

Condensed Interim Financial Statements

For the Half Year ended December 31, 2011



Beneficiaries of Integrated Water Efficient Irrigation Program in Sheikhpura (Punjab)
Photo by Maryam Zahra



PAKISTAN POVERTY ALLEVIATION FUND

Condensed Interim Financial Statements

For the Half Year ended December 31, 2011



PAKISTAN POVERTY ALLEVIATION FUND

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Pakistan Poverty Alleviation Fund

Company Information

Board of Directors:

Mr. Hussain Dawood
Chairman

Dr. Nuzhat Ahmad

Mr. Rafiud Deen Ahmad

Mr. Rana Assad Amin

Dr. Naved Hamid

Dr. Rajab Ali Memon

Dr. Aisha Ghaus Pasha

Mr. Asif Qadia

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

Company Secretary:

Mr. Amir Naeem

Auditors:

A. F. Ferguson & Company, Chartered Accountants

Legal Advisors:

Azam Chaudhry Law Associates

Tax Advisors:

A. F. Ferguson & Company, Chartered Accountants

Bankers:

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

Registered Office:

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

The Management is pleased to present a brief overview of the operational and financial performance of the Company for the half year ended December 31, 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 December 31, 2011, PPAF funding had been disbursed in urban and rural areas of 129 districts of the country (about 297,000 community organizations / groups) through 114 partner organizations of which 12 were focusing exclusively or predominantly on women. On cumulative basis, PPAF has financed 5,352,838 microcredit loans.

More than 27,417 infrastructure, health and education projects were initiated and a total of 488,249 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 half year under review remained satisfactory. Total disbursements for core operations during the quarter were Rs. 8,490 million compared to Rs. 6,716 million in the corresponding period last year. Loan (microcredit and enterprise development facility) disbursements were Rs. 6,766 million as compared to Rs. 4,971 million; water and infrastructure disbursements were Rs. 365 million as compared to Rs. 627 million; disbursements for education and health were Rs. 361 million as against Rs. 419 million.

Disbursement for water, infrastructure, health and education decreased due to completion of the social mobilization project. Capacity building disbursements were Rs. 438 million as against Rs. 158 million; social mobilization disbursement were Rs. 220 million as against Rs. 475 million; and disbursements for livelihood enhancement and protection were Rs. 339 million as against Rs. 66 million during the preceding period last year.

In addition to disbursement for core operations, Rs. 576 million (Rs. 273 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. 423 million during the preceding period last year.

By the end of December 2011, the total cumulative disbursements were Rs. 100,361 million. Credit and enterprise development accounted for 59% of total disbursements followed by relief, rehabilitation and reconstruction activities (20%); community physical infrastructure(10%); human and institutional development (including social mobilization) (7%); livelihood enhancement and protection (1%); and health & education (3%).

PPAF interventions are being carried out nationwide with 50% of the resources deployed in Punjab, 19% in Sindh, 16% in Khyber Pakhtunkhwa, 4% in Balochistan; 9% 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 December 31, 2011, out of total disbursement of Rs. 59,394 million, an amount of Rs. 44,785 million (75%) was disbursed from PPAF own resources.

Total equity on December 31, 2011 was Rs. 8,288 million as against Rs. 7,530 million as at June 30, 2011. Total assets of the Company on December 31, 2011 stood at Rs. 24,599 million against Rs. 24,565 million as at June 30, 2011. The amount of loans receivable from partner organizations was Rs. 11,837 million on December 31, 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 half year under review was Rs. 1,313 million compared to Rs. 1,155 million during the corresponding period last year an increase of 14%. Service charges on loan to partner organizations; and income on investments/saving accounts increased by 3% and 22%, respectively. Due to increase in the level of reserve for grant based activities, the income on grant fund increased by 52%. During the half year, capacity building grant decreased by 12% due to closure of social mobilization project with the World Bank.

The general and administrative expenses during the half year were Rs. 185 million as against Rs. 165 million during the corresponding period last year, an increase of 12%.

PPAF responded 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, rehabilitation, 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 above mentioned 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.



Qazi Azmat Isa
Chief Executive Officer

February 8, 2012

Condensed Interim
Financial Statements
Pakistan Poverty Alleviation Fund

Pakistan Poverty Alleviation Fund
Condensed Interim Balance Sheet
As at December 31, 2011

Note	Un-audited December 31, 2011	Audited June 30, 2011
	(Rupees '000')	
ASSETS		
NON CURRENT ASSETS		
Fixed assets - tangible	4 50,411	58,824
Intangible assets	865	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 2,367,494	1,466,675
CURRENT ASSETS		
Current maturity of long term investments	5 -	200,000
Current maturity investments-specific to grant fund	6 2,632,053	2,221,252
Current maturity of loans to Partner Organizations	7 9,469,975	9,630,919
Short term investments-specific to projects	8 1,485,000	1,445,000
Short term investments-others	9 5,027,995	4,867,535
Advances, deposits, prepayments and other receivables	99,540	72,259
Profit/service charges receivable	902,429	682,095
Cash and bank balances-specific to projects	10 1,331,524	2,734,888
Cash and bank balances	11 80,962	31,332
	<u>21,029,478</u>	<u>21,885,280</u>
	<u>24,599,144</u>	<u>24,565,168</u>
FUND AND RESERVES		
Endowment fund	12 1,000,000	1,000,000
Grant fund	2,982,949	2,572,148
Reserve for grant based activities	192,483	222,180
Accumulated surplus	4,113,038	3,736,073
	<u>8,288,470</u>	<u>7,530,401</u>
LONG TERM LOANS	13 14,502,865	13,760,923
CURRENT LIABILITIES		
Deferred liabilities - grant fund	14 1,257,274	2,826,743
Deferred income - grant fund	27,610	31,427
Current portion of long term loans	13 455,973	282,795
Service and commitment charges payable	30,493	37,194
Accrued and other liabilities	36,459	95,685
	<u>1,807,809</u>	<u>3,273,844</u>
	<u>24,599,144</u>	<u>24,565,168</u>

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 half year ended December 31, 2011

	Note	For the quarter ended		For the half year ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
		(Rupees '000')		(Rupees '000')	
INCOME					
Service charges on loans to Partner Organizations		281,053	271,383	564,938	546,321
Amortization of deferred income - grant fund		33,488	38,894	107,236	121,224
Income on investments and saving accounts	15	269,528	206,040	455,147	371,724
Income on grant fund		89,433	2,086	17,074	114,155
Other income		12,048	1,252	12,311	1,834
		<u>685,550</u>	<u>579,654</u>	<u>1,312,706</u>	<u>1,155,257</u>
EXPENDITURE					
General and administrative expenses	16	93,070	81,495	184,859	164,881
Seminars, workshops and trainings	17	12,194	2,873	15,040	7,904
Consultancy charges	18	8,962	5,261	58,209	32,133
Project and relief activities	19	-	108,678	202,771	203,586
Loan loss provision	7	25,132	-	38,941	-
Financial charges	20	31,135	29,352	54,817	46,669
		<u>170,493</u>	<u>227,659</u>	<u>554,637</u>	<u>455,173</u>
SURPLUS FOR THE PERIOD		<u>515,057</u>	<u>351,996</u>	<u>758,069</u>	<u>700,084</u>

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 half year ended December 31, 2011

For the half year ended
December 31, December 31,
2011 2010
(Rupees '000')

CASH FLOWS FROM OPERATING ACTIVITIES

Note	December 31, 2011	December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from / (used in) operations		
Surplus for the half year	758,069	700,084
Adjustment for non cash items:		
Depreciation	15,412	19,426
Amortization of intangible assets	2,626	2,891
Amortization of deferred income	(107,236)	(121,224)
Loan loss provision	38,941	-
Gain on sale of fixed assets	(180)	(247)
Financial charges	54,817	23,983
	4,380	(75,171)
	762,449	624,913
Working capital changes		
(Increase) / decrease in current assets:		
Advances, deposits, prepayments and other receivables	(27,281)	(2,519)
Profit/service charges receivables	(220,338)	(306,752)
Increase / (decrease) in current liabilities:		
Accrued and other liabilities	(59,226)	(16,936)
	(306,845)	(326,207)
Cash generated from operations	455,604	298,706
Disbursements to partner organizations:		
Loans	(6,765,501)	(4,970,908)
Grants	(2,097,909)	(1,955,181)
Recoveries of loans from partner organizations	5,986,686	5,494,419
Financial charges paid	(61,518)	(32,543)
	(2,938,242)	(1,464,213)
Cash flows from operating activities	(2,482,638)	(1,165,507)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - net encashments	(411,262)	(1,466,463)
Capital expenditure incurred	(7,374)	(14,629)
Proceeds from disposal of fixed assets	556	247
Cash flow investing activities	(418,080)	(1,480,845)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans - received	969,929	264,491
Long term loans - repaid	(54,809)	(54,809)
Deferred liabilities - grant fund receipts	528,444	1,146,672
Deferred income - grant fund receipts	103,419	117,997
Cash flows from financing activities	1,546,984	1,474,351
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,353,734)	(1,172,001)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,766,220	5,062,362
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,412,486	3,890,361

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 half year ended December 31, 2011

	Endowment fund	Grant fund	Reserve for grant based activities	Accumulated surplus	Total
	(Rupees '000')				
Balance as at June 30, 2010	1,000,000	1,763,431	161,052	3,189,978	6,114,461
Net surplus for the half year ended on December 31, 2010	-	-	-	700,084	700,084
Transfer from accumulated surplus to grant fund	-	595,988	-	(595,988)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	114,155	(114,155)	-
Expenses on project & relief activities	-	-	(203,587)	203,587	-
Balance as at December 31, 2010	1,000,000	2,359,419	71,621	3,383,506	6,814,546
Net surplus for the half year ended on June 30, 2011	-	-	-	715,856	715,856
Transfer from accumulated surplus to grant fund	-	212,729	-	(212,729)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	153,082	(153,082)	-
Expenses on project & relief activities	-	-	(2,523)	2,523	-
Balance as at June 30, 2011	1,000,000	2,572,148	222,180	3,736,073	7,530,401
Net surplus for the half year ended on December 31, 2011	-	-	-	758,069	758,069
Transferred from accumulated surplus to grant fund	-	410,801	-	(410,801)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	173,074	(173,074)	-
Expenses on project & relief activities	-	-	(202,771)	202,771	-
Balance as at December 31, 2011	1,000,000	2,982,949	192,483	4,113,038	8,288,470

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


Chairman


Chief Executive Officer

Pakistan Poverty Alleviation Fund
Notes to the Condensed Interim Financial Statements (Un- Audited)
For the half year ended December 31, 2011

1. Pakistan Poverty Alleviation Fund ("the Company") was registered in Pakistan on February 6, 1997 as a public company with liability limited by guarantee, under Section 42 of the Companies Ordinance, 1984. The primary object of the Company is to help poor, the landless and the asset-less in order to enable them to gain access to the resources for their productive self employment and to encourage them to undertake activities of income generation, poverty Alleviation and for enhancing quality of life.
2. These condensed interim financial statements for the half year ended December 31, 2011 are Un-audited and have been prepared in accordance with the requirements of International Accounting Standard - 34: "Interim Financial Reporting". These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 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 half year ended December 31, 2010.
3. Accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial Statements for the year ended June 30, 2011.

<u>Note</u>	<u>Un-audited December 31, 2011</u>	<u>Audited June 30, 2011</u>
	(Rupees '000')	
4. FIXED ASSETS - TANGIBLE		
Opening written down value	58,824	64,972
Additions	7,374	20,525
Written down value of disposals / adjustments	(376)	(235)
Depreciation	(15,413)	(26,439)
	<u>50,409</u>	<u>58,824</u>

5. LONG TERM INVESTMENTS - held to maturity

Pakistan Investment Bonds (PIBs)	5.1	800,000	1,000,000
Less: PIBs maturing within next twelve months shown as current asset		-	(200,000)
		<u>800,000</u>	<u>800,000</u>

5.1 Represents investments in PIBs as follows:

<u>Face Value (Rupees)</u>	<u>Issue Date</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Coupon rate % per annum</u>	<u>Payment terms</u>
100 million	29-04-2004	03-07-200	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

<u>Note</u>	<u>Un-audited December 31, 2011</u>	<u>Audited June 30, 2011</u>
	(Rupees '000')	
6. INVESTMENTS - specific to grant fund		
Long term investments specific to grant fund	2,982,949	2,572,148
Less: TDRs maturing within next twelve months shown as current asset	2,632,053	2,221,252
	<u>350,896</u>	<u>350,896</u>

- 6.1 These investments include term deposit receipts of various commercial and investment banks at annual markup Rates ranging from 11.75% p.a. to 13.75% (June 2011: 12.15% p.a. to 13.75%).

	Un-audited December 31, 2011	Audited June 30, 2011
	(Rupees '000')	
7. LOANS TO PARTNER ORGANIZATIONS-secured, considered good		
National Rural Support Programme	4,388,564	4,397,851
Punjab Rural Support Programme	460,042	363,942
Kashf Foundation	2,128,250	1,846,500
Sarhad Rural Support Programme	12,000	5,000
Thardeep Rural Development Programme	524,599	492,845
Development Action for Mobilization and Emancipation	603,140	596,842
Sindh Agricultural & Forestry Workers Coordinating Organization	325,745	261,400
Sindh Rural Support Programme	-	200
Jinnah Welfare Society	374,384	295,916
Centre for Women Cooperative Development	207,703	219,420
Rural Community Development Society	375,481	297,819
Khwendo Kor Women and Children Development Programme	688	1,052
Young Pioneers Society	7,250	7,250
Women Social Organisation	24,693	18,993
Community Support Concern	240,333	270,298
Poverty Eradication Network	2,777	2,777
Bunyad Literacy Community Council	19,600	14,500
Indus Resource Centre	382	1,282
Network Leasing Corporation Limited	-	15,125
Organization for Participatory Development	41,814	47,264
Swabi Women Welfare Society	10,656	6,550
Orangi Charitable Trust	178,300	261,500
Karwan Community Development Organization	14,330	12,353
Kiran Welfare Organization	1,500	1,500
Narowal Rural Development Programme	46,946	35,137
Soon Valley Development Programme	13,625	24,300
Asasah	217,338	222,338
Baidarie	27,530	22,042
Orix Leasing Pakistan Limited	117,702	216,542
Save The Poor	24,427	28,916
Marvi Rural Development Organization	24,175	34,605
Sindh Rural Support Organization	422,885	452,473
BRAC - Pakistan	602,657	966,387
Khajji Cooperative Society	12,920	16,000
AL Mehran Rural Development and Welfare Organization	62,171	62,783
Farmers Friend Organization	97,052	61,716
Mojaz Foundation	33,985	26,920
Balochistan Rural Development & Research Society	-	1,860
Badbaan Enterprise Development Forum	11,833	2,292
Buksh Foundation	15,833	5,417
Villagers Development Organization	21,592	4,950
SAATH Development Society	40,400	24,300
Mashal Development Organization	2,375	3,471
AGAHE	24,125	8,117
Sayya Foundation	3,120	3,980
Dia Welfare Organization	16,526	4,638
ASA Pakistan Limited	157,250	85,000
Chenab Development Foundation	18,993	3,000
Mehran Education Society	15,000	-
Shadab Rural Development Organization	12,400	-
Ghazi Brotha Taraqiatee Idara	8,034	-
Khushhali Bank	184,053	-
NRSP Bank	350,000	-
SSSWA	7,000	-
Loans outstanding	7.1 12,534,177	11,755,362
Less: Loan loss provision	<u>(696,709)</u>	<u>(657,768)</u>
	11,837,468	11,097,594
Less: Amount receivable within next twelve months shown as current asset	<u>(9,469,975)</u>	<u>(9,630,919)</u>
	<u>2,367,494</u>	<u>1,466,675</u>

- 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 Organization, 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 December 31, 2011	Audited June 30, 2011
	(Rupees '000')	

8. SHORT TERM INVESTMENTS-specific to projects

Term deposit receipts - PRISM	8.1	1,485,000	1,445,000
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- 8.1 This represents investments in respect of Programme For Increasing Sustainable Microfinance (PRISM) activities, maturing within one year from the date of investment at annual markup rate ranging from 10.50% p.a. to 11.50% p.a. (June 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

Note	Un-audited December 31, 2011	Audited June 30, 2011
	(Rupees '000')	

9. SHORT TERM INVESTMENTS - others

Specific to capital adequacy	9.1	2,506,835	2,351,072
Specific to lending activities	9.1	2,321,160	2,516,462
Specific to endowment fund	9.2	200,000	-
		5,027,995	4,867,534

- 9.1 This represents investments equivalent to 20% of the loan receivable from Partner Organizations to safeguard against major default and provide capital adequacy and surplus funds available for lending activities. 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 10.50% p.a. to 14.00% p.a (June 2011: 10.80% p.a. To 16.25% p.a)

- 9.2 This represents investment in treasury bills at markup rate of 13% p.a.

	Un-audited December 31, 2011	Audited June 30, 2011
(Rupees '000')		
10. CASH AND BANK BALANCES-specific to projects		
Cash at banks - current accounts		
specific to IDA III	984,968	2,472,254
specific to IFAD-MIOP	30,873	121,304
specific to CECP	30,267	30,267
specific to Shell Pakistan	8,001	8,001
specific to BISP	162,455	-
	<u>1,282,227</u>	<u>2,631,826</u>
Cash at banks - deposit accounts		
specific to USDA	49,275	103,040
specific to CECP	22	22
	<u>49,297</u>	<u>103,062</u>
	<u>1,331,524</u>	<u>2,734,888</u>
11. CASH AND BANK BALANCES		
Cash in hand	131	44
Cash at banks - current accounts	15,374	9,476
Cash at banks - deposit accounts	65,457	21,812
	<u>80,831</u>	<u>31,288</u>
	<u>80,962</u>	<u>31,332</u>

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

Note	Un-audited December 31, 2011	Audited June 30, 2011
(Rupees '000')		
	<u>1,000,000</u>	<u>1,000,000</u>

12. ENDOWMENT FUND

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.

	Note	Un-audited December 31, 2011	Audited June 30, 2011
(Rupees '000')			
13. LONG TERM LOANS - Unsecured			
Government of Pakistan - PPAF - I (IDA financing)	13.1	2,038,363	2,093,172
Government of Pakistan - PPAF - II (IDA financing)	13.2	7,967,533	8,140,711
Government of Pakistan - PPAF - III (IDA financing)	13.3	1,874,429	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>14,502,865</u>	<u>13,760,923</u>
13.1 Government of Pakistan - PPAF - I (IDA financing)		<u>2,038,363</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.

Un-audited December 31, 2011	Audited June 30, 2011
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(Rupees '000')

13.2 Movement of loan from GoP - PPAF - II (IDA financing)

Opening balance	8,313,889	8,321,429
Less: Amount payable within next twelve months shown as current liability	<u>(346,356)</u>	<u>(173,178)</u>
	<u>7,967,533</u>	<u>8,140,711</u>

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

Under SFA dated March 24, 2004 executed between GOP and the Company, the GOP agreed to provide 56% of the amount as loan to the Company and the balance as grant on non reimbursable basis. The principal loan amount of the project is repayable in Pak Rupees over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments, payable on each Feb 01, and August 01 commencing from February 01, 2012 and ending on August 01, 2026. Each installment upto and including the installment payable on August 01, 2017 shall be equal to two point zero eight three percent (2.083%) of such principal amounts and each installment thereafter shall be equal to four point one six seven percent (4.167%) of such principal amount.

Under the SFA the company has committed to pay a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time and the commitment charge at the rate set by the IDA on the principal amount of The loan not withdrawn from time to time. The service charges are payable on February 01 and August 01 each year.

Un-audited December 31, 2011	Audited June 30, 2011
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(Rupees '000')

13.3 Movement of loan from GoP - PPAF - III (IDA financing)		
Opening balance	1,110,500	267,522
Amount received	<u>763,929</u>	<u>842,978</u>
	<u>1,874,429</u>	<u>1,110,500</u>

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

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

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

Un-audited December 31, 2011	Audited June 30, 2011
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(Rupees '000')

13.4 Government of Pakistan - (IFAD financing-MIOP)	<u>1,137,540</u>	<u>1,137,540</u>
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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.

	Un-audited December 31, 2011	Audited June 30, 2011
13.5 Movement of loan from GoP - (IFAD financing-PRISM)	(Rupees '000')	
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.

	Note	Un-audited December 31, 2011	Audited June 30, 2011
(Rupees '000')			
14. DEFERRED LIABILITIES - grant fund			
Government of Pakistan - IDA III	14.1	835,980	2,388,314
US Agency for International Development/Pakistan	14.2	115,984	115,984
Government of Pakistan - USDA	14.3	103,379	100,144
Government of Pakistan - IFAD (MIOP)	14.4	(11,259)	125,632
Government of Pakistan - IFAD (PRISM)	14.5	65,361	(301)
Committee Encouraging Corporate Philanthropy	14.6	30,768	30,768
Model Village Projects	14.7	2,143	6,446
Benazir Income Support Program	14.8	112,029	56,867
Engro Foundation - Flood Relief	14.9	2,889	2,889
		<u>1,257,274</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.

	Un-audited December 31, 2011	Audited June 30, 2011
(Rupees '000')		
14.1 Grants from Government of Pakistan - IDA III		
Opening balance	2,388,314	2,278,886
Amount received/(transferred)	(168,603)	1,661,265
	<u>2,219,711</u>	<u>3,940,151</u>
Less: Disbursements for		
Social mobilization	220,360	260,169
Institutional building	15,023	103,165
Livelihood enhancement and protection	339,103	414,160
Micro credit access	83,392	51,439
Health and Education	361,474	320,821
Water and infrastructure	364,379	402,084
	<u>1,383,731</u>	<u>1,551,837</u>
	<u>835,980</u>	<u>2,388,314</u>
14.2 Grants from USAID/Pakistan	<u>115,984</u>	<u>115,984</u>
14.3 Grants from Government of Pakistan - USDA		
Opening balance	100,144	206,227
Amount transferred	-	(17,958)
Profit on project bank account	3,455	11,107
	<u>103,599</u>	<u>199,376</u>
Less: Disbursements to POs	220	99,232
	<u>103,379</u>	<u>100,144</u>

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 (cumulative Rs. 1,545 million) 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.

	Un-audited December 31, 2011	Audited June 30, 2011
(Rupees '000')		
14.4 Grants from Government of Pakistan - IFAD (MIOP)		
Opening balance	125,632	61,294
Amount received	168,540	555,588
	294,171	616,882
Less: Disbursements to POs	305,430	491,251
	<u>(11,259)</u>	<u>125,632</u>
14.5 Grants from Government of Pakistan - IFAD (PRISM)		
Opening balance	(301)	217,127
Amount received	100,263	(215,826)
	99,962	1,301
Less: Disbursements to POs	34,601	1,602
	<u>65,361</u>	<u>(301)</u>
14.6 Grants from Committee Encouraging Corporate Philanthropy		
Opening balance	30,768	74,831
Less: Disbursements to POs	-	44,063
	<u>30,768</u>	<u>30,768</u>

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.

	Un-audited December 31, 2011	Audited June 30, 2011
(Rupees '000')		
14.7 Model Village Projects		
Opening balance	6,446	-
Amount received	10,000	8,000
	16,446	8,000
Less: Disbursements to POs	14,303	1,554
	<u>2,143</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.

	Un-audited December 31, 2011	Audited June 30, 2011
(Rupees '000')		
14.8 Benazir Income Support Program		
Opening balance	56,867	-
Amount received	412,646	127,130
	469,513	127,130
Less Disbursements to Pos	357,484	70,263
	<u>112,209</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 recieved 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.

Un-audited December 31, 2011	Audited June 30, 2011
(Rupees '000')	

14.9 Engro Foundation - Flood Relief

2,889	2,889
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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.

For the quarter ended December 31, 2011	December 31, 2010	For the half year ended December 31, 2011	December 31, 2010
(Rupees '000')		(Rupees '000')	

15. INCOME ON INVESTMENTS AND SAVING ACCOUNTS

Profit on Pakistan Investment Bonds	21,669	26,365	45,527	52,730
Profit on term deposit receipts/saving accounts	247,859	179,675	409,620	318,994
	<u>269,528</u>	<u>206,040</u>	<u>455,147</u>	<u>371,724</u>

16. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	51,508	38,504	104,513	87,746
Rent, rates and taxes	6,789	8,671	13,589	16,556
Repairs and maintenance	2,601	1,390	3,502	2,585
Office shifting and related expenses	1,311	-	4,663	-
Travelling, lodging and conveyance	10,357	9,824	18,968	16,321
Communication	865	1,602	1,643	2,233
Printing and stationery	773	1,268	1,764	2,352
Insurance	710	586	1,220	1,115
Vehicles running and maintenance	4,866	3,746	8,432	6,249
Utilities	647	820	1,932	1,541
Legal and professional charges	860	1,053	1,298	1,963
Advertisement	541	82	903	660
Media projection	1,531	241	1,870	244
Newspapers, books and periodicals	84	167	169	237
Depreciation	6,790	10,441	15,412	19,426
Amortization	1,292	1,445	2,626	2,891
Security services	246	359	470	866
Others	1,298	1,296	1,885	1,896
	<u>93,070</u>	<u>81,495</u>	<u>184,859</u>	<u>164,881</u>

17. SEMINARS, WORKSHOPS AND TRAININGS

Training	6,072	986	8,581	1,299
Seminar and workshops	6,122	1,887	6,459	6,605
	<u>12,194</u>	<u>2,873</u>	<u>15,040</u>	<u>7,904</u>

18. CONSULTANCY CHARGES

Poverty score card	1,081	5,194	38,786	5,970
General	7,881	67	19,423	26,163
	<u>8,962</u>	<u>5,261</u>	<u>58,209</u>	<u>32,133</u>

19. PROJECT AND RELIEF ACTIVITIES

School Milk Project	-	-	-	12,114
Flood relief activities	-	108,678	202,771	191,472
	<u>-</u>	<u>108,678</u>	<u>202,771</u>	<u>203,586</u>

20. FINANCIAL CHARGES

On micro credit loans	30,882	29,292	54,274	46,576
Bank charges	253	60	543	93
	<u>31,135</u>	<u>29,352</u>	<u>54,817</u>	<u>46,669</u>

21. COMPARATIVE FIGURES

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


Chairman


Chief Executive Officer



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