

**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, 2020 and the income and expenditure account, the statement of comprehensive income, the statement of changes in fund and the cash flow statement 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 cash flow statement 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, 2020 and of the deficit, 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.

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.

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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.

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- 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.

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.

Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

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

ISLAMABAD
Date: 3rd February, 2021

Zia Masood Kiani & Co.

ZIA MASOOD KIANI & CO.,
Chartered Accountants

Engagement Partner
ZIA ULLAH - FCA

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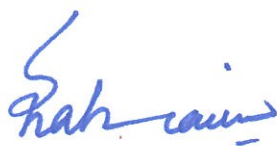


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MEDICAL EMERGENCY RESILIENCE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020	2019
----- Rupees -----			
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	1,600,732	2,176,207
		1,600,732	2,176,207
Current Assets			
Advances	7	2,071,110	1,397,829
Deposits and short term prepayments	8	41,164,475	3,745,650
Cash and cash equivalents	9	492,241,833	120,273,185
		535,477,418	125,416,664
		537,078,150	127,592,871
FUNDS AND LIABILITIES			
Funds			
Accumulated surplus		16,532,248	12,705,371
Restricted funds	10	428,036,862	27,433,675
Deferred income	11	629,482	889,957
Current Liabilities			
Trade and other payables	12	91,879,558	86,563,868
Contingencies and Commitments			
	13	-	-
		537,078,150	127,592,871

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 2020

	Note	2020	2019
----- Rupees -----			
Income			
Income	14	1,119,457,527	687,468,369
Amortized income	11	260,475	548,874
		1,119,718,002	688,017,243
Expenditure			
Project expenses	15	(696,883,073)	(603,151,623)
Administrative and general expenses	16	(18,404,865)	(8,764,970)
		404,430,064	76,100,650
Operating surplus/ (deficit) before taxation			
Taxation	17	-	-
		404,430,064	76,100,650
Surplus/ (deficit) for the year after taxation			
Transferred (to) / from restricted fund		(400,603,187)	(76,443,117)
Surplus/ (deficit) for the year		3,826,877	(342,467)

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 2020

	Note	2020	2019
		----- Rupees -----	
Surplus/ (deficit) for the year		3,826,877	(342,467)
Other comprehensive income			
<i>Items that will not be reclassified to income and expenditure account:</i>		-	-
		-	-
Total comprehensive income for the year		<u>3,826,877</u>	<u>(342,467)</u>

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



CHIEF EXECUTIVE



DIRECTOR

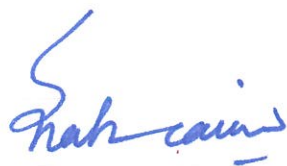
MEDICAL EMERGENCY RESILIENCE FOUNDATION

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30 2020

	Note	2020	2019
	Note	----- Rupees -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		3,826,877	(342,467)
Adjustments for;			
Depreciation	6	575,475	863,874
Amortized income	11	(260,475)	(548,874)
		4,141,877	(27,467)
Changes in;			
(Increase)/decrease in current assets			
Advances		(673,281)	3,411,200
Deposits and short term prepayments		(37,418,825)	(295,080)
Increase / (decrease) in current liabilities			
Trade and other payable		5,315,690	4,796,331
Cash generated from operating activities		(28,634,539)	7,884,984
Net cash generated from operations		(28,634,539)	7,884,984
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	-
Net cash used in investing activities		-	-
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/ (decrease) in restricted grant funds		400,603,187	76,443,117
Net cash generated from financing activities		400,603,187	76,443,117
<i>Net increase in cash and cash equivalents</i>		371,968,648	84,328,101
<i>Cash and cash equivalents at the beginning of the year</i>		120,273,185	35,945,084
<i>Cash and cash equivalents at the end of the year</i>		492,241,833	120,273,185

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, 2020

	GENERAL FUND	RESTRICTED FUNDS	ACCUMULATED SURPLUS/ (DEFICIT)	TOTAL
Note	----- R u p e e s -----			
Balance as at July 01, 2018	-	(49,009,442)	13,047,838	(35,961,604)
Surplus / (defecit) for the year	-	-	(342,467)	(342,467)
Inter fund transfers	-	76,443,117	-	76,443,117
Balance as at July 01, 2019	-	27,433,675	12,705,371	40,139,046
Surplus / (defecit) for the year	-	-	3,826,877	3,826,877
Inter fund transfers	-	400,603,187		400,603,187
Balance as at June 30, 2020	-	428,036,862	16,532,248	444,569,110

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 2020

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. After Balance Sheet date the company has moved to a new location at Plot no. 40 A, 1st Floor, I & T center, G-8/1, Islamabad. The company is in the process of changing its registered office to new location with regulatory bodies.

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.

Impact of Covid-19 on Financial Statements

The novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, The International Health Regulations Emergency Committee of the World Health Organization declared the outbreak "Public Health Emergency of International Concern". Many countries including Pakistan have enacted protection measures against COVID-19, with a significant impact on economic activities in these countries. COVID-19 has impacted billions of lives around the globe. Governments, individuals, businesses, and civil society organizations are battling to save lives, support families, and keep businesses, and organisations afloat.

During these unprecedented times, the role of NGOs has become paramount in combating the coronavirus through provision of aid and supporting means to keep the struggling communities alive. The health sector, improvement of which is the main objective of Medical Emergency Resilience Foundation "MERF" came under further pressure during this pandemic. In order to respond to this crisis, MERF not only scaled up its operations but fortunately recieved tremendous response from donors. MERF initiated various projects dedicately to combat Covid impact with support of Government institutions and UNICEF. Management has concluded that due to increase in its operation to faciliate COVID-19 response projects, a positive significant impact on the Company' financials has been observed. Though due to the level of risk, this virus may have on global economy, the potential impact on the Company in the near term that could materially impact the Company's financials is not currently measurable.

Significant transaction(s) that have affected Company's financial position and performance during the year are as follows:

Due to effective response to pandemic, MERF annual grant increased by 61%, mainly received from various government institutions & UNICEF. Surge in its operations caused increased in its pre-payments, deposits, liabilities with third parties and vendors.

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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on 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.

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.

The income of the company is subject to Section 100C of Income Tax Ordinance 2001 under which 100% tax credit is available to the company subject to fulfilments of certain requirement as set forth by Federal Board of Revenue. The exemption is valid till June 30, 2021.

3.3 Functional and presentation currency

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

3.4 Method of preparation of cash flow statement

The cash flow statement is prepared using indirect method.

MEDICAL EMERGENCY RESILIENCE FOUNDATION

Notes to the Financial Statements

Note 4

New Standards, Amendments to Approved Accounting and Reporting Standards and New Interpretations

Note 4, New Standards, Amendments to Approved Accounting Standards and new interpretations

4.1 Amendments to published accounting standards and interpretations which are effective during the year ended June 30, 2020;

There are new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 01, 2019 but are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statement.

4.2 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective;

There are certain new standards, interpretations and amendments to approved accounting periods that will be mandatory for the Company's annual accounting periods beginning on or after July 01, 2020, but are considered not to be relevant or have any significant effect on the Company's financial reorting and, therefore, have not

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.

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.

MEDICAL EMERGENCY RESILIENCE FOUNDATION

Notes to the Financial Statements

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

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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of an other entity. All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

5.2.1 Financial assets

Classification, recognition & measurement

The Organization classifies its financial assets in the following categories:

- a) At fair value through profit or loss
- b) Amortized cost

Financial assets are not reclassified subsequent to their initial recognition unless the Foundation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest of the principal amount outstanding.

Impairment of financial assets

The Foundation recognises loss allowances for expected credit loss (ECLs) in respect of financial assets measured at amortised cost.

The Foundation measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- other debt securities and bank balances for which credit (i.e. the risk Of default occurring over the expected life Of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Foundation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Foundation's historical experience and information.

The Foundation assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLS are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLS is the maximum contractual period over which the Foundation is exposed to credit risk.

Derecognition of financial assets

The Foundation derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfer the financial assets and substantially all the associated risks and reward of ownership to another entity. On derecognition of financial assets measured at amortized cost, the difference between the assets carrying value and the sum of the consideration received and receivable recognised in statement of income and expenditure.

MEDICAL EMERGENCY RESILIENCE FOUNDATION

Notes to the Financial Statements

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

5.2.2 Financial liabilities

Classification, recognition & measurement

Financial liabilities are classified in the following categories:

- fair value through profit or loss; and
- other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

a) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

b) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in profit or loss for the year, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition of financial liabilities

The Foundation derecognises its financial liabilities only when its Obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in statement of income and expenditure.

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 only 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.

MEDICAL EMERGENCY RESILIENCE FOUNDATION

Notes to the Financial Statements

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

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.

- a) Donation received in kind are transferred to Deferred income and the respective income is recognized over the useful life of respective asset.
- b) An amount equal to the annual charge for depreciation on assets is recognized as income in the income and expenditure account.
- c) Donation/ grant, management fee income is recognized on receipt basis.
- d) Profit on deposit accounts is recognized on time proportion basis.

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 is subject to Section 100C of Income Tax Ordinance 2001 under which 100% tax credit was available to the company subject to fulfilments of certain requirement as set forth by Federal Board of Revenue. The company successfully fulfilled the requirements and obtain exemption till June 30, 2021. Consequently, no provision for taxation is accounted for in these financial statements.

5.10 Employee benefits

The company entitles gratuity to its staff on the completion of three months employment, equivalent to one month salary calculated on the basis of amount contributed throughout the year and paid to staff at the end of service. Staff leaving prior to completion of calendar year will be compensated by gratuity on pro-rata basis. In case of any misconduct company will hold employee's gratuity.

Staff working with MERF through public private partnership (contracting out) will only be eligible for gratuity, until unless budgeted and instructed by relevant provincial government.

Contracting out staff recruited against the sanctioned vacant position are given lump sum salary inclusive of all benefits i.e salary and allowances inclusive of medical and health.

MEDICAL EMERGENCY RESILIENCE FOUNDATION
Notes to the Financial Statements

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, 2018	698,000	1,038,500	1,120,000	2,856,500
Additions during the year	-	-	-	-
Balance as at June 30, 2019	698,000	1,038,500	1,120,000	2,856,500
Balance as at July 01, 2019	698,000	1,038,500	1,120,000	2,856,500
Additions during the year	-	-	-	-
Balance as at June 30, 2020	698,000	1,038,500	1,120,000	2,856,500
Depreciation				
Balance as at July 01, 2018	235,575	350,494	831,600	1,417,669
Charge for the year	104,700	155,775	288,399	548,874
Balance as at June 30, 2019	340,275	506,269	1,119,999	1,966,543
Balance as at July 01, 2019	340,275	506,269	1,119,999	1,966,543
Charge for the year	104,700	155,775	-	260,475
Balance as at June 30, 2020	444,975	662,044	1,119,999	2,227,018
Carrying amounts as at June 30, 2019	357,725	532,231	1	889,957
Carrying amounts as at June 30, 2020	253,025	376,456	1	629,482
	Owned Assets			
Cost				
Balance as at July 01, 2018	-	2,100,000	-	2,100,000
Purchases during the year	-	-	-	-
Balance as at June 30, 2019	-	2,100,000	-	2,100,000
Balance as at July 01, 2019	-	2,100,000	-	2,100,000
Purchases during the year	-	-	-	-
Balance as at June 30, 2020	-	2,100,000	-	2,100,000
Depreciation				
Balance as at July 01, 2018	-	498,750	-	498,750
Charge for the year	-	315,000	-	315,000
Balance as at June 30, 2019	-	813,750	-	813,750
Balance as at July 01, 2019	-	813,750	-	813,750
Charge for the year	-	315,000	-	315,000
Balance as at June 30, 2020	-	1,128,750	-	1,128,750
Carrying amounts as at June 30, 2019	-	1,286,250	-	1,286,250
Carrying amounts as at June 30, 2020	-	971,250	-	971,250
Total carrying amounts as at June 30, 2019	357,725	1,818,481	1	2,176,207
Total carrying amounts as at June 30, 2020	253,025	1,347,706	1	1,600,732
Depreciation rate (%)	15%	15%	33%	

MEDICAL EMERGENCY RESILIENCE FOUNDATION*Notes to the Financial Statements*

Note 7

Advances	Note	2020	2019
		----- Rupees -----	
Advances - considered good			
Employees			
- For expenses	7.1	<u>2,071,110</u>	<u>1,397,829</u>

- 7.1** Advances represent the amount given to employees for incurring the expenditure during the project execution in the fields.

Note 8

Deposits and Short Term Prepayments	Note	2020	2019
		----- Rupees -----	
Security deposits	8.1	5,004,150	2,770,000
Prepayments	8.2	<u>36,160,325</u>	<u>975,650</u>
		<u>41,164,475</u>	<u>3,745,650</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.

- 8.2** Prepayments represent the amounts paid in advance for purchase of medicines and consumables, Health Management Information System (HMIS) and medical equipment's for health facilities.

Note 9

Cash and Cash Equivalents	Note	2020	2019
		----- Rupees -----	
Cash in hand	9.1	11,357,375	13,889,429
Cash at bank	9.2	<u>480,884,458</u>	<u>106,383,756</u>
		<u>492,241,833</u>	<u>120,273,185</u>

- 9.1** Cash in hand includes National Savings Prize Bonds of PKR 10,240,000 (2019 PKR. 13,265,000)

9.2	- Current account (PKR)	67,112,593	52,028,923
	- Saving account (PKR)	413,771,865	24,354,833
	- Investment Certificate - Meezan Bank (Mudarabah)	-	30,000,000
		<u>480,884,458</u>	<u>106,383,756</u>

- 9.2.1** Profit rates on saving bank accounts ranging between 3.25% to 6.3% per month.

MEDICAL EMERGENCY RESILIENCE FOUNDATION
Notes to the Financial Statements

Note 10

Restricted Grant Fund

Project Name	Donor	Balance as at July 01, 2019	Grant received	Project Expenditure incurred	Transferred (to)/ from receipts and expenditure account	Net movement during the year	Balance as at June 30, 2020
		<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E = B+C</i>	<i>G=A+ E - F</i>
----- R u p e e s -----							
Paramedics Training under FATA Youth Skills Development Training Program	FATA Development Authority	4,874,752	-	-	-	-	4,874,752
FATA CMW Training	FATA Development Authority	2,357,278	-	-	-	-	2,357,278
FATA Nurses Training	FATA Development Authority	13,621,769	-	(16,972,476)	(16,972,476)	(16,972,476)	(3,350,707)
ECHO	ECHO through Malteser	523,315	-	-	-	-	523,315
National Nutrition Survey 2017-18	Agha Khan University	1,306,604	327,060	-	327,060	327,060	1,633,664
Contract under Public Private Partnership	Government of Sindh	(3,604,583)	473,128,975	(467,998,786)	5,130,189	5,130,189	1,525,606
Quetta Nutrition Survey	Department of Health Balochistan	9,027,488	-	-	-	-	9,027,488
Contract under Public Private Partnership- Mishtimela Hospital	FATA Secretariat	(812,949)	181,255,455	(181,504,109)	(248,654)	(248,654)	(1,061,603)
IRC-ECHO Funded-COVID Response	International Rescue Committee Deutschland	-	320,257,338	(5,740,529)	314,516,809	314,516,809	314,516,809
Contract under Public Private Partnership- COVID response	Government of Sindh	-	101,110,800	(16,114,470)	84,996,330	84,996,330	84,996,330
Quetta Urban Survey By World Bank	World Bank Group	-	5,537,384	(4,465,911)	1,071,474	1,071,474	1,071,474
Nutrition Stabilization Centre (NSCs) PINS-ACF	Action Against Hunger - International	-	7,745,458	(1,320,000)	6,425,458	6,425,458	6,425,458
UNICEF Funded-COVID response	UNICEF	-	8,123,790	(2,766,792)	5,356,998	5,356,998	5,356,998
Consultancy ICMC	ICMC	140,000	-	-	-	-	140,000
TOTAL		27,433,675	1,097,486,260	(696,883,073)	400,603,187	400,603,187	428,036,862

MEDICAL EMERGENCY RESILIENCE FOUNDATION*Notes to the Financial Statements*

Note 11

Deferred Income	Note	2020	2019
		----- Rupees -----	
Balance as at July 01		889,957	1,438,831
Add: Addition during the year		-	-
		889,957	1,438,831
Less: Amortized income	11.1	(260,475)	(548,874)
Balance as at June 30		629,482	889,957

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

Note 12

Trade and Other Payables	Note	2020	2019
		----- Rupees -----	
Payable to staff		1,605,091	1,098,343
EOBI payable		503,592	458,012
Gratuity payable		32,742,612	28,197,697
Audit fee payable		307,000	260,000
Tax payable	12.1	3,068,118	1,583,926
Accrued expenses		53,653,145	54,965,890
		91,879,558	86,563,868
12.1 Income tax payable on salaries		787,363	511,740
Income tax payable on supplies		1,008,949	457,938
Sales tax payable on supplies		199,252	128,324
Income tax payable on services		543,913	351,063
Sales tax payable on services		528,641	134,861
		3,068,118	1,583,926

Note 13

Contingencies and Commitments**Contingencies**

The income of the company is subject to Section 100C of Income Tax Ordinance 2001 under which 100% tax credit was available to the company subject to fulfilments of certain requirement as set forth by Federal Board of Revenue. Company successfully fulfilled the requirements and obtained exemption valid till June 30, 2021.

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	Quetta office
Year 2021	3,937,000	720,000	1,436,472	1,026,000
Year 2022	4,330,700	792,000	1,436,472	1,026,000
Year 2023	4,763,770	871,200	1,436,472	1,026,000
	13,031,470	2,383,200	4,309,416	3,078,000

MEDICAL EMERGENCY RESILIENCE FOUNDATION*Notes to the Financial Statements*

Note 14

Income	Note	2020	2019
----- Rupees -----			
Grant received		1,097,486,260	679,594,740
General funds and donations		835,274	642,928
Reimbursement/overhead	14.1	18,125,545	6,460,920
Interest income		3,010,447	769,781
		<u>1,119,457,527</u>	<u>687,468,369</u>

14.1 Reimbursement of overhead represents amount of cost reimbursed from Project with FATA Secretariat under Public Private Partnership for operationalization of Mishtimela Hospital. This amount is calculated at 10% of total admissible amount spent during the year.

Note 15

Project Expenditures	Note	2020	2019
----- Rupees -----			
Salaries, wages and other benefits		368,913,983	292,910,518
PBIs for government staff		16,642,385	4,911,936
POL and rent for vehicles		14,971,358	21,889,491
Printing, stationery and newspaper		5,793,728	5,397,657
Program cost- rehabilitation		16,726,577	19,364,223
Program cost- tuition, stipend, food and hostel charges		16,700,433	18,943,517
Program cost-equipment		31,432,770	2,673,180
Program cost-medicines, drugs, consumables and medical Items		175,745,623	166,238,810
Bank charges		368,395	304,421
Casual labor		576,042	866,650
Communication and courier cost		3,377,630	2,311,941
Consultancy costs		2,714,080	4,609,718
Enumerator charges for survey		1,379,611	16,729,286
Field and health facilities running costs		7,718,542	3,239,124
Hospital staff uniform		276,000	8,400
Insurance charges		2,477,629	2,600,649
Legal and professional fee		2,737,260	611,073
Office rent		5,832,457	3,838,916
Tax expense		318,945	7,636,449
Training costs		1,300,393	6,483,414
Travelling and accommodation		2,367,999	3,203,787
Utilities		18,511,232	18,378,463
		<u>696,883,073</u>	<u>603,151,623</u>

MEDICAL EMERGENCY RESILIENCE FOUNDATION*Notes to the Financial Statements*

Note 16

Administrative and General Expenses	Note	2020	2019
----- Rupees -----			
Salaries, wages and other benefits		11,482,548	5,561,131
Printing, stationery and newspaper	16.1	255,444	-
Communication and courier cost		172,300	2,391
Office running costs		691,799	-
Insurance charges		115,446	13,046
Legal and professional fee		235,560	7,500
Travelling and accommodation		118,180	51,900
Rent expense		2,481,000	600,000
Vehicle rent		920,460	849,800
POL and rent for vehicles		645,257	127,959
Utilities		202,632	30,486
Repair and maintenance		185,394	1,120
Casual labor		8,400	-
Bank Charges		812	77,427
Tax expense		7,159	318,336
Depreciation		575,475	863,874
Auditors' remuneration		307,000	260,000
		<u>18,404,865</u>	<u>8,764,970</u>
16.1 Auditor' remuneration			
Annual audit fee		264,000	240,000
Out of pocket		43,000	20,000
		<u>307,000</u>	<u>260,000</u>

Note 17

Taxation

The income of the company is subject to Section 100C of Income Tax Ordinance 2001 under which 100% tax credit was available to the company subject to fulfilments of certain requirement as set forth by Federal Board of Revenue. Company successfully fulfilled the requirements and obtained exemption valid till June 30, 2021. Consequently, no provision for taxation was accounted for in these financial statements.

Note 18

Number of Employees

	2020	2019
Average number of employees during the year	658	623
Total number of employees as at June 30	700	616

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	2020	2019
----- Rupees -----		
- Remuneration and other benefits paid to CEO	13,800,000	13,800,000
- Reimbursement of expenses paid by director on behalf of Company	-	-

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 & Risk Management

20.1 Financial Instruments

	2020	2019
Financial Assets as per statement of Financial Position		
	----- Rupees -----	
Fair value through profit or loss	-	-
Amortized cost		
Short term deposits	5,004,150	2,770,000
Cash and cash equivalents	492,241,833	120,273,185
Financial Liabilities as per statement of Financial Position		
Amortized cost		
Trade and other payables	88,811,440	84,979,942
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.

20.2 Risk Management

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

i) 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.

a) 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:

	2020	2019
	----- Rupees -----	
Advances	2,071,110	1,397,829
Bank balances	480,884,458	106,383,756
	<u>482,955,568</u>	<u>107,781,585</u>

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

MEDICAL EMERGENCY RESILIENCE FOUNDATION*Notes to the Financial Statements**Note 20, Financial Instruments & Risk Management - Continued...***b) 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:

	2020	2019
	----- Rupees -----	
Banking companies	480,884,458	106,383,756
Others	2,071,110	1,397,829
	<u>482,955,568</u>	<u>107,781,585</u>

c) 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.

ii) 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 fulfil its other financial obligations from the Company's future cash flows.

	2020	Contractual Cash Flow	1 to 12 Months
	---- (Rupees) ----		
Financial liabilities			
Accrued and other liabilities	91,879,558	91,879,558	91,879,558
Payable to related parties - current account	-	-	-
	<u>91,879,558</u>	<u>91,879,558</u>	<u>91,879,558</u>
	2019	Contractual Cash Flow	1 to 12 Months
	---- (Rupees) ----		
Financial liabilities			
Accrued and other liabilities	86,563,868	86,563,868	86,563,868
Payable to related parties - current account	-	-	-
	<u>86,563,868</u>	<u>86,563,868</u>	<u>86,563,868</u>

iii) 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.

a) 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.

b) 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.

MEDICAL EMERGENCY RESILIENCE FOUNDATION*Notes to the Financial Statements*

Note 20, Financial Instruments & Risk Management - Continued...

20.3 Funds Risk Management

The Company's 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's 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	
	2020	2019	2020	2019
	----- Rupees -----		----- Rupees -----	
Remuneration	-	-	13,800,000	13,800,000
No. of Person	4	4	1	1

Note 22

Date of Authorization

These financial statements have been authorized for issue on 02/02/2021 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