

INDEPENDENT AUDITOR'S REPORT

To the Management Committee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **RURAL COMMUNITY DEVELOPMENT SOCIETY ('the society')**, which comprise the statement of financial position as at June 30, 2018, and the "income and expenditure account, "statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the society as at June 30, 2018, and (of) its financial performance and its cash flows for the year then ended in accordance with approved accounting standards for non-profit organizations issued by ICAP.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. 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 as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

The Management Committee is responsible for the preparation and fair presentation of the financial statements in accordance with the approved accounting and reporting standards as applicable in Pakistan, and for such internal control as the Management Committee 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 Committee 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.

Those charged with governance are responsible for overseeing the society's financial reporting process.

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 ISAs as applicable in Pakistan 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.




SHEIKH & CHAUDHRI
Chartered Accountants

As part of an audit in accordance with ISAs as applicable in Pakistan, 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'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 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 those charged with governance 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.

The Engagement Partner: *Saad Ali Rana*


SHEIKH & CHAUDHRI
Chartered Accountants
Lahore, Pakistan



Date: September 23, 2018

**RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
FUNDS AND LIABILITIES			
General Funds		<u>157,271,881</u>	<u>160,200,686</u>
		157,271,881	160,200,686
NON CURRENT LIABILITIES			
Deferred Income	4	10,968,915	5,155,391
CURRENT LIABILITIES			
Trade and other payables	5	2,036,477	4,540,802
		<u><u>170,277,272</u></u>	<u><u>169,896,879</u></u>
ASSETS			
Property, plant and equipment	6	46,646,644	32,996,092
Long Term Investment	7	65,022,378	100,022,378
CURRENT ASSETS			
Advances, prepayments and other receivables	8	11,208,195	1,904,797
Advance income tax		23,559,019	23,520,821
Cash and bank balances	9	23,841,036	11,452,791
		<u><u>170,277,272</u></u>	<u><u>169,896,879</u></u>

The annexed notes (1-17) form an integral part of these financial statements.


CHAIRMAN




MANAGING DIRECTOR

**RURAL COMMUNITY DEVELOPMENT SOCIETY
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Revenue			
Profit on bank deposits		1,212,470	327,701
Operating income	10	8,553,122	8,437,174
Deffered grants amortized		13,526,620	4,084,198
		23,292,212	12,849,073
 Operating expenses	 11	 26,221,017	 12,612,635
Finance cost			-
 Net (deficit) / Surplus for the year		(2,928,805)	236,438

The annexed notes (1-17) form an integral part of these financial statements.


CHAIRMAN




MANAGING DIRECTOR

**RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Endowment Funds	General Funds	Total Funds
	Rupees	Rupees	Rupees
Total as at June 30, 2016	-	159,964,248	159,964,248
Transfer to general funds	-	-	-
Transfer to RCDP	-	-	-
Net Surplus for the year ended	-	236,438	236,438
Total as at June 30, 2017	-	160,200,686	160,200,686
Transfer to general funds	-	-	-
Transfer to RCDP	-	-	-
Net Surplus for the year ended	-	(2,928,805)	(2,928,805)
Total as at June 30, 2018	-	157,271,881	157,271,881

The annexed notes (1-17) form an integral part of these financial statements.


CHAIRMAN




MANAGING DIRECTOR

**RURAL COMMUNITY DEVELOPMENT SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 2018**

	2018 Rupees	2017 Rupees
CASH GENERATED FROM OPERATIONS		
(Shortfall) / Excess of income over expenditure	(2,928,805)	236,438
Surplus from discontinued operations		
Adjustment for non cash items and other charges		
Depreciation on property, plant and equipment	3,638,367	2,343,522
Deferred income ammortization	(13,526,620)	(4,084,198)
Gain on sale of fixed assets	(2,168,375)	(1,383,263)
	(12,056,628)	(3,123,939)
Net cash flows before working capital changes	(14,985,433)	(2,887,501)
Profit before working capital changes	(14,985,433)	(2,887,501)
Working capital changes		
Increase / (decrease) in current liabilities		
Microfinance loan portfolio		-
Trade and other payables	(2,504,325)	719,658
Decrease in finance cost payable		-
Advances, prepayments and other receivables	(9,303,398)	(2,061,776)
	(11,807,723)	(1,342,118)
Net cash (used in) operating activities	(26,793,156)	(4,229,619)
Cash flow from investing activities		
Additions in fixed assets	(17,492,743)	(253,679)
Sale proceed of fixed assets	2,334,000	2,046,245
Short term investment made during the year		-
Long term loan extended to RCDP	35,000,000	-
Sale proceeds through transfer of assets to RCDP		-
Net cash generated from investing activities	19,841,257	1,792,566
Cash flow from financing activities		
Deferred income	19,340,144	4,686,413
Net cash generated from financing activities	19,340,144	4,686,413
Net increase in cash and cash equivalents	12,388,245	2,249,360
Cash and cash equivalents at the beginning of the year	11,452,791	9,207,187
Cash and cash equivalents at the end of the year	23,841,036	11,456,547

The annexed notes (1-17) form an integral part of these financial statements.


CHAIRMAN




MANAGING DIRECTOR

**RURAL COMMUNITY DEVELOPMENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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, Sharaqpur Sharif Road, Lahore, Pakistan.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB) for NPOs.
- Provisions of and directives issued by ICAP.

Where provisions of and directives issued under ICAP differ from the *IFRS for SMEs or the Accounting Standard for NPOs, the provisions of and directives issued by ICAP have been followed.

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:



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 6** 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.

3.10 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. DEFERRED INCOME

	2018 RUPEES	2017 RUPEES
Opening Balance	5,155,391	4,553,176
Add: Cash received from donors	19,340,144	4,686,413
Less: Amortization of grants	(13,526,620)	(4,084,198)
Less: Transfer to RCDP		-
	<u>10,968,915</u>	<u>5,155,391</u>

5. TRADE AND OTHER PAYABLES

Withholding tax payable	5,527	36,106
Accrued expenses	413,876	113,280
Other payables	1,617,074	4,391,416
	<u>2,036,477</u>	<u>4,540,802</u>



6 RURAL COMMUNITY DEVELOPMENT SOCIETY
WORKING OF DEPRICIATION FOR THE YEAR - 2018
Operating fixed assets

PARTICULARS	C O S T			As at 30.06.2018	Rate %	DEPRECIATION			As at 30.06.2018	Write down v as a 30.06.2
	As at 01.07.2017	Addition	Disposal			As at 01.07.2017	For the period	Disposal		
Land - freehold	A	B	C	(A+B+C+D=E)	F	G	H	(G+M=N)	(E-N=)	
Buildings on freehold land	16,541,272	-	-	16,541,272	-	-	-	-	16,5	
Furniture and fixture	10,643,411	-	-	10,643,411	5	866,280	-	866,280	9,7	
Other Equipments	938,505	-	-	938,505	10	375,651	-	375,651	5	
Vehicles	278,975	-	-	278,975	10	128,158	-	135,673	1	
Office Equipments	20,105,899	1,443,960	(2,334,000)	20,105,899	20	15,771,889	(2,477,018)	14,806,701	5,2	
Agri Equipments	2,160,186	-	-	2,160,186	30	1,499,576	-	1,695,610	4	
Health equipments	-	16,048,783	-	16,048,783	30	2,379,793	-	2,431,173	1	
Water testing equipments	232,900	-	-	232,900	10	137,452	-	146,997	1	
Rupees 2018	53,454,177	17,492,743	(2,334,000)	68,612,920		20,458,085	3,638,367	(2,130,177)	21,966,276	46,6

PARTICULARS	C O S T			As at 30.06.2017	Rate %	DEPRECIATION			As at 30.06.2017	Write down v as at 30.06.2
	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=)	
Buildings on freehold land	16,541,272	-	-	16,541,272	-	-	-	-	16,5	
Furniture and fixture	10,592,941	50,470	-	10,643,411	5	353,098	513,182	866,280	9,7	
Other Equipments	735,296	203,209	-	938,505	10	321,615	54,036	375,651	5	
Vehicles	278,975	-	-	278,975	10	128,158	7,515	135,673	1	
Office Equipments	23,245,899	-	(3,140,000)	20,105,899	20	15,771,889	1,511,830	14,806,701	5,2	
Health equipments	2,160,186	-	-	2,160,186	30	1,499,576	196,034	1,695,610	4	
Water testing equipments	2,553,029	-	-	2,553,029	30	2,379,793	51,380	2,431,173	1	
Rupees 2017	56,340,498	253,679	(3,140,000)	53,454,177		20,591,581	2,343,522	(2,477,018)	20,458,085	32,9

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7. LONG TERM INVESTMENT

	2018 RUPEES	2017 RUPEES
Loan to RCDP-related party	65,000,000	100,000,000
Investment in EFU saving plans	22,378	22,378
	<u>65,022,378</u>	<u>100,022,378</u>

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advance to staff against salaries	200,000	30,000
Advance to staff against expenses	20,000	-
Advance against the purchase of Land	5,500,000	-
Advance against the purchase of Agri Machinery	2,000,000	-
Unadjustable advance	50,000	-
Security to Statelife against health card program	798,822	-
Receivable from Rural Community Development Programmes	1,612,783	-
Other Receivables	1,026,590	1,874,797
	<u>11,208,195</u>	<u>1,904,797</u>

9. CASH AND BANK BALANCES

Cash in hand	2,153	15,276
Cash at bank		
-Current account	178,106	161,052
-Saving account	23,660,777	11,276,463
	<u>23,838,883</u>	<u>11,437,515</u>
	<u>23,841,036</u>	<u>11,452,791</u>

10. OPERATING INCOME

Profit on sale of vehicle	1,835,177	1,383,263
Rental Income	5,558,610	6,780,000
Donation throug fund raising event	-	90,000
Cash received against fee based clients	-	21,550
RCDP Contribution	1,110,000	-
Exchange Gain	22,395	-
Other Income	26,940	162,361
	<u>8,553,122</u>	<u>8,437,174</u>



11. OPERATING EXPENSES

	NOTE	2018 RUPEES	2017 RUPEES
Director's remuneration		1,795,573	1,500,739
Salaries and other benefits		11,856,788	4,309,760
Project and Allied Expenses		480,000	393,046
Training Expenses		2,953,695	321,261
Office Rent		383,107	173,000
Printing and stationary		1,137,178	921,557
Petrol and Maintenance		1,307,217	334,671
Utilities		36,300	5,000
Communication and Courier		377,409	87,090
Depreciation	6	3,638,367	2,343,522
Office Supplies		1,322,137	476,548
Audit Fee		80,000	70,000
Legal aid Expenses		114,500	689,500
Travelling Expenses		23,568	52,560
Registration Expenses		15,960	443,690
Bank Charges		13,170	22,182
Consultancy		439,848	161,800
Donation		156,500	205,000
Others		89,700	101,709
		<u>26,221,017</u>	<u>12,612,635</u>

12. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

12.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working directors and executives of the Company is as follows:

	2018		
	Chairman	Chief Executive	Managing Director
Manegerial remuneration	-	-	1,795,573
Allowances and other benefits	-	-	-
	<u>-</u>	<u>-</u>	<u>1,795,573</u>
Number of persons	<u>-</u>	<u>-</u>	<u>1</u>
	2017		
	Chairman	Chief Executive	Managing Director
Manegerial remuneration	-	-	1,500,739
Allowances and other benefits	-	-	-
	<u>-</u>	<u>-</u>	<u>1,500,739</u>
Number of persons	<u>-</u>	<u>-</u>	<u>1</u>



13. NUMBER OF EMPLOYEES

The number of employees of the company including permanent and contractual as at June 30, 2018 were 12 (2017: 29).

The average number of employees of the company including permanent and contractual as at June 30, 2018 were 15 (2017: 16).

14. RELATED PARTY TRANSACTIONS

The related parties comprise subsidiaries, associated undertakings, post employment benefit plans, other related companies, and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payable respectively. Other significant transactions with related parties are as follows:-

Name of related party	Nature of transaction	2018	2017
		-----RUPEES-----	
Rural Community Development Plan	Loan provided	65,000,000	100,000,000
	Rental Income	5,558,610	6,780,000
	Contribution	1,110,000	-

15. DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements have been authorised for issue by Management Committee on September 23, 2018.

16. EVENTS AFTER THE BALANCE SHEET DATE

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

17. 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