

Muzaffarabad Physical Rehabilitation Centre
Audited Financial Statements
For the period ended
June 30, 2019



NASIR JAVAID MAQSOOD IMRAN

Chartered Accountants

Islamabad Office:
Office # 12 & 13 3rd Floor
Fazal Arcade,
F-11 Markaz, Islamabad.
Tel: 051-2228138
Fax: 051-2228139
E-mail:
njmiconsultants@gmail.com
islamabadoffice@njmi.net

Independent Auditors' Report to the Management

Opinion

We have audited the financial statements of "Muzaffarabad Physical Rehabilitation Center" for the period from July 01, 2018 to June 30, 2019 which comprises the statement of financial position and income and expenditure account and statement of cash flows for the year then ended, together with notes including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the "Muzaffarabad Physical Rehabilitation Center" is prepared, in all respects, in accordance with note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with the 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 audit report. We are independent of the entity in accordance with the International Ethic 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with note 2 to the financial statements, and for such internal control as the Management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements Management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless Management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity'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,

Karachi Office:

904, 9th Floor, Q.M. House, Plot No. 11/2, Ellander Road, Opp. Shaheen Complex, Off. I.I Chundrigar Road, Karachi Pakistan
Tel: 021-32212382, 32212383, 32211516, Fax: 021-32211515

Lahore Office:

Office # 1102, Al-Hafeez Heights, 66-D/1, Ghalib Road, Gulberg-III, Lahore
Tel: 042-35754821-22, Fax: 042-36317513, E-mail: nasirg@wol.net.pk

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individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statement.

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

- Identify and assess the risks of material misstatement of the financial statement, 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 of 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 controls.
- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of Management 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 entity's ability to continue as a going concern. If we conclude that a material misstatement exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement 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 entity to cease to continue as a going concern.

We communicate with those charged with governance 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.

Date: Feb. 10, 2020

Place: Islamabad


Nasir Javaid Maqsood Imran

Chartered Accountants



Imran ul Haq FCA

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	40,270	56,226
CURRENT ASSETS			
Investment held to maturity	5	75,242,945	-
Inventory		24,478,777	25,611,160
Cash and bank	6	32,801,835	85,301,006
		132,523,557	110,912,166
TOTAL ASSETS		132,563,827	110,968,392
RESERVES AND LIABILITIES			
RESERVES			
Accumulated surplus		112,430,393	102,227,566
Endowment fund	7	15,000,000	5,000,000
LONG TERM LIABILITIES			
Contributory provident fund		5,038,466	3,652,634
CURRENT LIABILITIES			
Audit fee payable		68,000	68,000
Security deposit and other payables		26,968	20,192
		94,968	88,192
TOTAL RESERVES AND LIABILITIES		132,563,827	110,968,392

The annexed notes from 1 to 13 form an integral part of these financial statements.


 CHAIRMAN
 (Board of Directors)



 DIRECTOR

**MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 Rupees	2018 Rupees
INCOME			
Receipts from International Committee of the Red Cross	8	27,284,719	38,826,057
Receipts from Government of AJK		19,386,023	13,513,721
Receipts from AJK Government Zakat Fund		105,700	-
Profit on bank deposit		2,511,792	2,937,111
Other income		5,533,951	1,103,229
		54,822,184	56,380,118
EXPENDITURE			
Personnel cost	9	18,047,185	19,662,488
Project cost	10	24,193,358	26,728,955
Operational cost	11	2,378,815	1,980,183
		44,619,357	48,371,627
SURPLUS FOR THE PERIOD		10,202,827	8,008,491
ACCUMULATED SURPLUS BROUGHT FORWARD		102,227,566	94,219,075
ACCUMULATED SURPLUS CARRIED FORWARD		112,430,393	102,227,566

The annexed notes from 1 to 13 form an integral part of these financial statements.




CHAIRMAN
(Board of Directors)



DIRECTOR

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the period		10,202,827	8,008,491
Adjustments:			
Inventory		1,132,383	(996,127)
Depreciation		15,956	22,794
Short term Investment		(75,242,945)	-
		(74,094,606)	(973,333)
Cash flows before working capital changes		(63,891,779)	7,035,159
Changes in Working Capital:			
Increase/(decrease) in payables		1,392,608	853,120
Cash generated from operations		(62,499,171)	7,888,279
Finance charges reimbursed		-	-
Net cash generated from operating activities		(62,499,171)	7,888,279
CASH FLOW FROM INVESTING ACTIVITIES			
Short term Investment		-	-
Net cash used in Investing activities		-	-
CASH FLOW FROM FINANCING ACTIVITIES			
Cash received as endowment fund	7	10,000,000	5,000,000
Net cash flows from / (used in) financing activities		10,000,000	5,000,000
Net increase in cash and cash equivalents during the year		(52,499,171)	12,888,279
Cash and cash equivalents at the beginning of the year		85,301,006	72,412,728
Cash and cash equivalents at the end of the year	6	32,801,835	85,301,006

The annexed notes from 1 to 13 form an integral part of these financial statements.


 CHAIRMAN
 (Board of Directors)


 DIRECTOR

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 The center and its operations

Muzaffarabad Physical rehabilitation Centre (the "Centre") was established by Memorandum of Undertaking (MoU) signed by International committee of the Red Cross (ICRC) and Department of Health, Azad Jammu and Kashmir (AJK) Government in April 2006 for construction of building for rehabilitation centre. On completion of construction of building in October 2007 both parties signed a cooperation agreement concerning physical rehabilitation services in AJK territory. It was also agreed that the centre will be handed over to the Department of Health, AJK Government at completion of the agreement.

In January 2013, AJK Government passed Muzaffarabad Physical Rehabilitation Centre Ordinance establishing the Centre as an autonomous body. Later this ordinance was replaced by Muzaffarabad Physical Rehabilitation Centre Act, 2014 (Act XVII of 2014) passed by the Legislative Assembly of the AJK. Department of Health, AJK Government has deputed a permanent representative to serve as Director and member on the Board of Directors of the Centre. On June 20, 2013 Board Members were accepted and an advisory committee was formed to guide and advise on the hand over process, and list of assets to be handed over to the centre by ICRC was tabled and approved.

The main objective of the Centre is to provide treatment and rehabilitation services/ appliances to patient needing orthotic and prosthetic devices. The Centre is located at C.M.H Road, Muzaffarabad.

The Centre was operated as a component of ICRC from April 2006 to December 31, 2013. All the assets and liabilities were handed over to the management of the Centre as on December 31, 2013.

2 Statement of Compliance

These financial statements have been prepared in accordance with the Accounting and Financial reporting standard for Small Sized Entities as applicable in Pakistan.

3 Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of these accounts are as follows:

3.1 Accounting convention and basis of preparation

These accounts have been prepared under the historical cost convention except as otherwise stated in relevant policies.

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.2 Significant accounting estimates and judgments

The preparation of financial statements in conformity with the International Accounting and Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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 period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Cost in relation to Property and equipment includes the costs incurred initially to acquire or construct the item, and costs incurred subsequently to add or replace part of the item. Costs of servicing the item are charged to expenses.

Depreciation is charged on written down value method at rates given in Note 4 to the accounts. Depreciation is charged on additions from the month the asset becomes available for use and is ceased to be charged in the month the asset is disposed off.

Gains and losses on disposal of assets, if any, are included in current income.

3.4 Investment held to maturity

Investments with fixed or determinable payments and fixed maturity, which the Company has the positive intent and ability to hold to maturity, are carried at amortised cost, using the effective interest rate method less impairment losses, if so determined.

3.5 Inventory

These are valued at cost, determined on first in first out basis, or net realizable value, whichever, is lower, less allowance for obsolete and slow moving items. For items which are slow moving and/or identified as surplus to the Centre's requirement, a provision is made for excess of book value over estimated net realizable value. The management reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.-



MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.6 Grants

Revenue grants are recognized over the periods necessary to match these grants with the related costs. Such grants for which related costs are to be incurred subsequent to the financial statement date are carried as deferred grants. However, if no basis exists for allocating a grant to more than one accounting period then such grant is recognized as income on receipt basis.

Capital grants utilized for fixed assets are reflected in the balance sheet as deferred grant, which is amortized over useful life of the related depreciable assets equivalent to related depreciation charge.

Donations are recognized as and when received.

Donations in kind are recognized at fair market values if ascertainable and if not ascertainable, it will be recognized at Rupee 1 per asset.

3.7 Interest income

Revenue from interest income is recognized when right to receive is established.

3.8 Taxation

Income tax expense represents current tax expense. Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.

3.9 Provisions

Provisions are recognized when the Centre has a present legal or constructive obligation as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.10 Employee benefits

3.10.1 Provident fund

Defined contributory provident fund for all eligible employees for which contributions are charged to income and expenditure account.



MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

4 Property and equipment

PARTICULARS	Building	Office Equipment	Vehicle	Furniture and Fixture	Crockery Items	It Equipment	TOTAL
	(R u p e e s)						
Year ended 30 June 2018							
Opening net book value	1	508	1	736	1,793	75,981	79,020
Addition during the year	-	-	-	-	-	(22,794)	(22,794)
Depreciation	-	-	-	-	-	(22,794)	(22,794)
Closing net book value	<u>1</u>	<u>508</u>	<u>1</u>	<u>736</u>	<u>1,793</u>	<u>53,187</u>	<u>56,226</u>
At 30 June 2018							
Cost	1	508	1	736	1,793	182,417	185,456
Accumulated depreciation	-	-	-	-	-	(129,230)	(129,230)
Net book value	<u>1</u>	<u>508</u>	<u>1</u>	<u>736</u>	<u>1,793</u>	<u>53,187</u>	<u>56,226</u>
Year ended 30 June 2019							
Opening net book value	1	508	1	736	1,793	53,187	56,226
Addition during the year	-	-	-	-	-	(15,956)	(15,956)
Depreciation	-	-	-	-	-	(15,956)	(15,956)
Closing net book value	<u>1</u>	<u>508</u>	<u>1</u>	<u>736</u>	<u>1,793</u>	<u>37,231</u>	<u>40,270</u>
At 30 June 2019							
Cost	1	508	1	736	1,793	182,417	185,456
Accumulated depreciation	-	-	-	-	-	(145,186)	(145,186)
Net book value	<u>1</u>	<u>508</u>	<u>1</u>	<u>736</u>	<u>1,793</u>	<u>37,231</u>	<u>40,270</u>

4.1 Operating fixed assets donated by ICRC to MPRC as follows:

- Building for MPRC office
- Toyota Hiace
- Diesel generators
- Water pump
- IT equipment
- Furniture and fixtures
- Office equipment

Committee of Red Cross while handing over the centre to MPRC. Total of these assets are 3,080 which includes 1 building, 1 toyota hiace, office equipment items 516, furniture & fixture items 730, crockery items 1,793 and IT equipment items 39. All of these assets and liabilities were handed over to the management of the Centre as on December 31, 2013.

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

5 Investment held to maturity	Note	2019	2018
		Rupees	Rupees
Opening balance		75,000,000	-
Addition		3,811,718	-
Deletion		(3,568,773)	-
Closing balance		<u>75,242,945</u>	<u>-</u>

MPRC invested Rs. 75,000,000/- in HBL Bank. Duration of this investment is one year. And the interest rate is 8.54% p.a. The investment is in TDR form.

6 Cash and Bank			
Cash in hand		81,554	64,019
Cash at bank - saving accounts		32,720,281	85,236,987
		<u>32,801,835</u>	<u>85,301,006</u>

7 Endowment Fund			
Opening balance		5,000,000	-
Addition during the year		10,000,000	5,000,000
Deletion during the year		-	-
Closing balance		<u>15,000,000</u>	<u>5,000,000</u>

During the year 2018-2019 HBL foundation provided donation of Rs.10 million (2017-2018: Rs.5 million) to MPRC-financial support for provision of artificial limbs and customized wheel chairs through establishment of endowment fund. Donation of Rs. 5 million which was provided in 2017-2018 was mentioned in reserves & liabilities and notes to financial statement, however was mistakenly not mentioned in the cash flow statement last year. The mistake has been corrected this year and it is included in Financing activities of cash flows statement in 2018.

8 Donations from ICRC			
Donation in cash	8.1	6,097,762	12,631,420
Donation in kind	8.1 & 10.1	21,186,957	26,194,637
		<u>27,284,719</u>	<u>38,826,057</u>

8.1 Receipts from International Committee of the Red Cross (ICRC)

Reference MoU ISL 13/00641 between Muzaffarabad Physical Rehabilitation center(MPRC) and International Committee of the Red Cross(ICRC),MPRC in the year 2018-2019 received Rs 6,097,762 from ICRC as support in addition to the raw materials(in kind) .A new MPRC-ICRC MoU Reference No ISL 18/00786 has been signed for MPRC mainly supporting raw materials for the period 01 January 2019-31st December 2023.

9 Personnel Cost			
Salaries & benefits		17,985,410	19,577,191
Medical cost		52,815	60,997
Technical Employees Dress		8,960	24,300
		<u>18,047,185</u>	<u>19,662,488</u>

MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

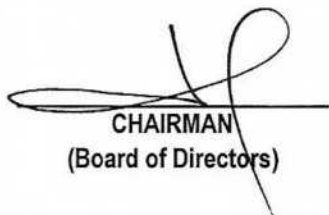
	Note	2019 Rupees	2018 Rupees
10 Project Cost			
Patient cost		1,578,062	1,345,998
Inventory - Local purchase		214,696	137,256
Inventory consumed during the year	10.1	22,319,340	25,198,510
Medical items		460	3,911
Patient transportation		80,800	43,280
		24,193,358	26,728,955
10.1 Inventory received from ICRC			
Opening inventory		25,611,160	24,615,033
Received during the year		21,186,957	26,194,637
Closing inventory		24,478,777	(25,611,160)
Consumed during the year		22,319,340	25,198,510
10.1.1	The inventory has been recorded at cost as recognising it on NRV doesnot depict true financial position of the the financial statements.		
11 Operational cost			
Fuel		470,984	454,530
Electricity expense		684,064	467,302
Gas expenses		172,520	151,720
Water charges		48,000	48,000
Housing and cleaning materials		182,333	155,427
Printing and stationary		158,441	116,859
Postage and communication expenses		70,925	74,726
Repairs and maintenance-Building		58,541	110,662
Repairs and maintenance-Machines		800	11,834
Repairs and maintenance-Vehicles		6,404	455
Spares-Vehicle and generator		40,490	94,435
Advertisement		10,771	19,893
MPRC Website Development		5,200	-
Travelling, boarding and lodging		21,150	63,250
Bank charges		15,010	12,860
Gardner services		-	2,218
Refilling of fire extinguishers		20,004	20,200
Newspaper subscription		7,995	8,183
Goods transportation		11,560	9,180
Refreshment expenses		7,062	9,920
Audit fee		68,000	68,000
Depreciation		15,956	22,794
Other expenses		147,155	-
Clubfoot tanotomy services		60,500	-
IT material		36,065	27,435
Contingency expenses		58,885	30,300
		2,378,815	1,980,183

**MUZAFFARABAD PHYSICAL REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

12 General

The financial statements were authorized for issue on _____ by the Board of Directors of the Centre.

All the figures have been rounded off to the nearest rupee.



CHAIRMAN
(Board of Directors)



DIRECTOR