

**Medical Emergency
Resilience Foundation
(MERF)
Audit For The Year Ended
June 30, 2018**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDICAL EMERGENCY
RESILIENCE FOUNDATION**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Medical Emergency Resilience Foundation** (the Company), which comprise the statement of financial position as at June 30, 2018 and the income and expenditure account and the statement of comprehensive income, the statement of changes in fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, and the income and expenditure account and the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the surplus, the changes in fund and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with 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 Company 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 / Institute of Cost and management Accountants (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.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty Relating to Going Concern" section, we have determined the matter described below to be the Key Audit Matter to be communicated in our report:

S. No.	Key audit matter(s)	How the matter was addressed in our audit
(i)	Companies Act, 2017	

<p>As referred to in note 2 to the annexed financial statements, fifth schedules to the Companies Act, 2017 became applicable to the company for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p> <p>As part of this transition to the requirements of the said fifth schedules, the management performed a gap analysis to identify differences between the previous and the current fifth schedule and as a result certain amendment relating to presentation and disclosures have been made in the Company's annexed financial statements.</p> <p>In view of the various additional and amended disclosures in the annexed financial statements due to first time application of fifth schedule to the Companies Act, 2017 We consider it as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Considered the management's process to identify the necessary amendments required in the Company's financial statements. • Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements.
--	--

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management 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 is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company'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.

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 Company'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 Company'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 Company 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.



Zia Masood Kiani & Co.

CHARTERED ACCOUNTANTS

We communicate with the board of directors 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the income and expenditure account and other comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

The engagement partner on the audit resulting in this independent auditor's report is Zia Ullah – FCA.

Zia Masood Kiani & Co.

Zia Masood Kiani & Co.
(Chartered Accountants)

Islamabad,

Date: October 29, 2018



MEDICAL EMERGENCY RESILIENCE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 (Rupees)	2017 (Rupees)
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	3,040,081	3,985,156
Current Assets			
Advances	7	4,809,029	3,558,470
Deposits and short term prepayments	8	3,450,570	18,482,326
Cash and cash equivalents	9	35,945,084	82,222,687
		47,244,764	108,248,639
FUNDS AND LIABILITIES			
Funds			
Unrestricted funds			
- Accumulated surplus/ (deficit)		13,047,838	11,156,891
Restricted funds	10	(49,009,442)	69,161,483
Deferred income	11	1,438,831	2,068,906
Current Liabilities			
Trade and other payables	12	81,767,537	25,861,359
Contingencies and Commitments			
	13	-	-
		47,244,764	108,248,639

The annexed notes from 1 to 23 form an integral part of these financial statements.



CHIEF EXECUTIVE

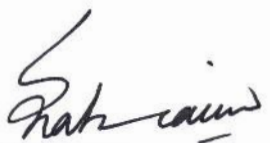


DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30 2018

	Note	2018 (Rupees)	2017 (Rupees)
Income			
Income	14	654,670,756	512,528,431
Amortized income	11	630,075	630,075
		<u>655,300,831</u>	<u>513,158,506</u>
Expenditure			
Project expenses	15	(751,889,316)	(419,367,564)
Administrative and general expenses	16	(19,691,494)	(28,457,758)
		<u>(116,279,979)</u>	<u>65,333,184</u>
Operating surplus before taxation			
Taxation	17	-	-
		<u>(116,279,979)</u>	<u>65,333,184</u>
Surplus for the year after taxation			
Transferred (to) / from restricted fund		118,170,925	(53,726,303)
		<u>1,890,946</u>	<u>11,606,881</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



CHIEF EXECUTIVE




DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30 2018

	Note	2018 (Rupees)	2017 (Rupees)
Surplus for the year		1,890,946	11,606,881
Other comprehensive income			
<i>Items that will not be reclassified to income and expenditure account:</i>		-	-
Total comprehensive income for the year		<u>1,890,946</u>	<u>11,606,881</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30 2018

	Note	2018 (Rupees)	2017 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		1,890,946	11,606,881
Adjustments for;			
Depreciation	6	945,075	813,825
Amortized income	11	<u>(630,075)</u>	<u>(630,075)</u>
		2,205,946	11,790,631
Changes in;			
(Increase)/decrease in current assets			
Advances		(1,250,558)	(3,558,470)
Deposits and short term prepayments		15,031,756	(18,482,326)
Increase / (decrease) in current liabilities			
Trade and other payable		<u>55,906,178</u>	<u>25,411,359</u>
Cash generated from operating activities		71,893,322	15,161,194
Less: Tax paid			-
Net cash generated from operations		<u>71,893,322</u>	<u>15,161,194</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	-	<u>(2,100,000)</u>
Net cash used in investing activities		-	<u>(2,100,000)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in restricted grant funds		<u>(118,170,925)</u>	53,726,303
Net cash generated from financing activities		<u>(118,170,925)</u>	53,726,303
<i>Net increase in cash and cash equivalents</i>		(46,277,603)	66,787,497
<i>Cash and cash equivalents at the beginning of the year</i>		<u>82,222,687</u>	<u>15,435,190</u>
<i>Cash and cash equivalents at the end of the year</i>		<u><u>35,945,084</u></u>	<u><u>82,222,687</u></u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	GENERAL FUND	RESTRICTED FUNDS	ACCUMULATED SURPLUS/ (DEFICIT)	TOTAL
Note		----- Rupees -----		
Balance as at June 30, 2016	-	15,435,180	(449,990)	14,985,190
Surplus for the year	-	-	11,606,881	11,606,881
Inter fund transfers	-	53,726,303	-	53,726,303
Balance as at June 30, 2017	-	<u>69,161,483</u>	<u>11,156,891</u>	<u>80,318,374</u>
Surplus for the year	-	-	1,890,947	1,890,947
Inter fund transfers	-	(118,170,925)	-	(118,170,925)
Balance as at June 30, 2018	-	<u>(49,009,442)</u>	<u>13,047,838</u>	<u>(35,961,605)</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Note 1

Status and Nature of Business

Medical Emergency Resilience Foundation ("the Company") was incorporated on 2nd day of November 2015, as a company limited by guarantee under Section 42 of the Companies Ordinance, 1984. The registered office of the Company is situated in House No 638 - E, Main double road, Sector E/11-4, Islamabad.

The main objective of the Company is to improve health status of population by human resource development through capacity building and strengthening the health system including effective management of health information system and efficient supply chain system for better health outcomes. It also aimed at improving hospitals, rural health centers, basic health units and support provision in case of emergencies delivering relief in response to a natural and man made disaster including health and nutrition services.

Note 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 Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed."

Note 3

Basis of Preparation

3.1 Measurement

These financial statements have been prepared under the historical cost convention and except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

3.2 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards require the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) **Useful life and residual values of property, plant and equipment**
The company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.
- b) **Impairment**
The management of the Company reviews carrying amounts of its assets including receivables and advances for possible impairment and makes formal estimates of recoverable amount if there is any such indication.
- c) **Provision for advances and other receivables**
The Company reviews the carrying amounts of advances and other receivables on a regular basis and if there is any doubt about the recovery of these receivables, appropriate provision is made.

Note 3, Basis of Preparation - Continued...

d) **Provisions**

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

e) **Taxation**

The company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

At present, the income of the company, under Clause (58) of Part 1 of the Second Schedule to the Income Tax Ordinance 2001 is subject to Section 100C under which 100% tax credit is available to the company subject to fulfilments of certain requirement as set forth by Federal Board of Revenue.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

Note 4

New Companies Act, 2017, Initial Application of New Standards and Amendments to Approved Accounting Standards

- 4.1** The Fifth Schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its Fifth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

The Act has brought certain changes with regard to preparation and presentation of financial statements of the company. These changes include change in nomenclature of primary statements, elimination of duplicative disclosures with the IFRS disclosure requirements; and incorporation of significant additional disclosures etc. Keeping in view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact in the recognition and measurement of the amounts included in these financial statements of the Company.

- 4.2 Amendments to approved accounting standards and interpretations which are effective during the year ended June 30, 2018**

Amendments to published standards and interpretations that were mandatory to the Company's financial year ended June 30, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

- 4.3 New standards, amendments to approved accounting standards and interpretations that are effective for the Company's accounting periods beginning on or after July 1, 2018**

There are certain new standards, amendments to the approved accounting standards and interpretations that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2018. However, these amendments and interpretations will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements. Further during the current year the Securities and Exchange Commission of Pakistan (the SECP) has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Customers' and IFRS 16 'Leases'. IFRS 9 and IFRS 15 are applicable for the Company's financial reporting period beginning on July 1, 2018 while IFRS 16 is applicable for the reporting period beginning on July 1, 2019. At present, the application of these IFRSs on the Company's future financial statements is either irrelevant or have no or insignificant impact.

Note 5

Summary of Significant Accounting Policies

Significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Note 5, Summary of Significant Accounting Policies - Continued...

5.1 Property, plant and equipment

a) **Donated Assets**

Fixed assets received as donation in kind are recognized as Property, plant and equipment at the time of acquisition at fair value and the corresponding amount is credited to deferred income.

Renewals and replacements are recognized in the carrying amount of the property, plant and equipment if it is probable that future embodied economic benefits will flow to the Company. Other maintenance and repairs are charged to the income and expenditure account. Gain or loss on disposal is taken to the income and expenditure account.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases the date when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Depreciation is calculated on a straight line basis and charge to income and expenditure account to write off the depreciable amount of each asset over its estimated useful life at the rate specified in Note 6.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying value exceeds estimated recoverable amount, these are written down to their estimated recoverable amount.

b) **Owned Assets**

Fixed assets purchased from Company 'own funds are stated at cost less accumulated depreciation and impairment loss, if any. Cost includes expenditure that are directly attributable to the acquisition of items of fixed assets.

Depreciation is calculated on a straight line basis and charge to income and expenditure account to write off the depreciable amount of each asset over its estimated useful life at the rate specified in Note 6. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases the date when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Renewals and replacements are recognized in the carrying amount of the property and equipment if it is probable that future embodied economic benefits will flow to the Company. Other maintenance and repairs are charged to the income and expenditure account. Gain or loss on disposal is taken to the income and expenditure account.

5.2 Financial Instruments

5.2.1 Financial assets

a) **Classification**

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits, prepayments, cash and bank balances in the balance sheet.

b) **Recognition and measurement**

All financial assets are recognized at the time when the company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognized at fair value which is normally the transaction price. Subsequently, these assets are subject to impairment testing for any changes in their carrying amounts. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred or the company has transferred substantially all the risks and rewards of ownership with respect to those financial assets.

5.2.2 Financial liabilities

All financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the income and expenditure account.

Note 5, Summary of Significant Accounting Policies - Continued...

5.2.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

5.3 Impairment

Financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

All impairment losses are recognized in income and expenditure account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Non - financial assets

Assets that are subject to depreciation are reviewed for impairment at each balance sheet date, or wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment loss are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no new impairment loss had been recognised. An impairment loss or reversal of impairment loss is recognised in income for the year.

5.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at bank in current account, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents also consist of bank overdrafts repayable on demand, if any.

Cash and cash equivalents are carried in the balance sheet at cost.

5.5 Restricted Funds

Funds received as grants for specific purposes are classified as restricted funds with separate accounting records being maintained for each and every account.

5.6 Trade and Other Payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the company.

5.7 Income Recognition

Income is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of income and associated cost incurred or to be incurred can be measured reliably.

Donation received in kind are transferred to Deferred income and the respective income is recognized over the useful life of respective asset.

Donation/ grant, management fee income is recognized on receipt basis.

Profit on deposit accounts is recognized on time proportion basis.

Note 5, Summary of Significant Accounting Policies - Continued...

5.8 Provisions and Contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

5.9 Taxation

The income of the company, under Clause (58) of Part 1 of the Second Schedule to the Income Tax Ordinance 2001 is subject to Section 100C under which 100% tax credit is available to the company subject to fulfilments of certain requirement as set forth by Federal Board of Revenue. Company successfully secured the tax exemption as per aforementioned rule. Consequently, no provision for taxation has been made in these financial statements.

5.10 Related Party Transactions

Related party transactions (if any) are carried out on a commercial terms, as approved by the Board.

Note 6

Property, Plant and Equipment

	Furniture and Fixture	Office & Electrical Equipment	Computers & Accessories	Total
----- R u p e e s -----				
Donated Assets				
Cost				
Balance as at July 01, 2016	698,000	1,038,500	1,120,000	2,856,500
Additions during the year	-	-	-	-
Balance as at June 30, 2017	698,000	1,038,500	1,120,000	2,856,500
Balance as at July 01, 2017	698,000	1,038,500	1,120,000	2,856,500
Additions during the year	-	-	-	-
Balance as at June 30, 2018	698,000	1,038,500	1,120,000	2,856,500
Depreciation				
Balance as at July 01, 2016	26,175	38,944	92,400	157,519
Charge for the year	104,700	155,775	369,600	630,075
Balance as at June 30, 2017	130,875	194,719	462,000	787,594
Balance as at July 01, 2017	130,875	194,719	462,000	787,594
Charge for the year	104,700	155,775	369,600	630,075
Balance as at June 30, 2018	235,575	350,494	831,600	1,417,669
Owned Assets				
Cost				
Balance as at July 01, 2016	-	-	-	-
Purchases during the year	-	2,100,000	-	2,100,000
Balance as at June 30, 2017	-	2,100,000	-	2,100,000
Balance as at July 01, 2017	-	2,100,000	-	2,100,000
Purchases during the year	-	-	-	-
Balance as at June 30, 2018	-	2,100,000	-	2,100,000
Depreciation				
Balance as at July 01, 2016	-	-	-	-
Charge for the year	-	183,750	-	183,750
Balance as at June 30, 2017	-	183,750	-	183,750
Balance as at July 01, 2017	-	183,750	-	183,750
Charge for the year	-	315,000	-	315,000
Balance as at June 30, 2018	-	498,750	-	498,750
Carrying amounts as at June 30, 2017	567,125	2,760,031	658,000	3,985,156
Carrying amounts as at June 30, 2018	462,425	2,289,256	288,400	3,040,081
Depreciation rate (%)	15%	15%	33%	

Note 7

Advances		2018	2017
		Rupees	Rupees
Advances - considered good			
Employees			
- For expenses		1,789,943	539,384
Advance tax	7.1	3,019,086	3,019,086
		<u>4,809,029</u>	<u>3,558,470</u>
7.1 - Banks		307,086	307,086
- Donors		2,712,000	2,712,000
		<u>3,019,086</u>	<u>3,019,086</u>

Note 8

Deposits and Short Term Prepayments		2018	2017
		Rupees	Rupees
Security deposits	8.1	2,676,000	17,244,423
Prepayments		774,570	1,237,903
		<u>3,450,570</u>	<u>18,482,326</u>

8.1 Security deposit represents the amount of deposits placed with property owners under lease agreements, fuel stations and call deposit receipt issued in favor of statutory organization.

Note 9

Cash and Cash Equivalents		2018	2017
	Note	Rupees	Rupees
Cash in hand	9.1	8,858,629	1,415,553
Cash at bank	9.2	27,086,455	80,807,134
		<u>35,945,084</u>	<u>82,222,687</u>
9.1 Cash in hand includes National Savings Prize Bonds of PKR Rs. 8,750,000/-.			
9.2 - Current account (PKR)		4,632,053	47,109,666
- Saving account (PKR)		22,454,402	33,697,468
		<u>27,086,455</u>	<u>80,807,134</u>

Note 10
Restricted Grant Fund

Project Name	Donor	Balance as at July 01, 2017	Grant received	Project Expenditure incurred	Transferred to/(from) receipts and expenditure account	Net movement during the year	Balance as at June 30, 2018
		A	B	(C)	D	E = B+C	F=A+E
----- R u p e e s -----							
Paramedics Training under FATA Youth Skills Development Training Program	FATA Development Authority	3,139,132	3,182,000	(1,446,380)	1,735,620	1,735,620	4,874,752
FATA CMW Training	FATA Development Authority	2,203,915	3,206,000	(7,934,561)	(4,728,561)	(4,728,561)	(2,524,646)
FATA Nurses Training	FATA Development Authority	11,527,431	20,000,000	(15,735,720)	4,264,280	4,264,280	15,791,711
ECHO	ECHO through Malteser	37,595,168	28,920,298	(65,992,151)	(37,071,853)	(37,071,853)	523,315
Contract under Public Private Partnership	Government of Sindh	(5,999,863)	473,129,000	(468,004,528)	5,124,472	5,124,472	(875,391)
Quetta Nutrition Survey	Department of Health Balochistan	20,695,699	20,331,390	(31,999,601)	(11,668,211)	(11,668,211)	9,027,488
Contract under Public Private Partnership- Mishimela Hospital	FATA Secretariat	-	83,549,703	(159,516,375)	(75,966,672)	(75,966,672)	(75,966,672)
Consultancy ICMC	ICMC	-	1,400,000	(1,260,000)	140,000	140,000	140,000
TOTAL		<u>69,151,483</u>	<u>633,718,391</u>	<u>(751,889,316)</u>	<u>(118,170,925)</u>	<u>(118,170,925)</u>	<u>(49,009,442)</u>

Note 11

Deferred Income		2018	2017
	Note	Rupees	Rupees
Balance as at July 01		2,068,906	2,698,981
Add: Addition during the period/ year		-	-
		2,068,906	2,698,981
Less: Amortized income	11.1	(630,075)	(630,075)
Balance as at June 30		1,438,831	2,068,906

11.1 Deferred income represents donation in kind - non current assets and it is credited to income account with respect to useful life of assets.

Note 12

Trade and Other Payables		2018	2017
	Note	Rupees	Rupees
Payable to staff		-	5,000
Accrued expenses		52,716,420	12,366,833
EOBI payable		1,619,882	44,010
Gratuity payable		24,932,355	12,230,401
Audit fee payable		235,000	200,000
Tax payable		2,263,880	1,015,115
		81,767,537	25,861,359

Note 13

Contingencies and Commitments

Contingencies - Nil

Commitments

- 1 Medical Emergency Resilience Foundation has entered into an operating lease for its office premises. The amount of future payments under operating lease agreements and the period for each location in which these payments will become due are as follow;

	Islamabad office	Peshawar office	Thatta office
Year 2019	2,954,050	-	1,320,000
Year 2020	3,249,455	-	1,452,000
Year 2021	3,574,401	-	1,597,200
	9,777,906	-	4,369,200

- 2 The Company has entered into following agreements with FATA Development Authority - FATA (DA) for provision of related services in future years.

Project Name	Budgeted Amount
- Provision of Nursing Training under FATA Youth Skills Development Programme	PKR 73,800,000

Note 13, Contingencies & Commitments - Continued...

- 3** The Company has signed a "Performance Based Agreement under Sindh Public Private Partnership Act, 2010 – contract out of 13 health facilities in District Thatta and Sujawal, Sindh." as per budgeted amount of Rs. 2,500,000,000.

Note 14

Income		2018	2017
	Note	Rupees	Rupees
Grant funds received		633,718,391	473,093,866
General funds and donations		155,509	210,400
Management fee	14.1	15,845,140	36,316,700
Interest Income		4,951,716	2,907,465
		654,670,756	512,528,431

- 14.1** Management fee represents amount of fee charged to the Project with FATA Secretariat under Public Private Partnership for operationalization of Mishtimela Hospital. This fee is calculated at 10% of total amount spent during the year.

Note 15

Project Expenditures		2018	2017
	Note	Rupees	Rupees
Salaries, wages and other benefits		433,041,138	196,684,435
Communication costs		3,060,616	1,698,134
POL		31,047,956	15,355,834
Program cost-medicines, drugs, consumables and medical Items		156,826,343	98,754,067
Program cost-food and hostel charges		22,391,817	2,582,232
Program cost-rehabilitation		20,958,468	2,403,459
Consultancy costs		9,563,353	2,404,783
Training costs		8,411,658	1,110,039
Field offices utilities		18,683,671	6,869,598
Repair and maintenance		-	61,565,799
Legal and professional fee		660,875	120,000
Printing, stationery and newspaper		9,395,000	2,761,710
Entertainment		-	320,183
Office rent		5,543,996	4,348,752
Bank charges		320,745	737,308
Hospital staff uniform		977,510	951,300
Insurance		53,333	26,667
Program cost-equipment		28,940,701	16,728,180
Field offices running costs		2,012,136	3,945,084
		751,889,316	419,367,564

Note 16

Administrative and General Expenses		2018	2017
Salaries, wages and other benefits		12,524,585	21,185,753
Legal and professional fee		1,148,400	82,500
POL		315,448	373,749
Communication costs		36,726	196,370
Office utilities		30,043	226,714
Consultancy cost		925,000	-
Printing, stationery and newspaper		-	39,657
Office supplies		2,228,046	3,994,819
Office rent		973,200	1,332,500
Bank charges		329,971	11,871
Auditors' remuneration	16.1	235,000	200,000
Depreciation	6	945,075	813,825
		<u>19,691,494</u>	<u>28,457,758</u>
16.1 Auditor' remuneration			
Annual audit fee		220,000	200,000
Out of pocket		15,000	-
		<u>235,000</u>	<u>200,000</u>

Note 17

Taxation

The income of the company, under Clause (58) of Part 1 of the Second Schedule to the Income Tax Ordinance 2001 is subject to Section 100C under which 100% tax credit is available to the company subject to fulfilments of certain requirement as set forth by Federal Board of Revenue. Company successfully secured the tax exemption as per aforementioned rule. Consequently, no provision for taxation has been made in these financial statements.

Note 18

Number of Employees

	2018	2017
Average number of employees during the year	678	265
Total number of employees as at June 30	630	561

Note 19

Related Party Transactions

Related parties comprise of key management personnel of the Company. Transactions with related parties carried during the year are as follow;

Key Management Personnel	2018	2017
	Rupees	Rupees
- Remuneration and other benefits paid to CEO	12,000,000	7,177,824
- Reimbursement of expenses paid by director on behalf of Company	-	375,000

There are no other transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements.

Note 20

Financial Instruments

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- i) Credit risk
- ii) Liquidity risk
- iii) Market risk

20.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular economy sector/ industry.

20.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follow:

	2018	2017
	----- Rupees -----	
Advances	1,789,942	539,384
Bank balances	27,086,455	80,807,134
	<u>28,876,397</u>	<u>81,346,518</u>

Financial assets do not contain any impaired or non-performing assets.

20.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2018	2017
	----- Rupees -----	
Banking companies	27,086,455	80,807,134
Others	1,789,942	539,384
	<u>28,876,397</u>	<u>81,346,518</u>

20.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings of banking companies. Banking have external credit ratings determined by various credit rating agencies. Credit quality of other counterparties is assessed by reference to historical defaults rates and present ages.

20.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Management believes that the Company will be able to fulfill its other financial obligations from the Company's future cash flows.

Note 20, Financial Instruments - Continued..

	2018	Contractual Cash Flow	1 to 12 Months
	----- (Rupees) -----		
Financial liabilities			
Accrued and other liabilities	79,503,657	79,503,657	79,503,657
Payable to related parties - current account	-	-	-
	<u>79,503,657</u>	<u>79,503,657</u>	<u>79,503,657</u>
	----- (Rupees) -----		
Financial liabilities			
Accrued and other liabilities	24,846,244	24,846,244	24,846,244
Payable to related parties - current account	-	-	-
	<u>24,846,244</u>	<u>24,846,244</u>	<u>24,846,244</u>

20.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

20.3.1 Currency risk

The Company is subject to exposure to currency risk to the extent that there is mismatch between the currency in which financial instrument is denominated and the respective functional currency of the Company. At present, Company is not exposed to currency risk as all its financial assets and liabilities are primarily denominated in the Pak Rupee which is the functional currency of the Company.

20.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management believes that interest rate exposure is not significant to the Company's financial position.

20.4 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

20.5 Funds Risk Management

The Company' Board of Directors monitors the performance along with the funds required for the sustainable operations of the Company. There were no changes to the Company' approach to the fund management during the year. Company remains successful in securing major social projects during the year through its dedicated efforts towards social and welfare development programs. Further, Company is not exposed to any externally imposed fund requirements.

Note 21

Remuneration of Directors & Executives

The aggregate amount charged in these financial statements with respect to remuneration and allowances, including, all benefits to Director and Executives of the Company is as under:

	Director(s)		Chief Executive Officer	
	2018	2017	2018	2017
	----- Rupees -----		----- Rupees -----	
Remuneration	-	-	12,000,000	7,177,824
No. of Person	-	-	1	1

Note 22

Date of Authorization

These financial statements have been authorized for issue on 26/10/18 by the Board of Directors of Medical Emergency Resilience Foundation.

Note 23

General

23.1 Figures have been rounded off to the nearest rupee.

23.2 Corresponding figures have been rearranged/reclassified, where necessary, for the purposes of comparison and effective presentation. However, there are no material or significant rearrangements or reclassification made during the period.



CHIEF EXECUTIVE



DIRECTOR