



**DIRECTORS' REPORT
&
FINANCIAL STATEMENTS**
June 30, 2009

Pakistan Poverty Alleviation Fund



Company Information

Board of Directors:

Hussain Dawood
Chairman

Mueen Afzal

Rafiud Deen Ahmad

Rana Assad Amin

Muhammad Arif Azim

Naved Hamid

Aijaz Ahmed Qureshi

Syed Ayub Qutub

Fareeha Zafar

Zubyr Soomro

Kamal Hyat
Chief Executive/Managing Director

BOD Committees:

Human Resources Committee:

Hussain Dawood
Chairman

Aijaz Ahmed Qureshi
Member

Fareeha Zafar
Member

Audit Committee:

Mueen Afzal
Chairman

Rafiud Deen Ahmad
Member

Rana Assad Amin
Member

Aijaz Ahmed Qureshi
Member

Company Secretary:

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

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
Website: www.ppaf.org.pk



Company Information

General Body:

Chairman:

Hussain Dawood Chairman, The Dawood Group.

Members:

Mueen Afzal Former Secretary General, Ministry of Finance, Government of Pakistan
Rafiud Deen Ahmad Consultant, Orr, Dignam & Co.
Rana Assad Amin Additional Secretary, Ministry of Finance, Government of Pakistan.
Muhammad Arif Azim Additional Secretary, Economic Affairs Division, Government of Pakistan.
Rashid Bajwa Chief Executive Officer, National Rural Support Programme.
Nazrat Bashir Joint Secretary, Ministry of Finance, Government of Pakistan.
Javed Burki Former Civil Servant.
Naved Hamid Director, Centre for Research in Economics & Business, Lahore School of Economics.
Ashraf Muhammad Hayat Former Civil Servant.
Akmal Hussain Managing Director, Sayyed Engineers Ltd.
Ahlullah Khan Kakarr Former Civil Servant.
Shoaib Sultan Khan Chairman, National Rural Support Programme.
Rajab Ali Memon Educationist.
Nazar Memon Director, National Rural Support Programme.
Hamayun Murad Managing Director, Orix Leasing Pakistan Ltd.
Kaiser H Naseem Manager, Pakistan Corporate Governance Project, International Finance Corporation.
Aisha Ghaus Pasha Former Deputy Director, Social Policy and Development Center.
Aijaz Ahmed Qureshi General Manager, Sindh Irrigation & Drainage Authority.
Fazlullah Qureshi Former Member, National Electric Power Regulatory Authority.
Muhammad Ismail Qureshi Federal Secretary, Establishment, Government of Pakistan.
Syed Ayub Qutub Executive Director, Pakistan Institute of Environment Development & Research.
Sadiqa Salahuddin Executive Director, Indus Resource Center.
M Suleman Shaikh Chairman, Thardeep Rural Development Programme.
Zubyr Soomro Former Citibank Country Officer & Managing Director.
Jahangir Tareen Former Federal Minister, Government of Pakistan.
Fareeha Zafar Director, Society for the Advancement of Education.



PAKISTAN POVERTY ALLEVIATION FUND

DIRECTORS' REPORT

The Board of Directors of Pakistan Poverty Alleviation Fund (PPAF) is pleased to present the ninth Annual Report alongwith audited financial statements of the Company for the year ended June 30, 2009.

The year 2009 was a challenging year for the Company. However, despite global economic downturn that negatively impacted national macroeconomic fundamentals, PPAF continued to build on the growth it achieved in the previous years with results adding further strength to its financial position. The Company is making steady progress in pursuit of its objectives of poverty alleviation. It maintained significant progress with respect to specific deliverables, for each of its core components of credit and enterprise development; community physical infrastructure; education and health; and capacity building in the broader context of poverty alleviation.

In addition to carrying out its mainstream programmes, PPAF continued its multi-pronged strategy for the restoration of livelihoods, which has involved reconstruction of housing units; rehabilitation of health and education facilities, community infrastructure schemes and training of individuals on a large scale in 34 earthquake affected union councils of North West Frontier Province and Azad Jammu and Kashmir. PPAF's rehabilitation and reconstruction programme was guided by two fundamental objectives (i) to assist people in rebuilding their lives by providing safe and seismically appropriate housing and restoring basic infrastructure services through a community driven approach; and (ii) to build capacities of affectees with the purpose of enabling them to take control of their lives on a sustainable basis.

Reinforcing its satisfactory performance in the earthquake-affected areas, PPAF allocated Rs. 134 million to help Internally Displaced Persons (IDPs) through an integrated development program which includes social mobilization; initial rehabilitation access to potable water; vocational and skill training; health services; and informal education. PPAF has been allocated

seven IDPs camps where it is implementing various interventions through its partner organizations. These include training in vocational skills with daily stipend; distribution of clothes among disabled children; provision of milk to 9,000 children daily, flour to widows and meals to children enrolled in PPAF schools; establishment of 12 non-formal schools and two health centers; sinking of 60 hand pumps for fresh water; setting up of playgrounds with swings, slides and see-saws to engage children in healthy stress-relieving activities; establishment of tailoring centers for women. Other activities in pipeline are provisioning of assistive devices for disabled children and hygiene products to women and children of the camps. PPAF staff has also donated one-day salary to the Prime Minister's special fund for victims of terrorism and is determined to play its role as a bridge between the Government, donor agencies and the IDPs.

The Second US\$ 476 million International Development Association/World Bank project that also included US\$ 238 million earthquake project, was successfully completed. PPAF achieved and in most cases exceeded all the major targets and forecasts set at the appraisal. On the request of World Bank, the Food and Agriculture Organization, Rome (Implementation Completion and Results Report Mission) conducted third party review/assessment of Second PPAF Project and observed the following:

“The majority of Programme Development Objectives have been fully achieved despite significant additions to these targets in the course of implementation (e.g. earthquake repair, rehabilitation and reconstruction), as well as significant constraints arising from the deteriorating security and macro-economic situation and the inflow of funds from other agencies. Operating costs of the institution were very low (accounting for less than 1% of costs), strong support was provided to partner organizations, and strong commitment was shown by PPAF to the project objective. A positive rating for overall outcome is justified not only by PPAF meeting or exceeding most indicator targets in a very large and complex series of activities, but also by the ability demonstrated by PPAF as an institution to successfully adapt to significant changes in financing and the external environment in which it operates”.

By the end of June 2009, PPAF funding had been disbursed in urban and rural areas of 124 districts of the country (to about 141,000 community organizations / groups) through 77 partner organizations of which 12 were focusing exclusively on women. On cumulative basis, PPAF financed 3,000,000 microcredit loans, of which 1,380,000 (46%) were to women. 18,500



infrastructure projects were initiated and 332,000 staff and community members were trained. In earthquake affected areas, PPAF provided financing to 120,000 households to build earthquake resistant homes and, in addition, provided training to over 108,000 individuals in seismic construction and related skills.

PPAF financial and non-financial services are estimated to have, on a cumulative basis, benefited (directly or indirectly) over 18 million individuals from its credit programme and over 11 million individuals from infrastructure, health and education interventions, across the country.

Operational and Financial Overview:

The operational and financial results of the Company, during the year under review, remained satisfactory. As PPAF approached the completion of its World Bank financed second project, its

Fig 1.1 Disbursements - core operations

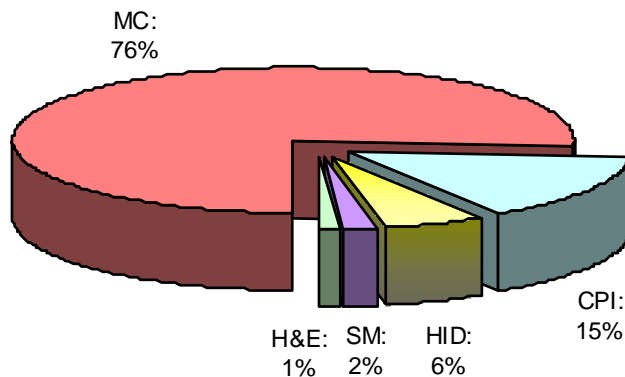
	Rs in million		%
	2009	2008	Variance
Credit and Enterprise Development	6,949	9,075	- 23.43
Water and Infrastructure	979	1,332	- 26.50
Capacity Building	370	471	- 21.44
Social mobilization	712	-	-
Health and Education	73	148	- 50.68
Total	9,083	11,026	- 17.62

incremental disbursements were lower due to full commitment and utilization of funds allocated by the donors.

Total disbursements for core operations during the year were Rs 9,083 million as compared to Rs. 11,026 million in FY 2008. Disbursements of loan (microcredit and enterprise development facilities) were Rs 6,949 million as compared to Rs 9,075 million; water and infrastructure disbursements were Rs 979 million as compared to Rs 1,332 million;

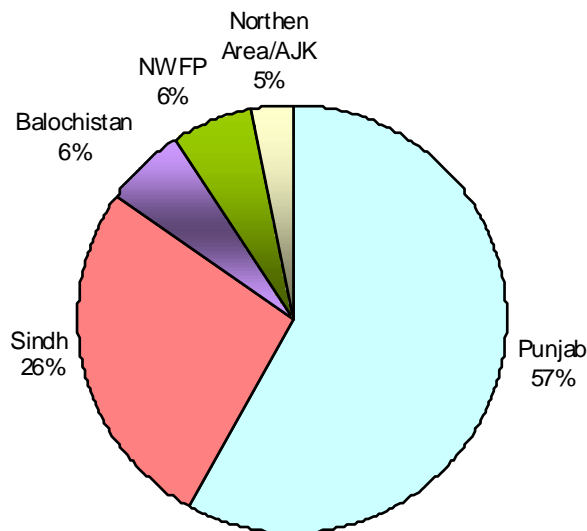
capacity building disbursements were Rs 370 million against Rs 471 million and disbursements for education and health were Rs 73 million as against Rs 148 million during the preceding year. In addition, Rs 712 million were disbursed during the year for social mobilization [fig. 1.1]. During the year disbursement for relief, rehabilitation and reconstruction operations in earthquake affected areas was Rs 3,983 million as against Rs 5,671 million in the preceding year.

Figure 1.2
Share of funds disbursed – core operations



By the end of FY 2009, cumulative disbursements for core operations stood at Rs 42,933 million. Credit and enterprise development, the largest component of PPAF, accounted for 76% of cumulative disbursements followed by community physical infrastructure (15%); capacity building assistance (6%); social mobilization grants (2%) and health & education had a share of 1% [fig. 1.2].

Figure 1.3
Provincial distribution of funds – core operations



In addition, cumulative disbursements for relief, rehabilitation and reconstruction activities were Rs 18,712 million.

PPAF resources and funds have been deployed equitably across urban/rural settlements, provinces, regions and areas. About 57% of the resources have been deployed in Punjab, 26% in Sindh, 6% each in NWFP and Balochistan and 5% in Northern Areas/AJK [fig. 1.3].

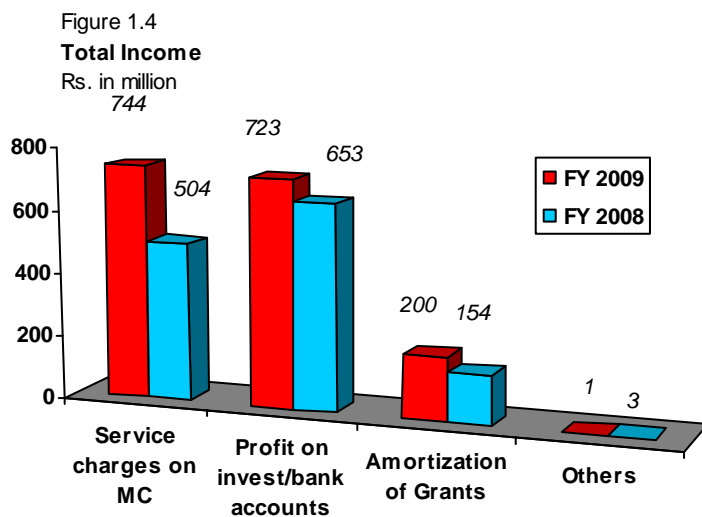
In line with the Subsidiary Financing Agreement executed between Government of Pakistan and PPAF in respect of World Bank financed First Project, the repayment of principal loan amount

has commenced with effect from November 15, 2007. During the year under review, Rs 109.617 million was repaid to the Government of Pakistan.

PPAF has fully utilized the World Bank funds allocated for microcredit component under Second Project and is meeting its obligations through its own reserves built up from repayments received from partner organizations. During the year under review, PPAF disbursed Rs 6,831 million as loan from these reserves.

Total assets of the Company on June 30, 2009 stood at Rs 18,509 million against Rs 18,923 million as at June 30, 2008. Amount of loans receivable from partner organizations as on June 30, 2009 were Rs 9,696 million as against Rs 8,301 million as at June 30, 2008. PPAF continued to maintain 100% recovery rate in respect of its lending operations.

The trend of consistent growth in income continued this year in line with previous years. Total income generated during the year increased by 27% to Rs 1,668 million from Rs 1,314 million in FY 2008. The enhancement in income is attributable primarily to service charges on loan to partner organizations that increased by 48% due to high volume of amount of credit outstanding and introduction of market based rates for large partner organizations. Despite reduction in



investment portfolio, income on investments and saving accounts increased by 11% due to improved profit rates. During the year, capacity building grant increased by 30% due to the availability of financing from Government of Pakistan and donor agencies for PPAF operational support [fig. 1.4].

In order to support enhanced activity, general and administrative expenses for the year increased by 14%. The main increases were in salaries/benefits and travel expenses. The salaries, wages and other benefits increased due to annual increments to existing employees to provide relief against higher cost of living as well as hiring of additional staff for managing expansion in core

Financial results are summarized as follows:		
	(Rs in million)	
	2009	2008
Service charges on loans	744	504
Amortization of deferred grant	200	154
Income on investments/saving account	723	653
Other income	1	3
Total income	1,668	1,314
General and administrative expenses	322	283
Loan loss provision	236	145
Financial charges	80	84
Total expenditure	638	512
Surplus for the year	1,030	802

operations and new activities under different donors' projects. In addition, a higher number of engineers were inducted for management of reconstruction activities in the earthquake affected areas. Travel cost increased due to extensive appraisal and monitoring visits in view of high cumulative disbursements and enhanced

activities.

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

Sectoral and Programme Overview:

As an apex organization, the role of PPAF is to act as a wholesaling intermediary, while its partner organizations undertake implementation of projects at the retail level under PPAF monitoring and supervision. PPAF provides its partner organizations four types of facilities which consist of (i) extending lines of credit for expansion of poverty targeted microcredit programmes and enterprise development (ii) grants for water and physical infrastructure schemes (iii) social sector services (health and education) on a cost sharing basis and (iv) grants to strengthen the human and institutional capacities of partner organizations as well as social mobilization and grass root development. Apart from these core areas of operations, PPAF has been repeatedly called upon to work with communities suffering from natural disasters and emergency situations. PPAF has also been assigned responsibility of rehabilitation and

reconstruction in the aftermath of the 2005 earthquake in North West Frontier Province and Azad Jammu and Kashmir. Even internationally, there are few comparable institutions working with civil society organizations that have such a wide spectrum of sectors within its domain of responsibility.

PPAF has played the role of lead agency in strengthening participatory development in the national framework. It has effectively enhanced the retail capacity in the country where the poor have had very limited access to resources and has raised the standards of civil society organizations to higher levels of social responsibility, economic discipline and institutional management. PPAF has endeavoured to mainstream marginalized communities through provision of broad range of financial and non-financial services leading to better access, improved income and quality of life and sustainable livelihood opportunities at the grassroots, and, simultaneously, catalyzed the enhanced absorption capacities of partner organizations. It has positioned itself as a professional and highly credible apex institution with a strong and efficient corporate culture.

As the driver of the microfinance market, PPAF has combined the twin role of market developer and financier for the sector. It had maintained a diversified and healthy portfolio without compromising the quality of its programs. Special consideration has been given to gender and equitable distribution of funds across the country. These efforts have been so successful that Pakistan is now recognized internationally as an emerging market for microfinance. In order to ensure long term sustainability of the sector, PPAF has focused on strengthening of market linkages and developing greater leveraging capacity for partner organization. Through its Programme for Increasing Sustainable Microfinance, PPAF provides greater access to the commercial sector for partners with sustainable operations. Additionally, grants for equity funds are provided to dynamic microfinance institutions to help build their bankability for leveraging commercial financing. PPAF continuously strives to develop newer products and services that directly address the needs of the poor.

With international collaboration, PPAF has initiated a pilot project of social safety nets for 1,000 poorest households in 110 villages in Sindh Coastal Areas. Health and food allowances were provided to selected ultra poor for a period of twelve months. During the same time, trainings on

enterprise development, skill enhancement and book keeping were imparted to the target groups. The process of assets transfer has been initiated. As the grants programme phases out, it is expected that most participants will be prepared to pursue independent economic activities and be eligible for induction in PPAF's regular microcredit programme.

The Microfinance Innovation and Outreach Program provides flexible funding facility for partner organizations to develop new financial products/services for rural areas. The project provides access to a wide range of sustainable financial services to the poor and develops products that respond to their specific needs. PPAF, through its partner organizations, initiated five innovative models that included home improvement loans; cooperative farming for women; increasing outreach through settlement branches; enterprise development loans in rural areas; and village banking in mountainous areas.

Provision of grants for development of rural infrastructure lies at the core of PPAF's poverty alleviation strategy. PPAF's water management center is delivering sustainable, need-based water related infrastructure to marginalized communities. It has facilitated in securing livelihoods, increasing income generating opportunities and reducing vulnerabilities to seasonal shocks, while mitigating the sufferings of the poor living in diverse circumstances from low-lying flood-prone coastal areas to water deficient deserts and mountain communities. Advanced technology applications (such as satellite imagery) and its state of the art Geographical Information System set the centre apart. The small infrastructure schemes and subprojects focus mainly in four broad sectors: drinking water supply, irrigation, sanitation and communications. The distribution of schemes across geographical areas reflects the different ecological conditions, degree of water scarcity and disparities in agricultural development. These interventions have played a vital role in stimulating growth of local agricultural economies through better utilization of scarce water resources and have contributed significantly to household welfare through increase in incomes and consumption levels. Interventions in the sanitation and drinking water supply and communications sectors have facilitated infrastructure building especially in the isolated rural communities and has improved the health of the communities. Access to potable water has relieved women from carrying water over long distances, enhancing their productive potential and increasing economic options for poor households. This component assumed great

importance for the poor agrarian households who are dependent on land and livestock and are particularly vulnerable to persistent droughts and uneven rainfall.

PPAF plays a major role in building institutional and human resource capacities of participating communities and civil society organizations. It is committed to the development of a skilled human resource base necessary for supporting higher levels of growth in the sector. For this purpose, regular training sessions are conducted for communities and staff of partner organizations. Under the junior professionals program, funds are provided to partner organizations for training university graduates, who are inducted at junior posts following a training period of six months. Two additional initiatives have also been designed to enhance PPAF's ability in developing new microfinance institutions in rural areas: The "Young Partner Development Initiative" facilitates new and existing partner organizations in setting up sustainable rural finance operations through provisioning funds for on-lending and institutional support covering staff/client training, systems development, capital and operating costs. The "International Linkage Partner Initiative" provides young enterprising individuals the opportunity to get hands-on training experience with a renowned regional Microfinance Institution and facilitates them in setting up rural finance operations.

Under its social sector development programme (health and education), PPAF has facilitated civil society organizations in establishing a network of schools and community health centers where such facilities were non-existent, in addition to revitalizing inefficient public sector institutions through injecting requisite funds, better management practices and quality teaching services. All PPAF supported interventions in the social sector prioritize strict quality control, long term sustainability and durable linkages with communities. These objectives become mutually reinforcing with an inclusive management framework that underscores role of participating communities in decision making. Consequently, it has encouraged the formation of community based health and education management committees with the mandate to identify gaps in service delivery and suggest proposals for their redressal.

PPAF was actively involved in rehabilitation and reconstruction operations, on a major scale, in the earthquake affected areas. In addition to the reconstruction of seismically-safe housing units, substantive components including capacity building, livelihoods restoration, reconstruction of

non-housing infrastructure and focused interventions for people with disabilities were built into programme as a holistic and inclusive long term solution to reviving lives and livelihoods.

PPAF has initiated an innovative project for social mobilization that entails mobilizing 5 million people in 25 poorest districts of the country. Under the project, 50,000 new community organizations will be formed. The project supports the Government stance that poverty reduction goals can only be achieved if community organizations are formed to manage their own development and crowd in local, government and private sector resources and services.

PPAF is developing linkages with corporate sector through new and innovative models of enterprise development. This would enable the poor to access, and benefit from, the wider private sector markets and opportunities for value addition.

The collaboration of PPAF and Engro Chemical Pakistan Limited for a pilot project in livestock and dairy development resulted in setting up of milk plants in Sukkur and Sahiwal with installed capacity of 300,000 liters; establishment of over 475 milk centers in Sindh and Punjab where 400,000 liters of milk with 6% fat content is being collected daily and; provision of training to communities in animal husbandry and livestock management. All these initiatives have resulted in employment generation at the village level, enhanced economic activity in rural areas and industrial income generation opportunities for the rural poor at their door step.

PPAF and Pakistan Dairy Development Company (PDDC) have entered into a partnership to facilitate establishment and growth of community-based dairy farms and other dairy development programmes to improve the milk production in the country. Initially, the project would be launched on pilot basis in district Narowal where both the parties have agreed to work with 30 community farms. Later, the project would be replicated in other districts of the country.

PPAF and Unilever's leading brand Lifebuoy have signed an agreement to promote hand wash across 2 districts in Punjab under the rural hygiene awareness programme. Both the parties have agreed to provide children through "Mahfooz ('Safe') Pakistan", awareness and education on the

importance of hand washing in order to reduce incidences of diarrhea. Over 50,000 community members of Narowal and Bhakkar will be educated.

On October 15, 2008, more than 60,000 schoolchildren in 900 PPAF supported/adopted schools and government-run educational facilities celebrated the first-ever Global Handwashing Day aimed at reinforcing United Nations' call for improved hygiene practices among schools across the country. The core idea was to promote handwashing among children and inculcate in them the idea of handwashing and its health benefits.

The 5th Citi-PPAF Microentrepreneurship Awards ceremony was held in Islamabad 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 microfinance plays in promoting economic development at the local level.

Risk Management Policies:

Credit risk:

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to loans to partner organizations, investments and bank balances. Credit risk on loans is controlled through extensive credit appraisals of partner organizations, assessing their credit-worthiness, requiring compulsory savings from borrowers and creating lien on the assets of partner organizations. The credit risk on investments and bank balances is limited because the counter parties are banks/financial institutions with reasonably high credit ratings; and Government of Pakistan.

Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company is not exposed to currency risk as there are no foreign currency assets and liabilities except for financial assets of US\$ 3,878.

Interest / mark-up rate risk:

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

Liquidity risk:

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to ensure availability of adequate amount of funding to meet the commitments. The Company maintains flexibility in funding and follows an effective cash management and planning policy to ensure availability of adequate funds to meet its financial commitments in time. Moreover, the Company's financial position is satisfactory and it does not have any liquidity problems.

Fair value of financial instruments:

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

Reporting and Disclosure:

The Management believes in transparency of information and, therefore, it places high priority on true and fair presentation and timely issuance of periodic financial and non-financial information to regulatory authorities, donors and other stakeholders of the Company. In order to ensure this, the Management has put in place accurate and reliable financial and other reporting framework, effective internal control principles including risk management, setting of targets,

planning and monitoring of Company's operations and performance under direct and indirect supervision through delegated authorities.

In addition to preparing financial statements in line with statutory requirements, the Company also prepares separate financial statements for different donors' projects which are duly audited by its external auditors.

The annual audited financial statements alongwith Directors' Report as well as quarterly and half yearly un-audited financial statements alongwith Management Reviews are published and circulated to stakeholders. These statements are also made available on the Company website.

Board of Directors:

The Board acknowledges the significance of efficient discharge of duties imposed by corporate law and stands firmly committed in its objective to add value through effective participation and contribution towards achievement of Company's objectives. A formal schedule of responsibilities has been specifically ordained for the Board by virtue of provisions of the Articles of Association of the Company, the Companies Ordinance 1984, the Code of Corporate Governance and other applicable regulations.

The Board comprises of one executive and ten non-executive Directors, including the Chairman and the Chief Executive/Managing Director of the Company with distinct responsibilities. The Chairman represents the non-executive directorship of the Company.

As part of its duties, the Board reviews and approves operational policies and procedures; projects of different donors and sponsors; financial assistance for partner organizations; quarterly progress; annual work plans, targets and budgets; un-audited financial statements alongwith Management Reviews; audited financial statements alongwith Directors' and Auditors' Reports.

The roles of the Chairman and the Chief Executive/Managing Director are segregated and they have distinct responsibilities. Chairman has responsibilities and powers vested in him by law and the Articles of Association of the Company, as well as duties assigned to him by the Board. In particular, the Chairman coordinates the activities of the Directors and various committees of the

Board, and presides over the meetings of the Board and General Body. Chief Executive/Managing Director is responsible for the operations of the Company and conduct of its business, in accordance with the powers vested in him by law, the Articles of Association of the Company and authorities delegated to him through a General Power of Attorney and Board resolutions from time to time.

The Board held four meetings during the year. The Chief Financial Officer/Company Secretary attended the meetings of the Board in the capacity of non director without voting entitlements as required by the Code of Corporate Governance.

Change of Directors:

The Board joins me in acknowledging our appreciation for the active participation and invaluable contributions towards the affairs of the Company by the outgoing directors Mr. Junaid Iqbal Ch. and Mr. Arif Hasan. We are also pleased to welcome Mr. Muhammad Arif Azim, Dr. Naved Hamid and Mr. Zubyr Soormo as fellow Board members. We look forward to working in partnership with them to benefit from their vision and valued experience.

Board Committees:

The Board places paramount importance on good governance that has always been viewed as the fundamental principle in enhancing the timeliness, accuracy, comprehensiveness and transparency of financial and non financial information. In order to follow best practices, the Board in January 2007, endorsed the Code of Corporate Governance of listing regulations by constituting Audit and Human Resource committees.

Audit Committee:

The Committee comprises of four non-executive members of the Board. The Chairman is an independent non-executive Director. The head of Internal Audit Unit acts as Secretary. The terms of reference of the Audit Committee have been drawn up by the Board in conformity with the code of corporate governance and the Board acts in accordance with the recommendations of the Committee on matters forming part of Committee responsibilities. The Committee assists the Board in overseeing Company's

financial control, with particular emphasis on integrity of internal controls and financial reporting; qualification and independence of Company's external auditors; and performance of Company's internal and external auditors.

During the year, four meetings of the Committee were held. The Committee reviewed system of internal controls, internal audit reports, risk management and audit process besides recommending for Board's approval, annual work plan of internal audit, appointment of external auditors, annual work plans and budgets for different donors' projects, annual budget of the Company, policy for loan losses and write-off, proposal regarding submission of quarterly and half yearly un-audited financial statements by partner organizations, un-audited condensed interim financial statements alongwith Management Review, audited financial statements alongwith Auditors' and Directors' Reports, project specific audited financial statements as per the requirements of the donors.

The Audit Committee meetings were also attended by the Chief Financial Officer. The Committee also held separate meeting with the external auditors.

Human Resource Committee:

The Human Resource Committee comprises of three members including the Chairman who are appointed by the Board from its non-executive Directors. The head of Human Resource Unit acts as Secretary. The terms of reference of the Human Resource Committee have been approved by the Board. The Committee assists the Board in overseeing the Company's human resource policies and framework, with particular emphasis on ensuring fair and transparent compensation policy; ensure continuous development and skill enhancement of employees.

During the year under review, the Committee held two meetings. The Committee reviewed and recommended for Board's approval, employees benefit plans, good performance awards, annual increment for the employees, cost of living adjustment for employees, revised organogram keeping in view expansion in operations, revised training and vehicle policy.

The Chief Executive/Managing Director and other management employees are invited to attend meetings when required for discussion and suggestions.

Management:

The Company Management is supervised by the Chief Executive/Managing Director to implement policies and monitor procedures adopted by the Board, carry out Board directives under delegated authorities to achieve objectives of the Company and provide feedback on the strategies formulated by the Board.

The Management ensures execution of business operations including adherence to cardinal principles, appraising and monitoring of partner organizations, recommending financing for partner organizations, preparation of annual budgets/work plans and monitoring progress thereof. Management is also responsible for implementation of internal control including segregation of duties, financial and accounting controls for accuracy and completeness of accounting records, authorization, recording and accurate processing of transactions, compliance with statutory and other regulations and timely preparation of reliable financial and non-financial information for circulation to the stakeholders.

Future Outlook:

PPAF is contributing to securing the future of the country's poor through a strategy of community driven development. This strategy capitalizes on a strong platform of partner organizations, and most critically, the inherent strength and resilience of poor and disadvantaged communities, in the face of extreme adversity. PPAF seeks to consistently deliver on 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 to enhance the quality and quantity of PPAF programmes and take these to the next level.

The World Bank Team completed appraisal of third PPAF project in April 2009. Legal

Agreements for this project were executed between Government of Pakistan, International Development Association/World Bank and PPAF in June 2009. On completion of necessary formalities, the project was declared effective on July 09, 2009, in a record time of one month after the signing of the agreements.

The project involves total funding of US\$ 250 million (loan US\$ 33 million : grant US\$ 217 million) over a period of five years. Under the proposed third Project, there would be stronger focus on the most vulnerable and poorest households. This would be achieved by adoption of a more participatory and integrated approach that combines strong targeting mechanisms which effectively identify the extreme-poor and poor; and building inclusive institutions for them with enhanced investments in sustainable livelihood opportunities. The project components include:

- Social mobilization and institution building (US\$ 38.50 million).
- Livelihood enhancement and protection (US\$ 85.30 million).
- Micro-credit access (US\$ 40.00 million – US\$ 33.00 million for sub loan and US\$ 7.00 million for PO operational support, capacity building and technical assistance).
- Basic services and infrastructure (US\$ 80.00 million).
- Project implementation support (US\$ 6.20 million).

The KfW (Development Bank of Germany) Mission appraised PPAF for EUR 32 million project on “Livelihood Support and Promotion of Small Community Infrastructure” to be implemented in the province of NWFP over a period of three years. The legal and financing agreements for this project are expected to be executed by September 2009.

The Company has started establishing linkages with corporate sector with a view to generating funds for implementing its various poverty alleviation activities. A separate Corporate Relations Management Unit is being set up for this purpose. The main functions of the Unit include establishment of contacts with different organizations for obtaining grants for poverty alleviation activities initiated by PPAF and coordinate between corporate sectors entities and different units of PPAF for implementation of approved projects.

PPAF has signed agreements with number of organizations with the aim to work jointly for establishing corporate-social sector linkages to fighting poverty in the country. By involving the

business and corporate sector, PPAF plans to further increase its poverty alleviation activities through their corporate social responsibility and social welfare funds.

Auditors:

The present auditors of the Company, M/s A. F. Ferguson and Company, Chartered Accountants, have completed their assignment for the financial year ended June 30, 2009 and shall retire at the conclusion of 13th Annual General Meeting. Being eligible, they have indicated their willingness to continue in office as auditors. The Board of Directors, on the proposal of the Audit Committee, recommends their reappointment as auditors for the financial year ending June 30, 2010.

Conclusion:

As the largest wholesaler of credit and non-credit funds, PPAF has contributed significantly to community-driven development at the grass roots level. It has facilitated growth of a large number of non-governmental organizations, microfinance institutions and rural support programs working directly with poor communities. PPAF's institutional mechanism is seen as a best practice public-private partnership model. Its governance structure, private sector management and transparent funding mechanism are acknowledged as a model for service delivery of other government/public sector programmes. In areas of PPAF sponsored interventions, the poor have started reaping benefits of self-reliance and community driven development. They are experiencing increased opportunities for income generation, reduced dependence on external support and enhanced quality of life.

Acknowledgement:

The support and enthusiasm of the Board continued to play a constructive and positive role in the development of PPAF as a world class institution. The revelation and commitment of Board towards poverty alleviation has contributed a great deal to the success of the programme. I am grateful to all the directors for their time and contribution. I am confident that we will continue to

benefit from their vision and valued experience which will go a long way in the future growth and prosperity of the Company.

The Board is grateful for the trust and faith reposed by the Members of the General Body. Their support gives confidence and encouragement in achieving the targets and strategies formulated by the Board. The Board would also like to commend the partner organizations and their communities for excellent performance and ownership of the programmes that made possible to overcome most difficult of challenges.

The Board expresses its profound gratitude to the Government of Pakistan and World Bank for their efforts and support in successfully appraising, negotiating and approving the Third Project. As a result of combined efforts of Government of Pakistan, World Bank and PPAF, the financing agreements for the project have been executed and the project has been declared effective in a record time.

We are indebted to the Government of Pakistan for reposing their trust in us and their facilitation in developing this exemplary public/private partnership to new heights and international stature. We also take this opportunity to thank our donor agencies – World Bank, International Fund for Agricultural Development; U.S. Department of Agriculture; KfW Development Bank (Germany); Committee Encouraging Corporate Philanthropy (USA); and U.S. Agency for International Development, for their strong backing and belief in our ability to deliver effectively at the grass root level and giving us an opportunity to make difference in the lives of the poor and vulnerable people of Pakistan.

The Board would like to express its appreciation for members of the management team and all its employees who continue to work with dedication and have developed a reputation of credibility and trust. Their dedication in the face of mounting odds and difficulties served the institution well. They must continue to meet the challenges of increased poverty and hunger which threatens the very fabric of the state.

We have accelerated our efforts after successful completion of the second project to deliver better value to our stakeholders, partner organizations, employees and society at large. As a responsible corporate citizen, PPAF will consistently endeavour to innovate and add value to its work and bring about improvement in the quality of life of poor and disadvantaged that we have the privilege to serve.

Islamabad
August 04, 2009

A handwritten signature in blue ink, appearing to read 'Hussain Dawood', with a stylized circular flourish on the left side.

Hussain Dawood
Chairman

PAKISTAN POVERTY ALLEVIATION FUND

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2009**

A.F.Ferguson & Co.
Chartered Accountants
3rd Floor, PIA Building
49 Blue Area, Fazal-ul-Haq Road
P.O. Box 3021
Islamabad - 44000, Pakistan
Telephone: (92-51) 2273457-60
 : (92-51) 2870045-48
Facsimile : (92-51) 2277924
 : (92-51) 2206473
E-mail : ferguson@nayatel.pk

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Poverty Alleviation Fund (the Company) as at June 30, 2009 and the related income and expenditure account, cash flow statement and statement of changes in fund and reserves together with the notes forming part thereof for the year then ended, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in fund and reserves together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the Company's affairs as at June 30, 2009 and of the surplus, its cash flows and changes in fund and reserves for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



Chartered Accountants




Islamabad: August 4, 2009

Name of the audit engagement partner: Sohail M Khan

PAKISTAN POVERTY ALLEVIATION FUND
BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009	2008
		(Rupees)	
FIXED ASSETS - TANGIBLE	5	54,380,063	53,066,251
INTANGIBLE ASSETS	6	10,167,986	9,962,095
LONG TERM INVESTMENTS	7	1,000,000,000	1,000,000,000
LONG TERM LOANS TO PARTNER ORGANIZATIONS	8	1,721,037,948	1,115,405,268
CURRENT ASSETS			
Current maturity of loans to Partner Organizations	8	7,419,925,938	6,867,395,344
Short term investments-specific to projects	9	530,000,000	1,050,000,000
Short term investments	10	5,224,642,173	5,441,784,165
Advances, deposits, prepayments and other receivables	11	91,288,563	68,353,341
Profit/service charges receivable	12	451,863,074	262,500,096
Bank balances-specific to projects	13	1,959,485,918	3,037,581,500
Cash and bank balances	14	46,324,747	16,862,695
		15,723,530,413	16,744,477,141
		<u>18,509,116,410</u>	<u>18,922,910,755</u>
FUND AND RESERVES			
Endowment fund	15	1,000,000,000	1,000,000,000
Accumulated surplus		3,785,356,163	2,755,078,994
		<u>4,785,356,163</u>	<u>3,755,078,994</u>
LONG TERM LOANS	16	11,030,865,907	10,769,894,863
CURRENT LIABILITIES			
Deferred liabilities - grant fund	17	2,451,222,148	4,250,413,931
Deferred income/(expense) - grant fund	18	60,915,780	(26,292,606)
Current portion of long term loans	16	109,617,378	109,617,378
Service and commitment charges payable	19	62,496,823	60,396,984
Accrued and other liabilities	20	8,642,211	3,801,211
		2,692,894,340	4,397,936,898
CONTINGENCIES AND COMMITMENTS	22		
		<u>18,509,116,410</u>	<u>18,922,910,755</u>

The annexed notes 1 to 31 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE / MANAGING DIRECTOR


**PAKISTAN POVERTY ALLEVIATION FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		(Rupees)	
INCOME			
Service charges on loans to Partner Organizations	23	744,434,556	503,560,944
Amortization of deferred income - grant fund	24	199,743,670	154,509,153
Income on investments and saving accounts	25	723,183,285	653,017,908
Other income	26	<u>1,320,838</u>	<u>3,114,303</u>
		1,668,682,349	1,314,202,308
EXPENDITURE			
General and administrative expenses	27	<u>322,072,765</u>	<u>283,385,376</u>
Loan loss provision		235,731,884	144,563,154
Financial charges	28	<u>80,600,531</u>	<u>84,247,246</u>
		<u>638,405,180</u>	<u>512,195,776</u>
SURPLUS FOR THE YEAR		<u><u>1,030,277,169</u></u>	<u><u>802,006,532</u></u>

The annexed notes 1 to 31 form an integral part of these financial statements.

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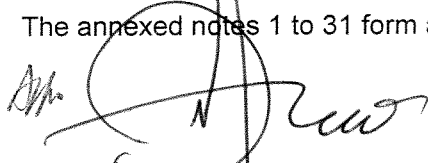

CHAIRMAN


CHIEF EXECUTIVE / MANAGING DIRECTOR

PAKISTAN POVERTY ALLEVIATION FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

Note	2009	2008
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from / (used in) operations:		
Surplus for the year	1,030,277,169	802,006,532
Adjustment for non cash items:		
Depreciation	21,566,925	20,046,705
Amortization of intangible assets	4,797,536	3,715,002
Amortization of deferred income	(199,743,670)	(154,509,153)
Provision for gratuity	6,290,774	4,034,824
Loan loss provision	235,731,884	144,563,154
Gain on sale of fixed assets	-	(1,201,200)
Financial charges	80,600,531	84,247,246
	<u>149,243,980</u>	<u>100,896,578</u>
	1,179,521,149	902,903,110
Working capital changes		
(Increase) / decrease in current assets:		
Advances, deposits, prepayments and other receivables	(22,935,222)	17,092,637
Profit/service charges receivables	(189,362,978)	190,560,544
Increase / (decrease) in current liabilities:		
Accrued and other liabilities	4,841,000	(4,519,737)
	<u>(207,457,200)</u>	<u>203,133,444</u>
Cash generated from operations	972,063,949	1,106,036,554
Recoveries of loans from partner organizations	5,554,971,762	6,589,658,676
Disbursements to partner organizations:		
Loans	(6,948,866,920)	(9,075,097,135)
Grants	(6,116,562,924)	(7,623,050,991)
Financial charges paid	(78,500,692)	(76,370,076)
Payment to gratuity fund	(6,290,774)	(7,080,949)
	<u>(7,595,249,548)</u>	<u>(10,191,940,475)</u>
Net cash (used in) operating activities	(6,623,185,599)	(9,085,903,921)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	737,141,992	1,270,469,943
Capital expenditure incurred	(28,356,164)	(45,552,626)
Proceeds from disposal of fixed assets	472,000	1,513,000
Net cash generated from investing activities	709,257,828	1,226,430,317
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans - repaid	(109,617,378)	(109,617,378)
Long term loans - received	370,588,422	101,020,189
Deferred liabilities - grant fund receipts	4,317,371,141	7,171,956,637
Deferred income - grant fund receipts	286,952,056	32,426,944
Net cash generated from financing activities	<u>4,865,294,241</u>	<u>7,195,786,392</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,048,633,530)	(663,687,212)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,054,444,195	3,718,131,407
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>13&14</u> <u>2,005,810,665</u>	<u>3,054,444,195</u>

The annexed notes 1 to 31 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE / MANAGING DIRECTOR

**PAKISTAN POVERTY ALLEVIATION FUND
STATEMENT OF CHANGES IN FUND AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2009**

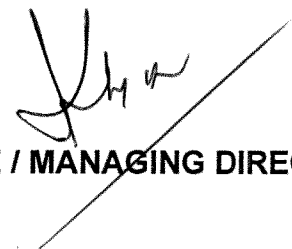
	<u>Endowment Fund</u>	<u>Accumulated Surplus (Rupees)</u>	<u>Total</u>
Balance as at June 30, 2007	1,000,000,000	1,953,072,462	2,953,072,462
Surplus for the year		802,006,532	802,006,532
Balance as at June 30, 2008	<u>1,000,000,000</u>	<u>2,755,078,994</u>	<u>3,755,078,994</u>
Surplus for the year		1,030,277,169	1,030,277,169
Balance as at June 30, 2009	<u><u>1,000,000,000</u></u>	<u><u>3,785,356,163</u></u>	<u><u>4,785,356,163</u></u>

The annexed notes 1 to 31 form an integral part of these financial statements.

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CHAIRMAN



CHIEF EXECUTIVE / MANAGING DIRECTOR

**PAKISTAN POVERTY ALLEVIATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

1. STATUS, BACKGROUND AND NATURE OF OPERATIONS

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

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

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost convention except for the revaluation of certain financial instruments held in foreign currency at the exchange rate prevailing on the balance sheet date and employees benefit obligation as per actuarial valuation.

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

The area involving a higher degree of judgment or complexity or area where assumptions and estimates are significant to the financial statements is loan loss provision (note 8).

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Employee benefits

The Company operates defined benefit gratuity fund for all eligible employees who complete the qualifying period of service. The fund is administered by trustees. Annual contribution to the gratuity fund is based on Actuarial valuation using projected unit credit method. All contributions are charged to income and expenditure account for the year. Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognized over the average remaining service life of the employees. The Actuarial valuation of the scheme was carried out as at June 30, 2009, related details of which are given in note 21 to the financial statements.

4.2 Taxation

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

4.3 Provisions

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

4.4 Deferred liabilities - grant fund

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

4.5 Fixed assets - tangible

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to income applying straight line method whereby the cost of an asset is written off over its estimated useful life at the rates specified in note 5.

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

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

4.6 Intangible assets

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

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

4.7 Investments - held to maturity

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

4.8 Loans to Partner Organisations

These are stated net of provision for loan losses.

General provision for loan losses at the rate of 5% (2008: 3%) of the gross outstanding balances of loans to POs is made at the year end.

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

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

4.9 Cash and cash equivalents

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

4.10 Revenue recognition

Income is recognized on accrual basis except grants and donations that are recorded on receipt basis. Service charges on loans and profit/markup on investments and bank accounts are recognized on time proportionate basis.

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

4.11 Receipts - micro-credit loans and grants

Receipts from Government of Pakistan (GOP) on account of International Development Association (IDA) and International Fund for Agricultural Development (IFAD) projects are recorded on the basis of Financial Monitoring Reports, raised on quarterly basis, under relevant categories of micro-credit loan fund, community physical infrastructure (CPI) grant fund, social sector development grant fund, emergency relief, housing reconstruction and community building, revitalization of communities/ rehabilitation of CPI schemes and capacity building grant fund as specified in the Financing Schedules of the respective Financing Agreements.

Receipts from Government of Pakistan (GOP) on account of KfW Development Bank (KfW) projects are recorded on the basis of Statement of Expenditures (SOEs), raised on quarterly basis, under relevant categories of housing reconstruction and community building, revitalization of communities/ rehabilitation of CPI schemes and capacity building grant fund as specified in the Financing Schedule of the respective Financing Agreement.

Receipts from Government of Pakistan (GOP) on account of United States Department of Agriculture (USDA) projects are recorded on the basis of requests by the Company, on annual basis, under relevant category of CPI grant fund and capacity building grant fund as specified in the agreed plan of action.

Receipts from Government of Pakistan (GOP) on account of micro credit and enterprise development facility (EDF) are recorded as loans. Grants specific to POs and PPAF are recognized as deferred liability and deferred income respectively.

Grants from USAID/Pakistan on account of EDF and capacity building are recorded on the basis of advance request raised on monthly basis. Receipts of EDF and grants specific to POs are recorded as deferred liability and grants specific to PPAF are recognized as deferred income.

Grants from Committee Encouraging Corporate Philanthropy (CECP) on account of reconstruction and refurbishment of education and health facilities affected by earthquake are recorded on the basis of advance request raised on quarterly basis. Receipts of grants specific to POs are recognized as deferred liability, whereas, grants specific to PPAF are recognized as deferred income.

4.12 Borrowing costs

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

4.13 Foreign currency transactions

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

4.14 Financial instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially recognized at cost, which is the fair value of the consideration given and received. These are subsequently measured at fair value, amortized cost or cost, as the case may be.

4.15 Related party transactions

All transactions with related parties arising in normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extreme rare circumstances where, subject to the approval of Board of Directors, it is in the interest of the company to do so.

4.16 Offsetting

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

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5. FIXED ASSETS - tangible

	Cost			Annual rate of depreciation	Depreciation			Book value as at June 30, 2009	Book value as at June 30, 2008
	As at July 01, 2008	Additions/ (Deletions)	As at June 30, 2009		As at July 01, 2008	Charge for the year / (On deletions)	As at June 30, 2009		
	(Rupees)	(Rupees)	(Rupees)		(Rupees)	(Rupees)	(Rupees)		
Furniture and fixtures	8,731,502	1,314,523	10,046,025	20	5,188,748	1,501,063	6,689,811	3,356,214	3,542,754
Vehicles	46,813,550	5,539,710 (590,000)	51,763,260	20	20,871,437	8,775,148 (118,000)	29,528,585	22,234,675	25,942,113
Office equipment	22,583,806	4,120,266	26,704,072	20	11,104,333	3,792,855	14,897,188	11,806,884	11,479,473
Computer equipment	31,389,799	12,378,238	43,768,037	25	19,287,888	7,497,859	26,785,747	16,982,290	12,101,911
2009	109,518,657	23,352,737 (590,000)	132,281,394		56,452,406	21,566,925 (118,000)	77,901,331	54,380,063	53,066,251
2008	76,785,388	35,357,519 (2,624,250)	109,518,657		38,718,151	20,046,705 (2,312,450)	56,452,406	53,066,251	

6. INTANGIBLE ASSETS

	Cost			Annual rate of amortisation	Amortisation			Book value as at June 30, 2009	Book value as at June 30, 2008
	As at July 01, 2008	Additions	As at June 30, 2009		As at July 01, 2008	Charge for the year	As at June 30, 2009		
	(Rupees)	(Rupees)	(Rupees)		(Rupees)	(Rupees)	(Rupees)		
Satellite imageries	11,296,622	4,248,827	15,545,449	25	3,108,155	3,886,362	6,994,517	8,550,932	8,188,467
Other softwares	3,541,138	754,600	4,295,738	25	1,767,510	911,174	2,678,684	1,617,054	1,773,628
2009	14,837,760	5,003,427	19,841,187		4,875,665	4,797,536	9,673,201	10,167,986	9,962,095
2008	4,642,653	10,195,107	14,837,760		1,160,663	3,715,002	4,875,665	9,962,095	

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	Note	2009	2008
(Rupees)			
7. LONG TERM INVESTMENTS - held to maturity			
Pakistan Investment Bonds (PIBs)	7.1	1,000,000,000	1,000,000,000

7.1 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	22-08-2001	22-08-2011	13.00	Semi annually
300 million	29-04-2004	28-04-2014	8.00	Semi annually
100 million	29-04-2004	28-04-2014	8.00	Semi annually
200 million	19-05-2006	19-05-2011	9.30	Semi annually
			2009	2008
(Rupees)				

8. LOANS TO PARTNER ORGANIZATIONS - secured, considered good

National Rural Support Programme	3,562,630,808	4,045,607,106
Punjab Rural Support Programme	253,913,980	266,522,008
Kashf Foundation	2,514,249,999	1,586,649,999
Sarhad Rural Support Programme	85,333,333	79,000,000
Thardeep Rural Development Programme	463,500,000	408,346,709
Development Action for Mobilization and Emancipation	473,700,325	391,260,319
Taraqee Foundation	-	10,354,105
Sindh Agricultural & Forestry Workers Coordinating Organization	222,618,832	161,612,000
Sindh Rural Support Programme	475,000	2,375,000
Jinnah Welfare Society	139,336,230	69,353,860
Centre for Women Cooperative Development	258,284,020	157,826,237
Rural Community Development Society	181,802,469	104,662,035
Young Pioneers Society	10,250,000	11,100,000
Women Social Organisation	4,520,000	3,560,000
Anjuman-e- Falah-e-Behbood	352,500	1,312,500
Community Support Concern	284,152,581	199,672,343
Poverty Eradication Network	2,800,000	2,965,000
Baanhn Beli	1,200,000	6,700,000
Bunyad Literacy Community Council	3,590,000	9,050,000
Indus Resource Centre	12,885,697	12,829,000
Network Leasing Corporation Limited	85,625,000	115,625,000
Organization for Participatory Development	74,512,500	59,727,250
Swabi Women Welfare Society	11,749,998	10,499,998
Orangi Charitable Trust	180,575,000	64,376,668
Community Development Concern	245,000	1,161,759
Karwan Community Development Organization	4,510,000	3,345,000
Kiran Welfare Organization	6,025,001	4,475,001
Narowal Rural Development Programme	18,833,333	15,341,666
Soon Valley Development Programme	6,110,000	9,203,750
Asasah	258,784,818	236,011,916
Baidarie	2,206,045	4,349,445
Balances continued - carried forward	9,124,772,469	8,054,875,674

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	Note	2009	2008
		(Rupees)	
Balances continued - brought forward		9,124,772,469	8,054,875,674
Orix Leasing Pakistan Limited		181,883,631	89,187,631
Save The Poor		9,747,466	13,100,219
Marvi Rural Development Organization		10,521,153	11,803,653
Sindh Rural Support Organization		85,617,225	53,356,864
BRAC Pakistan		259,863,000	69,984,000.00
Farmers Friend Organization		9,862,847	3,750,000.00
Khajji Cooperative Society		1,576,168	2,030,000
Al Mehran Rural Development and Welfare Organization		-	3,768,260
Balochistan Rural Development & Research Society		427,500	-
Buksh Foundation		7,000,000	-
Mojaz Foundation		3,980,000	-
Badbaan Enterprise Development Forum		500,000	-
	8.1	9,695,751,459	8,301,856,301
Less: Loan loss provision	8.2	(554,787,573)	(319,055,689)
		9,140,963,886	7,982,800,612
Less: Current maturity		(7,419,925,938)	(6,867,395,344)
		<u>1,721,037,948</u>	<u>1,115,405,268</u>

- 8.1 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 quarterly basis within two to three 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 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.

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	2009	2008
8.2 Loan loss provision	(Rupees)	
Opening balance	319,055,689	174,492,535
Provision during the year	235,731,884	144,563,154
	<u>554,787,573</u>	<u>319,055,689</u>
8.3 Movement of loans to Partner Organizations		
Opening balance	8,301,856,301	5,816,417,842
Disbursements during the period	6,948,866,920	9,075,097,135
	<u>15,250,723,221</u>	<u>14,891,514,977</u>
Recoveries during the period	(5,554,971,762)	(6,589,658,676)
	<u>9,695,751,459</u>	<u>8,301,856,301</u>
Less: Loan loss provision	(554,787,573)	(319,055,689)
	<u>9,140,963,886</u>	<u>7,982,800,612</u>

9. SHORT TERM INVESTMENTS - specific to projects

These represent investments in respect of United States Department for Agriculture (USDA) project activities, maturing within one year from the date of investment at annual mark up rates ranging from 10.50% p.a to 12% p.a (2008: 10% p.a to 11% p.a).

10. SHORT TERM INVESTMENTS

These represent term deposit receipts and certificate of investments of various commercial banks and investment banks respectively, maturing within one year from the date of investment at annual markup rates ranging from 11.00% p.a. to 15.40% p.a. (2008: 8.00% p.a. to 12.10% p.a.).

	Note	2009	2008
11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		(Rupees)	
Loans and advances - considered good			
Employees	11.1	1,869,528	926,167
Suppliers		254,183	2,096,995
		<u>2,123,711</u>	<u>3,023,162</u>
Deposits		2,070,400	1,370,400
Prepayments		37,582,229	14,557,356
Income tax refundable		49,384,426	49,384,426
Other receivables - considered good		127,797	17,997
		<u>91,288,563</u>	<u>68,353,341</u>

11.1 This include advance salary loans and car loans given to the employees of the Company, carrying annual mark up of 3% p.a. (2008: 3% p.a.) and 8% p.a (2008: 8% p.a.) respectively. The principal amount is repayable in 18 equal monthly installments.

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	2009	2008
	(Rupees)	
12. PROFIT / SERVICE CHARGES RECEIVABLE		
Profit receivable on		
Pakistan Investment Bonds (PIBs)	16,737,534	30,791,792
Term deposit receipts / saving accounts	257,066,120	109,334,150
Project bank accounts / investments	5,100,685	3,327,123
	<u>278,904,339</u>	<u>143,453,065</u>
Service charge receivable on loans to POs	172,958,735	119,047,031
	<u>451,863,074</u>	<u>262,500,096</u>
13. BANK BALANCES - SPECIFIC TO PROJECTS		
Cash at banks - current accounts		
Specific to IDA	1,400,003,901	2,070,033,029
Specific to IDA Disability Project	212,312,453	-
Specific to IFAD-MIOP	2,577,628	59,192,170
Specific to IFAD-REACH	99,540,804	456,578,126
Specific to IFAD-PRISM	133,561,734	-
Specific to Kfw	3,508,935	107,192,900
Specific to CECP grant	105,379,479	236,464,726
Specific to USAID	-	81,842
	<u>1,956,884,934</u>	<u>2,929,542,793</u>
Cash at banks - deposit accounts		
Specific to USDA grant	2,580,373	63,477,132
Specific to CECP	20,611	44,561,575
	<u>2,600,984</u>	<u>108,038,707</u>
	<u>1,959,485,918</u>	<u>3,037,581,500</u>
14. CASH AND BANK BALANCES		
Cash in hand		
in head office	40,237	21,349
in centers	100,000	83,288
in field coordination offices	113,110	56,067
	<u>253,347</u>	<u>160,704</u>
Cash at banks - current accounts	14,947,783	649,578
Cash at banks - deposit accounts	31,123,617	16,052,413
	<u>46,071,400</u>	<u>16,701,991</u>
	<u>46,324,747</u>	<u>16,862,695</u>

The balances in deposit accounts carry average mark up of 5.00% p.a. (2008: 4.70% p.a.). These include foreign currency balances aggregating to US\$ 3,878 (2008: US\$ 727,911).

	2009	2008
	(Rupees)	
15. ENDOWMENT FUND		
PPAF - I	500,000,000	500,000,000
PPAF - II	500,000,000	500,000,000
	<u>1,000,000,000</u>	<u>1,000,000,000</u>

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15.1 This represents the amounts paid by GOP for endowment fund under the Subsidiary Financing Agreements (SFAs) as detailed in Note 16.1 and 16.2. 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	2009	2008
16. LONG TERM LOANS - Unsecured		(Rupees)	
Government of Pakistan - PPAF - I (IDA financing)	16.1	2,343,783,966	2,453,401,344
Government of Pakistan- PPAF - II (IDA financing)	16.2	8,321,429,227	8,197,837,189
Government of Pakistan - (IFAD financing-MIOP)	16.3	281,910,990	118,656,330
Government of Pakistan - (IFAD financing-PRISM)	16.4	83,741,724	-
		<u>11,030,865,907</u>	<u>10,769,894,863</u>
16.1 Government of Pakistan - PPAF - I (IDA financing)			
Opening balance		2,563,018,722	2,672,636,100
Amount repaid		<u>(109,617,378)</u>	<u>(109,617,378)</u>
		2,453,401,344	2,563,018,722
Amount payable within next twelve months shown as current liability		<u>(109,617,378)</u>	<u>(109,617,378)</u>
		<u>2,343,783,966</u>	<u>2,453,401,344</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.

	2009	2008
16.2 Government of Pakistan- PPAF - II (IDA financing)		
Opening balance	8,197,837,189	8,096,817,000
Amount received	123,592,038	115,330,979
Forein exchange translation differences - Net	-	(14,310,790)
	<u>8,321,429,227</u>	<u>8,197,837,189</u>

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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.

	<u>2009</u>	<u>2008</u>
	(Rupees)	
16.3 Government of Pakistan - (IFAD financing MIOP)		
Opening balance	118,656,330	118,656,330
Amount received	163,254,660	-
	<u>281,910,990</u>	<u>118,656,330</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.

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	<u>2009</u>	<u>2008</u>
	(Rupees)	
16.4 Government of Pakistan - (IFAD financing PRISM)		
Amount received	<u>83,741,724</u>	<u>-</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 Financing Agreement (SFA) dated January 12, 2008 executed between GOP and the Company, the GOP agreed to provide 65% of the amount as loan to the Company and the balance as grant on non reimbursable basis on account of capacity building. The principal 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 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. The service charge is payable on June 01 and December 01 each year.

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		(Rupees)	
17. DEFERRED LIABILITIES - GRANT FUND			
Government of Pakistan - IDA	17.1	1,539,410,346	2,151,989,364
US Agency for International Development/Pakistan	17.2	115,984,115	126,106,108
Government of Pakistan - USDA	17.3	552,702,419	1,117,938,769
Government of Pakistan - KfW	17.4	3,508,935	107,192,900
Government of Pakistan - IFAD (MIOP)	17.5	(14,986,003)	8,863,170
Government of Pakistan - IFAD (REACH)	17.6	99,540,804	456,578,126
Government of Pakistan - IFAD (PRISM)	17.7	45,444,080	-
Committee Encouraging Corporate Philanthropy (CECP)	17.8	109,617,452	281,745,494
		<u>2,451,222,148</u>	<u>4,250,413,931</u>

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

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		(Rupees)	
17.1 Grants from Government of Pakistan - IDA			
Community physical infrastructure	17.1.1	238,987,442	(181,749,155)
Social sector development	17.1.2	12,781,616	(49,840,581)
Capacity building - POs	17.1.3	340,038,783	(221,898,926)
Emergency relief	17.1.4	3,386,315	(1,888,594)
Rehabilitation & reconstruction	17.1.5	(299,884,674)	1,649,106,620
Grants for social mobilization	17.1.6	1,032,124,235	958,260,000
Grants for disability project	17.1.7	211,976,629	-
		<u>1,539,410,346</u>	<u>2,151,989,364</u>

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17.1.1 Community physical infrastructure

	2009	2008
	(Rupees)	
Opening balance	(181,749,155)	362,024,575
Amount received	790,757,491	563,838,400
Foreign exchange translation differences - Net	-	654,526
	<u>609,008,336</u>	<u>926,517,501</u>
Less: Disbursements		
Sarhad Rural Support Programme	48,793,341	150,831,221
National Rural Support Programme	47,436,524	129,292,335
Punjab Rural Support Programme	39,335,000	134,799,765
Aga Khan Rural Support Programme	25,986,036	30,908,870
Thardeep Rural Development Programme	19,833,067	32,916,045
Taraqee Foundation	-	75,068,532
Balochistan Rural Support Programme	21,654,701	70,182,956
Jinnah Welfare Society	-	7,191,997
Rural Community Development Society	18,399,000	22,820,633
Women Welfare Organization Poonch	253,762	10,746,238
Sindh Agricultural & Forestry Workers Coordinating Organization	25,539,532	40,626,217
Himalayan Wildlife Foundation	-	4,257,397
Baanhn Beli	6,064,000	-
Ghazi Brotha Taraqiatee Idara	-	11,227,643
Human Development Foundation	3,200,000	18,009,560
Islamic Relief	-	17,722,646
Participatory Integrated Development Society	5,194,283	8,955,906
Salik Development Foundation	-	2,212,791
Soon Valley Development Programme	-	15,123,868
Sungi Development Foundation	-	14,956,108
Women Social Organisation	-	6,145,521
AKPBS-Water and Sanitation Extension Programme	15,601,602	90,078,200
Community Uplift Programme	6,446,845	23,943,000
Balochistan Environmental and Educational Journey	3,878,230	5,767,000
Omar Asghar Khan Development Foundation	14,422	1,532,145
Balochistan Rural Development & Research Society	6,347,750	-
SOS Children's Village	5,000,000	2,285,725
Indus Earth Trust	888,000	15,448,769
Village Friends Organization	7,099,198	5,660,800
Kiran Welfare Organization	-	957,600
Social Action Bureau for Assistance in Welfare and Organisation Network	75,465	4,214,999
South Asia Partnership Pakistan	16,000,000	50,420,953
Strengthening Participatory Organization	-	15,727,800
Society for Conservation and Protection of Environment	-	8,987,999
Hazara Development and Advocacy Foundation	11,936,206	34,191,860
Young Pioneers Society	-	60,000
Sindh Rural Support Organization	24,848,808	13,774,192
Indus Resource Centre	-	6,470,000
All Pakistan Women Association	-	3,994,455
Health and Nutrition Development Society	-	3,146,500
Society for Human Empowerment and Rural Development	1,430,000	-
Badin Rural Development Society	3,167,613	4,770,183
Mountain and Glacier Protection Organization	5,597,509	11,118,227
Sindh Rural Support Program	-	1,720,000
	<u>370,020,894</u>	<u>1,108,266,656</u>
	<u>238,987,442</u>	<u>(181,749,155)</u>

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	2009	2008
	(Rupees)	
17.1.2 Social sector development		
Opening balance	(49,840,581)	3,421,872
Amount received	135,505,936	95,012,795
Foreign exchange translation difference - net	-	161,039
	85,665,355	98,595,706
Less: Disbursements		
AKPBS-Water and Sanitation Extension Programme	5,067,217	8,412,360
Community Uplift Programme	298,260	1,233,050
Islamic Relief	480,096	2,264,731
National Rural Support Programme	5,185,654	22,425,344
Sindh Agricultural & Forestry Workers Coordinating Organization	5,823,093	7,986,262
Sungi Development Foundation	583,683	2,579,350
Taraqee Foundation	464,000	295,475
Indus Resource Centre	14,932,589	11,292,453
Mountain and Glacier Protection Organization	2,806,535	28,876,747
SOS Children Villages	12,732,552	29,193,078
Community Mobilisation and Development Organization	6,882,958	4,907,107
Rural Community Development Society	1,820,773	4,197,383
Family Planning Association of Pakistan	5,272,124	8,600,488
Narowal Rural Development Programme	2,674,653	7,956,699
Badin Rural Development Society	2,112,654	1,824,200
Marvi Rural Development Organization	4,822,503	2,710,965
Indus Earth Trust	924,395	3,680,595
	72,883,739	148,436,287
	12,781,616	(49,840,581)
17.1.3 Capacity building - POs		
Opening balance	(221,898,926)	147,476,438
Amount received	881,918,696	71,375,979
Foreign exchange translation differences - Net	-	23,357
	660,019,770	218,875,774
Less: Disbursements		
National Rural Support Programme	51,192,880	207,570,106
Punjab Rural Support Programme	6,627,500	5,800,622
Sarhad Rural Support Programme	5,999,500	-
Thardeep Rural Development Programme	36,963,766	53,149,684
Development Action for Mobilization and Emancipation	772,264	21,272,024
Taraqee Foundation	2,724,395	-
Balochistan Rural Support Programme	3,512,779	1,350,000
Sindh Agricultural & Forestry Workers Coordinating Organization	10,203,430	17,117,992
Sindh Rural Support Programme	626,972	2,502,080
Jinnah Welfare Society	6,017,680	5,502,801
Rural Community Development Society	16,324,415	4,529,773
Centre for Women Cooperative Development	12,262,858	12,601,846
Poverty Eradication Network	590,318	1,200,000
Community Support Concern	3,861,310	28,273,640
Women Social Organisation	2,807,750	807,894
Young Pioneers Society	3,088,953	1,168,069
Anjuman-e- Falah-o-Behbood	318,790	685,956
Women Welfare Organization Poonch	308,171	1,617,598
Disbursements continued - carried forward	164,203,731	365,150,085

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	2009	2008
	(Rupees)	
Disbursements continued - brought forward	164,203,731	365,150,085
Kashf Foundation	4,458,336	-
Baanhn Beli	1,280,325	573,976
Bunyard Literacy Community Council	1,379,860	2,312,288
Indus Resource Centre	711,776	741,276
Organization for Participatory Development	4,281,756	5,693,598
Soon Valley Development Programme	569,884	2,180,391
Swabi Women Welfare Society	-	902,768
Indus Earth Trust	-	706,750
Orangi Charitable Trust	8,114,327	6,371,667
Participatory Integrated Development Society	2,161,164	442,726
Community Development Concern	331,400	434,855
Karwan Community Development Organization	1,107,736	1,617,209
Kiran Welfare Organization	2,188,944	2,717,593
Narowal Rural Development Programme	2,415,700	9,778,661
South Asia Partnership Pakistan	-	4,499,039
Society for Conservation and Protection of Environment	299,376	2,219,555
AKPBS-Water and Sanitation Extension Programme	-	2,802,556
SOS Children's Village	-	874,000
Asasah	30,025,440	1,692,204
Baidarie	4,812,745	405,879
Balochistan Environmental and Educational Journey	2,236,764	771,517
Orix Leasing Pakistan Limited	3,921,288	3,203,912
Save The Poor	4,201,659	3,213,138
Marvi Rural Development Organization	7,761,532	8,666,270
Hazara Development and Advocacy Foundation	3,260,398	-
Society for Human Empowerment & Rural Development	-	23,940
Balochistan Rural Development & Research Society	2,748,595	1,028,280
Badin Rural Development Society	-	2,660,964
Health and Nutrition Development Society	667,874	3,441,255
Sindh Rural Support Organization	7,005,024	-
Farmers Friend Organization	5,863,350	4,505,350
Brac - Pakistan	51,241,780	-
Strengthening Participatory Organization	1,988,600	-
Workshops for POs	741,623	1,142,998
	<u>319,980,987</u>	<u>440,774,700</u>
	<u>340,038,783</u>	<u>(221,898,926)</u>
17.1.4 Emergency relief		
Opening balance	(1,888,594)	(1,261,537)
Amount received	39,584,909	-
Foreign exchange translation differences - Net		(487,257)
	<u>37,696,315</u>	<u>(1,748,794)</u>
Less: Expenditure incurred on relief activities through POs:		
Sarhad Rural Support Programme	21,000,000	-
National Rural Support Programme	12,500,000	-
Expenditure incurred on relief activities by PPAF	810,000	139,800
	<u>34,310,000</u>	<u>139,800</u>
	<u>3,386,315</u>	<u>(1,888,594)</u>

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	Note	2009	2008
		(Rupees)	
17.1.5 Rehabilitation & reconstruction			
Housing reconstruction and community buildings	17.1.5.1	(967,066,358)	1,644,628,596
Revitalization of affected communities / rehabilitation of CPI schemes	17.1.5.2	667,181,684	4,478,024
		<u>(299,884,674)</u>	<u>1,649,106,620</u>
17.1.5.1 Housing reconstruction and community buildings			
Opening balance		1,644,628,596	1,290,301,000
Amount (transferred) to revitalization of communities / rehabilitation of CPI schemes		(84,254,431)	4,915,681,822
Foreign exchange translation differences - Net		-	23,535,774
		<u>1,560,374,165</u>	<u>6,229,518,596</u>
Less: Disbursements			
Sarhad Rural Support Programme		1,175,000,000	1,825,000,000
National Rural Support Programme		800,000,000	1,650,000,000
Omar Asghar Khan Development Foundation		98,672,500	251,340,000
Sungi Development Foundation		134,569,023	176,500,000
Women Welfare Organization Poonch		5,099,000	8,500,000
Islamic Relief		314,100,000	673,550,000
		<u>2,527,440,523</u>	<u>4,584,890,000</u>
		<u>(967,066,358)</u>	<u>1,644,628,596</u>
17.1.5.2 Revitalization of communities / rehabilitation of CPI schemes			
Opening balance		4,478,024	520,460,092
Amount received		880,993,009	12,568,126
Foreign exchange translation differences - Net		-	2,134,400
		<u>885,471,033</u>	<u>535,162,618</u>
Less: Disbursements			
Revitalization of affected communities			
Sarhad Rural Support Programme		64,068,182	173,985,959
National Rural Support Programme		51,139,175	39,536,929
Omar Asghar Khan Development Foundation		10,943,916	12,408,931
Sungi Development Foundation		4,717,402	16,158,499
Women Welfare Organization Poonch		497,821	3,344,657
Islamic Relief		27,699,839	32,507,565
Disaster Management Trainings		-	14,282,254
		<u>159,066,335</u>	<u>292,224,794</u>
Rehabilitation of CPI schemes			
Sarhad Rural Support Programme		58,297,463	194,237,447
Women Welfare Organization Poonch		-	9,661,790
Islamic Relief		925,551	10,148,600
Sungi Development Foundation		-	24,411,963
		<u>59,223,014</u>	<u>238,459,800</u>
		<u>667,181,684</u>	<u>4,478,024</u>
17.1.5.3 Agreement amending the DCA was signed between IDA and GOP on December 06, 2005, in respect of Grants for Emergency Relief and Rehabilitation & Reconstruction. As per the agreement, IDA agreed to reallocate a sum of SDR 3.53 million for activities responding to the Emergency by the earthquake as disclosed in note 17.1.4 to these financial statements, and to make available to GOP an additional sum of SDR of 68.90 million under Phase II to GOP.			

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Second agreement amending the DCA was signed between IDA and GOP on May 02, 2007, in respect of Grants for Rehabilitation & Reconstruction. As per agreement IDA agreed to make available to GOP an additional sum of SDR of 91.80 million under Phase II to GOP.

The GOP will utilize these amounts through the Company to support the relief, reconstruction and rehabilitation of communities affected by the earthquake which occurred on October 8, 2005.

Under agreements amending the SFAs dated May 03, 2006 and June 22, 2007 executed between GOP and the Company, the GOP agreed to provide SDR 68.90 million and SDR 91.80 million respectively to the Company as grants on non reimbursable basis.

		<u>2009</u>	<u>2008</u>
		(Rupees)	
17.1.6	Grants for social mobilization		
	Opening balance	958,260,000	-
	Amount received	785,776,100	958,260,000
		<u>1,744,036,100</u>	<u>958,260,000</u>
	Less: Disbursements		
	Balochistan Rural Support Programme	36,643,300	-
	Thardeep Rural Development Programme	24,223,200	-
	National Rural Support Programme	508,881,766	-
	Sindh Agricultural & Forestry Workers Coordinating Organization	19,661,200	-
	Sarhad Rural Support Programme	4,924,000	-
	Sindh Rural Support Organization	49,748,300	-
	Community Mobilisation and Development Organization	6,270,900	-
	Punjab Rural Support Programme	44,645,300	-
	Balochistan Environmental and Educational Journey	7,884,000	-
	Participatory Integrated Development Society	7,884,000	-
	Direct expenses by PPAF on trainings	1,145,899	-
		<u>711,911,865</u>	<u>-</u>
	17.1.6.1	<u>1,032,124,235</u>	<u>958,260,000</u>
17.1.6.1	Disbursements by components		
	Trainings	99,668,337	-
	Capital costs	236,207,700	-
	Operating costs	376,035,828	-
		<u>711,911,865</u>	<u>-</u>

17.1.6.2 On December 07, 2007 GOP signed a financing agreement with 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. Cumulative receipts for the project stand at US \$ 24,958,105 (Rs 1,744,036,100 is given in note 17.1.6 and Rs 20,624,272 is given in note 18.3).

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.

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 to PPAF as grant on non reimbursable basis.

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	Note	2009	2008
17.1.7 Grant for disability project		(Rupees)	
Amount received		303,110,148	-
Less: Disbursements			
Sarhad Rural Support Programme		27,679,561	-
Sungi Development Foundation		6,047,958	-
National Rural Support Programme		39,563,908	-
Seminars and workshops		17,842,092	-
		91,133,519	-
		<u>211,976,629</u>	<u>-</u>
17.2 Grants from USAID/Pakistan			
Capacity building - POs	17.2.1	-	(1,479,621)
Enterprise development loans	17.2.2	115,984,115	127,585,729
		<u>115,984,115</u>	<u>126,106,108</u>
17.2.1 Capacity building - POs			
Opening balance		(1,479,621)	(1,500,633)
Amount received		1,479,621	-
Foreign exchange translation differences - Net		-	21,012
		<u>-</u>	<u>(1,479,621)</u>
17.2.2 Enterprise development loans			
Opening balance		127,585,729	181,041,206
Amount (transferred) to deferred income		(1,479,621)	-
Amount (transferred) to capacity building - POs		(10,176,856)	-
		<u>115,929,252</u>	<u>181,041,206</u>
Service charges earned		54,863	1,835,243
		<u>115,984,115</u>	<u>182,876,449</u>
Less:			
Ineligible costs repaid during the year		-	55,290,720
		<u>115,984,115</u>	<u>127,585,729</u>

17.2.2.1 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.

17.2.2.2 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 was US\$ 7,098,621 of which USAID/Pakistan contribution was US\$ 6,320,000 and PPAF share was agreed to be US\$ 778,621. The funds committed under this agreement were disbursed as loans to POs under EDF and as capacity building grant for PPAF and for POs. EDF was 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 created a revolving fund from the repayments and service charges earned on EDF loans and bank account.

	2009	2008
	(Rupees)	
17.3 Grants from Government of Pakistan - USDA		
Opening balance	1,117,938,769	1,237,959,342
Amount (transferrec) to deferred income	(19,145,427)	-
Profit on project bank account	63,382,172	103,798,508
	<u>1,162,175,514</u>	<u>1,341,757,850</u>

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	2009	2008
	(Rupees)	
Less: Disbursements		
Soon Valley Development Programme	7,797,008	10,386,250
Sarhad Rural Support Programme	-	22,815,424
Taraqee Foundation	64,071,168	12,643,639
Rural Community Development Society	16,968,000	26,261,645
Aga Khan Rural Support Programme	221,882,183	63,568,504
Indus Earth Trust	24,343,773	6,441,708
National Rural Support Programme	11,953,818	-
Sindh Agricultural & Forestry Workers Coordinating Organization	8,677,774	15,147,170
Thardeep Rural Development Programme	33,909,000	-
Balochistan Rural Support Programme	21,626,083	2,443,688
Balochistan Rural Development & Research Society	2,038,000	2,778,000
Community Mobilisation and Development Organization	6,030,908	4,459,000
Participatory Integrated Development Society	14,249,870	15,145,386
Human Resource Development Society	40,616,286	10,201,000
Social Action Bureau for Assistance in Welfare and Organizational Networking	23,133,566	14,958,050
South Asia Partnership Pakistan	60,339,737	6,972,334
Village Friends Organization	12,500,867	5,235,450
Ghazi Brotha Taraqiati Idara	3,928,845	2,059,833
Sindh Rural Support Organisation	16,023,326	2,302,000
Balochistan Environmental and Educational Journey	1,899,450	-
Society for Conservation and Protection of Environment	2,350,717	-
Sindh Rural Support Program	2,820,933	-
Health and Nutrition Development Society	2,234,698	-
AKPBS-Water and Sanitation Extension Programme	6,351,657	-
Strengthening Participatory Organization	3,725,428	-
	<u>609,473,095</u>	<u>223,819,081</u>
	<u>552,702,419</u>	<u>1,117,938,769</u>

- 17.3.1 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 in note 18.

	Note	2009	2008
		(Rupees)	
17.4 Grants from Government of Pakistan - KfW			
Housing reconstruction and community buildings	17.4.1	(39,933,690)	58,918,857
Revitalization of affected communities / rehabilitation of CPI schemes	17.4.2	<u>43,442,625</u>	<u>48,274,043</u>
		<u>3,508,935</u>	<u>107,192,900</u>

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	2009	2008
17.4.1 Housing reconstruction and community buildings	(Rupees)	
Opening balance	58,918,857	240,918,857
Amount received	190,172,453	-
	<u>249,091,310</u>	<u>240,918,857</u>
Less: Disbursements:		
Sarhad Rural Support Programme	289,025,000	182,000,000
	<u>(39,933,690)</u>	<u>58,918,857</u>
17.4.2 Revitalization of affected communities / rehabilitation		
Opening balance	48,274,043	90,791,607
Amount received	82,446,756	-
	<u>130,720,799</u>	<u>90,791,607</u>
Less: Disbursements:		
Sarhad Rural Support Programme	87,278,174	42,517,564
	<u>43,442,625</u>	<u>48,274,043</u>

17.4.3 On June 09, 2006 the Government of Pakistan and KfW Development Bank (KfW) signed a programme agreement under which KfW has extended a financial contribution of EURO 14 million as non reimbursable grant for reconstruction of rural housing and related infrastructure of communities in union councils Jabori and Sachan Kalan of North West Frontier Province (NWFP) affected by the earthquake occurred on October 08, 2005 . The allocated amount will cover the grants to affected communities for (a) reconstruction of housing (b) rehabilitation of community infrastructure (c) costs of trainings for the affected communities and staff of the POs (d) operating costs and cost of equipments to POs engaged in these activities. The period of this agreement is of three years, starting from the date of signing i.e. June 09, 2006 through June 08, 2009. Under SFA dated September 25, 2006 executed between GoP and PPAF, GOP agreed to provide EURO 14 million to the company as grant on non reimbursable basis.

	2009	2008
17.5 Grants from Government of Pakistan - IFAD (MIOP)	(Rupees)	
Opening balance	8,863,170	39,119,621
Amount received	25,871,697	-
	<u>34,734,867</u>	<u>39,119,621</u>
Less: Disbursements:		
AL Mehran Rural Development and Welfare Organization	608,006	1,939,020
Orangi Charitable Trust	285,851	4,670,000
AKPBS-Water and Sanitation Extension Programme	3,851,402	4,900,000
Badin Rural Development Society	4,748,288	4,600,000
Sindh Agricultural & Forestry Workers Coordinating Organization	5,099,480	4,170,000
Sarhad Rural Support Programme	3,609,000	-
Indus Earth Trust	4,007,179	4,411,371
Community Support Concern	11,789,123	3,380,580
Centre for Women Cooperative Development	517,410	482,490
Khajji Cooperative Society	502,539	1,702,990
National Rural Support Programme	6,160,460	-
Mojaz Foundation	4,250,234	-
Badbaan Enterprise Development Forum	1,310,748	-
Buksh Foundation	2,085,750	-
Balochistan Rural Development & Research Society	895,400	-
	<u>49,720,870</u>	<u>30,256,451</u>
	<u>(14,986,003)</u>	<u>8,863,170</u>

	Note *	2009	2008
		(Rupees)	
17.6 Grants from Government of Pakistan - IFAD (REACH)			
Housing reconstruction and community buildings	17.6.1	108,438,552	456,088,552
Revitalization of affected communities / livestock	17.6.2	(8,897,748)	489,574
		<u>99,540,804</u>	<u>456,578,126</u>
17.6.1 Housing reconstruction and community buildings			
Opening balance		456,088,552	373,004,043
Amount received		-	133,084,509
		<u>456,088,552</u>	<u>506,088,552</u>
Less: Disbursements:			
Sarhad Rural Support Programme		347,650,000	50,000,000
		<u>108,438,552</u>	<u>456,088,552</u>
17.6.2 Revitalization of affected communities / livestock			
Opening balance		489,574	111,585,731
Less: Disbursements:			
Sarhad Rural Support Programme		9,387,322	95,099,757
National Rural support Programme		-	15,996,400
		<u>9,387,322</u>	<u>111,096,157</u>
		<u>(8,897,748)</u>	<u>489,574</u>
17.6.3			
<p>On June 14, 2006 the Government of Pakistan and International Fund for Agricultural Development (IFAD) signed a Project Loan Agreement under which IFAD has extended a financial contribution of Special Drawing Rights (SDRs) 18.350 million under the project "Restoration of Earthquake Affected Communities and Households" (REACH). The allocated amount will cover the grants to affected communities for (a) reconstruction of housing (b) rehabilitation of community infrastructure (c) grants for livestock (d) costs of trainings for the affected communities and staff of the POs (e) operating costs and cost of equipments to POs engaged in these activities. The period of this agreement is of three years from the effective date i.e. August 01, 2006.</p> <p>Under SFA dated September 19, 2006 executed between GoP and PPAF, GOP agreed to provide SDR 18.350 million to the company as grant on non reimbursable basis.</p>			
		2009	2008
17.7 Grants from Government of Pakistan - IFAD (PRISM)		(Rupees)	
Amount received		<u>45,444,080</u>	<u>-</u>
17.8 Grants from Committee Encouraging Corporate Philanthropy			
Opening balance		281,745,494	106,166,071
Amount received		193,355,114	342,839,394
Foreign exchange translation differences - Net		12,574,431	2,909,730
		<u>487,675,039</u>	<u>451,915,195</u>
Less: Disbursements:			
National Rural Support Programme		119,020,267	28,329,284
Mountain and Glacier Protection Organization		146,570,164	94,086,917
Community Uplift Programme		112,467,156	47,753,500
		<u>378,057,587</u>	<u>170,169,701</u>
		<u>109,617,452</u>	<u>281,745,494</u>

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17.8.1 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.

	Note	2009	2008
(Rupees)			
18. DEFERRED INCOME / (EXPENSE) - GRANT FUND			
Government of Pakistan (GoP)			
Capacity Building - IDA (PPAF II)	18.1	19,219,594	(1,658,056)
Capacity Building - IDA (RNR)	18.2	16,890,855	(41,893,273)
Capacity Building - IDA (Social mobilization)	18.3	3,495,885	-
Capacity Building - IDA (Disability)	18.4	2,358,369	-
Capacity Building - IFAD (MIOP)	18.5	(2,823,242)	(2,636,073)
Capacity Building - IFAD (PRISM)	18.6	4,375,930	-
Capacity Building - USDA	18.7	9,189,171	21,284,621
		52,706,562	(24,902,781)
Capacity building - USAID/Pakistan	18.8	8,209,218	(1,794,731)
Capacity building - CECP	18.9	-	404,905
		<u>60,915,780</u>	<u>(26,292,606)</u>
18.1	Opening balance	(1,658,056)	27,333,262
	Amount received	59,622,335	7,824,001
	Foreign exchange translation differences - net	-	(2,978)
		57,964,279	35,154,285
	Less: Utilization against expenditure recognised as income	38,744,685	36,812,341
		<u>19,219,594</u>	<u>(1,658,056)</u>
18.2	Opening balance	(41,893,273)	10,088,186
	Amount received	106,677,462	-
	Foreign exchange translation differences - net	-	79,642
		64,784,189	10,167,828
	Less: Utilization against expenditure recognised as income	47,893,334	52,061,101
		<u>16,890,855</u>	<u>(41,893,273)</u>
18.3	Amount received	20,624,272	-
	Less: Utilization against expenditure recognised as income	18.3.1	-
		17,128,387	-
		<u>3,495,885</u>	-
18.3.1	Utilization by components		
	Trainings	247,496	-
	Capital costs	980,719	-
	Operating costs	15,900,172	-
		<u>17,128,387</u>	-
18.4	Amount received	26,222,450	-
	Less: Utilization against expenditure recognised as income	23,864,081	-
		<u>2,358,369</u>	-

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	Note	2009	2008
		(Rupees)	
18.5	Opening balance	(2,636,073)	53,420
	Amount received	5,344,843	-
		<u>2,708,770</u>	<u>53,420</u>
	Less: Utilization against expenditure recognised as income	5,532,012	2,689,493
		<u>(2,823,242)</u>	<u>(2,636,073)</u>
18.6	Amount received	5,861,914	-
	Less: Utilization against expenditure recognised as income	1,485,984	-
		<u>4,375,930</u>	<u>-</u>
18.7	Opening balance	21,284,621	51,779,926
	Amount received	19,145,427	-
		<u>40,430,048</u>	<u>51,779,926</u>
	Less: Utilization against expenditure recognised as income	31,240,877	30,495,305
		<u>9,189,171</u>	<u>21,284,621</u>
18.8	Opening balance	(1,794,731)	(305,996)
	Amount received	10,467,320	-
		<u>8,672,589</u>	<u>(305,996)</u>
	Less: Utilization against expenditure recognised as income	463,371	1,488,735
		<u>8,209,218</u>	<u>(1,794,731)</u>
18.9	Opening balance	404,905	6,840,805
	Amount received	32,986,034	24,319,872
	Foreign exchange translation differences - net	-	206,406
		<u>33,390,939</u>	<u>31,367,083</u>
	Less: Utilization against expenditure recognised as income	33,390,939	30,962,178
		<u>-</u>	<u>404,905</u>
19.	SERVICE AND COMMITMENT CHARGES PAYABLE		
	Service charges payable	19.1	62,403,852
	Commitment charges payable	19.2	2,988,254
			<u>62,496,823</u>
			<u>60,396,984</u>

19.1 These represent service charges payable to GOP at the rate of 0.75% per annum (2008: 0.75% per annum) on the principal amount of long term loan outstanding withdrawn from time to time.

19.2 These represent commitment charges payable to GOP at the rate ranging from 0.10% to 0.20% per annum (2008: 0.10% to 0.20% per annum) on the principal amount of long term loan not withdrawn from time to time.

	2009	2008
	(Rupees)	
20. ACCRUED AND OTHER LIABILITIES		
Accrued expenses	8,570,942	2,724,257
Other liabilities	71,269	1,076,954
	<u>8,642,211</u>	<u>3,801,211</u>

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		<u>2009</u>	<u>2008</u>
		(Rupees)	
21.	DETAILS OF ACTUARIAL VALUATION OF STAFF GRATUITY SCHEME		
21.1	Reconciliation of payable to/(receivable from) Defined Benefit Plan		
	Present value of defined benefit obligation	25,232,750	15,852,181
	Fair value of plan assets	(17,654,858)	(12,554,159)
	Unrecognised transitional liability	-	(249,736)
	Unrecognised actuarial gains / (losses)	<u>(7,577,892)</u>	<u>(3,048,286)</u>
	Closing balance	<u>-</u>	<u>-</u>
21.2	Movement in net liability/(asset) recognised		
	Opening net liability	-	3,046,125
	Expense for the year	6,290,774	4,034,824
	Contribution for the year	<u>(6,290,774)</u>	<u>(7,080,949)</u>
	Closing net liability	<u>-</u>	<u>-</u>
21.3	(Prepaid cost)/charge for the Defined Benefit Plan		
	Current service cost	5,564,930	2,985,423
	Interest cost	1,585,218	1,249,956
	Expected return on plan assets	(1,255,416)	(583,671)
	Transitional liability not yet recognized	249,736	249,737
	Net actuarial loss recognised	146,306	133,379
		<u>6,290,774</u>	<u>4,034,824</u>
21.4	The Projected Unit Credit Method using the following significant assumptions was used for the valuation of the scheme:		
		<u>2009</u>	<u>2008</u>
	Valuation discount rate	14% per annum	10% per annum
	Salary increase rate	14% per annum	10% per annum
	Expected return on plan assets	14% per annum	10% per annum

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	2009	2008
	(Rupees)	
22. CONTINGENCIES AND COMMITMENTS		
Aggregate commitments under Financing Agreements with Partner Organisations for;		
Loans	4,824,000,000	2,697,300,000
Grants		
Rehabilitation and reconstruction	157,480,529	2,153,684,427
Community physical infrastructure	94,344,492	287,621,684
Capacity building	316,012,384	19,445,129
Social sector development	92,255,246	273,667
Social mobilization	1,202,746,275	-
	<u>1,862,838,926</u>	<u>2,461,024,907</u>
	<u>6,686,838,926</u>	<u>5,158,324,907</u>

23. SERVICE CHARGES ON LOANS TO PARTNER ORGANISATIONS

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

	Note	2009	2008
		(Rupees)	
24. AMORTIZATION OF DEFERRED INCOME - GRANT FUND			
Government of Pakistan (GoP)			
Capacity building - IDA (PPAF II)	18.1	38,744,685	36,812,341
Capacity building - IDA (RNR)	18.2	47,893,334	52,061,101
Capacity building - IDA (Social mobilization)	18.3	17,128,387	-
Capacity building - IDA (Disability)	18.4	23,864,081	-
Capacity building - IFAD (MIOP)	18.5	5,532,012	2,689,493
Capacity building - IFAD (PRISM)	18.6	1,485,984	-
Capacity building - USDA	18.7	31,240,877	30,495,305
		165,889,360	122,058,240
Capacity building - USAID/Pakistan	18.8	463,371	1,488,735
Capacity building - CECF	18.9	33,390,939	30,962,178
		<u>199,743,670</u>	<u>154,509,153</u>

25. INCOME ON INVESTMENTS AND SAVING ACCOUNTS

Profit on long term investments	104,530,547	104,905,070
Profit on term deposit receipts/saving accounts	618,652,738	548,112,838
	<u>723,183,285</u>	<u>653,017,908</u>

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

	2009	2008
	(Rupees)	
26. OTHER INCOME		
Gain on sale of fixed assets	-	1,201,200
Markup on loans to employees	4,742	32,498
Income from training	1,120,000	917,119
Others	196,096	963,486
	<u>1,320,838</u>	<u>3,114,303</u>

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	Note	2009	2008
(Rupees)			
27. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		137,211,191	112,914,245
Rent		24,185,077	14,764,206
Repairs and maintenance		6,610,159	5,618,392
Traveling, lodging and conveyance		42,930,167	31,174,689
Communication		2,789,362	2,047,831
Printing and stationery		5,174,923	4,520,139
Insurance		2,263,623	2,240,317
Vehicles running and maintenance		8,202,782	6,334,191
Utilities		2,637,249	1,820,155
Training		6,030,935	6,474,269
Consultancy charges		37,512,708	57,556,759
Legal and professional charges		2,494,600	3,099,800
Auditor's remuneration	27.3	2,860,000	2,600,000
Advertisement		3,437,230	2,363,910
Media projection		1,464,605	1,496,221
Newspapers, books and periodicals		701,825	266,681
Depreciation		21,566,925	20,046,705
Amortization		4,797,536	3,715,002
Seminar and workshops		4,434,888	940,197
Security services		1,667,000	1,336,038
Others		3,099,980	2,055,629
	27.4	<u>322,072,765</u>	<u>283,385,376</u>

27.1 The aggregate amounts charged in respect of remuneration of Chief Executive/Managing Director were as follows:

Managerial remuneration	8,601,600	6,720,000
Other allowances	120,000	120,000
	<u>8,721,600</u>	<u>6,840,000</u>

In addition, the Chief Executive/Managing Director is provided with accommodation, car, medical insurance and gratuity.

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

	2009	2008
(Rupees)		
27.3 Auditor's remuneration		
Statutory and projects' audit	1,045,000	950,000
Audit of POs	1,815,000	1,650,000
	<u>2,860,000</u>	<u>2,600,000</u>

27.4 Total general and administration expenses include Rs 199,743,670 (2008: Rs 154,509,153) incurred on different programme activities as disclosed in note 24.

	2009	2008
(Rupees)		
28. FINANCIAL CHARGES		
On long term loans	79,914,140	83,654,399
Bank charges	686,391	592,847
	<u>80,600,531</u>	<u>84,247,246</u>

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29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Financial assets and liabilities

	Note	June 30, 2009			June 30, 2008		
		Interest Bearing	Non-interest Bearing	Total	Interest Bearing	Non-interest Bearing	Total
							(Rupees)
Financial Assets:							
Maturity upto one year							
Current maturity of loans to Partner Organisations	8	7,419,925,938		7,419,925,938	6,867,395,344		6,867,395,344
Short term investments - specific to projects	9	530,000,000		530,000,000	1,050,000,000		1,050,000,000
Short term investments	10	5,224,642,173		5,224,642,173	5,441,784,165		5,441,784,165
Advances, deposits and other receivables		1,869,528	2,198,197	4,067,725	926,167	1,388,397	2,314,564
Profit/service charges receivable			451,863,074	451,863,074		262,500,096	262,500,096
Bank balances - specific to projects	13	2,600,984	1,956,884,934	1,959,485,918	108,038,707	2,929,542,793	3,037,581,500
Cash and bank balances	14	31,123,617	15,201,130	46,324,747	16,052,413	810,282	16,862,695
Maturity after one year but before five years							
Loans to Partner Organizations	8	1,721,037,948		1,721,037,948	1,115,405,268		1,115,405,268
Long term investments	7	1,000,000,000		1,000,000,000	600,000,000		600,000,000
Maturity after five years							
Long term investments	7			-	400,000,000		400,000,000
		<u>15,931,200,188</u>	<u>2,426,147,335</u>	<u>18,357,347,523</u>	<u>15,599,602,064</u>	<u>3,194,241,568</u>	<u>18,793,843,632</u>
Financial Liabilities:							
Maturity upto one year							
Deferred liabilities - grant fund			2,451,222,148	2,451,222,148		4,250,413,931	4,250,413,931
Current portion of long term loans	16	109,617,378		109,617,378	109,617,378		109,617,378
Service and commitment charges payable			62,496,823	62,496,823		60,396,984	60,396,984
Accrued and other liabilities			8,642,211	8,642,211		3,801,211	3,801,211
Maturity after one year but before five years							
Long term loans	16	1,424,213,403		1,424,213,403	950,752,358		950,752,358
Maturity after five years							
Long term loans	16	9,606,652,504		9,606,652,504	9,819,142,505		9,819,142,505
		<u>11,140,483,285</u>	<u>2,522,361,182</u>	<u>13,662,844,467</u>	<u>10,879,512,241</u>	<u>4,314,612,126</u>	<u>15,194,124,367</u>
Off balance sheet items:							
Commitments	22	4,824,000,000	1,862,838,926	6,686,838,926	2,697,300,000	2,461,024,097	5,158,324,907

29.2 Credit quality of financial assets

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

	Name of Credit rating Agency	Rating	2009 Balance Rs
Long term investments			
Counterparties without external credit rating		*	<u>1,000,000,000</u>
Loans to Partner Organizations			
Counterparties without external credit rating		**	<u>9,140,963,886</u>
Short term investments - specific to projects			
Counterparties with external credit rating	JCR-VIS / PACRA	A 1+	<u>530,000,000</u>
Short term investments			
Counterparties with external credit rating	JCR-VIS / PACRA	A 1+	3,223,154,504
	Standard & Poors / PACRA	A 1	150,632,039
	JCR-VIS	A 3	1,027,209,487
	Moody's	P 1	823,646,143
			<u>5,224,642,173</u>
Bank balances - specific to projects			
Counterparties with external credit rating	JCR-VIS / PACRA	A 1+	1,854,085,828
	Standard & Poors / PACRA	A 1	105,400,090
			<u>1,959,485,918</u>
Bank balances			
Counterparties with external credit rating	JCR-VIS / PACRA	A 1+	44,766,907
	Standard & Poors / PACRA	A 1	1,003,547
	JCR-VIS	A 3	277,567
	Moody's	P 1	12,381
Counterparties without external credit rating		*	10,998
			<u>46,071,400</u>

* Securities issued/supported by Government of Pakistan with no default in the past.

** Counterparties with no defaults in the past.

29.3 Risk management policies

a) Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to loans to partner organisations, investments and bank balances. The Company is exposed to credit related losses in the event of non-performance by Partner Organisations of micro-credit loans to the extent of Rs 9.14 billion (2008: Rs 8.00 billion) (including loans to two major POs of Rs 6.08 billion (2008: Rs 5.63 billion)). The Company controls the credit risk through credit appraisals, assessing the credit-worthiness of POs and creating lien on the assets of POs. The credit risk on investments and bank balances is limited because the counter parties are banks and Government of Pakistan.

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company is not exposed to currency risk as there are no foreign currency assets and liabilities except for financial assets of US\$ 3,878 (2008: US\$ 727,911).

c) Interest / mark-up rate risk

The interest bearing financial assets and liabilities are at fixed interest rates.

d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company's financial position is satisfactory and the Company does not have any liquidity problems.

e) Fair value of financial instruments

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


30. NUMBER OF EMPLOYEES

The Company had 197 employees as at June 30, 2009 (June 30, 2008: 195).

31. DATE OF AUTHORISATION

These financial statements have been authorised for issue by the Board of Directors of the Company on 04 AUG 2009.

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CHAIRMAN



CHIEF EXECUTIVE / MANAGING DIRECTOR