

# Condensed Interim Financial Statements

For the Quarter ended  
September 30, 2011

(un-audited)



Pakistan Poverty Alleviation Fund



# Company Information

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## Board of Directors:

Mr. Hussain Dawood  
*Chairman*

Dr. Nuzhat Ahmad

Mr. Rafiud Deen Ahmad

Mr. Rana Assad Amin

Dr. Naved Hamid

Dr. Rajab Ali Memon

Dr. Aisha Ghaus Pasha

Mr. Asif Qadir

Mr. Zafar Hasan Reza

Mr. Zubyr Soomro

Mr. Qazi Azmat Isa  
*Chief Executive Officer*

## BOD Committees:

### Board Compensation Committee:

Mr. Hussain Dawood  
*Chairman*

Mr. Zubyr Soomro

Dr. Rajab Ali Memon

Dr. Aisha Ghaus Pasha

Mr. Zafar Hasan Reza

### Audit Committee:

Mr. Rafiud Deen Ahmad  
*Chairman*

Mr. Rana Assad Amin

Dr. Nuzhat Ahmad

Dr. Naved Hamid

Mr. Asif Qadir

### Risk Oversight Committee:

Mr. Zubyr Soomro  
*Chairman*

Dr. Aisha Ghaus Pasha

Mr. Asif Qadir

## Auditors:

A. F. Ferguson & Company, Chartered Accountants

## Legal Advisors:

Azam Chaudhry Law Associates

## Tax Advisors:

A. F. Ferguson & Company, Chartered Accountants

## Bankers:

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

## Registered Office:

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

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## PAKISTAN POVERTY ALLEVIATION FUND

### MANAGEMENT REVIEW

The Management is pleased to present a brief overview of the operational and financial performance of the Company for the first quarter ended September 30, 2011.

One year after the worst flooding disaster in the history of the region, more floods triggered by heavy rains have devastated parts of Southern Pakistan. About a million people have been affected and tens of thousands have lost their homes when the area had not recovered from last year's floods. PPAF was quick to respond to this tragedy and focused on immediate relief through provision of dry ration packs, hygiene kits, healthcare services and temporary shelter. PPAF allocated Rs 258 million from its own reserves for early recovery programme to help overcome plight of affected communities. Besides carrying out effective relief operations, PPAF maintained steady progress with respect to its core interventions (microfinance, infrastructure, health, education, livelihood, skill development and social mobilization). Collectively, these interventions addressed the many facets of poverty and worked towards reducing vulnerability, especially with respect to gender.

By the end of September 30, 2011, PPAF funding had been disbursed in urban and rural areas of 129 districts of the country (about 297,000 community organizations / groups) through 107 partner organizations of which 12 were focusing exclusively or predominantly on women. On cumulative basis, PPAF has financed 5,200,000 microcredit loans. More than 26,000 infrastructure, health and education projects were initiated and a total of 480,000 staff and community members were trained. In earthquake affected areas, PPAF provided financing to 122,000 households to build earthquake resistant homes and trained over 108,000 individuals in seismic construction and related skills.

**Operational and Financial Results:**

In a difficult environment, the overall operational and financial results during the quarter under review remained satisfactory. Total disbursements for core operations during the quarter were Rs. 3,895 million compared to Rs. 2,079 million in the corresponding period last year. Loan (microcredit and enterprise development facility) disbursements were Rs. 3,106 million as compared to Rs. 1,512 million; water and infrastructure disbursements were Rs. 221 million as compared to Rs. 305 million; disbursements for education and health were Rs. 71 million as against Rs. 154 million. Disbursement for water, infrastructure, health and education decreased due to completion of the social mobilization project. Capacity building disbursements were Rs. 308 million as against Rs. 53 million; social mobilization disbursement were Rs. 111 million as against Rs 50 million; and disbursements for livelihood enhancement and protection were Rs. 78 million as against Rs. 5 million during the preceding period last year. In addition to disbursement for core operations, Rs. 240 million (Rs 37 million from donors' funding and Rs.203 million from PPAF's own resources) was disbursed for project and flood relief activities as compared to Rs. 231 million during the preceding period last year.

By the end of September 2011, the total cumulative disbursements were Rs 95,679 million. Credit and enterprise development accounted for 58% of total disbursements followed by relief, rehabilitation and reconstruction activities (21%); community physical infrastructure (10%); human and institutional development (including social mobilization)/livelihood enhancement and protection (8%); and health & education (3%).

PPAF interventions are being carried out nationwide with 48% of the resources deployed in Punjab, 19% in Sindh, 17% in Khyber Pakhtunkhwa, 4% in Balochistan; 10% in Azad Jammu and Kashmir; 1% each in Gilgit Baltistan and Islamabad Capital Territory.

The Company is primarily meeting its lending obligations through its own reserves built up from repayments received from partner organizations. As of September 30, 2011, out of total disbursement of Rs 55,734 million, an amount of Rs 41,608 million (75%) was disbursed from PPAF own resources.

Total equity on September 30, 2011 was Rs 7,773 million as against Rs 7,530 million as at June 30, 2011. Total assets of the Company on September 30, 2011 stood at Rs 24,286 million against Rs 24,565 million as at June 30, 2011. The amount of loans receivable from partner organizations was Rs 11,360 million on September 30, 2011 as against Rs 11,098 million as at June 30, 2011. PPAF continued to maintain 100% recovery rate in respect of its lending operations.

Total income generated during the quarter under review was Rs 627 million compared to Rs 576 million during the corresponding period last year – an increase of 9%. Service charges on loan to partner organizations; and income on investments/saving accounts increased by 3% and 12%, respectively. Due to increase in the level of reserve for grant based activities, the income on grant fund increased by 60%. During the quarter, capacity building grant decreased by 10% due to closure of social mobilization project.

The general and administrative expenses during the quarter were Rs 92 million as against Rs 83 million during the corresponding period last year, an increase of 10%.

PPAF responded with quickly to the recent floods by providing immediate relief to the affectees; 59,913 families have been provided dry rations in the selected union councils of district Badin while 48,395 families have been imparted hygiene kits containing buckets, jerry cane, soap, etc. In order to provide healthcare services and preventing outbreak of water-borne diseases among the affectees, mobile medical camps have been setup wherein 8,766 patients have been treated. Similarly, PPAF also established distribution points to provide potable water which has benefited 23,390 families. In addition, shelter has been provided to 625 affected families.

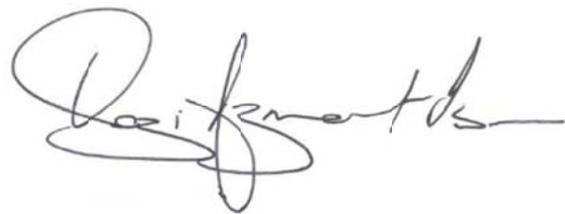
On the completion of the relief phase, PPAF will start working on early recovery, reconstruction and rehabilitation and mitigation and preparedness phases of disaster management in Sindh Coast, as in other areas of Pakistan.

As a special initiative, PPAF has launched a comprehensive quality education program at the cost of Rs. 2.5 million for the youth of Balochistan. The programme has been initiated in 7 districts of Balochistan: Kharan, Khuzdar, Musa Khel, Jhal Magsi, Kohlu, Awaran

and Panjgoor. Under Chamalang Education Program in Kohlu alone, PPAF is providing financial support for fee, books, uniform, stationery, etc. to over 3,000 students. So far PPAF has established 31 community schools while it has adopted 145 public sector schools and has provided financial support for water, furniture, repair & renovation, teachers' training, activation of school management committees, etc. in the abovementioned districts of Balochistan. The program is focused on a radical improvement in literacy level and over 12,000 children have enrolled in PPAF-funded schools out of which 36% are girls.

PPAF has introduced a new product for the microfinance sector, which permits grant of "Equity Fund" to the most dynamic partners and microfinance institutions enabling them to access commercial financing to realize their growth potential and expansion into rural areas. PPAF would provide equity to only those microfinance institutions which meet international criteria on financial sustainability, successful microfinance models and capacity to access counterpart funding. The objective is to make them more attractive prospects for commercial sector lending thereby enabling them to expand outreach of microfinance sector in Pakistan.

PPAF will continue to be a responsive and agile institution fully aligned with the changing dynamics of poverty. We pledge to serve vulnerable people with renewed determination and vigor.

A handwritten signature in black ink, appearing to read 'Qazi Azmat Isa', with a large, stylized flourish at the end.

Qazi Azmat Isa  
Chief Executive Officer

October 17, 2011

Pakistan Poverty Alleviation Fund  
**Condensed Interim Balance Sheet**  
**as at September 30, 2011**

Note	Un-audited September 30, 2011	Audited June 30, 2011
(Rupees '000')		
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Fixed assets - tangible	4 52,321	58,824
Intangible assets	2,307	3,493
Long term investments	5 800,000	800,000
Long term investments-specific to grant fund	6 350,896	350,896
Long term loans to Partner Organizations	7 1,799,000	1,466,675
<b>CURRENT ASSETS</b>		
Current maturity of long term investments	5 -	200,000
Current maturity investments-specific to grant fund	6 2,420,740	2,221,252
Current maturity of loans to Partner Organizations	7 9,560,971	9,630,919
Short term investments-specific to projects	8 1,485,000	1,445,000
Short term investments-others	9 4,952,920	4,867,535
Advances, deposits, prepayments and other receivables	111,939	72,259
Profit/service charges receivable	785,355	682,095
Cash and bank balances-specific to projects	10 1,940,613	2,734,888
Cash and bank balances	11 24,057	31,332
	21,281,595	21,885,280
	<b>24,286,119</b>	<b>24,565,168</b>
<b>FUND AND RESERVES</b>		
Endowment fund	12 1,000,000	1,000,000
Grant fund	2,771,636	2,572,148
Reserve for grant based activities	103,050	222,180
Accumulated surplus	3,898,729	3,736,073
	7,773,415	7,530,401
<b>LONG TERM LOANS</b>		
	13 14,249,678	13,760,923
<b>CURRENT LIABILITIES</b>		
Deferred liabilities - grant fund	14 1,878,406	2,826,743
Deferred income - grant fund	28,518	31,427
Current portion of long term loans	13 282,795	282,795
Service and commitment charges payable	23,840	37,194
Accrued and other liabilities	49,467	95,685
	2,263,026	3,273,844
	<b>24,286,119</b>	<b>24,565,168</b>

The annexed notes from 1 to 21 form an integral part of these financial statements.

**Chairman**

**Chief Executive Officer**

Pakistan Poverty Alleviation Fund  
**Condensed Interim Income and Expenditure Account (Un-audited)**  
**for the Quarter ended September 30, 2011**

	Note	For the quarter ended	
		September 30, 2011	September 30, 2010
(Rupees '000')			
<b>INCOME</b>			
Service charges on loans to Partner Organizations		283,885	274,938
Amortization of deferred income - grant fund		73,748	82,331
Income on investments and saving accounts	15	185,619	165,683
Income on grant fund		83,641	52,070
Other income		264	581
		<b>627,157</b>	<b>575,602</b>
<b>EXPENDITURE</b>			
General and administrative expenses	16	91,789	83,385
Serminars, workshops and trainings	17	2,845	5,032
Consultancy charges	18	49,247	26,872
Project and relief activities	19	202,771	94,909
Loan loss provision	7	13,809	-
Financial charges	20	23,682	17,317
		<b>384,143</b>	<b>227,515</b>
<b>SURPLUS FOR THE QUARTER</b>		<b>243,014</b>	<b>348,088</b>

The annexed notes from 1 to 21 form an integral part of these financial statements.

**Chairman**

**Chief Executive Officer**

Pakistan Poverty Alleviation Fund  
**Condensed Interim Cash Flow Statement (Un-audited)**  
for the Quarter ended September 30, 2011

Note	September 30, 2011	September 30, 2010
	(Rupees '000')	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash generated from / (used in) operations</b>		
Surplus for the quarter	243,014	348,088
Adjustment for non cash items:		
Depreciation	8,622	8,985
Amortization of intangible assets	1,334	1,445
Amortization of deferred income	(73,748)	(82,331)
Financial charges	23,682	17,317
	(26,481)	(54,584)
	216,533	293,504
<b>Working capital changes</b>		
(Increase) / decrease in current assets:		
Advances, deposits, prepayments and other receivables	(39,680)	(5,518)
Profit/service charges receivables	(103,260)	(279,155)
Increase / (decrease) in current liabilities:		
Accrued and other liabilities	(46,218)	11,396
	(189,158)	(273,277)
Cash generated from operations	27,375	20,227
Disbursements to partner organizations:		
Loans	(3,105,549)	(1,511,838)
Grants	(825,001)	(702,365)
Recoveries of loans from partner organizations	2,829,363	2,217,135
Financial charges paid	(37,036)	(31,992)
	(1,138,223)	(29,060)
Cash flows from operating activities	(1,110,848)	(8,833)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments - net encashments	(124,874)	(895,813)
Capital expenditure incurred	(2,270)	(570)
Proceeds from disposal of fixed assets	180	(5)
Cash flows investing activities	(126,964)	(896,388)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loans - received	488,755	77,871
Deferred liabilities - grant fund receipts	(123,333)	458,757
Deferred income - grant fund receipts	70,839	20,056
Cash flows from financing activities	436,262	556,684
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(801,550)	(348,537)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER</b>	2,766,220	5,062,362
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	<b>1,964,670</b>	<b>4,713,825</b>

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The annexed notes from 1 to 21 form an integral part of these financial statements.

**Chairman**

**Chief Executive Officer**

Pakistan Poverty Alleviation Fund

**Condensed Interim Statement of Changes in Fund and Reserves (Un-audited)  
for the Quarter ended September 30, 2011**

	Endowment fund	Grant fund	Reserve for grant based activities	Accumulated surplus	Total
	(Rupees '000')				
<b>Balance as at June 30, 2010</b>	<b>1,000,000</b>	<b>1,763,431</b>	<b>161,052</b>	<b>3,189,978</b>	<b>6,114,461</b>
Net surplus for the quarter ended on September 30, 2010	-	-	-	348,088	348,088
Transfer from accumulated surplus to grant fund	-	345,736	-	(345,736)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	52,070	(52,070)	-
Expenses on project & relief activities	-	-	(83,909)	83,909	-
<b>Balance as at September 30, 2010</b>	<b>1,000,000</b>	<b>2,109,167</b>	<b>129,213</b>	<b>3,224,169</b>	<b>6,462,549</b>
Net surplus for three quarters ended on June 30, 2011	-	-	-	1,067,852	1,067,852
Transfer from accumulated surplus to grant fund	-	462,981	-	(462,981)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	215,168	(215,168)	-
Expenses on project & relief activities	-	-	(122,201)	122,201	-
<b>Balance as at June 30, 2011</b>	<b>1,000,000</b>	<b>2,572,148</b>	<b>222,180</b>	<b>3,736,073</b>	<b>7,530,401</b>
Net surplus for the first quarter ended on September 30, 2011	-	-	-	243,014	243,014
Transferred from accumulated surplus to grant fund	-	199,488	-	(199,488)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	83,641	(83,641)	-
Expenses on project & relief activities	-	-	(202,771)	202,771	-
<b>Balance as at September 30, 2011</b>	<b>1,000,000</b>	<b>2,771,636</b>	<b>103,050</b>	<b>3,898,729</b>	<b>7,773,415</b>

The annexed notes from 1 to 21 form an integral part of these financial statements.

**Chairman**

**Chief Executive Officer**

**Notes to the Condensed Interim Financial Statements (Un-audited)  
for the Quarter ended September 30, 2011**

- Pakistan Poverty Alleviation Fund ("the Company") was registered in Pakistan on February 6, 1997 as a public company with liability limited by guarantee, under Section 42 of the Companies Ordinance, 1984. The primary object of the Company is to help poor, the landless and the asset-less in order to enable them to gain access to the resources for their productive self employment and to encourage them to undertake activities of income generation, poverty alleviation and for enhancing quality of life.
- These condensed interim financial statements for the quarter ended September 30, 2011 are un-audited and have been prepared in accordance with the requirements of International Accounting Standard - 34: "Interim Financial Reporting". These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2011. Comparative condensed interim balance sheet is extracted from annual audited financial statements for the year ended June 30, 2011, whereas, comparative condensed interim income and expenditure account, condensed interim cash flow statement, and condensed interim statement of changes in fund and reserves are stated from unaudited condensed interim financial statements for the quarter ended September 30, 2010.
- Accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended June 30, 2010.

	Note	Un-audited September 30, 2011	Audited June 30, 2011
<b>4. FIXED ASSETS - TANGIBLE</b>		(Rupees '000')	
Opening written down value		58,824	64,972
Additions		2,120	20,525
Written down value of disposals / adjustments		-	(235)
Depreciation		(8,623)	(26,439)
		52,321	58,824
<b>5. LONG TERM INVESTMENTS - held to maturity</b>			
Pakistan Investment Bonds (PIBs)	5.1	800,000	1,000,000
Less: PIBs maturing within next twelve months shown as current asset		-	(200,000)
		800,000	800,000

5.1 Represents investments in PIBs as follows:

Face Value (Rupees)	Issue Date	Purchase Date	Maturity Date	Coupon rate % per annum	Payment terms
100 million	29-04-2004	03-07-2004	28-04-2014	8.00	Semi annually
150 million	29-04-2004	05-03-2005	28-04-2014	8.00	Semi annually
150 million	29-04-2004	07-10-2005	28-04-2014	8.00	Semi annually
200 million	22-07-2010	30-12-2010	22-07-2020	12.00	Semi annually
200 million	22-07-2010	19-05-2011	22-07-2020	12.00	Semi annually

	Note	Un-audited September 30, 2011	Audited June 30, 2011
<b>6. INVESTMENTS - specific to grant fund</b>		(Rupees '000')	
Long term investments specific to grant fund		2,771,636	2,572,148
Less: TDRs maturing within next twelve months shown as current asset		2,420,740	2,221,252
		350,896	350,896

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

	Un-audited September 30, 2011	Audited June 30, 2011
<b>7. LOANS TO PARTNER ORGANIZATIONS-secured, considered good</b>	(Rupees '000')	
National Rural Support Programme	4,088,576	4,397,851
Punjab Rural Support Programme	297,442	363,942
Kashf Foundation	2,172,250	1,846,500
Sarhad Rural Support Programme	9,000	5,000
Thardeep Rural Development Programme	359,819	492,845
Development Action for Mobilization and Emancipation	571,679	596,842
Sindh Agricultural & Forestry Workers Coordinating Organization	300,293	261,400
Sindh Rural Support Programme	-	200
Jinnah Welfare Society	326,648	295,916
Centre for Women Cooperative Development	226,017	219,420
Rural Community Development Society	346,900	297,819
Khwendo Kor Women and Children Development Programme	1,073	1,052
Young Pioneers Society	7,250	7,250
Women Social Organisation	21,798	18,993
Community Support Concern	299,918	270,298
Poverty Eradication Network	2,777	2,777
Bunyard Literacy Community Council	19,050	14,500
Indus Resource Centre	382	1,282
Network Leasing Corporation Limited	-	15,125
Organization for Participatory Development	51,164	47,264
Swabi Women Welfare Society	8,917	6,550
Orangi Charitable Trust	178,300	261,500
Karwan Community Development Organization	13,960	12,353
Kiran Welfare Organization	1,500	1,500
Narowal Rural Development Programme	39,708	35,137
Soon Valley Development Programme	24,300	24,300
Asasah	247,338	222,338
Baidarie	18,867	22,042
Orix Leasing Pakistan Limited	183,667	216,542
Save The Poor	32,919	28,916
Marvi Rural Development Organization	24,683	34,605
Sindh Rural Support Organization	478,090	452,473
BRAC - Pakistan	747,492	966,387
Khajji Cooperative Society	19,560	16,000
AL Mehran Rural Development and Welfare Organization	55,974	62,783
Farmers Friend Organization	69,570	61,716
Mojaz Foundation	37,539	26,920
Balochistan Rural Development & Research Society	1,500	1,860
Badbaan Enterprise Development Forum	8,417	2,292
Buksh Foundation	10,625	5,417
Villagers Development Organization	19,950	4,950
SAATH Development Society	35,583	24,300
Mashal Development Organization	3,196	3,471
AGAHE	18,117	8,117
Sayya Foundation	4,220	3,980
Dia Welfare Organization	9,638	4,638
ASA Pakistan Limited	78,625	85,000
Chenab Development Foundation	7,928	3,000
Mehran Education Society	7,500	-
Shadab Rural Development Organization	3,750	-
Ghazi Brotha Taraqiatee Idara	4,030	-
Khushhali Bank	184,053	-
NRSP Bank	350,000	-
Loans outstanding	12,031,548	11,755,362
Less: Loan loss provision	(671,577)	(657,768)
	11,359,971	11,097,594
Less: Amount receivable within next twelve months shown as current asset	(9,560,971)	(9,630,919)
	1,799,000	1,466,675

7.1

- 7.1 The Company disbursed Micro-credit loans and Enterprise Development Facility (EDF) to POs under respective Financing Agreements at a service charge of eight percent per annum (8% p.a.). These loans are secured through letter of hypothecation on receivables of POs created out of financing obtained from the Company. Further, the Company maintains a first charge on all assets / capital items created out of financing provided for capacity building and under the exclusive lien of the Company until full repayment of the principal, service charges and other outstanding amounts payable to the Company. These loans are repayable on quarterly basis within two years under the respective financing agreements signed between the Company and the POs.

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.

	Note	Un-audited September 30, 2011	Audited June 30, 2011
(Rupees '000')			
<b>8. SHORT TERM INVESTMENTS-specific to projects</b>			
Term deposit receipts - PRISM	8.1	1,485,000	1,445,000

- 8.1 This represents investments in respect of Programme For Increasing Sustainable Microfinance (PRISM) activities, maturing within one year from the date of investment at annual markup rate ranging from 10.50% p.a. to 11.50% p.a. (June 2011: 10.50% p.a. to 11.50% p.a) As agreed in the Subsidiary Financing Agreement, these funds are placed with commercial banks as cash collaterals for providing a partial guarantee for the Banks to facilitate lending to the following Microfinance Institutions:

Microfinance Institutions	Investment amount	Running finance facility amount
National Rural Support Programme	250 million	500 million
Orangi Charitable Trust	150 million	150 million
Sindh Agricultural & Forestry Workers Coordinating Organization	50 million	60 million
Asasah	50 million	55 million
Jinnah Welfare Society	20 million	22 million
Rural Community Development Society	25 million	28 million
BRAC Pakistan	150 million	175 million
National Rural Support Programme	250 million	350 million
KASHF Foundation	500 million	750 million
Development Action for Mobilization and Emancipation	40 million	60 million

**9. SHORT TERM INVESTMENTS - others**

Specific to lending activities	2,346,610	2,516,462
Specific to capital adequacy	2,406,310	2,351,072
Specific to endowment fund	200,000	-
	<b>4,952,920</b>	<b>4,867,534</b>

This represents investments equivalent to 20% of the loan receivable from Partner Organizations to safeguard against major default and provide capital adequacy. These funds are invested in term deposits receipts and treasury bills of various commercial banks, maturing within one year from the date of investment, at annual markup rates ranging from 9% p.a. to 13.75% p.a (June 2011: 10.80% p.a. to 16.25% p.a)

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
<b>10. CASH AND BANK BALANCES-specific to projects</b>		
Cash at banks - current accounts		
specific to IDA III	1,670,438	2,472,254
specific to IFAD-MIOP	72	121,304
specific to CECP	30,267	30,267
specific to Shell Pakistan	8,001	8,001
specific to BISP	62,100	-
	<u>1,837,642</u>	<u>2,631,826</u>
Cash at banks - deposit accounts		
specific to USDA	102,949	103,040
specific to CECP	22	22
	<u>102,971</u>	<u>103,062</u>
	<u>1,940,613</u>	<u>2,734,888</u>

**11. CASH AND BANK BALANCES**

Cash in hand	58	44
Cash at banks - current accounts	9,370	9,476
Cash at banks - deposit accounts	14,628	21,812
	<u>23,998</u>	<u>31,288</u>
	<u>24,057</u>	<u>31,332</u>

The balances in deposit account carry average markup of 6.5% p.a. (June 2010: 6.5% p.a.). These include foreign currency balances aggregating to US\$ 3,878 (June 2011: US\$ 3,878)

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
<b>12. ENDOWMENT FUND</b>	<u>1,000,000</u>	<u>1,000,000</u>

This represent the amounts paid by GOP for endowment fund under the Subsidiary Financing Agreements (SFAs) as detailed in note 13.1 and 13.2. Under the Deed of Endowment signed between GOP and the Company, the fund is to be invested in the government schemes / bonds and income generated therefrom shall be utilized for revenue and capital expenditure of the company.

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
<b>13. LONG TERM LOANS - Unsecured</b>		
Government of Pakistan - PPAF - I (IDA financing)	13.1 2,093,172	2,093,172
Government of Pakistan - PPAF - II (IDA financing)	13.2 8,140,711	8,140,711
Government of Pakistan - PPAF - III (IDA financing)	13.3 1,393,255	1,110,500
Government of Pakistan - (IFAD financing-MIOP)	13.4 1,137,540	1,137,540
Government of Pakistan - (IFAD financing-PRISM)	13.5 1,485,000	1,279,000
	<u>14,249,678</u>	<u>13,760,923</u>
13.1 Government of Pakistan - PPAF - I (IDA financing)	<u>2,093,172</u>	<u>2,093,172</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 charges are payable on May 15 and November 15 each year.

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
13.2 Government of Pakistan - PPAF - II (IDA financing)	8,140,711	8,140,711

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 charges are payable on February 01 and August 01 each year.

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
13.3 Movement of loan from GoP - PPAF - III (IDA financing)	(Rupees '000')	
Opening balance	1,110,500	267,522
Amount received	282,755	842,978
	<b>1,393,255</b>	<b>1,110,500</b>

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

Under Subsidiary Loan Agreement (SLA) dated June 15, 2009 executed between GOP and the Company, the GOP agreed to provide 13% of the amount as loan to the Company and the balance as grant on non reimbursable basis. The principal loan amount of the project is repayable in Pak Rupees over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments, payable on each June 15, and December 15 commencing from June 15, 2017 and ending on December 15, 2031. Each installment upto and including the installment payable on December 15, 2022 shall be equal to two point zero eight three percent (2.083%) of such principal amounts and each installment thereafter shall be equal to four point one six seven percent (4.167%) of such principal amount.

Under the SLA the company has committed to pay a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time and the commitment charge on the principal amount of loan not withdrawn from time to time at a rate to be set by the IDA as of June 30 of each year, but not to exceed the rate of 0.50% per annum. The service and commitment charges are payable on June 15 and December 15 each year.

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
13.4 Government of Pakistan - (IFAD financing-MIOP)	1,137,540	1,137,540

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

Under Subsidiary Loan and Grant Agreement (SLGA) dated April 18, 2006 executed between GOP and the Company, the GOP agreed to provide 50% of the amount as loan to the Company and the balance as grant on non reimbursable basis on account of capacity building. The principal loan amount of the project is repayable in Pak Rupees over a period of twenty three years, including a grace period of eight years, in thirty equal semi-annual installments commencing from June 01, 2014 and ending on December 01, 2028.

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

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
13.5 Movement of loan from GoP - (IFAD financing-PRISM)		
Opening balance	1,279,000	609,175
Amount received	206,000	669,825
	<u>1,485,000</u>	<u>1,279,000</u>

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

Under Subsidiary Loan and Grant Agreement (SLGA) dated January 12, 2008 executed between GOP and the Company, the GOP agreed to provide 65% of the amount as loan to the Company and the balance as grant on non reimbursable basis on account of capacity building. The principal loan amount of the project is repayable in Pak Rupees over a period of twenty three years, including a grace period of eight years, in thirty equal semi-annual installments commencing from December 01, 2015 and ending on June 01, 2030.

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

	<b>Note</b>	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
		(Rupees '000')	
<b>14. DEFERRED LIABILITIES - grant fund</b>			
Government of Pakistan - IDA III	14.1	1,538,047	2,388,314
US Agency for International Development/Pakistan	14.2	115,984	115,984
Government of Pakistan - USDA	14.3	100,053	100,144
Government of Pakistan - IFAD (MIOP)	14.4	(63,886)	125,632
Government of Pakistan - IFAD (PRISM)	14.5	66,462	(301)
Committee Encouraging Corporate Philanthropy	14.6	30,768	30,768
Shell Pakistan Ltd.- Model Village	14.7	6,446	6,446
Benazir Income Support Program	14.8	81,643	56,867
Engro Foundation - Flood Relief	14.9	2,889	2,889
		<u>1,878,406</u>	<u>2,826,743</u>

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

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
<b>14.1 Grants from Government of Pakistan - IDA III</b>		
Opening balance	2,388,314	2,278,886
Amount received/(transferred)	(350,114)	1,661,265
	2,038,200	3,940,151
Less: Disbursements for		
Social mobilization	111,125	260,169
Institutional building	3,282	103,165
Livelihood enhancement and protection	77,387	414,160
Micro credit access	16,856	51,439
Health and Education	70,536	320,821
Water and infrastructure	220,969	402,084
	500,153	1,551,837
	1,538,047	2,388,314
<b>14.2 Grants from USAID/Pakistan</b>	115,984	115,984
<b>14.3 Grants from Government of Pakistan - USDA</b>		
Opening balance	100,144	206,227
Amount transferred	-	(17,958)
Profit on project bank account	-	11,107
	100,144	199,376
Less: Disbursements to POs	91	99,232
	100,053	100,144
14.3.1	<p>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 used these funds to implement long-term poverty reduction programmes, including: small-scale infrastructure programmes; sustainable agriculture development programmes. Funding in respect of the Company was recognised as deferred income.</p>	
	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
<b>14.4 Grants from Government of Pakistan - IFAD (MIOP)</b>		
Opening balance	125,632	61,294
Amount received	64,418	555,588
	190,049	616,882
Less: Disbursements to POs	253,935	491,251
	(63,886)	125,632
<b>14.5 Grants from Government of Pakistan - IFAD (PRISM)</b>		
Opening balance	(301)	217,127
Amount received	100,263	(215,826)
	99,962	1,301
Less: Disbursements to POs	33,500	1,602
	66,462	(301)
<b>14.6 Grants from Committee Encouraging Corporate Philanthropy</b>		
Opening balance	30,768	74,831
Less: Disbursements to POs	-	44,063
	30,768	30,768

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

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
<b>14.7 Shell Pakistan Ltd.-Model Village</b>	<u>6,446</u>	<u>6,446</u>

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

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
<b>14.8 Benazir Income Support Program</b>		
Opening balance	56,867	-
Amount received	<u>62,100</u>	<u>127,130</u>
	118,967	127,130
Less: Disbursements to POs	<u>37,324</u>	<u>70,263</u>
	<u>81,643</u>	<u>56,867</u>

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

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

	<b>Un-audited September 30, 2011</b>	<b>Audited June 30, 2011</b>
	(Rupees '000')	
<b>14.9 Engro Foundation - Flood Relief</b>	<u>2,889</u>	<u>2,889</u>

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

	<b>For the quarter ended September 30, 2011</b>	<b>September 30, 2010</b>
	(Rupees '000')	
<b>15. INCOME ON INVESTMENTS AND SAVING ACCOUNTS</b>		
Profit on Pakistan Investment Bonds	23,858	26,365
Profit on term deposit receipts/saving accounts	<u>161,760</u>	<u>139,319</u>
	<u>185,619</u>	<u>165,683</u>

**For the quarter ended**  
**September 30,      September 30,**  
**2011                      2010**

(Rupees '000')

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

Salaries, wages and other benefits	53,005	49,241
Rent, rates and taxes	6,800	7,885
Repairs and maintenance	901	1,195
Office shifting and related expenses	3,352	-
Traveling, lodging and conveyance	8,611	6,497
Communication	778	631
Printing and stationery	991	1,084
Insurance	510	531
Vehicles running and maintenance	3,566	2,503
Utilities	1,285	721
Legal and professional charges	438	910
Advertisement	362	577
Media projection	339	3
Newspapers, books and periodicals	85	70
Depreciation	8,622	8,985
Amortization	1,334	1,445
Security services	224	507
Others	587	599
	<u>91,789</u>	<u>83,385</u>

**17. SEMINARS, WORKSHOPS AND TRAININGS**

Training	2,508	313
Seminar and workshops	337	4,718
	<u>2,845</u>	<u>5,032</u>

**18. CONSULTANCY CHARGES**

Poverty score card	37,705	776
General	11,542	26,096
	<u>49,247</u>	<u>26,872</u>

**19. PROJECT AND RELIEF ACTIVITIES**

School Milk Project	-	12,114
Flood relief activities	202,771	82,794
	<u>202,771</u>	<u>94,909</u>

**20. FINANCIAL CHARGES**

On micro credit loans	23,392	17,285
Bank charges	290	32
	<u>23,682</u>	<u>17,317</u>

**21. COMPARATIVE FIGURES**

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

**Chairman**

**Chief Executive Officer**