

# Condensed Interim Financial Statements For the quarter ended September 30, 2010



PAKISTAN POVERTY ALLEVIATION FUND

**Title Picture:**

Snaawa, in the southern province of Punjab, is flooded on August 7, 2010 — by Arif Ali, AFP-GI

# Condensed Interim Financial Statements

## For the quarter ended September 30, 2010



**PAKISTAN POVERTY ALLEVIATION FUND**



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# Pakistan Poverty Alleviation Fund Company Information

## Board of Directors:

Mr. Hussain Dawood  
Chairman  
Dr. Nuzhat Ahmad  
Mr. Rafiud Deen Ahmad  
Mr. Rana Assad Amin  
Mr. Ahmad Farooq  
Dr. Naved Hamid  
Dr. Rajab Ali Memon  
Dr. Aisha Ghaus Pasha  
Mr. Asif Qadir  
Mr. Zubyr Soomro  
Mr. Kamal Hyat  
Chief Executive/Managing Director

## BOD Committees:

### Board Compensation Committee:

Mr. Hussain Dawood  
Chairman  
Mr. Ahmad Farooq  
Dr. Rajab Ali Memon  
Dr. Aisha Ghaus Pasha  
Mr. Zubyr Soomro

### Audit Committee:

Mr. Rafiud Deen Ahmad  
Chairman  
Mr. Rana Assad Amin  
Dr. Nuzhat Ahmad  
Dr. Naved Hamid  
Mr. Asif Qadir

**Company Secretary:** Mr. Iltifat Rasul Khan

**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, Bank Al-Falah Limited, Citibank, Faysal Bank Limited, Habib Bank Limited, Hong Kong and Shanghai Banking Corporation Limited, National Bank of Pakistan, NDLC-IFIC Bank Limited, Royal Bank of Scotland, Silk Bank Limited, Standard Chartered Bank Limited

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Website: www.pfaf.org.pk



## Management Review

The Management is pleased to present a brief overview of the operational and financial performance of the Company for the first quarter ended September 30, 2010.

The July 2010 floods wreaked havoc and destruction on unprecedented scale. PPAF was quick to respond to this tragedy and focused on immediate relief through provision of food, milk, water, medicines, shelter and related items for the affectees. The relief operations are being carried out through 20 partner organizations in 22 districts (132 union councils) of flood affected areas of Kyber Pakhtunkhwa, Punjab and Sindh. PPAF has distributed over 2 million kg of food items; supplied 40,000 liters milk; set up 105 medical camps; distributed 6,000 hygiene kits; sunk 140 hand pumps; and provided 1,700 tents. In addition, fodder was provided for 70,000 animals while 1,200 animals were vaccinated. PPAF would follow up relief efforts with the rehabilitation and reconstruction activities to allow people in affected areas to rebuild their livelihoods.

During the period under review, besides carrying out effective relief operations, PPAF maintained steady progress with respect to its core interventions and sustained the momentum of growth by successfully following a strategy that engaged poor communities and deployed diverse interventions (credit, infrastructure, health, education, social mobilization and skill development) in an integrated manner for effective delivery and impact. Collectively, these interventions addressed the many facets of poverty and worked towards reducing vulnerability, especially with respect to gender.

By the end of September 30, 2010, PPAF funding had been disbursed in urban and rural areas of 127 districts of the country (about 220,000 community organizations / groups) through 90 partner organizations of which 12 were focusing exclusively or predominantly on women. On cumulative basis, PPAF has financed 3,800,000 microcredit loans. More than 23,500 infrastructure, health and education projects were initiated and a total of 460,000 staff and community members were trained. In earthquake affected areas, PPAF provided financing to 122,000 households to build earthquake resistant homes and trained over 108,000 individuals in seismic construction and related skills.

### **Operational and Financial Results:**

In a difficult environment, the overall operational and financial results during the quarter under review remained satisfactory. Total disbursements for core operations during the quarter were Rs. 2,079 million compared to Rs. 2,022 million in the corresponding period last year. Loan (microcredit and enterprise development facility) disbursements were Rs 1,512 million as compared to Rs 1,564 million; water and infrastructure disbursements were Rs 305 million

as compared to Rs 180 million; disbursements for education and health were Rs 154 million as against Rs 18 million. Disbursement for water, infrastructure, health and education increased due to availability and disbursement of funding for these components under the social mobilization project. Capacity building disbursements were Rs 53 million as against Rs 190 million; and social mobilization disbursement were Rs 50 million as against Rs 70 million during the corresponding period last year. During the quarter, Rs 5 million were disbursed for livelihood enhancement and protection. In addition to disbursement for core operations, Rs 231 million (Rs 136 million from donors' funding and Rs 95 million from PPAF's own resources) was disbursed for project and relief activities.

By the end of September 2010, cumulative disbursements for core operations were Rs 58,516 million. Credit and enterprise development, the largest component of the PPAF, accounted for 74% of total disbursements followed by community physical infrastructure (15%); capacity building/social mobilization assistance (9%); and health & education (3%). In addition, cumulative disbursements for project, relief, rehabilitation and reconstruction activities were Rs 19,584 million.

PPAF interventions are being carried out in all parts of the country. Provincial distribution of funding under the mainstream programmes remained consistent with previous allocations: 57% of the resources deployed in Punjab, 25% in Sindh, 7% in Kyber Pakhtunkhwa, 6% in Balochistan and 5% in Northern Areas/AJK.

Having utilized the World Bank funds allocated for microcredit component under second project, PPAF is now meeting its obligations through its own reserves built up from repayments received from partner organizations. As of September 30, 2010, out of total disbursement of Rs 43,188 million, an amount of Rs 29,494 million was disbursed from PPAF own reserves.

Total equity on September 30, 2010 was Rs 6,475 million as against Rs 6,114 million as at June 30, 2010. Total assets of the Company on September 30, 2010 stood at Rs 23,746 million against Rs 23,629 million as at June 30, 2010. The amount of loans receivable from partner organizations was Rs 10,497 million on September 30, 2010 as against Rs 11,202 million as at June 30, 2010. PPAF continued to maintain 100% recovery rate in respect of its lending operations.

Total income generated during the quarter under review was Rs 588 million compared to Rs 526 million during the corresponding period last year – an increase of 12%. Service charges on loan to partner organizations; and income on term deposit receipts and saving accounts increased by 8% and 2%, respectively. Due the increase in the level of reserve for grant based activities, the income on grant fund increased by 46%. During the quarter, capacity building grant increased by 15% due to the availability of financing from Government of



Pakistan and donor agencies for PPAF operational support.

The general and administrative expenses during the quarter were Rs 83 million as against Rs 93 million during the corresponding period last year, a decrease of 11%. During the quarter, PPAF spent Rs 83 million on relief activities in flood affected areas and Rs 12 million on school milk project.

### **Relief Activities in Flood Affected Areas:**

As a part of its broader poverty alleviation mandate, PPAF endeavors to comprehensively address the long term needs of reviving social, physical and economic structures in flood affected communities through revitalized and intensive social mobilization processes as well as asset building of vulnerable households through provision of small scale infrastructure, health, education, trainings and livelihood support.

The Government of Pakistan, international development agencies, corporate sector and individual philanthropists have reposed their confidence in PPAF by reallocating funds from existing programmes and providing additional financing to explicitly address the needs of relief, rehabilitation and reconstruction.

For relief activities, Rs 965 million have been committed. This includes allocation of Rs 175 million by PPAF from its own resources; USAID funding – Rs 230 million (US\$ 2.7 million); Engro Foundation financing – Rs 33 million; reallocation of funds from existing World Bank projects – Rs 525 million; and individuals donations – Rs 2 million.

The Government of Pakistan, on the request of PPAF, has recommended to the World Bank to re-allocate US\$ 75 million (Rs 6,450 million) from the existing Third PPAF Project for rehabilitation and reconstruction operations in flood affected areas. The proposed amount will be used for restoration and rebuilding of community infrastructure and services, community mobilization, revitalization and protection of livelihoods, provision of vocational and technical training to the affected people and provision of micro credit and grants to restore micro-enterprises. In addition, Engro Foundation would contribute Rs 77 million for the rehabilitation and reconstruction work.

PPAF will continue to be a responsive and agile institution fully aligned with the changing dynamics of poverty alleviation and responding to national challenges of drought, earthquake and floods.



Kamal Hyat

Chief Executive/Managing Director

October 4, 2010



**Condensed Interim  
Financial Statements  
Pakistan Poverty Alleviation Fund**

Pakistan Poverty Alleviation Fund  
Condensed Interim Balance Sheet  
as at September 30, 2010

	Note	Un-audited September 30, 2010	Audited June 30, 2010
(Rupees)			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Fixed assets – tangible	4	56,561,567	64,972,216
Intangible assets		6,278,544	7,723,804
Long term investments	5	400,000,000	600,000,000
Long term loans to Partner Organizations	6	528,233,002	764,157,694
		<u>991,073,113</u>	<u>1,436,853,714</u>
<b>CURRENT ASSETS</b>			
Current maturity of loans to Partner Organizations	6	9,338,550,174	9,807,922,669
Current maturity of long term investments	5	600,000,000	400,000,000
Short term investments–specific to projects	7	645,000,000	600,000,000
Short term investments–specific to grant fund	8	2,109,167,250	1,763,431,262
Short term investments–other	9	4,563,418,664	4,058,341,774
Advances, deposits, prepayments and other receivables		94,906,180	89,390,437
Profit/service charges receivable		690,092,012	410,936,898
Cash and bank balances–specific to projects	10	4,664,741,641	5,013,641,706
Cash and bank balances	11	49,083,687	48,719,875
		<u>22,754,959,608</u>	<u>22,192,384,622</u>
		<u>23,746,032,721</u>	<u>23,629,238,336</u>
<b>FUND AND RESERVES</b>			
Endowment fund	12	1,000,000,000	1,000,000,000
Grant fund		2,109,167,249	1,763,431,262
Reserve for grant based activities		129,213,234	161,052,262
Accumulated surplus		3,236,898,976	3,189,977,882
		<u>6,475,279,460</u>	<u>6,114,461,406</u>
<b>LONG TERM LOANS</b>			
	13	12,324,142,547	12,246,272,031
<b>CURRENT LIABILITIES</b>			
Deferred liabilities – grant fund	14	4,783,865,161	5,040,205,729
Deferred (expense)/income – grant fund		(2,575,066)	59,699,703
Current portion of long term loans	13	109,617,378	109,617,378
Service and commitment charges payable		24,535,854	39,210,528
Accrued and other liabilities		31,167,387	19,771,561
		<u>4,946,610,714</u>	<u>5,268,504,899</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	15	–	–
		<u>23,746,032,721</u>	<u>23,629,238,336</u>

The annexed notes from 1 to 22 form an integral part of these interim financial statements.

  
Chairman

  
Chief Executive/Managing Director

Pakistan Poverty Alleviation Fund  
Condensed Interim Income and Expenditure Account (Un-audited)  
for the quarter ended September 30, 2010

Note	For the quarter ended	
	September 30, 2010	September 30, 2009
(Rupees)		
<b>INCOME</b>		
	274,937,853	255,029,944
Service charges on loans to Partner Organizations		
	82,330,630	71,909,958
Amortization of deferred income – grant fund		
16	165,683,462	163,107,830
Income on investments and saving accounts		
	52,069,777	35,783,117
Income on grant fund		
	12,729,972	-
Donation for flood relief		
	581,076	54,384
Other income		
	588,332,771	525,885,233
<b>EXPENDITURE</b>		
	83,385,312	93,462,218
17		
General and administrative expenses		
	5,031,622	16,750,878
18		
Seminars, workshops and trainings		
	26,871,579	59,175,308
19		
Consultancy charges		
	94,908,805	1,821,515
20		
Project and relief activities		
	-	6,681,417
Loan loss provision		
	17,317,399	21,408,487
21		
Financial charges		
	227,514,717	199,299,823
<b>SURPLUS FOR THE PERIOD</b>		
	360,818,054	326,585,410

*The annexed notes from 1 to 22 form an integral part of these interim financial statements.*

  
Chairman

  
Chief Executive/Managing Director

Pakistan Poverty Alleviation Fund  
Condensed Interim Cash Flow Statement (Un-audited)  
for the quarter ended September 30, 2010

Note	For the quarter ended	
	September 30, 2010	September 30, 2009
(Rupees)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from / (used in) operations		
Surplus for the period	360,818,054	326,585,410
Adjustment for non cash items:		
Depreciation	8,985,039	7,427,783
Amortization of intangible assets	1,445,259	1,199,384
Amortization of deferred income	(82,330,630)	(71,909,958)
Loan loss provision	-	6,681,417
Financial charges	17,317,399	21,408,487
	(54,582,933)	(35,192,887)
	306,235,121	291,392,523
Working capital changes		
(Increase) / decrease in current assets:		
Advances, deposits, prepayments and other receivables	(5,515,743)	(66,400)
Profit/service charges receivables	(279,155,114)	(227,320,290)
Increase / (decrease) in current liabilities:		
Accrued and other liabilities	11,395,826	(2,286,233)
	(273,275,031)	(229,672,923)
Cash generated from operations	32,960,090	61,719,600
Recoveries of loans from partner organizations	2,217,135,187	1,430,394,656
Disbursements to partner organizations:		
Loans	(1,511,838,000)	(1,564,023,000)
Grants	(702,365,491)	(548,568,655)
Financial charges paid	(31,992,073)	(31,920,258)
	(29,060,377)	(714,117,257)
Net cash generated from / (used in) operating activities	3,899,713	(652,397,657)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments	(895,812,877)	(115,999,999)
Capital expenditure incurred	(569,890)	(4,908,896)
Proceeds from disposal of fixed assets	(4,500)	-
Net cash generated from (used in) investing activities	(896,387,267)	(120,908,895)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loans – receipts	77,870,516	284,572,227
Deferred liabilities – grant fund receipts	446,024,924	186,254,781
Deferred income – grant fund receipts	20,055,861	8,925,120
Net cash financing activities	543,951,301	479,752,128
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(348,536,253)	(293,554,424)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,062,361,581	2,005,810,665
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD 10&11	4,713,825,328	1,712,256,241

*The annexed notes from 1 to 22 form an integral part of these interim financial statements.*



Chairman



Chief Executive/Managing Director

Pakistan Poverty Alleviation Fund  
Condensed Interim Statement of Changes in Fund and Reserves (Un-audited)  
as at September 30, 2010

	Endowment Fund	Grant Fund	Reserve for grant based activities (Rupees)	Accumulated surplus	Total
Balance as at June 30, 2009	1,000,000,000	-	-	3,785,356,163	4,785,356,163
Net surplus for the first quarter ended on September 30, 2009	-	-	-	326,585,410	326,585,410
Transfer from accumulated surplus to grant fund	-	1,200,033,816	-	(1,200,033,816)	-
Transfer from accumulated surplus to reserve for grant based activities					
Income on grant fund investments	-	-	35,783,117	(35,783,117)	-
Less: Expenses on project & relief activities	-	-	(1,821,515)	1,821,515	-
	-	-	33,961,602	(33,961,602)	-
Balance as at Sep 30, 2009	1,000,000,000	1,200,033,816	33,961,602	2,877,946,155	5,111,941,573
Net surplus for the three quarters ended on June 30, 2010	-	-	-	1,002,519,833	1,002,519,833
Transfer from accumulated surplus to grant fund	-	563,397,446	-	(563,397,446)	-
Transfer from accumulated surplus to reserve for grant based activities					
Income on grant fund investments	-	-	134,520,230	(134,520,230)	-
Less: Expenses on project & relief activities	-	-	(7,429,570)	7,429,570	-
	-	-	127,090,660	(127,090,660)	-
Balance as at June 30, 2010	1,000,000,000	1,763,431,262	161,052,262	3,189,977,882	6,114,461,406
Surplus for the period	-	-	-	360,818,054	360,818,054
Transferred from accumulated surplus to grant fund	-	345,735,987	-	(345,735,987)	-
Transfer from accumulated surplus to reserve for grant based activities					
Income on grant fund investments	-	-	52,069,777	(52,069,777)	-
Less: Expenses on project & relief activities	-	-	(83,908,805)	83,908,805	-
	-	-	(31,839,028)	31,839,028	-
Balance as at Sep 30, 2010	1,000,000,000	2,109,167,249	129,213,234	3,236,898,976	6,475,279,460

The annexed notes from 1 to 22 form an integral part of these interim financial statements.

  
Chairman

  
Chief Executive/Managing Director

Pakistan Poverty Alleviation Fund  
Notes to the Condensed Interim Financial Statements (Un-audited)  
for the quarter ended September 30, 2010

1. Pakistan Poverty Alleviation Fund was registered in Pakistan on February 6, 1997 as a public company with liability limited by guarantee, under Section 42 of the Companies Ordinance, 1984. The primary object of the Company is to help 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 quality of life.
2. These financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard (IAS) 34: Interim Financial Reporting and revised IAS 1: Presentation of Financial Statements.
3. Accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended June 30, 2010.

	Note	Un-audited September 30, 2010	Audited June 30, 2010
(Rupees)			
4. FIXED ASSETS – TANGIBLE			
Opening written down value		64,972,216	54,380,064
Additions		574,390	36,815,503
Written down value of disposals / adjustments		–	(721,528)
Depreciation		(8,985,039)	(25,501,823)
		<u>56,561,567</u>	<u>64,972,216</u>
5. LONG TERM INVESTMENTS – held to maturity			
Pakistan Investment Bonds (PIBs)	5.1	1,000,000,000	1,000,000,000
Less: PIBs maturing within next twelve months shown as current asset		(600,000,000)	(400,000,000)
		<u>400,000,000</u>	<u>600,000,000</u>

5.1 Represents investments in PIBs as follows:

Principal (Rupees)	Issue Date	Maturity Date	Profit rate % per annum	Payment terms
200 million	30-12-2000	30-12-2010	14.00	Semi annually
200 million	19-05-2006	19-05-2011	9.30	Semi annually
200 million	22-08-2001	22-08-2011	13.00	Semi annually
400 million	29-04-2004	28-04-2014	8.00	Semi annually



	Un-audited September 30, 2010	Audited June 30, 2010
Note	(Rupees)	
6. LOANS TO PARTNER ORGANIZATIONS – secured, considered good		
National Rural Support Programme	3,494,491,341	4,293,386,562
Punjab Rural Support Programme	297,442,200	339,870,720
Kashf Foundation	2,439,375,099	2,351,649,999
Sarhad Rural Support Programme	15,333,333	15,333,333
Thardeep Rural Development Programme	347,958,333	398,155,000
Development Action for Mobilization and Emancipation	593,305,411	609,474,166
Sindh Agricultural & Forestry Workers Coordinating Organization	231,594,891	206,663,266
Sindh Rural Support Programme	200,000	200,000
Jinnah Welfare Society	237,451,500	218,717,850
Centre for Women Cooperative Development	196,495,964	254,361,242
Rural Community Development Society	243,890,556	221,386,668
Khwendo Kor Women and Children Development Programme	750,002	645,834
Young Pioneers Society	8,250,000	8,250,000
Women Social Organisation	14,304,167	10,516,000
Community Support Concern	257,300,510	244,452,862
Poverty Eradication Network	2,777,000	2,787,000
Bunyad Literacy Community Council	16,750,000	13,250,000
Indus Resource Centre	5,456,999	6,456,999
Network Leasing Corporation Limited	49,125,000	59,125,000
Organization for Participatory Development	68,585,350	75,121,667
Swabi Women Welfare Society	6,562,498	8,437,498
Orangi Charitable Trust	259,872,917	273,392,641
Karwan Community Development Organization	8,875,000	5,575,000
Kiran Welfare Organization	1,950,001	2,350,001
Narowal Rural Development Programme	27,925,416	26,061,250
Soon Valley Development Programme	12,060,000	10,060,000
Asasah	349,186,625	359,775,000
Baidarie	7,208,334	5,412,334
Orix Leasing Pakistan Limited	168,897,047	158,650,047
Save The Poor	18,500,000	22,666,667
Marvi Rural Development Organization	13,096,157	18,596,151
Sindh Rural Support Organization	201,330,000	188,030,000
BRAC – Pakistan	814,882,600	715,202,000
Khajji Cooperative Society	12,250,000	9,500,000
Al Mehran Rural Development and Welfare Organization	18,093,000	25,259,077
Farmers Friend Organization	22,393,752	20,667,189
Mojaz Foundation	16,290,000	12,710,000
Balochistan Rural Development & Research Society	1,207,500	1,207,500
Badbaan Enterprise Development Forum	1,750,000	600,000
Buksh Foundation	6,400,000	2,800,000
Villagers Development Organization	1,908,333	1,408,333
SAATH Development Society	3,675,000	3,675,000
Mashal Development Organization	740,833	350,000
Association for Gender Awareness & Human Empowement	1,000,000	-
6.1	10,496,892,669	11,202,189,856
Less: Loan loss provision	(630,109,493)	(630,109,493)
	9,866,783,176	10,572,080,363
Less: Amount receivable within next twelve months shown as current asset	(9,338,550,174)	(9,807,922,669)
	528,233,002	764,157,694

- 6.1 The Company disbursed Micro-credit loans and Enterprise Development Facility (EDF) to POs under respective Financing Agreements at a service charge of six percent per annum (6% p.a.) and eight percent per annum (8% p.a.). The later rate is effective on all the financing agreements executed after March 31, 2006. 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 half yearly basis within two years under the respective financing agreements signed between the Company and the POs.

With effect from January 01, 2008, the Partner Organizations, in respect of all lending facilities (credit), defined as large (POs which are approved annual credit disbursements by PPAF of Rs. 500 million and above or POs having PPAF credit outstanding of Rs. 500 million and above, at any given point in time) will be charged annual markup rate (service charge) equal to 10% or KIBOR (Karachi Interbank Offered Rate) prevailing on first working day of January (applicable on Financing Agreements executed between January 01, to June 30) and first working day of July (applicable on Financing Agreements executed between July 01 to December 31) each year, the KIBOR of one year will be applicable. The proposed markup rate (service charge) will be applicable to all lending facilities contracted on or after January 01, 2008. However, after May 06, 2009 all lending facilities (credit) will be charged annual markup rate (service charge) upto 2% below the relevant KIBOR prevailing on last working day prior to the date of execution of Financing Agreements. The KIBOR will correspond with agreement period i.e. for one year Financing Agreement, KIBOR of one year will be applicable. Repayment of principal amount will commence after the grace period of 12 months and shall continue over a period not exceeding 15 months. Payment of mark up (service charges) will be on quarterly basis.

Un-audited September 30, 2010	Audited June 30, 2010
(Rupees)	

7. SHORT TERM INVESTMENTS-SPECIFIC TO PROJECTS

Term deposit receipts – PRISM

645,000,000

600,000,000

- 7.1 This represents investments in respect of Programme For Increasing Sustainable Microfinance (PRISM) activities, maturing within one year from the date of investment at annual markup rate ranging from 10.50% p.a. to 11.50% p.a. As agreed in the Subsidiary Financing Agreement, these funds are placed with commercial banks as cash collaterals for providing a partial guarantee for the Banks to facilitate lending to the following Microfinance Institutions:

Microfinance Institutions	Investment amount	Running finance facility amount
Kashf Foundation	250 million	350 million
National Rural Support Programme	250 million	350 million
Sindh Agricultural & Forestry Workers Coordinating Organization	50 million	60 million
Asasah	50 million	55 million
Jinnah Welfare Society	20 million	22 million
Rural Community Development Society	25 million	28 million

8. SHORT TERM INVESTMENTS – specific to grant fund

These investments include term deposit receipts of various commercial banks and investment banks respectively, maturing within one year from the date of investment at annual markup rates ranging from 11.10% p.a. to 12.40% (June 2010: 11.10% p.a. to 12.40%).

9. SHORT TERM INVESTMENTS – other

This represent investments of Rs. 2,099,378,534 (equivalent to 20% of the loan receivable from Partner Organizations) to safeguard against major default and provide capital adequacy and Rs. 2,464,040,130 as funds available for lending activities. These funds are invested in term deposits receipts of various commercial banks, maturing within one year from the date of investment, at annual markup rates ranging from 10.70% p.a. to 12.40% p.a (June 2010: 10.70% p.a. to 12.40% p.a.)

	Un-audited September 30, 2010	Audited June 30, 2010
	(Rupees)	
<b>10. CASH AND BANK BALANCES-SPECIFIC TO PROJECTS</b>		
Cash at banks – current accounts		
specific to IDA II	1,980,372,020	2,154,794,650
specific to IDA III	2,020,371,644	2,280,293,514
specific to IFAD-MIOP	139,784,091	61,591,831
specific to IFAD-PRISM	187,279,785	232,279,785
specific to CECP	74,329,170	74,329,170
specific to USAID	93,758,303	–
	<u>4,495,895,014</u>	<u>4,803,288,950</u>
Cash at banks – deposit accounts		
specific to USDA	168,824,625	210,330,754
specific to CECP	22,002	22,002
	<u>168,846,627</u>	<u>210,352,756</u>
	<u>4,664,741,641</u>	<u>5,013,641,706</u>
<b>11. CASH AND BANK BALANCES</b>		
Cash in hand		
in head office	50,000	3,363
in field coordination offices	85,000	85,000
	<u>135,000</u>	<u>88,363</u>
Cash at banks – current accounts	8,511,087	26,740,240
Cash at banks – deposit accounts	40,437,601	21,891,273
	<u>48,948,687</u>	<u>48,631,512</u>
	<u>49,083,687</u>	<u>48,719,875</u>

The balances in deposit account carry average markup of 6.5% p.a. (June 2010: 6.5% p.a.). These include foreign currency balances aggregating to US\$ 3,878 (2010: US\$ 3,878)

	Un-audited September 30, 2010	Audited June 30, 2010
Note	(Rupees)	
<b>12. ENDOWMENT FUND</b>		
PPAF – I	500,000,000	500,000,000
PPAF – II	500,000,000	500,000,000
12.1	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>12.1 This represent the amounts paid by GOP for endowment fund under the Subsidiary Financing Agreements (SFAs) as detailed in note 13.1 and 13.2. 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.</b>		
Note	Un-audited September 30, 2010	Audited June 30, 2010
	(Rupees)	
<b>13. LONG TERM LOANS – Unsecured</b>		
Government of Pakistan – PPAF – I (IDA financing)	13.1 2,234,166,588	2,234,166,588
Government of Pakistan – PPAF – II (IDA financing)	13.2 8,321,429,227	8,321,429,227
Government of Pakistan – PPAF – III (IDA financing)	13.3 267,521,567	267,521,567
Government of Pakistan – (IFAD financing–MIOP)	13.4 891,850,516	813,980,000
Government of Pakistan – (IFAD financing–PRISM)	13.5 609,174,649	609,174,649
	<u>12,324,142,547</u>	<u>12,246,272,031</u>

	Un-audited September 30, 2010	Audited June 30, 2010
	(Rupees)	
13.1 Government of Pakistan – PPAF – I (IDA financing)		
Opening balance	2,343,783,966	2,453,401,344
Amount paid	–	(109,617,378)
	<u>2,343,783,966</u>	<u>2,343,783,966</u>
Less: Amount payable within next twelve months shown as current liability	(109,617,378)	(109,617,378)
	<u>2,234,166,588</u>	<u>2,234,166,588</u>

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 Subsidiary 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 reimbursable basis. The principal loan amount of the project is repayable in Pak Rupees 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 two point zero eight three percent (2.083%) of such principal amounts and each installment thereafter shall be equal to four point one six seven percent (4.167%) of such principal amount.

Under the SFA the company has committed to pay 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.

	Un-audited September 30, 2010	Audited June 30, 2010
	(Rupees)	
13.2 Government of Pakistan – PPAF – II (IDA financing)	<u>8,321,429,227</u>	<u>8,321,429,227</u>

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 the 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 loan amount of the project is repayable in Pak Rupees 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 two point zero eight three percent (2.083%) of such principal amounts and each installment thereafter shall be equal to four point one six seven percent (4.167%) of such principal amount.

Under the SFA the company has committed to pay 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.

	Un-audited September 30, 2010	Audited June 30, 2010
	(Rupees)	
13.3 Government of Pakistan – PPAF – III (IDA financing)	<u>267,521,567</u>	<u>267,521,567</u>

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 loan amount of the project is repayable in Pak Rupees 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 two point zero eight three percent (2.083%) of such principal amounts and each installment thereafter shall be equal to four point one six seven percent (4.167%) of such principal amount.

Under the SLA the company has committed to pay 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 on the principal amount of loan not withdrawn from time to time at a rate to be set by the IDA as of June 30 of each year, but not to exceed the rate of 0.50% per annum. The service and commitment charges are payable on June 15 and December 15 each year.

	Un-audited September 30, 2010	Audited June 30, 2010
	(Rupees)	
13.4 Government of Pakistan – (IFAD financing–MIOP)		
Opening balance	813,980,000	281,910,990
Amount received	<u>77,870,516</u>	<u>532,069,010</u>
	<u>891,850,516</u>	<u>813,980,000</u>

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 Subsidiary 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 building. The principal loan amount of the project is repayable in Pak Rupees 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.

Under the SLGA, the Company has committed to pay a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time. The service charge is payable on June 01 and December 01 each year.

	Un-audited September 30, 2010	Audited June 30, 2010
	(Rupees)	
13.5 Government of Pakistan – (IFAD financing–PRISM)		
Opening balance	609,174,649	83,741,724
Amount received	<u>-</u>	<u>525,432,925</u>
	<u>609,174,649</u>	<u>609,174,649</u>

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 Loan and Grant Agreement (SLGA) 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 loan amount of the project is repayable in Pak Rupees 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.

Under the SLGA, the Company has committed to pay a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time. The service charge is payable on June 01 and December 01 each year.

	Note	Un-audited September 30, 2010	Audited June 30, 2010
(Rupees)			
<b>14. DEFERRED LIABILITIES – GRANT FUND</b>			
Government of Pakistan – IDA	14.1	1,911,206,243	2,085,857,191
Government of Pakistan – IDA III	14.2	2,073,906,902	2,278,885,827
US Agency for International Development/Pakistan	14.3	115,984,115	115,984,115
Government of Pakistan – USDA	14.4	171,655,307	206,226,457
Government of Pakistan – IFAD (MIOP)	14.5	125,396,533	61,294,380
Government of Pakistan – IFAD (PRISM)	14.6	217,126,810	217,126,810
Committee Encouraging Corporate Philanthropy	14.7	74,830,948	74,830,948
USAID – Flood Relief Fund	14.8	93,758,303	–
		<u>4,783,865,161</u>	<u>5,040,205,728</u>

Deferred liabilities grant fund represents amounts (receivable from donors)/payable to POs on non-reimbursable basis under respective financing agreements.

	Note	Un-audited September 30, 2010	Audited June 30, 2010
(Rupees)			
<b>14.1 Grants from Government of Pakistan – IDA</b>			
Opening balance		2,085,857,191	1,539,410,346
Amount received/(transferred)		124,665,493	4,037,510,753
Foreign exchange difference		–	–
		<u>2,210,522,684</u>	<u>5,576,921,099</u>
Less: Disbursements for			
Community physical infrastructure		–	1,258,586,010
Social sector development		–	932,860,666
Capacity building – POs		–	143,984,672
Social mobilization project	14.1.1	299,316,441	965,168,920
Disability project		–	190,463,640
		<u>299,316,441</u>	<u>3,491,063,908</u>
		<u>1,911,206,243</u>	<u>2,085,857,191</u>
<b>14.1.1 Disbursements for social mobilization project include</b>			
Social Mobilization		12,486,351	965,168,920
Community Physical Infrastructure		164,959,767	1,257,186,010
Social Sector Development		121,870,323	914,763,346
		<u>299,316,441</u>	<u>3,137,118,276</u>

On December 07, 2007 GOP signed a financing agreement with International Development Association – IDA under which IDA agreed to extend an amount equivalent to 49 Million SDRs as additional financing for the Second Poverty Alleviation Fund project to support participatory development through social mobilization.

The project includes mobilization of about one million rural poor house holds into more than fifty thousand multi functional and sustainable community organizations in rural areas of poorest districts in Pakistan, mobilization of existing community organizations to form federations at Union council level and to form local support organizations and provision of training to approximately two hundred and fifty thousand people on management of community organizations and federations to achieve long term sustainability. The GOP & IDA through amendment in the Financing Agreement included the components of Small Scale Infrastructure Projects (SSIP) and Social Sector Development Projects (SSDP–Health & Education) under this project.

On January 04, 2008 GOP signed subsidiary financing agreement with PPAF under which GOP agreed to extend an amount equivalent to 49 Million Special Drawing Rights ( Equivalent US Dollars: 75 million) to PPAF as grant on non reimburseable basis.

	Un-audited September 30, 2010	Audited June 30, 2010
(Rupees)		
<b>14.2 Grants from Government of Pakistan – IDA III</b>		
Opening balance	2,278,885,827	-
Amount received/(transferred)	(16,329,871)	2,734,571,810
	<u>2,262,555,956</u>	<u>2,734,571,810</u>
Less: Disbursements for		
Social mobilization	37,579,791	34,748,310
Institutional building	11,474,029	74,908,511
Livelihood enhancement and protection	4,525,217	4,891,919
Micro credit access	4,753,206	-
Health	9,933,745	94,394,814
Education	21,784,729	61,286,994
Water and infrastructure	98,598,337	185,455,435
	<u>188,649,054</u>	<u>455,685,983</u>
	<u>2,073,906,902</u>	<u>2,278,885,827</u>
<b>14.3 Grants from USAID/Pakistan</b>		
Enterprise development loans	<u>115,984,115</u>	<u>115,984,115</u>

14.3.1 The closing balance of the USAID grant represents amounts for disbursement to POs for EDF and service charges earned on outstanding loan. These funds cannot be used by PPAF for its operational and capital expenses till the expiry of the term of the agreement. During the nine months, Rs. 5.70 million have been disbursed to POs. Total disbursements for EDF under USAID aggregates to Rs. 346.216 million.

14.3.2 PPAF signed a cooperative agreement with the U.S. Agency for International Development Mission to Pakistan (USAID/Pakistan). The period of this agreement was of four years, starting from the date of award i.e. September 30, 2003 through September 30, 2007. The total programme size is US\$ 7,098,621 of which USAID/Pakistan will contribute US\$ 6,320,000 and PPAF share will be US\$ 778,621. The funds committed under this agreement will be disbursed as loans to POs under EDF and as capacity building grant for PPAF and for POs. EDF will be given to the POs in order to enable them to give loans of larger amounts (from Rs. 30,000 to Rs. 100,000) to their borrowers who have successfully completed two loan cycles. According to the agreement, PPAF will create a revolving fund from the repayments and service charges earned on EDF loans and bank account.

	Un-audited September 30, 2010	Audited June 30, 2010
(Rupees)		
<b>14.4 Grants from Government of Pakistan – USDA</b>		
Opening balance	206,226,457	552,702,419
Amount received/(transferred)	6,589,645	(41,648,179)
Profit on project bank account	-	51,171,073
	<u>212,816,102</u>	<u>562,225,313</u>
Less: Disbursements	41,160,795	355,998,856
	<u>171,655,307</u>	<u>206,226,457</u>

14.4.1 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 has agreed to provide 37,800 metric tons of soybean oil to GOP. The GOP has authorized Trading Corporation of Pakistan to receive and monetize the commodity. The plan of operation of this Agreement is to use the sale proceeds to finance PPAF on non reimbursable basis. The total programme size is Rs.1,518 million, out of which Rs 400 million have been received during the year 2004–05, Rs 240 million during the year 2005–06 and Rs 878 million during 2006–07. PPAF will use these funds to implement long–term poverty reduction programmes, including: small–scale infrastructure programmes; sustainable agriculture development programmes; and establishment of a National Drought Mitigation Center (NDMC) in cooperation with the NDMC at Nebraska USA, as part of the long–term plan to mitigate the drought. Funding in respect of NDMC is recognised as deferred income.

	Un-audited September 30, 2010	Audited June 30, 2010
(Rupees)		
<b>14.5 Grants from Government of Pakistan – IFAD (MIOP)</b>		
Opening balance	61,294,380	(14,986,003)
Amount received	101,019,568	313,227,460
	162,313,948	298,241,457
Less: Disbursements:	36,917,415	236,947,077
	<u>125,396,533</u>	<u>61,294,380</u>
<b>14.6 Grants from Government of Pakistan – IFAD (PRISM)</b>		
Opening balance	217,126,810	45,444,080
Amount received	–	173,932,730
	217,126,810	219,376,810
Less: Disbursements	–	2,250,000
	<u>217,126,810</u>	<u>217,126,810</u>
<b>14.7 Grants from Committee Encouraging Corporate Philanthropy</b>		
Opening balance	74,830,948	109,617,452
Less: Disbursements	–	31,050,309
	<u>74,830,948</u>	<u>74,830,948</u>

14.7.1 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 over a period of three years commencing from October 1, 2006 to September 30, 2009 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.

The CECP, through grant agreement amendment, allowed disbursement of funds for operation and maintenance of facilities till December 31, 2010.

	Un-audited September 30, 2010	Audited June 30, 2010
(Rupees)		
<b>14.8 USAID – Flood Relief Fund</b>		
Amount received	230,080,089	–
Less: Disbursements	136,321,786	–
	<u>93,758,303</u>	<u>–</u>
<b>15. CONTINGENCIES AND COMMITMENTS</b>		
Aggregate commitments under Financing Agreements for;		
Loans	8,145,019,420	9,701,857,420
Grants		
Relief, rehabilitation and reconstruction	90,660,060	–
Community Physical Infrastructure	457,488,020	762,206,919
Capacity Building	498,999,783	552,144,433
Social Sector Development	748,172,367	901,761,164
Social Mobilization	465,740,553	515,806,695
Livelihood Enhancement and Protection	662,456,500	667,456,500
	<u>2,923,517,283</u>	<u>3,399,375,711</u>
	<u>11,068,536,703</u>	<u>13,101,233,131</u>



For the quarter ended  
September 30,      September 30,  
2010                      2009

	(Rupees)	
<b>16. INCOME ON INVESTMENTS AND SAVING ACCOUNTS</b>		
Profit on Pakistan Investment Bonds	26,364,932	26,150,000
Profit on term deposit receipts/saving accounts	139,318,531	136,957,830
	<u>165,683,462</u>	<u>163,107,830</u>
<b>17. GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and other benefits	49,241,442	51,687,902
Rent	7,884,748	7,005,878
Repairs and maintenance	1,195,268	2,103,408
Traveling, lodging and conveyance	6,497,012	13,142,561
Communication	631,112	899,148
Printing and stationery	1,083,583	1,644,384
Insurance	530,787	2,872,746
Vehicles running and maintenance	2,503,024	2,395,529
Utilities	721,397	769,329
Legal and professional charges	909,500	536,500
Advertisement	577,440	454,430
Media projection	3,499	37,650
Newspapers, books and periodicals	69,803	98,824
Depreciation	8,985,039	7,427,783
Amortization	1,445,261	1,199,384
Security services	507,000	463,458
Others	599,398	723,304
	<u>83,385,312</u>	<u>93,462,218</u>
<b>18. SEMINARS, WORKSHOPS AND TRAININGS</b>		
Training	313,463	1,347,765
Seminar and workshops	4,718,159	2,859,084
PPAF ten years events	-	12,544,029
	<u>5,031,622</u>	<u>16,750,878</u>
<b>19. CONSULTANCY CHARGES</b>		
Poverty score card	775,839	47,623,606
Reconstruction & rehabilitation	-	1,520,637
General	26,095,740	10,031,065
	<u>26,871,579</u>	<u>59,175,308</u>
<b>20. PROJECT AND RELIEF ACTIVITIES</b>		
School Milk Project	12,114,314	-
Relief for Internally Displaced Persons	-	1,821,515
Flood relief activities	82,794,491	-
	<u>94,908,805</u>	<u>1,821,515</u>
<b>21. FINANCIAL CHARGES</b>		
On micro credit loans	17,284,951	21,228,202
Bank charges	32,448	180,285
	<u>17,317,399</u>	<u>21,408,487</u>
<b>22. COMPARATIVE FIGURES</b>		

Comparative figures have been rearranged and reclassified, wherever necessary, for better presentation.



Chairman



Chief Executive/Managing Director



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