

**PAKISTAN RED CRESCENT SOCIETY
PUNJAB PROVINCIAL BRANCH**

AUDITORS' REPORT TO THE MANAGING COMMITTEE

We have audited the annexed balance sheet of **PAKISTAN RED CRESCENT SOCIETY PUNJAB PROVINCIAL BRANCH** as at December 31, 2013 and the related income and expenditure account and cash flow statement together with the notes forming part thereof (here-in-after referred to as the financial statements for the year then ended).


It is the responsibility of the managing committee to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the generally accepted accounting principles. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements present fairly in all material respects the financial position of **Pakistan Red Crescent Society Punjab Provincial Branch** as at December 31, 2013, its deficit and cash flow statement for the year then ended in accordance with the generally accepted accounting principles.

We draw attention of the managing committee to Note 8 to the financial statements which describes that the Society invested Rs. 38.5 million in Innovative Investment Bank Limited. The Honorable Lahore High Court, wide its interim order dated February 8, 2011, admitted the claim of the Society to the extent of Rs. 50.84 million. The managing committee has initiated proceedings to recover the amount due from bank by liquidating the property of the bank. The ultimate outcome of the matter cannot presently be determined, and no provision for any impairment in the recoverable amount has been incorporated in these financial statements. Our opinion is not qualified with regard to this matter.

Date: 28 APR 2014
Lahore


Horwath Hussain Chaudhury & Co.
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

**PAKISTAN RED CRESCENT SOCIETY
PUNJAB PROVINCIAL BRANCH**

BALANCE SHEET AS AT DECEMBER 31, 2013

	Note	2013 Rupees	2012 Rupees
FUNDS AND LIABILITIES			
Accumulated Funds	3	248,508,079	281,587,461
Long Term Security Deposits		-	400,000
Current Liabilities			
Payables	4	16,132,267	21,148,064
Rent received in advance		9,812,471	9,034,630
Accrued and other liabilities		123,617	571,970
		26,068,355	30,754,664
Contingencies and Commitments	5	-	-
		<u>274,576,434</u>	<u>312,742,125</u>

	Note	2013 Rupees	2012 Rupees
PROPERTY AND ASSETS			
Fixed Assets - at written down value	6	141,157,144	88,384,301
Capital Work in Progress	7	22,007,760	65,737,008
Long Term Investments	8	38,500,000	38,500,000
Long Term Security Deposits		730,900	730,900
Current Assets			
Stores and spares	9	14,096,569	19,379,270
Short term investments	10	27,000,000	17,000,000
Receivables	11	2,077	5,700,432
Advances and other receivables	12	4,456,770	6,398,722
Cash and bank balances	13	26,625,214	70,911,492
		72,180,630	119,389,916
		<u>274,576,434</u>	<u>312,742,125</u>

The annexed notes form an integral part of these financial statements.

CHAIRMAN

SECRETARY

HONY. TREASURER

MANAGER ACCOUNTS & FINANCE

**PAKISTAN RED CRESCENT SOCIETY
PUNJAB PROVINCIAL BRANCH**

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013**

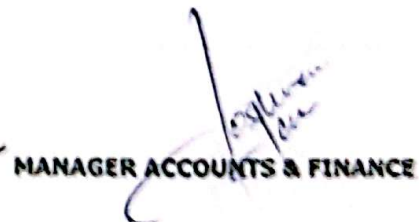
	Note	2013 Rupees	2012 Rupees
Income			
Membership subscriptions, grants and donations	14	2,651,642	85,759,355
Income from medical and dental college	15	41,252,887	51,931,131
Red Crescent week collections	16	1,824,560	2,621,004
Profit on investments / deposits	17	3,663,642	7,505,733
Rental income		17,651,236	19,318,401
Other income	18	9,376,620	1,439,124
		76,420,587	168,574,748
Expenditures			
Grants, relief and services	19	10,770,028	93,010,862
National Headquarters' share	20	203,984	297,404
Salaries and allowances	21	14,247,310	25,857,337
Administrative	22	13,826,250	13,429,636
Medical and dental college expenses	23	68,909,051	35,690,309
Other expenses	24	1,543,346	8,269,853
		(109,499,969)	(176,555,401)
Deficit Transferred to Accumulated Funds	3	<u>(33,079,382)</u>	<u>(7,980,653)</u>

The annexed notes form an integral part of these financial statements.


CHAIRMAN


SECRETARY


HONY. TREASURER


MANAGER ACCOUNTS & FINANCE

**PAKISTAN RED CRESCENT SOCIETY
PUNJAB PROVINCIAL BRANCH**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit for the year	(33,079,382)	(7,980,653)
Adjustments for:		
- Depreciation	6,782,588	5,442,355
- Liabilities written back	(400,000)	-
- Balances / stocks written off	1,447,083	7,800,761
- Donation in kind - income	(3,440,982)	(87,463,082)
- Donation in kind - expense	6,618,050	88,362,497
- Gain on disposal of fixed assets	(1,630,661)	-
	<u>9,376,078</u>	<u>14,142,531</u>
Operating (deficit) / surplus before working capital changes	(23,703,304)	6,161,878
(Increase) / decrease in current assets		
- Stores and spares	659,629	(3,996,568)
- Receivables	5,697,276	2,830,329
- Advances and other receivables	1,941,952	(3,095,307)
Increase / (decrease) in current liabilities		
- Payables	(5,015,797)	6,881,940
- Rent received in advance	777,841	821,330
- Accrued and other liabilities	(448,353)	(75,584)
	<u>3,612,549</u>	<u>3,366,140</u>
Net Cash (used in) / generated from Operating Activities	(20,090,756)	9,528,018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(60,704,552)	(11,449,949)
Capital work in progress	43,729,248	(35,950,666)
Short term investments	(10,000,000)	20,000,000
Long term security deposits	-	150,000
Proceeds from disposal of fixed assets	2,779,781	-
	<u>(24,195,523)</u>	<u>(27,250,615)</u>
Net Cash used in Investing Activities	(24,195,523)	(27,250,615)
Net decrease in cash and cash equivalents	(44,286,277)	(17,722,596)
Cash and cash equivalents at the beginning of the year	70,911,492	88,634,088
Cash and Cash Equivalents at the End of the Year	<u>26,625,214</u>	<u>70,911,492</u>

The annexed notes form an integral part of these financial statements.

CHAIRMAN

SECRETARY

HONY. TREASURER

MANAGER ACCOUNTS & FINANCE

**PAKISTAN RED CRESCENT SOCIETY
PUNJAB PROVINCIAL BRANCH**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Note 1**Status and Operations**

The Society is constituted under the Pakistan Red Crescent Society Act (XV of 1920) as amended up to February 1974. The principal activity of the Society is to provide humanitarian and voluntary services to mankind in war and peace.

Note 2**Significant Accounting Policies****2.1 Basis of preparation**

These financial statements have been prepared in accordance with "Generally Accepted Accounting Principles".

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.3 Use of estimates and judgments

The preparation of financial statements in conformity with "Generally Accepted Accounting Principles" requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made.

Significant management estimates in these financial statements relate to the useful life of fixed assets, provisions for doubtful receivables, slow moving inventory and obsolete inventory. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

2.4 Retirement benefits

The Society in the year 1992 introduced General Provident Fund and Pension Fund Schemes as per the Punjab Government Rules for its employees. The employees make monthly contributions to the fund at the rate of 10% of basic salary. Employees are paid commutation and pension at and after the retirement of service.

2.5 Fixed assets

All fixed assets are stated at written down value except freehold land which is stated at cost.

Depreciation on fixed assets is charged using the reducing balance method at the rates specified in Note 6. Depreciation is provided on assets from the month of purchase, while no depreciation is provided for the month of disposal.

Profit / (loss) on disposal of fixed assets is reflected in the current income. Major repairs and maintenance are capitalized while normal repairs and maintenance expenses are charged to income.

2.6 Investments

These are stated at cost.

2.7 Stores, spares and stocks

These are valued at first in first out basis.

Note 2, Significant Accounting Policies - Continued...

2.8 Provisions

A provision is recognized in the financial statements when the Society has legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

2.9 Receivables

Known bad debts are written off and provision is made for receivables considered doubtful, if any.

2.10 Revenue recognition

The Society recognize its income as under:

- Membership subscriptions are accounted for on receipt basis.
- Grants from the Government and National Headquarter are accounted for on receipt basis.
- Donations in cash and kind are accounted for on receipt basis.
- Red Crescent week collections are accounted for on receipt basis.
- Profits on investments are accounted for on accrual basis.
- Rental income is accounted for on accrual basis.
- Fee from medical and dental college is accounted for on receipt basis.

Note 3

Accumulated Funds

	2013	2012
	Rupees	Rupees
Opening balance	281,587,461	289,568,114
Deficit during the year	<u>(33,079,382)</u>	<u>(7,980,653)</u>
	<u>248,508,079</u>	<u>281,587,461</u>

Note 4

Payables

	2013	2012
	Rupees	Rupees
Payable to:		
- National Headquarter		
Opening balance	5,742,040	5,444,636
Share of current year (refer to note 20)	203,984	297,404
Payment during the year	<u>(267,008)</u>	<u>-</u>
	5,679,016	5,742,040
- Trade and other payables	<u>10,453,251</u>	<u>15,406,024</u>
	<u>16,132,267</u>	<u>21,148,064</u>

Note 5

Contingencies and Commitments

Contingencies

Certain cases has been filed by / against the Society but no material unfavourable outcome is expected. (2012: Nil)

Commitments

Commitments / contracts for capital expenditure outstanding as at the balance sheet date amount to Nil (2012: 35.331 million).

Commitments / contracts for PESSI affiliation fee outstanding as at the balance sheet date amount to Rs. 5.5 M (2012: Nil).

Note 6

Fixed Assets

Particulars	Note	Written down value			Rate	Depreciation for the year	As at 31-12-2013
		As At 01-01-2013	Additions	Disposals / Adjustments			
		Rupees	Rupees	Rupees	%	Rupees	Rupees
Land							
Shahalam Market - Freehold		2,533,600	-	-	-	-	2,533,600
Dena Nath - Freehold		29,389,925	-	-	-	-	29,389,925
Buildings							
R.C House office on leasehold land	6.1	3,573,891	-	-	5	179,695	3,395,196
R.C Training Centre, Murree on leasehold land	6.1	2,083,796	-	-	5	104,190	1,979,606
R.C House Shahalam Market on freehold land		681,045	-	-	5	34,052	646,993
R.C Complex Dena Nath - Freehold land		14,792,615	45,656,829	-	5	739,631	59,709,813
R.C warehouse Gujranwala on freehold donated land		382,550	-	-	5	19,128	363,422
Plant and equipment							
Electric installation		3,629,771	-	-	10	362,977	3,266,794
Sui gas installation		30,307	-	-	10	3,031	27,276
Computers and accessories		438,543	265,430	-	30	136,899	517,074
Office equipment		7,919,002	1,252,986	-	10	916,150	9,255,838
Blood donor service		243,693	-	-	10	24,369	219,324
Clinical laboratory		27,020	-	-	5	1,351	25,669
Maternity hospital		414,462	-	-	10	41,446	373,016
Eye department		214,506	-	-	10	21,451	193,055
Red Crescent M.C.H. Centre, Murree		1,069,949	-	-	10	106,995	962,954
Red Crescent Thalassaemia Centre		19,945	-	-	10	1,995	17,950
Ultra sound machine		5,683,898	-	-	10	568,390	5,115,508
Red Crescent Medical and Dental College		4,471,309	12,537,231	-	10	1,515,088	15,493,452
Furniture and fixture							
Office		400,580	-	-	10	40,058	360,522
Blood donor service		9,292	-	-	10	929	8,363
Red Crescent Training Centre, Murree		126,616	-	-	10	12,662	113,954
Red Crescent Complex Dena Nath		127,176	-	-	10	12,718	114,458
Red Crescent Medical and Dental College		2,940,584	77,576	(921,284)	10	301,462	1,795,414
Vehicles / Ambulances							
		7,180,226	914,500	(227,837)	20	1,588,921	6,277,968
Total Rupees 2013		<u>88,384,301</u>	<u>60,704,552</u>	<u>(1,149,121)</u>		<u>6,782,588</u>	<u>142,157,144</u>
Total Rupees 2012		<u>82,378,707</u>	<u>11,449,949</u>	<u>-</u>		<u>5,442,355</u>	<u>88,384,301</u>

6.1 The Society has 99 years leasehold land measuring 0.706 acres in Lahore for Provincial Headquarter and 8 kanals and 4 marlas in Murree for Red Crescent Training Centre. The remaining lease period as on December 31, 2013 is 53 years (2012: 54 years) for both leases.

Note 7
Capital Work in Progress

	2013	2012
	Rupees	Rupees
Building under construction:		
- Red Crescent Complex Dena Nath - Freehold land	45,616,829	18,088,797
- Additions during the year	40,000	27,528,032
- Transfer to Fixed Assets	(45,656,829)	-
	-	45,616,829
- Red Crescent Thalassemia centre - Leasehold land	22,007,760	20,120,179
	<u>22,007,760</u>	<u>65,737,008</u>

Note 8
Long Term Investments - at cost

	2013	2012
	Rupees	Rupees
Innovative Investment Bank Limited	<u>38,500,000</u>	<u>38,500,000</u>

8.1 This represents investment in Innovative Investment Bank Limited (formerly Crescent Standard Investment Bank Limited). The investment matured on July 29, 2011 and carried mark up at 7% per annum. The Society has not been paid any amount by the Bank as per schedule and consequently the Society filed a case for recovery from the bank.

8.2 The Honourable Lahore High Court through an order dated February 08, 2011 passed an interim decision admitting the claim of Pakistan Red Crescent Society to the extent of Rs. 50,842,152.

8.3 The Managing Committee, wide its resolution dated June 22, 2012, has resolved to initiate the proceedings to implement the decree of Honourable Lahore High Court on priority basis to liquidate the property of the bank and recover the amount admitted by the Court. The proceedings have been initiated.

Note 9
Stores and Spares

	2013	2012
	Rupees	Rupees
General stores and spares	<u>14,096,569</u>	<u>19,379,270</u>

Note 10
Short Term Investments - at cost

	Maturity	Effective Yield	2013	2012
			Rupees	Rupees
The Bank of Punjab	19/01/2014	9.30%	17,000,000	17,000,000
The Bank of Punjab	25/11/2014	9.40%	10,000,000	-
			<u>27,000,000</u>	<u>17,000,000</u>

Note 11
Receivables

	2013	2012
	Rupees	Rupees
Receivable from:		
- District branches	-	3,057,320
- Sundry debts	2,077	172,112
- Medical and Dental College	-	2,471,000
	<u>2,077</u>	<u>5,700,432</u>

Note 12

Advances and Other Receivables

	2013 Rupees	2012 Rupees
Advances to (Unsecured - Considered good):		
- Supplier	-	400,000
- Employees against expenses	613,502	1,359,814
- Employees against salaries	133,473	160,151
	<u>746,975</u>	<u>1,919,965</u>
Rental receivable	2,105,897	2,528,839
Profit accrued on investments / deposits	1,603,898	1,949,918
	<u>4,456,770</u>	<u>6,398,722</u>

Note 13

Cash and Bank Balances

	2013 Rupees	2012 Rupees
Cash in hand	69,340	181,568
Cash at banks in:		
- Current accounts	348,040	348,040
- Saving accounts	26,207,834	70,381,884
	<u>26,625,214</u>	<u>70,911,492</u>

Note 14

Membership Subscriptions, Grants and Donations

	Note	2013 Rupees	2012 Rupees
Membership Subscriptions			
Provincial Headquarter		125,000	93,000
Grants - net			
Pakistan Red Crescent Society, National Headquarter			
- Receipts		10,020,460	18,863,641
- Payments		(13,599,570)	(22,009,438)
		(3,579,110)	(3,145,797)
ICRC Law and Fundamental Procedures			
- Receipts		33,780	290,295
Donations			
- In kind	14.1	3,440,982	88,724,082
- For special purposes	14.2	2,540,713	1,537,735
- In cash		90,277	260,040
		<u>6,071,972</u>	<u>88,521,857</u>
		<u>2,651,642</u>	<u>88,759,335</u>

14.1 This represents vehicles, tents, medicines and other items of daily consumption etc. that are valued by management on estimated basis.

14.2 This includes donations received for flood affectees, thalassemia patients and IDPs of Swat, Dir and Malakand.

Note 15
Income from Dena Nath Medical College and Training College

		2013	2012
	Note	Rupees	Rupees
Medical college tuition fee	15.1	38,464,000	47,917,000
U.H.S Fee		373,500	247,500
Hostel rent		640,500	544,614
Donation in kind		-	739,000
Miscellaneous income		1,774,887	2,483,017
		<u>41,252,887</u>	<u>51,931,131</u>
15.1 Medical college tuition fee		38,464,000	48,967,000
Less: Discount allowed		-	(1,050,000)
		<u>38,464,000</u>	<u>47,917,000</u>

Note 16
Red Crescent Week Collections

	2013	2012
	Rupees	Rupees
General collections:		
- 2012	1,289,560	-
- 2011	540,000	2,517,500
	1,829,560	2,517,500
25% Share from district branches	-	634,750
	1,829,560	3,152,250
Expenses for the year	(5,000)	(531,246)
	<u>1,824,560</u>	<u>2,621,004</u>

Note 17
Profit on Investments / Deposits

	2013	2012
	Rupees	Rupees
Short term investments	1,693,980	3,030,118
Saving accounts	1,969,662	4,475,615
	<u>3,663,642</u>	<u>7,505,733</u>

Note 18
Other Income

	2013	2012
	Rupees	Rupees
Prescription fee:		
- Red Crescent Complex, Dena Nath	2,451,521	142,940
- Red Crescent Dispensary, Walton and Shadi Pura	115,520	68,380
- Red Crescent Centre, PHQ Lahore	5,020	98,490
	<u>2,572,061</u>	<u>310,810</u>
Liabilities written back	400,000	-
Hire of ambulances	133,520	147,760
Income from first aid training	140,870	201,380
Blood screening income	329,520	54,020
Sale of donation tickets	3,242,265	210,564
Gain on disposal of property, plant and equipment	1,630,661	-
Miscellaneous receipts	927,721	514,590
	<u>9,376,620</u>	<u>1,439,124</u>

Note 19

Grants, Relief and Services

	2013 Rupees	2012 Rupees
Grants:		
- Chairman discretionary	10,000	84,000
Relief:		
- Disease and disaster	127,830	3,232,350
- Packing and forwarding expenses	132,353	-
- Donation in kind	6,618,050	88,362,497
	6,878,233	91,594,847
Services:		
- Blood donor service		
Salaries and allowances	819,303	493,464
Printing and stationery	11,000	14,837
Telephone	-	2,870
Transport	5,800	-
Entertainment	29,967	18,147
Cost of blood bags, chemicals and medicines	293,128	27,580
Miscellaneous	109,512	32,358
	1,268,710	589,256
- Thalassemia centre expenses		
Salaries and allowances	-	157,223
Medicines consumed	68,856	60,159
Miscellaneous	47,296	9,500
	116,152	226,882
- Red Crescent Dispensary, PHQ, Lahore		
Salaries and allowances	515,905	272,105
Medicine consumed	1,970,976	-
	2,486,881	272,105
- Miscellaneous	10,052	243,772
	<u>10,770,028</u>	<u>93,010,862</u>

Note 20

National Headquarters' Share

	2013 Rupees	2012 Rupees
10% Share of:		
- Membership subscription of provincial headquarters	12,500	9,300
- Red Crescent week collections	182,456	262,100
- Donations in cash	9,028	26,004
	<u>203,984</u>	<u>297,404</u>

Note 21
Salaries and Allowances

	2013 Rupees	2012 Rupees
Staff salaries:		
- General	3,926,696	3,465,830
- Touring	1,620,550	2,083,894
- Junior Red Crescent	-	222,389
- Store	-	99,771
- Transport	-	145,650
- Red Crescent Warehouse - Gujranwala	130,962	124,488
- Red Crescent House - General	846,720	296,681
- Public relations officer	382,327	529,893
- Medical and Dental College	-	1,464,470
- Red Crescent Complex, Dena Nath	-	542,193
	<u>6,907,255</u>	<u>8,975,259</u>
- Pension and commutation	6,338,077	15,671,053
- Annual special pay	1,001,978	1,211,025
	<u>7,340,055</u>	<u>16,882,078</u>
	<u>14,247,310</u>	<u>25,857,337</u>

Note 22
Administrative Expenses

	Note	2013 Rupees	2012 Rupees
Travelling:			
- Secretary		258,820	275,694
- Field staff		43,940	11,370
- General		208,178	199,519
		<u>510,938</u>	<u>486,583</u>
Audit Fee:			
- Special Audit		349,600	-
- Statutory Audit		85,000	75,000
		<u>434,600</u>	<u>75,000</u>
Printing and stationery		264,684	267,979
Postage and telegram		151,863	130,394
Telephone		277,712	298,888
Electricity		479,209	727,316
Water and gas		155,545	154,314
Entertainment expenses		19,493	77,431
Repairs and maintenance - vehicles		361,520	169,628
Repairs and maintenance - building and office equipment		330,617	1,118,192
Vehicle running expenses		2,078,974	2,664,141
First aid training expenses		257,210	185,774
Legal charges		431,100	347,373
AGM expense		150,500	108,000
Red crescent Training Centre, Murree		111,537	48,422
Red Crescent House expenses		143,841	165,641
Bank charges		471,627	678,263
Miscellaneous		412,692	282,942
Depreciation	6	6,782,588	5,442,355
		<u>13,826,250</u>	<u>13,429,636</u>

Note 23

Hospital and Medical and Dental College Expenses

	2013	2012
	Rupees	Rupees
Salaries and other benefits	55,296,407	26,625,638
Academic and administrative charges	-	3,135,000
Transportation expenses	1,627,980	2,369,041
Fee and subscription expenses	6,051,500	1,021,000
Utilities	1,320,776	671,143
Safety and security expenses	605,575	343,718
Vehicle running expenses	2,012,664	-
Repairs and maintenance	492,213	316,528
Rent rate and taxes - boys hostel	199,625	223,000
Laboratory consumable	4,950	198,957
Printing and stationary expenses	76,800	176,909
Advertisement expenses	228,982	118,748
Hospital expenses	261,451	-
Telephone and postage charges	6,202	64,251
Entertainment expenses	66,967	14,604
Bank charges	-	1,350
Miscellaneous	656,959	410,422
	<u>68,909,051</u>	<u>35,690,309</u>

Note 24

Other Expenses

	2013	2012
	Rupees	Rupees
Publicity and advertisement	96,263	469,092
Balances written off	1,079	5,301,330
Stocks written off	1,446,004	2,499,431
	<u>1,543,346</u>	<u>8,269,853</u>

Note 25

Number of Employees

	2013	2012
	Number	Number
Employees as at year end	<u>114</u>	<u>183</u>

Note 26

Date of Authorization for Issue

These financial statements were authorized for issue by the Management Committee on 28 APR 2014.

Note 27

General

Figures have been rounded off to the nearest rupee.

No material rearrangements have been made in these financial statements.

CHAIRMAN

SECRETARY

HONY. TREASURER

MANAGER ACCOUNTS & FINANCE