

SHEIKH & CHAUDHRI

Chartered Accountants
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AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE

We have audited the accompanying financial statements of Rural Community Development Society (RCDS), which comprise of the statement of financial position as at 30 June, 2017, the statement of comprehensive income and expenditure for year then ended, the cash flow statement and a summary of significant accounting policies and other explanatory

Management's Responsibility for the Financial Statements

The Management Committee is responsible for the preparation and fair presentation of these financial statements in accordance with the "Guideline For Accounting and Financial Reporting by Non Government Organisation" issued by the Institute of Chartered Accountants of Pakistan (ICAP), and for such internal control as the Management Committee determine(s) is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the approved auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management Committee , as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Rural Community Development Society (RCDS) as at 30 June, 2017 , and (of) its financial performance and its cash flows for the year then ended in accordance with the "Guideline For Accounting and Financial Reporting by Non Government Organisation" issued by the Institute of Chartered Accountants of Pakistan (ICAP).

Lahore: September 23, 2017

Sheikh & Chaudhri

Sheikh & Chaudhri
Chartered Accountant
Engagement Partner
Muhammad Saeed Malik



**RURAL COMMUNITY DEVELOPMENT SOCIETY
BALANCE SHEET
AS AT JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
FUNDS AND LIABILITIES			
General Funds		160,200,686	159,964,248
		<u>160,200,686</u>	<u>159,964,248</u>
NON CURRENT LIABILITIES			
Deferred Income	5	5,155,391	4,553,176
CURRENT LIABILITIES			
Trade and other payables	4	4,540,802	6,360,179
		<u>169,896,879</u>	<u>170,877,603</u>
ASSETS			
Property, plant and equipment		32,996,092	35,748,917
Long Term Investment		100,022,378	100,000,000
CURRENT ASSETS			
Advances, prepayments and other receivables	7	1,904,797	2,646,833
Advance income tax		23,520,821	23,274,666
Cash and bank balances	8	11,452,791	9,207,187
		<u>169,896,879</u>	<u>170,877,603</u>

The annexed notes (1-14) form an integral part of these financial statements.
The Auditors' report of date is annexed


CHAIRMAN


DIRECTOR

Lahore
23/9/2017

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**RURAL COMMUNITY DEVELOPMENT SOCIETY
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
Revenue			
Profit on bank deposits		327,701	563,417
Other Income		8,437,174	2,023,453
Deferred grants amortized		4,084,198	55,783,007
Contribution from community for physical infrastructure schemes		-	8,652,842
		<u>12,849,073</u>	<u>67,022,719</u>
Salaries & Other Benefits		5,810,499	3,841,222
Operating expenses	10	6,802,136	68,777,618
Finance cost		-	21,443
Net (deficit) / Surplus for the year		<u>236,438</u>	<u>(5,617,564)</u>
Discontinued operations			
Surplus from discontinued operations			157,712,570
		<u>236,438</u>	<u>152,095,006</u>

The annexed notes (1-14) form an integral part of these financial statements.


CHAIRMAN


MANAGING DIRECTOR

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**RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Endowment Funds	General Funds	Total Funds
	Rupees	Rupees	Rupees
Balance as at July 01, 2015	106,000,000	337,137,604	443,137,604
Transfer to general funds	(60,000,000)	60,000,000	-
Transfer to RCDP	(46,000,000)	(389,268,362)	(435,268,362)
Net Surplus for the year ended	-	152,095,006	152,095,006
Total as at June 30, 2016	<u>-</u>	<u>159,964,248</u>	<u>159,964,248</u>
Transfer to general funds	-	-	-
Transfer to RCDP	-	-	-
Net Surplus for the year ended	-	236,438	236,438
Total as at June 30, 2017	<u><u>-</u></u>	<u><u>160,200,686</u></u>	<u><u>160,200,686</u></u>

The annexed notes (1-14) form an integral part of these financial statements.


CHAIRMAN


MANAGING DIRECTOR

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**RURAL COMMUNITY DEVELOPMENT SOCIETY
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 2017**

	2017 Rupees	2016 Rupees
CASH GENERATED FROM OPERATIONS		
Excess / (Shortfall) of income over expenditure	236,438	(5,617,564)
Surplus from discontinued operations		41,025,676
Adjustment for non cash items and other charges		
Depreciation on property, plant and equipment	2,343,522	4,177,928
Amortization	-	84,480
Provision for doubtful debts	-	11,854,621
Bad debts written off	-	1,201,278
Financial charges	-	46,203,946
Foreign exchange gain	-	(3,722)
Deferred Income Ammortize	(4,084,198)	(74,371,654)
Gain on sale of fixed assets	(1,383,263)	(1,157,378)
	(3,123,939)	(12,010,501)
Net cash flows before working capital changes	(2,887,501)	(17,628,065)
Profit before working capital changes	(2,887,501)	23,397,611
Working capital changes		
Increase / (decrease) in current liabilities		
Microfinance loan portfolio	-	946,072,171
Trade and other payables	719,658	35,923,424
Decrease in finance cost payable	-	(6,874,237)
Advances, prepayments and other receivables	(2,061,776)	62,392
	(1,342,118)	975,183,750
Net cash (used in) / generated from operating activities	(4,229,619)	998,581,362
Cash flow from investing activities		
Additions in fixed assets	(253,679)	(9,211,886)
Sale proceed of fixed assets	2,046,245	434,173
Short term investment made during the year	-	(109,798,332)
Long term loan extended to RCDP	-	(100,000,000)
Sale proceeds through transfer of assets to RCDP	-	16,166,776
Net cash used in investing activities	1,792,566	(202,409,269)
Cash flow from financing activities		
Increase/ (Decrease) in loan from PPAF	-	(683,015,869)
Increase/ (Decrease) in revolving fund - net	-	(50,000,000)
Increase / (Decrease) in short term borrowings - net	-	(60,502,481)
Finance cost paid	-	(36,611,937)
(Decrease) in endowment fund	-	(106,000,000)
Deferred income	4,686,413	17,696,024
Increase/ (Decrease) in long term deposits	-	(4,495,163)
	4,686,413	(922,929,426)
Net increase/ (decrease) in cash and cash equivalents	2,249,360	(126,757,333)
Cash and cash equivalents at the beginning of the year	9,207,187	135,964,520
Cash and cash equivalents at the end of the year	11,456,547	9,207,187

The annexed notes (1-14) form an integral part of these financial statements.


CHAIRMAN


MANAGING DIRECTOR

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**RURAL COMMUNITY DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. LEGAL STATUS AND NATURE OF BUSINESS

RURAL COMMUNITY DEVELOPMENT SOCIETY was registered under the Societies Registration Act, 1860. It shall be a non-religious, non political and non-governmental organization working for the empowerment and capacity building of the youth by promoting peace, tolerance, mutual understanding and non-violence amongst nations and religious. The registered office of the Trust is situated at D-4, Phase 2, Al-Rehman Garden, Sharannur Sharif Road, Lahore, Pakistan.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Financial Reporting Guidelines for NGOs / NPOs engaged in Microfinance issued by the Institute of Chartered Accountants of Pakistan (ICAP).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder.

3.2 Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with the Financial reporting guidelines for NGOs/ NPOs engaged in microfinance issued by the Institute Chartered Accountants of Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets and provisions for doubtful receivables. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amount of assets and liabilities in the next year.

3.3 Revenue

Revenue is recognized to the extent that the economic benefits will flow to the entity and revenue can be reliably measured. Revenue from different sources is recognized on the following basis:

Donations in kind are recognized at fair market value as and when donated
Return on investments is recognized on accrual basis.

3.4 Borrowings

Loans and borrowings are recorded on the cash basis. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Financial charges are accounted for on accrual basis and are included in current liabilities to the extent of amount remaining unpaid, if any.

3.5 Taxation

The income of the organization is exempt from the levy of tax under clause (c) of sub-section 36 of section 2 of the Income Tax Ordinance, 2001. Accordingly, no provisions for taxation has been made in the financial statements.

3.6 Property, plant and equipment

Property, plant and equipment are initially recognized at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Subsequently, property, plant and equipment are stated at cost less accumulated depreciation and any identifiable impairment loss. Subsequent costs are included in the asset's carrying amount or recognized as a separate cost, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the organization and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income statement during the year in which they are incurred.

Depreciation is charged to the Income and Expenditure account on reducing balance method by applying the depreciation rates as disclosed in **Note 4** so as to write off the depreciable amount of assets over their estimated useful lives. Depreciation on additions is charged from the month the asset is available for use, while no depreciation is charged in the month in which the asset is disposed off.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of assets (calculated as the difference between the net disposal proceed and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The assets' residual values and estimated useful lives are reviewed at least at each balance sheet date and impact on depreciation is adjusted, if significant.

3.7 Recognition of grants

Grants received for capital expenditure are presented in the balance sheet as "Deferred Income" that is recognized as income in line with depreciation charged on respective assets over the useful life of the assets.

Grants received for revenue expenditure are recognized as grant income as per terms of agreement with donors.

3.8 Trade and other payables

Trade and other payables are stated at cost which is the fair value of consideration to be paid in the future for goods and services.

3.9 Advances, prepayments and other receivables

These are stated at their nominal values net of any allowance for uncollectable amounts. Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For purpose of cash flow statement, cash and cash equivalents include cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

3.11 Provisions

Provisions are recognized when, and only when, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflected the current best estimate.

3.12 Use of Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are below:

- Operating fixed assets - Tangible and intangible
- Micro credit loan portfolio
- Advances, prepayments and other receivables
- Creditors, accrued and other liabilities

4. TRADE AND OTHER PAYABLES

	2017 RUPEES	2016 RUPEES
Withholding tax payable	36,106	-
Advance against vehile loan	-	-
Accrued expenses	113,280	110,000
Other payables	4,391,416	6,250,179
	<u>4,540,802</u>	<u>6,360,179</u>

5. DEFERRED INCOME

Opening Balance	4,553,176	44,163,240
Add: Cash received from donors	4,686,413	12,801,195
Less: Amortization of grants	(4,084,198)	(55,783,007)
Less: Transfer to RCDP	-	3,371,748
	<u>5,155,391</u>	<u>4,553,176</u>

6. LONG TERM INVESTMENT

	2017 RUPEES	2016 RUPEES
Loan to RCDP-related party	100,000,000	100,000,000
Investment in EFU saving plans	22,378	-
	<u>100,022,378</u>	<u>100,000,000</u>

7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advances to staff	30,000	-
Receivables from RCDP	-	2,333,003
Other Receivables	1,874,797	313,830
	<u>1,904,797</u>	<u>2,646,833</u>

8. CASH AND BANK BALANCES

Cash in hand	15,276	44
Cash at bank		
-Current account- pak rupee	161,052	708,459
-Current account- foreign currency	11,276,463	8,498,684
	<u>11,452,791</u>	<u>9,207,187</u>

9. OPERATING INCOME

Profit on sale of vehicle	1,383,263	323,231
Rental Income	6,780,000	1,696,500
Donation through fund raising event	90,000	-
Cash received against fee based clients	21,550	-
Other Income	162,361	3,722
	<u>8,437,174</u>	<u>2,023,453</u>

10. OPERATING EXPENSES

	2017 RUPEES	2016 RUPEES
Project and Allied Expenses	393,046	56,372,860
Training Expenses	321,261	7,916,425
Office Rent	173,000	272,500
Printing and stationary	921,557	430,958
Petrol and Maintenance	334,671	347,497
Utilities	5,000	95,017
Communication and Courier	87,090	78,780
Depreciation	2,343,522	1,460,849
Office Supplies	476,548	135,332
Audit Fee	70,000	70,000
Legal aid Expenses	689,500	489,000
Traveeling Expenses	52,560	-
Registration Expenses	443,690	-
Bank Charges	22,182	-
Consultancy	161,800	-
Donation	205,000	-
Others	101,709	1,108,400
	<u>6,802,136</u>	<u>68,777,618</u>

11. SURPLUS FROM DISCONTINUED OPERATIONS

	2017 RUPEES	2016 RUPEES
SURPLUS FROM DISCONTINUED OPERATIONS		
Financial income		
Markup received from microfinance loan portfolio	-	267,296,154
Loan processing fee	-	74,914,250
Total financial income	-	342,210,404
	-	-
Finance cost	-	46,203,946
Bank charges	-	14,447,035
	-	(60,650,981)
	-	-
Provision against non performing loan - net	-	11,854,621
Bad debts written off	-	1,201,278
	-	(13,055,899)
	-	-
	-	268,503,524
Profit on investments and bank deposits	-	10,597,607
Other income	-	1,396,353
Deferred grants amortised	-	18,588,647
	-	30,582,607
	-	299,086,131
	-	-
Operating expenses	-	-
Salaries and other benefits	-	89,733,924
Other expenses	-	51,639,637
	-	(141,373,561)
Non-Operating expenses	-	-
Contribution to RCDS	-	-
	-	(141,373,561)
	-	-
Surplus from discontinued operation	-	157,712,570

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11.1. OPERATING EXPENSES - MICROFINANCE SECTOR

	2017 RUPEES	2016 RUPEES
Training expenses	-	2,965,850
Printing and stationery	-	4,793,288
Petrol and maintenance	-	4,432,661
Telephone and postage	-	2,790,743
Office rent	-	6,485,047
Office supplies	-	5,879,858
Utilities	-	3,186,625
Traveling and conveyance	-	7,959,095
Audit fee	-	100,000
Depreciation	-	2,717,079
Amortisation	-	84,480
Computer & software repair and maintenance	-	970,267
Donation to School	-	656,392
Consultancy charges	-	776,416
Registration fee	-	556,206
Insurance expenses	-	6,345,910
Annual meeting expenses	-	31,000
Loss by theft	-	-
Market research expenses	-	-
Commission	-	29,000
Miscellaneous expenses	-	879,720
Total	-	51,639,637

12. DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements have been authorised for issue by Board of Trustees' on September 23, 2017.

13. EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable subsequent events occurring after the balance sheet date.

14. GENERAL

- Corresponding figures have been reclassified wherever necessary for the purpose of better comparison, however no material reclassification has been done.
- Figures in these financial statements have been rounded off to the nearest rupee.


CHAIRMAN
MANAGING DIRECTOR

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RURAL COMMUNITY DEVELOPMENT SOCIETY
WORKING OF DEPRICIATION FOR THE YEAR - 2017
Operating fixed assets

PARTICULARS	C O S T			As at 30.06.2017	Rate %	D E P R E C I A T I O N			As at 30.06.2017	Written down value as at 30.06.2017
	As at 01.07.2016	Addition	Disposal			As at 01.07.2016	For the period	Disposal		
Land - freehold	A	B	C	(A+B+C+D=E)	F	G	H	(G+M=N)	(E-N=O)	
Buildings on freehold land	16,541,272	-	-	16,541,272	-	-	-	-	16,541,272	
Furniture and fixture	10,592,941	50,470	-	10,643,411	5	353,098	513,182	866,280	9,777,131	
Other Equipments	735,296	203,209	-	938,505	10	321,615	54,036	375,651	562,854	
Vehicles	278,975	-	-	278,975	10	128,158	7,515	135,673	143,302	
Office Equipments	23,245,899	-	(3,140,000)	20,105,899	20	15,771,889	1,511,830	14,806,701	5,299,198	
Health equipments	2,160,186	-	-	2,160,186	30	1,499,576	196,034	1,695,610	464,576	
Water testing equipments	2,553,029	-	-	2,553,029	30	2,379,793	51,380	2,431,173	121,856	
Rupees 2017	56,340,498	253,679	(3,140,000)	53,454,177	10	137,452	9,545	146,997	32,996,092	

PARTICULARS	C O S T			As at 30.06.2016	Rate %	D E P R E C I A T I O N			As at 30.06.2016	Written down value as at 30.06.2016
	As at 01.07.2015	Addition	Disposal			As at 01.07.2015	For the period	Disposal		
Land - freehold	A	B	C	(A+B+C+D=E)	F	G	H	(G+M=N)	(E-N=O)	
Buildings on freehold land	16,541,272	-	-	16,541,272	5	-	-	-	16,541,272	
Furniture and fixture	8,983,590	10,592,941	(12,077,293)	10,592,941	10	353,098	(3,346,227)	353,098	10,239,843	
Other Equipments	1,533,077	3,828,999	(1,254,102)	735,296	10	516,906	(458,279)	321,615	413,681	
Vehicles	28,381,899	-	(5,136,000)	278,975	20	80,935	(4,007,277)	128,158	150,817	
Office Equipments	11,516,624	3,844,708	(13,201,146)	23,245,899	30	17,737,014	2,042,152	15,771,889	7,474,010	
Electrical Appliances	1,122,739	-	(1,122,739)	2,160,186	30	8,229,009	(7,770,986)	1,499,576	660,610	
Health equipments	2,553,029	-	-	2,553,029	30	2,229,326	(296,332)	2,379,793	173,236	
Water testing equipments	232,900	-	-	232,900	10	2,314,121	65,672	137,452	95,448	
Rupees 2016	70,865,130	18,266,648	(32,791,280)	56,340,498	10	32,292,755	(4,177,927)	20,591,581	35,748,917	