

Punjab Skills Development Fund

Financial statements for the year ended
30 June 2014



KPMG Taseer Hadi & Co.
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Auditors' Report to the Members

We have audited the annexed balance sheet of **Punjab Skills Development Fund** ("the Company") as at 30 June 2014 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;

Amir Ali

- 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 2014 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).

**Lahore****Date:** 30 OCT 2014

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

Punjab Skills Development Fund

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

Balance Sheet

As at 30 June 2014

	Note	2014 Rupees	2013 Rupees
Equity and liabilities			
<u>Accumulated funds</u>			
<i>Restricted funds:</i>			
- capital fund	9	1,800,000	1,800,000
- projects fund		502,234,065	26,148,121
- capital expenditure fund		26,247,363	17,472,848
		530,281,428	45,420,969
<u>Non-current liabilities</u>			
Provision for gratuity	10	4,543,186	2,286,720
<u>Current liabilities</u>			
Creditors, accrued and other liabilities	11	226,575,152	112,910,189
Contingencies and commitments	12		
		761,399,766	160,617,878
Assets			
<u>Non-current assets</u>			
Fixed assets	4	24,839,232	16,865,139
Intangible assets	5	1,408,131	607,709
		26,247,363	17,472,848
<u>Current assets</u>			
Mobilization advance	6	16,491,914	11,457,671
Advances, deposits and prepayments	7	2,746,274	2,010,508
Tax refunds due from tax authorities	12.1	3,423,511	826,715
Cash and bank balances	8	712,490,704	128,850,136
		735,152,403	143,145,030
		761,399,766	160,617,878

The annexed notes from 1 to 18 form an integral part of these financial statements.

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Lahore

Chief Executive Officer

Director

Punjab Skills Development Fund

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

Income and Expenditure Account

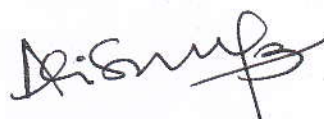
For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees
<u>Income</u>			
Grant income		1,274,452,420	994,877,594
Other income	14	25,302,999	6,392,504
		1,299,755,419	1,001,270,098
<u>Expenditure</u>			
<i>Project expenses:</i>			
Skills Development Fund Project ("SDF")	15	(1,258,385,278)	(994,864,660)
Accountable Grant Arrangement Project ("AGA")	16	(16,048,582)	-
		(1,274,433,860)	(994,864,660)
		25,321,559	6,405,438
Finance cost		(18,560)	(12,934)
Surplus before taxation		25,302,999	6,392,504
Taxation	12	-	-
Surplus		25,302,999	6,392,504

The annexed notes from 1 to 18 form an integral part of these financial statements.

2014/15

Lahore


Chief Executive Officer


Director

Punjab Skills Development Fund

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

Cash Flow Statement

For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees
<u>Cash flows from operating activities</u>			
Surplus for the year		25,302,999	6,392,504
Adjustment for:			
Depreciation		5,570,245	3,456,485
Amortization		76,658	64,491
Provision for gratuity		2,584,494	1,594,220
Finance cost		18,560	12,934
		8,249,957	5,128,130
Surplus before working fund changes		33,552,956	11,520,634
Increase in current assets:			
Mobilization advance		(5,034,243)	(468,315)
Advances, deposits and prepayments		(735,766)	(884,246)
Tax refunds due from tax authorities		(2,596,796)	(659,156)
		(8,366,805)	(2,011,717)
Increase in current liabilities:			
Creditors, accrued and other liabilities		113,664,963	31,296,658
Cash generated from operations		138,851,114	40,805,575
Finance cost		(18,560)	(12,934)
Gratuity paid		(328,028)	(437,500)
		(346,588)	(450,434)
Net cash used in operating activities		(346,588)	(450,434)
<u>Cash flows from investing activities</u>			
Capital expenditure		(13,544,338)	(8,941,187)
Acquisition of intangible assets		(877,080)	(67,000)
Net cash used in investing activities		(14,421,418)	(9,008,187)
<u>Cash flows from financing activities</u>			
Grants received		1,734,009,880	1,035,892,800
Grant related to assets		-	4,747,800
Funds utilized during the year		(1,274,452,420)	(994,877,594)
Net cash generated from financing activities		459,557,460	45,763,006
Net increase in cash and cash equivalents		583,640,568	77,109,960
Cash and cash equivalents at beginning of the year		128,850,136	51,740,176
Cash and cash equivalents at end of the year	8	712,490,704	128,850,136

The annexed notes from 1 to 18 form an integral part of these financial statements.

10/07/14

Lahore


Chief Executive Officer


Director

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 2014

	Restricted funds				
	Projects fund				Total
	Capital fund	SDF	AGA	Capital expenditure fund	
As at 30 June 2012	1,800,000	(20,520,178)	-	11,985,637	(6,734,541)
Funds received during the year	-	1,035,892,800	-	4,747,800	1,040,640,600
Funds transferred:					
- capital expenditure	-	(4,260,387)	-	4,260,387	-
- adjustment of depreciation / amortization	-	3,520,976	-	(3,520,976)	-
Expenditure during the year	-	(994,877,594)	-	(994,877,594)	(994,877,594)
Surplus for the year	-	6,392,504	-	6,392,504	6,392,504
As at 30 June 2013	1,800,000	26,148,121	-	17,472,848	45,420,969
Funds received during the year	-	1,696,000,000	38,009,880	-	1,734,009,880
Funds transferred:					
- capital expenditure	-	(11,457,844)	(2,963,574)	14,421,418	-
- adjustment of depreciation / amortization	-	5,325,130	321,773	(5,646,903)	-
Expenditure during the year	-	(1,258,403,838)	(16,048,582)	(1,274,452,420)	(1,274,452,420)
Surplus for the year	-	23,487,189	1,815,810	25,302,999	25,302,999
As at 30 June 2014	1,800,000	481,098,758	21,135,307	26,247,363	530,281,428

The annexed notes from 1 to 18 form an integral part of these financial statements.

14/06/2014

Lahore

Chief Executive Officer

Director

Punjab Skills Development Fund

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

Notes to the Financial Statements

For the year ended 30 June 2014

1 Reporting entity

Punjab Skills Development Fund ("the Company") was incorporated on 11 October 2010 under section 42 of the Companies Ordinance, 1984. It is funded by the Government of the Punjab ("GoP") and Department for International Development, UK ("DFID"). 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.

2 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 of or directives under the Companies Ordinance, 1984 shall prevail.

3 Significant accounting policies

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

3.2 Fixed assets

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

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 an asset 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 and expenditure account.

3.3 Intangible assets

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

Amortization charge is based on the straight line method whereby 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 amortization is charged for the month in which items are disposed off.

Muhammad Qasim

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.

3.5 Creditors, accrued and other liabilities

Liabilities for creditors, accrued and other liabilities are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.6 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.

3.7 Provisions

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

3.8 Revenue recognition

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

- (a) the Company will comply with the conditions 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 related 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.

3.9 Taxation

The Company has applied for exemption from income tax under clause 58(1) of part 1 of second schedule to the Income Tax Ordinance, 2001. Also refer to note 12.

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4 Fixed assets

Particulars	Leasehold improvements	Vehicles	Generator and other electrical equipment	Computer equipment	Furniture and fixtures	Total
	Rupees					
<i>Funded:</i>						
Cost						
As at 01 July 2012	-	5,817,914	3,022,370	3,137,178	2,060,090	14,037,552
Additions	-	7,310,700	384,849	1,105,096	140,542	8,941,187
As at 30 June 2013	-	13,128,614	3,407,219	4,242,274	2,200,632	22,978,739
Additions	1,670,027	6,492,355	1,909,098	1,930,696	1,542,162	13,544,338
As at 30 June 2014	1,670,027	19,620,969	5,316,317	6,172,970	3,742,794	36,523,077
Depreciation						
As at 01 July 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
As at 30 June 2013	-	2,980,789	528,179	2,194,825	409,807	6,113,600
Depreciation for the year	52,539	3,025,329	442,997	1,731,969	317,411	5,570,245
As at 30 June 2014	52,539	6,006,118	971,176	3,926,794	727,218	11,683,845
Written down value						
As at 30 June 2013	-	10,147,825	2,879,040	2,047,449	1,790,825	16,865,139
As at 30 June 2014	1,617,488	13,614,851	4,345,141	2,246,176	3,015,576	24,839,232
Depreciation rates	20.00%	20.00%	10.00%	33.33%	10.00%	

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5 Intangibles

	Software	License	Total
<i>Funded:</i>	Rupees		
Cost			
As at 01 July 2012	620,500	-	620,500
Additions	-	67,000	67,000
As at 30 June 2013	620,500	67,000	687,500
Additions	877,080		877,080
As at 30 June 2014	1,497,580	67,000	1,564,580
Amortization			
As at 01 July 2012	15,300	-	15,300
Amortization for the year	62,050	2,441	64,491
As at 30 June 2013	77,350	2,441	79,791
Amortization for the year	69,960	6,698	76,658
As at 30 June 2014	147,310	9,139	156,449
Written down value			
As at 30 June 2013	543,150	64,559	607,709
As at 30 June 2014	1,350,270	57,861	1,408,131
Amortization rates	10.00%	10.00%	

6 Mobilization advance

Advance to Training Service Providers
("TSPs") - *secured*

<i>Note</i>	2014 Rupees	2013 Rupees
6.1	16,491,914	11,457,671

6.1 This represents mobilization advance given to various TSPs against undertakings from Government institutes and bank guarantees 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 TSPs over the term of the contract.

7 Advances, deposits and prepayments

Advances to employees against salaries - *unsecured, considered good*

<i>7.1</i>	604,962	306,915
Security deposits	1,609,250	1,358,250
Prepayments	498,625	311,906
Other advances	33,437	33,437
	2,746,274	2,010,508

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 (2013: nil).

14/07/15

	Note	2014 Rupees	2013 Rupees
8 Cash and bank balances			
<i>Cash in hand:</i>			
SDF		21,050	8,260
AGA		6,995	-
		28,045	8,260
<i>Cash at bank:</i>			
current accounts - SDF		847,086	1,602,636
saving accounts			
- SDF		690,795,702	127,239,240
- AGA		20,819,871	-
	8.1	711,615,573	127,239,240
		712,462,659	128,841,876
		712,490,704	128,850,136

8.1 The balances in saving accounts carry mark-up at the rate of 7.80% per annum (2013: 6.00% per annum).

9 Capital fund

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

	Note	2014 Rupees	2013 Rupees
10 Provision for gratuity			
As at beginning of the year		2,286,720	1,130,000
Expense for the year		2,584,494	1,594,220
Less: paid during the year		(328,028)	(437,500)
As at end of the year		4,543,186	2,286,720
11 Creditors, accrued and other liabilities			
Creditors	11.1	221,875,062	106,302,769
Salaries payable		72,000	1,040,650
Accrued liabilities		3,909,640	5,317,270
Audit fee payable	15.2.2 & 16.2.1	449,500	249,500
Other payables		268,950	-
		226,575,152	112,910,189

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

12 Contingencies and commitments

12.1 A non profit organisation approved by the Commissioner Inland Revenue is exempt from tax as per clause 58 (1) of part 1 of second schedule of the Income Tax Ordinance, 2001 ("the Ordinance"). The Company has applied for exemption under the Ordinance which is pending to date. Accordingly, no provision for taxation has been made in these financial statements.

Tax deducted at source amounting to Rs. 3.42 million (2013: 0.82 million) is due from taxation authorities.

12.2 There were no other significant contingencies and commitments at the balance sheet date (2013: nil).

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			2014 Rupees	2013 Rupees
13	Grant received	<i>Note</i>		
	<u>SDF</u>			
	GoP - Planning & Development Department		1,000,000,000	648,131,000
	DFID		696,000,000	385,000,000
	Citi Foundation		-	2,761,800
			1,696,000,000	1,035,892,800
	<u>AGA</u>			
	DFID	13.1	38,009,880	-
			1,734,009,880	1,035,892,800

13.1 DFID has entered into an arrangement with the Company whereby it shall grant £1.6 million for AGA, upto 31 December 2015.

			2014 Rupees	2013 Rupees
14	Other income	<i>Note</i>		
	SDF	14.1	23,487,189	6,392,504
	AGA		1,815,810	-
			25,302,999	6,392,504
	14.1 Other income - SDF			
	Profit on bank deposits		23,487,189	6,386,504
	Miscellaneous		-	6,000
			23,487,189	6,392,504

			2014 Rupees	2013 Rupees
15	SDF	<i>Note</i>		
	Program cost	15.1	1,198,979,191	952,613,575
	Non-program cost	15.2	59,406,087	42,251,085
			1,258,385,278	994,864,660
	15.1 Program cost			
	Training cost		1,166,571,259	918,854,263
	Monitoring cost		19,569,220	25,476,251
	Advertisement and communication cost		12,838,712	8,283,061
			1,198,979,191	952,613,575

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	Note	2014 Rupees	2013 Rupees
15.2 Non-program cost			
Salaries and other benefits	15.2.1	34,614,742	23,927,900
Rent		4,297,844	3,043,006
Utilities		1,231,733	763,075
Janitorial and security services		2,338,394	2,390,642
Postage and telephone		1,626,206	946,798
Fuel		3,110,676	2,295,900
Travelling and conveyance		1,307,581	1,952,321
Vehicle insurance		437,908	180,699
Printing and stationery		967,141	571,009
Repair and maintenance		540,362	1,001,116
Legal and professional charges		517,170	195,250
Fee and subscription		140,280	29,200
Entertainment		159,459	217,086
Advertisement		2,047,765	463,798
Auditors' remuneration	15.2.2	249,500	249,500
Depreciation	4	5,249,222	3,456,485
Amortization	5	75,908	64,491
Miscellaneous expenses		494,196	502,809
		<u>59,406,087</u>	<u>42,251,085</u>

15.2.1 This amount includes Rs. 2.58 million (2013: Rs. 1.59 million) in respect of expense recognized against provision for gratuity during the year.

	Note	2014 Rupees	2013 Rupees
15.2.2 Auditors' remuneration			
Annual audit fee		200,000	200,000
Out of pocket expenses		49,500	49,500
		<u>249,500</u>	<u>249,500</u>

16 AGA

Program cost	16.1	9,795,729	-
Non-program cost	16.2	6,252,853	-
		<u>16,048,582</u>	<u>-</u>

16.1 Program cost

Labour Market Intelligence		6,534,331	-
Capacity Building & Institutional Strengthening		3,261,398	-
<i>WOMEN</i>		<u>9,795,729</u>	<u>-</u>

	Note	2014 Rupees	2013 Rupees
16.2 Non-program cost			
Salaries and other benefits		4,030,530	-
Rent		480,000	-
Postage and telephone		244,522	-
Insurance		103,583	-
Janitorial and security services		174,010	-
Printing and stationery		94,419	-
Utilities		92,904	-
Auditors' remuneration	16.2.1	200,000	-
Depreciation	4	321,023	-
Amortization	5	750	-
Fuel		44,484	-
Travelling and conveyance		36,726	-
Finance cost		3,557	-
Miscellaneous expenses		426,345	-
		<u>6,252,853</u>	<u>-</u>

16.2.1 Auditors' remuneration

Annual audit fee	175,000	-
Out of pocket expenses	25,000	-
	<u>200,000</u>	<u>-</u>

17 Date of authorization for issue

These financial statements were authorized for issue on 30 OCT 2014 by the Board of Directors of the Company.

18 General

Figures have been rounded off to the nearest rupee.

11/08/2014

Lahore

Chief Executive Officer

Director