

ISLAMIC RELIEF MALAYSIA
(Organisation No. 657354 - W)
(Incorporated in Malaysia)

**TRUSTEES' REPORT
AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2017**
(In Ringgit Malaysia)

Organisation No. 657354 - W

ISLAMIC RELIEF MALAYSIA
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

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Organisation No. 657354 - W

ISLAMIC RELIEF MALAYSIA
(Incorporated in Malaysia)

CORPORATE INFORMATION

TRUSTEES : Prof. Dr. Azni Bin Idris
Marihah Binti Suhaimi
Dr. Hossam Bin Said
Dr. Abdul Rahman Bin Bidin

SECRETARY : Mustaffa 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 Berhad
CIMB Bank Berhad
CIMB Islamic Bank Berhad
Malayan Banking Berhad

ISLAMIC RELIEF MALAYSIA
(Incorporated in Malaysia)

TRUSTEES' REPORT

The Trustees of **ISLAMIC RELIEF MALAYSIA** have pleasure in submitting their report and the audited financial statements of the Organisation for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

RESULTS OF OPERATIONS

The results of the operations of the Organisation for the financial year are as follows:

	2017 RM
Surplus before tax	2,870,956
Income tax expense	<u>-</u>
Surplus for the year	<u><u>2,870,956</u></u>

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

OTHER STATUTORY INFORMATION

Before the statement of profit or loss and other comprehensive income and statement of financial position of the Organisation were made out, the Trustees 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 satisfied themselves that there were no known bad debts to be written off and that no allowance for doubtful debts was required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

Other than as stated in the preceding paragraph, the date of this report, the Trustees are not aware of any circumstances:

- (a) which would require the writing off of bad debts or the setting up of allowance for doubtful debts in the financial statements of the Organisation; or
- (b) which would render the values attributed to the current assets in the financial statements of the Organisation misleading; or
- (c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Organisation misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Organisation misleading.

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

- (a) any charge on the assets of the Organisation which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Organisation which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Trustees, will or may substantially affect the ability of the Organisation to meet its obligations as and when they fall due.

In the opinion of the Trustees, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Organisation for the succeeding financial year.

TRUSTEES

The Trustees of the Organisation in office during the financial year and during the year from the end of financial year to the date of this report are:-

Prof. Dr. Azni Bin Idris
Marihah Binti Suhaimi
Dr. Hosam Bin Said
Dr. Abdul Rahman Bin Bidin
Magdalena Binti Samsuddin (resigned on 18 Jul 2017)

TRUSTEES' BENEFITS

Since the end of the previous financial year, none of the Trustees of the Organisation has received or become entitled to receive any benefit by reason of a contract made by the Organisation with a firm of which the Trustee is a member, or with a company in which the Trustee has a substantial financial interest.

During and at the end of the financial year, no arrangements subsisted to which the Organisation was a party, whereby the Trustees of the Organisation might acquire benefits by means of the acquisition of shares in, or debentures of, the Organisation or any other body corporate.

INDEMNITY AND INSURANCE FOR TRUSTEES AND OFFICERS

There was no indemnity given to or insurance affected for any Trustees, officers and auditors of the Organisation in accordance with Section 289 of the Companies Act, 2016.

Organisation No. 657354 - W

AUDITORS

The auditors, Messrs. Adam & Co., have indicated their willingness to accept appointment.


AUDITOR'S REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended 31 December 2017 is described in Note 7 to the financial statements.

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



PROF. DR. AZNI BIN IDRIS



MARIHAH BINTI SUHAIMI

Bandar Baru Bangi,

Date: 01 JUN 2018

Organisation No. 657354 - W

ISLAMIC RELIEF MALAYSIA
(Incorporated in Malaysia)

STATEMENT BY TRUSTEES

The Trustees of **ISLAMIC RELIEF MALAYSIA** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Organisation as at 31 December 2017 and of its financial performance and the cash flows for the year ended on that date.

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



PROF. DR. AZNI BIN IDRIS



MARIHAH BINTI SUHAIMI

Bandar Baru Bangi
Date: 01 JUN 2018

DECLARATION BY THE TRUSTEE PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE ORGANISATION

I, **PROF. DR. AZNI BIN IDRIS**, being the Trustee primarily responsible for the financial management of **ISLAMIC RELIEF MALAYSIA**, do solemnly and sincerely declare that the accompanying financial statements 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.



PROF. DR. AZNI BIN IDRIS

Subscribed and solemnly declared by
the above named **PROF. DR. AZNI BIN IDRIS**
at **BANDAR BARU BANGI** in the state of **SELANGOR** this 01 JUN 2018

Before me,



COMMISSIONER FOR OATHS



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**
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ISLAMIC RELIEF MALAYSIA.**, which comprises the statement of financial position as of 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 32.

In our opinion, the accompanying financial statements give a true and fair view of the financial position Company as of 31 December 2017, and of their financial performance and its 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, 2016 in Malaysia.

Basis of 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 Organisation 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 Trustees of the Organisation are responsible for the other information. The other information comprises Trustees' Report, but does not include the financial statements and our auditors' report thereon.

(Forward)

<p>KUALA LUMPUR No. 5-1, Level 5, PV 128, No. 128 Jalan Genting Klang, 53300 Kuala Lumpur [T] +6 03 4141 6242 [F] +6 03 4141 6276</p>	<p>SHAH ALAM No. 5A, Jalan Tengku Ampuan Zabedah Seksyen 9, 40100 Shah Alam, Selangor Darul Ehsan [T] +6 03 5624 4744 / 4044 [F] +6 03 5624 4344</p>	<p>BANGI No. 29-11B Jalan Medan PB 2B, Seksyen 9 43650 Bandar Baru Bangi, Selangor Darul Ehsan [T] +6 03 8926 9480 [F] +6 03 8922 2590</p>	<p>SEREMBAN No. 408-2, Jalan Haruan 4 Oakland Commercial Center 70300 Seremban, Negeri Sembilan [T] +6 06 6014 700 [F] +6 06 6014 951</p>	<p>E-Mail admin@adamco.my URL www.adamco.my</p>
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Our opinion on the financial statements of the Organisation does not cover the Trustees' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Organisation, our responsibility is to read the Trustees' Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Organisation 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 Trustees' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

(Forward)

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Organisation, 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 Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' 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 Organisation'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 Organisation 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 Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Organisation, 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 Trustees 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.

(Forward)

Other Matter

This report is made solely to the members of the Organisation, 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 contents of this report.



ADAM & CO.
Chartered Accountants (AF 1250)



ADAM SELAMAT BIN MUSA
Partner - 02019/03/2020 J
Chartered Accountant

Bandar Baru Bangi,
Date: 01 JUN 2018

ISLAMIC RELIEF MALAYSIA
(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	2017 RM	2016 RM
Revenue	5	24,008,058	11,564,764
Cost of sales	6	<u>(19,934,090)</u>	<u>(10,351,654)</u>
Gross surplus		4,073,968	1,213,110
Other income		-	526,303
Administrative expenses		<u>(1,203,012)</u>	<u>(1,190,518)</u>
Surplus before tax	7	2,870,956	548,895
Income tax expense	9	<u>-</u>	<u>-</u>
Surplus for the year, representing total comprehensive income for the year		<u>2,870,956</u>	<u>548,895</u>

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

ISLAMIC RELIEF MALAYSIA
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 RM	2016 RM
ASSETS			
Non-current asset			
Property, plant and equipment	10	<u>2,649,016</u>	<u>2,607,020</u>
Current Assets			
Inventories	11	104,286	154,194
Other receivables and deposits	12	254,231	257,867
Cash and bank balances		<u>3,985,547</u>	<u>1,723,440</u>
Total Current Assets		<u>4,344,064</u>	<u>2,135,501</u>
TOTAL ASSETS		<u>6,993,080</u>	<u>4,742,521</u>
FUND AND LIABILITY			
Financed by :			
Accumulated funds surplus		<u>6,304,364</u>	<u>3,433,408</u>
Current Liability			
Other payables and accruals	13	<u>688,716</u>	<u>1,309,113</u>
TOTAL FUND AND LIABILITY		<u>6,993,080</u>	<u>4,742,521</u>

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

Organisation No. 657354 - W

ISLAMIC RELIEF MALAYSIA
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN ACCUMULATED FUND
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	RM
As of 1 January 2016	2,884,513
Surplus for the year, representing total comprehensive income for the year	<u>548,895</u>
As of 31 December 2016	<u>3,433,408</u>
As of 1 January 2017	3,433,408
Surplus for the year, representing total comprehensive income for the year	<u>2,870,956</u>
As of 31 December 2017	<u>6,304,364</u>

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

ISLAMIC RELIEF MALAYSIA
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017	2016
	RM	RM
CASH FLOWS GENERATED		
FROM OPERATING ACTIVITIES		
Surplus before tax	2,870,956	548,895
Adjustments for:		
Depreciation of property, plant and equipment	192,452	179,876
Unrealised loss on foreign exchange	-	2,470
	<u>3,122,757</u>	<u>731,241</u>
Operating Surplus Before Working Capital Changes	3,122,757	731,241
Decrease/(Increase) in:		
Inventories	49,908	(16,860)
Other receivables, and deposits	3,636	(209,223)
Decrease in:		
Other payables and accruals	(620,397)	(312,574)
Amount due to Headquarter	-	(3,220,294)
	<u>2,555,904</u>	<u>(3,027,710)</u>
Cash Flows From/(Used In) Operations Activities	2,555,904	(3,027,710)
Net Cash Generated /(Used In) From Operating Activities	<u>2,496,555</u>	<u>(3,027,710)</u>
CASH FLOWS USED IN INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(234,448)</u>	<u>(8,544)</u>
Net Cash Used In Investing Activity	<u>(234,448)</u>	<u>(8,544)</u>

(Forward)

Organisation No. 657354 - W

	2017	2016
	RM	RM
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	2,262,107	(3,036,254)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,723,440</u>	<u>4,759,694</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (REPRESENTING CASH AND BANK BALANCES)	<u>3,985,547</u>	<u>1,723,440</u>

The accompanying Notes form an integral part of the Financial Statements.

ISLAMIC RELIEF MALAYSIA
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Organisation is a non-governmental organisation, incorporated and domiciled in Malaysia.

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

The registered office is No. 319-B, Lorong Kedah, Melawati Square, Taman Melawati, 53100, Kuala Lumpur.

The principal place of the business is located at A-05-1, Paragon Point, Jalan Medan PB 5, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

The financial statements of the Organisation were authorised by the Board of Trustees for issuance in accordance with a resolution of Trustees on 1 June 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Application of Amendments to Malaysian Financial Reporting Standards

In the current financial year, the Company has applied a number of Amendments to MFRSs issued by Malaysian Accounting Standards Board (“MASB”) that are relevant to its operations and effective for annual financial years beginning on or after 1 January 2017 as follows:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Asset for Unrealised Losses
Amendments to MFRSs	Annual Improvements to MFRSs 2014-2016 Cycle

The application of these Amendments to MFRSs has no material impact on the disclosures or on the amount recognised in the financial statements of the Company.

Standards, Amendments and Issues Committee Interpretations (“IC Interpretations”) in Issue but Not Yet Effective

The directors anticipate that the following Standards and Amendments to MFRSs and IC Interpretations will be adopted in the annual financial statements of the Company when they become effective:

MFRS 9	Financial Instruments ¹
MFRS 15	Revenue from Contracts with Customers ¹
MFRS 16	Leases ²
Amendments to MFRSs	Annual Improvements to MFRSs 2014-2016 Cycle ¹
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
IC Interpretation 23	Uncertainty over Income Tax Payments ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

The directors anticipate that the abovementioned standards and IC Interpretations will be adopted in the financial statements of the Company when they become effective and that the adoption of these standards and IC Interpretations will have no material impact on the amounts reported in the financial statements of the Company in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for de-recognition, and in February 2014, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

- All recognised financial assets that are within the scope MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or at 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 as of the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at the fair value as of the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that 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. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

(Forward)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the analysis of the Company's financial assets and financial liabilities as of 31 December 2017 on the basis of the facts and circumstances that exist as of that date, the directors of the Company have assessed the impact of MFRS 9 to the Company's financial statements. All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under MFRS 139.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organisation have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Organisation takes into account the characteristics of the asset or liability if the market participants would take those characteristics into account when pricing the asset and liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as a net realizable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted price included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below:

Revenue Recognition

Revenue of the Organisation consists of restricted and unrestricted contribution from individuals or institutions. Contributions are recognised as revenue when the organization has received the contribution from the donor and when notification on the allocation of funds is provided to the Organisation.

(i) Donations

Donations received either from individuals or corporates are recognised in the statement of comprehensive income and expenditure when the Organisation is entitled to the donations. Other donations are recognised as income upon receipt.

(ii) Sales of merchandise

Revenue from sale of merchandise is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Foreign Currency

The financial statements of the Company are presented in Ringgit Malaysia (“RM”), the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year, except for the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Employee Benefits

(i) Short-term employee benefits

Salaries, wages, paid annual leave and sick leave and bonuses are accrued in the period in which the associated services are rendered by the employees of the Organisation. 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. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

(ii) Defined contribution plan

As required by law, the Organisation is required to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan for all its eligible employees based on certain prescribed rate of the employees' salaries. The Organisation's contributions to EPF are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Organisation has no further obligation.

Property, Plant and Equipment

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 Organisation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

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

The useful life and depreciation method are reviewed at each financial period-end 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 property, plant and equipment.

An item of property, 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and includes all expenses incurred in bringing the inventories to their present location and condition which consist of cost of purchase and transportation costs.

Net realisable value is estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Impairment of Non-financial Assets

The carrying amounts of non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or its cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions

Provisions are recognised when the Organisation have a present obligation (legal or constructive) as a result of a past event, it is probable that the Organisation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial Instruments

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

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.

(ii) Financial instrument categories and subsequent measurement

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity” investments, “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company’s principal financial assets which are mainly classified under loans and receivables include trade and other receivables, intercompany indebtedness and cash and cash equivalents which are initially measured at fair value and subsequently measured at amortised cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (including short-term deposits with financial institutions). Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Equity Instruments

(a) Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(b) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

The Company’s significant other financial liabilities include trade and other payables and accrued expenses and intercompany indebtedness, which are initially measured at fair value and subsequently measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating 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 liability, or, where appropriate, a shorter period.

(iii) **Derecognition**

A financial asset is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss) 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.

An impairment loss in respect of loans and receivable 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 asset's original effective interest rate. The carrying amount of the assets is reduced by the impairment loss through the use of an allowance account.

For receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of the reporting date are classified as non-current assets.

Statement of Cash Flows

The Organisation adopts the indirect method in the preparation of the statement of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Organisation's accounting policies

In the process of applying the Organisation's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

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

5. **REVENUE**

	2017	2016
	RM	RM
International appeals and programmes donation	9,315,496	3,177,880
Local appeals and programmes donation	14,482,524	6,801,443
Unrestricted donation	17,994	1,419,197
Sales of merchandise	192,044	166,244
	<u>24,008,058</u>	<u>11,564,764</u>

6. **COST OF SALES**

	2017	2016
	RM	RM
Opening stock	154,194	137,334
Fundraising and awareness campaign	1,358,244	2,015,549
International appeals and programmes	8,410,558	4,156,617
Local appeals and programmes	8,441,110	4,159,423
Purchases	-	18,261
Volunteer programmes	73,016	18,664
Salaries, wages and allowances	1,601,254	-
Less: Closing stock	<u>(104,286)</u>	<u>(154,194)</u>
	<u>19,934,090</u>	<u>10,351,654</u>

7. **SURPLUS BEFORE TAX**

	2017	2016
	RM	RM
Auditors' remuneration	6,500	6,500
Depreciation of property, plant and equipment (Note 10)	192,452	179,876
Rental of office	-	70,000
Rental of warehouse	50,400	25,800
Unrealised loss on foreign exchange	-	2,470
Realised loss on foreign exchange	59,349	-
Staff costs (Note 8)	<u>545,758</u>	<u>382,520</u>

8. **STAFF COST**

	2017	2016
	RM	RM
Salaries, wages and allowances	388,629	370,936
Defined contribution plans (EPF)	67,834	10,209
Bonus and incentives	87,459	1,375
Others	1,836	-
	<u>545,758</u>	<u>382,520</u>

9. **TAXATION**

No provision has been made for taxation as the Organisation is a charitable institution which is exempted from tax by virtue of Section 127(1) of the Income Tax Act, 1967 (Paragraph 13 (1)(a) of Schedule 6).

A reconciliation of income tax expense applicable to surplus before tax at the statutory income tax rate to tax expense at the effective income tax rate is as follows:

	2017	2016
	RM	RM
Surplus before tax	<u>2,870,956</u>	<u>548,895</u>
Tax at statutory income tax rate of 18% (2016: 19%)	516,772	104,290
Tax effect of income not subject to tax	<u>(516,772)</u>	<u>(104,290)</u>
Income tax expense	<u>-</u>	<u>-</u>

10. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and building RM	Computers and EDP RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Signboard RM	Telecom-munication equipment RM	Total RM
As of 1 January 2017	2,450,000	79,227	158,484	160,430	60,907	462,713	38,960	7,168	3,417,889
Additions	-	36,807	-	192,012	3,753	1,876	-	-	234,448
As of 31 December 2017	<u>2,450,000</u>	<u>116,034</u>	<u>158,484</u>	<u>352,442</u>	<u>64,660</u>	<u>464,589</u>	<u>38,960</u>	<u>7,168</u>	<u>3,652,337</u>
Accumulated depreciation									
As of 1 January 2017	220,000	59,437	101,581	134,896	43,748	226,257	17,783	7,167	810,869
Charge for the year	44,000	6,946	22,080	57,605	7,460	46,569	7,792	-	192,452
As of 31 December 2017	<u>264,000</u>	<u>66,383</u>	<u>123,661</u>	<u>192,501</u>	<u>51,208</u>	<u>272,826</u>	<u>25,575</u>	<u>7,167</u>	<u>1,003,321</u>
Net book value									
As of 31 December 2017	<u>2,186,000</u>	<u>49,651</u>	<u>34,823</u>	<u>159,941</u>	<u>13,452</u>	<u>191,763</u>	<u>13,385</u>	<u>1</u>	<u>2,649,016</u>

	Land and building RM	Computers and EDP RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Signboard RM	Telecommunication equipment RM	Total RM
Cost									
As of 1 January 2016	2,450,000	73,542	158,484	160,430	58,048	462,713	38,960	7,168	3,409,345
Additions	-	5,685	-	-	2,859	-	-	-	8,544
As of 31 December 2016	<u>2,450,000</u>	<u>79,227</u>	<u>158,484</u>	<u>160,430</u>	<u>60,907</u>	<u>462,713</u>	<u>38,960</u>	<u>7,168</u>	<u>3,417,889</u>
Accumulated depreciation									
As of 1 January 2016	176,000	51,777	69,884	102,810	31,995	181,369	9,991	7,167	630,993
Charge for the year	44,000	7,660	31,697	32,086	11,753	44,888	7,792	-	179,876
As of 31 December 2016	<u>220,000</u>	<u>59,437</u>	<u>101,581</u>	<u>134,896</u>	<u>43,748</u>	<u>226,257</u>	<u>17,783</u>	<u>7,167</u>	<u>810,869</u>
Net book value									
As of 31 December 2016	<u>2,230,000</u>	<u>19,790</u>	<u>56,903</u>	<u>25,534</u>	<u>17,159</u>	<u>236,456</u>	<u>21,177</u>	<u>1</u>	<u>2,607,020</u>

11. INVENTORIES

	2017	2016
	RM	RM
At cost:		
Merchandise	<u>104,286</u>	<u>154,194</u>

12. OTHER RECEIVABLES AND DEPOSITS

	2017	2016
	RM	RM
Other receivables	240,651	244,287
Deposits	<u>13,580</u>	<u>13,580</u>
	<u>254,231</u>	<u>257,867</u>

13. OTHER PAYABLES AND ACCRUALS

	2017	2016
	RM	RM
Other payables	50,404	145,530
Accruals	<u>638,312</u>	<u>1,163,583</u>
	<u>688,716</u>	<u>1,309,113</u>

14. **FINANCIAL INSTRUMENTS**

Categories of Financial Instruments and Fair Values

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

	2017	2016
	RM	RM
Financial assets		
Loan and receivables:		
Other receivables and deposits	254,231	257,867
Cash and bank balances	<u>3,985,547</u>	<u>1,723,440</u>
Financial liability:		
At amortised cost:		
Other payables and accruals	<u>688,716</u>	<u>1,309,113</u>

Financial Risk Management Objective and Policies

The operations of the Company are subject to a variety of financial risks, including liquidity risk and cash flow risk. The Company has formulated a financial risk management framework whose principal objective is to minimise the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Company.

(a) Credit Risk

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

(b) Liquidity Risk

The Company practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at the end of the reporting period based on undiscounted contractual repayment obligations.

	Carrying amount RM	Contractual cash flows RM	Less than 1 year RM
31 December 2017			
Other payables and accruals	<u>688,716</u>	<u>688,716</u>	<u>688,716</u>
Total undiscounted financial liabilities	<u><u>688,716</u></u>	<u><u>688,716</u></u>	<u><u>688,716</u></u>
31 December 2016			
Other payables and accruals	<u>1,309,113</u>	<u>1,309,113</u>	<u>1,309,113</u>
Total undiscounted financial liabilities	<u><u>1,309,113</u></u>	<u><u>1,309,113</u></u>	<u><u>1,309,113</u></u>

(c) Cash flow risk

The Company reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

(d) Fair Values

The carrying amounts of financial assets and financial liabilities of the Company approximate their fair values because of the short-term maturity of these instruments.