

# Condensed Interim Financial Statements

## For the half year ended December 31, 2010



PAKISTAN POVERTY ALLEVIATION FUND

**Title Picture:**

PPAF renewable energy initiative, a wind turbine at Mithi, Tharparkar (Sindh) — Photo by Munzir Elahi

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## For the half year ended December 31, 2010



**PAKISTAN POVERTY ALLEVIATION FUND**



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# Pakistan Poverty Alleviation Fund Company Information

## Board of Directors:

Mr. Hussain Dawood  
Chairman

Dr. Nuzhat Ahmad

Mr. Rafiud Deen Ahmad

Mr. Rana Assad Amin

Mr. Ahmad Farooq

Dr. Naved Hamid

Dr. Rajab Ali Memon

Dr. Aisha Ghaus Pasha

Mr. Asif Qadir

Mr. Zubyr Soomro

Mr. Qazi Azmat Isa  
Chief Executive/Managing Director

## BOD Committees:

### Board Compensation Committee:

Mr. Hussain Dawood  
Chairman

Mr. Ahmad Farooq

Dr. Rajab Ali Memon

Dr. Aisha Ghaus Pasha

Mr. Zubyr Soomro

### Audit Committee:

Mr. Rafiud Deen Ahmad  
Chairman

Mr. Rana Assad Amin

Dr. Nuzhat Ahmad

Dr. Naved Hamid

Mr. Asif Qadir

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

**Auditors:** A. F. Ferguson & Company, Chartered Accountants

**Legal Advisors:** Azam Chaudhry Law Associates

**Tax Advisors:** A. F. Ferguson & Company, Chartered Accountants

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

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Website: www.pfaf.org.pk



## Management Review

The Management is pleased to present a brief overview of the operational and financial performance of the Company for the half year ended December 31, 2010.

During the first half of financial year 2010-11, PPAF maintained steady progress and sustained the momentum of growth by successfully following a strategy that engaged poor communities and deployed diverse interventions (credit, infrastructure, health, education, social mobilization and skill development) in an integrated manner for effective delivery and impact. Collectively, these interventions addressed the many facets of poverty focusing on reducing vulnerability. PPAF has endeavored to mainstream marginalized communities to enable better access, enhance quality of life, provide sustainable livelihood opportunities at the grassroots, and simultaneously, catalyze the enhanced absorption capacities of partner organizations.

Capitalizing on PPAF's credible track record of managing disasters and emergency situations on a large scale, PPAF proactively responded to widespread destruction caused by July 2010 floods. The Company adopted a comprehensive strategy focused on immediate relief through provision of food, milk, water, medicines, shelter and related items for the affectees. The relief operations were carried out through 20 partner organizations in 22 districts (132 union councils) of flood affected areas of Khyber Pakhtunkhwa, Punjab, Sindh and Balochistan. PPAF distributed over 5 million kg of food items; supplied 135,000 liters milk; set up 105 medical camps where over 57,000 patients were treated; distributed 50,000 hygiene kits; sunk 140 hand pumps; and provided 1,700 tents. In addition, fodder was provided for 70,000 animals, 1,200 animals were vaccinated while drenched bottles were provided for 2000 animals. PPAF is following up relief efforts with early recovery, rehabilitation and reconstruction activities to allow people in affected areas to rebuild their lives and livelihoods.

By the end of December 31, 2010, PPAF funding had been disbursed in urban and rural areas of 128 districts of the country (about 250,000 community organizations/groups) through 96 partner organizations of which 12 were focusing exclusively or predominantly on women. On cumulative basis, PPAF has financed over 4 million microcredit loans. More than 24,000 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 challenging economic environment, the overall operational and financial results during the period under review continued to remain satisfactory. Total disbursements for core operations during the period were Rs 6,716 million compared to Rs. 5,314 million in the corresponding period last year, indicating an increase of 26%. Loan (microcredit and enterprise development facilities) disbursements were Rs 4,971 million as compared to Rs 3,560 million. Water and infrastructure disbursements of Rs 627 million as compared to Rs 665 million; capacity building disbursements were Rs 158 million against

Rs 230 million; disbursements for education and health were Rs 419 million as against Rs 561 million; and disbursements for social mobilization were Rs 475 million as against Rs 298 million, during the corresponding period last year. During the six months, Rs 66 million were disbursed for livelihood enhancement and protection. In addition to disbursement for core operations, Rs 423 million (Rs 205 million from donors' funding and Rs 218 million from PPAF's own resources) was disbursed for flood and relief activities.

By the end of December 2010, the total cumulative disbursements were Rs 82,946 million. Credit and enterprise development accounted for 56% of total disbursements followed by project, relief, rehabilitation and reconstruction activities (24%); community physical infrastructure (11%); capacity building/livelihood enhancement and protection (5%); social mobilization (2%) and health & education (2%).

PPAF interventions are being carried out in all parts of the country with 45% of the resources deployed in Punjab, 20% in Sindh, 18% in Khyber Pakhtunkhwa, 5% in Balochistan; 11% in AJK; 1% each in Gilgit Baltistan and Islamabad Capital Territory.

Since 2006, the Company is primarily meeting its lending obligations through its own reserves built up from repayments received from partner organizations. As of December 31, 2010, out of total disbursement of Rs 46,647 million, an amount of Rs 33,788 million (72%) was disbursed from PPAF own resources.

Total equity and reserves were Rs 6,837 million as at December 31, 2010 as against Rs 6,114 million as at June 30, 2010. Total assets of the Company on December 31, 2010 stood at Rs 23,724 million against Rs 23,629 million as at June 30, 2010. The amount of loans receivable from partner organizations was Rs 10,679 million on December 31, 2010 as against Rs 11,202 million as at June 30, 2010. PPAF continued to maintain 100% recovery rate in respect of its lending operations, after taking into account rescheduling of loans.

Total income generated during the period under review was Rs 1,155 million compared to Rs 1,044 million during the corresponding period last year – an increase of 11%. Service charges on loan to partner organizations and income on investments/saving accounts increased by 17% and 19%, respectively. During the period under review, Rs 114 million was generated as income on grant fund. In addition Rs 121 million was received as capacity building grant from Government of Pakistan and donor agencies for PPAF operational support.

The general and administrative expenses during the six months were Rs 165 million as against Rs 172 million during the corresponding period last year, a decrease of 4%. During the six months, PPAF spent Rs 192 million on relief activities in flood affected areas and Rs 12 million on school milk project.

As a part of its broader poverty alleviation mandate, PPAF endeavors to comprehensively address the long term needs of reviving social, physical and economic structures in flood affected communities through revitalized and intensive social mobilization processes as well as asset building of the most vulnerable households through provision of small scale infrastructure, health, education, trainings and livelihood support. The Company is in proactive engagement with bilateral/multilateral institutions for accessing additional funding so that the affected people could be meaningfully served and supported.



PPAF won international acclaim for its work in innovative products and services for the poor and marginalized communities across the country. The “Exclusive Group of Champions” award was conferred to PPAF at the 2010 Annual Project Review Workshop for Asia and the Pacific, held from November 1-4, 2010, at Nanning, China. The “Women Livestock Corporative Farming” product being recognized is part of Microfinance Innovation and Outreach Programme, which is financed by International Fund for Agricultural Development.


PPAF has launched a nationwide Enterprise Development Training programme for persons with disabilities to impart skills trainings so that they could have a regular and an independent source of earning for themselves and their dependents. This is the first of its kind initiative launched by PPAF for the benefit of the disabled persons in Pakistan. The purpose of this nationwide programme is to impart useful skills trainings to more than 600 persons with disabilities annually, so that they could become independent bread winners for their families. Under Enterprise Development Training programme, PPAF would also help persons with disabilities to develop their own business plans under its Business Incubation segment and finance them to establish businesses of their own choice immediately after undergoing this skills training programme.

PPAF and Citi Foundation announced the launch of 7th Citi-PPAF Microentrepreneurship Awards (CMA) 2010 program. Now in its seventh year, the objective of the CMA program is to highlight and promote the effective role microfinance plays in poverty alleviation. In particular, the program seeks to generate recognition for extraordinary contributions that individual microentrepreneurs have made to economic sustainability of their families as well as their communities. The Awards ceremony is scheduled to be held in February 2011.

PPAF and Pakistan Microfinance Network signed an agreement to collaborate for a pilot 'Credit Information Bureau initiative'. PPAF will support partner organizations by providing technical assistance and sensitizing them to the efficacy and benefits in utilizing the Bureau for generating enquiries on credit history of clients. All stakeholders would build a strategy for expansion of the venture to a national scale on a sequenced and phased manner.

PPAF is fully geared to securing the future of the country's poor through a strategy of community driven development. This strategy capitalizes on resource backed support and confidence of the Government of Pakistan and international development partners, an effective platform of partner organizations, and most critically, the inherent strength and resilience of poor and disadvantaged communities, in the face of extreme adversity.

I would like to conclude this review by placing on record our profound gratitude for the meritorious services rendered by Mr. Kamal Hyat, the outgoing Chief Executive/Managing Director. Mr. Hyat has contributed immensely to the growth of the Company during his over twelve years of service.



Qazi Azmat Isa  
Chief Executive/Managing Director

February 4, 2011




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

Pakistan Poverty Alleviation Fund  
Condensed Interim Balance Sheet  
as at December 31, 2010

	Note	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Fixed assets - tangible	4	60,175	64,972
Intangible assets		4,833	7,724
Long term investments	5	600,000	600,000
Long term loans to Partner Organizations	6	1,078,006	764,158
		1,743,014	1,436,854
<b>CURRENT ASSETS</b>			
Current maturity of loans to Partner Organizations	6	8,970,563	9,807,923
Current maturity of long term investments	5	400,000	400,000
Short term investments-specific to projects	7	795,000	600,000
Short term investments-specific to grant fund	8	2,359,419	1,763,431
Short term investments-other	9	4,733,817	4,058,342
Advances, deposits, prepayments and other receivables		91,913	89,390
Profit/service charges receivable		717,689	410,937
Cash and bank balances-specific to projects	10	3,814,546	5,013,642
Cash and bank balances	11	98,500	48,720
		21,981,446	22,192,384
		23,724,460	23,629,238
<b>FUNDS AND RESERVES</b>			
Endowment fund	12	1,000,000	1,000,000
Grant fund		2,359,419	1,763,431
Reserve for grant based activities		71,621	161,052
Accumulated surplus		3,406,192	3,189,978
		6,837,232	6,114,461
<b>LONG TERM LOANS</b>			
	13	12,455,954	12,246,272
<b>CURRENT LIABILITIES</b>			
Deferred liabilities - grant fund	14	4,231,697	5,040,206
Deferred (expense)/income - grant fund		56,473	59,700
Current portion of long term loans	13	109,617	109,617
Service and commitment charges payable		30,651	39,210
Accrued and other liabilities		2,836	19,772
		4,431,274	5,268,505
<b>CONTINGENCIES AND COMMITMENTS</b>			
	15	-	-
		23,724,460	23,629,238

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

  
Chairman

  
Chief Executive/Managing Director


Pakistan Poverty Alleviation Fund  
Condensed Interim Income and Expenditure Account (Un-audited)  
for the half year ended December 31, 2010

Note	For the quarter ended		For the half year ended	
	December 31	December 31	December 31	December 31
	2010	2009	2010	2009
	(Rupees '000)		(Rupees '000)	
<b>INCOME</b>				
Service charges on loans to Partner Organizations	271,383	209,526	546,321	464,555
Amortization of deferred income - grant fund	38,894	97,617	121,224	169,527
Income on investments and saving accounts	16 206,040	176,665	371,724	339,772
Income on grant fund	62,086	34,104	114,155	69,887
Other income	1,252	122	1,833	177
	579,655	518,034	1,155,257	1,043,918
<b>EXPENDITURE</b>				
General and administrative expenses	17 81,496	78,765	164,881	172,228
Seminars, workshops and trainings	18 2,872	30,352	7,904	47,103
Consultancy charges	19 5,261	43,624	32,133	102,800
Project and relief activities	20 108,678	179	203,587	2,000
Loan loss provision	-	10,677	-	17,359
Financial charges	21 6,666	10,399	23,983	31,807
	204,973	173,996	432,487	373,296
<b>SURPLUS FOR THE PERIOD</b>	374,682	344,038	722,770	670,622

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



Chairman



Chief Executive/Managing Director


Pakistan Poverty Alleviation Fund  
Condensed Interim Cash Flow Statement (Un-audited)  
for the half year ended December 31, 2010

Note	For the half year ended	
	December 31, 2010	December 31, 2009
(Rupees '000')		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from / (used in) operations		
Surplus for the period	722,770	670,622
Adjustment for non cash items:		
Depreciation	19,426	15,575
Amortization of intangible assets	2,891	2,480
Amortization of deferred income	(121,224)	(169,527)
Loan loss provision	-	17,359
Financial charges	23,983	31,807
	(75,171)	(102,306)
	647,599	568,316
Working capital changes		
(Increase) / decrease in current assets:		
Advances, deposits, prepayments and other receivables	(2,519)	9,761
Profit/service charges receivables	(306,752)	(104,598)
Increase / (decrease) in current liabilities:		
Accrued and other liabilities	(16,936)	(330)
	(326,207)	(95,166)
Cash generated from operations	321,392	473,150
Recoveries of loans from partner organizations	5,494,419	3,212,964
Disbursements to partner organizations:		
Loans	(4,970,908)	(3,560,142)
Grants	(1,955,181)	(1,903,000)
Financial charges paid	(32,543)	(42,825)
	(1,464,213)	(2,293,003)
Net cash (used in) operating activities	(1,142,821)	(1,819,853)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments	(1,466,462)	(491,157)
Capital expenditure incurred	(14,629)	(12,365)
Proceeds from disposal of fixed assets	247	354
Net cash used in investing activities	(1,480,845)	(503,168)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loans - repaid	(54,808,689)	(54,809)
Long term loans - receipts	55,018,370	677,184
Deferred liabilities - grant fund receipts	1,146,672	4,829,759
Deferred income - grant fund receipts	117,997	11,115
Net cash generated from financing activities	1,474,351	5,463,249
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,149,315)	3,140,228
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,062,362	2,005,811
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD 10&11	3,913,047	5,146,039

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



Chairman



Chief Executive/Managing Director


Pakistan Poverty Alleviation Fund  
Condensed Interim Statement of Changes in Fund and Reserves (Un-audited)  
for the half year ended December 31, 2010

	Endowment Fund	Grant Fund	Reserve for grant based activities (Rupees '000')	Accumulated surplus	Total
Balance as at June 30, 2009	1,000,000	-	-	3,785,356	4,785,356
Net surplus for the half year ended on December 31, 2009	-	-	-	670,622	670,622
Transfer from accumulated surplus to grant fund	-	1,545,379	-	(1,545,379)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	69,887	(69,887)	-
Expenses on project & relief activities	-	-	(2,000)	2,000	-
Balance as at December 31, 2009	<u>1,000,000</u>	<u>1,545,379</u>	<u>67,887</u>	<u>2,842,713</u>	<u>5,455,979</u>
Net surplus for the half year ended on June 30, 2010	-	-	-	658,483	658,483
Transfer from accumulated surplus to grant fund	-	218,052	-	(218,052)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	100,417	(100,417)	-
Expenses on project & relief activities	-	-	(7,251)	7,251	-
Balance as at June 30, 2010	<u>1,000,000</u>	<u>1,763,431</u>	<u>161,052</u>	<u>3,189,978</u>	<u>6,114,461</u>
Net surplus for the half year ended on December 31, 2010	-	-	-	722,770	722,770
Transferred from accumulated surplus to grant fund	-	595,987	-	(595,987)	-
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	<u>1,000,000</u>	<u>2,359,419</u>	<u>71,621</u>	<u>3,406,192</u>	<u>6,837,232</u>

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



Chairman



Chief Executive/Managing Director

**Pakistan Poverty Alleviation Fund**  
**Notes to the Condensed Interim Financial Statements (Un-audited)**  
**for the half year ended December 31, 2010**

1. Pakistan Poverty Alleviation Fund was registered in Pakistan on February 6, 1997 as a public company with liability limited by guarantee, under Section 42 of the Companies Ordinance, 1984. The primary object of the Company is to help poor, the landless and the asset-less in order to enable them to gain access to the resources for their productive self employment and to encourage them to undertake activities of income generation, poverty alleviation and for enhancing quality of life.
2. These financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard (IAS) 34: Interim Financial Reporting and revised IAS 1: Presentation of Financial Statements.
3. Accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended June 30, 2010.

	Note	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')			
4. FIXED ASSETS - TANGIBLE			
Opening written down value		64,972	54,380
Additions		14,629	36,816
Written down value of disposals / adjustments		-	(722)
Depreciation		(19,426)	(25,502)
		60,175	64,972
5. LONG TERM INVESTMENTS - held to maturity			
Pakistan Investment Bonds (PIBs)	5.1	1,000,000	1,000,000
Less: PIBs maturing within next twelve months shown as current asset		(400,000)	(400,000)
		600,000	600,000

5.1 Represents investments in PIBs as follows:

Principal (Rupees)	Issue Date	Maturity Date	Profit rate % per annum	Payment terms
200 million	19-05-2006	19-05-2011	9.30	Semi annually
200 million	22-08-2001	22-08-2011	13.00	Semi annually
400 million	29-04-2004	28-04-2014	8.00	Semi annually
200 million	22-07-2010	22-07-2020	12.00	Semi annually



	Un-audited December 31, 2010	Audited June 30, 2010
Note	(Rupees '000')	
<b>6. LOANS TO PARTNER ORGANIZATIONS - secured, considered good</b>		
National Rural Support Programme	3,310,283	4,293,387
Punjab Rural Support Programme	352,542	339,871
Kashf Foundation	2,603,000	2,351,650
Sarhad Rural Support Programme	15,333	15,333
Thardeep Rural Development Programme	393,849	398,155
Development Action for Mobilization and Emancipation	565,477	609,474
Sindh Agricultural & Forestry Workers Coordinating Organization	181,287	206,663
Sindh Rural Support Programme	200	200
Jinnah Welfare Society	253,099	218,718
Centre for Women Cooperative Development	246,049	254,361
Rural Community Development Society	256,308	221,387
Khwendo Kor Women and Children Development Programme	917	646
Young Pioneers Society	7,250	8,250
Women Social Organisation	17,469	10,516
Community Support Concern	257,206	244,453
Poverty Eradication Network	2,777	2,787
Bunyad Literacy Community Council	17,443	13,250
Indus Resource Centre	4,782	6,457
Network Leasing Corporation Limited	39,125	59,125
Organization for Participatory Development	57,852	75,122
Swabi Women Welfare Society	1,875	8,437
Orangi Charitable Trust	224,450	273,393
Karwan Community Development Organization	9,707	5,575
Kiran Welfare Organization	1,500	2,350
Narowal Rural Development Programme	29,098	26,061
Soon Valley Development Programme	8,900	10,060
Asasah	381,387	359,775
Baidarie	6,458	5,412
Orix Leasing Pakistan Limited	236,711	158,650
Save The Poor	22,000	22,667
Marvi Rural Development Organization	19,015	18,596
Sindh Rural Support Organization	236,000	188,030
BRAC - Pakistan	782,085	715,202
Khajji Cooperative Society	13,750	9,500
AL Mehran Rural Development and Welfare Organization	41,802	25,259
Farmers Friend Organization	38,859	20,667
Mojaz Foundation	18,215	12,710
Balochistan Rural Development & Research Society	423	1,208
Badbaan Enterprise Development Forum	2,448	600
Buksh Foundation	6,458	2,800
Villagers Development Organization	2,767	1,408
SAATH Development Society	7,558	3,675
Mashal Development Organization	1,042	350
AGAHE	2,921	-
Sayya Foundation	1,000	-
	6.1	
	10,678,679	11,202,190
Less: Loan loss provision	(630,109)	(630,109)
	10,048,569	10,572,080
Less: Amount receivable within next twelve months shown as current asset	(8,970,563)	(9,807,923)
	1,078,006	764,158

- 6.1 The Company disbursed Micro-credit loans and Enterprise Development Facility (EDF) to POs under respective Financing Agreements at a service charge of six percent per annum (6% p.a.) and eight percent per annum (8% p.a.). The later rate is effective on all the financing agreements executed after March 31, 2006. These loans are secured through letter of hypothecation on receivables of POs created out of financing obtained from the Company. Further, the Company maintains a first charge on all assets / capital items created out of financing provided for capacity building and under the exclusive lien of the Company until full repayment of the principal, service charges and other outstanding amounts payable to the Company. These loans are repayable on half yearly basis within two years under the respective financing agreements signed between the Company and the POs.

With effect from January 01, 2008, the Partner 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 December 31, 2010	Audited June 30, 2010
(Rupees '000')			
7. SHORT TERM INVESTMENTS-SPECIFIC TO PROJECTS			
Term deposit receipts - PRISM	7.1	795,000	600,000

- 7.1 This represents investments in respect of Programme For Increasing Sustainable Microfinance (PRISM) activities, maturing within one year from the date of investment at annual markup rate ranging from 10.50% p.a. to 11.50% p.a. (June 2010: 10.50% p.a. to 11.50% p.a.) As agreed in the Subsidiary Financing Agreement, these funds are placed with commercial banks as cash collaterals for providing a partial guarantee for the Banks to facilitate lending to the following Microfinance Institutions:

Microfinance Institutions	Investment amount	Running finance facility amount
Kashf Foundation	250 million	350 million
National Rural Support Programme	250 million	350 million
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

8. SHORT TERM INVESTMENTS – specific to grant fund

These investments include term deposit receipts of various commercial banks and investment banks respectively, maturing within one year from the date of investment at annual markup rates ranging from 10.70% p.a. to 13.50% (June 2010: 11.10% p.a. to 12.40%).

9. SHORT TERM INVESTMENTS - other

This represent investments of Rs. 2,135,736,726 (equivalent to 20% of the loan receivable from Partner Organizations) to safeguard against major default and provide capital adequacy and Rs. 2,598,081,930 as funds available for lending activities/ These funds are invested in term deposits receipts of various commercial banks, maturing within one year from the date of investment, at annual markup rates ranging from 10.80% p.a. to 13.10% p.a (June 2010: 10.70% p.a. to 12.40% p.a.)

	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')		
<b>10. CASH AND BANK BALANCES-SPECIFIC TO PROJECTS</b>		
Cash at banks - current accounts		
specific to IDA II	1,199,133	2,154,794
specific to IDA III	2,113,283	2,280,294
specific to IFAD-MIOP	66,840	61,592
specific to IFAD-PRISM	156,063	232,280
specific to CECP	35,457	74,329
specific to USAID	93,758	-
	<b>3,664,535</b>	<b>4,803,289</b>
Cash at banks - deposit accounts		
specific to USDA	149,989	210,331
specific to CECP	22	22
	<b>150,011</b>	<b>210,353</b>
	<b>3,814,546</b>	<b>5,013,642</b>
<b>11. CASH AND BANK BALANCES</b>		
Cash in hand		
in head office	50	3
in other office	129	85
	<b>179</b>	<b>88</b>
Cash at banks - current accounts	32,364	26,740
Cash at banks - deposit accounts	65,957	21,891
	<b>98,321</b>	<b>48,632</b>
	<b>98,500</b>	<b>48,720</b>

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

	Un-audited December 31, 2010	Audited June 30, 2010
Note	(Rupees '000')	
<b>12. ENDOWMENT FUND</b>		
PPAF - I	500,000	500,000
PPAF - II	500,000	500,000
12.1	<b>1,000,000</b>	<b>1,000,000</b>

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

	Un-audited December 31, 2010	Audited June 30, 2010
Note	(Rupees '000')	
<b>13. LONG TERM LOANS - Unsecured</b>		
Government of Pakistan - PPAF - I (IDA financing)	2,179,358	2,234,166
Government of Pakistan - PPAF - II (IDA financing)	8,321,429	8,321,429
Government of Pakistan - PPAF - III (IDA financing)	267,522	267,522
Government of Pakistan - (IFAD financing-MIOP)	994,615	813,980
Government of Pakistan - (IFAD financing-PRISM)	693,030	609,175
	<b>12,455,954</b>	<b>12,246,272</b>

	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')		
13.1 Movement of loan from GoP - PPAF - I (IDA financing)		
Opening balance	2,343,784	2,453,401
Amount paid	(54,809)	(109,617)
	<u>2,288,975</u>	<u>2,343,784</u>
Less: Amount payable within next twelve months shown as current liability	(109,617)	(109,617)
	<u>2,179,358</u>	<u>2,234,166</u>

A Development Credit Agreement (DCA) was signed between International Development Association (IDA) and the Government of Pakistan (GOP) on July 7, 1999. IDA made available to GOP a sum of Special Drawing Rights (SDR) of 66.5 million over a period of five years to be utilized by GOP through the Company.

Under Subsidiary Financing Agreement (SFA) dated August 18, 1999 executed between GOP and the Company, 50% of the amount was disbursed as loan to the Company and the balance as grant on non reimbursable basis. The principal loan amount of the project is repayable in Pak Rupees over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments payable on each May 15, and November 15 commencing from November 15, 2007 and ending on May 15, 2022. Each installment upto and including the installment payable on May 15, 2013 shall be equal to two point zero eight three percent (2.083%) of such principal amounts and each installment thereafter shall be equal to four point one six seven percent (4.167%) of such principal amount.

Under the SFA the company has committed to pay a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time and the commitment charge at the rate set by the IDA on the principal amount of the loan not withdrawn from time to time. The service and commitment charges are payable on May 15 and November 15 each year.

	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')		
13.2 Government of Pakistan – PPAF – II (IDA financing)	<u>8,321,429</u>	<u>8,321,429</u>

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

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

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

	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')		
13.3 Movement of loan from GoP – PPAF – III (IDA financing)	<u>267,522</u>	<u>267,522</u>

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.

	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')		
13.4 Movement of loan from GoP - (IFAD financing-MIOP)		
Opening balance	813,980	281,911
Amount received	180,635	532,069
	994,615	813,980

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

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

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

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

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, 2010	Audited June 30, 2010
(Rupees '000')			
<b>14. DEFERRED LIABILITIES – GRANT FUND</b>			
Government of Pakistan - IDA	14.1	1,124,348	2,085,857
Government of Pakistan - IDA III	14.2	2,390,418	2,278,886
US Agency for International Development/Pakistan	14.3	115,984	115,984
Government of Pakistan - USDA	14.4	142,660	206,226
Government of Pakistan - IFAD (MIOP)	14.5	105,154	61,294
Government of Pakistan - IFAD (PRISM)	14.6	250,000	217,127
Committee Encouraging Corporate Philanthropy	14.7	30,460	74,831
USAID - Flood Relief Fund	14.8	93,758	-
Shell Pakistan Ltd.- Model Village	14.9	4,000	-
Benazir Income Support Program	14.10	(30,503)	-
Donations from Individuals - Flood Relief	14.11	-	-
Engro Foundation - Flood Relief	14.12	5,417	-
		<b>4,231,697</b>	<b>5,040,206</b>

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

	Note	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')			
<b>14.1 Grants from Government of Pakistan - IDA</b>			
Opening balance		2,085,857	1,539,410
Amount received		88,836	4,037,511
		<b>2,174,693</b>	<b>5,576,921</b>
Less: Disbursements for			
Community physical infrastructure		-	1,400
Social sector development		-	18,097
Capacity building - POs		-	143,985
Social mobilization project	14.1.1	1,050,345	3,137,118
Disability project		-	190,464
		<b>1,050,345</b>	<b>3,491,064</b>
		<b>1,124,348</b>	<b>2,085,857</b>
<b>14.1.1 Disbursements for social mobilization project include</b>			
Social Mobilization		379,908	965,169
Community Physical Infrastructure		370,522	1,257,186
Social Sector Development		299,916	914,763
		<b>1,050,345</b>	<b>3,137,118</b>

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

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

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

	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')		
14.2 Grants from Government of Pakistan – IDA III		
Opening balance	2,278,886	-
Amount received	645,015	2,734,572
	<u>2,923,901</u>	<u>2,734,572</u>
Less: Disbursements for		
Social mobilization	94,604	34,748
Institutional building	32,299	74,909
Livelihood enhancement and protection	60,244	4,892
Micro credit access	30,749	-
Health	55,848	94,395
Education	62,888	61,287
Water and infrastructure	196,852	185,455
	<u>533,483</u>	<u>455,686</u>
	<u>2,390,418</u>	<u>2,278,886</u>
14.3 Grants from USAID/Pakistan		
Enterprise development loans	115,984	115,984
14.4 Grants from Government of Pakistan - USDA		
Opening balance	206,226	552,702
Amount transferred	(3,700)	(41,648)
Profit on project bank account	-	51,171
	<u>202,526</u>	<u>562,225</u>
Less: Disbursements	59,866	355,999
	<u>142,660</u>	<u>206,226</u>

14.4.1 On August 30, 2002, the Government of United States of America and GOP signed an agreement under which U.S. Department of Agriculture (USDA) through its Commodity Credit Corporation has agreed to provide 37,800 metric tons of soybean oil to GOP. The GOP has authorized Trading Corporation of Pakistan to receive and monetize the commodity. The plan of operation of this Agreement is to use the sale proceeds to finance PPAF on non reimbursable basis. The total programme size is Rs.1,518 million, out of which Rs 400 million have been received during the year 2004-05, Rs 240 million during the year 2005-06 and Rs 878 million during 2006-07. PPAF will use these funds to implement long-term poverty reduction programmes, including: small-scale infrastructure programmes; sustainable agriculture development programmes; and establishment of a National Drought Mitigation Center (NDMC) in cooperation with the NDMC at Nebraska USA, as part of the long-term plan to mitigate the drought. Funding in respect of NDMC is recognised as deferred income.

	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')		
14.5 Grants from Government of Pakistan - IFAD (MIOP)		
Opening balance	61,294	(14,986)
Amount received	138,649	313,227
	<u>199,943</u>	<u>298,241</u>
Less: Disbursements:	94,789	236,947
	<u>105,154</u>	<u>61,294</u>
14.6 Grants from Government of Pakistan - IFAD (PRISM)		
Opening balance	217,127	45,444
Amount received	32,874	173,933
	<u>250,000</u>	<u>219,377</u>
Less: Disbursements	-	2,250
	<u>250,000</u>	<u>217,127</u>

	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')		
14.7 Grants from Committee Encouraging Corporate Philanthropy		
Opening balance	74,831	109,617
Amount transferred	(5,499)	(3,736)
	69,332	105,881
Less: Disbursements	38,872	31,050
	30,460	74,831

14.7.1 On August 15, 2006 the PPAF and Committee Encouraging Corporate Philanthropy (CECP) signed a programme agreement under which CECP has agreed to make available an amount of US Dollars 12 million over a period of three years commencing from October 1, 2006 to September 30, 2009 to the Company as grant on non reimbursable basis for design, reconstruction and refurbishment of regional health centers, clinics, primary schools and secondary schools affected by the earthquake.

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


	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees '000')		
14.8 USAID - Flood Relief Fund		
Amount received	230,080	-
Less: Disbursements	136,322	-
	93,758	-
14.9 Shell Pakistan Ltd.-Model Village		
Amount received	4,000	-
14.10 Benazir Income Support Program		
Amount received	-	-
Less: Disbursements	30,503	-
	(30,503)	-
14.11 Donations from Individuals - Flood Relief		
Amount received	3,146	-
Less: Disbursements	3,146	-
	-	-
14.12 Engro Foundation - Flood Relief		
Amount received	16,417	-
Less: Disbursements	11,000	-
	5,417	-
15. CONTINGENCIES AND COMMITMENTS		
Aggregate commitments under Financing Agreements for:		
Loans	9,949,895	9,701,857
Grants		
Relief, rehabilitation and reconstruction	168,168	-
Community Physical Infrastructure	1,205,832	762,207
Capacity Building	771,257	552,144
Social Sector Development	1,185,281	901,761
Social Mobilization	97,894	515,807
Livelihood enhancement and protection	832,046	667,457
	4,260,478	3,399,376
	14,210,373	13,101,233



	For the quarter ended		For the half year ended	
	Dec 31	Dec 31	Dec 31	Dec 31
	2010	2009	2010	2009
	(Rupees '000')		(Rupees '000')	
<b>16. INCOME ON INVESTMENTS AND SAVING ACCOUNTS</b>				
Profit on Pakistan Investment Bonds	26,365	48,263	52,730	74,413
Profit on term deposit receipts/saving accounts	179,675	128,402	318,994	265,360
	<b>206,040</b>	<b>176,665</b>	<b>371,724</b>	<b>339,772</b>
<b>17. GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Salaries, wages and other benefits	38,504	39,720	87,746	91,408
Rent	8,671	6,837	16,556	13,843
Repairs and maintenance	1,390	3,343	2,585	5,447
Travelling, lodging and conveyance	9,824	10,636	16,321	23,779
Communication	1,602	827	2,233	1,726
Printing and stationery	1,268	1,190	2,352	2,834
Insurance	586	1,081	1,117	3,954
Vehicles running and maintenance	3,746	2,428	6,249	4,824
Utilities	820	723	1,541	1,493
Legal and professional charges	1,053	451	1,963	987
Advertisement	82	517	660	971
Media projection	241	126	244	164
Newspapers, books and periodicals	167	124	237	222
Depreciation	10,441	8,147	19,426	15,575
Amortization	1,445	1,281	2,891	2,480
Security services	359	479	866	943
Others	1,296	856	1,896	1,579
	<b>81,496</b>	<b>78,765</b>	<b>164,881</b>	<b>172,228</b>
<b>18. SEMINARS, WORKSHOPS AND TRAININGS</b>				
Training	986	5,966	1,299	7,314
Seminar and workshops	1,887	21,090	6,605	23,949
PPAF ten years events	-	3,295	-	15,839
	<b>2,872</b>	<b>30,352</b>	<b>7,904</b>	<b>47,103</b>
<b>19. CONSULTANCY CHARGES</b>				
Poverty score card	5,194	29,779	5,970	77,402
Reconstruction & rehabilitation	-	1,202	-	2,722
General	67	12,644	26,163	22,675
	<b>5,261</b>	<b>43,624</b>	<b>32,133</b>	<b>102,800</b>
<b>20. PROJECT AND RELIEF ACTIVITIES</b>				
School Milk Project	-	-	12,114	-
Relief for Internally Displaced Persons	-	179	-	2,000
Flood relief activities	108,678	-	191,472	-
	<b>108,678</b>	<b>179</b>	<b>203,587</b>	<b>2,000</b>
<b>21. FINANCIAL CHARGES</b>				
On micro credit loans	29,292	10,172	46,576	31,401
Bank charges	60	226	93	407
Discount on purchase of PIBs	(22,686)	-	(22,686)	-
	<b>6,666</b>	<b>10,399</b>	<b>23,983</b>	<b>31,807</b>
<b>22. COMPARATIVE FIGURES</b>				
Comparative figures have been rearranged and reclassified, wherever necessary, for better presentation.				

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

  
Chairman

  
Chief Executive/Managing Director



**Pakistan Poverty Alleviation Fund**

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