arises from interest-bearing borrowings of which the Company reviews and monitors the interest rates at regular intervals. The hire-purchase, bank overdraft, bankers' acceptances, trust receipts and term loan bear interest registered at commercial banking rates per annum.

(iii) Liquidity risk and cash flow risk

The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient

(iv) Foreign currency exchange risk

The Company is exposed to foreign currency on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The Company monitors the movements in foreign currency exchange rates closely to ensure their exposure is minimized.

16. Financial instruments (cont'd)

(b) Classification of financial instruments

(i) Classification of financial instruments is as follows:

	2016 RM	2015 RM
FINANCIAL ASSETS		
Loans and receivables financial assets		
Other receivables, deposits and prepayments	257,867	48,816
Cash and bank balances	1,723,440	4,759,694
	1,981,307	4,808,510

	2016 RM	2015 RM
FINANCIAL LIABILITIES		
Other financial liabilities		
Other payables and accruals	1,309,113	1,619,389
Amount due to Headquarters	-	3,220,294
	1,309,113	4,839,683

(ii) Net gains / losses arising from financial instruments

	2016 RM	2015 RM
Net gain / (losses) arising from:		
Loans and receivables	1,981,307	4,808,510
Other financial liabilities	(1,309,113)	(4,839,683)
	672,194	(31,173)

17. Comparative information

The comparative information of the Company were audited by a firm other than Adam & Co.

18. Segmental reporting

For management purposes, the Company is organized into the following operating divisions:

- Local appeals and programmes
- International appeals and programmes
- Others

Business segments	Local programmes		International programmes		Others		Total	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Revenue								
External revenue	6,801,443	6,087,235	3,177,880	4,515,860	1,585,441	1,375,121	11,564,764	11,978,216
	6,801,443	6,087,235	3,177,880	4,515,860	1,585,441	1,375,121	11,564,764	11,978,216
Results								
Segment results	2,642,020	1,783,319	(978,737)	(1,442,616)	(1,640,691)	(4,467,311)	22,592	(4,126,608)
Other operating income	-	-	-	-	526,303	145,668	526,303	145,668
	2,642,020	1,783,319	(978,737)	(1,442,616)	(1,114,388)	(4,321,643)	548,895	(3,980,940)
Finance cost	-	-	-	-	-	-	-	-
Taxation	-	-	-	-	-	-	-	-
Net Surplus / (Deficit) for the financial year							548,895	(3,980,940)