PUNJAB SKILLS DEVELOPMENT FUND
(A Company set up under section 42 of the Companies Ordinance 1984)

DIRECTORS’ REPORT

On behalf of the Board of Directors of the Company, I am pleased to present the operational performance and audited financial statements of the Company for the year ended June 30, 2011.

GENERAL

Punjab Skills Development Fund (PSDF) has been set up to improve income generation opportunities for the poor and vulnerable populations of selected districts of the Punjab by enabling skills development through promotion of a competitive skills training market.

During the current financial year, PSDF has focused on inviting, evaluating and funding proposals for skills and vocational training of the target populations of Bahawalpur, Bahawalnagar, Lodhran & Muzaffargarh which are among the poorest districts of the Punjab. The aim is to improve their ability to find work or progress in their current employment or develop an enterprise. It also aims to up-skill those in low-skills-low-returns' jobs and enhance their earning potential.

PERFORMANCE

PSDF was incorporated in October 2010. The Board actively set upon a course to operationalize activities of PSDF. Chief Executive Officer joined in February 2011 and Fund’s vision, organogram and short-term strategy were approved in fourth Board meeting in April 2011.

The team was selected through a competitive process after processing more than 3000 applications and head office was set up in Bahawalpur after making all the necessary procurements.

PSDF designed processes for the procurement of services based on the principles of fairness, transparency which were approved by the Board of Directors. Two schemes namely, “Skills/Vocational Training in Six Model Villages” and “Skills for Employability” have been launched. After rigorous evaluation of Expressions of Interest (EOIs) and
subsequently submitted proposals, first contract for provision of services has been signed with a consortium of Hashoo Foundation and Punjab Vocational Training Council on the 13th of August, 2011. The consortium will provide training to 500 flood-affected residents of selected villages of District Muzzafargarh. As for "Skills for Employability", Requests for Proposal (RFPs) have been issued to 52 service providers till date after evaluation of a total of 108 received EOIs. The Board also decided that monitoring of training activities will be carried out by a third party. For this purpose, the Monitoring team has requested eight monitoring firms for furnishing proposals after evaluating 21 EOIs submitted for the purpose.

PSDF organized various workshops during the financial year to engage stakeholders including private training institutes, not-for-profit organizations and private firms. “Financing Skills Training in South Punjab” workshop held in Bahawalpur on the 25th June, 2011 was attended by more than hundred persons representing different stakeholder group. In July, workshops were organized in each of the four target districts to build the capacity of local training institutes to participate in the bidding process.

The finance team led by CFO managed to prepare books of accounts of the Company for the year ended June 30, 2011 in a short span of time. In addition audit for the year 2010-11 has also been completed within the prescribed timeframe.

Having completed the set-up activities, PSDF is well-placed to carry out its operational activities in the next Financial Year.

FINANCIAL REVIEW

During the year, the Company has received 30 million rupees from Government of the Punjab in order to meet its expenses related to both program and non-program activities. All costs directly related to the program have been classified and accounted for as program related costs. Costs pertaining to non-program activities include capital expenditure, management cost and operating expenditure.
<table>
<thead>
<tr>
<th>Description</th>
<th>BUDGET</th>
<th>ACTUAL AUDITED</th>
<th>VARIANCE</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010-11</td>
<td>2010-11</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RUPEES</td>
<td>RUPEES</td>
<td>RUPEES</td>
<td>%</td>
</tr>
<tr>
<td>Management cost</td>
<td>4,249,500</td>
<td>2,892,398</td>
<td>1,357,102</td>
<td>31.94</td>
</tr>
<tr>
<td>Operating expenditure</td>
<td>6,215,947</td>
<td>2,228,869</td>
<td>3,987,078</td>
<td>64.14</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>12,344,000</td>
<td>9,842,597</td>
<td>2,501,403</td>
<td>20.26</td>
</tr>
<tr>
<td>Non program activities</td>
<td>22,809,447</td>
<td>14,963,864</td>
<td>7,845,583</td>
<td>34.40</td>
</tr>
<tr>
<td>Program activities</td>
<td>4,500,000</td>
<td>175,898</td>
<td>4,324,102</td>
<td>96.09</td>
</tr>
<tr>
<td>Total</td>
<td>27,309,447</td>
<td>15,139,762</td>
<td>12,169,685</td>
<td>44.56</td>
</tr>
</tbody>
</table>

Against the total approved budget amounting to rupees 27.309 million for the year ended June 30, 2011 actual cost incurred is rupees 15.139 million leaving us with an unconsumed budget of rupees 12.169 million.

During the year capital expenditure incurred amounting to rupees 9.843 million against the approved budget of rupees 12.344 million. This includes acquisition cost of vehicles, computers and IT equipment, generator, furniture and other electrical equipment. Assets that are further required to be procured as at the close of financial year include IT equipment i.e. file server, router, cabling & networking along with remaining furniture items for office and rest house.

Management cost incurred during the year 2010-11 is rupees 2.892 million against the budgeted amount of rupees 4.249 million leaving us with an unconsumed budget of rupees 1.357 million. Reason for variance is mainly because of hiring of managers in the month of June 2011 whereas the related cost was budgeted for the period prior to their induction. Management cost of CFO was budgeted from the month of March 2011, but due to this vacant position entire amount was unspent in the year 2010-11.

On program activity actual expenditure incurred during the year is rupees .176 million against the approved budget of rupees 4.5 million.
Other operating cost incurred during the year 2010-11 is rupees 2.228 million against the approved budget of rupees 6.215 million. Cost under account heads “commodities & services”, “rent, rates and taxes” and “utilities” was not consumed as budgeted.

During the year PSDF has earned profit on deposit amounting to rupees 81,764.

AUDITORS

The present auditors, M/S Avais Hyder Liaquat Nauman & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

BOARD OF DIRECTORS

Following changes have been made in the Board of Directors during the year:

Mr. Ubaid Rubbani Qureshi retired and Mr. Ali Tahir was appointed as a Director and acting Chief Executive Officer. On February 03, 2011 Mr. Ali Tahir retired as a Chief Executive Officer and Mr. Ali Sarfraz Hussain was appointed as a Director and Chief Executive Officer of the Company.

BOARD MEETING

During the year five meetings of the Board of Directors were held.

ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation for the untiring efforts of all its employees in taking the Company forward.

On Behalf of the Board

Mr. Ali Sarfraz
Director / Chief Executive Officer

Lahore: August 23, 2011