



Zia Masood Kiani & Co.
CHARTERED ACCOUNTANTS

MEDICAL EMERGENCY RESILIENCE
FOUNDATION (MERF)

AUDIT FOR THE YEAR ENDED
JUNE 30, 2016.



DIRECTOR'S REPORT

The Board of Directors of Medical Emergency Resilience Foundation (MERF) is pleased to present a review of the Company's operational and financial performance together with the audited financial information for the first year ended June 30, 2016.

MERF has been incorporated as company under section 42 of the companies Ordinance 1984 on November 02, 2015. The main objective of the Company is to improve health status of population by focusing on improving the public health system through; a) delivering quality essential health services, b) human resource development through deployment of essential staff, conducting competency based trainings and on the job mentoring, c) regular effective management of health information system, d) efficient supply chain system for better health outcomes, e) accountable health financing and f) good governance in health system. This priority areas are targeted at all level including hospitals, rural health centers, basic health units and community based structures (LHWs and CMWs). MERF also aims to respond to emergencies caused by natural as well as by man-made disaster.

During a span of few months MERF has shown tremendous results by securing grants from various donors. MERF started donor mapping immediately after getting registration from the regulatory authorities in Pakistan. Funding Opportunities were identified after engaging with various donors and details need assessments were carried out in priority areas. Based on these assessments, MERF prepared proposals for various grants and submitted these proposals to the respective donors. By June 30, 2016, MERF was able to sign grant agreements with FATA Development Authority and Malteser international. These grants will be made functional from July, 2016 and detail progress report will be submitted in the second annual report. A brief summary of these proposals, grants and their status is given in the table below.

Additionally MERF has also applied to Economic Affairs Division – EAD for issuing of MoU under the new law for local NGOs which are desirous of getting Foreign Aid. Another important step taken by MERF towards regulatory compliance was initiation of process for getting certification of Pakistan Council of Philanthropist-PCP. We are hopeful that both these processes will be completed by December 2016.

We are hopeful that by the end of next financial year i.e. June 30, 2017, MERF will be managing grants of more than PKR 1000 Million (USD 10 million Dollars) which is a great achievement for a newly established

organization. A brief summary of grants and their status is shown below for information of the members and stakeholders.

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S.No.	Name of Project	Location	Donor	Grant Amount	Project Duration	Status
1	Providing lifesaving health and nutrition services to the conflict affected Temporary Displaced People (TDP) and host populations of Khyber Pakhtunkhwa and FATA.	KPK Peshawar & Bannu	ECHO through Malteser International	100.24 (Million)	10 months	Singed and will Start from July01, 2016
2	To reduce morbidity and mortality among the targeted population in district Thatta and Sajawal by improving access to quality healthcare services on the basis of the MSDP	Sindh Thatta & Sajawal	Government of Sindh	495 (Million- Annual)	10 Years	Singed and will Start from July01, 2016
3	Training for Community Midwife in Midwifery Schools situated in Peshawar, Kohat, Bannu and D.I.Khan	KPK Peshawar Bannu, D.I.Khan	FATA Development Authority (FDA)	33.8 (Million)	1.5 Years	Singed and will Start from July 01, 2016. funds received
4	Training of Community Volunteers in 04 Female Skills Centres of Khyber Agency FATA	FATA Khyber Agency	FATA Development Authority (FDA)	14.4 (Million)	3 Years	Singed and will Start from July 01, 2016. funds received on monthly basis
5	Three Years Diploma in Nursing Education	FATA	FATA Development	73.8 (Million)	3 Years	Will be started by October 01, 2016
6	(Sub-contractor) Outsourcing of management, operations and maintenance of the Children Hospital, North Karachi	Sindh Karachi	Government of Sindh	410 (Million- Annual)	10 Years	Contact awarded to PEI, We will work as partner with PEI.
7	Training of Lady Health Visitors	FATA	FATA Development Authority	54 (Million)	2 years	Proposal Submitted and will be started by December
8	Punjab Contracting Out Management contract for improvement of primary and secondary health facilities.	Punjab Lodhran	Government of Punjab	Unknown	10 years.	Applied for pre-qualification which is in process.
9	Sindh Contracting Out under Public Private Partnership District Shikarpur	Sindh Shikarpur	Government of Sindh	313 (Million- Ann	10 Years	MERF has been prequalified and proposal has been submitted. Contract award in process by Government of Sindh.

A handwritten signature in black ink, appearing to read "Mir Laiq Shah".

Mir Laiq Shah

Chairman Board of Directors

Islamabad.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Medical Emergency Resilience Foundation** (the Company) as at June 30, 2016, and the related profit and loss account, cash flow statement and statement of changes in equity together with notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal controls, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) In our opinion:
 - I. The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - II. The expenditure incurred during the year was for the purpose of the Company's business; and
 - III. The business conducted, the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the



Zia Masood Kiani & Co.
CHARTERED ACCOUNTANTS

required by the Companies Ordinance, 1984, 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, 2016 and of the deficit, its cash flows and changes in equity for the year then ended; and

(d) In our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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ISLAMABAD

Date: 30/9/16

Zia Masood Kiani & Co.

ZIA MASOOD KIANI & CO.,
Chartered Accountants

Engagement Partner:
ZIA ULLAH - FCA



MEDICAL EMERGENCY RESILIENCE FOUNDATION
BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 (Rupees)
ASSETS		
Non-Current Assets		
Property, plant and equipment	5	2,698,981
Current Assets		
Cash and cash equivalents	6	15,435,190
		<u>18,134,171</u>
EQUITY AND LIABILITIES		
Accumulated Surplus/ (Deficit)		(449,990)
Restricted grant fund	7	15,435,180
Deferred income	8	2,698,981
Non-Current Liabilities		
		-
Current Liabilities		
Trade and other payables	9	450,000
Contingencies and Commitments		
	10	-
		<u>18,134,171</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM NOVEMBER 02, 2015 TO JUNE 30, 2016

		2016
	Note	Rupees
Income	11	16,035,190
Amortized income	8	157,519
		<u>16,192,709</u>
Administrative and general expenditures	12	(1,207,519)
		<u>14,985,190</u>
Transferred (to) /from restricted fund		(15,435,180)
Deficit for the period before taxation		<u>(449,990)</u>
Taxation	13	-
Deficit for the period after taxation		<u><u>(449,990)</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION
STATEMENT OF CASH FLOW
FOR THE PERIOD FROM NOVEMBER 02, 2015 TO JUNE 30, 2016

	Note	2016 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus / (Deficit) for the period		(449,990)
Adjustments for non cash items;		
Depreciation	5	157,519
Amortized income	8	(157,519)
		(449,990)
Changes in working capital:		
Increase in trade and other payable		450,000
Net cash generated from operating activities		<u>10</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net cash used in investing activities		<u>-</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Restricted grant fund received during the year		15,435,180
Net cash generated from financing activities		<u>15,435,180</u>
Net increase in cash and cash equivalents		15,435,190
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		<u><u>15,435,190</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM NOVEMBER 02, 2015 TO JUNE 30, 2016

	ACCUMULATED SURPLUS/ (DEFICIT)	TOTAL
	----- Rupees -----	
Note		
Balance as at November 02, 2015	-	-
Deficit for the period	(449,990)	(449,990)
Balance as at June 30, 2016	<u>(449,990)</u>	<u>(449,990)</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION

NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED 30 JUNE 2016

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 requirements of the Companies Ordinance 1984, the provisions of and directives issued under Companies Ordinance 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) 2009 as directed by the Institute of Chartered Accountants of Pakistan. In case requirements differ, the provisions or directives of the Companies Ordinance 1984 or the directives issued by SECP shall prevail.

Note 3

Basis of Preparation

3.1 Measurement

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

3.2 Significant Accounting Estimates and Judgments

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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows;

- i. Useful lives and Residual values of operating fixed assets
- ii. Income taxes



Note 4

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.

4.1 Property, plant and equipment

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 profit and loss account. Gain or loss on disposal is taken to the profit and loss 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 profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rate specified in Note 5.

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.

4.2 Financial Instruments

4.2.1 Financial assets

The company currently classifies its financial assets as cash and cash equivalents. 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.

Cash and cash equivalents comprise of cash in hand, cash at bank in current account, demand deposits, other short term highly liquid investments which are subject to an insignificant risk of change in value and bank overdrafts repayable on demand(if any). Cash and cash equivalents are carried in the balance sheet at cost.

4.2.2 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 de-recognized when the obligation under the liability is discharged, cancelled or expired. When 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 derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognized in the profit and loss account.

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Note 4, Summary of Significant Accounting Policies - Continued...

4.3 Offsetting of financial assets and liabilities

Financial assets and 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.

4.4 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.

4.5 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.

4.6 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 income is recognized on receipt basis.

4.7 Provisions

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

4.8 Provision for 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. Consequently, no provision for taxation has been made in these financial statements.

4.9 Functional and presentation currency

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



Note 4, Summary of Significant Accounting Policies - Continued...

4.10 Related party transactions

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

Note 5

Property, plant and equipment

	Furniture and Fixture	Office Equipment	Computers & Accessories	Total
----- R u p e e s -----				
Donated Assets				
Cost				
Balance as at November 02, 2015	-	-	-	-
Additions during the period	698,000	1,038,500	1,120,000	2,856,500
Balance as at June 30, 2016	<u>698,000</u>	<u>1,038,500</u>	<u>1,120,000</u>	<u>2,856,500</u>
Depreciation				
Balance as at November 02, 2015	-	-	-	-
Charge for the period	26,175	38,944	92,400	157,519
Balance as at June 30, 2016	<u>26,175</u>	<u>38,944</u>	<u>92,400</u>	<u>157,519</u>
Carrying amounts as at June 30, 2016	<u>671,825</u>	<u>999,556</u>	<u>1,027,600</u>	<u>2,698,981</u>
Depreciation rate (%)	<u>15%</u>	<u>15%</u>	<u>33%</u>	

Note 6

Cash and cash equivalents

	Note	2016 Rupees
Cash in hand		-
Cash at bank- current account		15,435,190
		<u>15,435,190</u>

MEDICAL EMERGENCY RESILIENCE FOUNDATION
Notes to the Financial Statements

Note 7

Restricted Grant fund

Project Name	Donor	Balance as at November 02, 2015	Grant received	Project Expenditure incurred	Management fee	Transferred to/(from) receipts and expenditure account	Net movement during the year	Balance as at June 30, 2016
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A B (C) (D) E $F = B+C+D$ $G=A+F$
 ----- R u p e e s -----

Paramedics Training under FATA Youth Skills Development Training Program	FATA Development Authority	-	15,435,180	-	-	15,435,180	15,435,180	15,435,180
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TOTAL		-	15,435,180	-	-	15,435,180	15,435,180	15,435,180
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Note 8

Deferred Income

		2016
	Note	Rupees
Balance as at November 02, 2015		-
Add: Addition during the period		2,856,500
		<u>2,856,500</u>
Less: Amortized income	8.1	(157,519)
Balance as at June 30, 2016		<u><u>2,698,981</u></u>

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

Note 9

Trade and other payables

		2016
	Note	Rupees
Payable to directors		375,000
Audit fee payable		75,000
		<u>450,000</u>

Note 10

Contingencies and commitments

Contingencies

Exemption under 100 (c) to the company is contingent upon the filling of tax return and compliance with other relevant requirements of income tax ordinance, 2001.

Commitments

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

		2016
	Note	Rupees
Year 2017		861,000
Year 2018		693,000
		<u>1,554,000</u>

- 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
- Establishment and Training of females in Women Training Centers	PKR 5,000/ trainee

- 3 The company has signed an agreement with **Malteser International** (legally part of Malteser Hilfsdienst e.V.) for "Providing lifesaving health and nutrition services to the conflict affected Temporary Displaced People (TDP) and host populations of Khyber Pakhtunkhwa and FATA" as per budgeted amount of **Euro 895,009**.

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Note 11		From November 02, 2015 to June 30, 2016
Income	Note	Rupees
Grant funds received	7	15,435,180
General funds and donations		600,010
		<u>16,035,190</u>

Note 12		From November 02, 2015 to June 30, 2016
Administrative and general expenditures	Note	Rupees
Salaries, wages and other benefits		240,000
Communication		21,550
Traveling, conveyance and transportation		43,000
Office utilities		22,430
Repair and maintenance		26,700
Legal and professional fee		376,400
Printing, stationery and newspaper		7,735
Office supplies		4,210
Entertainment		260
Kitchen supplies		20,020
labor charges		2,695
Office rent		210,000
Auditors' remuneration		75,000
Depreciation	5	157,519
		<u>1,207,519</u>

Note 13

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. Consequently, no provision for taxation has been made in these financial statements.

Note 14

Related party transactions

	2016
	Rupees
The Company had the following transactions with the related parties;	
- Loan from directors	<u>375,000</u>

Note 15

Number of employees

Number of employees as at June 30, 2016 were 4.

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Note 16

Date of authorization

These financial statements were authorized for issue on *30-09-2016* by the Board of directors of the Company.

Note 17

General

Figures in these financial statements have been rounded off to the nearest rupee.

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DIRECTOR