FINANCIAL STATEMENT

For the Year Ended
June 30, 2012

(Audited)

OUR MISSION

- *Nurture institutions for the poor and of the poor.*
- *Build trust and partnerships among duty bearers and right holders engaged in poverty alleviation and human development.*
- *Help the provinces and lagging regions achieve their MDG targets.*

Contents

Company Information

Board of Directors:

Mr. Hussain Dawood
Chairman

Dr. Nuzhat Ahmad

Mr. Rafiud Deen Ahmad

Dr. Naved Hamid

Mr. Abdul Khaliq

Mr. Himayatallah Khan

Dr. Rajab Ali Memon

Dr. Aisha Ghaus Pasha

Mr. Asif Qadir

Mr. Zubyr Soomro

Mr. Qazi Azmat Isa
Chief Executive Officer

BOD Committees:

Board Compensation Committee:

Mr. Hussain Dawood
Chairman

Dr. Rajab Ali Memon

Dr. Aisha Ghaus Pasha

Mr. Zubyr Soomro

Audit Committee:

Mr. Rafiud Deen Ahmad
Chairman

Dr. Nuzhat Ahmad

Dr. Naved Hamid

Mr. Abdul Khaliq

Mr. Asif Qadir

Risk Oversight Committee:

Mr. Zubyr Soomro
Chairman

Dr. Aisha Ghaus Pasha

Mr. Asif Qadir

Company Secretary: Mr. Amir Naeem

Auditors: A. F. Ferguson & Company, Chartered Accountants

Legal Advisors: Azam Chaudhry Law Associates

Tax Advisors: A. F. Ferguson & Company, Chartered Accountants

Bankers: Allied Bank of Pakistan, Askari Commercial Bank Limited, Citibank, Faysal Bank Limited, First Women Bank Limited, Habib Bank Limited, Hong Kong and Shanghai Banking Corporation Limited, National Bank of Pakistan, Silk Bank Limited, Standard Chartered Bank Limited

Registered Office:
1, Hill View Road, Bani Gala, Islamabad, Pakistan.
UAN: (+92-51) 111-000-102, Ph: 2613935-50
Fax: (+92-51) 2613931, Email: info@ppaf.org.pk
Website: www.ppaf.org.pk

General Body:

Chairman:

Hussain Dawood	Chairman, The Dawood Group.

Members:

Mueen Afzal	Former Secretary General, Ministry of Finance, Government of Pakistan
Nuzhat Ahmad	Director, Applied Economic Research Center, University of Karachi
Rafiud Deen Ahmad	Former Senior Partner, Orr, Dignam & Co.
Rashid Bajwa	Chief Executive Officer, National Rural Support Programme.
Nazrat Bashir	Additional Secretary, Ministry of Finance, Government of Pakistan.
Javed Burki	Former Civil Servant.
Naved Hamid	Director, Centre for Research in Economics & Business, Lahore School of Economics.
Ashraf Muhammad Hayat	Former Civil Servant.
Akmal Hussain	Managing Director, Sayyed Engineers Ltd.
Ahlullah Khan Kakarr	Former Civil Servant.
Abdul Khaliq	Additional Secretary, Ministry of Finance, Government of Pakistan.
Himayatallah Khan	Joint Secretary, Economic Affairs Division, Government of Pakistan
Shoaib Sultan Khan	Chairman, National Rural Support Programme.
Rajab Ali Memon	Educationist.
Nazar Memon	Director, National Rural Support Programme.
Hamayun Murad	Managing Director, Orix Leasing Pakistan Ltd.
Kaiser H Naseem	Manager, Pakistan Corporate Governance Project, International Finance Corporation.
Aisha Ghaus Pasha	Director Institute of Public Policy, Beachonhouse National University.
Asif Qadir	Ex President Engro Polymer and Chemicals.
Aijaz Ahmed Qureshi	Former General Manager, Sindh Irrigation & Drainage Authority.
Fazlullah Qureshi	Former Member, National Electric Power Regulatory Authority.
Muhammad Ismail Qureshi	Former Federal Secretary, Government of Pakistan.
Syed Ayub Qutub	Executive Director, Pakistan Institute of Environment Development & Research.
Sadiqa Salahuddin	Executive Director, Indus Resource Center.
M. Suleman Shaikh	Chairperson Sindh Graduates Association.
Zubyr Soomro	Director Sanjan Nagar Public Education Trust.
Jahangir Tareen	Former Federal Minister, Government of Pakistan.
Fareeha Zafar	Director, Society for the Advancement of Education.

PAKISTAN POVERTY ALLEVIATION FUND

FINANCIAL HIGHLIGHTS

	2012	2011	2010	2009	2008	2007
Outreach - *Numbers (Cumulative)*						
Partner Organizations	116	100	87	77	74	70
Districts	129	128	127	124	117	111
Loans ('000)	5,167	5,000	3,600	3,000	2,300	1,513
Water & Infrastructure Projects	26,933	25,500	21,000	18,500	17,000	14,900
Disbursements - *Rs. in million*						
Total disbursements	19,792	15,733	13,846	13,066	16,697	15,806
Microcredit/enterprise development loans	13,149	10,952	9,048	6,949	9,075	6,228
Grants - Core Operations	5,162	4,215	4,350	2,134	1,951	1,654
Grants - Project, Relief & Reconstruction Operations	1,481	566	448	3,983	5,671	7,924
Balance Sheet - *Rs. in million*						
Total assets	27,091	24,565	23,629	18,509	18,923	18,702
Micro credit/enterprise development loans receivable	12,552	11,098	10,572	9,141	7,982	5,642
Long term investments	994	1,151	1,000	1,000	1,000	1,000
investments-specific to projects	1,845	1,445	600	530	1,050	1,050
Investments- specific to grant fund	3,804	2,572	1,763	-	-	-
investments - others	4,565	4,868	4,058	5,225	5,442	6,712
Equity and reserves	8,905	7,530	6,114	4,785	3,755	2,817
Long term loans	13,575	13,761	12,246	11,031	10,770	10,777
Deffered benefit of below market rate of interest on loans	1,780	-	-	-	-	-
Operational Results - *Rs. in million*						
Total income	2,794	2,485	2,070	1,669	1,314	1,255
General and admin expenses	435	349	358	274	218	161
Surplus before provisions for loan loss	1,598	1,444	1,404	1,266	947	965
Surplus after provisions for loan loss	1,375	1,416	1,329	1,030	802	914
Financial Ratios - *Percentage*						
Surplus after provision for loan loss / total income	49%	57%	64%	62%	61%	73%
Return on equity	15%	19%	22%	22%	21%	32%
Return on assets	5%	6%	6%	6%	4%	5%
Repayment rate (microcredit & enterprise development loans)	100%	100%	100%	100%	100%	100%
General and admin expenses / total disbursements	2.20%	2.22%	2.59%	2.10%	1.31%	1.02%
General and admin expenses / total income	16%	14%	17%	16%	17%	13%
Debt/equity	67 : 33	65 : 35	67 : 33	70 : 30	74 : 26	78 : 22
Current ratio	8: 1	7: 1	4: 1	6: 1	4: 1	3: 1

PAKISTAN POVERTY ALLEVIATION FUND

DIRECTORS' REPORT

It gives me great pleasure to present on behalf of the Board of Directors the twelfth Annual Report along with audited financial statements of the Company for the year ended June 30, 2012.

Poverty reduction remained the greatest challenge for the country. Although substantial progress has been made in reducing poverty, a significant number of people still live under the poverty-line struggling to sustain their livelihood. Despite the incessant rise in poverty due to various socio-economic factors, the poor benefited in the form of self-sufficiency and community driven development in the sectors of PPAF sponsored interventions. PPAF through its integrated approach is striving to achieve lasting improvement in the lives of the deprived people.

The year in review marked as a significant year in underlying results for the Company. PPAF continued to uphold its image as the apex institution in the development sector and successfully achieved its operational and financial targets, addressing the needs of the poor through multi-dimensional programmes. To make the process of economic impact more conducive in reducing poverty, PPAF focused on three prime strategies: inclusion, sustainable growth and regional integration. Special emphasis was given on achieving the Millennium Development Goals for all segments of the society, with a particular focus on marginalized communities, especially women.

PPAF has remained committed to its overarching objective of alleviating poverty through concerted and sustainable efforts at the grassroots. PPAF has expanded its outreach to almost every district of the country. This outreach is exemplified by a diverse range of products and services anchored in social mobilization, institutional development and individual empowerment. The emphasis remained on delivering customized solutions tailored to address specific constraints of households and communities and at the same time, be culturally sensitive and contextually relevant. PPAF's track record as a robust institution for transferring development resources to the poor through cost effective and efficient delivery mechanisms has secured trust and confidence of all stakeholders, including the Government of Pakistan, international bilateral and multilateral donor agencies, private and corporate sector institutions, grass root partner organizations and above all the men, women and children in participating communities.

Capitalizing on PPAF's credible track record of managing disasters and emergency situations on a large scale, PPAF proactively responded to widespread destruction caused by August 2011 floods affecting more than 8 million people in the province of Sindh. The Company adopted a comprehensive strategy focused on immediate relief through provision of food, milk, water, medicines, shelter and related items for the affectees. PPAF disbursed Rs 206 million from its own reserves for early recovery programme to help overcome plight of affected communities. The relief operations were carried out in 14 union councils of district Badin of Sindh. PPAF successfully completed the relief activities to allow people in affected areas to rebuild their lives and livelihoods.

Disbursements and Outputs:

PPAF continued to maintan a resilient financial position over the past year. PPAF's operations demonstrated impressive performance which was manifest from the strong asset base, improved equity and sustained returns.

The overall disbursements during the year enhanced to Rs 19,792 million as compared to Rs 15,738 million during FY 2011, an upsurge of 26% over the last year. Loan disbursements (microcredit and enterprise development facilities) climbed to Rs 13,149 million as compared to Rs 10,952 million in 2011 indicating a rise of 20% and disbursements for grants based interventions (water and infrastructure; health and education; capacity building/social mobilization; livelihood enhancement and protection) sprung up to Rs. 6,437 million from Rs.4,574 million in the last year. In addition, Rs 1,481 million was disbursed for project and relief activities as against Rs 566 million in the preceding year [fig. 2].

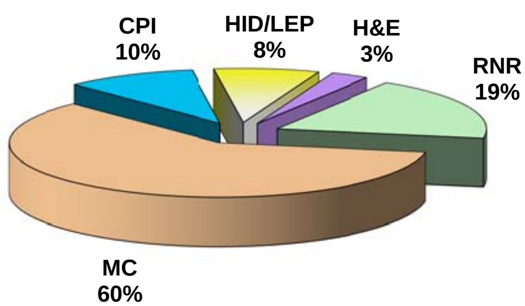
Fig 2: Disbursements

DESCRIPTION	Rs. Million		Variance (%)
	JUL-JUN 2012	JUL-JUN 2011	
Credit & enterprise development	13,149	10,952	+20
Water & infrastructure	1,271	1,449	-12
Health & education	830	866	-4
Capacity building/social mobilization	1,576	1,491	+6
Livelihood enhancement	1,485	414	+259
Project & relief activities	1,481	566	+162
Total	19,792	15,738	+26

During the period under review, PPAF financed over 880,000 microcredit loans; 1,975 water and infrastructure projects were completed; 1,178 health and education projects were supported; 25,150 community organizations were formed/revitalized, 57,000 staff and community members were trained; 20,000 assets were transferred to poor households and 12,050 persons with disabilities rehabilitated.

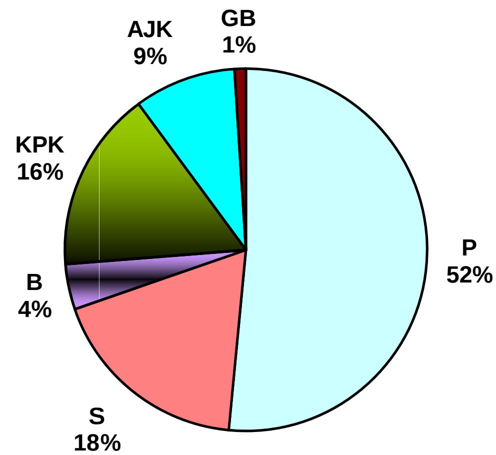
Cumulative disbursements by the end of June 2012, stood at Rs 110,423 million out of which credit and enterprise development was 60% followed by relief, rehabilitation and reconstruction activities (19%); community physical infrastructure (10%); human and institutional development (including social mobilization)/livelihood enhancement and protection (8%); and health & education (3%) [fig. 3].

Figure 3
Share of funds disbursed



PPAF played a significant role with respect to providing provincial coverage to combat poverty. Among provinces interventions were carried out with the percentage of 51% in Punjab, 18% in Sindh, 16% in Khyber Pakhtunkhwa, 4% in Balochistan; 10% in Azad Jammu and Kashmir; 1% each in Gilgit Baltistan and Islamabad Capital Territory. To improve the availability of resources in most deprived provinces reforms will rely on the implementation of district prioritization strategy that focuses on regions that have historically lagged behind in socio-economic development and are particularly underserved.

Figure 4
Provincial distribution of funds

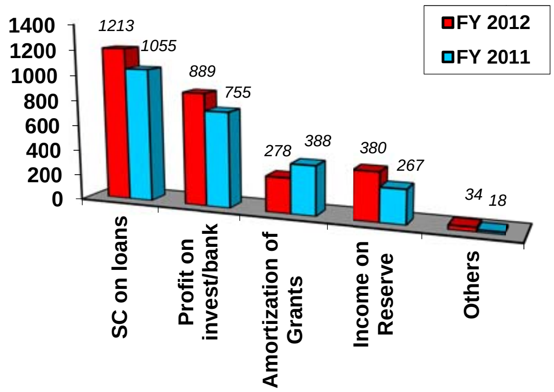


By the end of June 2012, PPAF had expanded its partnership with 116 partner organizations which deployed resources in both urban and rural areas of 129 districts of the country. Aggregately, PPAF enumerated a record spread of 5,167,152 microcredit loans, of which 2,728,000 were to women, completed 26,933 water and infrastructure projects, supported and financed 2,015 health and education facilities, transferred 20,073 assets to poor and trained 563,691 staff and community members nationwide. In provision of addressing the natural crisis within the country, PPAF provided record financing to 122,000 households during the previous years for construction of earthquake resistant homes and to build capacities of over 100,000 individuals in seismic construction and related skills.

Operational and Financial Overview:

As a non-profit institution, PPAF seeks to maximize profits and earn enough income to ensure its financial strength and sustain its development activities. PPAF's income rose from Rs. 2,485 million in the fiscal year 2011 up to Rs. 2,794 million in 2012, increase of 12%. The service charges (profit) on loan to partner organizations increased by 15% due to high volume of amount of credit outstanding and introduction of market based rates for large partner organizations. Income on investments and saving accounts increased by 24% due to increase in level of investments and reserve. This includes income of Rs 380 million that was generated on investments specific to grant based activities. During the year, grant of Rs 278 million was made available by Government of Pakistan and donor agencies for PPAF operational support [fig. 5].

Figure 5
Total Income
Rs. in million



The general and administrative expenses relate to the operations of PPAF. During the year Rs 435 million were consumed on carrying out the general operations of the Company as against Rs 349 million during the preceding year, an increase of 25%. The main increases were in salaries/benefits, travel and vehicle running/maintenance expenses. The salaries, wages and other benefits increased due to annual increments to existing employees to provide relief against higher cost of living and recognition of their work performance; as well as hiring of additional staff for managing expansion in core operations and new activities under different projects. Travel expense increased due to extensive appraisal and monitoring visits in view of high cumulative disbursements and enhanced activities. The increase in running/maintenance expenses were on account of high POL charges. Seminar, workshops and training expenses of Rs 40.92 million included Rs 15.04 million spent on trainings and Rs 25.88 million incurred on seminar and workshops. Total expense of Rs 98.83 on technical and other studies included Rs 41.62 million in respect of poverty scorecard survey. Project and relief activities, financed from PPAF own resources, included Rs 202.83 million on relief activities in flood affected areas and Rs 269.28 million for PPAF II project.

Financial results are summarized as follows:

(Rs in million)	2012	2011
Service charges (profit) on loans	1,213	1,055
Income on investments/saving accounts	1,268	1,022
Amortization of deferred income - grant fund	278	390
Benefit of below market rate of interest on loans	33	-
Other income	1	18
Total income	**2,793**	**2,485**
General and administrative expenses	435	349
Seminar, workshops and trainings	41	25
Technical and other studies	99	350
Project and relief activities	472	208
Loan loss provision	223	28
Financial charges	148	109
Total expenditure	**1,418**	**1,069**
Surplus for the year	**1,375**	**1,416**

The general loan loss provided at 5% of the gross outstanding balances of loans to partner organizations. In addition, specific provision for loan losses was also made against loans which were considered doubtful. The financial charges include commitment and service charges on long term loan and bank charges.

Financing Agreements signed with the Government of Pakistan (GoP) required repayment of loan amounts alongwith service and commitments charges from PPAF on the stipulated rates each year. PPAF profoundly repaid its obligations to GoP. During the year, 288.613 million (FY 2011 : 109.62 million) was repaid on account of principal amount of loan and Rs 149.428 million (FY 2011 : Rs 111.050 million) as service/commitment charges to the GoP.

Over the years PPAF strived to attain operational and financial sustainability to provide support to activities vital in alleviating poverty. In this direction, PPAF strengthened its microcredit function through further engagement of its reflows coming in the form of repayments from its partner organizations. During the year, out of total credit disbursements of Rs 13,149 million, an amount of Rs 11,919 million (91%) was disbursed from PPAF reflows/own resources.

Considering the increasing need for sustainable grant based operations in the absence of external financing, the Board of Directors has approved the creation of a reserve for grant operations. The principal amount of the reserve is held in investments and interest earned thereon is used for grant based health, education, infrastructure, emergency and any other activity that falls within the overall strategic purview of PPAF objectives. As at June 30, 2012 the reserve stood at Rs 3,804 million as against Rs 2,572 million as at June 30, 2011.

Total equity and reserves significantly increased to Rs 8,905 million as at June 30, 2012 as against Rs 7,530 million as at June 30, 2011. Total assets of the Company reached Rs. 27,091 million on June 30, 2012 against Rs 24,565 million as at June 30, 2011. Total receivables (loan/service charges) from partner organizations rose to Rs 13,434 million on June 30, 2012 as against Rs 11,755 million as at June 30, 2011. PPAF continued to maintain almost 100% recovery rate in respect of its lending operations. The debt equity ratio during the current financial year stood at 63:37 as against 65:35 (year 2011).

Sectoral and Programme Overview:

PPAF has been driven by inspiration and dedication to improving people’s lives in the country. It personifies the spirit of being capable of addressing the multi-dimensional issues of poverty with a view to achieving social and economic change. PPAF serves its target community by following an integrated approach through various interventions focused on strengthening social mobilization, micro-credit, infrastructure, health, education, livelihood enhancement and skills development.

The social mobilization framework of PPAF is based on the strong belief that poor communities possess a profound latent capacity to lead the process of development at the grassroots as agents of change. As a necessary precondition for transferring financial and non- financial assistance to communities, social mobilization fundamentally focuses on transforming attitudes and ensuring effective collective action for the common good of the poor. Community mobilization lies at the heart of all PPAF development initiatives. The community organization provides the poor with an effective platform to voice demands, pool savings, plan investments and manage development projects, while enabling them to take those crucial first steps on the long road to empowerment. On the wider economic landscape, the increasing number of organized communities contributes to making growth at the same time less sporadic and more broad-based with poor communities effectively lobbying to extract maximum benefits from donor agencies, political representatives and government functionaries.

PPAF remains steadfast in promoting microcredit sector growth through facilitating capital access within a carefully strategized institutional framework at the grassroots. As the microfinance sector has evolved in Pakistan, and is facing a new array of opportunities and challenges, the vision of PPAF is commensurately evolving. It sees the opportunity to spur a revitalization of the microfinance sector where the technological innovation, the progressive operating environment, and the range of institutions operating in Pakistan is now matched with a resurgence in financial penetration and responsible growth of outreach, particularly in untapped markets. In order to achieve this vision, PPAF plans to create a transformative, modern, specialized, and innovative microfinance apex that would spur a resurgence of high quality growth of the microfinance sector and substantially increase financial sector penetration for poor households and microenterprises, particularly in underserved areas of Pakistan. PPAF has engaged experts to conduct extensive study and recommend options for new institutional design. PPAF recently institutionalized a new pricing and grant policy to incentivize the microfinance institutions and banks to extend their lending operations to deprived and remote areas.

The water and infrastructure interventions have proven to be one of the most productive investments providing high economic returns. These interventions are a central resource facility aimed at reducing poverty and safeguarding against vulnerability related to water scarcity and disasters, following a community led demand driven approach. The availability of basic infrastructure in critical sectors like drinking water, sanitation, irrigation and communications is central to a community's long term prospects of defeating poverty. All PPAF infrastructure projects are designed to reach the poorest through an intensive process of community mobilization ensuring project sustainability, while simultaneously seeking to reduce the possibility of elite capture. PPAF's interventions in infrastructure development have gradually evolved in consonance with its experience as the largest operating fund for investing targeted infrastructure grants in the private sector. While continuing to provision standalone small scale infrastructure projects to meet specific community demands, such interventions have increasingly been supplanted by a variety of integrated projects that have since gone through several stages of refinement and innovation.

One of the critical roles of PPAF is the development and consolidation of human and institutional capacities for effective policy interventions at the grassroots. PPAF follows a three tier approach focusing respectively on a triple set of stakeholders: participating communities, grassroots partner organizations and service providers provisioning professional capacity building support at the regional and national level. PPAF has critically enhanced human and institutional productivity to optimize resource utilization and economic gains on the national stage, while simultaneously facilitating development of a demand responsive institutional framework catering to the long term needs of marginalized communities. PPAF’s success in fostering skill sets for effective community management and entrepreneurship has been equally matched by its contributions in enhancing institutional capacity of partner organizations to further consolidate accrued gains at the community level.

The poor and marginalized communities are provided access to quality education and health services within the overarching goal of poverty alleviation. In addition to establishing new schools and Community Health Centers in areas lacking such services, PPAF also invests substantial technical and financial resources in underperforming health and education facilities in the public sector. In keeping with PPAF’s overall approach, effective quality control and community mobilization are prioritized as necessary components for sustainable interventions in the social sector. All PPAF financed schools and health centers are encouraged to adopt a stringent monitoring framework ensuring an ongoing system of feedback and reform. While PPAF partner organizations lead the monitoring effort, community-based education and health committees are empowered to play an oversight role in the management of all schools and health centers by identifying bottlenecks and proposing corrective measures.

Through its livelihood enhancement and protection programme PPAF seeks to enhance productivity of poor individuals and communities through focused interventions aimed at developing skill sets and assets for greater income generating opportunities and better livelihoods. It encourages saving and internal lending within organized communities, while striving to introduce efficient mechanisms for identifying and supporting innovative micro-enterprises. The objective of this component is to develop the capacity, opportunities, assets and productivity of community members to reduce their vulnerability to shocks, improve their livelihoods initiatives and strengthen their business operations. Community members are supported to build up their savings capacity and proficiency in funds management through internal lending while complementing these efforts with grants and technical support to increase assets, productivity and incomes. Mechanisms are also developed and implemented to identify and support innovative micro-enterprises and value chain development which results in improved livelihoods and facilitates and promotes linkages with private, public sector and civil society service providers.

PPAF's disability program subsumes several focused interventions in support of persons with disabilities including awareness raising campaigns, assessment camps, devices distribution camps, attendant ship training, enterprise development training, and business incubation. PPAF also works with communities suffering from natural calamities and disasters such as earthquakes, droughts, cyclones and floods and also responds to special needs of various groups of poor.

PPAF has in place an environmental and social management framework to ensure that all PPAF supported interventions take place in a socially inclusive and environmental friendly manner. A fully dedicated group of professionals is responsible for regular dissemination of the framework among all its partner organizations. The group is also responsible for ensuring compliance with stringent social and environmental safeguards by all partner organizations through regular monitoring and periodic environmental and social audits. Task of the group is facilitated by a specifically constituted PPAF Panel on Social and Environmental Management.

PPAF is developing linkages with private and corporate sector with the aim to work jointly for establishing social sector partnerships to fighting poverty in the country. By involving business and corporate sectors, PPAF plans to further increase its country wide activities through bilateral relationships. This would enable the poor to access, and benefit from wider private sector markets and opportunities for value addition.

Key Events/ Initiatives:

Arranged under the aegis of PPAF, representatives of the National Disaster Management Authority, State Bank of Pakistan, Security and Exchange Commission of Pakistan, Pakistan Microfinance Network, leading insurance companies and partners organizations at "Strategizing for Resilience Against Disasters - A Microfinance Dialogue" evaluated the utility of microfinance as a coping mechanism with catastrophes and an instrument for the rehabilitation of the affectees in flood-hit areas. This included the use of microcredit, micro-insurance, savings and micro-assets for reducing/mitigating negative impacts on livelihoods.

An interactive session on "Branchless Banking and Savings" was organized in which 45 partner organizations and representatives of major stakeholders including State Bank of Pakistan, Pakistan Microfinance Network, Shore Bank International, a number of Insurance Companies, KfW (Development Bank of Germany) participated. The objectives of the workshop were to explore opportunities for scaling up Branchless Banking models as they holds tremendous promise for reducing microfinance transactions costs, thereby assisting with increasing outreach to far-fetched areas.

PPAF has introduced a new product for the microfinance sector, which permits grant of "Equity Fund" to the most dynamic partners and microfinance institutions enabling them to access commercial financing to realize their growth potential and expansion into rural areas. This initiative would provide a much needed boost to expand the outreach of microfinance sector in Pakistan.

The graduation ceremony of the third batch interns of the Federally Administered Tribal Areas (FATA) internship programme was organized. Sixteen interns enrolled from South Waziristan successfully completed an in-house course at PPAF head office. These graduates have now been attached with the selected PPAF POs to gain field experience.

On the occasion of International Women's Day (March 8, 2012) PPAF launched Amtul Raqeeb Award which pays tribute to the services of courageous women who braved adversity and chalked out their own and their communities' destiny. On this occasion women belonging to PPAF's communities from various geographical locations of the country were given awards. A simple ceremony was organized to launch this chronicle of success captioned 'Women of Substance.

On the occasion of World Water Day 2012, PPAF organized a half day Panel Colloquium on March 22, 2012. Leading water sector and disaster management practitioners/specialists were invited as panelists/discussants. PPAF offered its services as a secretariat for a potential Water Forum initiative.

A ceremony was arranged to mark the 40th World Environment Day on June 5, 2012 on the premises of Pakistan Poverty Alleviation Fund (PPAF), with the purpose of inculcating among the Team PPAF a true spirit needed not only to protect our environment but also to save and improve the same for our next generations.

Treasury Management:

PPAF invest its resources which are not required immediately for financing its operations. The liquid assets are invested based on the guidelines stipulated in the investment policy devised and issued through Board approved treasury management strategy. The Company has a separate treasury management function with a mandate to maintain and monitor the liquidity and to minimize the cash flow risk whereby keeping an eye on cash inflows and outflows on a regular basis. The Company manages a portfolio of long term and short term investments, made after thorough financial evaluation. The credit risk in short term investments is minimized through diversification in investments among top ranking financial institutions.

Business Risks and Challenges:

In carrying out its development mandate, PPAF seeks to maximize its capacity to assume core business risks resulting from its lending and investing operations while at the same time minimizing its non-core business risks that are incidental but nevertheless critical to the execution of its mandate. The policies, processes and procedures by which PPAF manages its risk profile continually evolve in response to market, credit products and other developments.

Broadly, we classify risks as follows:

Strategic Risks

Strategic risks are those risks associated with operating in a particular industry and are not in the company's control.

Operational Risks

These are risks associated with operational and administrative procedures. These include the risks relating to workforce turnover, supply chain disruption, IT system shutdowns, or control failures.

Financial Risks

Financial Risks are divided in the following categories:

Credit risk:

Credit risk is the potential financial loss due to default of one or more debtors. Credit risk is the largest source of risk for the Company arising from lending to partner organizations and treasury operations. PPAF manages the credit risk on loans by defining exposure limits to financing so as to maintain an adequately diversified portfolio with partner organizations. In this percept a performance based criteria has been adopted for selection of partner organizations. The risk is further controlled and managed by regularly monitoring the exposure limits of the partner organizations. The credit risk on investments and bank balances is managed through a framework of exposure limits based on the counterparty credit rating and size defined in the standards set by the Board of Directors.

Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company is not exposed to currency risk as there are no foreign currency assets and liabilities.

Interest / mark-up rate risk:

The interest/mark-up rate risk describes as the risk borne by the financial instrument due to changes in the market interest/mark-up rates. The Company is not exposed to this risk as all its interest bearing financial assets and liabilities are at fixed interest/mark-up rates.

Liquidity risk:

Liquidity risk emerges resulting from insufficient funds to meet cash flow in a timely manner. PPAF's principal liquidity risk management objective is to hold sufficient liquid resources to enable it to meet all probable cash flow needs for semiannual horizon without additional financing from the reserves. PPAF maintains a prudential minimum level of liquidity based on the projected net cash requirements. The Company strikes a balance between generating adequate investment returns and holding securities that can be easily liquidated for cash if required. Moreover, the Company's financial position strongly supports its balanced approach.

Risk Governance

The roles and responsibilities of the various participants in our risk management program are outlined in our risk governance structure.

Board of Directors:

Oversees the risk management process primarily through its committees:

- The Risk Oversight Committee reviews the effectiveness of overall risk management framework including risk policies, strategies, risk tolerance and risk appetite limits.
- The Audit Committee monitors the Company's risk management process quarterly, or more frequently if required, focusing primarily on financial and regulatory compliance risks.
- The Compensation Committee focuses on risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk.

Internal Audit

Provides independent and objective evaluations and reports to Management and the Audit Committee on the effectiveness of governance, risk management and control processes.

Internal Control Compliance

Each department identifies and manages risks pertaining to their respective areas of responsibility in addition to ensuring compliance with established internal controls.

Best Corporate Practices:

PPAF enforced a well-defined corporate governance structure that works for the benefit for all the stakeholders by ensuring that the Company adheres to accepted ethical standards and best practices as well as to formal law.

PPAF ensures best practices of corporate governance by adopting a set of processes, custom and policies, to direct and control management activities with good business sense, objectivity, accountability and integrity. PPAF believe in openness and transparent reporting to the stakeholders to empower them in exercising their lawful rights.

The Management believes in true and fair presentations and circulation of periodic financial and non-financial information to governing bodies, donors and other stakeholders of the Company. The Company produces separate financial statements for different donors' projects, duly audited by its external auditors in addition to preparing financial statements abreast with statutory requirements.

During the year all periodic financial statements, the annual audited financial statements alongwith Directors' Report as well as quarterly and half yearly and nine monthly un-audited financial statements alongwith Management Reviews, were endorsed and circulated to stakeholders. These statements were also made available on the Company website. Other non-financial information to be circulated to governing bodies and other stakeholders were also delivered in an accurate and timely manner

Corporate Governance:

Smearing the maximum legal requirements for good corporate governance obligatory by applicable law and regulations, PPAF pursues perfection by encouraging adherence to international and local principles of best corporate practices.

The Company seeks to protect the interest of the stakeholders by adopting sound corporate governance practice to help to improve its performance and attract investments while enabling to realize its corporate objectives, protect stakeholders' right and meet legal requirements. The Company is committed to ensure business integrity and upholding the confidence of all its stakeholders by observing high standards of corporate governance. PPAF has endorsed the code of corporate governance of listing regulations to comply with best practices. The Management is continuing to comply with the provisions of best practices set out in the Code of Corporate Governance, which is reflected in the following specific statements:

- The financial statements prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- The Company's ability to continue as a going concern is well established.
- There has been no material departure from the best practices of corporate governance.
- Key operating and financial data of the last six (6) years in summarized form is annexed.

Board of Directors:

Composition of the Board

The prerequisites and configuration of the Board of Directors are defined by the legal and regulatory framework parameters for smooth running of operations and promotion of corporate culture. The Company has on its Board highly experienced competent and committed personnel with vast expertise, integrity and strong sense of responsibility necessary for shielding the interest of all stakeholders. The Board comprises of eleven Members including the Chairman and the Chief Executive Officer. Of these, three were nominated by the Government; seven elected by the General Body; and the Chief Executive Officer appointed by the Board. The Chairman of the Board is an independent non-executive director. Except for the CEO, all members of the Board are non-executive Directors and serve in an honorary capacity, without compensation.

Role and Responsibilities of the Board

Corporate Governance is a system of structures and processes for the direction and control of the Company. Through this process a balance of duties and responsibilities for the Board are defined and segregated, enabling the Company to maintain the right balance of power and accountability while striving to achieve its objective of enhancing stakeholder value. The Board is copiously aware of the colossal errands conferred on them for increasing efficiency of the Company and safeguarding its assets. A formal schedule of responsibilities has been specifically ordained for the Board by virtue of provisions of the Articles of Association of the Company, the Companies Ordinance 1984 and other applicable regulations.

The Board participates actively in major decisions of the Company including appointment of the Chief Executive Officer; review and approval of operational policies and procedures; projects of different donors and sponsors; minutes of Board Committee meetings, financial assistance for partner organizations; quarterly progress; annual work plans, targets and budgets; un-audited financial statements alongwith Management Reviews; audited financial statements alongwith Directors' and Auditors' Reports.

Meetings of the Board

The Board is required to meet at least every quarter to monitor the Company's performance aimed at effective and timely accountability of its management.

During the year the Board held six meetings, agendas of which were circulated in a timely manner beforehand. Decisions made by the Board during the meetings were clearly stated in the minutes of the meetings maintained by the Company Secretary, which were duly circulated to all the Directors for endorsement and were approved in the following Board meetings. All meetings of the Board had the minimum quorum attendance as stipulated in the Articles of Association. The Chief Financial Officer/Company Secretary attended the meetings of the Board in the capacity of non-director without voting entitlements as required by the Code of Corporate Governance.

Appointment of Directors:

As per the Articles of Association of the Company, all Members of the Board, except Government nominees, are appointed for a term of three years, on completion of which they are eligible for re-election through a formal election process. However, no such Member of the Board of Directors shall serve for more than two consecutive terms of three years each except for Government nominees.

Change of Directors:

The Board placed on record its appreciation for the valuable contributions made by the outgoing Government nominated Directors, Mr. Rana Assad Amin, representative of Ministry of Finance, Mr. Ahmad Farooq and Mr. Zaffar Hasan, representatives of Economic Affairs Division.

Board Committees:

Board Audit Committee:

The Audit Committee comprises of five non-executive members of the Board. The Chairman is an independent non-executive Director. The head of Internal Audit Unit acts as Secretary of the Committee.

The Committee assists the Board in over sighting integrity of the Company’s financial control, with particular emphasis on reliability of internal controls and financial reporting; qualification and independence of Company’s external auditors; and performance of the Company’s internal and external auditors.

During the year, the Audit Committee met three times. As part of its core activities, Committee discussed assertions on system of internal controls, internal audit reports, risk management and audit process besides recommending for Board’s approval, annual work plan of internal audit; appointment of external auditors; un-audited condensed interim financial statements alongwith Management Review; audited financial statements alongwith Auditors’ and Directors’ Reports of the company; and project specific audited financial statements as per donors requirements.

The Committee held separate meetings with the Chief Financial Officer and the External Auditors to discuss issues of concern.

Board Compensation Committee:

The Compensation Committee comprises of four members of the Board including the Chairman who is appointed by the Board from the non-executive Directors. The Head of Human Resource Unit acts as Secretary of the Committee.

The Committee assists the Board in overseeing the Company’s human resource policies and framework, with particular emphasis on ensuring fair and transparent compensation policy; and continuous development and skill enhancement of employees.

During the year under review, the Committee held four meetings. The Committee reviewed and recommended for Board's approval, annual increment for the employees; appointment of group heads; travel allowance for employees, establishment of PPAF contributory provident fund, and revised training and development policy.

The Chief Executive Officer and other management employees were invited to attend meetings for discussion and suggestions

Risk Oversight Committee:

The Risk Oversight Committee comprises of three members including its Chairman who is appointed by the Board from the non-executive Directors. The head of Financial Services Group acts as Secretary of the Committee.

The Committee assists the Board to review the effectiveness of overall risk management framework including risk policies, strategies, risk tolerance and risk appetite limits.

During the year under review, the Committee held three meetings. The Committee reviewed and recommended for Board's approval, eligibility criterion for lending to for-profit organizations, terms of reference for microcredit spin-off study, unsecured lending particularly to microfinance banks, treasury management strategy, and new strategy and products for microfinance sector.

Role and Responsibilities of the Chairman and the Chief Executive Officer:

The Chairman and the Chief Executive Officer are assigned segregated and distinct responsibilities by the Board of Directors vested under law and the Articles of Association of the Company, as well as duties assigned by the Board. In particular, the Chairman coordinates the activities of the Directors and various committees of the Board, and presides over the meetings of the Board and General Body. The Chief Executive Officer is responsible for the operations of the Company and conduct of its business. The Chief Executive Officer recommends policy and strategic business plans for Board approval and is responsible for exercising the overall control, discretion, administration and supervision for sound and efficient management and conduct of the business of the Company.

Management:

The Company Management is supervised by the Chief Executive Officer who is responsible for the operations of the Company and conduct of its business, in accordance with the powers vested in him by law, the Articles of Association of the Company and authorities delegated to him through a General Power of Attorney and Board resolutions from time to time.

The Chief Executive Officer recommends policy and strategic direction and annual business plans for Board approval and is responsible for exercising the overall control, discretion, administration and supervision for sound and efficient management and conduct of the business of the Company. The Board sets financial, non-financial goals and objectives for the Company in line with the short, medium and long term plans of PPAF and has delegated appropriate authority to the Management to implement strategic objectives of the Company.

Human Resource:

PPAF's human resource strategy focuses on investing continuously in its Human Capital. We strongly believe in bringing on board the most talented and imaginative people through a highly transparent and competitive recruitment process and then encouraging them to attain new levels of excellence through job enrichment and focused trainings.

Future Outlook:

PPAF is leveraging its unique experience by gearing up to play a proactive role as a responsive and versatile national institution; an institution that is creating synergies, forming partnerships and forging alliances with diverse stakeholders – government, public-sector agencies, corporate and private entities and academia. This paradigm shift has required a fundamental recalibration of operations to explicitly address the spatial dimensions of poverty. The new strategy calls for a deliberate shift of priorities towards those regions of Pakistan that have historically lagged behind in socio-economic development and are particularly underserved. This reorientation now ensures that all PPAF initiatives are rolled out under an overarching strategy, which is community-led and demand driven. Institutional strengthening and development is therefore the central pillar of all interventions. PPAF seeks to significantly improve the quality of community organizations in terms of inclusion, sustainability, effectiveness, and depth of coverage. This is manifested in the move away from project-based criteria to an integrated, appropriately sequenced, multi-sector approach.

The Company executed Financing Agreements for EUR 31.50 million KfW (Development Bank of Germany) “Livelihood Support and Promotion of Small Community Infrastructure” Project. The project will be implemented in five districts of Khyber-Pakhtunkhwa Province and its objectives are; (a) increased access and sustainable utilization of social and economic infrastructure; (b) increased employment and income opportunities, especially for the poor; and (c) strengthening local civil society and enhanced participation of the population in the decision making at local level.

The Company finalized modalities for effectiveness of Italian Government’s Programme for “Poverty Reduction through Rural Development”. The project size is EUR 40 million with an overall objective of establishing a social and productive infrastructure system and an effective/sustainable social safety net. The project will be implemented in Balochistan, Khyber-Pakhtunkhwa and Federally Administered Tribal Areas.

During the period under review, PPAF negotiated with KfW “Renewable Project” for EUR 22.5 million. The overall objective of the project is to contribute to the improvement of the general living conditions and quality of life of the poor population living in the selected districts by increased access to energy for communities; reduction in the use of fuel wood; increased employment and income opportunities, especially for the poor through promotion of productive usage of the energy; and strengthening of the local civil society and enhanced participation of the population in the decision making at the local level. The project will be implemented in Khyber Pakhtunkhwa.

Auditors:

The present auditors of the Company, Messer’s A. F. Ferguson and Company, Chartered Accountants, have completed their five year term on conclusion of their assignment for the financial year ended June 30, 2012 and shall retire at the conclusion of 16th Annual General Meeting. The code of corporate governance requires the companies to change their external auditors or rotate the engagement partner after every five years.

In accordance with the provisions of code of corporate governance, the Audit Committee considered and recommended their re-appointment for the financial year ending June 30, 2013 with change of partner. The Board also endorsed the recommendations of the Audit Committee.

Conclusion:

The comparative advantage of PPAF lies in the strength of its track record, which enables it to convene and co-opt public, private and civil society sectors to the broader objective of grassroot empowerment. These partnerships and relationships aim to put marginalized and excluded households in the driving seat in making resource allocation choices among competing alternatives. PPAF demonstrated solid competences and continued to post good results and has shown strong capacities in helping the poor. PPAF expanded its outreach to all the district of the country to support to the emerging needs of the deprived segment. Multi-sector operations of PPAF foster improvements in lives of the poor thereby enhancing their social status. While the interventions continued to target the core strategic priorities the emphasis remained on delivering customized solutions tailored to address specific constraints of households and communities and at the same time, be culturally sensitive and contextually relevant. PPAF's performance in terms of its institutional development remained impressive. The previous track record showed PPAF as an institution striving to facilitate poor through cost effective and efficient delivery and secured trust and confidence of all stakeholders, including the Government of Pakistan, international bilateral and multilateral donor agencies, private and corporate sector institutions, grass root partner organizations and communities.

Acknowledgement:

I would like to thank the Board members for their continued effort to improve the policies and governance framework by providing their valuable guidance. The insightfulness fortitude, intensive participation and enduring commitment helped PPAF in reaching heights. I always appreciate their corporation, wisdom, support, able guidance and as well as the assistance and co-operation in benefit of the Company at all levels. I am confident that this relationship will go a long way to reap fruitful prosperity of the Company.

In addition, the Board also likes to appreciate incompatible guidance of the Members of the General Body for the betterment of the Company and also look forward to their continuous support. The Board would also like to praise the partner organizations and their communities for their commitment towards the success of the programme.

The success and the glory achieved by the Company is attributable to the resolute support of the company's stakeholders - Government of Pakistan, World Bank, International Fund for Agricultural Development; KfW Development Bank (Germany); and U.S. Agency for International Development. We thank them for their support, understanding and co-operation. The Board looks forward to the persistent support of all the stakeholders in order to align the Company activities with its strategic vision. The Company continues to add to the stakeholders' value while being a socially responsible entity, dispensing its corporate roles and responsibilities.

We are proud of all the employees of the Company for their dedication and determination. With unmatched performance, devotion and participative leadership style, they made significant contribution towards the result achieved by the Company during the year.

We realize that the scale we have reached make us a significant factor not only on the development sector of Pakistan, but in the country's economy as well. The broad range of our impact brings a big responsibility as well. Accomplishment is not an end-result for us; it is an everlasting quest, one that will continue to have us reach for new horizons and surpass new milestones.

Karachi
September 19, 2012

Hussain Dawood
Chairman

PAKISTAN POVERTY ALLEVIATION FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2012

pwc

A. F. FERGUSON & CO.

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Poverty Alleviation Fund (the Company) as at June 30, 2012 and the related statement of comprehensive income, cash flow statement and statement of changes in fund and reserves 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 statement of comprehensive income 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 note 2 to the financial statements to 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, statement of comprehensive income, cash flow statement and statement of changes in fund and reserves together with the notes forming part thereof conform with the 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 Company's affairs as at June 30, 2012 and of the surplus, its cash flows and changes in fund and reserves for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants
Islamabad
Date: September 19, 2012

Engagement partner: Sohail M Khan

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PAKISTAN POVERTY ALLEVIATION FUND
BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012	2011
		(Rupees in '000)	
NON CURRENT ASSETS			
Property, plant and equipment	5	77,350	58,824
Intangible assets	6	6,870	3,493
Long term investments	7	994,000	1,150,896
Long term loans to Partner Organizations	8	2,191,796	1,466,675
		3,270,016	2,679,888
CURRENT ASSETS			
Current maturity of long term investments	7	3,803,563	2,421,252
Current maturity of loans to Partner Organizations	8	10,360,561	9,630,919
Short term investments	9	6,409,902	6,312,535
Advances, deposits, prepayments and other receivables	10	73,416	72,259
Profit/service charges receivable	11	767,994	682,095
Bank balances-specific to projects	12	2,263,402	2,734,888
Cash and bank balances	13	141,893	31,332
		23,820,731	21,885,280
		27,090,747	24,565,168
FUND AND RESERVES			
Endowment fund	14	1,000,000	1,000,000
Grant fund	4.8	3,803,563	2,572,148
Reserve for grant based activities	4.8	400,467	222,180
Accumulated surplus		3,701,440	3,736,073
		8,905,470	7,530,401
LONG TERM LOANS	15	13,575,482	13,760,923
DEFERRED BENEFIT OF BELOW MARKET RATE OF INTEREST ON LONG TERM LOAN	15.6	1,779,819	-
CURRENT LIABILITIES			
Deferred liabilities - grant fund	16	2,242,391	2,826,743
Deferred income - grant fund	17	12,113	31,427
Current portion of long term loans	15	467,610	282,795
Service and commitment charges payable	18	35,522	37,194
Accrued and other liabilities	19	72,340	95,685
		2,829,976	3,273,844
CONTINGENCIES AND COMMITMENTS	21		
		27,090,747	24,565,168

The annexed notes 1 to 35 are an integral part of these financial statements.

Chairman

Chief Executive Officer

PAKISTAN POVERTY ALLEVIATION FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rupees in '000)	
INCOME			
Service charges on loans to Partner Organizations	22	1,212,646	1,055,042
Income on investments and saving accounts	23	1,268,696	1,022,302
Amortization of deferred income - grant fund	17	278,299	389,582
Amortization of deferred benefit of below market rate of interest on long term loan	15.6	33,334	-
Other income	24	656	18,360
		2,793,631	2,485,286
EXPENDITURE			
General and administrative expenses	25	435,486	349,046
Seminars, workshops and trainings	26	40,916	24,759
Technical and other studies	27	98,830	350,940
Project and relief activities	28	472,117	207,908
Loan loss provision	8	223,457	27,660
Financial charges	29	147,756	109,033
		1,418,562	1,069,346
SURPLUS FOR THE YEAR		1,375,069	1,415,940
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,375,069	1,415,940

The annexed notes 1 to 35 are an integral part of these financial statements.

Chairman

Chief Executive Officer

PAKISTAN POVERTY ALLEVIATION FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		1,375,069	1,415,940
Adjustment for non cash items:			
Depreciation		25,183	26,439
Amortization of intangible assets		2,790	4,680
Grants for operational assistance		(278,299)	(389,582)
Loan loss provision		223,457	27,660
Gain on sale of fixed assets		(416)	(3,523)
Financial charges		147,756	109,033
		120,471	(225,293)
		1,495,540	1,190,647
Working capital changes			
(Increase) / decrease in current assets:			
Advances, deposits, prepayments and other receivables		(1,157)	17,131
Profit/service charges receivables		(85,899)	(271,158)
Increase / (decrease) in current liabilities:			
Accrued and other liabilities		(23,345)	75,913
		(110,401)	(178,114)
Cash generated from operations		1,385,139	1,012,533
Disbursements to partner organizations:			
Loan		(13,149,241)	(10,952,195)
Grants		(6,437,611)	(4,579,529)
Recoveries of loans from partner organizations		11,471,021	10,399,022
Financial charges paid		(149,428)	(111,050)
		(8,265,259)	(5,243,752)
Cash flows from operating activities		(6,880,120)	(4,231,219)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - net purchases		(1,322,782)	(2,462,910)
Capital expenditure incurred		(50,458)	(20,973)
Proceeds from disposal of fixed assets		998	3,757
Cash flows from investing activities		(1,372,242)	(2,480,126)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans - received		2,067,806	1,836,364
Long term loans - repaid		(288,613)	(109,617)
Deferred liabilities - grant fund receipts		5,853,259	2,327,147
Deferred income - grant fund receipts		258,985	361,309
Cash flows from financing activities		7,891,437	4,415,203
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(360,925)	(2,296,142)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,766,220	5,062,362
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12&13	**2,405,295**	**2,766,220**

The annexed notes 1 to 35 are an integral part of these financial statements.

Chairman

Chief Executive Officer

PAKISTAN POVERTY ALLEVIATION FUND
STATEMENT OF CHANGES IN FUND AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2012

(Rupees in '000)

	Note	Endowment Fund	Grant fund	Reserve for grant based activities	Accumulated Surplus	Total
Balance as at June 30, 2010		1,000,000	1,763,431	161,052	3,189,978	6,114,461
Total comprehensive income for the year						
Surplus for the year		-	-	-	1,415,940	1,415,940
Other comprehensive income		-	-	-	-	-
		-	-	-	1,415,940	1,415,940
Transfer from accumulated surplus to grant fund	4.8		808,717		(808,717)	-
Transfer from accumulated surplus to reserve for grant based activities	30			61,128	(61,128)	-
Balance as at June 30, 2011		1,000,000	2,572,148	222,180	3,736,073	7,530,401
Total comprehensive income for the year						
Surplus for the year		-	-	-	1,375,069	1,375,069
Other comprehensive income		-	-	-	-	-
		-	-	-	1,375,069	1,375,069
Transfer from accumulated surplus to grant fund	4.8		1,231,415		(1,231,415)	-
Transfer from accumulated surplus to reserve for grant based activities	30			178,287	(178,287)	-
Balance as at June 30, 2012		1,000,000	3,803,563	400,467	3,701,440	8,905,470

The annexed notes 1 to 35 are an integral part of these financial statements.

Chairman

Chief Executive Officer

PAKISTAN POVERTY ALLEVIATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. STATUS, BACKGROUND AND NATURE OF OPERATIONS

Pakistan Poverty Alleviation Fund (the Company/PPAF) was registered in Pakistan on February 6, 1997 as a public company with liability limited by guarantee, licensed under section 42 of the Companies Ordinance, 1984. The registered office of the company is situated in Islamabad, Pakistan.

The primary object of the Company is to help the poor, the landless and the asset-less in order to enable them to gain access to the resources for their productive self employment and to encourage them to undertake activities of income generation, poverty alleviation and for enhancing their quality of life. In order to achieve its objectives, the Company is mandated to work through Partner organizations (POs), i.e., Non Government organizations (NGOs), Community Based organizations (CBOs), Rural Support Programmes (RSPs) and other private sector organizations.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are 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.

Previously, the financial statements were prepared in accordance with Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions and directives issued under the Companies Ordinance, 1984. During the year ended June 30, 2011 the Company qualified as an Economically Significant Entity in accordance with the requirements of Companies Ordinance, 1984. Accordingly, the financial statements for the year are prepared as per requirements applicable to Economically Significant Entities.

As a result of the change in accounting framework, the benefit of government loan at a below market rate of interest whose disbursement commenced after July 1, 2009 has been treated as grant and deferred in the balance sheet as detailed in note 15.6, prospectively from the current year. Further, additional disclosures required under the approved accounting standards have been made in the financial statements.

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

New standards, amendments and interpretations issued but not effective for the financial year beginning July 1, 2011 and not early adopted by the Company:

IAS 19, 'Employee benefits' has been amended to eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). IAS 19 is effective for the accounting period beginning on or after January 1, 2013.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 is effective for the accounting period beginning on or after January 1, 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is effective for the accounting period beginning on or after January 1, 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. IFRS 13 is effective for the accounting period beginning on or after January 1, 2013.

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19- "Employee Benefits", the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation / disclosures. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial gains / losses in other comprehensive income in the period of initial application, which cannot be presently quantified on the balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except for the recognition of employees retirement benefits on the basis of actuarial valuation.

The preparation of financial statements in conformity with the approved accounting standards require 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, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent form 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 the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

The area involving a higher degree of judgment or complexity or area where assumptions and estimates are significant to the financial statements is loan loss provision (note 8), staff gratuity scheme (note 20) and deferred benefit of below market rate of interest on long term loans (note 15.6).

4.2 Employee benefits

The Company operates the following staff retirement benefits plans:

(i) The Company operates defined benefit gratuity fund for all eligible employees who complete the qualifying period of service. The fund is administered by trustees. Annual contribution to the gratuity fund is based on Actuarial valuation using projected unit credit method. All contributions are charged to income and expenditure account for the year. Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognized over the average remaining service life of the employees. The Actuarial valuation of the scheme was carried out as at June 30, 2012, related details of which are given in note 20 to the financial statements.

(ii) From the current year the Company has established an approved contributory provident fund for all employees for which contributions of Rs 4,768 thousand are charged to income for the year.

4.3 Taxation

The Company has been granted exemption from income tax under sub-clause (3) of clause (58) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

4.4 Provisions

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

4.5 Deferred liabilities - grant fund

Grants specific to Partner Organizations (POs) are stated as deferred liabilities net of related disbursements to POs.

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to income applying straight line method whereby the cost of an asset is written off over its estimated useful life at the rates specified in note 5. Depreciation is charged on additions from the date the asset becomes available for the intended use up to the date on which they are derecognized.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced are retired.

Gain or loss on sale or retirement of assets is included in current year's statement of income and expenditure.

4.7 Intangible assets

Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefit beyond one year are recognized as intangible assets.

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives.

4.8 Investments

These are held to maturity investments with fixed or determinable payments and fixed maturity and the Company has positive intent and ability to hold the investment till maturity and are carried at amortized cost using the effective yield method.

In order to safeguard against major default and provide sufficient capital adequacy, with effect from July 01, 2009, an amount of 15% (2011: 20%) of total loan receivable from Partner Organizations are held in investments. 35% of the surplus funds of the Company, in excess of above investments, are employed for lending activities (microcredit and enterprise development facility) and the balance 65% are held in investments as grant fund, the income of which will be used for grant based health, education, infrastructure, emergency and any other activity that falls within the overall strategic framework of Company's objectives.

In order to respond quickly in emergency situations, with effect from July 1, 2011, an amount of 5% of total loan receivable from Partner Organization shall be kept as disaster fund. The disaster fund has been aggregated in the grant fund in the financial statements.

4.9 Loans to Partner Organizations

These are stated net of provision for loan losses.

General provision is made for loan losses at the rate of 5% (2011: 5%) of the gross outstanding balances of loans to POs at the year end.

Specific provision for loan losses is made against loans which are considered doubtful of recovery, as required.

Loan losses (write offs) are charged against the provision for loan losses when management believes that the loan is unlikely to be collected.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost in case of local currency and at closing exchange rate in case of foreign currency. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks on current and saving accounts.

4.11 Revenue recognition

Income is recognized on accrual basis. Service charges on loans and profit/markup on investments and bank accounts are recognized using the effective yield method.

Grants related to income are recognized as deferred income and amortized over the periods necessary to match them with the related costs for which these are intended to compensate, on a systematic basis.

4.12 Receipts - micro-credit loans and grants

Receipts from Government of Pakistan (GOP) on account of donors' (International Development Association (IDA) ,International Fund for Agricultural Development (IFAD) and German Financial Cooperation - kfw) projects are recorded on the basis of Financial Monitoring Reports and Statement of Expenses, raised on periodic basis, under relevant categories of micro-credit loan fund, community physical infrastructure (CPI) grant fund, livelihood enhancement and protection and capacity building grant fund as specified in the Financing Schedules of the respective Financing Agreements.

4.13 Borrowing costs

All borrowing costs are recognized as expense in the year in which these are incurred.

4.14 Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees, which is the Company's functional currency.

ii) Transactions and balances

Transactions in foreign currencies are translated in Pak Rupees at the monthly average rate of exchange. Monetary assets and liabilities expressed in foreign currencies are translated into Pak Rupees at the official rate prevailing on the balance sheet date. Gains and losses on foreign currency transactions are included in income currently, except exchange differences related to disbursements against Special Drawing Rights (SDR) for micro credit loan, community physical infrastructure grant, social sector development, social mobilization, disability, livelihood enhancement and protection and capacity building grant which are included in their respective balances.

4.15 Long term loans

Long term loans whose disbursement commenced before June 30, 2009 are measured at amortized cost. Long term loans at a below market rate of interest whose disbursement commenced on or after July 1, 2009 are carried at present value and the difference between present value and loan proceeds is treated as government grant in accordance with IAS 20 and deferred as a liability. The benefit is recognised as income using the effective interest method over the period of the loan . A corresponding charge at market rate of interest on the carrying value of loan is recognized as imputed interest expense.

4.16 Financial instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. All financial assets and liabilities are initially recognized at cost, which is the fair value of the consideration given and received. These are subsequently measured at fair value, amortized cost or cost, as the case may be.

4.17 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet date, or wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment loss are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized. An impairment loss or reversal of impairment loss is recognized in income for the year.

4.18 Financial assets

4.18.1 Classification

The Company classifies its financial assets in four categories: held to maturity, loans and receivables, at fair value through profit or loss and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i) Held to maturity

A financial asset is classified in this category if acquired by the Company with the intention and ability to hold them up to maturity.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise Loans to partner organizations, Advances, deposits, prepayments and other receivables, Profit/service charges receivable and cash and bank balances.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

4.18.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of other income when the Company's right to receive payment is established.

4.18.3 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

4.19 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and the Company intends to settle on a net basis or realize the asset and settle the liability simultaneously.

5. PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fixtures	Vehicles	Office Equipment	Computer equipment	Total
		----------	Rupees in '000	----------	
At June 30, 2010					
Cost	13,223	60,555	41,603	51,000	166,381
Accumulated depreciation	(8,504)	(38,309)	(20,109)	(34,486)	(101,408)
Net book amount	4,719	22,246	21,494	16,514	64,973
Year ended June 30, 2011					
Opening net book amount	4,719	22,246	21,494	16,514	64,973
Additions	1,712	12,607	1,454	4,751	20,524
Disposals					
Cost	-	(6,579)	(819)	(2,462)	(9,860)
Depreciation	-	6,533	631	2,462	9,626
	-	(46)	(188)	-	(234)
Depreciation charge	(1,747)	(10,034)	(6,486)	(8,172)	(26,439)
Closing net book amount	4,684	24,773	16,274	13,093	58,824
At June 30, 2011					
Cost	14,935	66,583	42,238	53,289	177,045
Accumulated depreciation	(10,251)	(41,810)	(25,964)	(40,196)	(118,221)
Net book amount	4,684	24,773	16,274	13,093	58,824
Year ended June 30, 2012					
Opening net book amount	4,684	24,773	16,274	13,093	58,824
Additions	7,989	21,270	5,072	9,960	44,291
Disposals					
Cost	-	(2,388)	(311)	(690)	(3,389)
Depreciation	-	2,146	109	552	2,807
	-	(242)	(202)	(138)	(582)
Depreciation charge	(1,883)	(9,674)	(6,057)	(7,569)	(25,183)
Closing net book amount	10,790	36,127	15,087	15,346	77,350
At June 30, 2012					
Cost	22,924	85,465	46,999	62,559	217,947
Accumulated depreciation	(12,134)	(49,338)	(31,912)	(47,213)	(140,597)
Net book amount	10,790	36,127	15,087	15,346	77,350
Annual rate of depreciation (%)	20	20	20	25	

6. INTANGIBLE ASSETS

	Satellite Imageries	Computer Software	Total
		Rupees in '000	
At June 30, 2010			
Cost	18,547	4,577	23,124
Accumulated amortisation	(11,631)	(3,769)	(15,400)
Net book amount	6,916	808	7,724
Year ended June 30, 2011			
Opening net book amount	6,916	808	7,724
Additions	-	449	449
Amortisation charge	(4,353)	(327)	(4,680)
Closing net book amount	2,563	930	3,493
At June 30, 2011			
Cost	18,547	5,026	23,573
Accumulated depreciation	(15,984)	(4,096)	(20,080)
Net book amount	2,563	930	3,493
Year ended June 30, 2012			
Opening net book amount	2,563	930	3,493
Additions	531	5,636	6,167
Amortisation charge	(1,945)	(845)	(2,790)
Closing net book amount	1,149	5,721	6,870
At June 30, 2012			
Cost	19,078	10,662	29,740
Accumulated amortisation	(17,929)	(4,941)	(22,870)
Net book amount	1,149	5,721	6,870
Annual rate of amortisation (%)	25	25	

	Note	2012	2011
		(Rupees in '000)	

7. LONG TERM INVESTMENTS - held to maturity

	Note	2012	2011
Pakistan Investment Bonds (PIBs)	7.1	994,000	1,000,000
Term Deposit Receipts (TDR)	7.2	3,803,563	2,572,148
		4,797,563	3,572,148
Less: Long term investments maturing within next twelve months shown as current asset		(3,803,563)	(2,421,252)
		994,000	1,150,896

7.1 Represents investments in PIBs as follows:

Principal (Rupees)	Issue Date	Maturity Date	Coupon rate % per annum	Payment terms
400 million	29-04-2004	28-04-2014	8.00	Semi annually
200 million	22-07-2010	22-07-2020	12.00	Semi annually
200 million	22-07-2010	22-07-2020	12.00	Semi annually
194 million	31-05-2012	22-07-2013	11.25	Semi annually

7.2 These investments include term deposit receipts of various commercial and investment banks at annual markup rates ranging from 10.00% to 14.00% (2011:12.15% p.a. to 13.75% p.a).

8. LOANS TO PARTNER ORGANIZATIONS - secured, considered good

	2012	2011
	(Rupees in '000)	
AGAHE	22,358	8,117
Al Mehran Rural Develpoment and Welfare Organization	66,251	62,783
ASA Pakistan Ltd.	133,875	85,000
Asasah	209,546	222,338
Badbaan Enterprise Development Forum	11,716	2,292
Baidarie	34,630	22,042
Balochistan Rural Development & Research Society	-	1,860
BRAC Pakistan	751,300	966,387
Buksh Foundation	10,000	5,417
Bunyad Literacy Community Council	27,500	14,500
Centre for Women Cooperative Development	156,994	219,420
Chenab Development Foundation	10,500	3,000
Community Support Concern	244,194	270,298
Development Action for Mobilization and Emancipation	682,459	596,842
Dia Welfare Organization	16,750	4,638
Farmers Friend Organization	113,190	61,716
Ghazi Brotha Taraqiatee Idara	14,602	-
Indus Resource Centre	-	1,282
Jinnah Welfare Society	361,368	295,916
Karwan Community Development Organization	15,170	12,353
Kashf Foundation	2,749,750	1,846,500
Khajji Cooperative Society	7,920	16,000
Khushhali Bank	184,053	-
Khwendo Kor Women and Children Development Programme	3,490	1,052
Kiran Welfare Organization	1,500	1,500
Marvi Rural Development Organization	3,615	34,605
Mashal Development Organization	751	3,471
Mehran Education Society	23,000	-
Mojaz Foundation	54,680	26,920
Narowal Rural Development Programme	35,084	35,137
National Rural Support Programme	3,220,548	4,397,851
Network Leasing Corporation Limited	-	15,125
Balances continued - carried forward	9,166,794	9,234,362

	Note	2012	2011
		(Rupees in '000)	
Balances continued - brought forward		9,166,794	9,234,362
NRSP Microfinance Bank		1,350,000	-
Orangi Charitable Trust		324,300	261,500
Organization for Participatory Development		50,153	47,264
Orix Leasing Pakistan Limited		193,527	216,542
Poverty Eradication Network		2,777	2,777
Punjab Rural Support Programme		307,137	363,942
Rural Community Development Society		420,325	297,819
SAATH Development Society		43,797	24,300
Sarhad Rural Support Programme		10,000	5,000
Save The Poor		19,549	28,916
Sayya Foundation		8,980	3,980
Shadab Rural Development Organization		23,288	-
Shah Sachal Sami Welfare Association		16,333	-
Sindh Agricultural & Forestry Workers Coordinating Organization		365,123	261,400
Sindh Rural Support Organization		494,593	452,473
Sindh Rural Support Programme		200	200
Soon Valley Development Programme		41,675	24,300
Support with Working Solution		-	6,550
Swabi Women Welfare Society		23,559	-
Thardeep Rural Development Programme		517,750	492,845
Villagers Development Organization		28,517	4,950
Women Social Organization		17,956	18,993
Young Pioneers Society		7,250	7,250
	8.1	13,433,583	11,755,363
Less: Loan loss provision	8.2	(881,226)	(657,769)
		12,552,357	11,097,594
Less: Amount receivable within next twelve months shown as current asset		(10,360,561)	(9,630,919)
		2,191,796	1,466,675

8.1 The Company disbursed microcredit loans to POs under respective Financing Agreements at service charges based upon a range of benchmarks including KIBOR. These loans are secured through letter of hypothecation on receivables of POs created out of financing obtained from the Company. Further, the Company maintains a first charge on all assets / capital items created out of financing provided for capacity building and under the exclusive lien of the Company until full repayment of the principal, service charges and other outstanding amounts payable to the Company. These loans are repayable on quarterly basis within two years under the respective financing agreements signed between the Company and the POs. During the year the loans were disbursed at a service charge ranging from 8% to 14.25% (2011: 8% to 14.25%).

	Note	2012	2011
		(Rupees in '000)	
8.2 Movement of loan loss provision			
Opening balance		657,769	630,109
Provision during the year		223,457	27,660
		881,226	657,769
8.3 Movement of loans to Partner Organizations			
Opening balance		11,755,363	11,202,190
Disbursements during the period		13,149,241	10,952,195
		24,904,604	22,154,385
Recoveries during the period		(11,471,021)	(10,399,022)
		13,433,583	11,755,363
Less: Loan loss provision		(881,226)	(657,769)
		12,552,357	11,097,594

	Note	2012	2011
		(Rupees in '000)	
9. SHORT TERM INVESTMENTS			
Specific to projects	9.1	1,845,000	1,445,000
Specific to others	9.2	4,564,902	4,867,535
		6,409,902	6,312,535

9.1 These represent investments in term deposit receipts in respect of Programme for Increasing Sustainable Microfinance (PRISM) activities, maturing within one year from the date of investment at annual markup rates ranging from 10.50% p.a. to 11.76% p.a (2011: 10.50% p.a. to 11.50% p.a). As agreed in the Subsidiary Financing Agreement, these funds were placed with commercial banks as cash collaterals for providing a partial guarantee to the Banks to facilitate lending to following Microfinance Institutions:

Microfinance institutions	Investment amount 2012	Investment amount 2011	Running finance facility 2012	Running finance facility 2011
	Rs		Rs	
Kashf Foundation	500 million	500 million	750 million	750 million
National Rural Support Programme	500 million	500 million	850 million	850 million
Orangi Charitable Trust	150 million	150 million	150 million	150 million
BRAC Pakistan	250 million	150 million	425 million	175 million
Sindh Agricultural & Forestry Workers Coordinating Organization	50 million	50 million	60 million	60 million
Asasah	50 million	50 million	55 million	55 million
Jinnah Welfare Society	20 million	20 million	22 million	22 million
Rural Community Development Society	25 million	25 million	28 million	25 million
Development Action for Mobilization and Emancipation	150 million		60 million	
Community Support Concern	50 million		75 million	
Thardeep Rural Development Program	100 million		150 million	
Total	1,845 million	1,445 million	2,625 million	2,087 million

9.2 Specific to others	Note	2012	2011
		(Rupees in '000)	
Term Deposit Receipts (TDR)	9.2.1	2,230,174	3,964,742
Government Treasury Bills	9.2.2	2,101,728	884,300
Pakistan Investment Bonds (PIBs)	9.2.3	233,000	-
Commercial paper		-	18,493
		4,564,902	4,867,535

9.2.1 These funds are invested in term deposit receipts maturing within one year from the date of investment, at annual mark up rates ranging from 11.24% p.a to 14.00% p.a (June 2011: 10.80% p.a.to 16.25% p.a.).

9.2.2 These funds are invested in Government Treasury Bills maturing within one year from the date of investment, at annual mark up rates ranging from 11.78% p.a to 13.28% p.a (June 2011: 13% p.a.to 13.88% p.a.).

9.2.3 This investment amounting to Rs 233,000 thousand was purchased on May 31, 2012 at coupon rate of 11.88%. This investment is maturing on August 31, 2012.

9.2.4 Specific to others include investments of Rs 2,015,037 thousand (2011: Rs 2,351,072 thousand) (equivalent to 15% (2011: 20%) of the loan receivable from Partner Organizations) to safeguard against any major default on loan receivable and provide capital adequacy and Rs 2,549,865 thousand (2011: Rs 2,516,463 thousand) as funds available for lending activities.

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2012	2011
		(Rupees in '000)	
Loans and advances - considered good			
Employees	10.1	16,015	6,816
Suppliers		1,832	1,045
		17,847	7,861
Deposits		1,185	2,065
Prepayments		-	10,275
Income tax refundable		51,906	49,384
Other receivables - considered good		2,478	2,674
		73,416	72,259

10.1 This include advance salary loans and car loans given to the employees of the Company, carrying annual mark up of 3% p.a. (2011: 3% p.a.) and 8% p.a (2011: 8% p.a.) respectively. The principal amount is repayable in 18 equal monthly installments.

11. PROFIT / SERVICE CHARGES RECEIVABLE

	2012	2011
	(Rupees in '000)	
Profit receivable on		
Pakistan Investment Bonds (PIBs)	26,784	35,622
Term deposit receipts / saving accounts	164,773	220,867
Short term investments specific to grant based activities	177,217	109,447
Project bank accounts / investments	58,997	56,403
	427,771	422,339
Service charge receivable on loans to POs	340,223	259,756
	767,994	682,095

12. BANK BALANCES - SPECIFIC TO PROJECTS

	2012	2011
Cash at banks - current accounts		
Specific to IDA III	1,492,802	2,472,254
Specific to IFAD-MIOP	-	121,304
Specific to IFAD-PRISM	109,913	-
Specific to Kfw	41,992	-
Specific to Banezir Income Supprot Program (BIPS)	498,082	-
Specific to CECP grant	21,167	30,267
Specific to Shell Pakistan	-	8,001
	2,163,956	2,631,826
Cash at banks - deposit accounts		
Specific to USDA grant	99,446	103,062
	2,263,402	2,734,888

12.1 As per the financing agreements signed with various donors, PPAF is allowed to draw funds from the special accounts for carrying out eligible categories of expenses. However, such funds cannot be invested to earn profit and are hence kept in special project specific bank accounts.

13. CASH AND BANK BALANCES

	2012	2011
	(Rupees in '000)	
Cash in hand		
in head office	10	14
in field coordination offices	-	30
	10	44
Cash at banks - current accounts	529	9,476
Cash at banks - deposit accounts	141,354	21,812
	141,883	31,288
	141,893	31,332

The balances in deposit accounts carry average mark up of 11 % p.a. (2011: 5 % p.a.). These include foreign currency balances aggregating to US$ 4,281 (2011: US$ 3,878).

14. ENDOWMENT FUND

This represents the amounts paid by GOP for endowment fund under the Subsidiary Financing Agreements (SFAs) for IDA I and IDA II projects. Under the SFA, the fund is to be invested in the government schemes / bonds and income generated therefrom shall be utilized for revenue and capital expenditure of the Company.

15. LONG TERM LOANS - Unsecured

	Note	2012	2011
		(Rupees in '000)	
Government of Pakistan - PPAF - I (IDA financing)	15.1	2,083,152	2,202,789
Government of Pakistan- PPAF - II (IDA financing)	15.2	8,414,199	8,313,889
Government of Pakistan - (IFAD financing-MIOP)	15.3	1,144,527	1,137,540
Government of Pakistan - (IFAD financing-PRISM)	15.4	1,885,000	1,279,000
Government of Pakistan- PPAF - III (IDA financing)	15.5	2,296,033	1,110,500
		15,822,911	14,043,718
Amount payable within next twelve months shown as current liability		(467,610)	(282,795)
		15,355,301	13,760,923
Deferred benefit of below market rate of interest on Government of Pakistan - PPAF-III (IDA financing)	15.6	(1,779,819)	-
		13,575,482	13,760,923

15.1 Government of Pakistan - PPAF - I (IDA financing)

	2012	2011
Opening balance	2,202,789	2,343,784
Amount repaid	(109,617)	(109,617)
Adjustment on finalisation of repayment schedule with GOP - note 28	(10,020)	-
Amount transferred to deferred liability	-	(31,378)
	2,083,152	2,202,789

A Development Credit Agreement (DCA) was signed between International Development Association (IDA) and the Government of Pakistan (GOP) on July 7, 1999. IDA made available to GOP a sum of Special Drawing Rights (SDR) of 66.5 million over a period of five years to be utilized by GOP through the Company.

Under Subsidary Financing Agreement (SFA) dated August 18, 1999 executed between GOP and the Company 50% of the amount was disbursed as loan to the Company and the balance as grant on non reimburseable basis. The principal amount of loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments payable on each May 15, and November 15 commencing from November 15, 2007 and ending on May 15, 2022. Each installment upto and including the installment payable on May 15, 2013 shall be equal to 2.083% of such principal amounts and each installment thereafter shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time and the commitment charge at the rate set by the IDA on the principal amount of the loan not withdrawn from time to time. The service and commitment charges are payable on May 15 and November 15 each year.

	2012	2011
	(Rupees in '000)	
15.2 Government of Pakistan- PPAF - II (IDA financing)		
Opening balance	8,313,889	8,321,429
Adjustment in finalisation of repayment schedule with GOP - note 28.1	279,306	-
Amount repaid	(178,996)	-
Amount transferred to deferred liability	-	(7,540)
	8,414,199	8,313,889

Second DCA was signed between IDA and the GOP on January 20, 2004, in respect of PPAF II. As per agreement IDA shall make available to GOP a sum of Special Drawing Rights (SDR) of 168.1 million over a period of four years to be utilized by GOP through the Company.

Under SFA dated March 24, 2004 executed between GOP and teh Company, the GOP agreed to provide 56% of the amount as loan to the Company and the balance as grant on non reimbursable basis. The principal amount of loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments, payable on each Feb 01, and August 01 commencing from February 01, 2012 and ending on August 01, 2026. Each installment upto and including the installment payable on August 01, 2017 shall be equal to 2.083% of such principal amounts and each installment thereafter shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time and the commitment charge at the rate set by the IDA on the principal amount of the loan not withdrawn from time to time. The service and commitment charges are payable on February 01 and August 01 each year.

	2012	2011
	(Rupees in '000)	
15.3 Government of Pakistan - (IFAD financing MIOP)		
Opening balance	1,137,540	813,980
Amount received	6,987	323,560
	1,144,527	1,137,540

Programme Loan Agreement was signed between International Fund for Agricultural Development (IFAD) and GOP on January 18, 2006, in respect of Microfinance Innovation and Outreach Programme (MIOP). As per agreement IFAD shall make available to GOP a sum of SDR of 18.30 million over a period of five years to be utilized by GOP through the Company.

Under Subsidary Loan and Grant Agreement (SLGA) dated April 18, 2006 executed between GOP and the Company, the GOP agreed to provide 50% of the amount as loan to the Company and the balance as grant on non reimbursable basis on account of capacity buildings. The principal amount of loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty equal semi-annual installments commencing from June 01, 2014 and ending on December 01, 2028. These loans carry a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time, payable on June 01 and December 01 each year.

		2012	2011
		(Rupees in '000)	
15.4	Government of Pakistan - (IFAD financing PRISM)		
	Opening balance	1,279,000	609,175
	Amount received	606,000	669,825
		1,885,000	1,279,000

Programme Loan Agreement was signed between International Fund for Agricultural Development (IFAD) and GOP on November 22, 2007, in respect of Programme for Increasing Sustainable Microfinance (PRISM). As per agreement IFAD shall make available to GOP a sum of SDR of 22.85 million over a period of five years to be utilized by GOP through the Company.

Under Subsidiary Financing Agreement (SFA) dated January 12, 2008 executed between GOP and the Company, the GOP agreed to provide 65% of the amount as loan to the Company and the balance as grant on non reimbursable basis on account of capacity building. The principal amount of loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty equal semi-annual installments commencing from December 01, 2015 and ending on June 01, 2030. These loans carry a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time, payable on June 01 and December 01 each year.

		Note	2012	2011
15.5	Government of Pakistan- PPAF - III (IDA financing)		(Rupees in '000)	
	Opening balance		1,110,500	267,521
	Amount received		1,185,533	842,979
			2,296,033	1,110,500

The Financing Agreement was signed between IDA and the GOP on June 9, 2009, in respect of PPAF III. As per agreement IDA shall make available to GOP a sum of Special Drawing Rights (SDR) of 167.2 million over a period of five years to be utilized by GOP through the Company.

Under Subsidiary Loan Agreement (SLA) dated June 15, 2009 executed between GOP and the Company, the GOP agreed to provide 13% of the amount as loan to the Company and the balance as grant on non reimbursable basis. The principal amount of loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments, payable on each June 15, and December 15 commencing from June 15, 2017 and ending on December 15, 2031. Each installment upto and including the installment payable on December 15, 2022 shall be equal to 2.083% of such principal amounts and each installment thereafter shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time and the commitment charge at the rate set by the IDA on the principal amount of the loan not withdrawn from time to time. The service and commitment charges are payable on June 15 and December 15 each year.

15.6 Deferred benefit of below market rate of interest on Government of Pakistan - PPAF - III (IDA financing)

The loan is carried at present value computed at market based interest rate. The difference between present value and loan proceeds is recognised as deferred benefit. The deferred benefit is recognized as income using the effective interest method over the period of the loan. Movement of deferred benefit during the year is as follows:

	(Rupees in '000)
Deferred benefit recognised at July 1, 2011	1,813,153
Amortization during the year	(33,334)
Balance at June 30, 2012	1,779,819

16. DEFERRED LIABILITIES - GRANT FUND

	Note	2012	2011
		(Rupees in '000)	
Government of Pakistan - IDA I&II	16.1	-	-
Government of Pakistan - IDA III	16.2	1,392,948	2,388,314
US Agency for International Development/Pakistan	16.3	115,984	115,984
Government of Pakistan - USDA	16.4	96,526	100,144
Government of Pakistan - IFAD (MIOP)	16.5	-	125,631
Government of Pakistan - IFAD (PRISM)	16.6	105,197	(301)
USAID - Flood Relief	16.7	-	-
Benazir Income Support Program (BISP)	16.8	462,347	56,868
Committee Encouraging Corporate Philanthropy (CECP)	16.9	21,668	30,768
Shell Pakistan Ltd.- Model Village	16.10	3,797	6,446
Engro Foundation - Flood Relief	16.11	2,889	2,889
Grant for Flood relief from corporations and individuals	16.12	3,690	-
Grants from Government of Pakistan - kfw	16.13	37,345	-
		2,242,391	2,826,743

Deferred liabilities grant fund represents amounts payable to POs on non-reimbursable basis under respective financing agreements.

16.1 Grants from Government of Pakistan - IDA I & II

	Note	2012	2011
		(Rupees in '000)	
Opening balance		-	2,085,857
Amount received		-	128,530
Amount transferred from long term loans		-	38,918
Amount transferred to deferred income		-	(178,817)
		-	2,074,488
Less: Disbursements for Social mobilization project	16.1.1	-	2,074,488
		-	-

16.1.1 Disbursements for social mobilization project include

	2012	2011
Social Mobilization	-	575,960
Community Physical Infrastructure	-	945,782
Social Sector Development	-	552,746
	-	2,074,488

16.2 Grants from Government of Pakistan - IDA III

	2012	2011
Opening balance	2,388,314	2,278,886
Amount received	3,309,609	1,661,265
Less: Disbursements		
Social mobilization	621,368	240,253
Institutional building	76,073	128,823
Livelihood enhancement and protection	1,392,181	414,941
Micro credit access	346,375	52,165
Health and education	823,935	313,571
Water and infrastructure	1,045,043	402,084
	4,304,975	1,551,837
	1,392,948	2,388,314

	2012	2011
	(Rupees in '000)	
Disbursements to POs		
Aga Khan Education Support Programme	6,419	4,160
Aga Khan Health Support Programme	6,310	4,245
Aga Khan Rural Support Programme	138,409	12,957
AKPBS-Water and Sanitation Extension Programme	31,441	21,886
ASA Pakistan Ltd.	-	3,180
Awami Development Organization	36,875	10,191
Awaz Foundation Pakistan - Centre for Development Services	16,150	6,200
Baanhn Beli	27,240	3,512
Badbaan Enterprise Development Forum	4,198	-
Badin Rural Development Society	14,652	333
Baidarie	5,592	7,359
Balochistan Environmental and Educational Journey	55,320	4,286
Balochistan Rural Development & Research Society	42,106	1,566
Balochistan Rural Development Society	10,947	8,397
Balochistan Rural Support Programme	105,018	23,383
BRAC - Pakistan	17,869	10,299
Bunyad Literacy Community Council	1,883	1,774
Change in Education	22,527	-
Chenab Development Foundation	67,395	-
Community Mobilisation and Development Organization	36,368	4,464
Community Support Concern	-	1,278
Community Support Foundation	4,000	-
Community Uplift Programme	33,513	29,014
DEVCON An Association for Rural Development	2,391	3,283
Development in Literacy	14,817	7,749
Direct expenses by PPAF on seminars, workshops and trainings	1,986	5,580
Environment Protection Society	105,596	45,361
Family Educational Services Foundation	22,949	-
Family Planning Association of Pakistan	79,474	29,917
Farmers Development Organization	92,378	39,964
Farmers Friend Organization	5,070	3,364
Ghazi Brotha Taraqiatee Idara	1,563	-
Hazara Development and Advocacy Foundation	61,294	8,013
Health and Nutrition Development Society	90,733	10,404
Heartfile	34,309	-
Himalayan Wildlife Foundation	26,312	3,601
Human Development Foundation	24,035	5,603
Human Resource Development Society	21,266	21,603
Indus Earth Trust	14,829	6,689
Indus Resource Centre	54,153	32,275
Karwan Community Development Organization	3,181	4,777
Kashf Foundation	8,971	20,284
Khwendo Kor Women and Children Development Programme	2,284	-
Marafie Foundation	13,438	5,538
Marvi Rural Development Organization	29,688	54,552
Mashal Development Organization	2,060	2,512
Mountain and Glacier Protection Organization	6,894	4,498
Mountain Institute of Educational Development	53,310	43,964
Narowal Rural Development Programme	10,704	17,793
Disbursements continued - carried forward	1,467,917	535,808

	2012	2011
	(Rupees in '000)	
Disbursements continued - brought forward	1,467,917	535,808
National Rural Support Programme	1,335,898	351,641
Pakistan Foundation Fighting for Blindness	9,615	-
Participatory Integrated Development Society	87,111	31,118
Poverty Eradication Initiative	23,004	-
Punjab Rural Support Programme	26,674	21,223
Research Advocacy & Health Strenthening Alliance (Guarantee) Limited	11,412	-
Rural Community Development Society	75,068	32,853
Rural Development Project	14,519	15,332
Salik Development Foundation	26,466	89,599
Sarhad Rural Support Programme	269,434	42,213
Sayya Foundation	594	-
Shadab Rural Development Organization	974	-
Sindh Agricultural & Forestry Workers Coordinating Organization	96,922	88,806
Sindh Rural Support Organization	94,435	23,005
Sindh Rural Support Programme	10,520	-
Social Action Bureau for Assistance in Welfare and Organisation Network	26,599	-
Society for Community Support for Primary Education Balochistan	1,597	-
Society for Conservation and Protection of Environment	16,275	956
Society for Human Empowerment and Rural Development	8,000	6,556
Soon Valley Development Programme	4,117	26,381
SOS Children's Village	41,544	38,555
South Asia Partnership Pakistan	82,764	30,506
Strengthening Participatory Organization	15,068	-
Sungi Development Foundation	21,696	-
Support With Working Solutions	24,254	115,736
Sustainable Development, Education, Rural Infrastructure, Veterinary Care & Environment	17,746	18,817
Sustainable Use Specialist Group - Central Asia	3,000	-
Taraqee Foundation	263,645	22,387
Thardeep Rural Development Programme	223,969	57,619
TIPU Foundation	533	-
Villagers Development Organization	2,000	-
Women Social Organisation	1,605	2,726
	4,304,975	1,551,837

Financing Agreement was signed between GoP and IDA on June 9, 2009 and Subsidary Loan Agreement between GoP and PPAF on June 15, 2009 for PPAF-III project. The project focuses on empowering the targeted poor with increased incomes, improved productive capacity and access to services to achieve sustainable livelihood. This would include stronger approaches to building institutions of the poor and to livelihood enhancement that would enable poor households and communities to be more successful at attracting financial and other service providers.

16.3 Grants from USAID/Pakistan

The closing balance represents revolving fund for disbursement to POs. These funds were received as grant from U.S. Agency for International Development Mission to Pakistan (USAID/Pakistan) for Enterprise Development Facility.

16.4 Grants from Government of Pakistan - USDA

Opening balance	100,144	206,227
Amount transferred	-	(17,957)
Profit on project bank account	6,113	11,106
	106,257	199,376

	2012	2011
	(Rupees in '000)	
Less: Disbursements to POs		
Aga Khan Rural Support Programme	7,463	42,085
Community Mobilisation and Development Organization	1,224	7,342
Human Resource Development Society	-	428
Indus Earth Trust	-	13,728
Rural Community Development Society	91	11,406
and Organizational Networking	-	11,834
South Asia Partnership Pakistan	824	10,221
Taraqee Foundation	129	2,188
	9,731	99,232
	96,526	100,144

16.4.1 On August 30, 2002, the Government of United States of America and GOP signed an agreement under which U.S. Department of Agriculture (USDA) through its Commodity Credit Corporation agreed to provide 37,800 metric tons of soybean oil to GOP. The GoP authorized Trading Corporation of Pakistan to receive and monetize the commodity and use the sale proceeds to finance PPAF to implement long-term poverty reduction programmes, including: small-scale infrastructure programmes; sustainable agriculture development programmes.

16.5 Grants from Government of Pakistan - IFAD (MIOP)

	2012	2011
	(Rupees in '000)	
Opening balance	125,631	61,294
Amount received	182,217	555,588
	307,848	616,882
Less: Disbursements to POs		
AGAHEE	3,433	4,304
AKPBS-Water and Sanitation Extension Programme	-	-
AL Mehran Rural Development and Welfare Organization	16,363	13,348
Asasah	-	2,000
Badbaan Enterprise Development Forum	5,974	3,840
Badin Rural Development Society	-	18,000
Baidarie	3,104	4,309
Balochistan Rural Development & Research Society	-	1,100
BRAC - Pakistan	47,034	26,834
Buksh Foundation	3,509	3,995
Bunyad Literacy Community Council	918	1,090
Centre for Women Cooperative Development	2,000	15,491
Chenab Development Foundation	4,870	2,248
Community Support Concern	(4,757)	18,815
Development Action for Mobilization and Emancipation	3,195	2,875
Dia Welfare Organization	9,674	3,006
Direct expenses by PPAF on seminars, workshops and trainings	4,886	6,560
Farmers Friend Organization	4,246	10,231
Indus Earth Trust	-	3,284
Jinnah Welfare Society	9,645	24,554
Karwan Community Development Organization	2,015	2,449
Kashf Foundation	1,894	16,558
Khajji Cooperative Society	7,954	4,870
Khwendo Kor Women and Children Development Programme	-	990
Marvi Rural Development Organization	1,350	2,038
Mashal Development Organization	97	1,686
Mehran Education Society	7,845	
Mojaz Foundation	12,264	10,075
Narowal Rural Development Programme	3,158	2,160
Disbursements continued - carried forward	150,671	206,710

	2012	2011
	(Rupees in '000)	
Disbursements continued - brought forward	150,671	206,710
National Rural Support Programme	54,497	55,284
Orangi Charitable Trust	10,158	76,125
Organization for Participatory Development	1,600	840
Orix Leasing Pakistan Limited	201	5,259
Pakistan Microfinance Network	7,748	3,748
Punjab Rural Support Programme	152	476
Rural Community Development Society	5,472	39,595
Rural Development Project	-	609
Saath Development Society	8,389	8,399
Sarhad Rural Support Programme	1,776	7,050
Save The Poor	3,360	900
Sayya Foundation	2,232	3,228
Shadab Rural Development Organization	8,160	
Shah Sachal Sami Welfare Association	7,035	
Sindh Agricultural & Forestry Workers Coordinating Organization	19,249	12,594
Sindh Rural Support Organization	7,083	38,324
Soon Valley Development Programme	2,512	2,053
Support with Working Solutions	1,437	1,803
Thardeep Rural Development Programme	5,740	24,217
TIPU Foundation	1,063	
Villagers Development Organization	8,354	3,687
Women Social Organisation	959	350
	307,848	491,251
	-	125,631

16.5.1 Programme Loan Agreement was signed between GoP and IFAD on January 18, 2006 and Subsidiary Loan and Grant Agreement between GoP and PPAF on April 18, 2006 for Microfinance Innovation and Outreach Programme (MIOP). The project focuses on PPAF's microfinance operations and would enable the Company to extend its outreach to rural areas of the country in terms of credit and enterprise through development of new products and services.

16.6 Grants from Government of Pakistan - IFAD (PRISM)

	2012	2011
Opening balance	(301)	217,127
Amount received	321,391	(215,826)
	321,090	1,301
Less: Disbursements to PO		
Baidarie	800	-
Community Support Concern	38,000	-
Jinnah Welfare Society	33,500	-
Kashf Foundation	-	-
Pakistan Microfinance Network	20,493	701
Rural Community Development Society	60,000	-
Sindh Agricultural & Forestry Workers Coordinating Organization	63,100	600
Direct expenses by PPAF on seminars, workshops and trainings	-	301
	215,893	1,602
	105,197	(301)

16.6.1 Programme Loan Agreement was signed between GoP and IFAD on November 22, 2007 and Subsidiary Financing Agreement between GoP and PPAF on January 12, 2008 for Programme for Increasing Sustainable Microfinance (PRISM). The project focuses on provision of microcredit to the poor on a self-sustaining basis and envisages developing access to banks/financial institutions for future growth and expansion.

16.7 USAID - Flood Relief

	2012	2011
	(Rupees in '000)	
Amount received	-	228,281
	-	228,281
Less: Disbursements to PO		
National Rural Support Programme	-	228,281
	-	-

16.7.1 PPAF and USAID Pakistan executed Cooperative Agreement on August 12, 2010 to provide support for the program entitled Relief to Flood Affected Communities of Punjab and Sindh. The overall project involved grant funding of US$ 2,699,520.

16.8 Benazir Income Support Program (BISP)

	2012	2011
	(Rupees in '000)	
Opening balance	56,868	-
Amount received	1,648,232	127,130
	1,705,100	127,130
Less: Disbursements to POs		
Aga Khan Rural Support Programme	2,348	-
Balochistan Rural Support Programme	25,039	4,333
Community Mobilisation and Development Organization	79,113	9,814
Direct expenses by PPAF on seminars, workshops and trainings	98,382	39,940
Farmers Development Organization	84,556	8,283
Sindh Agricultural & Forestry Workers Coordinating Organization	25,199	5,284
Sindh Rural Support Organization	13,556	2,608
	328,193	70,262
Payments to beneficiaries through BISP	914,560	-
	462,347	56,868

Benazir Income Support Program (BISP) signed an agreement with PPAF on September 29, 2010. Under the agreement PPAF shall provide enterprise development training to 18,000 participants and skill training to 13,500 participants of BISP's Waseel-e-Haq program. The project had a total cost of Rs. 884,400,814 and is initially for a period of two years. The specific objective of the enterprise and skill development training is to enhance the capacity of BISP's Waseel-e-Haq beneficiaries or their nominees so that they can properly utilize the amount received by them for setting up business.

On June 7, 2011 under Amendment 1 to the contract, PPAF will receive a lump sum amount of Rs 49,133 for each participant trained, as against previous terms involving reimbursement of expenses for training from BISP.

Every beneficiary having successfully undergone enterprise and skill training will be entitled for a maximum of Rs 300,000 as a loan from BISP, on terms and conditions laid down by BISP from time to time. For the purpose of disbursement of amounts to beneficiaries, BISP shall transfer the funds into a bank account specifically opened by PPAF solely for onward disbursements to Waseela-e-Haq beneficiaries according to the beneficiaries lists issued and verified by BISP from time to time. On the basis of beneficiary list provided by BISP, PPAF get the pay order prepared in the beneficiaries' name and hands over the pay order to BISP for distribution of pay order to the beneficiary. The beneficiaries will repay the loan directly to BISP without any involvement of PPAF. Further, there is no involvement of PPAF in selection of beneficiaries and disbursements to the beneficiary.

	2012	2011
	(Rupees in '000)	

16.9 Grants from Committee Encouraging Corporate Philanthropy

	2012	2011
Opening balance	30,768	74,831
Less: Disbursements to POs		
Community Uplift Programme	-	5,224
Mountain and Glacier Protection Organization	-	16,801
National Rural Support Programme	9,100	22,038
	9,100	44,063
	21,668	30,768

16.9.1 On August 15, 2006 the PPAF and Committee Encouraging Corporate Philanthropy (CECP) signed a programme agreement under which CECP has agreed to make available an amount of US Dollars 12 million to the Company as grant on non reimbursable basis for design, reconstruction and refurbishment of regional health centers, clinics, primary schools and secondary schools affected by the earthquake.

16.10 Shell Pakistan Ltd - Model Village

	2012	2011
	(Rupees in '000)	
Opening balance	6,446	-
Amount received	11,654	8,000
	18,100	8,000
Less: Disbursements to PO		
Health and Nutrition Development Society	4,303	1,554
Engro Foundation	10,000	
	14,303	1,554
	3,797	6,446

16.10.1 PPAF and Shell Pakistan Ltd. signed a memorandum of understanding on April 21, 2010 under which both counterparties have agreed to complement each other's activities and jointly fund infrastructure, education, health and social sector services in the village "Goth Noor Muhammad" to convert it to a model village. The project is planned to be completed in a period of three years.

16.11 Engro Foundation - Flood Relief

	2012	2011
	(Rupees in '000)	
Opening balance	2,889	-
Amount received	-	16,417
	2,889	16,417
Less: Disbursements to POs		
Health and Nutrition Development Society	-	2,528
Sindh Rural Support Organization	-	11,000
	-	13,528
	2,889	2,889

16.11.1 Engro Foundation signed a memorandum of understanding with PPAF on August 14, 2010 for provision of relief and rehabilitation services to flood affectees of Punjab and Sindh. Such services include food, shelter, drinking water, clothing etc.

	2012	2011
	(Rupees in '000)	
16.12 Grant for Flood relief from corporations and individuals		
Opening balance	-	-
Amount received	12,143	3,428
	12,143	3,428
Less: Disbursements to POs		
Direct expenses by PPAF on seminars, workshops and trainings	-	1,746
Rural Community Development Society	2,143	832
Sindh Rural Support Organization	6,310	-
Support With Working Solutions	-	850
	8,453	3,428
	3,690	-

16.13 Grants from Government of Pakistan - Kfw

	2012	2011
Amount received	361,900	-
	361,900	-
Less: Disbursements to POs		
Aga Khan Rural Support Programme	68,642	-
National Rural Support Programme	78,257	-
Rural Development Project	16,358	-
Sarhad Rural Support Programme	86,487	-
Sustainable Development, Education, Rural Infrastructure, Veterinary Care & Environment	12,772	-
Support With Working Solutions	62,039	-
	324,555	-
	37,345	-

16.13.1 On June 12, 2010 PPAF and German Financial Cooperation - Kfw signed loan, financing and project agreement under which Kfw has agreed to make available an amount of EUR 31,562,661 to the Company as grant on non reimbursable basis for the support of livelihood measures and the promotion of small community economic and social infrastructure in Khyber Pakhtunkhwa (North West Frontier Province-NWFP). The agreement will expire on December 31, 2012.

17. DEFERRED INCOME - GRANT FUND

	As at July 01, 2011	Amount Received	Expenditure from grant recognized as income	As at June 30, 2012
		(Rupees in '000)		
Government of Pakistan (GoP)				
Capacity Building - IDA II	3,951	-	2,902	1,049
Capacity Building - IDA III	-	230,464	230,464	-
Capacity Building - IDA (RNR)	1,368	-	1,155	213
Capacity Building - IDA (Social mobilization)	7,599	-	2,977	4,622
Capacity Building - IDA (Disability)	3,237	-	1,527	1,710
Capacity Building - IFAD (MIOP)	1,035	6,316	6,575	776
Capacity Building - IFAD (PRISM)	-	8,834	8,834	-
Capacity Building - Kfw	-	11,371	10,885	486
Capacity Building - USDA	6,074	-	2,817	3,257
	23,264	256,985	268,136	12,113
Capacity building - USAID/Pakistan	8,162		8,162	-
Capacity building - CECP	1		1	-
Model villages projects	-	2,000	2,000	-
2012	31,427	258,985	278,299	12,113
2011	59,700	361,309	389,582	31,427

18. SERVICE AND COMMITMENT CHARGES PAYABLE

	Note	2012	2011
		(Rupees in '000)	
Service charges payable	18.1	30,043	36,710
Commitment charges payable	18.2	5,479	484
		35,522	37,194

18.1 These represent service charges payable to GOP at the rate of 0.75% per annum (2011: 0.75% per annum) on the principal amount of long term loan outstanding withdrawn from time to time.

18.2 These represent commitment charges payable to GOP at the rate to be set by the Association as of June 30 of each year, but not to exceed 0.50% per annum (2011: 0.50 % per annum) on the principal amount of long term loan not withdrawn from time to time.

19. ACCRUED AND OTHER LIABILITIES

	Note	2012	2011
		(Rupees in '000)	
Consultancy fee payable		2,967	43,439
Unamortised discount on purchase of Pakistan Investment Bonds	19.1	44,176	42,929
Accrued expenses and other liabilities		25,197	9,317
		72,340	95,685

19.1 Amortisation of discount for the year amounts to Rs 4,259 thousand (2011: Rs 638 thousand).

20. DETAILS OF ACTUARIAL VALUATION OF STAFF GRATUITY SCHEME

20.1 Reconciliation of payable to/(receivable from) Defined Benefit Plan

	2012	2011
Present value of defined benefit obligation	37,561	28,597
Fair value of plan assets	(26,124)	(23,212)
Net actuarial gains / (losses) not recognised	(12,292)	(5,385)
	(855)	-

	2012	2011
	(Rupees in '000)	

20.2 Movement in net liability/(asset) recognised

	2012	2011
Opening net (asset)/liability	-	-
Expense for the year	8,824	8,901
Contribution for the year	(9,679)	(8,901)
Closing net (asset)/liability	(855)	-

20.3 Charge for the Defined Benefit Plan

	2012	2011
Current service cost	8,236	4,862
Interest cost	3,326	4,321
Expected return on plan assets	(3,159)	(1,121)
Actuarial (gain)/losses recognised	421	839
	8,824	8,901

20.4 Change in the present value of defined benefit obligation

	2012	2011
Opening defined benefit obligation	28,597	37,697
Current service cost	8,236	4,862
Interest cost	3,326	4,321
Benefits paid	(9,679)	(13,664)
Actuarial (gain) or loss on obligation	7,081	(4,619)
Closing defined benefit obligation	37,561	28,597

20.5 Changes in fair value of plan asset

	2012	2011
Opening fair value of plan assets	23,212	28,049
Expected return on plan assets	3,159	1,121
Benefit payment on behalf of fund	9,679	8,901
Benefits paid	(9,679)	(13,664)
Actuarial gain or (loss) on assets	(247)	(1,195)
Closing fair value of plan assets	26,124	23,212

20.6 The Projected Unit Credit Method using the following significant assumptions was used for the valuation of the scheme:

	2012	2011
Valuation discount rate	12.5% per annum	14% per annum
Salary increase rate	12.5% per annum	14% per annum
Expected return on plan assets	12.5% per annum	14% per annum

20.7 Amounts for current and previous four annual periods are as follows:

	2012	2011	2010	2009	2008
	Rupees in '000				
Defined benefit obligation	37,561	28,597	37,697	25,233	15,852
Plan assets	(26,124)	(23,212)	(28,049)	(11,364)	(12,554)
Deficit	11,437	5,385	9,648	13,869	3,298
Experience adjustments on plan liabilities	7,081	4,619	1,792	4,504	-
Experience adjustments on plan assets	247	1,195	910	172	64

	2012	2011
	(Rupees in '000)	

21. CONTINGENCIES AND COMMITMENTS

Contingencies

	2012	2011
Guarantees to the banks against lending to Microfinance institutions as given in note 9	1,845,000	1,445,000

Commitments

Aggregate commitments under Financing Agreements with

Partner Orgñisations for;

	2012	2011
Loans	12,256,433	4,426,701
Grants		
Community physical infrastructure	1,693,230	1,157,356
Capacity building	578,201	289,462
Social sector development	2,211,889	1,511,875
Social mobilization	748,928	211,392
Livelihood enhancement and protection	1,651,853	293,411
	6,884,101	3,463,496
	19,140,534	7,890,197

22. SERVICE CHARGES ON LOANS TO PARTNER ORGANISATIONS

These represent service charges on loans to POs under respective Financing Agreements at rates given in note 8.1.

23. INCOME ON INVESTMENTS AND SAVING ACCOUNTS

	2012	2011
	(Rupees in '000)	
Profit on long term investments	107,121	103,942
Profit on term deposit receipts/saving accounts	1,161,575	918,360
	1,268,696	1,022,302

23.1 Profit/markup rates are disclosed in the respective notes to these financial statements.

24. OTHER INCOME

	2012	2011
	(Rupees in '000)	
Income from training	-	5,033
Gain on sale of fixed assets	416	3,523
Markup on loans to employees	119	64
Others	121	9,740
	656	18,360

	Note	2012	2011
		(Rupees in '000)	
25. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	25.1	242,710	196,090
Rent		31,042	29,162
Repairs and maintenance		9,595	7,054
Traveling, lodging and conveyance		51,569	40,413
Communication		3,878	4,676
Printing and stationery		4,616	3,720
Insurance		2,469	2,328
Vehicles running and maintenance		24,293	13,890
Utilities		4,085	3,982
Legal and professional charges		2,551	3,405
Auditor's remuneration	25.3	4,740	3,805
Advertisement		2,736	1,317
Media projection		6,749	1,452
Newspapers, books and periodicals		765	482
Depreciation		25,183	26,439
Amortization		2,790	4,680
Security services		1,949	2,165
Office shifting and related expenses		8,095	
Others		5,671	3,986
	25.4	435,486	349,046

25.1 The aggregate amounts charged in respect of remuneration of Chief Executive Officer were as follows:

	2012	2011
Managerial remuneration	13,464	12,175
Other allowances	-	60
	13,464	12,235

In addition, the Chief Executive Officer is provided medical insurance, car, accommodation/house rent allowance. Gratuity and providend fund are payable to the Chief Executive Officer in accordance with the terms of employment. Leave encashment of Rs Nil thousand (2011: Rs 2,040 thousand) was paid to the Chief Executive Officer on separation during the year, in accordance with the Company's policy.

25.2 No remuneration was paid to the directors during the year except reimbursement of expenditure for attending meetings etc. at actual.

	2012	2011
	(Rupees in '000)	
25.3 Auditor's remuneration		
Statutory and projects' audit	1,395	1,265
Audit of POs	2,635	2,195
Tax services	710	345
	4,740	3,805

25.4 General and administration expenses include Rs 115,208 thousand incurred on different programme activities as disclosed in note 17.

	2012	2011
26. SEMINARS, WORKSHOPS AND TRAININGS	(Rupees in '000)	
Training	15,040	3,401
Seminar and workshops	25,876	21,358
	40,916	24,759

Seminars, workshops and training expenses include Rs 4,922 thousand incurred on different programme activities as disclosed in note 17.

	2012	2011
27. TECHNICAL AND OTHER STUDIES	(Rupees in '000)	
Poverty score card	41,618	285,038
General	57,212	65,902
	98,830	350,940

Consultancy charges include Rs 158,159 thousand (including Rs 69,868 thousand related to previous year) incurred on different programme activities as disclosed in note 17.

	2012	2011
28. PROJECT AND RELIEF ACTIVITIES	(Rupees in '000)	
Flood relief	202,831	193,951
Project activities for PPAF II - note 28.1	279,306	-
Project activities for PPAF I	(10,020)	-
National Rural Support Program - School Milk Project	-	12,158
Relief for Internally Displaced Persons - USAID grant	-	1,799
	472,117	207,908

28.1 This represents the difference in loan amount recorded by the Company and booked by GoP in respect of PPAF II project. The amount was finalized on the basis of amortization schedule agreed with GoP during the current financial year. The Company utilized amounts allocated for loans under the Financing Agreements for PPAF II project by September 2007 well before the project closing date i.e. June 30, 2010. The recording of loan by the Company was on the basis of amount allocated and utilized for loans, which corresponded with IDA records. The booking of loan by GoP continued till June 2010. The variation in amount was due to the time differences of booking of loans between IDA, GoP and the Company.

	2012	2011
29. FINANCIAL CHARGES	(Rupees in '000)	
On long term loans	112,123	107,675
Imputed interest on below market rate long term loan	33,334	-
Bank charges	2,299	1,358
	147,756	109,033
30. TRANSFER FROM ACCUMULATED SURPLUS TO RESERVE FOR GRANT BASED ACTIVITIES		
Income earned during the period on grant fund investments	379,762	267,237
Contribution from individual donor	1,356	-
Less: Expenditure on project and relief activities		
Flood relief	202,831	193,951
National Rural Support Program - School Milk Project	-	12,158
	202,831	206,109
	178,287	61,128

31. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise the Government of Pakistan, Employees Gratuity Fund, Employees Provident Fund, directors and key management personnel. Transactions with related parties and amounts due from/(to) related parties are disclosed in the relevant notes to the financial statements.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Financial assets and liabilities

	June 30, 2012			June 30, 2011		
	Held to maturity investments	Loans and receivables	Total	Held to maturity investments	Loans and receivables	Total
			(Rupees in '000)			
Financial Assets:						
Maturity upto one year						
Current maturity of long term investments	3,803,563		3,803,563	2,421,252		2,421,252
Short term investments	6,409,902		6,409,902	6,312,535		6,312,535
Current maturity of loans to Partner Organisations		10,360,561	10,360,561		9,630,919	9,630,919
Advances, deposits and other receivables		19,678	19,678		11,555	11,555
Profit/service charges receivable		767,994	767,994		682,095	682,095
Bank balances - specific to projects		2,263,402	2,263,402		2,734,888	2,734,888
Cash and bank balances		141,893	141,893		31,332	31,332
Maturity after one year						
Long term investments	994,000		994,000	1,150,896		1,150,896
Long term loans to Partner Organisations		2,191,796	2,191,796		1,466,675	1,466,675
	11,207,465	15,745,324	26,952,789	9,884,683	14,557,464	24,442,147
Financial Liabilities:						
		Other financial liabilities			Other financial liabilities	
Maturity upto one year						
Deferred liabilities - grant fund		2,242,391	2,242,391		2,826,743	2,826,743
Current portion of long term loans		467,610	467,610		282,795	282,795
Service and commitment charges payable		35,522	35,522		37,194	37,194
Accrued and other liabilities		72,340	72,340		95,685	95,685
Maturity after one year but before five years						
Long term loans		2,309,120	2,309,120		2,152,906	2,152,906
Maturity after five years						
Long term loans		13,046,181	13,046,181		11,608,017	11,608,017
	-	18,173,164	18,173,164	-	17,003,340	17,003,340
Off balance sheet items:						
Commitments	-	19,140,534	19,140,534	-	7,890,197	7,890,197

32.2 Credit quality of financial assets

The credit quality of Company's financial assets has been assessed below by reference to external credit ratings of counterparties. The counterparties for which external credit ratings were not available have been assessed by reference to their historical information for any defaults in meeting obligations.

	Name of Credit rating Agency	Short term rating	2012 Balance Rs in '000	2011 Balance Rs in '000
Investments				
Counterparties with external credit rating				
	JCR-VIS	AAA	-	350,896
	PACRA	A1+	2,810,090	2,227,555
	JCR-VIS	A-1+	4,859,450	3,249,083
	Moody's	P-1	-	826,491
	PACRA	A1	500,000	18,493
	PACRA	A2	-	250,000
	JCR-VIS	A-2	703,198	1,077,866
	Standard & Poors	A-1	-	-
Securities issued/supported by Government of Pakistan		-	2,334,728	1,884,299
			11,207,466	9,884,683
Bank balances				
Counterparties with external credit rating				
	PACRA	A1+	39,260	37,312
	JCR-VIS	A-1+	2,250,105	2,696,917
	Moody's	P-1	628	181
	PACRA	A1	44	-
	Standard & Poors	A-1	114,156	30,724
	PACRA	A2	1,047	-
	JCR-VIS	A-2	45	1,031
Balance with National Saving Centre		-	-	11
			2,405,285	2,766,176
Loans to Partner Organizations				
Counterparties without external credit rating		*	12,292,811	11,097,594
		**	259,546	-
			12,552,357	11,097,594
Profit/service charges receivable				
Counterparties with external credit rating				
	PACRA	A 1+	110,564	156,583
	JCR-VIS	A-1+	189,827	132,514
	Moody's	P-1	-	63,411
	PACRA	A1	62,904	-
	PACRA	A2	-	24,890
	JCR-VIS	A-2	37,692	40,176
	JCR-VIS	A-3	-	43,431
Counterparties without external credit rating		*	367,007	221,090
			767,994	682,095

* Counterparties with no defaults in the past.
** Counterparty overdue for more than 90 days.

32.2 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rates risk and price 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.

a) Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to loans to partner organizations, investments and bank balances. The Company is exposed to credit related losses in the event of non-performance by Partner Organizations of micro-credit loans to the extent of Rs 13.43 billion (2011: Rs 12.02 billion) (including loans to two major POs of Rs 5.97 billion; 2011: Rs 6.24 billion). The Company controls the credit risk through credit appraisals, assessing the credit-worthiness of POs and creating charge on the assets of POs. The credit risk on investments and bank balances is limited because the counter parties are banks and Government of Pakistan.

b) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and investments. The Company's financial position is satisfactory and the Company does not have any liquidity problems. The contractual maturities of financial liabilities are disclosed in note 32.1.

c) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company is not exposed to currency risk as there are no material foreign currency assets and liabilities except for financial assets of US$ 4,281 (2011: US$ 3,878).

(ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets include balances of Rs 24,016,637 thousand (2011: Rs 21,113,967 thousand) and financial liabilities include balances of Rs 15,822,911 thousand (2011: Rs 14,043,718 thousand) which are subject to interest rate risk. Applicable interest rates for financial assets and financial liabilities have been indicated in respective notes.

If interest rates had been 1% higher/lower with all other variables held constant, surplus for the year would have been Rs 81,937 thousand (2011: Rs 70,702 thousand) higher/lower.

(iii) Other price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices.

d) Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments and loans receivable/ payable which are stated at cost or amortised cost.

32.3.2 Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern so that it can achieve its primary objectives, provide benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses in line with the objects of Company.

33. NUMBER OF EMPLOYEES

The Company had 223 employees as at June 30, 2012 (June 30, 2011: 195).

34. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, for better presentation as follows;

Reclassified from	Reclassified to	Rs '000
Term investments-specific to grant fund	Long term investments	350,896
Short term investments-specific to projects	Short term investments	1,445,000
Short term investments-other	Short term investments	4,867,535

35. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company on 19 SEP 2012.

Chairman

Chief Executive Officer