

Ihsan For Relief And Development (Ihsan).

Financial statements

For the year ended 31 December 2018

Ihsan For Relief And Development (Ihsan)

Financial statements

For the year ended 31 December 2018

Contents	Page(s)
Independent auditor's report	1-2
Financial statements	
Statement of financial position	3
Statement of operating activities	4
Statement of changes in surplus	5
Statement of cash flows	6
Notes to the financial statements	7-19



KPMG
25 C Ring Road
PO Box 4473, Doha
State of Qatar
Telephone: +974 4457 6444
Fax: +974 4442 5626
Website: home.kpmg/qa

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 2018, 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 2018, 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.



INDEPENDENT AUDITOR'S REPORT (continued) - Ihsan For Relief And Development (Ihsan)

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.

2 December 2019
Doha
State of Qatar

KPMG



Ihsan For Relief And Development (Ihsan)

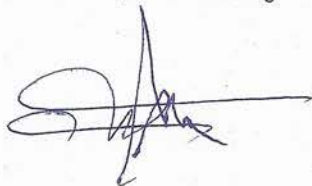
Statement of financial position

As at 31 December 2018

In US Dollars

	Note	31 December 2018	31 December 2017
Assets			
Property and equipment		57,163	21,482
Non- current assets		<u>57,163</u>	<u>21,482</u>
Other receivables		90,486	242,171
Cash and bank balances	8	<u>1,862,279</u>	<u>2,139,465</u>
Current assets		<u>1,952,765</u>	<u>2,381,636</u>
Total assets		<u>2,009,928</u>	<u>2,403,118</u>
Other payables	9	142,062	30,284
Due to a related party	10 (a)	<u>1,648,780</u>	<u>1,608,834</u>
Current liabilities		<u>1,790,842</u>	<u>1,639,118</u>
Total liabilities		<u>1,790,842</u>	<u>1,639,118</u>
Total net assets		<u>219,086</u>	<u>764,000</u>
Accumulated surplus		<u>219,086</u>	<u>764,000</u>

These financial statements were approved by the Management on 2 December 2019 and signed on their behalf by the following:



Mustafa Sabbagh

The attached notes from 1 to 14 form an integral part of these financial statements.

Ihsan For Relief And Development (Ihsan)

Statement of operating activities

For the year ended 31 December 2018

In US Dollars

	Note	2018	2017
Donations and contributions		<u>41,325,618</u>	<u>33,654,372</u>
Other income		536	92
Charity expense	11	(39,035,605)	(31,674,622)
General and administrative expenses	12	<u>(2,835,463)</u>	<u>(2,220,210)</u>
Deficit		<u>(544,914)</u>	<u>(240,368)</u>

The attached notes from 1 to 14 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 2018

In US Dollars

	2018	2017
Balance at 1 Janaury	764,000	1,004,368
Deficit	(544,914)	(240,368)
Balance at 31 December	219,086	764,000

The attached notes from 1 to 14 form an integral part of these financial statements.

Ihsan For Relief And Development (Ihsan)

Statement of cash flows

For the year ended 31 December 2018

In US Dollars

	Note	2018	2017
Cash flow from operating activities			
Deficit		(544,914)	(240,368)
Adjustment to:			
Depreciation		20,293	7,337
		(524,621)	(233,031)
Changes in:			
- other receivables		151,685	309,355
- other payables		111,778	21,974
- due to a related party		39,946	276,388
Net cash (used in) / from operating activities		(221,212)	374,686
Cash flow from operating activities			
Acquisition of property and equipment		(55,974)	(17,013)
Net cash used in operating activities		(55,974)	(17,013)
Net (decrease) / increase in cash and cash equivalents		(277,186)	357,673
Cash and cash equivalents at 1 January		2,139,465	1,781,792
Cash and cash equivalents at 31 December	8	1,862,279	2,139,465

The attached notes from 1 to 14 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 conveying 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 functional 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 grantor.

(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

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Society becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

6. Significant accounting policies (continued)

(e) Financial instruments (continued)

ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Society changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and;
- its contractual terms give rise on specified dates to cash flows that are solely payments principal and interest on the principal amount outstanding.

The Society does not have debt and equity investment.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Society may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Society makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Society's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Society's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

6. Significant accounting policies (continued)

(e) Financial instruments (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Society considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Society considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Society's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets – Policy applicable before 1 January 2018

The Society classifies non- derivative financial assets to loans and receivables and measured at amortised cost using the effective interest method.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

6. Significant accounting policies (continued)

(e) Financial instruments (continued)

iii) Derecognition

Financial assets

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Society enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Society also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(f) Impairment

Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Society recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- contract assets.

The Society measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Society considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Society's historical experience and informed credit assessment and including forward-looking information.

6. Significant accounting policies (continued)

(f) Impairment (continued)

Financial instruments and contract assets (continued)

The Society assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Society considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Society in full, without recourse by the Society to actions such as realising security (if any is held).

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Society expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Society assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 780 days past due;
- the restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Society has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Society has a policy of writing off the gross carrying amount when the financial asset is 720 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Society individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Society expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Society's procedures for recovery of amounts due.

6. Significant accounting policies (continued)

(f) Impairment (continued)

Policy applicable before 1 January 2018

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was 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.

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 profit or loss. 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 in respect of goodwill is not reversed. For other assets, 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.

6. Significant accounting policies (continued)

(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.

(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 2018

The Society has initially applied IFRS 9 "*Financial Instruments*" from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Society's financial statements.

Due to the transition methods chosen by the Society in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables and contract assets.

The effect of initially applying these standards is mainly attributed to an increase in impairment losses recognised on financial assets.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of IFRS 9, the Society has already adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Society has adopted consequential amendments to IFRS 7 *Financial Instruments*: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

6. Significant accounting policies (continued)**(j) New standards, amendments and interpretations issued and effective from 1 January 2018 (continued)*****IFRS 9 Financial Instruments (continued)******(i) Classification and measurement of financial assets and financial liabilities***

IFRS 9 contains three principle classification categories for financial assets: measured at amortised cost, Fair Value Through Other Comprehensive Income (FVOCI), and Fair Value Through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available-for-sale financial assets.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The Society has no debt or equity investments at FVOCI as at reporting date.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Society's financial assets as at 1 January 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Bank balances	(a)	Loans and receivables	Amortised cost	2,139,465	2,139,465
Financial liabilities		Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Trade and other payables		Other financial liabilities	Other financial liabilities	30,284	30,284

(a) All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banks and highly regulated by the central bank. Therefore, no impairment is recognised.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Society has determined that the application of IFRS 9's impairment requirements at 1 January 2018 has no significant impact on the impairment already recognised as on that date.

Notes to the financial statements
For the year ended 31 December 2018

6. Significant accounting policies (continued)

(j) New standards, amendments and interpretations issued and effective from 1 January 2018 (continued)

IFRS 9 Financial Instruments (continued)

(iii) Transition

- The Society has taken an exemption not to restate comparative information of prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of the financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The assessment have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

(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 2018 and earlier application is permitted; however, the Society has not early adopted the following new or amended standards in preparing these financial statements. The following standards are expected to have a material impact on the Society's financial statements in the period of initial application.

IFRS 16 "Leases" (Effective for year ending 31 December 2019)

IFRS 16 requires most leases to present right-of-use assets and liabilities on the statement of financial position. IFRS 16 also eliminates the current dual accounting model for leases, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 introduces a single on-balance sheet accounting model that is similar to the current accounting for finance leases. The lessor accounting will remain similar to the current practice, i.e. the lessors will continue to classify leases as finance and operating leases. The Society is currently assessing the estimated impact on initial application of IFRS 16 as at 1 January 2019.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Society's financial statements.

- *IFRIC 23 Uncertainty over Tax Treatments.*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9).*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).*
- *Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.*
- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *IFRS 17 Insurance Contracts.*

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.

Ihsan For Relief And Development (Ihsan)

Notes to the financial statements

For the year ended 31 December 2018

In US Dollars

8. Cash and bank balances

	31 December 2018	31 December 2017
Bank balances	<u>1,862,279</u>	<u>2,139,465</u>
	<u>1,862,279</u>	<u>2,139,465</u>

9. Other payables

	31 December 2018	31 December 2017
Accrued expenses	<u>142,062</u>	<u>30,284</u>
	<u>142,062</u>	<u>30,284</u>

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 2018	31 December 2017
Syrian Forum - Turkey Office	<u>1,648,780</u>	<u>1,608,834</u>

11. Charity expenses

	2018	2017
Total implemented projects	<u>39,035,605</u>	<u>31,674,622</u>

12. General and administrative expenses

	2018	2017
Staff costs	2,197,418	1,497,543
Shared expense	313,260	329,285
Rent	49,405	51,936
Others	<u>275,380</u>	<u>341,446</u>
	<u>2,835,463</u>	<u>2,220,210</u>

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 2018	31 December 2017
Other receivables		90,486	242,171
Bank balances	8	1,862,279	2,139,465
		1,952,765	2,381,636

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:

	Carrying amounts	Contractual cash outflows	Less than 1 year
31 Decemeber 2018			
Other payables	142,062	(142,062)	(142,062)
Due to a related party	1,648,780	(1,648,780)	(1,648,780)
	1,790,842	(1,790,842)	(1,790,842)
31 Decemeber 2017			
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)

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

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

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