

MALDIVIAN RED CRESCENT

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2016

KR/DP

Independent auditor's report to the Members of Maldivian Red Crescent

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maldivian Red Crescent (the Society), which comprise the statement of financial position as at December 31 2016, and the statement of income & expenditure, statement of changes in fund 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 Society financial statements give a true and fair view of the financial position of the Society as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles and the International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditors' report and for no other purpose. Therefore, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Responsibilities of Governing board for the financial statements

Governing board is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles and the International Financial Reporting Standards, and for such internal control as Governing board 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, Governing board 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 Governing board either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

(Continued)

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 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.

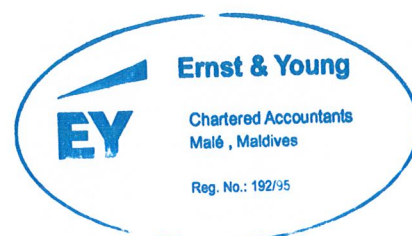
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ 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 Governing board.
- ▶ Conclude on the appropriateness of Governing board'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.

 **Ernst & Young**

Krishna Rengaraj
Partner

23rd March 2017
Malé



Maldivian Red Crescent
STATEMENT OF INCOME AND EXPENDITURE
Year ended 31 December 2016

	Note	2016 Rf	2015 Rf
Income			
Subscription income	3	78,870	24,310
Donation income	4	12,389,657	18,063,524
Other income	5	714,364	1,465,092
		<u>13,182,891</u>	<u>19,552,926</u>
Less: Expenditure			
Personnel costs	6	5,721,326	8,203,960
Workshops and training		1,929,658	3,810,881
Travelling expenses		514,436	1,079,470
Information and public relations		346,710	784,172
Office maintenance		2,005,163	2,031,263
Consultancy fees		416,224	441,895
Communication costs		448,711	606,458
Professional fees		157,232	157,269
Office supplies		135,377	60,040
Depreciation		908,619	957,592
Amortisation		54,851	24,443
Finance charges		31,518	30,673
Other expenditure		179,848	414,661
		<u>12,849,673</u>	<u>18,602,777</u>
Income over expenditure		<u>333,218</u>	<u>950,149</u>

The accounting policies and notes on pages 6 through 12 form an integral part of the financial statements.

Maldivian Red Crescent
STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	2016 Rf	2015 Rf
ASSETS			
Non-current assets			
Property, plant and equipment	7	4,238,153	5,235,595
Work in progress	7	2,164,529	1,518,000
Intangible asset	8	71,445	126,296
		<u>6,474,127</u>	<u>6,879,891</u>
Current assets			
Inventories	9	1,560,228	1,356,409
Receivables	10	223,520	552,751
Cash and cash equivalents	11	3,723,262	3,912,297
		<u>5,507,010</u>	<u>5,821,457</u>
Total assets		<u>11,981,137</u>	<u>12,701,348</u>
FUNDS AND LIABILITIES			
Funds			
Donation fund	12	86,090	86,090
Accumulated funds		8,036,993	7,703,775
MRC emergency response fund	13	187,983	222,821
Total funds		<u>8,311,066</u>	<u>8,012,686</u>
Current Liabilities			
Project advances from donors	14	2,995,273	3,397,870
Accruals and other payables	15	674,798	1,290,792
Total current liabilities		<u>3,670,071</u>	<u>4,688,662</u>
Total funds and liabilities		<u>11,981,137</u>	<u>12,701,348</u>

The accounting policies and notes on pages 6 through 12 form an integral part of the financial statements.

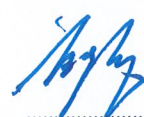
These financial statements were approved by the Governing Board and signing on its behalf by;



Ali Nashid
President

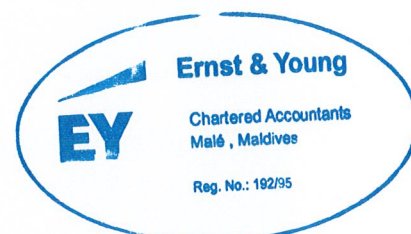


Aishath Noora Mohamed
Secretary General



Abdul Haleem Abdul Latheef
Treasurer

23 March 2017
Male'



Maldivian Red Crescent
STATEMENT OF CHANGES IN FUNDS
Year ended 31 December 2016

	Donation Fund	Accumulated Funds	MRC Emergency Fund	Total
	Rf	Rf	Rf	Rf
As at 1st January 2015	86,090	6,753,626	222,821	7,062,537
Income over expenditure for the year	-	950,149	-	950,149
As at 31 December 2015	<u>86,090</u>	<u>7,703,775</u>	<u>222,821</u>	<u>8,012,686</u>
Income over expenditure for the year		333,218	-	333,218
Utilized for the year (Note 13)		-	(34,838)	(34,838)
As at 31 December 2016	<u>86,090</u>	<u>8,036,993</u>	<u>187,983</u>	<u>8,311,065</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 6 through 12 form an integral part of the financial statements.

Maldivian Red Crescent
STATEMENT OF CASH FLOWS
Year ended 31 December 2016

	Note	2016 Rf	2015 Rf
Cash flows from operating activities			
Income over expenditure		333,218	950,149
Adjustments for:			
Depreciation	7	908,619	956,299
Amortisation of intangible asset	8	54,851	24,443
Loss on Disposal of Property, Plant and Equipment	8	134,730	-
Interest income	5	(850)	(3,317)
Operating profit before working capital changes		<u>1,430,568</u>	<u>1,927,574</u>
Changes in working capital			
Decrease/ (Increase) in inventories		(203,819)	7,279
Increase/ (decrease) in project advances from donors		(402,596)	12,552
Decrease/ (increase) in receivables		329,231	244,896
Increase in accruals and payables		(615,994)	688,190
Net cash from operating activities		<u>537,389</u>	<u>2,880,491</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(706,261)	(1,870,031)
Proceeds from Disposal of Property, Plant and Equipment		13,825	-
Acquisition of intangible asset	8	-	(99,235)
Interest received		850	3,317
Net cash used in investment activities		<u>(691,586)</u>	<u>(1,965,949)</u>
Cash flows from financing activities			
Contributions received / (paid) from MRC Emergency response fund	13	(34,838)	-
Net Cash Used in Financing Activities		<u>(34,838)</u>	<u>-</u>
Net (Decrease)/ Increase in Cash and Cash Equivalents		<u>(189,035)</u>	<u>914,542</u>
Cash and Cash Equivalents at the Beginning of the Year		<u>3,912,297</u>	<u>2,997,755</u>
Cash and Cash Equivalents at End of the Year	11	<u><u>3,723,262</u></u>	<u><u>3,912,297</u></u>

The accounting policies and notes on pages 6 through 13 form an integral part of the financial

Maldivian Red Crescent
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

1. General information

Maldivian Red Crescent (the "Society") was formed on 16th August 2009 in the Republic of Maldives in accordance with the Maldivian Red Crescent Law No. of 2009. The registered office of the Society is situated at 4 Floor, Maldives Post Limited Building, Boduthakuru Faanu Magu, Male', Republic of Maldives.

Principal activities and nature of operations

The Society is engaged in providing humanitarian aid to civil and military victims and also responds to humanitarian emergencies in the Republic of Maldives.

2. Other information

Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles and the International Financial Reporting Standards. No adjustments are made for inflationary factors affecting these accounts.

Revenue recognition

(a) Subscription income - Subscription fee of the members are accounted on an accrual basis.

(b) Donation income - Donation income has been recognised to income when funds being utilized to intended project or activity. Until received money/goods shall recognise under project advances.

Expenditure recognition

All expense incurred in the running of the society and in maintaining the capital asset in a state of efficiency has been charged to Statement of income and expenditure for the year.

Expense acquiring expanding or improving asset of a permanent nature by means of which to carry on the society or for the purpose of increasing the utilization capacity of the society has been treated as capital expense.

Taxation

The society is exempt from income tax under section 15(a) 3 to the Business Profit Tax Act No. 5 of 2011.

Conversion of foreign currencies

All foreign currency transactions are converted to Maldivian Rufiyaa, which is the reporting currency at the rates of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are retranslated to Maldivian Rufiyaa at the rate of exchange ruling at the Balance Sheet date. Non-monetary assets and liabilities are translated using exchange rates which existed when values were determined. The resulting gains and losses are accounted for in the Income and Expenditure Statement.

Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met.

Maldivian Red Crescent
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

Property, plant and equipment (Continued)

The cost of the self-constructed assets includes the cost of materials, direct labour cost and appropriate proportion of production overheads. The cost of property, plant and equipment acquired by the company includes cost of acquisition together with any incidental expenses incurred in bringing the assets to its working condition for the intended use.

When a major inspection of plant and machinery is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are met.

Depreciation on property plant and equipment of the company is charged on a straight-line basis to write off the cost over the estimated useful life of the assets as follows:

Furniture and fittings	10%
Electrical Fittings	10%
Office Equipment	25%
Computer Equipment	33.33%
Motor Vehicles	25%

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

Inventories

Inventories are valued at the lower of cost or estimated net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and/ or cost of conversion from their existing state to salable condition.

The cost of each category of inventory is determined at actual cost on FIFO basis.

Receivables

Receivables are stated at the amounts that they are estimated to realize.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at banks and cash in hand.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash flow statement is prepared in "indirect method".

Impairment of assets

The carrying amounts of the company's assets, other than inventories, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflects current market assessments of the time value of money and the risks specific to the assets.

Maldivian Red Crescent
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

Impairment of assets (Continued)

If there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years.

Funds

This fund was established by utilizing the proceeds from commercial first aid Programme conducted by volunteers. Funds should be recognized as an income when funds being utilized to activity or project.

MRC Emergency respond fund

This fund was established by using funds received from fund raising activities conducted by employees of the organization. The fund has been established for the use of responding emergency situations that could arise such as natural disasters. Funds should be recognized as an income when funds being utilized to intended activity.

Liabilities

Liabilities classified as current liabilities in the statement of financial position are those, which fall due for payment on demand or within one year from the reporting period. All known liabilities have been accounted for in preparing the financial statements.

Maldivian Red Crescent
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2016

3	Subscription income	2016	2015
		Rf	Rf
	Individual Membership Fees	78,870	24,310
		<u>78,870</u>	<u>24,310</u>
4	Donation income		
	International Federation of Red Cross and Crescent Societies	8,478,694	9,728,094
	Canadian Red Cross Society	1,516,351	5,142,785
	International Committee of the Red Cross	280,977	435,899
	World Health Organization	-	161,113
	Australian Red Cross	1,330,016	1,223,997
	Singapore Red Cross	90,322	346,232
	Other	360,532	529,685
	UNICEF	-	495,719
	Int Org for Migration (IOM)	160,151	-
	Universal Foundation	172,614	-
		<u>12,389,657</u>	<u>18,063,524</u>
4.1	International Federation of Red Cross and Crescent Societies		
	Donations received in Kind	26,587	54,636
	Donations received in Cash	8,452,107	9,673,458
		<u>8,478,694</u>	<u>9,728,094</u>
5	Other income		
	Commercial first aid income	494,450	542,350
	Project income	41,943	315,849
	Rental income	60,703	31,200
	Interest income	850	3,317
	Foreign exchange gain	11	398,599
	Donation box collections	33,521	118,132
	Patient transport and support service	33,760	41,600
	Sundry income	49,126	14,045
		<u>714,364</u>	<u>1,465,092</u>
6	Personnel costs		
	Salaries and wages	5,015,874	7,203,026
	Staff allowances	335,971	478,813
	Staff incentives	-	20,698
	Contributions for defined Contribution plan	369,481	501,423
		<u>5,721,326</u>	<u>8,203,960</u>

Maldivian Red Crescent
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2016

7	Property, plant and equipment Cost	Restated	Furniture and Fittings	Office Equipment	Computer Equipment	Motor Vehicle	Electrical Fittings	Total 2016	Total 2015
		Freehold Land	Rf	Rf	Rf	Rf	Rf	Rf	Rf
	Balance as at 1st January	3,439,690	734,500	522,005	1,374,880	2,116,775	167,670	8,355,520	8,003,489
	Additions during the year	-	3,445	15,000	-	41,287	-	59,732	352,031
	Disposals during the year		(214,185)	-	(34,067)	(200,690)	-	(448,942)	-
	Balance as at 31st December	3,439,690	523,760	537,005	1,340,813	1,957,372	167,670	7,966,310	8,355,520
	Accumulated Depreciation								
	Balance as at 1st January	-	217,425	345,442	948,979	1,562,587	45,493	3,119,925	2,163,626
	Charge for the year	-	73,448	88,729	270,108	459,524	16,813	908,622	956,299
	Disposal during the year	-	(66,309)	-	(33,392)	(200,690)	-	(300,390)	-
	Balance as at 31st December	-	224,564	434,171	1,185,695	1,821,421	62,306	3,728,157	3,119,925
	Net carrying value								
	As at 31st December 2016	3,439,690	299,196	102,834	155,118	135,951	105,364	4,238,153	5,235,595
	As at 31st December 2015	3,439,690	517,075	176,563	425,901	554,188	122,177	4,238,153	5,235,595
7.1	In the course of construction								
						As at 01.1.2016	Additions/ transfers	Disposals/ transfers	As at 31.12.2016
						Rf	Rf	Rf	Rf
	Building work in progress					1,518,000	646,529	-	2,164,529

Maldivian Red Crescent
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2016

8 Intangible asset	2016 Rf	2015 Rf
Cost		
As at 1st January	375,064	275,829
Additions during the year	-	99,235
As at 31st December	375,064	375,064
Accumulated Amortisation		
As at 1st January	248,768	224,325
Amortisation for the year	54,851	24,443
As at 31st December	303,619	248,768
Net book value as at 31 December	71,445	126,296

8.1 Intangible Assets include softwares purchased by the Society.

9 Inventories		
PR Materials	12,300	-
First Aid Kits	158,814	-
Jerry cans	1,294,472	1,268,409
Promotion Materials	94,642	88,000
	1,560,228	1,356,409

10 Receivables		
Advances	25,432	138,615
Other Receivables	198,088	414,136
	223,520	552,751

11 Cash and cash equivalents		
Cash in hand	51,849	98,840
Balances with banks	3,671,413	3,813,457
	3,723,262	3,912,297

12 Donation funds

This fund was established by utilizing the proceeds from commercial first aid programs conducted by volunteers on 14 July 2009.

13 MRC emergency response fund

This fund was established by using funds received from fund raising activities conducted by employees of the organization during the previous years. The fund has been established for the use of responding emergency situations that could arise due to disasters and emergency situations.

Maldivian Red Crescent
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2016

14	Project advances from donors	2016 Rf	2015 Rf
	International Federation of Red Cross and Red Crescent Societies (IFRC)	2,135,506	420,578
	International Committee of Red Cross (ICRC)	93,995	22,717
	Canadian Fund for CRCOD Project	42,451	1,388,371
	Singapore Red Cross	3,360	93,682
	Australian Red Cross	293,272	1,293,321
	Universal Foundation	391,386	-
	Int Org for Migration (IOM)	35,303	-
		<u>2,995,273</u>	<u>3,397,870</u>

15 Accruals and other payables

Other Payables	196,198	1,304,760
Accrued Expenses	478,600	165,232
	<u>674,798</u>	<u>1,290,792</u>

16 Capital commitments and contingent liabilities

The Society had no significant capital commitments or contingent liabilities as at 31 December 2016.

17 Events occurring after the reporting period

There have been no material events occurring after the reporting period that require adjustments to or disclosure in the financial statements.