

# Condensed Interim Financial Statements

For the nine months ended  
March 31, 2011

(un-audited)



Pakistan Poverty Alleviation Fund



# Company Information

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## 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. Qazi Azmat Isa  
*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, Citibank, Faysal Bank Limited, Habib Bank Limited, Hong Kong and Shanghai Banking Corporation Limited, National Bank of Pakistan, NDLC-IFIC Bank Limited, Silk Bank Limited, Standard Chartered Bank Limited

**Registered Office:** House No. 1, Street No. 20, Sector F-7/2, Islamabad, Pakistan.  
UAN: (+92-51) 111-000-102, Ph: 2653304-05, 2653597  
Fax: (+92-51) 2652246, Email: [info@ppaf.org.pk](mailto:info@ppaf.org.pk)  
Website: [www.pfaf.org.pk](http://www.pfaf.org.pk)

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## PAKISTAN POVERTY ALLEVIATION FUND

### MANAGEMENT REVIEW

The Management is pleased to present the un-audited condensed interim financial statements of the Company for the nine months ended March 31, 2011.

During the period under review, PPAF continued to deliver resources, services and opportunities at the doorstep of poor and marginalized across Pakistan as well as responded to the needs of those affected by devastation caused by widespread flooding in July 2010. With unmatched experience, PPAF's approach to alleviating poverty has matured into a unique model of participatory development considering carefully synchronized interventions that are contextually responsive to community needs. Within this framework, each innovation in PPAF's progression towards finding effective, integrated solution for community issues has been based on empirical research anchored in a culture of continuous learning, improvement and course corrections.

PPAF attaches pivotal importance to mobilization and capacity building of communities across the country especially least developed areas, laying the foundation for future expansion of poverty reduction activities. Based on needs of target groups, interventions are customized to be as integrated as possible, responding to identified priorities and maintaining participatory spirit of the program.

By the end of March 31, 2011, PPAF funding had been disbursed in urban and rural areas of 128 districts of the country (about 262,500 community organizations/groups) through 98 partner organizations of which 12 were focusing exclusively or predominantly on women. On cumulative basis, PPAF has financed over 4.5 million microcredit loans. More than 24,800 infrastructure, health and education projects were initiated and 451,000 staff and community members were trained. In earthquake affected areas, PPAF provided

financing to 120,000 households to construct earthquake resistant homes and also build capacities in seismic construction and related skills, across the board.

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

The overall operational and financial results during the period under review remained satisfactory. Total disbursements during nine months were Rs. 10,895 million compared to Rs. 9,441 million in the corresponding period last year, indicating an increase of 15%. Loan (microcredit and enterprise development facility) disbursements were Rs 7,722 million as compared to Rs 5,732 million; water and infrastructure disbursements were Rs 807 million as compared to Rs 1,225 million; capacity building disbursements were Rs 328 million against Rs 680 million; disbursements for education and health were Rs 514 million as against Rs 924 million; disbursements for social mobilization were Rs 857 million as against Rs 479 million; disbursement for project, rehabilitation/reconstruction and relief activities were Rs 528 million (including Rs 473 million disbursed for flood and relief activities) as against Rs 401 million during the corresponding period. In addition, Rs 139 million was disbursed for livelihood enhancement and protection during the period under review.

By the end of March 2011, the total cumulative disbursements were Rs 86,701 million. Credit and enterprise development accounted for 57% of total disbursements followed by project, relief, rehabilitation and reconstruction activities (23%); community physical infrastructure (11%); capacity building/livelihood enhancement and protection (5%); social mobilization (2%) and health & education (2%).

PPAF interventions are being carried out in all parts of the country with 46% of the resources deployed in Punjab, 19% in Sindh, 18% in Kyber Pakhtunkhwa, 4% in Balochistan; 11% in Azad Jammu and Kashmir; 1% each in Gilgit Baltistan and Islamabad Capital Territory.

The Company is primarily meeting its lending obligations through its own reserves built up from repayments received from partner organizations. As of March 31, 2011, out of total disbursement of Rs 49,398 million, an amount of Rs 36,096 million (73%) was disbursed from PPAF own resources.

Total equity and reserves were Rs 7,210 million as at March 31, 2011 as against Rs 6,114 million as at June 30, 2010. Total assets of the Company on March 31, 2011 stood at Rs 24,170 million against Rs 23,629 million as at June 30, 2010. The amount of loans receivable from partner organizations was Rs 10,921 million on March 31, 2011 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 period under review was Rs 1,720 million compared to Rs 1,532 million during the corresponding period last year, an increase of 13%. Service charges on loan to partner organizations and interest income on investments increased by 14% and 20%, respectively. During the period under review, income of Rs 178 million was generated on grant fund as against Rs 114 million in corresponding period last year. In addition, Rs 179 million was received as capacity building grant from donor agencies for PPAF operational support as against Rs 211 million during the corresponding period last year.

The general and administrative expenses during nine months were Rs 253 million as against Rs 257 million during the corresponding period last year, a decrease of 2%. During the period under review, PPAF spent Rs 195 million on relief activities in flood affected areas and Rs 12 million on the school milk project.

In pursuit of its poverty alleviation agenda, PPAF follows a strategy that capitalizes on a strong platform of partner organizations, and most critically, the inherent strength and resilience of poor and disadvantaged communities themselves. PPAF successfully delivers on its commitments, which is fully validated and endorsed by our partners and is evident from the fact that the Government of Pakistan and international development

agencies continued to repose their confidence in the Company by providing necessary financial support so as to enhance the quality and quantity of PPAF programmes and take these to the next level.

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 enables the poor to access, and benefit from wider private sector markets and opportunities for value addition. Partnerships are at various stages of implementation/completion with the local and multinational corporate including Engro Corporation, Shell Pakistan, Unilever, Tetrapak, Shakarganj, and Pakistan Petroleum Limited.

The 7<sup>th</sup> Citi-PPAF Microentrepreneurship Awards ceremony was held in Islamabad on February 22, 2011 to acknowledge the extraordinary contributions that individual microentrepreneurs across Pakistan have made to economic sustainability of their families as well as their communities. Supported by Citigroup Foundation, the goal of the awards program is to encourage and support best practices among both microentrepreneurs and microfinance institutions throughout Pakistan and to draw public, media and government attention to the important role that inclusive financial services play in promoting economic development at the local level.

Recognizing needs of stakeholders and with the aim of supporting technological innovations for microfinance sector, PPAF and Pakistan Microfinance Network have joined hands to launch an online platform which will allow microcredit lenders and other stakeholders to assess competitive situation in their specific markets. The mapping tool will enable stakeholders to identify geographical locations of all branches of microfinance providers in Pakistan. This online platform will also allow microfinance providers to input their data such as branch location and population density, thus enabling stakeholders to identify market structures.

As one of the largest sources of pro poor funding of development nationally, PPAF has contributed to the evolution of sustainable networks for service delivery through focused and calibrated institutional support to grassroots organizations. Simultaneously, it has been able to mainstream and empower poor communities through effective social mobilization into community groups for collective action and self help.

A handwritten signature in black ink, appearing to read 'Qazi Azmat Isa', with a long horizontal line extending to the right.

Qazi Azmat Isa

Chief Executive/Managing Director

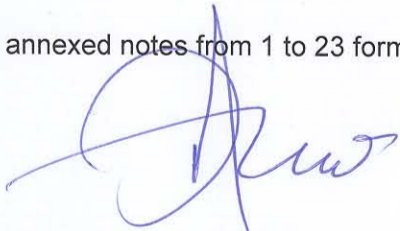
April 30, 2011

**Pakistan Poverty Alleviation Fund**

**Condensed Interim Balance Sheet  
as at March 31, 2011**

	Note	Un-audited March 31, 2011	Audited June 30, 2010
(Rupees '000')			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Fixed assets - tangible	4	51,368	64,972
Intangible assets		3,388	7,724
Long term investments	5	600,000	600,000
Long term investments-specific to grant fund	6	350,869	-
Long term loans to Partner Organizations	7	721,132	764,158
		1,726,757	1,436,854
<b>CURRENT ASSETS</b>			
Current maturity of loans to Partner Organizations	7	9,570,123	9,807,923
Current maturity of long term investments	5	400,000	400,000
Short term investments-specific to projects	8	1,195,000	600,000
Short term investments-specific to grant fund	9	2,179,502	1,763,431
Short term investments-other	10	4,625,530	4,058,342
Advances, deposits, prepayments and other receivables		82,078	89,390
Profit/service charges receivable		810,813	410,937
Cash and bank balances-specific to projects	11	3,544,441	5,013,642
Cash and bank balances	12	36,034	48,720
		22,443,521	22,192,384
		24,170,278	23,629,238
<b>FUND AND RESERVES</b>			
Endowment fund	13	1,000,000	1,000,000
Grant fund		2,530,370	1,763,431
Reserve for grant based activities		132,996	161,052
Accumulated surplus		3,546,779	3,189,978
		7,210,145	6,114,461
<b>LONG TERM LOANS</b>			
	14	13,036,577	12,246,272
<b>CURRENT LIABILITIES</b>			
Deferred liabilities - grant fund	15	3,552,065	5,040,206
Deferred (expense)/income - grant fund		60,603	59,700
Current portion of long term loans	14	282,953	109,617
Service and commitment charges payable		24,818	39,210
Accrued and other liabilities		3,117	19,772
		3,923,556	5,268,505
<b>CONTINGENCIES AND COMMITMENTS</b>			
	16	-	-
		24,170,278	23,629,238

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



**Chairman**



**Chief Executive / Managing Director**

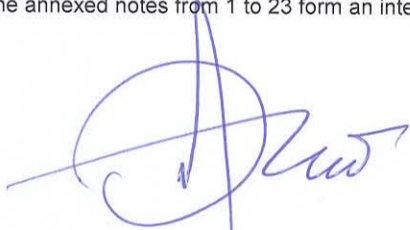


**Pakistan Poverty Alleviation Fund**

Condensed Interim Income and Expenditure Account (Un-audited)  
for the period ended March 31, 2011

Note	For the quarter ended		For the nine months ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	(Rupees '000')		(Rupees '000')	
<b>INCOME</b>				
Service charges on loans to Partner Organizations	277,725	259,737	824,046	724,293
Amortization of deferred income - grant fund	57,679	41,925	178,903	211,453
Income on investments and saving accounts	17 164,338	142,769	536,063	482,541
Income on grant fund	63,769	36,564	177,924	113,702
Other income	800	289	2,633	466
	564,312	481,284	1,719,569	1,532,453
<b>EXPENDITURE</b>				
General and administrative expenses	18 88,007	86,675	252,888	257,401
Seminars, workshops and trainings	19 5,503	4,536	13,407	31,948
Consultancy charges	20 67,422	20,463	99,555	123,263
Project and relief activities	21 3,732	-	207,319	9,251
Loan loss provision	-	28,573	-	45,932
Financial charges	22 26,734	40,150	50,716	71,957
	191,398	180,397	623,885	539,751
<b>SURPLUS FOR THE PERIOD</b>	372,914	300,887	1,095,684	992,703

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



Chairman



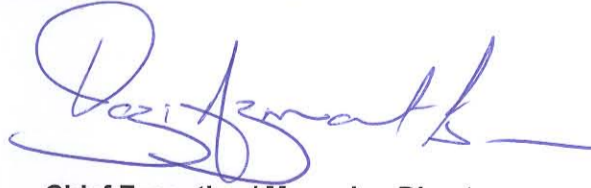
Chief Executive / Managing Director

**Pakistan Poverty Alleviation Fund**  
**Condensed Interim Cash Flow Statement (Un-audited)**  
**for the period ended March 31, 2011**

Note	For the nine months ended	
	March 31, 2011	March 31, 2010
	(Rupees '000')	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from / (used in) operations		
Surplus for the period	1,095,684	992,703
Adjustment for non cash items:		
Depreciation	27,600	24,941
Amortization of intangible assets	4,336	3,720
Amortization of deferred income	(178,903)	(211,453)
Loan loss provision	-	45,932
Financial charges	50,716	71,957
	(99,773)	(64,903)
	995,911	927,800
Working capital changes		
(Increase) / decrease in current assets:		
Advances, deposits, prepayments and other receivables	7,312	10,693
Profit/service charges receivables	(399,876)	(171,470)
Increase / (decrease) in current liabilities:		
Accrued and other liabilities	(16,655)	(1,683)
	(409,219)	(162,460)
Cash generated from operations	586,692	765,340
Recoveries of loans from partner organizations	8,003,262	4,813,118
Disbursements to partner organizations:		
Loans	(7,722,436)	(5,731,750)
Grants	(2,969,228)	(3,708,572)
Financial charges paid	(65,109)	(75,697)
	(2,753,511)	(4,702,901)
Net cash (used in) operating activities	(2,166,819)	(3,937,561)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments	(1,929,128)	(453,488)
Capital expenditure incurred	(14,231)	(22,431)
Proceeds from disposal of fixed assets	3,756	350
Net cash generated from (used in) investing activities	(1,939,602)	(475,569)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loans - repaid	(54,809)	(54,809)
Long term loans - receipts	1,018,449	903,235
Deferred liabilities - grant fund receipts	1,481,088	4,866,711
Deferred income - grant fund receipts	179,807	214,179
Net cash generated from financing activities	2,624,534	5,929,317
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,481,887)	1,516,187
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5,062,362	2,005,811
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>3,580,475</b>	<b>3,521,998</b>

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

  
Chairman

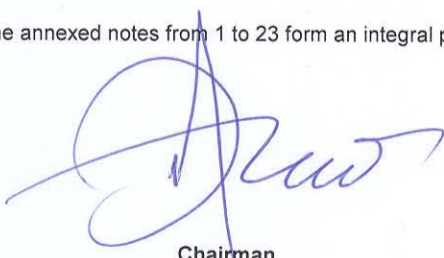
  
Chief Executive / Managing Director

**Pakistan Poverty Alleviation Fund**

Condensed Interim Statement of Changes in Fund and Reserves (Un-audited)  
for the period ended March 31, 2011

	Endowment fund	Grant fund	Reserve for grant based activities	Accumulated surplus	Total
	(Rupees '000')				
<b>Balance as at June 30, 2009</b>	<b>1,000,000</b>	-	-	<b>3,785,356</b>	<b>4,785,356</b>
Net surplus for the nine months ended on March 31, 2010	-	-	-	992,703	992,703
Transfer from accumulated surplus to grant fund	-	1,656,676	-	(1,656,676)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	113,702	(113,702)	-
Expenses on project & relief activities	-	-	(9,251)	9,251	-
<b>Balance as at March 31, 2010</b>	<b>1,000,000</b>	<b>1,656,676</b>	<b>104,450</b>	<b>3,016,933</b>	<b>5,778,059</b>
Net surplus for the quarter ended on June 30, 2010	-	-	-	336,402	336,402
Transfer from accumulated surplus to grant fund	-	106,755	-	(106,755)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	56,602	(56,602)	-
Expenses on project & relief activities	-	-	-	-	-
<b>Balance as at June 30, 2010</b>	<b>1,000,000</b>	<b>1,763,431</b>	<b>161,052</b>	<b>3,189,978</b>	<b>6,114,461</b>
Net surplus for the nine months ended on March 31, 2011	-	-	-	1,095,684	1,095,684
Transferred from accumulated surplus to grant fund	-	766,939	-	(766,939)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	177,924	(177,924)	-
Expenses on project & relief activities	-	-	(205,981)	205,981	-
<b>Balance as at March 31, 2011</b>	<b>1,000,000</b>	<b>2,530,370</b>	<b>132,996</b>	<b>3,546,779</b>	<b>7,210,145</b>

The annexed notes from 1 to 23 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 period ended March 31, 2011

1. Pakistan Poverty Alleviation Fund ("the Company") 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 condensed interim financial statements for the nine months ended March 31, 2011 are un-audited and have been prepared in accordance with the requirements of International Accounting Standard - 34: "Interim Financial Reporting". These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2010. Comparative condensed interim balance sheet is extracted from annual audited financial statements for the year ended June 30, 2010, whereas, comparative condensed interim income and expenditure account, condensed interim cash flow statement, and condensed interim statement of changes in fund and reserves are stated from unaudited condensed interim financial statements for the period ended March 31, 2010.
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 March 31, 2011	Audited June 30, 2010
<b>4. FIXED ASSETS - TANGIBLE</b>		(Rupees '000')	
Opening written down value		64,972	54,380
Additions		14,231	36,816
Written down value of disposals / adjustments		(234)	(722)
Depreciation		(27,600)	(25,502)
		51,368	64,972
<b>5. LONG TERM INVESTMENTS - held to maturity</b>			
Pakistan Investment Bonds (PIBs)	5.1	1,000,000	1,000,000
Less: PIBs maturing within next twelve months shown as current asset		(400,000)	(400,000)
		600,000	600,000

5.1 Represents investments in PIBs as follows:

Principal (Rupees)	Issue Date	Maturity Date	Profit rate % per annum	Payment terms
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
200 million	22-07-2010	22-07-2020	12.00	Semi annually

#### 6. LONG TERM INVESTMENTS - specific to grant fund

These investments include term deposit receipts of a commercial bank maturing after one year from the date of investment at annual markup rate of 13.60% (June 2010: NIL).

**Pakistan Poverty Alleviation Fund**

Notes to the Condensed Interim Financial Statements (Un-audited)  
for the period ended March 31, 2011

	Un-audited March 31, 2011	Audited June 30, 2010
<b>7. LOANS TO PARTNER ORGANIZATIONS-secured, considered good</b>	(Rupees '000')	
National Rural Support Programme	3,657,055	4,293,387
Punjab Rural Support Programme	430,442	339,871
Kashf Foundation	2,274,750	2,351,650
Sarhad Rural Support Programme	7,667	15,333
Thardeep Rural Development Programme	409,845	398,155
Development Action for Mobilization and Emancipation	583,396	609,474
Sindh Agricultural & Forestry Workers Coordinating Organization	208,605	206,663
Sindh Rural Support Programme	200	200
Jinnah Welfare Society	260,482	218,718
Centre for Women Cooperative Development	276,359	254,361
Rural Community Development Society	230,696	221,387
Khwendu Kor Women and Children Development Programme	1,000	646
Young Pioneers Society	7,250	8,250
Women Social Organisation	18,805	10,516
Community Support Concern	254,218	244,453
Poverty Eradication Network	2,777	2,787
Bunyad Literacy Community Council	12,600	13,250
Indus Resource Centre	1,282	6,457
Network Leasing Corporation Limited	27,125	59,125
Organization for Participatory Development	46,870	75,122
Swabi Women Welfare Society	1,875	8,437
Orangi Charitable Trust	287,750	273,393
Karwan Community Development Organization	11,037	5,575
Kiran Welfare Organization	1,500	2,350
Narowal Rural Development Programme	31,037	26,061
Soon Valley Development Programme	11,120	10,060
Asasah	313,732	359,775
Baidarie	10,958	5,412
Orix Leasing Pakistan Limited	164,020	158,650
Save The Poor	24,167	22,667
Marvi Rural Development Organization	36,546	18,596
Sindh Rural Support Organization	331,140	188,030
BRAC - Pakistan	770,885	715,202
Khajji Cooperative Society	13,750	9,500
AL Mehran Rural Development and Welfare Organization	48,261	25,259
Farmers Friend Organization	52,446	20,667
Mojaz Foundation	19,530	12,710
Balochistan Rural Development & Research Society	360	1,208
Badbaan Enterprise Development Forum	2,358	600
Buksh Foundation	7,500	2,800
Villagers Development Organization	3,283	1,408
SAATH Development Society	11,242	3,675
Mashal Development Organization	971	350
AGAHE	7,513	-
Sayya Foundation	2,460	-
Dia Welfare Organization	2,000	-
ASA Pakistan Ltd.	42,500	-
	7.1	
	10,921,364	11,202,190
Less: Loan loss provision	(630,109)	(630,109)
	10,291,255	10,572,080
Less: Amount receivable within next twelve months shown as current asset	(9,570,123)	(9,807,923)
	721,132	764,158

## Pakistan Poverty Alleviation Fund

### Notes to the Condensed Interim Financial Statements (Un-audited) for the period ended March 31, 2011

- 7.1 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 Organisations, 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

<b>Un-audited</b>	<b>Audited</b>
<b>March 31,</b>	<b>June 30,</b>
<b>2011</b>	<b>2010</b>

(Rupees '000')

#### 8. SHORT TERM INVESTMENTS-specific to projects

Term deposit receipts - PRISM	8.1	1,195,000	600,000
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- 8.1 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. (June 2010: 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
National Rural Support Programme	250 million	500 million
Orangi Charitable Trust	150 million	150 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
BRAC Pakistan	150 million	175 million

**Pakistan Poverty Alleviation Fund**

**Notes to the Condensed Interim Financial Statements (Un-audited)  
for the period ended March 31, 2011**

**9. 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 12.50% (June 2010: 11.10% p.a. to 12.40%).

**10. SHORT TERM INVESTMENTS - other**

This represents investments of Rs. 2,184,272,801 (equivalent to 20% of the loan receivable from Partner Organizations) to safeguard against major default and provide capital adequacy and Rs. 2,441,205,572 as funds available for lending activities. These funds are invested in term deposits receipts and commercial papers of various commercial banks, maturing within one year from the date of investment, at annual markup rates ranging from 11.25% p.a. to 16.25% p.a (June 2010: 10.70% p.a. to 12.40% p.a.)

	<b>Un-audited March 31, 2011</b>	<b>Audited June 30, 2010</b>
	(Rupees '000')	
<b>11. CASH AND BANK BALANCES-specific to projects</b>		
Cash at banks - current accounts		
specific to IDA II	695,735	2,154,794
specific to IDA III	2,523,396	2,280,294
specific to IFAD-MIOP	142,298	61,592
specific to IFAD-PRISM	5,126	232,280
specific to CECP	35,479	74,351
	<b>3,402,034</b>	<b>4,803,311</b>
Cash at banks - deposit accounts		
specific to USDA	142,407	210,331
	<b>3,544,441</b>	<b>5,013,642</b>
<b>12. CASH AND BANK BALANCES</b>		
Cash in hand		
in head office	127	3
in other offices	110	85
	<b>237</b>	<b>88</b>
Cash at banks - current accounts	24,810	26,740
Cash at banks - deposit accounts	10,988	21,891
	<b>35,797</b>	<b>48,632</b>
	<b>36,034</b>	<b>48,720</b>

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)

	<b>Un-audited March 31, 2011</b>	<b>Audited June 30, 2010</b>
	(Rupees '000')	
<b>13. ENDOWMENT FUND</b>		
PPAF - I	500,000	500,000
PPAF - II	500,000	500,000
	<b>1,000,000</b>	<b>1,000,000</b>
	13.1	

## Pakistan Poverty Alleviation Fund

### Notes to the Condensed Interim Financial Statements (Un-audited) for the period ended March 31, 2011

- 13.1 This represent the amounts paid by GOP for endowment fund under the Subsidiary Financing Agreements (SFAs) as detailed in note 14.1 and 14.2. 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.

	Note	Un-audited March 31, 2011	Audited June 30, 2010
(Rupees '000')			
<b>14. LONG TERM LOANS - Unsecured</b>			
Government of Pakistan - PPAF - I (IDA financing)	14.1	2,179,358	2,234,166
Government of Pakistan - PPAF - II (IDA financing)	14.2	8,148,094	8,321,429
Government of Pakistan - PPAF - III (IDA financing)	14.3	863,252	267,522
Government of Pakistan - (IFAD financing-MIOP)	14.4	1,152,843	813,980
Government of Pakistan - (IFAD financing-PRISM)	14.5	693,030	609,175
		<u>13,036,577</u>	<u>12,246,272</u>

#### 14.1 Movement of loan from GoP - PPAF - I (IDA financing)

Opening balance	2,343,784	2,453,401
Amount paid	(54,809)	(109,617)
	<u>2,288,975</u>	<u>2,343,784</u>
Less: Amount payable within next twelve months shown as current liability	(109,617)	(109,617)
	<u>2,179,358</u>	<u>2,234,166</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.



**Pakistan Poverty Alleviation Fund**

**Notes to the Condensed Interim Financial Statements (Un-audited)  
for the period ended March 31, 2011**

	<b>Un-audited March 31, 2011</b>	<b>Audited June 30, 2010</b>
14.2 Movement of loan from GoP - PPAF - II (IDA financing)	(Rupees '000')	
Opening balance	8,321,429	8,321,429
Less: Amount payable within next twelve months shown as current liability	(173,335)	-
Movement of loan from GoP - PPAF - II (IDA financing)	<u>8,148,094</u>	<u>8,321,429</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.

	<b>Un-audited March 31, 2011</b>	<b>Audited June 30, 2010</b>
14.3 Movement of loan from GoP - PPAF - III (IDA financing)	(Rupees '000')	
Opening balance	267,522	267,522
Amount received	595,730	-
	<u>863,252</u>	<u>267,522</u>

14.3.1 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.

**Pakistan Poverty Alleviation Fund****Notes to the Condensed Interim Financial Statements (Un-audited)  
for the period ended March 31, 2011**

	<b>Un-audited March 31, 2011</b>	<b>Audited June 30, 2010</b>
14.4 Movement of loan from GoP - (IFAD financing-MIOP)	(Rupees '000')	
Opening balance	813,980	281,911
Amount received	338,863	532,069
	<b>1,152,843</b>	<b>813,980</b>

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.

	<b>Un-audited March 31, 2011</b>	<b>Audited June 30, 2010</b>
14.5 Movement of loan from GoP - (IFAD financing-PRISM)	(Rupees '000')	
Opening balance	609,175	83,742
Amount received	83,856	525,433
Long term loan	<b>693,030</b>	<b>609,175</b>

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.

**Pakistan Poverty Alleviation Fund**

Notes to the Condensed Interim Financial Statements (Un-audited)  
for the period ended March 31, 2011

	Note	Un-audited March 31, 2011	Audited June 30, 2010
(Rupees '000')			
<b>15. DEFERRED LIABILITIES - grant fund</b>			
Government of Pakistan - IDA	15.1	552,392	2,085,857
Government of Pakistan - IDA III	15.2	2,380,497	2,278,886
US Agency for International Development/Pakistan	15.3	115,984	115,984
Government of Pakistan - USDA	15.4	116,307	206,226
Government of Pakistan - IFAD (MIOP)	15.5	113,107	61,294
Government of Pakistan - IFAD (PRISM)	15.6	257,979	217,127
Committee Encouraging Corporate Philanthropy	15.7	35,959	74,831
USAID - Flood Relief Fund	15.8	-	-
Shell Pakistan Ltd.- Model Village	15.9	4,000	-
Benazir Income Support Program	15.10	(29,860)	-
Donations from Individuals - Flood Relief	15.11	282	-
Engro Foundation - Flood Relief	15.12	5,417	-
		3,552,065	5,040,206

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

	Note	Un-audited March 31, 2011	Audited June 30, 2010
(Rupees '000')			
<b>15.1 Grants from Government of Pakistan - IDA</b>			
Opening balance		2,085,857	1,539,410
Amount received		40,495	4,037,511
		2,126,353	5,576,921
Less: Disbursements for			
Community physical infrastructure		-	1,400
Social sector development		-	18,097
Capacity building - POs		-	143,985
Social mobilization project	15.1.1	1,573,960	3,137,118
Disability project		-	190,464
		1,573,960	3,491,064
		552,392	2,085,857
<b>15.1.1 Disbursements for social mobilization project include</b>			
Social Mobilization		727,630	965,169
Community Physical Infrastructure		510,753	1,257,186
Social Sector Development		335,577	914,763
		1,573,960	3,137,118

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 Forty Nine Million Specail Drawing Rights ( Equivalent US Dollars: 75 million) to PPAF as grant on non reimburseable basis.

**Pakistan Poverty Alleviation Fund**

Notes to the Condensed Interim Financial Statements (Un-audited)  
for the period ended March 31, 2011

	Un-audited March 31, 2011	Audited June 30, 2010
(Rupees '000')		
<b>15.2 Grants from Government of Pakistan - IDA III</b>		
Opening balance	2,278,886	-
Amount received	882,400	2,734,572
	<u>3,161,285</u>	<u>2,734,572</u>
Less: Disbursements for		
Social mobilization	129,667	34,748
Institutional building	81,751	74,909
Livelihood enhancement and protection	139,170	4,892
Micro credit access	40,620	-
Health	93,900	94,395
Education	83,036	61,287
Water and infrastructure	212,645	185,455
	<u>780,788</u>	<u>455,686</u>
	<u>2,380,497</u>	<u>2,278,886</u>

**15.3 Grants from USAID/Pakistan**

Enterprise development loans	115,984	115,984
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**15.4 Grants from Government of Pakistan - USDA**

Opening balance	206,226	552,702
Amount transferred	(5,855)	(41,648)
Profit on project bank account	-	51,171
	<u>200,371</u>	<u>562,225</u>
Less: Disbursements	84,064	355,999
	<u>116,307</u>	<u>206,226</u>

15.4.1 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 March 31, 2011	Audited June 30, 2010
(Rupees '000')		

**15.5 Grants from Government of Pakistan - IFAD (MIOP)**

Opening balance	61,294	(14,986)
Amount received	257,931	313,227
	<u>319,226</u>	<u>298,241</u>
Less: Disbursements:	206,119	236,947
	<u>113,107</u>	<u>61,294</u>

**15.6 Grants from Government of Pakistan - IFAD (PRISM)**

Opening balance	217,127	45,444
Amount received	40,852	173,933
	<u>257,979</u>	<u>219,377</u>
Less: Disbursements	-	2,250
	<u>257,979</u>	<u>217,127</u>

**Pakistan Poverty Alleviation Fund**

Notes to the Condensed Interim Financial Statements (Un-audited)  
for the period ended March 31, 2011

	Un-audited March 31, 2011	Audited June 30, 2010
(Rupees '000')		
<b>15.7 Grants from Committee Encouraging Corporate Philanthropy</b>		
Opening balance	74,831	109,617
Amount transferred	-	(3,736)
	74,831	105,881
Less: Disbursements	38,872	31,050
	35,959	74,831

15.7.1 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 March 31, 2011	Audited June 30, 2010
(Rupees '000')		
<b>15.8 USAID - Flood Relief Fund</b>		
Amount received	228,281	-
Less: Disbursements	228,281	-
	-	-
<b>15.9 Shell Pakistan Ltd.-Model Village</b>		
Amount received	4,000	-
<b>15.10 Benazir Income Support Program</b>		
Amount received	13,138	-
Less: Disbursements	42,998	-
	(29,860)	-
<b>15.11 Donations from Individuals - Flood Relief</b>		
Amount received	3,428	-
Less: Disbursements	3,146	-
	282	-
<b>15.12 Engro Foundation - Flood Relief</b>		
Amount received	16,417	-
Less: Disbursements	11,000	-
	5,417	-

15.13 PPAF and USAID Pakistan executed Cooperative Agreement on October 27, 2010. The objective of the Programme was to provide relief to flood affected communities of Sindh and Balochistan. The overall project involved grant funding of US\$ 5,000,000. Due to delay in finalizing the operational modalities with stake holders, the project activities could not commence in time and the advance amount of Rs. 106.25 million received under the project was returned to USAID on their request.

**16. CONTINGENCIES AND COMMITMENTS**

Aggregate commitments under Financing Agreements for;

Loans

Grants

Community Physical Infrastructure

Capacity Building

Social Sector Development

Social Mobilization

Livelihood enhancement and protection

7,690,645	9,701,857
1,025,610	762,207
557,607	552,144
1,091,420	901,761
695,735	515,807
740,222	667,457
4,110,595	3,399,376
11,801,240	13,101,233

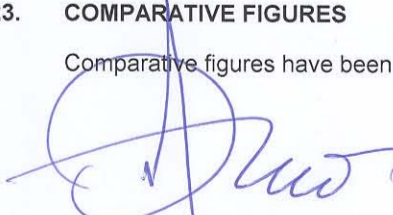
**Pakistan Poverty Alleviation Fund**

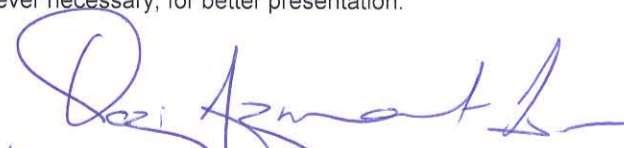
Notes to the Condensed Interim Financial Statements (Un-audited)  
for the period ended March 31, 2011

	For the quarter ended		For the nine months ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	(Rupees '000')		(Rupees '000')	
<b>17. INCOME ON INVESTMENTS AND SAVING ACCOUNTS</b>				
Profit on Pakistan Investment Bonds	24,690	24,109	77,420	78,522
Profit on term deposit receipts/saving accounts	139,650	118,660	458,643	404,019
	<u>164,340</u>	<u>142,769</u>	<u>536,063</u>	<u>482,541</u>
<b>18. GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Salaries, wages and other benefits	52,665	39,801	140,411	131,209
Rent	5,345	6,434	21,900	20,277
Repairs and maintenance	1,404	1,431	3,990	5,375
Traveling, lodging and conveyance	10,826	16,645	27,147	40,424
Communication	1,091	803	3,324	2,529
Printing and stationery	174	777	2,526	3,611
Insurance	568	998	1,684	4,952
Vehicles running and maintenance	2,843	4,142	9,092	8,965
Utilities	1,060	938	2,601	2,431
Legal and professional charges	717	1,077	2,680	2,064
Advertisement	204	108	364	1,079
Media projection	345	1,689	1,089	1,853
Newspapers, books and periodicals	117	152	354	374
Depreciation	8,174	9,366	27,600	24,941
Amortization	1,445	1,240	4,336	3,720
Security services	537	448	1,403	1,390
Others	491	627	2,386	2,206
	<u>88,006</u>	<u>86,675</u>	<u>252,888</u>	<u>257,401</u>
<b>19. SEMINARS, WORKSHOPS AND TRAININGS</b>				
Training	1,213	2,269	2,512	9,582
Seminar and workshops	4,290	2,268	10,895	6,526
PPAF ten years events	-	-	-	15,839
	<u>5,503</u>	<u>4,536</u>	<u>13,407</u>	<u>31,948</u>
<b>20. CONSULTANCY CHARGES</b>				
Poverty score card	50,771	13,324	56,741	90,726
Reconstruction & rehabilitation	-	6,925	-	9,647
General	16,651	214	42,814	22,890
	<u>67,422</u>	<u>20,463</u>	<u>99,555</u>	<u>123,263</u>
<b>21. PROJECT AND RELIEF ACTIVITIES</b>				
School Milk Project	44	-	12,158	7,251
Relief for Internally Displaced Persons	-	-	-	2,000
Flood relief activities	3,689	-	195,161	-
	<u>3,733</u>	<u>-</u>	<u>207,319</u>	<u>9,251</u>
<b>22. FINANCIAL CHARGES</b>				
On micro credit loans	26,657	39,767	73,233	71,167
Bank charges	76	383	169	789
Discount on purchase of PIBs	-	-	(22,686)	-
	<u>26,733</u>	<u>40,150</u>	<u>50,716</u>	<u>71,957</u>

**23. COMPARATIVE FIGURES**

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

  
Chairman

  
Chief Executive / Managing Director