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INDEPENDENT AUDITOR'S REPORT

To the members of Punjab Skills Development Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **The Punjab Skills Development Fund** ("the Company") which comprise the statement of financial position as at **June 30, 2020**, and statement of income and expenditure, the statement of comprehensive income, the statement of changes in funds, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of income and expenditure, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **June 30, 2020** and of the surplus, other comprehensive loss, the changes in funds and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
b) the statement of financial position, statement of income and expenditure, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

We also draw attention to the fact that financial statements for the year ended 30 June 2019 were audited by another firm of auditors, whose report dated 07 November, 2019 expressed an unmodified opinion thereon respectively.

The engagement partner on the audit resulting in this independent auditor's report is Imran Afzal.

Grant Thornton Anjum Rahman

Grant Thornton Anjum Rahman
Chartered Accountants
Lahore

Dated: 11 January, 2021

Punjab Skills Development Fund

(A company setup under section 42 of the repealed Companies Ordinance, 1984 (Now Companies Act, 2017)

Statement of Financial Position

As at June 30, 2020

	Note	2020 Rupees	2019 Rupees
Funds and Liabilities			
Capital fund	4	**1,800,000**	1,800,000
Accumulated fund		**124,616,471**	82,104,184
		126,416,471	83,904,184
Non-current liabilities			
Deferred grants	5	**-**	-
Deferred grants for capital assets	6	**74,394,848**	72,729,104
Deferred liability	7	**6,198,719**	2,122,402
		80,593,567	74,851,506
Current liabilities			
Creditors, accrued and other liabilities	8	**978,465,107**	990,718,754
		1,185,475,145	1,149,474,444
Contingencies and commitments	9		

	Note	2020 Rupees	2019 Rupees
Assets			
Non-current assets			
Property and equipment	10	**52,691,989**	59,927,704
Intangibles	11	**21,702,859**	12,801,400
Long term deposits		**6,442,268**	5,596,180
		80,837,116	78,325,284
Current assets			
Short term Investment	13	**75,000,000**	-
Advances, deposits, prepayments and other receivables	12	**50,110,915**	63,528,052
Tax refunds due from tax authorities		**20,513,485**	20,199,994
Grants receivable	5	**90,756,386**	310,201,405
Cash and bank balances	14	**868,257,243**	677,219,709
		1,104,638,029	1,071,149,160
		1,185,475,145	1,149,474,444

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

Punjab Skills Development Fund

(A company setup under section 42 of the repealed Companies Ordinance, 1984 (Now Companies Act, 2017)

Statement of Income & Expenditure

For the year ended June 30,2020

	Note	2020 Rupees	2019 Rupees
Income			
Amortization of grants related to income	5	**3,291,209,415**	3,427,367,359
Amortization of deferred grant - capital assets	6	**25,774,412**	20,251,457
Income from placement services		**602,255**	374,000
Profit on bank deposits and investments		**9,261,543**	4,755,456
		3,326,847,625	**3,452,748,272**
Other income	5	**32,647,792**	20,685,096
		3,359,495,417	**3,473,433,368**
Expenditure			
Tribal Area Development Project ("TADP")	16	**(2,055,971)**	(935,170)
Punjab Skills Development Project ("PSDP")	17	**(458,655,848)**	(307,777,502)
IRMNCH Program	18	**-**	(5,184,000)
Skills Development Programme (SDP) - Training	19	**(2,713,002,911)**	(2,999,550,574)
Skills Development Programme (SDP) - Technical Assistance	20	**(143,153,479)**	(130,882,243)
Other expenses		**-**	(5,570,399)
		(3,316,868,209)	(3,449,899,888)
Finance cost		**(27,267)**	(175,549)
Surplus for the year		**42,599,941**	23,357,931

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

Punjab Skills Development Fund

(A company setup under section 42 of the repealed Companies Ordinance, 1984 (Now Companies Act, 2017)

Statement of Comprehensive Income

For the year ended June 30,2020

	2020 Rupees	2019 Rupees
Surplus for the year	**42,599,941**	23,357,931
Other comprehensive loss for the year		
Items that will never be reclassified to statement of income or expenditure:		
-'Remeasurement of deferred liability	**(87,654)**	(3,115,285)
Items that will be reclassified to statement of income or expenditure :	-	-
Total comprehensive income for the year	**42,512,287**	20,242,646

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

Punjab Skills Development Fund

(A company setup under section 42 of the repealed Companies Ordinance, 1984 (Now Companies Act, 2017)

Statement of Changes in Fund

For the year ended June 30,2020

	Capital Fund	Accumulated Fund	Total
	------------------ Rupees ------------------		
At July 1, 2018	1,800,000	61,861,538	63,661,538
Surplus for the year	-	23,357,931	23,357,931
Other comprehensive loss for the year ended June 30, 2019	-	(3,115,285)	(3,115,285)
Total comprehensive income for the year	-	20,242,646	20,242,646
At June 30, 2019	1,800,000	82,104,184	83,904,184
Surplus for the year	-	**42,599,941**	**42,599,941**
Other comprehensive loss for the year ended June 30, 2020	-	**(87,654)**	**(87,654)**
Total comprehensive income for the year	-	**42,512,287**	**42,512,287**
At June 30, 2020	**1,800,000**	**124,616,471**	**126,416,471**

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

Punjab Skills Development Fund

(A company setup under section 42 of the repealed Companies Ordinance, 1984 (Now Companies Act, 2017)

Statement of Cash Flows

For the year ended June 30,2020

	Note	2020 Rupees	2019 Rupees
Cash flows from operating activities			
Receipts			
Grants received		**3,459,136,700**	2,619,951,723
Receipts from placement services		**602,255**	374,000
Profit on bank deposits		**123,211,458**	78,258,092
		3,582,950,413	2,698,583,815
Payments			
Payments made to suppliers of goods and services		**(3,084,375,355)**	(3,171,581,283)
Payments made to employees		**(269,756,610)**	(217,150,782)
Finance cost paid		**(27,267)**	(175,549)
Taxes paid		**(313,491)**	(327,722)
Contribution made to the gratuity fund		**(10,000,000)**	(41,750,486)
		(3,364,472,723)	(3,430,985,822)
Net cash from/(used in) operating activities		**218,477,690**	(732,402,007)
Cash flows from investing activities			
Capital expenditure incurred during the year		**(17,039,735)**	(19,023,526)
Acquisition of intangibles		**(10,400,421)**	(3,143,965)
Net cash used in investing activities		**(27,440,156)**	(22,167,491)
Net increase / (decrease) in cash and cash equivalents		**191,037,534**	(754,569,498)
Cash and cash equivalents at beginning of the year		**677,219,709**	1,431,789,207
Cash and cash equivalents at end of the year	*14*	**868,257,243**	677,219,709

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

1 Reporting entity

1.1 Punjab Skills Development Fund ("the Company") was incorporated on 11 October 2010 under section 42 of the repealed Companies Ordinance, 1984 (now under section 42 of the Companies Act, 2017). It is sponsored by the Government of the Punjab ("GoPb") and funded by Department for International Development, UK ("DFID"). 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 development. The registered office of the Company is situated at 21 - A, H Block, Dr. Mateen Fatima Road, Gulberg II, Lahore. The Company has regional offices in Lahore, Rawalpindi and Bahawalpur.

1.2 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 is to engage vocational training service providers to train 1,000 residents of tribal area of Punjab till December 2017 with total fund allocation of Rs. 60 million. The contract was completed in June 2019. The Company has received Rs.51.48 million out of allocated funds so far.

1.3 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 and vocational training programs in priority sectors in Punjab. As per Project Appraisal Document, 50,000 individuals (at least 15% females) will be enrolled with total fund allocation of USD 32.2 million. The Company has received Rs. 1,568.8 million out of the allocated funds so far. The Company has trained 45,472 individuals out of which 14,300 individuals are females.

1.4 The Company and Integrated Reproductive Maternal New Born & Child Health & Nutrition (IRMNCH) Program Punjab signed a contract on 18 January 2016 for the provision of capacity enhancement of Lady Health Visitors/ workers. As per the contract, the Company engaged service providers for provision of Skill Enhancement (Training of Trainers) of 720 Lady Health Visitors (LHV) nominated by the IMRNCH. These master trainers conducted the trainings of other Lady Health Workers. The training of 720 Lady Health Visitors & 48,000 Lady Health Workers was completed by June 30, 2017. Consequently, report on quality assurance is in process. Approximate cost of the Project was PKR 36 million, out of which the Company has received Rs. 31 million.

1.5 Skills Development Programme ("SDP") was launched through a contract between the "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 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 is GBP 127.5 million. DFID's share is 30% (GBP 38.4 million). GOP will provide funding for the remaining 70% (GBP 89.1 million) of overall programme budget. The contract is for five years and will expire in 2021. The vocational training activities under this agreement were started from October 2016. DFID has contributed GBP 26.528 million equivalent to Rs. 4,328.677 million and Government of the Punjab has contributed Rs. 6,200.000 million equivalent to GBP 44.841 million (as per conversion rate of the project document) to the Programme so far. The Company expects receipt of remaining funds of GBP 56 million (GBP 12.15 million + GBP 44.259 million) in coming years. Accordingly, these financial statements have been prepared on going concern basis.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017;
- Accounting Standards for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS or the Accounting Standards for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except staff retirement benefits being carried at fair value.

2.3 New standards, interpretations and amendments applicable to the financial statements for the year ended 30 June, 2020

There are certain amendments, new standard and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2019.

There is no significant implication of new standards adopted during the year.

2.31 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations- Conceptual framework — (Amendments)	1 January 2022
IFRS 7	Financial Instruments: Disclosures - Pre-replacement issues in the context of the IBOR reform — (Amendments)	1 January 2020
IFRS 9	Financial Instruments - (Amendments)	1 January 2020
IFRS	Leases - To provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification — (Amendments)	1 June 2020
IAS 1	Presentation of Financial Statements — (Amendments)	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors —	1 January 2020
IAS 16	Property, Plant and Equipment — (Amendments)	1 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets — (Amendments)	1 January 2022
	Annual improvements to IFRS Stanadards 2018-20	1 January 2022

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 1‹ Regulatory Deferral Accounts	01 January 2016
IFRS 1´ Insurance Contracts	01 January 2023

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

2.4 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.

2.5 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:

2.5.1 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.

2.5.2 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.

2.5.3 Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgment and the 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.

2.5.4 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.5.5 Impairment

2.5.5.1 Impairment of financial assets - other than financial assets due from the Government of Pakistan

The Company estimates loss allowances for Expected Credit Losses (ECLs) on financial assets, other than financial assets due from the Government of Pakistan, measured at amortised cost after considering the pattern of receipts from and future financial outlook of the counterparty and is reviewed by the management on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding effect on the income and expenditure.

2.5.5.2 Impairment of financial assets due from the Government of Pakistan

The management of the Company reviews carrying amounts of its financial assets due from the Government of Pakistan for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.5.5.3 Impairment of non-financial assets (including grants receivable)

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment, if any.

2.5.6 Employee benefits

The Company operates a funded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the scheme. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. The most recent valuation of the scheme was carried out as at 30 June 2020. Remeasurement changes which comprise actuarial gains and losses are recognized immediately in the statement of other comprehensive income.

3 Summary of significant accounting policies

3.1 Property and equipment

3.1.1 Operating fixed assets

Property and equipment of the Company are stated at cost less accumulated depreciation and impairment, 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 made.

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.

3.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment, 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.

3.2 Intangibles

Expenditure incurred on intangible asset is capitalized as intangibles and stated at cost less accumulated amortization and any identified impairment, 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.

3.3 Leases

The Company assesses whether a contract is or contains a lease at the inception of the contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the entity obtains substantially all the economic benefits from the use of that asset, and whether the entity has the right to direct the use of that asset.

The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less and leases of low value items which are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses an incremental borrowing rate specific to the entity, term and the currency of the contract. Lease payments represent the periodic fixed payments to lessor. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in the future lease payments in case of renegotiation, change of an index or rate or in case of reassessment of options.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of lease term or useful life of the asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

ROU assets are included in the non-current assets, and the lease obligation is included in the current and non-current long term lease obligation.

3.3 Cash and cash equivalents

Cash and cash equivalents mainly comprise cash and bank balances which are stated in the balance sheet at cost.

3.4 Investments

Investments comprise of Term Deposit Receipts (TDR) and are recognized initially at fair value. Subsequently, the TDRs are measured at amortised cost - held to maturity. Markup on TDR is recognized on accrual basis.

3.5 Financial instruments

3.5.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

3.5.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment. Interest income, foreign exchange gains and losses and impairment are recognized in statement of income & expenditure. Any gain or loss on derecognition is recognized in statement of income & expenditure.

Financial assets measured at amortized cost comprise of cash and bank balances and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of income & expenditure. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of income & expenditure. However, the Company has no such instrument at the date of statement of financial position.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair values. Dividends are recognized as income in statement of income & expenditure unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to statement of income & expenditure.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of income & expenditure. However, the Company has no such instrument at the balance sheet date.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of income & expenditure. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of income & expenditure. Any gain or loss on derecognition is also recognized in statement of income & expenditure.

Financial liabilities comprise of creditors, accrued and other liabilities.

3.5.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in statement of income & expenditure.

3.5.4 Deposits and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery.

3.5.5 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.5.6 Impairment

3.5.6.1 Financial assets - other than financial assets due from the Government of Pakistan

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost; and
- debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the followings, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.5.6.2 *Financial assets due from the Government of Pakistan*

Financial assets due from the Government of Pakistan are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset due from the Government of Pakistan 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 that asset.

All impairment losses are recognised in the statement of income & expenditure. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

3.5.6.3 *Non-financial assets*

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets 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 is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment are recognized in statement of income & expenditure. Impairment 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 had been recognized.

3.6 Foreign currency transactions

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 statement of income & expenditure.

3.7 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.

3.7.1 Post employment benefit

The Company operates a funded defined benefit gratuity covering all permanent employees, who complete prescribed qualifying period of service. 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.

3.8 Creditors, accrued and other liabilities

Liabilities for creditors, accrued and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.9 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 date of statement of financial position and adjusted to reflect current best estimate.

3.10 Revenue recognition

3.10.1 Contributions / grants, including the non monetary contributions / 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 contributions / grants will be received.

Deferred contributions / grants related to income

The Company follows deferral method of accounting and accordingly, deferred contributions / 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. Contributions / 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.

Deferred contributions / grants related to capital assets

Deferred contributions / 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 contribution - capital assets" in the statement of financial position.

3.10.2 Project management services fee

Fee for project management services is recognized over time by reference to funds utilized in respect of specific project.

3.10.3 Other income

Income on bank deposits is recognized on accrual basis.

3.11 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemption available, if any, and tax paid on presumptive basis.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses and credits can be utilized. Deferred tax liabilities are recognized for all major taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to the statement of income & expenditure, except in the case of items credited or charged to equity in which case it is included in equity.

4 Capital fund

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

5 Deferred grants

	Note	AGA	TADP	PSDP	IRMNCH	SDP	SDP-TA	Total
		Rupees						
Balance as at July 01, 2018		-	9,218,259	74,159,896	1,586,949	319,185,158	59,747,495	463,897,757
Funds received during the year	15	-	-	230,000,000	-	2,330,562,000	59,389,723	2,619,951,723
Funds transferred to deferred grants for capital assets		-	-	-	-	(22,167,491)	-	(22,167,491)
Expenditure during the year (net of depreciation and amortization)		-	(935,172)	(307,824,450)	(5,184,000)	(2,982,689,081)	(130,734,656)	(3,427,367,359)
Other income	5.1	-	-	(20,685,096)	-	-	-	(20,685,096)
Profit on bank deposits		212,484	864,654	8,330,064	50,278	60,201,884	3,843,272	73,502,636
Deductions against TSP's claims reversed		-	-	-	-	8,479,877	-	8,479,877
Surplus of receipts over expenditure / (Excess of expenditure over receipts)		212,484	9,147,741	(16,019,586)	(3,546,773)	(286,427,653)	(7,754,166)	(304,387,953)
Transferred to other receivable	12	-	-	-	3,546,773	-	-	3,546,773
Transferred to other liabilities	8	(212,484)	(9,147,741)					(9,360,225)
Balance as at June 30, 2019		-	-	**(16,019,586)**	-	**(286,427,653)**	**(7,754,166)**	**(310,201,405)**
Funds received during the year	15	-	-	489,800,000	-	2,742,153,683	235,363,558	3,467,317,241
Funds transferred to deferred grants for capital assets		-	-	-	-	(17,782,888)	(9,657,268)	(27,440,156)
Expenditure during the year (net of depreciation and amortization)		-	(2,055,975)	(458,657,546)	-	(2,687,490,261)	(143,005,297)	(3,291,209,079)
Other income	5.1	-	-	(32,647,792)	-	-	-	(32,647,792)
Profit on bank deposits		-	1,010,425	20,492,238	10,719	69,997,855	10,878,737	102,389,974
Deductions against TSP's claims reversed		-	275,769	-	-	-	-	275,769
Repayment of funds		-	(8,180,541)					(8,180,541)
Surplus of receipts over expenditure / (Excess of expenditure over receipts)		-	**(8,950,322)**	**2,967,314**	**10,719**	**(179,549,264)**	**85,825,564**	**(99,695,989)**
Transferred to other receivables	12	-	-	-	(10,719)	-	-	(10,719)
Transferred to other liabilities	8	-	8,950,322	-	-	-	-	8,950,322
Balance as at June 30, 2020		-	-	**2,967,314**	-	**(179,549,264)**	**85,825,564**	**(90,756,386)**

5.1 It represents fee for execution of PSDP project.

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		2020 Rupees	2019 Rupees
6	**Deferred grants for capital assets**		
	Balance at beginning of the year	**72,729,104**	67,868,570
	Assets received during the year	**-**	2,944,500
	Funds transferred from deferred grants	**27,440,156**	22,167,491
	Depreciation & amortization recognised in income and expenditure statement for the year	**(25,774,412)**	(20,251,457)
	Balance at end of the year	**74,394,848**	72,729,104

7 Deferred liability

The actuarial valuation of the Company's defined benefit obligation was conducted on 30 June 2020 using projected unit credit method. Details of obligation for defined benefit gratuity are as follows:

	Note	2020 Rupees	2019 Rupees
The amount recognized in the Statement of Financial Position is as follows:			
Present value of defined benefit obligation	*7.1*	**56,974,562**	40,281,673
Fair value of plan assets	*7.2*	**(50,775,843)**	(38,159,271)
Liability as at 30 June		**6,198,719**	2,122,402

		2020 Rupees	2019 Rupees
7.1	**Movement in liability for funded defined benefit obligation**		
	Present value of defined benefit obligation at beginning of the year	**40,281,673**	26,686,016
	Current service cost for the year	**14,665,886**	11,591,034
	Interest cost for the year	**5,432,671**	2,480,553
	Benefits paid during the year	**(2,103,884)**	(3,760,970)
	Actuarial loss on present value of defined benefit obligation	**(1,301,784)**	3,285,040
	Balance at end of the year	**56,974,562**	40,281,673
7.2	**Movement in fair value of plan assets**		
	Fair value of plan assets at beginning of the year	**38,159,271**	-
	Contribution made by the Company during the year	**10,000,000**	41,750,486
	Interest income on plan assets	**6,109,894**	-
	Benefits paid during the year	**(2,103,884)**	(3,760,970)
	Return on plan assets (excluding interest income)	**(1,389,438)**	169,755
	Balance at end of the year	**50,775,843**	38,159,271
7.3	**The amounts recognized in the statement of income & expenditure are as follows:**		
	Current service cost	**14,665,886**	11,591,034
	Interest cost on liabilities	**5,432,671**	2,480,553
	Interest income on plan assets	**(6,109,894)**	-
	Net charge to statement of income & expenditure	**13,988,663**	14,071,587

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		2020 Rupees	2019 Rupees
7.4	**Included in other comprehensive income**		
	- Actuarial loss from changes in financial assumptions	**803,486**	514,232
	- Experience adjustment on obligation	**498,298**	2,770,808
	- Return on plan assets (excluding interest income)	**(1,389,438)**	(169,755)
		(87,654)	3,115,285
7.5	**Estimated contribution to be made during next year**		
	Current service cost	**16,192,666**	14,665,886
	Interest cost	**4,755,492**	5,608,035
	Interest income on plan assets	**(5,207,666)**	(6,389,800)
	Net charge to statement of income & expenditure	**15,740,492**	13,884,121

		2020	2019
7.6	**The principal actuarial assumptions at the reporting date were as follows:**		
	Discount rate used for interest cost	**14.50%**	10.00%
	Discount rate used for year end obligation	**9.25%**	14.50%
	Expected per annum growth rate in salaries	**8.25%**	13.50%
	Expected mortality rate	**SLIC (2001-2005)**	SLIC (2001-2005)

As at June 30, 2020, the weighted average duration of the defined benefit obligation was 11 years.

7.7 Sensitivity analysis

7.7.1 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 would have been as follows:

	Due to increase in assumptions Rupees	Due to decrease in assumptions Rupees
As at June 30, 2020:		
Discount rate	**48,281,646**	**59,571,822**
Salary increase	**59,662,352**	**48,094,378**
As at June 30, 2019:		
Discount rate	36,513,966	44,706,615
Salary increase	44,787,327	36,379,667

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		2020	2019
7.7.2	**Plan assets at year end**		
	Bond	**0%**	0%
	Equity	**0%**	0%
	Cash and/or Deposits	**100%**	100%
	Others	**0%**	0%
		100%	100%

		Note	2020 Rupees	2019 Rupees
8	**Creditors, accrued and other liabilities**			
	Creditors & accrued liabilities	*8.1*	**950,826,679**	954,917,520
	Tax deducted at source		**20,412,765**	20,207,130
	Balance of AGA payable to DFID fund		**3,924,889**	3,486,871
	Balance of TADP restricted fund payable		**197,423**	9,147,741
	Other payables		**3,103,351**	2,959,492
			978,465,107	990,718,754

8.1 These include balances payable to various training service providers engaged on different programs of PSDF against the monthly invoices.

9 Contingencies and commitments

9.1 Contingencies

In 2017 certain petitioners of the civil society filed a petition In the Lahore High Court against legal incorporation of the Company along with other Companies operating under section 42 or the Companies Act, 2017. Currently, proceedings of the Court are in process and the management on the basis of the legal opinion believes that such petition against the Company would be dismissed.

9.2 Commitments

There were no capital commitments as at 30 June 2020 (2019: Nil).

10 Property and equipment

	Improvements on leasehold buildings	Vehicles	Generator and other electrical equipment	Computer equipment	Furniture and fixtures	Total
	----------	----------	----------	Rupees	----------	----------
June 30, 2020						
Cost						
At July 01, 2019	30,410,362	32,365,179	10,138,643	41,781,294	10,509,664	125,205,142
Additions during the year	1,725,642	-	1,016,000	12,819,096	1,478,997	17,039,735
At June 30, 2020	**32,136,004**	**32,365,179**	**11,154,643**	**54,600,390**	**11,988,661**	**142,244,877**
Depreciation						
At July 01, 2019	10,640,569	26,533,008	4,596,941	19,808,236	3,698,684	65,277,438
Charge for the year	6,299,848	2,445,819	1,051,734	13,331,731	1,146,318	24,275,450
At June 30, 2020	**16,940,417**	**28,978,827**	**5,648,675**	**33,139,967**	**4,845,002**	**89,552,888**
Net book value at June 30, 2020	**15,195,587**	**3,386,352**	**5,505,968**	**21,460,423**	**7,143,659**	**52,691,989**
June 30, 2019						
Cost						
At July 01, 2018	25,853,379	29,510,179	9,713,643	29,461,582	8,698,333	103,237,116
Additions during the year	4,556,983	2,855,000	425,000	12,319,712	1,811,331	21,968,026
At June 30, 2019	**30,410,362**	**32,365,179**	**10,138,643**	**41,781,294**	**10,509,664**	**125,205,142**
Depreciation						
At July 01, 2018	5,293,744	23,418,329	3,618,507	10,909,051	2,771,479	46,011,110
Charge for the year	5,346,825	3,114,679	978,434	8,899,185	927,205	19,266,328
At June 30, 2019	**10,640,569**	**26,533,008**	**4,596,941**	**19,808,236**	**3,698,684**	**65,277,438**
Net book value at June 30, 2019	**19,769,793**	**5,832,171**	**5,541,702**	**21,973,058**	**6,810,980**	**59,927,704**
Depreciation rate %	**20%**	**20%**	**10%**	**33.33%**	**10%**	

11 Intangibles

	Software	License	Software under development	Total
June 30, 2020	---------- Rupees ----------			
Cost				
At July 01, 2019	13,686,066	706,990	450,000	14,843,056
Additions during the year	1,193,153	-	9,657,268	10,850,421
Transfers during the year	-	-	(450,000)	(450,000)
At June 30, 2020	**14,879,219**	**706,990**	**9,657,268**	**25,243,477**
Amortization				
At July 01, 2019	1,843,451	198,205	-	2,041,656
Amortization for the year	1,428,258	70,704	-	1,498,962
At June 30, 2020	**3,271,709**	**268,909**	**-**	**3,540,618**
Net book value at June 30,2020	**11,607,510**	**438,081**	**9,657,268**	**21,702,859**
June 30, 2019				
Cost				
At July 01, 2018	3,989,492	706,990	7,002,609	11,699,091
Additions during the year	9,696,574	-	1,940,191	11,636,765
Transfers during the year	-	-	(8,492,800)	(8,492,800)
At June 30, 2019	**13,686,066**	**706,990**	**450,000**	**14,843,056**
Amortization				
At July 01, 2018	929,026	127,501	-	1,056,527
Amortization for the year	914,425	70,704	-	985,129
At June 30, 2019	**1,843,451**	**198,205**	**-**	**2,041,656**
Net book value at June 30, 2019	**11,842,615**	**508,785**	**450,000**	**12,801,400**
Amortization rate per annum (%)	**10%**	**10%**		

	Note	2020 Rupees	2019 Rupees
12 Advances, prepayments and other receivables			
Advances to employees against salaries and expenses - unsecured & considered good	*12.1*	**13,709,657**	12,592,796
Advance to suppliers - considered good	*12.2*	**2,495,443**	3,936,789
Prepayments		**4,066,155**	3,747,629
Funds receivable for SDF program	*12.3&12.4*	**26,303,608**	37,425,195
Funds receivable for IRMNCH Program	*5&12.3*	**3,536,052**	3,546,773
Other receivables		**-**	2,278,870
		50,110,915	63,528,052

12.1 These include advances to key management personnel amounting to Rs. 3,515,627 (2019: Rs. 3,291,357).

12.2 These include advances of Rs. 1,750,146 & Rs. 458,976 to National Highway & Motorway Police and Pakistan Knitwear Training Institute (related parties) respectively. The maximum aggregate of advances to National Highway & Motorway Police and Pakistan Knitwear Training Institute (related parties) during the year are Rs. 3,384,329 & Rs. 1,147,440 respectively.

12.3 The maximum aggregate amount outstanding during the year from Government of the Punjab (a related party) was Rs. 29.84 million (2019: Rs. 3.55 million).

12.4 In the meeting of the Programme Steering Committee of SDP dated 24 October 2018, it was decided that markup earned from available funds with the Company shall be adjusted against the Company's receivable under SDF. Accordingly, markup of Rs.11.12 million earned during the year on SDF's deposit account with the Company has been adjusted against such receivable.

	Note	2020 Rupees	2019 Rupees
13 Short Term Investment - At amortized cost			
Investment in 6 months TDR	*14.1*	**75,000,000**	-
		75,000,000	

14.1 PKR 75 million with maturity of 6 months has been invested with the Bank of Punjab, a related party. This carries markup @12.6%.

	Note	2020 Rupees	2019 Rupees
14 Cash and bank balances			
Cash in hand			
- SDP		**56,184**	15
- AGA		**-**	-
		56,184	15
Cash at bank			
current accounts - SDF		**403,647**	403,647
saving accounts			
- SDF		**25,566,346**	83,740,081
- AGA		**4,239,957**	3,801,939
-TADP		**-**	9,226,089
- PSDF		**121,699,777**	67,757,259
- PSDP		**111,085,836**	99,575,938
- IRMNCH		**103,760**	93,041
-SDP		**472,865,771**	400,438,368
-SDP-TA		**132,235,965**	12,183,332
	14.1	**867,797,412**	676,816,047
	14.2	**868,257,243**	677,219,709

14.1 These carry mark-up at the rates ranging from 7.00 % to 12.25 % per annum (2019: 5.65 % to 10.0 % per annum).

14.2 It includes bank balances aggregating to Rs. 843.42 million (2019: Rs. 675.25 million) maintained with the Bank of Punjab (a related party).

	2020 Rupees	2019 Rupees
15 Funds received		
PSDP		
Government of Punjab - Department of Industries, Commerce & Investment	**489,800,000**	230,000,000
SDP		
Government of Punjab - Planning and Development Department ("PDD")	**1,500,000,000**	1,000,000,000
Department for International Development ("DFID")	**1,242,153,683**	1,330,562,000
	2,742,153,683	2,330,562,000
SDP-TA		
Department for International Development - UK ("DFID")	**235,363,558**	59,389,723
	3,467,317,241	2,619,951,723

		Note	2020 Rupees	2019 Rupees
16	**TADP**			
	Program cost - Training cost		**2,055,971**	935,170
17	**PSDP**			
	Program cost	*17.1*	**458,655,848**	307,777,502

		Note	2020	2019
17.1	Training cost		**442,673,155**	291,613,751
	Monitoring cost	*17.1.1*	**13,123,426**	14,569,703
	Advertisement and communication cost		**2,859,267**	1,594,048
			458,655,848	307,777,502

17.1.1 This includes an amount of Rs. 0.21 million (2019: Rs.0.23 million) in respect of expense recognized against provision for gratuity during the year.

		Note	2020 Rupees	2019 Rupees
18	**IRMNCH**			
	Program cost - Training cost		**-**	5,184,000
19	**SDP - Training**			
	Program cost	*19.1*	**2,418,855,236**	2,753,657,504
	Non-program cost	*19.2*	**294,147,675**	245,893,070
			2,713,002,911	2,999,550,574

		Note	2020	2019
19.1	**Program cost**			
	Training cost		**2,298,176,088**	2,616,684,737
	Monitoring cost	*19.1.1*	**87,573,319**	99,284,631
	Advertisement and communication cost		**33,105,829**	37,688,136
			2,418,855,236	2,753,657,504

19.1.1 This amount includes Rs. 1.39 million (2019: Rs. 1.56 million) in respect of expense recognized against provision for gratuity during the year.

		Note	2020 Rupees	2019 Rupees
19.2	**Non-program cost**			
	Salaries and other benefits	*19.2.1*	**201,525,329**	165,676,897
	Depreciation		**24,275,450**	19,266,328
	Rent		**23,075,718**	17,252,329
	Fuel		**1,423,258**	927,769
	Utilities		**5,369,865**	6,376,805
	Janitorial and security services		**6,073,327**	5,710,564
	Postage and telephone		**3,266,806**	1,609,753
	Advertisement		**1,217,788**	1,710,089
	Travelling and conveyance		**4,329,361**	8,755,554
	Vehicle insurance		**930,610**	850,306
	Printing and stationery		**1,184,695**	799,780
	Repair and maintenance		**4,419,907**	3,775,251
	Legal and professional charges		**5,919,601**	4,120,783
	Auditors' remuneration	*19.2.2*	**965,000**	2,089,500
	Amortization		**1,498,962**	985,129
	Entertainment		**982,566**	952,800
	Miscellaneous expenses		**7,689,432**	5,033,433
			294,147,675	245,893,070

19.2.1 This amount includes Rs. 11.71 million (2019: Rs.11.45 million) in respect of expense recognized against provision for gratuity.

	Note	2020 Rupees	2019 Rupees
19.2.2 Auditors' remuneration			
Annual audit fee		**825,000**	800,000
Out of pocket expenses		**35,000**	49,500
Certifications and others		**105,000**	250,000
Tax Services		-	990,000
		965,000	2,089,500
		-	

20 SDP-Technical assistance

	Note	2020 Rupees	2019 Rupees
Program cost	*20.1*	**136,123,247**	120,028,378
Non-program cost	*20.2*	**7,030,232**	10,853,865
		143,153,479	130,882,243

20.1 Program cost

Capacity building and institutional strengthening		**31,176,160**	35,685,489
Research and evaluations		**85,241,592**	30,792,087
Supporting innovative skill schemes		**19,705,495**	50,195,242
Policy - Regulatory and Institutional Reforms		-	3,355,560
		136,123,247	120,028,378

20.2 Non-program cost

Salaries and other benefits	*20.2.1*	**5,705,527**	9,221,743
Travelling and conveyance		**1,302,975**	1,395,932
Entertainment		**21,730**	108,098
Advertisement		-	128,092
		7,030,232	10,853,865

20.2.1 This includes an amount of Rs. 0.67 million (2019: Rs. 0.83 million) in respect of expense recognized against provision for gratuity.

21 Taxation

prevailing law for the taxation of the income. However, no provision for taxation has been considered necessary for the year as the Company is entitled for tax credit under section 2(36) / 100C of the Income Tax Ordinance, 2001.

22 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.

22.1 Risk management framework

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. 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'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.

22.2 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. To manage credit risk the financial viability of all counterparties is regularly monitored and assessed.

22.2.1 Exposure to credit risk

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

	2020 Rupees	2019 Rupees
Long term deposits	**6,442,268**	5,596,180
Funds receivable for SDF program	**26,303,608**	37,425,195
Funds receivable for IRMNCH Program	**3,536,052**	3,546,773
Other receivables	**-**	2,278,870
Short Term Investment - At amortized cost	**75,000,000**	-
Cash at bank	**868,201,059**	677,219,694
	979,482,987	726,066,712

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**	**Rs.**
	Short term	**Long term**	**Agency**	**2020**
Bank				
The Bank of Punjab	**A1+**	**AA**	**PACRA**	**864,394,248**
Habib Bank Limited	**A1+**	**AAA**	**JCR-VIS**	**104,132**
Telenor Microfinance Bank Limited	**A1**	**A+**	**JCR-VIS**	**3,702,679**
				868,201,059

	Rating		Rating	Rs.
	Short term	Long term	Agency	2019
Bank				
The Bank of Punjab	A1+	AA	PACRA	675,246,401
Habib Bank Limited	A1+	AAA	JCR-VIS	88,520
Telenor Microfinance Bank Limited	A1	A+	JCR-VIS	1,884,773
				677,219,694

22.3 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 date of statement of financial position 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, if any.

	2020				
	Carrying amount	**Contractual cash flows**	**Maturity upto one year**	**Maturity from one to five years**	**Maturity more then five years**
	----------	----------	**Rupees**	----------	----------
Creditors & accrued liabilities	**950,826,679**	**950,826,679**	**950,826,679**	-	-
Balance of AGA payable to DFID fund	**3,924,889**	**3,924,889**	**3,924,889**	-	-
Balance of TADP restricted fund payable	**197,423**	**197,423**	**197,423**	-	-
Other payables	**3,103,351**	**3,103,351**	**3,103,351**	-	-
	958,052,342	**958,052,342**	**958,052,342**	-	-

	2019				
	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity from one to five years	Maturity more then five years
	----------	----------	Rupees	----------	----------
Creditors	209,871,964	209,871,964	209,871,964	-	-
Accrued liabilities	745,045,556	745,045,556	745,045,556	-	-
Balance of AGA payable to DFID fund	3,486,871	3,486,871	3,486,871	-	-
Balance of TADP restricted fund payable	9,147,741	9,147,741	9,147,741		
Other payables	2,959,492	2,959,492	2,959,492	-	-
	970,511,624	970,511,624	970,511,624	-	-

22.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest / markup rates and equity prices 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.

22.4.1 Interest / Markup rate risk

Interest / markup rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest / markup rates. Sensitivity to interest / markup rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

	2020 Rupees	2019 Rupees
22.4.1.1 Variable rate instruments		
Cash at bank - saving account	**867,797,412**	676,816,047

22.4.1.2 Interest / markup rate sensitivity of variable rate instruments

If the interest / markup 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. 8,468,243 (2019: Rs. 6,768,160).

22.4.2 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; and
(b) Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

22.4.3 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 income or expenditure statement. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

22.4.4 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.

22.4.5 Exposure to foreign currency risk

The Company is not exposed to any foreign currency risk as on the date of statement of financial position.

22.5 Fair values

22.5.1 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.

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).

22.5.2 Fair values of financial instruments

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:

		Carrying amount			Fair value		
		Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3
On-Balance sheet financial instruments	*Note*	----------	----------	Rupees	----------	----------	----------
June 30, 2020							
Financial assets not measured at fair value							
Long term deposits		6,442,268	-	6,442,268	-	-	-
Funds receivable for SDF program		26,303,608	-	26,303,608	-	-	-
Funds receivable for IRMNCH Program		3,536,052	-	3,536,052	-	-	-
Short Term Investment - At amortized cost		75,000,000	-	75,000,000	-	-	-
Cash and bank balances		868,257,243	-	868,257,243	-	-	-
	21.5.3	979,539,171	-	979,539,171	-	-	-
Financial liabilities not measured at fair value							
Creditors & accrued liabilities		-	950,826,679	950,826,679	-	-	-
Balance of restricted funds payable		-	4,122,312	4,122,312	-	-	-
Other payables		-	3,103,351	3,103,351	-	-	-
	21.5.4	-	958,052,342	958,052,342	-	-	-

	Note	Carrying amount			Fair value		
		Loans and receivables at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3
		----------	----------	----------	Rupees	----------	----------
June 30, 2019							
Financial assets not measured at fair value							
Long term deposits		5,596,180	-	5,596,180	-	-	-
Funds receivable for SDF		37,425,195	-	37,425,195	-	-	-
Funds receivable for IRMNCH Program		3,546,773	-	3,546,773	-	-	-
Cash and bank balances		677,219,709	-	677,219,709	-	-	-
		723,787,857	-	723,787,857	-	-	-
Financial liabilities not measured at fair value							
Creditors		-	209,871,964	209,871,964	-	-	-
Accrued liabilities		-	745,045,556	745,045,556	-	-	-
Balance of restricted funds payable		-	12,634,612	12,634,612	-	-	-
Other payables		-	2,959,492	2,959,492	-	-	-
		-	970,511,624	970,511,624	-	-	-

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.

23 Related party transactions and balances

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 and key management personnel. Balances and transactions with government departments relating to funds are disclosed in notes 6 and 7 to the financial statements. The remuneration to Chief Executive and Directors is disclosed in note 24 to the financial statements. Other significant and quantifiable transactions and balances with related parties not specifically disclosed elsewhere are as follows:

	Name of parties	Relationship	Transactions / Balance	*Note*	**2020 Rupees**	2019 Rupees
a)	Various training service providers	Common control	Training services provided to the Company	*23.1*	**297,435,127**	309,224,691
			Payable balance at the year end		**133,014,284**	186,581,966
b)	Key management personnel	Key management personnel	Remuneration	*23.2*	**30,072,457**	32,394,208
c)	DGPR	Common control	Advertisement services provided to the Company	*23.3*	**11,435,411**	14,105,948
			Payable balance at the year end		**1,560,043**	6,144,789

23.1 Contracts relating to training services provided to the Company by realted training service providers are awarded after evaluation of bids invited by the Company and after approval by the Board of Directors of the Company.

23.2 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers Chief Executive Officer, whole time Directors, Chief Financial Officer and Company Secretary to be its key management personnel.

23.3 Contract relating to advertisement services provided to the Company by the service provider is awarded after evaluation of bids invited by the Company and after approval by the Board of Directors of the Company.

24 Remuneration of Directors, Chief Executive and Executives

The aggregate amount charged in the financial statements for the year in respect of remuneration, including all benefits to the Directors, Chief Executive and Executives of the Company is as follows:

	2020			2019		
	Directors	**Chief Executive Officer**	**Executives**	Directors	Chief Executive Officer	Executives
		Rupees			Rupees	
Salary	-	**19,470,396**	**140,270,836**	-	17,199,996	97,459,537
Variable pay	-	-	-	-	5,570,399	-
Driver Allowance	-	-	**1,799,355**	-	-	1,700,000
Mobile allowance	-	-		-	-	672,511
Communication allowance	-	-	**2,453,017**	-	-	1,470,387
Leave encashment	-	-	-	-	-	-
Car Allowance	-	-	**5,414,887**	-	-	5,307,580
Gratuity expense	-	**1,622,533**	**11,689,236**	-	1,433,333	8,121,628
	-	**21,092,929**	**161,627,331**	-	24,203,728	114,731,643
Number of persons	**14**	**1**	**50**	9	1	35

24.1 Chief Executive Officer and certain Executives are also provided with Company's maintained vehicles in accordance with the Company's policy.

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25 Impact of COVID-19

The novel coronavirus (COVID-19) emerged and on March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID–19 which was lifted subsequently in June 2020. The accounting implications of such developments on these financial statements has been assessed . Due to such lockdown, trainings remained disrupted in last three months resulting into decrease in expenditure incurred on trainings, decrease in grants receivable and increase in cash & cash equivalents at year end.

26 Number of employees

The average number of employees during the year and total number of employees at June 30, 2020 and 2019 respectively are as follows:

	2020	2019
	Number of employees	
Total number of employees at 30 June	**102**	100
Average number of employees during the year	**101**	91

27 General

Corresponding figures have been re-arranged and re-classified, wherever necessary for the purpose of comparison only. However, no significant changes have been made in these financial statements.

28 Date of authorization for issue

These financial statements have been authorized by the Board of Directors of the Company in their meeting held on 08 JAN 2021.

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