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2016 AFI FINANCIAL REPORT

FOR THE FINANCIAL PERIOD FROM 27 JANUARY 2016
(DATE OF INCORPORATION) TO 31 DECEMBER 2016

CONTENTS

STATEMENT BY THE MANAGEMENT UNIT

I, Ravi Vig, being a member of the Management Unit of Alliance for Financial Inclusion ("the Organisation"), state that, in the opinion of the Management Unit, the financial statements set out on pages 5 to 6 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Organisation at 31 December 2016 and of its financial performance and cash flows for the financial period ended on that date.

Ravi Vig

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Alliance for Financial Inclusion, ("the Organisation") which comprise the statement of financial position as at 31 December 2016, and the statement of income and expenditure and statement of cash flows of the Organisation for the financial period from 27 January 2016 (date of incorporation) to 31 December 2016, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 12.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organisation as at 31 December 2016, and of its financial performance and its cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' 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 to provide 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.

Responsibilities of the Management Unit for the Financial Statements

The Management Unit of the Organisation is responsible for the preparation of financial statements of the Organisation that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Management Unit is also responsible for such internal control as the Management Unit determines 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 Management Unit is 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 Management Unit either intends 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.

As a 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 Management Unit.

> Conclude on the appropriateness of the Management Unit's 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 of the Organisation represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management Unit 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.

Other matters

This report is made solely to the members of the Organisation, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountant

Ung Voon Huay
Approval No: 03233/09/2018 J
Chartered Accountant

Kuala Lumpur

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	Note	USD 31.12.2016
ASSET		
Current assets		
Trade receivable	5	2,231,087
Other receivables	6	7,906
Fixed deposit with a licensed bank		1,000,000
Cash and bank balances		1,494,219
Total Assets		**4,733,212**
EQUITY AND LIABILITY		
Equity		
Accumulated funds		**3,785,466**
Total Equity		**3,785,466**
Current liability		
Other payables and accruals	7	947,746
Total liability		947,746
Total equity and liability		**4,733,212**

STATEMENT OF INCOME AND EXPENDITURE

For the financial period from 27 January 2016 (date of incorporation) to 31 December 2016

	Note	USD 27.01.2016 to 31.12.2016
Revenue	8	7,421,346
Interest income		10,379
Total income		**7,431,725**
Less: Expenditure	9	(9,554,604)
Deficit of income over expenditure for the financial period		(2,122,879)
Taxation	10	-
Deficit of income over expenditure after tax for the financial period		(2,122,879)
Fund contribution from Deutsche Gesellschaft fur Internationale Zusammenarbeit (“GIZ”)	11	**5,908,345**
Accumulated funds carried forward		**3,785,466**

STATEMENT OF CASH FLOWS

For the financial period from 27 January 2016 (date of incorporation) to 31 December 2016

	Note	USD 27.01.2016 to 31.12.2016
RECEIPTS		
Cash receipts from donors and membership fee		7,998,537
Cash receipts from GIZ		3,677,258
Interest received		6,879
		11,682,674
LESS: PAYMENTS		
Auditor's remuneration		3,071
Bank Charges		14,236
Contracted consultants and event fees		1,392,439
Entertainment		7,423
Grant disbursements		235,530
Indirect costs		285,366
Other direct costs		371,128
Postage and Courier		6,981
Purchase of computer hardware and software		137,988
Purchase of furniture and fittings		10,010
Purchase of office supplies		8,141
Realised foreign exchange loss		59,622
Rental of premise		7,692
Staff costs		4,105,653
Travel expenses		881,256
Travel expenses - Accommodations		766,794
Travel expenses - Sponsorships		767,343
Utilities expense		73,023
Withholding tax		18,305
		9,188,455
Net increase in cash and cash equivalents		**2,494,219**
Cash and cash equivalents at the end of the financial period	12	2,494,219

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 27 January 2016 (date of incorporation) to 31 December 2016

1. GENERAL INFORMATION

The Alliance for Financial Inclusion ("the Organisation") was incorporated under the International Organizations (Privileges and Immunities) Act 1992 in Malaysia. The domicile of the Organisation is Malaysia. The registered office is Sasana Kijang, 2, Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Management Unit on behalf of the Organisation on 28 March 2017.

2. PRINCIPAL ACTIVITIES

The Organisation is principally engaged in the activities of promoting and developing evidence-based policy solutions that help to improve the lives of the poor.

3. BASIS OF PREPARATION

These are the Organisation's first set of financial statements since its date of incorporation.

The financial statements of the Organisation are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), and International Financial Reporting Standards.

3.1 During the current financial year, the Organisation has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

IFRSs and Interpretations
(Including The Consequential Amendments)

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 10, IFRS 12 and IAS 28 (2011): Investment Entities – Applying the Consolidation Exception
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Agriculture – Bearer Plants
- Amendments to IAS 27 (2011) – Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs 2012 – 2014 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Organisation's financial statements.

3.2 The Organisation has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period.

IFRSs AND INTERPRETATIONS (Including the Consequential Amendments)	**EFFECTIVE DATE**
IFRS 9 (2014) Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Transactions	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendments to IFRS 10 and IAS 28 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to IFRS 15: Effective Date of IFRS 15	1 January 2018
Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IAS 7: Disclosure Initiative	1 January 2017
Amendments to IAS 12: Recognition of Deferred Tax Assets on Unrealised Losses	1 January 2017
Amendments to IAS 40 – Transfers of Investment Property	1 January 2018
Annual Improvements to IFRS Standards 2014 – 2016 Cycles: Amendments to IFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to IFRS Standards 2014 – 2016 Cycles:	
Amendments to IFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
Amendments to IAS 28: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

The adoption of the above accounting standards and interpretations (including the consequential amendments) is expected to have no material impact on the financial statements of the Organisation upon their initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Critical Accounting Estimates and Judgements

In the process of applying the Organisation's accounting policies, the management is not aware of any estimates or judgements that have significant effects on the amounts recognised in the financial statements.

There are no assumptions concerning the future and other key sources of estimation of uncertainties at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2 Functional and Presentation Currency

(a) Functional and Presentation Currency

The functional currency of the Organisation is the currency of the primary economic environment in which the Organisation operates.

The financial statements of the Organisation are presented in United States Dollar ("USD").

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

4.3 Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Organisation has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income.

Financial instruments are offset when the Organisation has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

(a) Financial Assets

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

(i) Financial Assets at Fair Value through Profit or Loss

As at the end of the reporting period, there were no financial assets classified under this category

(ii) Held-to-maturity Investments

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

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

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

As at the end of the reporting period, there were no financial assets classified under this category.

(b) Financial Liabilities

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

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

Financial liabilities are classified as current liabilities unless the Organisation has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the 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 equity 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.

4.4 Impairment

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period 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.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.5 Income Taxes

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4.6 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

4.7 Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling in the activities of the reporting entity either directly or indirectly, including any Management Unit (whether executive or otherwise) of that entity.

4.8 Fair Value Measurements

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 a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices 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 transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.9 Revenue and Other Income

(a) Membership fee
Membership fee is recognised when the outcome of the transaction can be estimated reliably.

(b) Donations
Donations from corporations and foundations are recognised on the receipts basis.

(c) Interest income
Interest income is recognised on an accrual basis using the effective interest method.

5. TRADE RECEIVABLE

The trade receivable solely arose from amount owing by GIZ and is subject to the normal credit term of 150 days.

6. FIXED DEPOSIT WITH A LICENSED BANK

The fixed deposit with a licensed bank of the Organisation at the end of the reporting period bore effective interest rates of 1.20% per annum. The fixed deposit has maturity period of 3 months.

7. OTHER PAYABLES AND ACCRUALS

	2016 USD
Deferred revenue	577,585
Other payables	127,516
Accruals	242,645
	947,746

8. REVENUE

	2016 USD
Donations received	3,910,151
Membership subscription fee	3,511,195
	7,421,326

9. EXPENDITURE

	2016 USD
Auditor's remuneration	9,851
Bank Charges	14,236
Contracted Consultants and Event fees	1,392,439
Entertainment	7,423
Grant disbursements	235,530
Indirect costs	285,366
Other direct costs	371,128
Postage and Courier	6,981
Purchase of computer hardware and software	137,988
Purchase of furniture and fittings	10,010
Purchase of office supplies	8,141
Realised foreign exchange loss	59,622
Rental of computer hardware and software	39,222
Rental of premise	7,692
Staff costs	4,334,738
Travel expenses	881,256
Travel expenses - Accommodations	766,794
Travel expenses - Sponsorships	894,859
Utilities expense	73,023
Withholding tax	18,305
	9,554,604

10. TAXATION

The income of the Organisation is tax exempt in accordance with the provisions of Section 44(6) of the Income Tax Act, 1967.

11. FUND CONTRIBUTION FROM GIZ

At the beginning of the financial period, the Organisation received USD 5,908,345 from GIZ. The fund received is not subject to any specific conditions imposed by GIZ to support the general operations and its programmes.

12. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:-

	2016 USD
Fixed deposit with a licensed bank	1,000,000
Cash and bank balances	1,494,219
	2,494,219

13. FINANCIAL INSTRUMENTS

The Organisation's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Organisation's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Organisation's financial performance.

13.1 Financial Risk Management Policies

The policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Organisation is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Organisation. The currencies giving rise to this risk are primarily Ringgit Malaysia ("RM"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

2016	RINGGIT MALAYSIA USD	UNITED STATES DOLLAR USD	TOTAL USD
FINANCIAL ASSETS			
Cash and bank balances	194,247	1,299,972	1,494,219
Currency exposure	194,247	1,299,972	1,494,219

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Organisation does not have material impact on the deficit after taxation of the Organisation and hence, no sensitivity analysis is presented.

(a) Market Risk (continued)

(ii) Interest Rate Risk

The Organisation does not have any material interest bearing borrowing and hence is not exposed to interest rate risk.

(iii) Equity Price Risk

The Organisation does not have any quoted investments and hence is not exposed to price risk.

(b) Credit Risk

The Organisation's major concentration of credit risk relates to the amounts owing by one receivable which constituted approximately 100% of its trade receivables at the end of the reporting period.

(c) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Organisation.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Organisation practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):-

31.12.2016	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT USD	CONTRACTUAL UNDISCOUNTED CASH FLOWS USD	WITHIN 1 YEAR USD
Other payables and accruals	-	370,161	370,161	370,161

13.2 Classification of Financial Instruments

FINANCIAL ASSETS	31.12.2016 USD
LOANS AND RECEIVABLES FINANCIAL ASSETS	
Trade receivable	2,231,087
Other receivables	7,906
Fixed deposit with a licensed bank	1,000,000
Cash and bank balances	1,494,219
	4,733,212
FINANCIAL LIABILITIES	
OTHER FINANCIAL LIABILITIES	
Other payables and accruals	370,161

13.3 FAIR VALUES OF FINANCIAL INSTRUMENTS

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

The fair values of the financial assets and financial liabilities of the Organisation that are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

14. COMPARATIVE FIGURES

These are the first set of the Organisation's financial statements since its date of incorporation. Hence, no comparative figures are presented.

Alliance for Financial Inclusion
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