MEDICAL EMERGENCY RESILIENCE FOUNDATION

AUIDT REPORT FOR THE YEAR ENDED JUNE 30, 2021

ZIA MASOOD KIANI & Co.
Chartered Accountants

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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**, which comprise the statement of financial position as at June 30, 2021, and the income and expenditure account, the statement of comprehensive income, the statement of changes in Funds, and 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, income and expenditure account, the statement of comprehensive income, the statement of changes in funds 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, 2021 and of the surplus, the changes in funds 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 (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.

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.

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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

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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:

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, income and expenditure account, the statement of comprehensive income, the statement of changes in funds 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) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Ziamasood Kiani & Co.

Islamabad
Date: May 31 , 2022

ZIA MASOOD KIANI & CO.,
Chartered Accountants

Engagement Partner
ZIA ULLAH

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MEDICAL EMERGENCY RESILIENCE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021	Restated 2020
		------Rupees------	
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	1,025,257	1,600,732
		1,025,257	1,600,732
Current Assets			
Advances	7	3,128,592	2,071,110
Deposits, receivables and short term prepayments	8	151,736,340	45,814,053
Cash and cash equivalents	9	243,912,369	492,241,833
		398,777,301	540,126,996
		399,802,558	541,727,728
FUNDS AND LIABILITIES			
Funds			
Accumulated surplus		70,685,717	16,532,248
Restricted funds	10	52,697,757	432,449,172
Deferred income	11	369,007	629,482
Current Liabilities			
Trade and other payables	12	276,050,077	92,116,826
Contingencies and Commitments	13	-	-
		399,802,558	541,727,728

The annexed notes from 1 to 24 form an integral part of these financial statements.

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CHIEF EXECUTIVE

DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED JUNE 30 2021

	Note	2021	2020
		------Rupees------	
Income			
Income	14	1,746,920,047	1,119,457,527
Amortized income	11	260,475	260,475
		1,747,180,522	1,119,718,002
Expenditure			
Project expenses	15	(2,154,109,055)	(696,883,073)
Administrative and general expenses	16	(21,481,484)	(18,404,865)
Operating surplus/ (deficit) before taxation		(428,410,017)	404,430,064
Taxation	17	-	-
Surplus/ (deficit) for the year after taxation		(428,410,017)	404,430,064
Transferred (to) / from restricted fund		482,563,486	(400,603,187)
Surplus for the year		54,153,469	3,826,877

The annexed notes from 1 to 24 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 2021

	Note	2021	2020
		------Rupees------	
Surplus for the year		54,153,469	3,826,877
Other comprehensive income			
Items that will not be reclassified to income and expenditure account:		-	-
		-	-
Total comprehensive income for the year		54,153,469	3,826,877

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The annexed notes from 1 to 24 form an integral part of these financial statements.

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CHIEF EXECUTIVE

DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION

STATEMENT OF CHANGES IN FUNDS

FOR THE YEAR ENDED JUNE 30 2021

	Note	GENERAL FUND	RESTRICTED FUNDS	ACCUMULATED SURPLUS/ (DEFICIT)	TOTAL
		------Rupees------			
Balance as at July 01, 2019		-	27,433,675	12,705,371	40,139,046
Surplus for the year		-	-	3,826,877	3,826,877
Transferred to/ (from) income and expenditure account		-	400,603,187	-	400,603,187
Adjustment for due from donor			4,412,310	-	4,412,310
Restated Balance as at June 30, 2020		**-**	**432,449,172**	**16,532,248**	**448,981,420**
Surplus for the year		-	-	54,153,469	54,153,469
Transfer to restricted funds - receivable balance as at June 30, 2020			(4,412,310)	-	(4,412,310)
Transferred to/ (from) income and expenditure account		-	(482,563,486)	-	(482,563,486)
Adjustment for due from donor			107,224,381	-	107,224,381
Balance as at June 30, 2021		**-**	**52,697,757**	**70,685,717**	**123,383,474**

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30 2021

	Note	2021	Restated 2020
	Note	------Rupees------	
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		54,153,469	3,826,877
Adjustments for;			
Depreciation	6	575,475	575,475
Amortized income	11	(260,475)	(260,475)
		54,468,469	4,141,877
Changes in;			
(Increase)/decrease in current assets			
Advances		(1,057,482)	(673,281)
Deposits, receivables and short term prepayments		(105,922,287)	(42,068,403)
Increase / (decrease) in current liabilities			
Trade and other payable		183,933,251	5,552,958
Cash generated from operating activities		131,421,951	(33,046,849)
Less: Tax paid			
Net cash generated from operations		131,421,951	(33,046,849)
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 funds		(379,751,415)	405,015,497
Net cash generated from financing activities		(379,751,415)	405,015,497
Net increase in cash and cash equivalents		(248,329,464)	371,968,648
Cash and cash equivalents at the beginning of the year		492,241,833	120,273,185
Cash and cash equivalents at the end of the year		243,912,369	492,241,833

The annexed notes from 1 to 24 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

MEDICAL EMERGENCY RESILIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 at Plot No. 40-A, 1st Floor, I &T Center, G-8/1, 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 statement of cash flows, 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 recognized 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:

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Note 3, Basis of Preparation - Continued...

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, under Clause (58) of Part 1 of the Second Schedule to the Income Tax Ordinance 2001 was subject to Section 100C 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 secured the tax exemption as per aforementioned rule. Consequently, no provision for taxation has been made in these financial statements.

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 statement of cash flows

The statement of cash flows is prepared using indirect method.

Note 4
Initial Application of Standards, Amendments or an Interpretation to Existing Standards

4.1 Standards, amendments & interpretations to approved accounting standards which are effective during the year ended June 30, 2021

There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2020, other than those disclosed in note 5, 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 New standards, amendments to approved accounting standards and interpretations that are effective for the Company's accounting periods beginning on or after July 1, 2021

There are certain 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, 2021. However, these amendments and interpretations will not have any significant impact on the financial reporting of the Company and, are therefore, not detailed in these financial statements except for the following;

Note 4, Initial Application of Standards, Amendments or an Interpretation to Existing Standards - Continued...

a) Classification of liabilities - Amendment to International Accounting Standards: (effective for period beginning on January 1, 2021.)

The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

In particular, the amendment clarifies that:

i) liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights.

ii) the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification.

iii) The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date

iv) Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

The company is yet to assess the impact of this amendment.

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.

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.

Judgement and estimate

The residual value, useful life and methods are reviewed and adjusted if appropriate at each reporting date.

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 of another entity.

5.2.1 Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

i) Amortized cost where the effective interest rate method will apply;
ii) fair value through profit or loss;
iii) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in income and expenditure account or other comprehensive income (OCI). For investment in equity instruments (if any) that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt investments (if any) when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commit to purchase or sell the asset. Further financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss (FVTPL) are expensed in income and expenditure account.

Debt instruments

Subsequent measurement of debt instruments (if any) depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments (if any):

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

a) Amortized cost
Assets that are held for collection of contractual cash flows where the contractual terms of the financial assets give rise on specified dates to cash flows that represent solely payments of principal or principal and interest, are measured at amortized cost. Interest income (if any) from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in income and expenditure account and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income and expenditure account.

b) Fair value through other comprehensive income (FVTOCI)
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the contractual terms of the financial asset give rise on specified dates to cash flows that represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to income and expenditure account and recognized in other income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the income and expenditure account.

c) Fair value through profit or loss (FVTPL)
Assets that do not meet the criteria for amortized cost or FVTOCI are measured at fair value through income and expenditure account. A gain or loss on a debt investment that is subsequently measured at fair value through income and expenditure account is recognized in the income and expenditure account and presented in finance income/cost in the period in which it arises.

Equity instruments
The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income and expenditure account following the derecognition of the investment. Dividends from such investments continue to be recognized in income and expenditure account as other income when the Company's right to receive payments is established.

Impairment of financial assets
The Company assess on a historical as well as forward-looking basis, the expected credit loss (ECL) as associated with its trade debts, deposits & bank balances carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:
- Deposits
- Bank Balances

General approach for deposits and bank balances.
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognized when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognized without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

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

Significant increase in credit risk
The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis through out each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.
The following indicators are considered while assessing credit risk;
-actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the VALUE of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.
- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Credit - impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active MARKET for that financial asset because of financial difficulties.

5.2.2 Financial liabilities
Classification, initial recognition and subsequent 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 (FVTPL)
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 income and expenditure account for the year, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when and only when the Company's obligations are discharged, cancelled or expires.

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

5.2.3 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position if there is a currently enforceable legal right to offset the recognized amount and there is an intention to settle on a net basis, to realize the assets and 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 was recognized.

Non - financial assets

Assets that are subject to depreciation are reviewed for impairment at each reporting date, or wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 reporting 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 recognized. An impairment loss or reversal of impairment loss is recognized in income for the year.

5.4 Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments that are readily convertible to the known amounts of cash and are subject to an insignificant risk of exchange in value.

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.

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

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, under Clause (58) of Part 1 of the Second Schedule to the Income Tax Ordinance 2001 was subject to Section 100C 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 secured the tax exemption as per aforementioned rule.

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 proportionate monthly salary. 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.

The liability of the company is limited to the amount calculated based on the formula
(One month salary*contract period) at the time of employee leaving the organization.

Note 6
Property, Plant and Equipment

	Furniture and Fixture	Office and Electrical Equipment	Computers and Accessories	Total
	-------------	Rupees	-------------	
		Donated Assets		
Cost				
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
Balance as at July 01, 2020	698,000	1,038,500	1,120,000	2,856,500
Additions during the year	-	-	-	-
Balance as at June 30, 2021	698,000	1,038,500	1,120,000	2,856,500
Depreciation				
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
Balance as at July 01, 2020	444,975	662,044	1,119,999	2,227,018
Charge for the year	104,700	155,775	-	260,475
Balance as at June 30, 2021	549,675	817,819	1,119,999	2,487,493
Carrying amounts as at June 30, 2020	253,025	376,456	1	629,482
Carrying amounts as at June 30, 2021	**148,325**	**220,681**	**1**	**369,007**
		Owned Assets		
Cost				
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
Balance as at July 01, 2020	-	2,100,000	-	2,100,000
Purchases during the year	-	-	-	-
Balance as at June 30, 2021	-	2,100,000	-	2,100,000
Depreciation				
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
Balance as at July 01, 2020	-	1,128,750	-	1,128,750
Charge for the year	-	315,000	-	315,000
Balance as at June 30, 2021	-	1,443,750	-	1,443,750
Carrying amounts as at June 30, 2020	-	971,250	-	971,250
Carrying amounts as at June 30, 2021	**-**	**656,250**	**-**	**656,250**
Total carrying amounts as at June 30, 2020	253,025	1,347,706	1	1,600,732
Total carrying amounts as at June 30, 2021	**148,325**	**876,931**	**1**	**1,025,257**
Depreciation rate (%)	15%	15%	33%	

Note 7

Advances	**Note**	**2021**	**2020**
		------Rupees------	
Advances to employees	7.1	3,881,720	2,071,110
Provision for bad debt	7.2	(753,128)	-
		3,128,592	2,071,110

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

7.2

	Amount	**Percentage of Allowance**	**2021**	**2020**
			--------- Rupees --------	
0 - 1 month	139,555	0%	-	-
1 - 6 months	585,049	0.0%	-	-
6- 12 months	2,428,271	1%	24,283	-
More than 1 year	728,845	100%	728,845	-
			753,128	

Note 8

Deposits, Receivables and Short Term Prepayments	**Note**	**2021**	**Restated 2020**
		------Rupees------	
Security deposits	8.1	10,752,049	5,004,150
Receivables	8.2	1,489,661	237,268
Other receivable	8.3	107,224,381	4,412,310
Prepayments	8.4	32,270,249	36,160,325
		151,736,340	45,814,053

8.1 Security deposits

Gross amount due		10,752,049	5,004,150
Less: Impairment allowance for expected credit loss		-	-
	8.1.1 & 8.1.2	10,752,049	5,004,150

8.1.1 Security deposits represent the amount of deposits placed with property owners under lease agreements, fuel stations and call deposit receipt issued in favor of various organizations.

8.1.2 The aging analysis of security deposits is as follows:

	2021	**2020**
	--------- Rupees --------	
0 - 1 month	50,000	-
1 - 6 months	3,838,399	2,185,500
6 - 9 months	1,774,000	334,150
More than 9 months	5,089,650	2,484,500
	10,752,049	5,004,150

8.2 Receivables represent the insurance paid on account of employees and is recoverable through monthly deductions from their salaries.

Note 8, Deposits, Receivables and Short Term Prepayments - Continued...

8.3 Other receivables represent the amount paid by the entity itself for the project expenses. This amount is receivable from the project donors. Aging analysis of other receivable is as follows

	2021	2020
	- - - - - - - - - Rupees - - - - - - - -	
0 - 1 month	85,372,890	1,253,924
1 - 6 months	12,925,714	3,158,386
6 - 9 months	3,145,829	-
More than 9 months	5,779,948	-
	107,224,381	4,412,310

8.4 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**	**2021**	**2020**
		- - - - - - R u p e e s - - - - - -	
Cash in hand		1,257,356	11,357,375
Cash at bank	9.1	242,655,013	480,884,458
		243,912,369	492,241,833

9.1	- Current account (PKR)		82,549,712	67,112,593
	- Saving account (PKR)	9.1.1	160,105,301	413,771,865
			242,655,013	480,884,458

9.1.1 Profit rates on saving bank accounts range between 3.94 % to 7.75% per annum.

Note 10
Restricted Funds

Project Name	Donor	As at 01 July 2020		Grant received	Project expenditure incurred	Transferred to/ (from) income and expenditure account	Net movement during the year	Transfer to accumulated surplus on account of closure of project	As at 30 June 2021	
		Opening grants-advance received	Opening grants receivable						Closing grants-advance received	Closing grant receivable
		A	B	C	D	E	F	G	H	I
		Rupees								
Contract Under Public Private Partnership- SINDH	Government of Sindh	1,525,606	-	540,531,000	(537,277,967)	3,253,033	3,253,033	-	4,778,639	-
Contract under Public Private Partnership- Mishtimela Hospital	Government of Khyber Pakhtunkhwa	-	(1,061,603)	180,909,091	(179,784,602)	1,124,489	1,124,489	-	62,886	-
Contract under Public Private Partnership- Dogar, District Kurram	Government of Khyber Pakhtunkhwa	-	-	124,286,727	(124,762,037)	(475,310)	(475,310)			(475,310)
Contract under Public Private Partnership- Ghiljo, District Orakzai	Government of Khyber Pakhtunkhwa	-	-	113,377,636	(113,019,100)	358,536	358,536		358,536	
Contract under Public Private Partnership- Mola Khan Sarai Sarokai, District South Waziristan	Government of Khyber Pakhtunkhwa	-	-	136,104,909	(135,828,774)	276,135	276,135		276,135	-
Contract under Public Private Partnership- Mamad Gat, District Mohmand	Government of Khyber Pakhtunkhwa	-	-	98,830,364	(98,835,836)	(5,472)	(5,472)			(5,472)
WFP - Ehsas Nashonuma Stunting Prevention Program - Kalat and Surab	The World Food Programme	-	-	11,506,310	(13,556,411)	(2,050,101)	(2,050,101)			(2,050,101)
WFP - Ehsas Nashonuma Stunting Prevention Program - Labella	The World Food Programme	-	-	10,622,828	(4,081,810)	6,541,018	6,541,018		6,541,018	-
Paramedics Training under FATA Youth Skills Development Programme	FATA Development Authority	4,874,752	-	-	-	-	-		4,874,752	-
Social Mobilization and Community Outreach Activities to Promote Routine/ Essential Immunization	United Nations Children's Fund	5,356,998	-	-	(5,149,597)	(5,149,597)	(5,149,597)		207,401	-
CMW Training Under FATA Youth Skills Development Programme	FATA Development Authority	2,357,278	-	-	-	-	-		2,357,278	-
Containing the Spread of COVID-19 and Strengthening Existing Capacities of Health System In Pakistan	International Rescue Committee, Deutschland hGmbH	314,516,809	-	429,140,789	(826,176,034)	(397,035,245)	(397,035,245)			(82,518,436)
Nutrition Stabilization Centre (NSCs) PINS-ACF	Action Against Hunger - International	6,425,458	-	15,490,915	-	15,490,915	15,490,915		21,916,373	-
Nurses Training Under FATA Youth Skills Development Programme	FATA Development Authority	-	(3,350,707)	-	(6,067,065)	(6,067,065)	(6,067,065)	-		(9,417,772)
Quetta Urban Survey	World Bank Group	1,071,474	-	10,745,000	(24,573,764)	(13,828,764)	(13,828,764)	-		(12,757,290)
Review and Training of International Catholic Migration Commission's Supply Chain Management System"	International Catholic Migration Commission (ICMC)	140,000	-	-	-	-	-		140,000	-
Contract Under Public Private Partnership- COVID Response	Government of Sindh	84,996,330	-	-	(84,996,058)	(84,996,058)	(84,996,058)		272	-
Providing Lifesaving Health and Nutrition Services to the Conflict Affected Temporary Displaced People (TDP) and Host Populations	Malteser International	523,315	-	-	-	-	-		523,315	-
National Nutrition Survey 2017-18	Agha Khan University	1,633,664	-	-	-	-	-		1,633,664	-
Quetta Nutrition Survey	Government of Balochistan	9,027,488	-	-	-	-	-		9,027,488	-
TOTAL		**432,449,172**	**(4,412,310)**	**1,671,545,569**	**(2,154,109,055)**	**(482,563,486)**	**(482,563,486)**	**-**	**52,697,757**	**(107,224,381)**

Note 11

Deferred Income	**Note**	**2021**	**2020**
		------Rupees------	
Balance as at July 01		629,482	889,957
Add: Addition during the year		-	-
		629,482	889,957
Less: Amortized income	11.1	(260,475)	(260,475)
Balance as at June 30		369,007	629,482

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**	**2021**	**Restated 2020**
		------Rupees------	
Payable to staff		2,614,203	1,605,091
EOBI payable		536,510	740,860
Gratuity payable		52,637,763	32,742,612
Audit fee payable		550,000	307,000
Tax payable	12.1 & 12.2	8,108,040	3,068,118
Accrued expenses		211,603,561	53,653,145
	12.3	276,050,077	92,116,826

12.1

	2021	2020
Income tax withheld on payment of salaries	1,484,879	787,363
Income tax withheld on payment of supplies	4,046,144	1,008,949
Sales tax withheld on payment of supplies	908,105	199,252
Income tax withheld on payment of services	757,045	543,913
Sales tax withheld on payment of services	911,867	528,641
	8,108,040	3,068,118

12.2 Concerned deputy commissioner has passed the order under section 161(1) of income tax ordinance 2001 for the tax year 2018, 2019 and 2020, and determined the tax liability for the respective tax years. The company has paid the tax liabilities and the adjustments has been made as per board resolution.

	2021	**2020**
	------Rupees------	
Income tax payable	10,190,707	3,068,118
Tax adjustments	(2,082,667)	-
	8,108,040	3,068,118

12.3 The aging analysis of trade and other payables is as follows:

	2021	**2020**
	--------- Rupees --------	
0 - 1 year	273,073,515	90,611,424
1 - 2 year	1,020,273	937,129
2 - 3 year	1,388,016	568,273
More than 3 years	568,273	-
	276,050,077	92,116,826

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Note 13

Contingencies and Commitments

Contingencies

Nil

Commitments

1 Medical Emergency Resilience Foundation has entered into 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
	---- (Rupees) ----			
Year 2022	5,603,250	1,837,500	1,496,325	1,175,625
Year 2023	7,719,000	2,021,250	1,645,958	1,293,188
Year 2024	8,490,900	2,223,375	1,810,553	1,422,506
	21,813,150	6,082,125	4,952,836	3,891,319

Note 14

Income	**Note**	**2021**	**2020**
		------ Rupees ------	
Grant received		1,671,545,569	1,097,486,260
General funds and donations		-	835,274
Overhead charge/Management fee	14.1	65,350,873	18,125,545
Other income	12.2	2,082,667	-
Interest income		7,940,938	3,010,447
		1,746,920,047	1,119,457,527

14.1 Overhead charge/Management fee represents amount of cost reimbursed from Project with FATA Secretariat under Public Private Partnership for operationalization of various hospitals in NMDs. This amount is calculated at 10% of total amount spent during the year.

Note 15

Project Expenses	**Note**	**2021**	**2020**
		------Rupees------	
Salaries, wages and other benefits		789,459,595	368,913,983
Program cost-medicines, drugs and consumables		511,156,306	175,745,623
Program cost- medical equipments		574,797,488	31,432,770
Program cost- rehabilitation, repair and maintenance		98,931,065	16,726,577
Casual labor		2,534,304	576,042
Communication and courier cost		5,801,173	3,377,630
Enumerator charges for survey		6,315,800	1,379,611
Field and health facilities running costs		16,612,689	7,718,542
Hospital staff uniform		2,274,165	276,000
Insurance charges		10,485,740	2,477,629
Consultancy costs		-	2,714,080
Legal and professional fee		5,330,853	2,737,260
Rent expense		9,929,146	5,832,457
PBIs for government staff		11,228,300	16,642,385
POL and rent for vehicles		49,101,891	14,971,358
Printing, stationery and newspaper		13,781,120	5,793,728
Program cost- tuition, stipend, food and hostel charges		5,096,333	16,700,433
Income tax withheld		462,380	318,945
Bank charges		143,624	368,395
Training costs		1,476,006	1,300,393
Travelling and accommodation costs		8,047,568	2,367,999
Utilities		31,143,509	18,511,232
		2,154,109,055	696,883,073

Note 16

Administrative and General Expenses	**Note**	**2021**	**2020**
		------Rupees------	
Salaries, wages and other benefits		10,725,564	11,482,548
Printing, stationery and newspaper		50,083	255,444
Communication and courier cost		154,585	172,300
Office running costs		186,543	691,799
Insurance charges		294,943	115,446
Legal and professional fee		119,730	235,560
Travelling and accommodation		399,443	118,180
Office furniture and equipment		520,287	-
Rent expense		4,694,850	2,481,000
Vehicle rent		1,718,888	920,460
POL and rent for vehicles		334,505	645,257
Casual labor		-	8,400
Utilities		139,058	202,632
Repair and maintenance		42,800	185,394
Income tax withheld		221,602	7,159
Bank charges		-	812
Provision for bad debt		753,128	-
Depreciation		575,475	575,475
Auditors' remuneration	16.1	550,000	307,000
		21,481,484	18,404,865

Note 16, Administrative and General Expenses - Continued...

16.1 Auditor' remuneration

Annual audit fee	500,000	264,000
Out of pocket	50,000	43,000
	550,000	307,000

Note 17

Taxation

The income of the company, under Clause (58) of Part 1 of the Second Schedule to the Income Tax Ordinance 2001 was subject to Section 100C 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 secured the tax exemption as per aforementioned rule.

Note 18

Number of Employees

	2021	**2020**
Average number of employees during the year	1027	658
Total number of employees as at June 30	1354	700

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;

	2021	**2020**
Key Management Personnel	------Rupees------	
- Remuneration and other benefits paid to CEO	13,800,000	13,800,000
- Reimbursement of expenses paid by director on behalf of Company	-	-
- Advances taken by CEO	80,000	-

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 & Risk Management

20.1 Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognized when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognized without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

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

	2021	2020
Fair value through profit or loss	-	-
Amortized cost	------Rupees------	
Security deposits	10,752,049	5,004,150
Bank balances	242,655,013	480,884,458
Financial Liabilities as per statement of Financial Position		
Amortized cost	------Rupees------	
Trade and other payables	267,942,037	88,811,440

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.

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 industry.

The Company reviews the recoverable amount of each financial asset on an individual basis at each reporting date to ensure that adequate loss allowance is made in accordance with the assessment of credit risk for each financial asset.

The Company considers a financial asset to have low credit risk when the asset has reasonably high external credit rating or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due in the normal course of business based on history with the counterparty.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. This is usually the case with various customers of the Company where the Company has long standing business relationship with these customers and any amounts that are past due by more than 30 days in the normal course of business are considered 'performing' based on history with the customers. Therefore despite the foregoing, the Company considers some past due trade debts to have low credit risk where the counterparty has a good history of meeting its contractual cash flow obligations and is expected to maintain the same in future.

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

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

The Company considers default to have occurred when the financial asset is credit-impaired. A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial condition and there is no realistic prospect of recovery.

Exposure to credit risk

The maximum exposure to credit risk as at the reporting date is as follows:

	2021	2020
	- - - - - - - - - Rupees	- - - - - - - -
Security deposits	10,752,049	5,004,150
Bank balances	242,655,013	480,884,458
	253,407,062	485,888,608

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

Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to internal credit risk grading. The credit quality of the Company's financial assets exposed to credit risk is as follows:

Bank	Short Term	Long Term	Agency	2021	2020
				- - - - - - - - - Rupees	- - - - - - - -
Security Deposits	N/A	N/A	N/A	10,752,049	5,004,150
Habib Bank Limited	A-1+	AAA	VIS	209,461,114	189,377,175
Meezan Bank Limited	A-1+	AAA	VIS	10,026,502	25,714
Habib Metropolitan Bank Ltd	A one plus	AA+	PACRA	23,167,397	291,481,569
				253,407,062	485,888,608

a **Short term deposits**

These are placed with financial institutions with reasonably high credit ratings and therefore no credit loss is expected. Accordingly no loss allowance has been made.

b **Bank balances**

The bankers of the Company have reasonably high credit ratings as determined by various independent credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect any credit loss.

Concentrations of credit risk

The Company determines concentrations of credit risk by type of counterparty. Maximum exposure to credit risk, as at the reporting date, by type of counterparty is as follows:

	2021	2020
	- - - - - - - - - Rupees	- - - - - - - -
Banking companies	242,655,013	480,884,458
Others	10,752,049	5,004,150
	253,407,062	485,888,608

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

Collateral held
The Company does not hold any collateral to secure its financial assets.

Changes in impairment allowance for expected credit losses
The changes in impairment allowance for expected credit losses is nil.

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.

	2021	Contractual Cash Flow	1 to 12 Months
		---- (Rupees) ----	
Financial liabilities			
Accrued and other liabilities	276,050,077	272,866,790	272,866,790
	276,050,077	272,866,790	272,866,790

	2020	Contractual Cash Flow	1 to 12 Months
		---- (Rupees) ----	
Financial liabilities			
Accrued and other liabilities	91,879,558	91,879,558	91,879,558
	91,879,558	91,879,558	91,879,558

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.

20.2 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.

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' 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	
	2021	2020	2021	2020
	Rupees		Rupees	
Remuneration	-	-	13,521,664	13,800,000
No. of Person	4	4	1	1

Note 22
Restatement

During the year, the company restated prior year balance in respect of recording other receivable and restricted fund. During the year ended June 30,2020, company did not classify the amount that it paid itself for project expenses as receivable. Such expenses are billed to donor, so they need to be classified as other receivable. Further, insurance receivable of Rs.237,268 was erroneously debited to EOBI payable. These errors have been corrected in the current period retrospectively and the comparative figure were restated. Effect of restatement is as follow;

	As originally reported on June 30,	Effects of errors 2020	Restated amount as at June 30, 2020
	(Rupees)		
Restatement in Statement of Financial position			
Assets			
Other receivable	-	4,412,310	4,412,310
Insurance receivable	-	237,268	237,268
Funds and liabilities			
Restricted funds	428,036,862	4,412,310	432,449,172
EOBI payable	503,592	237,268	740,860

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Note 23
Date of Authorization

These financial statements have been authorized for issue on 31/5/22 by the Board of Directors of Medical Emergency Resilience Foundation.

Note 24
General

24.1 Figures have been rounded off to the nearest rupee.

24.2 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