Punjab Skills Development Fund

Financial statements for the year ended
30 June 2016

KPMG

KPMG Taseer Hadi & Co.
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Auditor's Report to the Members

We have audited the annexed balance sheet of **Punjab Skills Development Fund ("the Company")** as at 30 June 2016 and the related income and expenditure account, statement of comprehensive income, 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 conducted 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 account 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 account and are further in accordance with accounting policies consistently applied except for the changes as stated in notes 2.2, 3.1 and 3.10 with which we concur;

  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, statement of comprehensive income, 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 2016 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).

Emphasis of matter

We draw attention to note 1.2 to the financial statements, which indicates that the Company has applied to the Securities and Exchange Commission of Pakistan (SECP) for renewal of license under section 42(4) of the Companies Ordinance, 1984 and renewal is under process. Our opinion is not qualified in respect of this matter.

Date 09 JAN 2017

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chughtai)

Punjab Skills Development Fund

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

Balance Sheet

As at 30 June 2016

	Note	2016 Rupees	2015 Rupees
Funds and liabilities			
Capital fund	4	**1,800,000**	1,800,000
Accumulated fund		**10,450,657**	-
		12,250,657	1,800,000
Non-current liabilities			
Restricted fund	5	**46,556,804**	195,373,925
Deferred capital grant	6	**22,232,596**	21,592,745
Deferred liability	7	**11,885,268**	10,861,135
		80,674,668	227,827,805
Current liabilities			
Creditors, accrued and other liabilities	8	**610,930,736**	422,615,865
		703,856,061	652,243,670
Contingencies and commitments	9		

	Note	2016 Rupees	2015 Rupees
Assets			
Non-current assets			
Property and equipment	10	**22,805,525**	21,395,070
Intangibles	11	**1,307,571**	1,251,675
		24,113,096	22,646,745
Current assets			
Mobilization advance		-	5,855,201
Advances, deposits, prepayments and other receivables	12	**366,504,225**	3,310,942
Tax refunds due from tax authorities	9.1	**11,567,530**	8,634,117
Cash and bank balances	13	**301,671,210**	611,796,665
		679,742,965	629,596,925
		703,856,061	652,243,670

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

Lahore

Chief Financial Officer

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 2016

	Note	2016 Rupees	2015 Rupees
Income			
Grant income		**3,136,417,821**	2,777,882,576
Amortization of deferred grant		**6,840,529**	6,626,656
Project management services		**10,148,929**	-
Profit on bank deposits		**302,715**	-
		3,153,709,994	2,784,509,232
Expenditure			
Project expenses:			
Skills Development Fund Project ("SDF")	*15*	**(2,923,760,176)**	(2,746,455,743)
Accountable Grant Arrangement Project ("AGA")	*16*	**(76,318,794)**	(38,027,651)
Tribal Area Development Project ("TADP")	*17*	**(5,504,673)**	-
Punjab Skills Development Project ("PSDP")	*18*	**(137,054,763)**	-
		(3,142,638,406)	(2,784,483,394)
Finance cost		**(24,445)**	(25,838)
		(3,142,662,851)	(2,784,509,232)
Surplus of income over expenditure		**11,047,143**	-

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

Lahore

Chief Financial Officer | **Chief Executive Officer** | **Director**

Punjab Skills Development Fund
Statement of Comprehensive Income
For the year ended 30 June 2016

	2016 Rupees	2015 Rupees
Surplus of income over expenditure	**11,047,143**	-
Other comprehensive loss for the year		
Item that will never be reclassified to income and expenditure account		
Effect of experience adjustment on obligation	**(596,486)**	
Total comprehensive income for the year	**10,450,657**	-

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

Lahore **Chief Financial Officer** **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 2016

	Note	2016 Rupees	2015 Rupees
Cash flows from operating activities			
Surplus of income over expenditure		11,047,143	-
Adjustments for:			
Depreciation for the year		6,660,481	6,470,200
Amortization for the year		180,048	156,456
Loss on disposal of assets		85,138	-
Provision for gratuity		5,530,838	6,712,128
Finance cost		24,445	25,838
Amortization of deferred grant		(6,840,529)	(6,626,656)
		5,640,421	6,737,966
Surplus before working capital changes		16,687,564	6,737,966
Effect on cash flows due to working capital changes			
(Increase) / decrease in current assets:			
Mobilization advance		5,855,201	10,636,713
Advances, deposits, prepayments and other receivables		(1,718,469)	(564,668)
		4,136,732	10,072,045
Increase in current liabilities:			
Creditors, accrued and other liabilities		322,992,462	196,040,713
Net cash (used in) / generated from operations		343,816,758	212,850,723
Finance cost paid		(24,445)	(25,838)
Taxes paid		(2,933,413)	(5,210,606)
Gratuity paid		(5,103,191)	(394,179)
		(8,061,049)	(5,630,623)
Net cash generated from operating activities		335,755,709	207,220,101
Cash flows from investing activities			
Capital expenditure		(4,773,254)	(3,026,038)
Profit on bank deposits received		26,116,048	49,703,911
Sale proceeds on disposal of assets		5,680	-
Acquisition of intangibles		(235,944)	-
Net cash generated from investing activities		21,112,530	46,677,873
Cash flows from financing activities			
Grants received less service charges		2,469,424,127	2,423,290,563
Funds utilized during the year		(3,136,417,821)	(2,777,882,576)
Net cash used in financing activities		(666,993,694)	(354,592,013)
Net decrease in cash and cash equivalents		(310,125,455)	(100,694,039)
Cash and cash equivalents at beginning of the year		611,796,665	712,490,704
Cash and cash equivalents at end of the year	13	301,671,210	611,796,665

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

Lahore | **Chief Financial Officer** | **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 2016

	Capital Fund	Accumulated Fund	Total
	----- Rupees -----		
At 30 June 2014	1,800,000	-	1,800,000
Total comprehensive income for the year			
Surplus of income over expenditure	-	-	-
Other comprehensive income for the year ended 30 June 2015	-	-	-
	-	-	-
At 30 June 2015	1,800,000	-	1,800,000
Total comprehensive income for the year			
Surplus of income over expenditure	-	11,047,143	11,047,143
Other comprehensive income for the year ended 30 June 2016	-	(596,486)	(596,486)
	-	10,450,657	10,450,657
At 30 June 2016	1,800,000	10,450,657	12,250,657

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

Lahore	Chief Financial Officer	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 2016

1 Reporting entity

1.1 Punjab Skills Development Fund ("the Company") was incorporated on 11 October 2010 under section 42 of the Companies Ordinance, 1984. It is sponsored by the Government of the Punjab ("GoP") and funded by 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 financer of skills development / vocational training projects and intends to stimulate the market for skills

1.2 The Company has applied to the Securities and Exchange Commission of Pakistan (SECP) for renewal of license under section 42 (4) of the Companies Ordinance, 1984 which is under process by SECP.

1.3 Skills Development Fund Project ("SDF") is managed by the Company. SDF provides funds to Training Service Providers ("TSPs") to provide skills and vocational training opportunities to the poor and vulnerable population of Punjab. The total allocated fund for the Company under SDF was GBP 50 million to be contributed equally by GoP and DFID for the period of 5 years up to December 2015 with a target of 135,000 trainees. In September 2015, the Project (SDF) was extended till 31 December 2016 with an additional allocation of funds of GBP 1.5 million from DFID to train 145,500 trainees in total. The revised allocation of funds is GBP 51.50 million (GoPb = 25.00 million , DFID = 26.5 million). The Company has received a total fund of GBP 48.89 million (GoP = 24.91 million, DFID = 23.97 million) and has trained 147,599 trainees till 30 June 2016.

1.4 Accountable Grant Arrangement Project ("AGA") is funded by DFID and managed by the Company. Its objective is to assist the Company's operations by generating labor market intelligence and capacity building of the Company. The total allocated fund for the project was GBP 1.5 million from DFID. The Company has received a total fund of GBP 0.84 million till 30 June 2016. The project was completed on 15 September 2016.

1.5 A skills provision contract was entered between the Company and Tribal Area Development Project ("TADP") of Planning and Development Department, Government of Punjab, on 23 October 2014. As per the agreement, the Company will engage training service providers to train 1,000 residents of tribal area of Punjab till December 2017 with total fund allocation of Rs. 60 million. Till date the Company has received Rs. 18 million out of the allocated funds .

1.6 Punjab Skills Development Project ("PSDP") was launched through a contract between the World Bank and Islamic Republic of Pakistan on 30 April 2015. Its core objective is to improve the quality, labor market relevance of, and access to skills training programs in priority sectors in Punjab. As per Project Appraisal Document, 50,000 individuals (at least 15% females) will be enrolled out of which 40,000 will be completed till 2020 with total fund allocation of USD 32.2 million by the World Bank. Till date the Company has received Rs. 148 million out of the allocated funds.

1.7 The Company and Integrated Reproductive Maternal New Born & Child Health & Nutrition (IRMNCH) Program Punjab signed a contract on January 18, 2016 for the provision of capacity enhancement of Lady Health Visitors/ workers. As per the contract the Company will engage service provider for the provision of Skill Enhancement (Training of Trainers) of 720 Lady Health Visitors (LHV) nominated by the IMRNCH. These master trainers will then conduct the training of other Lady Health Workers approximately 48,000. The contract will continue till December 2016 having approximate cost of PKR 36 million. Till date the Company has received Rs. 31 million out of the allocated funds.

1.8 Skills Development Project ("SDP") was launched through a contract between the Department for International Development ("DFID") and Government of Punjab ("GOP") on 02 August 2016. Under this Programme, technical and vocational skills training will be provided to 330,000 poor and vulnerable people (40% women) across all districts of Punjab to enhance their employment prospects and incomes. The Programme also aims to support institutional development of the Punjab Skills Development Fund (PSDF), policy, regulatory and institutional reforms in the skills sector in Punjab to improve the quality and market relevance of skills development initiatives. The overall budget of the SDP will be GBP 127.5 million. DFID's share is 30% (GBP 38.4 million) of this total amount including both Training (GBP 31.4 million) and Technical Assistance (GBP 7 million) and GOP will provide funding for the remaining 70% (GBP 89.1 million) of the overall programme budget. The contract will span five years and will expire in 2021. The activities under this agreement are expected to start

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 and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as notified under the Companies Ordinance, 1984, 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 As mentioned in note 2.1, the Company has prepared these financial statements in accordance with approved accounting standards as applicable in Pakistan. Previously these financial statements were prepared in accordance with Accounting and Financial Reporting Standards for Medium-Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan. This change was necessitated due to Circular 929 (I)/2015 dated September 10, 2015 issued by SECP. This change has resulted in change in accounting policy as mentioned in notes 3.1 and 3.10 and other increased disclosures. Further, this change has resulted in inclusion of 'Statement of Comprehensive Income' in these financial statements.

2.3 Standards, amendments and interpretations and forth coming requirements

2.3.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the financial statements of the Company.

2.3.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale

  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all

  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Company's financial statements.

2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the recognition of staff retirement gratuity at present value.

2.5 Functional and presentation currency

These financial statements are presented in Pak Rupees ("Rs.") which is the Company's functional currency. All financial information presented in Rupees has been rounded off to the nearest rupee, unless otherwise stated.

2.6 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting 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, and the results of which form the basis of making judgment about carrying value 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 estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

Property and equipment

The Company reviews the useful lives and residual values of property and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

Intangibles

The Company reviews the rate of amortization and value of intangibles for possible impairment, on an annual basis. Any change in estimates in future years might affect the carrying amounts of intangibles with a corresponding effect on the amortization charge and impairment.

Provision against advances and other receivables

The Company reviews the recoverability of its advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

Provisions and contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date.

Impairment

The management of the Company reviews carrying amounts of its assets including receivables and advances and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

Employee benefits

The Company operates unfunded gratuity scheme covering all its full time permanent workers who have completed the minimum qualifying period of service as defined under the respective scheme. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

Gratuity cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years. Calculations are sensitive to changes in the underlying assumptions.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes as mentioned in notes 3.1 and 3.10:

3.1 Change in accounting policy

During the year the Company has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after 01 January 2015. IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments Disclosures. As a result, the Company has included the additional disclosure in this regard in note 19.5 to the financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has no such significant impacts on the measurements of the Company's financial assets and liabilities.

The Company has also adopted IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' that became applicable from 01 January 2015, as per the adoption status of IFRS in Pakistan. The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Company.

3.2 Property and equipment

3.2.1 Operating fixed assets

Property and equipment of the Company are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to property and equipment comprises acquisition and other directly attributable costs.

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 10 to these financial statements. Depreciation on additions and deletions is charged on the month in which the addition / deletion is

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.

Gain / loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognized in income and expenditure account.

3.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labor and appropriate directly attributable overheads. These costs are transferred to property and equipment as and when assets are available for their intended use.

3.3 Intangibles

Expenditure incurred on intangible asset is capitalized as intangibles and stated at cost less accumulated amortization and any identified impairment loss, if any. Intangible asset with finite useful life is amortized using the straight-line method over the estimated useful life. Amortization on additions to intangible asset is charged from the month in which an asset is available for use and on disposal upto the month of disposal.

3.4 Receivables

These are non-derivative financials assets with fixed or determinable payments that are not quoted in an active market. At initial recognition these financials assets are measured at fait value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition, these are measured at amortized cost using the effective interest rate method less impairment loss, if any.

3.5 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents mainly comprise cash and bank balances which are stated in the balance sheet at cost.

3.6 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. 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

Non financial assets

The carrying amount of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in income and expenditure account. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.7 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to contractual provisions of the instrument and de-recognized when the Company looses control of contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and liabilities are included in income and expenditure account for the year.

3.8 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.9 Foreign currency translations

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at exchange rates prevailing on the balance sheet date. All exchange differences are charged to income and expenditure account.

3.10 Employee benefits

Salaries, wages and other benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis. The accounting policy for employee retirement benefits is described below.

Post employment benefit

The Company operates an unfunded defined benefit gratuity for all permanent employees, having a service period of more than five years. The Company recognizes expense in accordance with IAS 19 "Employee Benefits".

The Company's net obligation in respect of defined benefit gratuity is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit obligation are recognised in income and expenditure account.

Previously, the amount of liability of each employee at year end was computed by number of years completed multiplied by the last drawn monthly basic salary and charge for the year was recorded in income and expenditure account. During the year the Company has changed the policy and now liability is determined using the actuarial valuation.

3.11 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.

3.12 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.13 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

Grants related to assets

Grants related to property and equipment and intangibles received are recognized as deferred income and amortized over the useful lives of asset from the date the asset is available for intended use. Balance amount is recognized as deferred capital grant in the balance sheet.

Restricted grant

Funds received as grants for specific purposes are classified as restricted grant. Restricted grant is transferred to income to the extent of expenditures incurred out of these funds in a particular accounting year. Balance amount is recognized as restricted fund in the balance sheet.

Other income

Income on bank deposits is recognized on accrual basis.

4 Capital fund

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

5 Restricted fund

	Note	SDF	AGA	TADP	PSDP	IRMNCH	Total
		Rupees					
At 30 June 2014		**481,116,758**	**21,117,307**	-	-	-	**502,234,065**
Funds received during the year		2,370,000,863	35,289,700	18,000,000	-	-	2,423,290,563
Funds transferred from restricted fund for capital expenditure		(1,932,017)	(40,021)	-	-	-	(1,972,038)
Expenditure during the year (net of depreciation and amortization)		(2,740,360,119)	(37,521,757)	(700)	-	-	(2,777,882,576)
Profit on bank deposits		47,156,781	1,939,388	607,742	-	-	49,703,911
At 30 June 2015		**155,982,266**	**20,784,617**	**18,607,042**	-	-	**195,373,925**
Funds received during the year	14	2,242,000,000	58,573,056	-	148,000,000	31,000,000	2,479,573,056
Funds transferred from restricted fund for capital expenditure		(4,094,638)	(88,060)	-	-	-	(4,182,698)
Expenditure during the year (net of depreciation and amortization)		(2,918,113,192)	(75,742,376)	(5,505,023)	(137,057,230)	-	(3,136,417,821)
Deductions against TSP's claims reversed		139,275,891	-	-	-	-	139,275,891
Adjustment on disposal of asset		90,818	-	-	-	-	90,818
Service charges		-	-	(900,000)	(9,248,929)	-	(10,148,929)
Profit on bank deposits		23,384,041	1,071,063	664,878	996,066	-	26,116,048
(Excess of expenditure over receipt) / Surplus of receipt over expenditure		**(361,474,814)**	**4,598,300**	**12,866,897**	**2,689,907**	**31,000,000**	**(310,319,710)**
Receivable from Planning and Development Department	12	361,474,814	-	-	-	-	361,474,814
Transferred to current liabilities	8	-	(4,598,300)	-	-	-	(4,598,300)
At 30 June 2016		-	-	**12,866,897**	**2,689,907**	**31,000,000**	**46,556,804**

	2016 Rupees	2015 Rupees

6 Deferred capital grant

	2016 Rupees	2015 Rupees
Balance at beginning of the year	**21,592,745**	26,247,363
Asset received during the year	**3,388,500**	-
Funds transferred from restricted fund for capital expenditure	**4,182,698**	1,972,038
Adjustment of depreciation / amortization recognized in income and expenditure account	**(6,840,529)**	(6,626,656)
Adjustment on disposals of assets	**(90,818)**	-
Balance at end of the year	**22,232,596**	21,592,745

7 Deferred liability

The actuarial valuation of the Company's defined benefit obligation was conducted on 30 June 2016 using projected unit credit method. Details of obligation for defined benefit gratuity are as follows;

	Note	2016 Rupees	2015 Rupees
The amount recognised in the balance sheet is as follows:			
Defined benefit obligation	*7.1*	**11,885,268**	10,861,135

7.1 Movement in liability recognized in the balance sheet are as follows:

	Note	2016 Rupees	2015 Rupees
Balance at beginning of the year		**10,861,135**	4,543,186
Charge to income and expenditure account		**5,530,838**	6,712,128
Charge to other comprehensive income	*7.4*	**596,486**	-
Payments made during the year		**(5,103,191)**	(394,179)
Balance at end of the year	*7.2*	**11,885,268**	10,861,135

7.2 Movement in the defined benefit obligation:

	Note	2016 Rupees	2015 Rupees
Balance at beginning of the year		**10,861,135**	-
Current service cost	*7.3*	**4,720,658**	-
Interest cost	*7.3*	**810,180**	-
Benefits paid during the year		**(5,103,191)**	-
Actuarial loss for the year	*7.4*	**596,486**	-
Balance at end of the year		**11,885,268**	-

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	2016 Rupees	2015 Rupees

7.3 The amounts recognized in the income and expenditure account are as follows:

Current service cost	4,720,658	-
Interest cost	810,180	-
Net charge to income and expenditure account	5,530,838	-

7.4 Included in other comprehensive income

Remeasurement of gratuity obligation from:

Actuarial gains from changes in financial assumptions	(91,304)	-
Experience adjustment on obligation	687,790	-
	596,486	-

7.5 Estimated expense to be charged to income and expenditure next year

Current service cost	5,269,561	-
Interest cost	769,568	-
Net charge to income and expenditure account	6,039,129	-

7.6 The principal actuarial assumptions at the reporting date were as follows:

	2016	*2015*
Discount rate used for interest cost in income and expenditure account	9.75%	-
Discount rate used for year end obligation	7.50%	-
Expected per annum growth rate in salaries	6.25%	-
Expected mortality rate	SLIC (2001-2005)	-

As at 30 June 2016, the weighted average duration of the defined benefit obligation was 9.5 years.

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7.7 **Sensitivity analysis**

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at 30 June 2016 would have been as follows:

Carrying amount of present value of defined benefit obligation at year end

	Note	Due to increase in assumption Rupees	Due to decrease in assumption Rupees
Discount rate 100 bps		**10,860,337**	**13,116,187**
Salary increase 100 bps		**13,144,031**	**10,817,623**

8 Creditors, accrued and other liabilities

	Note		
Creditors	*8.1*	**583,128,348**	404,177,273
Accrued liabilities		**2,381,947**	1,727,267
Tax deducted at source		**162,728**	1,314,746
Balance of AGA restricted fund	*5*	**4,598,300**	-
Other payables		**20,659,413**	15,396,579
		610,930,736	422,615,865

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

9 Contingencies and commitments

9.1 As per section 100(c) of the Income Tax Ordinance, 2001 ("the Ordinance"), non profit organization is allowed tax credit equal to one hundred percent of the tax payable including minimum tax and final taxes under any of the provisions of the Ordinance. The management believes that since all the requirements relating to Section 100 (C) have been fulfilled the Company is entitled to avail 100 (C) tax credits. Further, the management is confident that since the Company is established for welfare purposes and is registered as non-profit organization no provision for taxation is required and accordingly made in these financial statements. Notwithstanding, the Company has also applied for approval under clause 36 of section 2 of the Ordinance which is pending to date. The management is confident that approval will be granted to the Company owing to the fact that the Company is established for welfare purposes and is registered as non-profit organization. Accordingly, tax deducted at source amounting to Rs. 11.57 million (2015: Rs. 8.63 million) on the Company's receipts is recorded as receivable from taxation authorities.

9.2 There were no other significant contingencies and commitments at the balance sheet date (2015: nil).

10 Property and equipment

	Improvements on leasehold buildings	Vehicles	Generator and other electrical equipment	Computer equipment	Furniture and fixtures	Capital work-in-progress (Note 10.1)	Total
	Rupees						
30 June 2016							
Cost							
At 01 July 2015	1,719,105	21,166,709	5,435,817	6,376,267	3,797,217	1,054,000	39,549,115
Additions during the year		6,350,520	22,000	519,700	443,034	1,880,500	9,215,754
Deletions during the year	-	-	(18,480)	-	(136,400)	(1,054,000)	(1,208,880)
At 30 June 2016	**1,719,105**	**27,517,229**	**5,439,337**	**6,895,967**	**4,103,851**	**1,880,500**	**47,555,989**
Depreciation							
At 01 July 2015	389,816	10,033,334	1,510,413	5,115,878	1,104,604	-	18,154,045
Charge for the year	343,821	4,422,802	543,381	958,422	392,055	-	6,660,481
Deletions during the year			(3,542)	-	(60,520)		(64,062)
At 30 June 2016	**733,637**	**14,456,136**	**2,050,252**	**6,074,300**	**1,436,139**	-	**24,750,464**
Net book value at 30 June 2016	**985,468**	**13,061,093**	**3,389,085**	**821,667**	**2,667,712**	**1,880,500**	**22,805,525**
30 June 2015							
At 01 July 2014	1,670,027	19,620,969	5,316,317	6,172,970	3,742,794	-	36,523,077
Additions during the year	49,078	1,545,740	119,500	203,297	54,423	1,054,000	3,026,038
At 30 June 2015	**1,719,105**	**21,166,709**	**5,435,817**	**6,376,267**	**3,797,217**	**1,054,000**	**39,549,115**
Depreciation							
At 01 July 2014	52,539	6,006,118	971,176	3,926,794	727,218	-	11,683,845
Charge for the year	337,277	4,027,216	539,237	1,189,084	377,386	-	6,470,200
At 30 June 2015	**389,816**	**10,033,334**	**1,510,413**	**5,115,878**	**1,104,604**	-	**18,154,045**
Net book value at 30 June 2015	**1,329,289**	**11,133,375**	**3,925,404**	**1,260,389**	**2,692,613**	-	**21,395,070**
Depreciation rate %	**20%**	**20%**	**10%**	**33.33%**	**10%**		

10.1 Capital work in progress includes advance given to supplier against purchase of vehicle.

11 Intangibles

	Software	License	Total
30 June 2016	----------	Rupees	----------
Cost			
At 01 July 2015	1,497,580	67,000	1,564,580
Additions during the year	235,944	-	235,944
At 30 June 2016	**1,733,524**	**67,000**	**1,800,524**
Amortization			
At 01 July 2015	297,070	15,835	312,905
Amortization for the year	173,352	6,696	180,048
At 30 June 2016	**470,422**	**22,531**	**492,953**
Net book value at 30 June 2016	**1,263,102**	**44,469**	**1,307,571**
30 June 2015			
At 01 July 2014	620,500	67,000	687,500
Additions during the year	877,080	-	877,080
At 30 June 2015	**1,497,580**	**67,000**	**1,564,580**
Amortization			
At 01 July 2014	147,310	9,139	156,449
Amortization for the year	149,760	6,696	156,456
At 30 June 2015	**297,070**	**15,835**	**312,905**
Net book value at 30 June 2015	**1,200,510**	**51,165**	**1,251,675**
Amortization rate per annum (%)	**10%**	**10%**	

12 Advances, deposits, prepayments and other receivables

	Note	2016 Rupees	2015 Rupees
Advances to employees against salaries - *unsecured, considered good*	*12.1*	**682,672**	910,299
Security deposits		**1,709,000**	1,709,000
Prepayments		**566,787**	500,706
Funds receivable from Planning and Development (PnD) Department	*5*	**361,474,814**	-
Other receivables		**2,070,952**	190,937
		366,504,225	3,310,942

12.1 These are interest free advances to the Company's employees for travelling and other operating activities.

13 Cash and bank balances

	Note	2016 Rupees	2015 Rupees
Cash in hand:			
- SDF		**12,493**	8,963
- AGA		**1,806**	7,811
		14,299	16,774
Cash at banks:			
current accounts - SDF		**359,194**	343,062
saving accounts			
- SDF		**199,516,151**	571,805,283
- AGA		**20,267,380**	21,085,278
-TADP		**13,980,526**	18,546,268
- PSDF		**42,592,081**	-
- PSDP		**24,941,579**	-
	13.1	**301,297,717**	611,436,829
		301,671,210	611,796,665

13.1 These carry mark-up at the rates ranging from 4.75 % to 5.50 % per annum (2015: 5.50 % to 7.80 % per annum).

	Note	2016 Rupees	2015 Rupees
14 Grant received			
SDF			
Government of Punjab - Planning and Development Department ("PDD")		**930,000,000**	1,179,000,000
Department for International Development ("DIDF")		**1,312,000,000**	1,191,000,863
	14.1	**2,242,000,000**	2,370,000,863
AGA			
Department for International Development - UK ("DFID")	*14.2*	**58,573,056**	35,289,700
TADP			
Government of Punjab - Planning and Development Department ("PDD")	*14.3*	**-**	18,000,000
PSDP	*14.4*		
Government of Punjab - Industries Department		**148,000,000**	-
IRMNCH	*14.5*		
Integrated Reproductive Maternal New Born and Child Health and Nutrition Program Punjab		**31,000,000**	-
		2,479,573,056	2,423,290,563

14.1 Refer note 1.3 for details.

14.2 Refer note 1.4 for details.

14.3 Refer note 1.5 for details.

14.4 Refer note 1.6 for details.

14.5 Refer note 1.7 for details.

	Note	2016 Rupees	2015 Rupees
15 SDF			
Program cost	*15.1*	**2,836,419,507**	2,665,186,576
Non-program cost	*15.2*	**87,340,669**	81,269,167
		2,923,760,176	2,746,455,743

15.1 Program cost

	Note	2016 Rupees	2015 Rupees
Training cost		**2,783,226,772**	2,595,604,742
Monitoring cost		**49,106,118**	44,462,591
Advertisement and communication cost		**4,086,617**	25,119,243
		2,836,419,507	2,665,186,576

15.2 Non-program cost

	Note	2016 Rupees	2015 Rupees
Salaries and other benefits	*15.2.1*	**58,407,653**	55,156,973
Depreciation		**6,145,152**	5,963,048
Rent		**4,803,920**	4,381,571
Fuel		**3,181,866**	3,578,576
Utilities		**1,559,943**	1,384,732
Janitorial and security services		**2,601,363**	2,500,165
Postage and telephone		**2,117,942**	2,007,512
Advertisement		**2,316,433**	1,806,645
Travelling and conveyance		**1,343,870**	951,919
Vehicle insurance		**767,094**	651,966
Printing and stationery		**951,146**	737,153
Repair and maintenance		**461,915**	518,993
Legal and professional charges		**1,368,955**	434,120
Auditors' remuneration	*15.2.2*	**259,500**	249,500
Amortization		**178,248**	154,656
Entertainment		**277,363**	120,877
Loss on disposal of assets		**85,138**	-
Miscellaneous expenses		**513,168**	670,761
		87,340,669	81,269,167

15.2.1 This amount includes Rs. 4.85 million (2015: Rs. 5.90 million) in respect of expense recognized against provision for gratuity during the year.

15.2.2 Auditors' remuneration

	Note	2016 Rupees	2015 Rupees
Annual audit fee		**200,000**	200,000
Punjab sales tax		**10,000**	-
Out of pocket expenses		**49,500**	49,500
		259,500	249,500

16 AGA

	Note	2016 Rupees	2015 Rupees
Program cost	*16.1*	**63,632,487**	26,482,307
Non-program cost	*16.2*	**12,686,307**	11,545,344
		76,318,794	38,027,651

16.1 Program cost

	2016 Rupees	2015 Rupees
Labor Market Intelligence	**45,124,038**	20,776,175
Capacity Building and Institutional Strengthening	**18,508,449**	5,706,132
	63,632,487	26,482,307

	Note	2016 Rupees	2015 Rupees
16.2 Non-program cost			
Salaries and other benefits	*16.2.1*	**8,780,778**	7,996,645
Rent		**1,108,800**	1,008,000
Depreciation		**515,329**	507,152
Postage and telephone		**449,891**	453,538
Security services		**270,000**	360,000
Utilities		**327,180**	273,119
Auditors' remuneration	*16.2.2*	**365,500**	200,000
Fuel		**123,044**	146,275
Printing and stationery		**62,809**	34,697
Amortization		**1,800**	1,800
Travelling and conveyance		**50,980**	780
Miscellaneous expenses		**630,196**	563,338
		12,686,307	11,545,344

16.2.1 This amount includes Rs. 0.68 million (2015: Rs. 0.81 million) in respect of expense recognized against provision for gratuity during the year.

	Note	2016 Rupees	2015 Rupees
16.2.2 Auditors' remuneration			
Annual audit fee		**300,000**	175,000
Punjab sales tax		**15,000**	-
Out of pocket expenses		**50,500**	25,000
		365,500	200,000

17 TADP

	Note	2016 Rupees	2015 Rupees
Program cost	*17.1*	**5,504,673**	-
		5,504,673	-

17.1 Program cost

Training cost		**5,504,673**	-
		5,504,673	-

18 PSDP

	Note	2016 Rupees	2015 Rupees
Program cost	*18.1*	**137,054,763**	-
		137,054,763	-

18.1 Program cost

Training cost		**131,238,747**	-
Monitoring cost		**3,590,694**	-
Advertisement and communication cost		**2,225,322**	-
		137,054,763	-

19 Financial risk management

The Company's activities expose it to a variety of financial risks:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

19.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

19.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is exposed to credit risk from its operations.

Exposure to credit risk

(i) The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 Rupees	2015 Rupees
Advances to employees	**386,176**	667,413
Security deposits	**1,709,000**	1,709,000
Funds receivables from Planning and Development Department	**361,474,814**	-
Other receivables	**2,070,952**	190,937
Cash at bank	**301,656,911**	611,779,891
	667,297,853	614,347,241

Credit risk is minimum as the bank accounts are maintained with reputable banks with good credit ratings. The credit rating of counterparty with external credit ratings is as follows:

	Rating		**Rating Agency**	**Rs. 2016**
	Short term	**Long term**		
Bank				
Bank of Punjab	A-1+	AA-	**PACRA**	**301,574,539**
Habib Bank Limited	A-1+	AAA	**JCR-VIS**	**82,372**
				301,656,911

	Rating		**Rating Agency**	**Rs. 2015**
	Short term	**Long term**		
Bank				
Bank of Punjab	A-1+	AA-	**PACRA**	**611,698,283**
Habib Bank Limited	A-1+	AAA	**JCR-VIS**	**81,608**
				611,779,891

19.3 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting obligations associated with financial liabilities. 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.

The following analysis shows the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity dates. The amount disclosed in the table are the contractual undiscounted cash flows and also include the impact of estimated future interest payments.

2016	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity from one to five years	Maturity more then five years
	Rupees				
Creditors	583,128,348	583,128,348	583,128,348	-	-
Accrued liabilities	2,381,947	2,381,947	2,381,947	-	-
Balance of restricted fund	4,598,300	4,598,300	4,598,300	-	-
Other payables	20,659,413	20,659,413	20,659,413	-	-
	610,768,0C8	610,768,008	610,768,008	-	-

2015	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity from one to five years	Maturity more then five years
	Rupees				
Creditors	404,177,273	404,177,273	404,177,273	-	-
Accrued liabilities	1,727,267	1,727,267	1,727,267	-	-
Balance of restricted fund	-	-	-	-	-
Other payables	15,396,579	15,396,579	15,396,579	-	-
	421,301,119	421,301,119	421,301,119	-	-

19.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that 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. As at balance sheet date the Company is not exposed to any market risk.

(i) Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the balance sheet date the interest rate risk profile of the Company's interest bearing financial instruments is:

	2016 Rupees	2015 Rupees
Variable rate instruments		
Cash at bank	**301,656,911**	611,779,891

Interest rate sensitivity of variable rate instruments

If the interest rates at the reporting date had been higher by 100 basis points with all other variables being constant, the balance of restricted fund at end of the year would have been higher by Rs. 3,012,977 (2015: Rs. 6,114,368).

(ii) Currency risk management

PKR is the functional currency of the Company and exposure arises from transactions and balances in currencies other than PKR as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company's potential currency exposure comprise:

(a) - Transactional exposure in respect of non functional currency monetary items.
(b) - Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

(iii) Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

(iv) Transactional exposure in respect of non functional currency expenditure and revenues

There is no transactional exposure in respect of non functional currency expenditure and revenues.

(v) Exposure to foreign currency risk

The Company is not exposed to any foreign currency risk as on balance sheet date.

19.5 Fair values

Fair value versus carrying amounts

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in the fair value hierarchy:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Fair value measurement of financial instruments

		Carrying amount			Fair value		
		Loans and receivables at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3
On-Balance sheet financial instruments	*Note*	Rupees					
30 June 2016							
Financial assets not measured at fair value							
Advances to employees		386,176	-	386,176	-	-	-
Security deposits		1,709,000	-	1,709,000	-	-	-
Funds receivables from Planning and Development Department		361,474,814	-	361,474,814	-	-	-
Other receivables		2,070,952	-	2,070,952	-	-	-
Cash at bank		301,656,911					
	19.5.1	365,640,942	-	365,640,942	-	-	-
Financial liabilities not measured at fair value							
Creditors		-	583,128,348	583,128,348	-	-	-
Accrued liabilities		-	2,381,947	2,381,947	-	-	-
Balance of restricted fund		-	4,598,300	4,598,300	-	-	-
Other payables		-	20,659,413	20,659,413	-	-	-
	19.5.1	-	610,768,008	610,768,008	-	-	-

19.5.1 Fair value versus carrying amounts

The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or repriced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

20 Related party transactions

The Company is a government sponsored entity, therefore all the government departments / agencies are the related parties of the Company. Other related parties comprise of directors, key management personnel and entities over which the directors are able to exercise influence. Balances and transactions with government departments relating to funds are disclosed in notes 5 and 6 to the financial statements. The remuneration to Chief Executive and Directors is disclosed in note 22 to the financial statements. Other significant and quantifiable transactions and balances with related parties are as follows:

	2016	2015
	Rupees	Rupees
Nature of transactions		
Training services provided to the Company	**743,895,028**	490,610,226
Payable balance at the year end	**174,346,968**	126,310,730

21 Remuneration of Chief Executive and Directors.

The aggregate amounts charged in these financial statements for the year in respect of remuneration to the Chief Executive and Directors of the Company are as follows:

	Non Executive Directors		**Chief Executive**	
	2016	2015	**2016**	2015
	-----	----- Rupees -----	-----	-----
Managerial remuneration	-	-	**5,373,082**	7,088,032
Leave encashment	-	-	**157,025**	104,436
Gratuity	-	-	**913,270**	1,317,756
	-	-	**6,443,377**	8,510,224
Number of persons	**15**	13	**1**	1

21.1 Chief Executive of the Company is allowed to use the Company's maintained vehicle in accordance with the Company's policy.

22 Number of employees

The average number of employees during the year and total number of employees at 30 June 2016 and 2015 respectively are as follows:

	2016	2015
Total number of employees at 30 June	**55**	60
Average number of employees during the year	**56**	57

23 Date of authorization for issue

These financial statements have been authorized by the Board of Directors of the Company in their meeting held on 09 JAN 2017.

Lahore

Chief Financial Officer **Chief Executive Officer** **Director**