

The Punjab Skills Development Fund

Financial Statements for the year ended
30 June 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of **The Punjab Skills Development Fund ("the Company")** as at 30 June 2013 and the related income and expenditure account, cash flow statement and statement of changes in fund together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in fund together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the surplus, its cash flows and changes in fund for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 30 June 2012 were audited by Avais Hyder Liaquat Nauman, Chartered Accountants whose report dated 25 October 2012 expressed an unqualified opinion.

Lahore

Date:

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

(A Company registered under section 42 of the Companies Ordinance, 1984)

As at 30 June 2013

The annexed notes from 1 to 19 form an integral part of these financial statements.

Dr. Gump

Chief Executive Officer

Director

The Punjab Skills Development Fund

(A Company registered under section 42 of the Companies Ordinance, 1984)

Income and Expenditure Account

For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Income			
Grant income		994,877,594	378,194,064
Expenditure			
Program cost	15	(952,613,575)	(345,857,842)
Non-program cost	16	(42,251,085)	(32,323,182)
		<u>(994,864,660)</u>	<u>(378,181,024)</u>
		12,934	13,040
Financial charges		(12,934)	(13,040)
Other income	17	6,392,504	1,873,390
Surplus before taxation		<u>6,392,504</u>	<u>1,873,390</u>
Taxation		-	-
Surplus after taxation		<u><u>6,392,504</u></u>	<u><u>1,873,390</u></u>

The annexed notes from 1 to 19 form an integral part of these financial statements.

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Lahore


Chief Executive Officer


Director

The Punjab Skills Development Fund

(A Company registered under section 42 of the Companies Ordinance, 1984)

Cash Flow Statement

For the year ended 30 June 2013

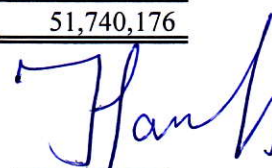
	Note	2013 Rupees	2012 Rupees
Cash flows from operating activities			
Surplus for the year		6,392,504	1,873,390
Adjustment for:			
Depreciation		3,456,485	2,466,872
Amortization		64,491	15,300
Provision for gratuity		1,594,220	1,130,000
Financial charges		12,934	13,040
Amortization of deferred grant		(3,520,976)	(2,482,172)
		1,607,154	1,143,040
Surplus before working capital changes		7,999,658	3,016,430
Changes in working capital			
<i>(Increase) / decrease in current assets</i>			
Mobilization advance		(468,315)	(10,989,356)
Advances, deposits and prepayments		(884,246)	(240,747)
Tax refunds due from government		(659,156)	(158,156)
		(2,011,717)	(11,388,259)
<i>Increase in current liabilities</i>			
Trade and other payables		31,296,658	76,566,658
Cash generated from operations		37,284,599	68,194,829
Finance charges		(12,934)	(13,040)
Gratuity paid		(437,500)	-
		(450,434)	(13,040)
Net cash used in operating activities		(450,434)	(13,040)
Cash flows from investing activities			
Capital expenditure		(4,193,387)	(4,194,955)
Acquisition of intangible assets		(67,000)	(620,500)
Net cash used in investing activities		(4,260,387)	(4,815,455)
Cash flows from financing activities			
Grants received		1,035,892,800	345,000,000
Grant related to assets		4,260,387	2,314,052
Funds utilized during the year		(995,617,005)	(378,194,064)
Net cash generated from / (used in) financing activities		44,536,182	(30,880,012)
Net increase in cash and cash equivalents		77,109,960	32,486,322
Cash and cash equivalents at the beginning of the year		51,740,176	19,253,854
Cash and cash equivalents at the end of the year	8	128,850,136	51,740,176

The annexed notes from 1 to 19 form an integral part of these financial statements.

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Lahore


Chief Executive Officer


Director

The Punjab Skills Development Fund

(A Company registered under section 42 of the Companies Ordinance, 1984)

Statement of Changes in Fund

For the year ended 30 June 2013

	Capital fund	Project fund	Total
	----- Rupees -----		
Balance as at 01 July 2011	1,800,000	10,632,376	12,432,376
Funds received during the year	-	345,000,000	345,000,000
Funds transferred:			
<i>Capital expenditure</i>	-	(2,314,052)	(2,314,052)
<i>Transferred from deferred grant</i>	-	2,482,172	2,482,172
Expenditure during the year	-	(378,194,064)	(378,194,064)
Surplus for the year	-	1,873,390	1,873,390
Balance as at 30 June 2012	<u>1,800,000</u>	<u>(20,520,178)</u>	<u>(18,720,178)</u>
Funds received during the year	-	1,035,892,800	1,035,892,800
Funds transferred:			
<i>Capital expenditure</i>	-	(4,260,387)	(4,260,387)
<i>Transferred from deferred grant</i>	-	3,520,976	3,520,976
Expenditure during the year	-	(994,877,594)	(994,877,594)
Surplus for the year	-	6,392,504	6,392,504
Balance as at 30 June 2013	<u>1,800,000</u>	<u>26,148,121</u>	<u>27,948,121</u>

The annexed notes from 1 to 19 form an integral part of these financial statements.

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Lahore


Chief Executive Officer


Director

The Punjab Skills Development Fund

(A Company registered under section 42 of the Companies Ordinance, 1984)

Notes to the Financial Statement

For the year ended 30 June 2013

1 Legal status and nature of business

The Punjab Skills Development Fund ("the Company") was incorporated on 11 October 2010 under section 42 of Companies Ordinance, 1984 funded by Government of Punjab and Department for International Development, UK. The registered office of the Company is situated in Lahore. The Company is a funding organization which acts as a financier of skills development / vocational training projects and intends to stimulate the market for skills development for the population of four districts of South Punjab namely Bahawalpur, Bahawalnagar, Lodhran and Muzaffargarh.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standards for Medium Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupee which is also the Company's functional currency.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements. Certain comparative amounts in the financial statements have been reclassified to confirm with the current years presentation.

3.1 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and identified impairment losses, if any.

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Depreciation charge is based on straight line method whereby the cost of an asset is written off to income and expenditure account at the rates prescribed in note 4 of these financial statements. Depreciation on additions is charged from the month in which the asset is acquired or capitalized while no depreciation is charged for the month in which items are disposed off.

Where the carrying amount of assets exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company.

Gains and losses on the disposal of assets are included in income.

3.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any impairment loss are amortized on straight line basis over 10 years being its useful life.

The cost of an asset is written off to income and expenditure account at the rates prescribed in note 5 of these financial statements. Amortization on additions is charged from the month in which the asset is acquired or capitalized while no depreciation is charged for the month in which items are disposed off.

3.3 Trade and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

3.4 Employee benefits

Provision for gratuity

The Company operates an unfunded gratuity scheme for all of its employees who have completed the minimum qualifying period of service as defined under the respective scheme.

Gratuity payable to employees is accounted for on accrual basis, on the last salary drawn by the employees for the total completed years of services, or part thereof, as at balance sheet date.

The amount of liability of each employee at year end is computed by number of years completed multiplied by the last drawn monthly gross salary. If the time period is more than six months beyond one year, the gratuity will be charged for the whole year. The difference between the current and the previous liability is charged to income and expenditure account as expense for the year.

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3.5 Trade and other payables

Liabilities for trade and other payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.6 Provisions

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

3.7 Revenue recognition

Government grants, including the non monetary grants at fair value are recognized when there is reasonable assurance that:

- (a) the entity will comply with the condition attaching to them, if any; and
- (b) the grants will be received

Grants related to income

Government grants are recognized as income over the periods necessary to match them with the released cost which they are intended to compensate on a systematic basis. The grants receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support with no future related cost is recognized as income in the period in which it becomes receivable.

Grants related to assets

Grants related to fixed assets and intangible assets received are recognized as deferred income and amortized over the useful lives of asset from the date the asset is available for intended use.

Other income

Income on bank deposits is recognized on accrual basis.

3.8 Tax

The income of the Company from donations, grants and contributions, is exempted from income tax under clause 58 of part 1 of the second schedule to the Income Tax Ordinance, 2001. Also refer to note 13.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost for the purposes of cash flow statement. Cash and cash equivalents comprise of cash in hand, cash in transit and bank balances.

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4 Fixed assets

<u>Particulars</u>	<u>Vehicles</u>	<u>Generator and other electrical equipments</u>	<u>Computer equipments</u>	<u>Furniture and fixture</u>	<u>Total</u>
	<u>----- Rupees -----</u>				
Cost					
Balance at 01 July 2011	5,817,914	1,509,397	1,675,365	839,921	9,842,597
Additions	-	1,512,973	1,461,813	1,220,169	4,194,955
Balance at 30 June 2012	5,817,914	3,022,370	3,137,178	2,060,090	14,037,552
Additions - purchased / donated assets	7,310,700	384,849	1,105,096	140,542	8,941,187
Balance at 30 June 2013	13,128,614	3,407,219	4,242,274	2,200,632	22,978,739
Depreciation					
Balance at 01 July 2011	138,926	4,786	37,203	9,328	190,243
Depreciation for the year	1,163,583	198,282	917,937	187,070	2,466,872
Balance at 30 June 2012	1,302,509	203,068	955,140	196,398	2,657,115
Depreciation for the year	1,678,280	325,111	1,239,685	213,409	3,456,485
Balance at 30 June 2013	2,980,789	528,179	2,194,825	409,807	6,113,600
Carrying amounts					
At 30 June 2012	4,515,405	2,819,302	2,182,038	1,863,692	11,380,437
At 30 June 2013	10,147,825	2,879,040	2,047,449	1,790,825	16,865,139
Depreciation rates (%)	20%	10%	33%	10%	

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5 Intangibles

	Software	License	Total
	Rupees		
Cost			
Balance at 01 July 2011	-	-	-
Additions	620,500	-	620,500
Balance at 30 June 2012	620,500	-	620,500
Additions	-	67,000	67,000
Balance at 30 June 2013	620,500	67,000	687,500
Amortization			
Balance at 01 July 2011	-	-	-
Amortization for the year	15,300	-	15,300
Balance at 30 June 2012	15,300	-	15,300
Amortization for the year	62,050	2,441	64,491
Balance at 30 June 2013	77,350	2,441	79,791
Carrying amounts			
At 30 June 2012	605,200	-	605,200
At 30 June 2013	543,150	64,559	607,709
Amortization rates (%)	10%	10%	

6 Mobilization advance

	2013 Rupees	2012 Rupees
Advance to training service providers ("TSP") - secured	11,457,671	10,989,356

6.1 This represents mobilization advance given to various TSP against undertakings from Government institutes and bank guarantee from public / private institutes. Mobilization advance is 10% of the total contract value and is adjusted on a systematic basis against monthly invoices raised by TSP over the term of the contract.

7 Advances, deposits and prepayments

	Note	2013 Rupees	2012 Rupees
Advances to employees against salaries - unsecured, considered good	7.1	306,915	85,468
Security deposits		1,358,250	670,250
Prepayments		311,906	337,064
Other receivables		33,437	33,480
		2,010,508	1,126,262

7.1 These are interest free advances to the Company's employees for travelling and other operating activities. Chief Executive and directors have not taken any loan / advance from the Company.

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	Note	2013 Rupees	2012 Rupees
8 Cash and bank balances			
Cash in hand		8,260	4,408
Cash at bank:			
- current accounts	8.1	<u>1,602,636</u>	<u>1,012,990</u>
- saving accounts		<u>127,239,240</u>	<u>50,722,778</u>
		<u>128,841,876</u>	<u>51,735,768</u>
		<u>128,850,136</u>	<u>51,740,176</u>

9 Capital fund

This amount represents the initial donations contributed by the subscribers to the Memorandum and Articles of Association of the Company.

	Note	2013 Rupees	2012 Rupees
10 Deferred grants			
Opening balance		11,985,637	12,153,757
Additions during the year	4 & 5	9,008,187	2,314,052
Amortized during the year	4 & 5	<u>(3,520,976)</u>	<u>(2,482,172)</u>
Closing balance		<u>17,472,848</u>	<u>11,985,637</u>
11 Provision for Gratuity			
Opening balance		1,130,000	-
Gratuity expense for the year		1,594,220	1,130,000
Less: gratuity paid for the year		<u>(437,500)</u>	<u>-</u>
Closing balance		<u>2,286,720</u>	<u>1,130,000</u>
12 Trade and other payables			
Trade creditors	12.1	106,302,769	79,798,346
Salaries payable		1,040,650	175,000
Accrued liabilities		5,317,270	1,299,002
Audit fee payable		249,500	165,000
Performance guarantee		-	161,414
Other payables		-	14,769
		<u>112,910,189</u>	<u>81,613,531</u>

12.1 This amount represents the balance payable to various training service providers against the monthly invoices.

13 Contingencies and commitments

13.1 The Company is exempt from tax as per clause 58(1) of part 1 of second schedule of Income Tax Ordinance, 2001 read with rule 220A of Income Tax Rules, 2002. A non-profit organization is exempt from tax after being approved for the same from Commissioner Inland Revenue ("the Commissioner"). The Company has applied for exemption under the tax laws which is pending to date. Accordingly, no provision for taxation has been made in these financial statements.

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	Note	2013 Rupees	2012 Rupees
14 Grant received			
Government of Punjab - Planning & Development Department		648,131,000	145,000,000
Department for International Development - UK		385,000,000	200,000,000
Citi Foundation	14.1	2,761,800	
		<u>1,035,892,800</u>	<u>345,000,000</u>

14.1 This amount represents a one off donation amounting to \$30,000 received from Citi Foundation for technical and vocational training of women in Punjab.

15 Program cost			
Training cost		918,854,263	320,138,641
Monitoring cost		25,476,251	16,242,614
Advertisement and communication cost		8,283,061	9,476,587
		<u>952,613,575</u>	<u>345,857,842</u>

16 Non-program cost

Salaries and other benefits	16.1	23,927,900	19,305,741
Legal and professional charges		195,250	107,000
Fee and subscription		29,200	90,050
Travelling and conveyance		1,952,321	2,710,619
Vehicle insurance		180,699	172,590
Utilities		763,075	700,626
Rent		3,043,006	1,350,744
Printing and stationery		571,009	462,874
Repair and maintenance		1,001,116	501,175
Entertainment		217,086	207,892
Advertisement		463,798	646,188
Auditors' remuneration		249,500	165,000
Depreciation	4	3,456,485	2,466,872
Amortization	5	64,491	15,300
Postage and telephone		946,798	94,326
Janitorial and security services		2,390,642	1,246,209
Fuel		2,295,900	1,788,171
Miscellaneous expenses		502,809	291,805
		<u>42,251,085</u>	<u>32,323,182</u>

16.1 This amount includes Rs. 1,594,220 (2012: Rs. 1,130,000) in respect of expense recognized against provision for gratuity during the year.

	2013 Rupees	2012 Rupees
16.2 Auditors' remuneration		
Annual audit fee	200,000	150,000
Out of pocket expenses	49,500	15,000
	<u>249,500</u>	<u>165,000</u>

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	Note	2013 Rupees	2012 Rupees
17 Other income			
Profit on bank deposits	17.1	6,386,504	1,660,003
Discount received		-	163,125
Miscellaneous		6,000	50,262
		<u>6,392,504</u>	<u>1,873,390</u>

17.1 This represents interest income on saving accounts with The Bank of Punjab.

18 Date of authorization for issue

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

19 General


Figures have been rounded off to the nearest rupee.

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Lahore



Chief Executive Officer



Director



KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

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Auditors' Report to the Members

We have audited the annexed balance sheet of **The Punjab Skills Development Fund** ("the Company") as at 30 June 2013 and the related income and expenditure account, cash flow statement and statement of changes in fund together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
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 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

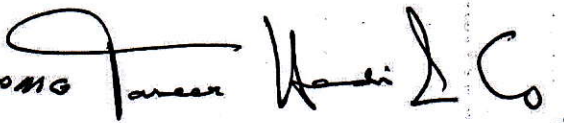
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- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in fund together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the surplus, its cash flows and changes in fund for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 30 June 2012 were audited by Avais Hyder Liaquat Nauman, Chartered Accountants whose report dated 25 October 2012 expressed an unqualified opinion.

Lahore

Date: 10 October 2013


KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)