Ihsan For Relief And Development (Ihsan)

Financial statements

For the year ended 31 December 2017

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For the year ended 31 December 2017

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INDEPENDENT AUDITOR'S REPORT

To the management of Ihsan For Relief And Development (Ihsan)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ihsan For Relief And Development (Ihsan) (the "Society"), which comprise the statement of financial position as at 31 December 2017, the statements of operating activities, changes in surplus and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 are independent of the Society in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Society's financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Restriction on use and distribution

Without modifying our opinion, we draw attention to the fact that these financial statements are prepared to assist the management to evaluate the results of the Society. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management of the Society and should not be used or distributed to parties other than management of the Society.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISA will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, 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 management 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.

16 August 2018
Doha
State of Qatar

KPMG

KPMG
P.O Box 4473
Doha - Qatar

Ihsan For Relief And Development (Ihsan)

Statement of financial position
As at 31 December 2017

In US Dollars

	Note	31 December 2017	31 December 2016
Assets			
Property and equipment		21,482	11,806
Non- current assets		21,482	11,806
Other receivables		242,171	551,526
Cash and bank balances	8	2,139,465	1,781,792
Current assets		2,381,636	2,333,318
Total assets		2,403,118	2,345,124
Other payables	9	30,284	8,310
Due to a related party	10 (a)	1,608,834	1,332,446
Current liabilities		1,639,118	1,340,756
Total liabilities		1,639,118	1,340,756
Total net assets		**764,000**	1,004,368
Accumulated surplus		**764,000**	1,004,368

These financial statements were approved by the Management on 16 August 2018 and signed on their behalf by the following:

Mustafa Sabbagh

The attached notes from 1 to 15 form an integral part of these financial statements.

Ihsan For Relief And Development (Ihsan)

Statement of operating activities
For the year ended 31 December 2017 In US Dollars

	Note	2017	2016
Donations and contributions		33,654,372	24,705,345
Other income		92	446
Charity expense	11	(31,674,622)	(22,629,827)
General and administrative expenses	12	(2,220,210)	(1,597,788)
(Deficit) / surplus		**(240,368)**	478,176

The attached notes from 1 to 15 form an integral part of these financial statements.

Ihsan For Relief And Development (Ihsan)

Statement of changes in surplus
For the year ended 31 December 2017 In US Dollars

	2017	2016
Balance at 1 Janaury	1,004,368	526,192
(Deficit) / surplus	(240,368)	478,176
Balance at 31 December	**764,000**	1,004,368

The attached notes from 1 to 15 form an integral part of these financial statements.

Ihsan For Relief And Development (Ihsan)

Statement of cash flows

For the year ended 31 December 2017 In US Dollars

	Note	2017	2016
Cash flow from operating activities			
(Deficit) / surplus		(240,368)	478,176
Adjustment in:			
Depreciation		7,337	1,881
		(233,031)	480,057
Changes in:			
- other receivables		309,355	260,993
- other payables		21,974	7,889
- due to a related party		276,388	319,701
Net cash from operating activities		**374,686**	1,068,640
Cash flow from operating activities			
Acquisition of property and equipment		(17,013)	(11,414)
Net cash used in operating activities		**(17,013)**	(11,414)
Net increase in cash and cash equivalents		357,673	1,057,226
Cash and cash equivalents at 1 January		1,781,792	724,566
Cash and cash equivalents at 31 December	8	**2,139,465**	1,781,792

The attached notes from 1 to 15 form an integral part of these financial statements.

1. Reporting entity

Ihsan For Relief And Development (Ihsan), (the "Society") is registered and incorporated under registration number 34-202/198 dated 14 April 2014 in accordance with the Turkish Civil Law No 4721.

The Society aims in supporting and convoying the Syrian people to achieve their aspirations and enjoy their humanitarian rights in dignity and freedom. Cooperation and coordination with, associations and organizations operating in the economic field having the common insights and goals that support the Syrian or assist in creating an economic renaissance in Syria. Participating in designing a vision of the Syrian economy in the upcoming phase and the related necessary studies, strategies, plans and ideas.

2. Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Details of Society's accounting policies, including changes during the year, are included in note 6.

3. Functional and presentation currency

These financial statements are presented in US Dollars. Which is the Society's funcational currency. All financial information presented in US Dollar has been rounded to the nearest US Dollar.

4. Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in note 14.

5. Basis of measurement

The financial statements have been prepared on the historical cost basis.

6. Significant accounting policies

(a) Classification of net assets

Net assets and contributions, grant expenses, gains and losses are classified based on the existence or absence of grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

(i) ***Unrestricted net assets –*** includes unrestricted funds for general operations of the Society, or funds being released from restricted net assets to fund the respective program expenses.

6. Significant accounting policies (continued)

(a) Classification of net assets (continued)

(ii) Net assets restricted against a program – includes funds whose use by Society is limited to the programs mandated by the gantor.

(b) Contributions received

Contributions received are recognized as receipts in the period received. For purposes of the statement of financial position, they are recorded as increase in assets or decreases in liabilities and as either restricted support or unrestricted revenue. Contributions without imposed restrictions are reported as unrestricted support and increases in unrestricted net assets.

(c) Interest income

Interest income is recognized on a time apportionment basis taking account of the principal invested and the profit rate applicable to such contract.

(d) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Society.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Society will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Financial instruments

The Society classifies non-derivative financial assets into loans and receivables.

The Society classifies non-derivative financial liabilities into the other financial liabilities category.

6. Significant accounting policies (continued)

(e) Financial instruments (continued)

Non-derivative financial assets and financial liabilities – Recognition and derecognition
The Society initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Society derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Society is recognised as an asset or liability.

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Society has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – Measurement

Other receivables
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, bank balances and short-term deposits with maturities of three months or less, if any, net of any outstanding balances and are used by the Society in the management of its short-term commitments.

Non-derivative financial liabilities – Measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(f) Impairment

Non-derivative financial assets
Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:
- default or delinquency by a debtor;
- restructuring of an amount due to the Society on terms that the Society would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

6. Significant accounting policies (continued)

(f) Impairment (continued)

Non-derivative financial assets (continued)

Financial assets measured at amortised cost
The Society considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Society uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Society considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

At each reporting date, the Society reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in operating activities. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Provisions

A provision is recognised if, as a result of a past event the Society has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

6. Significant accounting policies (continued)

(h) Employees' end of service benefits

The Society provides end of service benefits to its expatriate employees in accordance with a decision taken by the management of the Society. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of minimum service period. The expected costs of these benefits are accrued over the period of employment.

(i) Foreign currency transactions

Transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates of exchange ruling on the reporting date. Resulting gains and losses arising from the above are recognised in the statement of activities.

(j) New standards, amendments and interpretations issued and effective from 1 January 2017

The following standards, amendments and interpretations which became effective from 1 January 2017, are relevant to the Society:

Disclosure Initiative (Amendments to IAS 7)
The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017 on prospective basis.

Annual Improvements to IFRSs 2012–2014 Cycle – various standards.
The annual improvements to IFRSs to 2014-2016 cycles include certain amendments to various IFRSs. earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The following are the key amendments in brief:

- *IFRS 1 First-time Adoption of IFRS – Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 1 January 2018.*

(k) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Society has not early adopted the following new or amended standards in preparing these financial statements.

Adoption expected to impact the financial statements

IFRS 9 Financial Instruments
In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Society is currently assessing the estimated impact on initial application of IFRS 9 as at 1 January 2018.

6. Significant accounting policies (continued)

(k) New standards, amendments and interpretations issued but not yet effective (continued)

Adoption expected to impact the financial statements (continued)

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Adoption not expected to impact the financial statements

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Classification and Measurement of Shared-based Payment Transactions (Amendments to IFRS 2)

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment. The amendments cover three accounting areas:

• measurement of cash-settled share-based payments;
• classification of share-based payments settled net of tax withholdings; and
• accounting for a modification of a share-based payment from cash-settled to equity-settled.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards. There is currently no guidance in IFRS 2 on how to measure the fair value of the liability incurred in a cash-settled share-based payment.

The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method. Therefore, in measuring the liability:

• market and non-vesting conditions are taken into account in measuring its fair value; and
• the number of awards to receive cash is adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions

The amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early, application is permitted if companies have the required information. The amendments are effective for annual periods commencing on or after 1 January 2018.

7. Financial risk management

The Society has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Society's exposure to each of the above risks, Society's objectives, policies and processes for measuring and managing risk, and Society's management of funds. Further quantitative disclosures are included throughout these financial statements. The management has overall responsibility for the establishment and oversight of the Society's risk management framework and the management has the responsibility for developing and monitoring the Society's risk management policies.

Credit risk

Credit risk is the risk that one party to the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Society is exposed to credit risk on accounts and other receivables.

Other receivables

Society's exposure to credit risk is influenced mainly by the individual characteristics of each party. The demographics of party base, including the default risk of the industry and country, in which party operate, has less of an influence on credit risk. Society's policy is that other receivables are stated at original amount less a provision for any uncollectible amounts (if any). An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery, if any.

Bank balances

Society limits its exposure to credit risk on bank balances by maintaining balances with banks having high credit ratings. Given these high credit ratings, Society does not expect any bank to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation. Typically the Society ensures that it has sufficient cash on demand to meet expected operational expenses, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Society's statement of activities or the value of its holdings of financial instruments.

Currency risk

The Society is exposed to currency risk on transactions carried out that are denominated in a currency other than the respective functional currency

Interest rate risk

The Society's exposure to interest rate risk is minimal since it does not have any variable rate interest bearing financial instruments other than call deposit balances.

For the year ended 31 December 2017 In US Dollars

8. Cash and bank balances

	31 December 2017	31 December 2016
Petty cash	**-**	32,912
Bank balances	2,139,465	1,748,880
	2,139,465	1,781,792

9. Other payables

	31 December 2017	31 December 2016
Accrued expenses	30,284	8,310
	30,284	8,310

10. Related party transactions

The Society enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard No. 24, Related Party Disclosures. Related parties comprise entities under common ownership and/or common management and control, key management personnel, entities in which the shareholders have controlling interest, affiliates, and other related parties.

a) Due to a related party

	31 December 2017	31 December 2016
Syrian Forum - Turkey Office	**1,608,834**	1,332,446

11. Charity expenses

	2017	2016
Total implemented projects	**31,674,622**	22,629,827

12. General and administrative expenses

	2017	2016
Staff costs	1,497,543	915,472
Shared expense	329,285	376,143
Rent	51,936	47,325
Others	341,446	258,848
	2,220,210	1,597,788

13. Financial risk management

a) Credit risk

Exposure to credit risk

The carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	**31 December 2017**	31 December 2016
Other receivables		242,171	551,526
Bank balances	8	2,139,465	1,748,880
		2,381,636	2,300,406

The Society believes that no impairment allowance is necessary in respect of receivables since all are recoverable.

b) Liquidity risk

The following are the contractual maturities of financial liabilities (non-derivative), excluding the impact of netting agreements:

31 Decemeber 2017	**Carrying amounts**	**Contractual cash outflows**	**Less than 1 year**
Other payables	30,284	(30,284)	(30,284)
Due to a related party	1,608,834	(1,608,834)	(1,608,834)
	1,639,118	**(1,639,118)**	**(1,639,118)**

31 Decemeber 2016	Carrying amounts	Contractual cash outflows	Less than 1 year
Other payables	8,310	(8,310)	(8,310)
Due to a related party	1,332,446	(1,332,446)	(1,332,446)
	1,340,756	(1,340,756)	(1,340,756)

c) Currency risk

The Society carries out foreign currency transactions only in USD. As the Qatari Riyals is pegged to the US Dollar, balances In US Dollars are not considered to represent significant currency risk.

14. Significant estimates and judgements

- *Impairment of receivables*

An estimate of the collectible amount of accounts and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

- *Useful lives, residual values and related depreciation charges of property, plant and equipment*

The Society 's management determines the estimated useful lives, residual values and related depreciation charges of its property, plant and equipment. These estimates are determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

15. Comparative figures

The corresponding figures presented for 2016 have been reclassified where necessary to preserve consistency with the 2017 figures. However, such reclassifications did not have an effect on the operating activities, changes in surplus and cash flows for the comparative year.