RE-IMAGINING THE FUTURE

Restoring hope | Securing the future | Ending poverty

www.ppaf.org.pk

2021 ANNUAL REPORT

Pakistan Poverty Alleviation Fund

Pakistan Poverty Alleviation Fund.
Re-Imagining the Future
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2021 | ANNUAL REPORT

Pakistan Poverty Alleviation Fund

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OUR VISION

Restoring Hope | Securing the Future | Ending Poverty

OUR MISSION

Transforming the lives of the poor to create a more equitable and prosperous Pakistan

OUR CORE VALUES

Inclusion | Participation | Accountability | Transparency | Stewardship

ABBREVIATIONS & ACRONYMS

AA	Aurat Association
ADF	Al Falah Development Organization
ADO	Awami Development Organization
AF	Azat Foundation
AFAC	Anjuman Falah-o-Behbood Council
AGAHE	Association for Gender Awareness & Human Empowerment
AICS	Italian Agency for Development Cooperation
AIM	Akhuwat Islamic Microfinance
AJ&K	Azad Jammu and Kashmir
AKRSP	Aga Khan Rural Support Programme
AMRDO	Al-Mehran Rural Development Organization
AMWS	Al-Mehboob Welfare Society
AP	AGAHE Pakistan
BB	Baanhn Beli
BISP	Benazir Income Support Programme
BLCC	Bunyad Literacy Community Council
BRDRS	Balochistan Rural Development & Research Society
BRDS	Balochistan Rural Development Society
BRSP	Balochistan Rural Support Programme
CCDP	Creative Community Development Programme
CEIP	CSC Empowerment & Inclusion Programme
CERD	Centre of Excellence for Rural Development
CERP	Centre for Economic Research in Pakistan
CMDO	Community Motivation & Development Organization
CRDO	Community Research & Development Organization
CRP	Community Resource Person
CUP	Community Uplift Program
DSDO,	Dir Sustainable Development Organization
DEWA	Development Empowerment Women Association
DOC	Development Organization for Community
EPS	Environmental Protection Society
FAO	Food and Agriculture Organization
FDO	Farmers Development Organization
FESF	Family Education Services Foundation
FFOSP	FFO Support Programme
FY	Financial Year
GAAP	Global Alliance against Poverty
GB	Gilgit-Baltistan
GBTI	Ghazi Barotha Taraqiati Idara
GDIB	Global Diversity and Inclusion Benchmarks
GoP	Government of Pakistan
HADAF	Hazara Development & Advocacy Foundation
HANDS	Health and Nutrition Development Society
HDF	Human Development Foundation
HEEP	Health Education and Environment Programme
HHRD	Helping Hand for Relief and Development
HHs	Households
HRE	Hydropower and Renewable Energy
HWF	Himalayan Wildlife Foundation
IDEA	Initiative for Development & Empowerment Axis
IAUP	Integrated Area Upgradation Project
IFAD	International Fund for Agricultural Development

IRC	Indus Resource Center
KF	Kashf Foundation
KfW	Development Bank of Germany
KP	Khyber Pakhtunkhwa
KK	Khwendo Kor
LACIP	Livelihood Support and Promotion of Small Community Infrastructure Programme
MERC	Mechanism for Rational Change
MF	Mojaz Foundation
MGPO	Mountain and Glacier Protection Organization
MIED	Mountain Institute for Educational Development
MORE	Mobilization for Empowerment
MoU	Memorandum of Understanding
NDRMF	National Disaster Risk Management Fund
NIDA	National Integrated Development Association
NMD	Newly Merged Districts
NPGI	National Poverty Graduation Initiative
NPGP	National Poverty Graduation Programme
NRSP	National Rural Support Programme
OPRCTP	Organization for Poverty Reduction & Community Training Program
PIDS	Participatory Integrated Development Society
PKR	Pakistani Rupee
PO	Partner Organisation
PPR	Programme for Poverty Reduction
PRSP	Punjab Rural Support Program
PSC	Poverty Scorecard
RCDP	Rural Community Development Programme
RDO	Rabt Development Organization
REPID	Rural Empowerment & Institutional Development
SABAWON	Social Action Bureau for Assistance in Welfare & Organizational Networking
SAF	Social Activists Foundation
SAWFCO	Sindh Agricultural Forestry Workers & Coordinating Organization
SEHER	Society for Empowering Human Resource
SERVE	Sustainable Development, Education, Rural Infrastructure, Veterinary Care & Environment
SGDs	Sustainable Development Goals
SHAD	Society for Human Assistance and Development
SHED	Society for Human and Environmental Development
SMC	Sayya Microfinance Company
SMEs	Small and Medium Enterprises
SOP	Standard Operating Procedure
SRSO	Sindh Rural Support Organization
SRSP	Sarhad Rural Support Programme
SSF	SAFCO Support Foundation
TF	Taraqee Foundation
TRDP	Thardeep Rural Development Programme
UC	Union Council
UCBO	Union Council Based Organisation
UNHCR	United Nations High Commissioner for Refugees
USD	United States Dollar
VO	Village Organisation
YO	Youth Organization

ABOUT PPAF

Pakistan Poverty Alleviation Fund (PPAF) is the lead apex institution for community-driven development in the country. PPAF was registered in February 1997 under Section 42 of the Companies Ordinance 1984 (now Companies Act 2017) as a not-for profit company. PPAF's mission is to transform the lives of the poor to create a more equitable and prosperous Pakistan. It has outreach in 147 districts across all four provinces and regions of the country, supporting communities to access improved infrastructure, energy, health, education, livelihoods, finance, and develop resilience to disasters. It serves the poorest and most marginalized rural households and communities across the country providing them with an array of financial and non-financial services. PPAF aims to ensure that its core values of social inclusion, participation, accountability, transparency and stewardship are built into all processes and programmes. For a complete profile, please visit our website at www.ppaf.org.pk

BOARD OF DIRECTORS

Ms. Roshan Khursheed Bharucha

Mr. Kamal Hyat

Dr. Ijaz Nabi

Dr. Naved Hamid

Ms. Khawar Mumtaz

Mr. Muhammad Ali Shahzada

Mr. Syed Ahmad Raza Asif

Mr. Ahlullah Khan

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Chief Executive Officer

Mr. Amir Naeem
Senior Group Head
Financial Management & Corporate Affairs

Ms. Samia Liaquat Ali Khan
Senior Group Head
Graduation

Ms. Ayesha Salma
Group Head
Quality Assurance, Research & Design

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Group Head
Support Services

Mr. Syed Shams Badruddin
Group Head
Infrastructure Development

Mr. Irshad Khan Abbasi
Group Head
Institutional Development

COMPANY INFORMATION

Audit Committee:
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Ms. Roshan Khursheed Bharucha
Syed Ahmad Raza Asif
Mr. Muhammad Ali Shahzada

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Ms. Khawar Mumtaz

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Syed Ahmad Raza Asif
Mr. Ahlullah Khan
Ms. Khawar Mumtaz

Strategy & Design Committee:
Ms. Roshan Khursheed Bharucha (Chairperson)
Dr. Ijaz Nabi
Mr. Kamal Hyat

Chief Financial Officer/ 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

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Website: www.ppaf.org.pk

Bankers:
Faysal Bank Limited, Allied Bank of Pakistan,
Habib Bank Limited, National Bank of Pakistan,
Silk Bank Limited, Standard Chartered Bank Limited,
Bank Al Habib, Bank Al-Falah, MCB Bank Limited,
United Bank Limited, Askari Commercial Bank Limited,
JS Bank, Khushhali Bank, Tameer Microfinance Bank

GENERAL BODY

Mr. Ahlullah Khan: Former Civil Servant
Mr. Ahmad Jan Malik: Joint Secretary Admin, Poverty Alleviation & Social Safety Division
Mr. Aijaz Ahmed Qureshi: Professor, Karachi University
Mr. Anis ur Rehman: Chief Executive Officer, Himalayan Wildlife Foundation
Mr. Asif Faiz: Chief Executive Officer, Faiz and Associate Planning Consultant
Ms. Ayla Majid: Managing Director, Financial Advisory Services at Khalid Majid Rehman, Chartered Accountants
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Mr. Rajab Ali Memon: Educationist
Mr. Rashid Bajwa: Chief Executive Officer, National Rural Support Programme
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Ms. Sadiqa Salahuddin: Executive Director, Indus Resource Center
Dr. Shabnam Sarfaraz: Member (SSD) Planning Commission, Ministry of Planning Development and Research
Mr. Shoaib Sultan Khan: Chairman, Rural Support Programmes Network
Mr. Syed Ahmad Raza Asif: Deputy Secretary, External Finance Policy, Ministry of Finance
Mr. Syed Ayub Qutub: Executive Director, Pakistan Institute of Environment Development & Research
Ms. Zubeida Khatoon: Chairperson, Khwendo Kor

CHAIRPERSON'S MESSAGE

This year saw the Pakistan Poverty Alleviation Fund (PPAF) adjust to the new normal as the country continued to navigate through the second and third waves of the COVID-19 pandemic. As we provided immediate assistance to the poorest communities in rural areas so that they could survive the economic impact of the pandemic, we also supported our own staff and their families affected by COVID-19. I am touched to witness the strength exhibited by our communities and employees as they pulled through this crisis.

Disruption often leads to innovation and organisations must evolve to be the best version of themselves in order to remain effective. This year, PPAF took stock of its operating environment, its internal capacities and looked ahead to leverage new opportunities and tackle the many persisting challenges of poverty. We re-imagined a future where communities would be more empowered to participate in the development and governance processes affecting them. The new PPAF Strategy 2021-2025 provides greater focus for the organisation to innovate, generate evidence, and scale up solutions to contribute to the national development agenda. It renewed our commitment to transforming the lives of the poor to create a more equitable and prosperous Pakistan.

I encourage you to read this year's annual report to learn more about the contributions of PPAF in addressing poverty and supporting communities in their journey towards socio-economic inclusion. The report also elaborates on our focus on climate change resilience measures taken in our programmes, since Pakistan continues to be among the countries worst affected by climate change risks.

I would like to thank the communities we serve, and our supporters including our partner organisations, donors and government for their partnership. I would also like to extend my appreciation to the Board of Directors for their valuable contributions and honorary time commitment to serving the mission of this apex institution.

As PPAF grows from strength to strength, so will our potential to uplift the poor. I am confident that the PPAF team will continue to ensure that the company remains steadfast on its mission of poverty alleviation in line with the organisation's core values.

RK Bharucha

Roshan Khursheed Bharucha

CHIEF EXECUTIVE OFFICER'S MESSAGE

This has been yet another challenging year as COVID-19 pandemic continue to impact our lives and test our resilience. Maintaining business continuity amidst the crisis and redirecting our efforts to tackle new challenges to serve the underserved communities remained our focus for much of the year.

Given the urgency of the situation, the Pakistan Poverty Alleviation Fund accelerated its COVID-19 response to provide relief to more than 76,000 of the poorest households in 22 districts across all four provinces. This helped families cope with the crisis by supplementing their food security and restoring livelihoods.

In 2020-2021, much of our work focused on creating more jobs and investing in people to boost the struggling economy. Through the European Union (EU)-funded and International Trade Centre (ITC)-led Growth for Rural Advancement and Sustainable Progress (GRASP) project, we aim to empower 200 micro, small and medium rural enterprises which are the backbone of this economy.

We continued to improve the lives of the ultra-poor families through our tried and tested poverty graduation model. In the IFAD and Government of Pakistan funded flagship National Poverty Graduation Programme (NPGP), we transferred productive assets to more than 54,000 vulnerable households, increasing their earning potential so that they can become self-reliant over time. The graduation approach is also successfully benefitting refugees as 2,500 productive assets were transferred to Afghan Refugees under the UNHCR supported Poverty Graduation Programme.

Through our Programme for Poverty Reduction, funded by the Italian Government through the Agency for Development Cooperation (AICS), we re-aligned our interventions to better serve our communities during the pandemic. Impacting big, the programme's economic revival package supported more than 8,400 poor households with farm, non-farm and natural resource-based livelihoods inputs. Utilising our own resources, PPAF is also enhancing food security in 12 union councils of districts Swabi and Torghar. We have established Field Farmers Schools and initiated 9 agricultural schemes to build farming expertise, diversify cropping and ensuring water availability through efficient water management in communities.

As Pakistan faces a significant youth bulge, the future of our country rests in investing in building their capacity to become productive and responsible citizens. Using PPAF's own resources for education, we supported education for over 18,000 children in Sindh, Gilgit-Baltistan, and Balochistan who've now graduated to the next education level. We have also worked hard to improve social inclusion through Empowering the Deaf Community in Sindh and supported 240 differently abled students through scholarships. Citi Foundation, PPAF initiated the second phase of the Revitalising Youth Entreprises (RYE) to extend market relevant skills trainings to young people in Sindh and Punjab, vocational training for 300 young people in Ziarat and Killa Saifullah.

As a first for PPAF, we have also supported skill development for 20 indigenous musicians through the Art Residency Programme to improve their incomes, preserving traditional musical instruments as well as protecting and showcasing local culture.

The high vulnerability of Pakistan to climate change calls for urgent action to protect the environment. With many people pushed back into the cycle of poverty and communities at the risk of climate change related catastrophes, the need to build back better is more critical than ever. That is why we have renewed our commitment to climate action led to the integration of zero carbon approach in all our new and ongoing projects. Our programme on Building Resilience to Disaster and Climate Change is enabling disaster prevention in around 100 villages to protect the most vulnerable communities in the country.

In the face of the many challenges we faced this year, we remained steadfast on our values and this is what has carried us through. The collaborative culture that we have fostered at PPAF over the years has helped the institution evolve with the changing times. Our continuous attention to gender equity and diversity at the workplace has been recognized by the Global Diversity & Inclusion Benchmarks (GDIB) Award that we have won again for the fifth consecutive year.

Finally, I am grateful to the members of the Board for their commitment and contributions, the Poverty Alleviation and Social Safety Division (PASSD) and other institutions of the Government of Pakistan for their guidance and facilitation. We are also thankful to our donors and research partners for their support and trust as we continue to reach the underserved.

I look forward to seeing the Pakistan Poverty Alleviation Fund grow, innovate and continually evolve to achieve its mission of transforming the lives of the poor to create a more equitable and prosperous Pakistan.

Qazi Azmat Isa

2020-21 AT A GLANCE

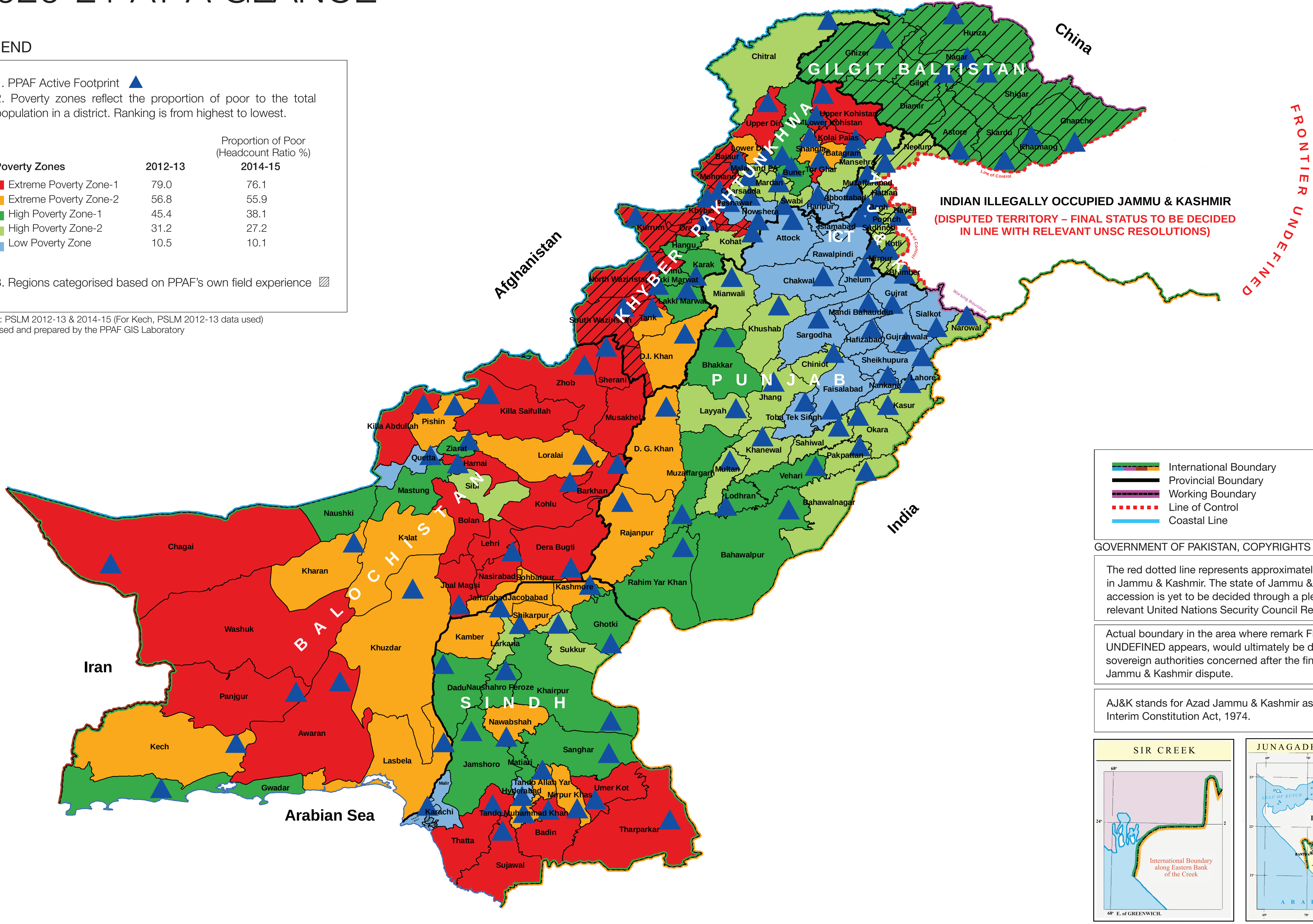
LEGEND

1. PPAF Active Footprint ▲
2. Poverty zones reflect the proportion of poor to the total population in a district. Ranking is from highest to lowest.

Poverty Zones	Proportion of Poor (Headcount Ratio %) 2012-13	2014-15
Extreme Poverty Zone-1	79.0	76.1
Extreme Poverty Zone-2	56.8	55.9
High Poverty Zone-1	45.4	38.1
High Poverty Zone-2	31.2	27.2
Low Poverty Zone	10.5	10.1

3. Regions categorised based on PPAF's own field experience

Source: PSLM 2012-13 & 2014-15 (For Kech, PSLM 2012-13 data used)
Processed and prepared by the PPAF GIS Laboratory



- International Boundary
- Provincial Boundary
- Working Boundary
- Line of Control
- Coastal Line

The red dotted line represents approximately the line of control in Jammu & Kashmir. The state of Jammu & Kashmir and its accession is yet to be decided through a plebiscite under the relevant United Nations Security Council Resolutions.

Actual boundary in the area where remark FRONTIER UNDEFINED appears, would ultimately be decided by the sovereign authorities concerned after the final settlement of the Jammu & Kashmir dispute.

AJ&K stands for Azad Jammu & Kashmir as defined in the AJK Interim Constitution Act, 1974.

PROGRAMME HIGHLIGHTS
2020-21

Investment of

PKR 11.21 Billion

in Pakistan Microfinance Investment Company

Equity investment 3.38 billion

Subordinated loan 7.83 Billion

21,076

women leaders in community institutions

122,830

households organised under community institutions

Note: Cumulative figures since inception

LIVELIHOODS

VALUE CHAINS DEVELOPED

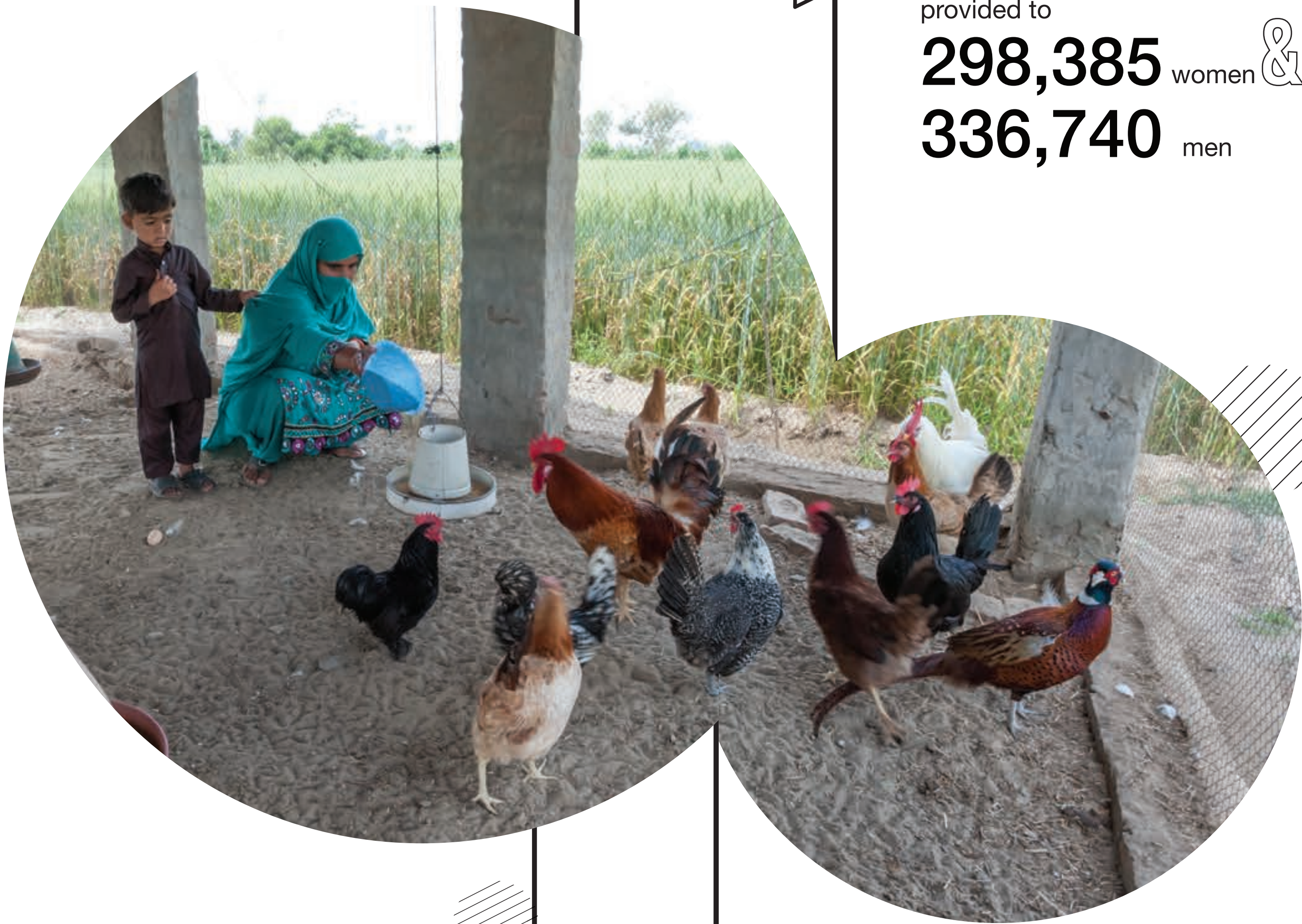
09

INTEREST FREE LOANS

provided to

298,385 women &

336,740 men



SKILLS AND MANAGERIAL TRAININGS

provided to

2,474 women &

7,440 men

PRODUCTIVE ASSETS

distributed to

31,939 women &

6,172 men

WATER, ENERGY & INFRASTRUCTURE

CONNECTED THROUGH TERTIARY ROADS

13,316 households

IMPROVED INFRASTRUCTURE FOR

31,951 households

CONNECTED TO ELECTRICITY

490 households for domestic and productive uses

ENABLED ACCESS

of safe water to 6,213 households in hard-to-reach areas

HEALTH

PRIMARY HEALTHCARE SERVICES FOR

142,920 women & men

499

AWARENESS SESSIONS

held on good hygiene, safe sanitation, clean water

& 153,997 beneficiaries oriented on nutrition, WASH awareness, immunisation, vaccination and COVID-19.

EDUCATION

SCHOOL ENROLMENT OF

28,316 children
(57.4% girls)
till secondary level

GRADUATED TO THE NEXT LEVEL

18,483 children
(57% girls)

PROVISION OF SCHOLARSHIPS TO

1,208 children
to access quality education
in private schools

TECHNICAL AND FINANCIAL SUPPORT FOR

75 schools

CLIMATE CHANGE ADAPTATION

ENVIRONMENTAL AWARENESS

provided to
1,565 children
through events & art competitions

RESILIENT TO FLOODS

489 households

ENVIRONMENRAL CLUBS

established in
35 schools

DISASTER MANAGEMENT & ENVIRONMENTAL AWARENESS

of **10,621** households

TREES PLANTED

67,706

PROGRAMME ACHIEVEMENTS

NATIONAL POVERTY GRADUATION PROGRAMME (NPGP)

The National Poverty Graduation Programme (NPGP) is supported by the International Fund for Agricultural Development (IFAD) and the Government of Pakistan (GoP). This Programme, initiated in all provinces, aims to assist the poor and ultra-poor in graduating out of poverty on a sustainable basis while simultaneously improving their overall food security, nutritional status, and resilience to climate change. The approach combines three distinct elements: social mobilisation, livelihoods development, and financial inclusion.

Since inception of the Programme, over 120,000 beneficiary households have been identified from the National Socioeconomic Registry (NSER) data maintained by the Benazir Income Support Programme (BISP) and their baseline Poverty Scorecard calculated and community validated. Our Partner Organisations (POs) worked with eligible households to develop a Livelihood Investment Plan (LIP) based on their existing skills and resources, aspirations, and market opportunities.

In FY2020-21, 54,930 assets were transferred to the target households, of which 92% were transferred to women. A variety of assets were transferred such as livestock, agri-inputs, enterprise development capital and vocational trainings.

A proportion of eligible beneficiaries also receive interest-free loans, under the Government of Pakistan's Ehsaas Bila Sood Qarza Programme (also led by PPAF) to support income diversification and business expansion. As of June 2021, over 31,000 Interest Free Loans were provided under NPGP to assist the poor households in climbing up the poverty ladder.

Under the social mobilisation component, focus remained on community engagement and capacity building of the target communities. Till June 2021, 3,374 Community Resource Persons (CRPs) were identified for trainings on different thematic areas including Enterprise Development, Asset Management and Financial Literacy; Climate Change Adaptation; and Health and Nutrition. These CRPs have successfully delivered trainings in areas including functional literacy and basic business and asset management to asset beneficiaries.

Likewise, communities also participated in campaigns on Tree Plantation and Global Earth Challenge while events and sessions were held to promote awareness on different issues including disaster management among the rural communities.

DONOR:	BUDGET:	DURATION:
IFAD Investing in rural people; Government of Pakistan	USD 150 Million	2017-2023

PARTNERS: NRSP, SRSO, TRDP, BRSP, SABAWON, LASOONA

COVERAGE: **(Punjab)** Dera Ghazi Khan, Jhang, Layyah;
(Sindh) Badin, Kashmore, Shikarpur, Thatta, Sujawal,Tharparkar, Umerkot;
(Balochistan) Zhob, Gwadar, Lasbela;
(Khyber Pakhtunkhwa) Kohistan Upper, Kohistan Lower, Palas Kolai, Torghar, Battagram, Shangla, Dera Ismail Khan, Tank

CUMULATIVE ACHIEVEMENT – JUNE 2021	
Households organised	**91,996**
Livelihood investment plans developed	**72,862**
Assets distributed	**54,930**
Women	50,409
Men	4,521

POVERTY GRADUATION PROGRAMME FOR AFGHAN REFUGEES (PGP)

Pakistan Poverty Alleviation Fund and the United Nations High Commissioner for Refugees (UNHCR) are jointly taking forward the poverty graduation approach to assist Afghan refugees and host families in Mansehra, Peshawar, and Chagai graduate out of poverty on a sustainable basis while simultaneously improving their skills and increase their resilience.

The Project aims to target 3,000 households in 5 refugee villages and camps, namely Lejay Carez Camp, refugee villages in Chagai, Ichrian and Khaki, refugee villages in Mansehra, and Khazana and Kababian Camps in Peshawar.

As of June 2021, a total of 2,584 productive assets were transferred to the Afghan families, with 2,084 assets transferred to families in Mansehra and 500 to those in Chagai. The diversity of assets included livestock, poultry, plumbing and carpentry kits and specialised assets for paramedics. This support has enabled the asset recipients to start small businesses for generating income and pursuing sustainable livelihoods.

DONOR: UNHCR The UN Refugee Agency

BUDGET: PKR 320 Million

DURATION: 2020 - 2021

PARTNERS: IDEA, TF

COVERAGE: **(Khyber Pakhtunkhwa)** Peshawar, Mansehra; **(Balochistan)** Chagai

INTEREST FREE LOAN PROGRAMME (IFL)

Interest Free Loan Programme (IFL) is one of the major components of the National Poverty Graduation Initiative, under the Government of Pakistan's Ehsaas Programme, being implemented by PPAF. As many as 3.8 million interest free loans will be provided over 4 years to 2.28 million households for income diversification and business expansion.

This Programme feeds into PPAF's overall approach for poverty graduation. Once the skills and productive asset base is built, the poor can access financial services beginning with the interest free loan. Local communities are mobilised and groups are formed for individuals to avail interest free loans. Under the Programme, loan centres have also been developed to offer business advisory sevices to develop a business ecosystem. The centres also give exposure and create linkages to input suppliers, markets and skill training institutions. In 2021, a total of 635,125 interest free loans were disbursed out of which 47% were women recipients.

CUMULATIVE ACHIEVEMENT – JUNE 2021	
Loans disbursed	**1,954,091**
Women	1,009,150
Men	944,941

DONOR:

BUDGET: PKR 17.7 Billion

DURATION: (Phase-II) 2019 - 2023

PARTNERS: ADO, EPS, SMC,SSF, SERVE, CEIP, BRSP, FDO,FFOSP, GBTI, NRSP, OPRCTP, PRSP, SRSO, TRDP, AIM, RCDP, AP, AMRDO, BLCC, HHRD, KF, HANDS,MF,

COVERAGE: Punjab, Sindh, Balochistan, Khyber Pakhtunkhwa, Azad Jammu and Kashmir, Gilgit-Baltistan

DISTRICTS: 110

GROWTH FOR RURAL ADVANCEMENT & SUSTAINABLE PROGRESS (GRASP)

Pakistan Poverty Alleviation Fund (PPAF) is working with the International Trade Centre (ITC) and the Food and Agricultural Organization (FAO) to implement the Growth for Rural Advancement and Sustainable Progress (GRASP) project. The project is funded by the European Union (EU) to strengthen micro, small, and medium Enterprises (MSMEs) in rural areas for poverty reduction and sustainable economic growth in Pakistan.

GRASP was initiated by ITC in 2019 and PPAF was onboarded as an implementing partner after an MoU signing in March 2021.

The project aims to support gender inclusive income and employment generation opportunities in the livestock and horticulture sectors for 22 districts in Sindh and Balochistan by making improvements at all levels of the value chain. This will include identifying beneficiaries and business intermediary organisations in rural communities and providing them with technical trainings and opportunities to develop business linkages. The project is expected to facilitate access to credit for MSMEs through linkages with financial institutions and relevant market actors in the ecosystem.

DONOR: This project is funded by the European Union | **BUDGET:** USD 14.8 Million | **DURATION:** 2019-2024

PARTNERS: BRSP, GSF, RDF, SAFWCO, TRDP, TF and SPO

COVERAGE: **(Sindh)** Karachi, Hyderabad, Thatta, Tando Muhammad Khan, Sujawal, Shaheed Benazirabad, Khairpur, Sanghar, Tharparker, Tando Allah Yar, Matiari,Mirpur Khas; **(Balochistan)** Quetta, Pishin, Nushki, Kharan, Khuzdar, Lasbela, Panjgur, Kech, Zhob, Musakhel

ENHANCING FOOD SECURITY THROUGH STRATEGIC INTERVENTIONS IN AGRICULTURE

PPAF launched a project for enhancing food security in districts Swabi and Torghar. The Project aims to develop skills and knowledge of farmers about modern agricultural practices and facilitate setting up agriculture value chains for improving the livelihoods of small farmers.

Through institutional development, capacity building of farmers and innovative interventions in agriculture, the project aims at expanding livelihood opportunities for small farmers, diversifying cropping patterns and increasing farm income.

CUMULATIVE PROGRESS – JUNE 2021	
Households Organised	**3,159**
Community Organisations formed	**71**
Women	15
Men	56
Exposure visit for CI members	**47**
Field Farmers Schools established	**27**
Agriculture Schemes initiated	**09**

DONOR: PPAF | **BUDGET:** PKR 200 Million | **DURATION:** 2020-2021

PARTNERS: CERD, IDEA

COVERAGE: **(Khyber Pakhtunkhwa)** Swabi, Torghar

PROGRAMME FOR POVERTY REDUCTION (PPR)

The Programme for Poverty Reduction (PPR) is financed by the Government of Italy (GoI) through the Directorate General for Development Cooperation (DGCS) and managed by the Italian Agency for Development Cooperation (AICS). This integrated programme has created sustainable conditions of social and economic development, including increase in income and productive capacity in 14 districts of Balochistan and Khyber Pakhtunkhwa (KP).

The key components of the Project include institutional development, livelihoods enhancement, infrastructure development and provision of improved access to health and education facilities. This year more than 600 poor households of project areas situated in districts Gwadar and Lower Dir received farm and non-farm inputs to help them sustain the impacts of the COVID-19 pandemic. Similarly, under the PPR COVID-19 response initiative, cash-for-work was introduced where more than 200 skilled and unskilled community members worked as paid laborers in construction of Community Physical Infrastructure schemes giving them an income generation opportunity.

With the project reaching its completion, there was extensive focus on the craft industry with upgradation of the Kalasha Crafts Center in Bumburete and Rambore valleys, and construction of a crafts centre in Birir valley. Over 100 artisans received hands-on training in product design and finishing as well as developing market linkages in the crafts and textile sectors.

To support the olive value chain development, we provided three olive oil processing plants with a capacity of 250 kilogram per hour in Districts Killa Abdullah, Zhob in Balochistan and Lower Dir in KP. Each plant will benefit small farmers in 2-3 adjacent districts of the area enabling high quality and optimum life cycle of the plant.

DONOR: AGENZIA ITALIANA PER LA COOPERAZIONE ALLO SVILUPPO

BUDGET: EURO 40 Million

DURATION: 2013- 2021

PARTNERS: AKRSP, KK, SRSP, CERD, EPS, LASOONA, NIDA.Pakistan, BRSP, BRDRS, PIDS, TF, HDF, NRSP, BRAC (until October 2019), AF, YO, SEHER

COVERAGE: **(Balochistan)** Zhob, Killa Saifullah, Killa Abdullah, Pishin,Gwadar, Lasbela, Awaran, Panjgur, Kech; **(Khyber Pakhtunkhwa)** Lower Dir, Upper Dir, Chitral, Swat,

CUMULATIVE PROGRESS – JUNE 2021

Capacity building for livelihoods	**34,373**
Women	11,116
Men	23,257
Assets distributed	**9,377**
Women	4,093
Men	5,284
Basic services and infrastructure	
Community infrastructure built	1,615
Health centres constructed or rehabilitated	135
Schools constructed or rehabilitated	824

LIVELIHOOD SUPPORT AND PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROGRAMME (LACIP)

The Livelihood Support and Promotion of Small Community Infrastructure Project (LACIP) was implemented from April 2012-2017 to improve the general living conditions and quality of life of the poor in 8 districts of Khyber Pakhtunkhwa. Using some unspent funds, LACIP-I Extension was designed to invest in physical infrastructure, livelihoods and social mobilisation of 2 Union Councils (UCs) of Upper Dir. 9 out of 12 area upgradation projects have been completed while the remaining three are also near completion.

LACIP-I EXTENSION	CUMULATIVE PROGRESS (JUNE 2021)
Community infrastructure built	**12**
Initiated Integrated Area Upgradation Projects	
Community institutions	
Households Organised	**5,723**
Community Organisations formed	**204**

LACIP-II	CUMULATIVE PROGRESS (JUNE 2021)
Assets distributed	**1,389**
Women	760
Men	629
Technical & vocational skills imparted	**1,228**
Women	619
Men	609
Community Infrastructure built	
IAUP completed	**67**
Individuals benefitted	**115,900**
Community Institutions	
Community Organisations formed	**1,126**
Village Organisations formed	**148**
Community trainings & capacity building events	**267**
Community Trainees	**5,645**
Women	2,025
Men	3,620

DONOR: german cooperation | **BUDGET:** EURO 1.41 Million | **DURATION:** 2018- 2021

PARTNER: Khwendo Kor

COVERAGE: **(Khyber Pakhtunkhwa)** Upper Dir

DONOR: german cooperation | **BUDGET:** EURO 10 Million | **DURATION:** 2018- 2021

PARTNER: NRSP, SRSP, SABAWON

COVERAGE: **(Khyber Pakhtunkhwa)** Buner, Shangla, Lakki Marwat

Following the satisfactory performance under LACIP-I, the second phase, LACIP-II, commenced with the overall objective of contributing to the betterment of the living conditions of poor people and stabilisation of under served areas in Khyber Pakhtunkhwa. As LACIP-II concludes, the programme targets on institutional development, community physical infrastructure and livelihood and enterprise development have successfully been achieved.

DEVELOPMENT OF HYDROPOWER & RENEWABLE ENERGY (HRE)

The development of Hydropower and Renewable Energy (HRE) Project financed by the Federal Republic of Germany through KfW aims to improve the general living conditions and quality of life of the poor in Khyber Pakhtunkhwa through mini/micro hydropower projects and solar mini grid systems. After the completion of Phase I, activities commenced under the second phase, these included Operations & Maintenance (O&M) trainings, identification and construction of solar drinking water supply schemes, additional household connections and trees plantation mainly related to sustainability of schemes.

This year provision of electricity to the off-grid communities continued through the mini and micro hydropower plants and Solar Lighting Systems (SLSs). With 490 new households gaining access to the renewable electricity, the Project has benefitted 1,892 families by June 2021.

Furthermore, on-site trainings were organised for the powerhouse operators for capacity building of the community to enhance their technical skills required for operation and maintenance of installed systems. O&M and Management Manuals in Urdu language on mini/micro hydropower projects have also been prepared to provide them with extended guidance.

The tree plantation drive that commenced last year continued through this year. In 2021, as many as 28,756 saplings of various species, including forest and fruit trees suited to the local conditions were planted for long term environmental and economic benefits to the community.

DONOR: german cooperation

BUDGET: EURO 11 Million

DURATION: 2013- 2021

PARTNERS:
AKRSP, NRSP, SRSP, CMDO, SABAWON

COVERAGE: (Khyber Pakhtunkhwa) Lakki Marwat, Swabi, Buner, Upper Dir, Chitral, Karak

CUMULATIVE PROGRESS – JUNE 2021	
Community Infrastructure	
Hydropower plants completed	**05**
Solar minigrid systems completed	**68**
Women benefitted	6,640
Men benefitted	7,143
Community Institutions formed	**58**

BUILDING RESILIENCE TO DISASTERS AND CLIMATE CHANGE (BRDCC)

PPAF is implementing the BRDCC project co-financed by the National Disaster Risk Management Fund (NDRMF) in eight districts in Balochistan, Khyber Pakhtunkhwa, Sindh and Gilgit-Baltistan. The Project is designed to strengthen readiness of the communities through establishing an institutional framework to mobilise and organise communities, understand their specific vulnerabilities to natural hazards, and design structural and non-structural measures to reduce and protect against potential disasters. PPAF entered into partnership with the NDRMF in November 2019 for building resilience to disasters and climate change in communities of 8 districts in Balochistan, Khyber Pakhtunkhwa, Sindh and Gilgit-Baltistan. The activities under the Project include formation of Village Organisations (VO), preparation of Village Disaster Management Plans (VDMPs), implementation of flood protection structures and community training on Operation & Maintenance of completed infrastructure.

By June 2021, 36 sub- projects (structural measures for flood protection will include gabions, concrete and stone-masonry walls, and earthen embankments) were finalised for execution. The VOs have developed 100 VDMPs in line with the sub- projects proposed by the POs. Furthermore, the POs have initiated trainings in O&M, to build capacities of the participants to play their role in project completion, maintenance and sustainability.

DONOR: NDRMF, PPAF

BUDGET: PKR 823.98 Million (30% PPAF's share)

DURATION: 2019- 2021

PARTNERS: BRDS, MGPO, EPS, GBTI, FDO,TRDP, HANDS, SAFWCO

COVERAGE: **(Balochistan)** Nasirabad; **(Khyber Pakhtunkhwa)** Shangla, Swabi; **(Sindh)** Dadu, Jamshoro, Naushero Feroze; **(Punjab)** Multan; **(Gilgit- Baltistan)** Skardu

CUMULATIVE PROGRESS – JUNE 2021	
Households Organised	**3,769**
Village Organisations formed	**101**
Women	19
Men	24
Mixed	58
Membership	3,769

REVITALISING YOUTH ENTERPRISE (RYE)

After successfully completing the first phase of the Revitalising Youth Enterprise (RYE) Project in Balochistan where 300 youth received technical and vocational training to increase their employability and entrepreneurship capacity, PPAF and the Citi Foundation have continued this partnership to extend this support in Sindh and Punjab. In this second phase, 200 youth (aged 16-24 years) will be trained in high demand skills such as digital marketing, graphic designing, social media management.

The grant is part of a global initiative by Citi Foundation called Pathways to Progress which is a job skills-building initiative that addresses the persistent issue of youth unemployment. Pathways to Progress aims to address the prevalent skills mismatch and equip young people, particularly those from underserved communities, with the skills and networks needed to succeed in today's rapidly changing economy.

DONOR: Citi Foundation citi

BUDGET: USD 200,000

DURATION: 2021- 2023

PARTNER: NRSP

COVERAGE: **(Sindh)** Malir, Sukkur; **(Punjab)** Multan and Bahawalpur

ENABLING FORMAL ACCESS TO EDUCATION

CONTINUED SUPPORT TO PPAF'S ESTABLISHED SCHOOLS IN SINDH AND GB

With the purpose of improving the quality of education, PPAF carried out school improvement projects in the poverty-stricken rural areas of Sindh and Gilgit-Baltistan. The projects have benefitted more than 9,000 children, out of which 49% are girls. These children are attending 35 community-based schools, 9 public schools and a community college. For each school, a management committee was formed to engage parents and the communities in school activities.

The project improved the capacities of teachers through exposure visits, pedagogy skills training, and teaching aids. Computer and science labs have been set up, other support included furniture provision, paying for school utilities, and maintenance.

DONOR: PPAF | **BUDGET:** PKR 59.5 Million | **DURATION:** 2019- 2021

PARTNERS: IRC, BB, BRDS,MIED

COVERAGE: **(Gilgit- Baltistan)** Ghizer; **(Sindh)** Badin, Tharparker, Malir, Jamshoro, Dadu, Khairpur

SCHOOLS SUPPORTED: 44

STUDENTS BENEFITTED: 9,246 (49% girls)

BALOCHISTAN EDUCATION INITIATIVE

PPAF is supporting the Government of Balochistan to improve the physical learning environment and raise the quality of primary and secondary schools to improve the standard of education in the province and contribute towards SDG 4. This is being achieved by providing better educational opportunities to students in middle and high schools and linking education with capacity building skill development in 4 marginalised districts of Balochistan. The purpose of the project is to improve the educational facilities at schools through improvement in existing infrastructure and also through capacity building of the students on various themes like leadership skills, health & hygiene, environmental protection, menstruation health management, and vocational skills to provide them chance to improve their livelihood opportunities. A total of 20 schools, with an enrolment of 7,986 students, with 68% being girls, are supported under the project.

DONOR: PPAF | **BUDGET:** PKR 25.49 Million | **DURATION:** Jan - Dec 2021

PARTNERS: BRSP, NRSP

COVERAGE: **(Balochistan)** Zhob, Sherani, Gwadar and Kech

DERA BUGTI PROJECT

To address systemic poverty issues in the remote and underserved district of Dera Bugti in Balochistan province, PPAF initiated a holistic project to improve infrastructure, health and education services there. Social mobilisation formed the basis of the project as households were organised into community institutions for owning the socioeconomic development of their area.

CUMULATIVE PROGRESS – JUNE 2021

Community Institutions	
Community Organisations formed & strengthened	333
Village Organisations formed & strengthened	65
Infrastructure schemes completed	148
HH beneficiaries (infrastructure)	6,853
Asset distribution	**902**
Women	126
Men	776
Livelihood trainings imparted	**1,528**
Women	217
Men	1,311
Assisted devices	**25**
Government School Supported	**5**
Total Enrolment	42
Boys	35
Girls	7

DONOR: PPAF

BUDGET: PKR 327 Million

DURATION: 2015- 2021

PARTNERS: BRDS, BRSP, PIDS

COVERAGE: **(Balochistan)** Dear Bugti

ART RESIDENCY PROGRAMME

The Art Residency Programme is the country's first ever music residency Project which aims to graduate indigenous artists out of poverty while simultaneously preserving and showcasing local culture. It was launched in partnership with Foundation for Arts, Culture and Education (FACE) to help the most vulnerable musicians generate a sustainable income.

The project is a musical journey out of poverty, focusing on equipping indigenous artists with the business acumen and skill development to enable income generation. 10 maestros and 10 apprentices were selected from across the country for an extensive training which ended with a song recording for each pair. The songs were featured on a YouTube channel "Heritage Live" exclusively created to promote these artists. The channel currently has more than 67,000 views.

DONOR: PPAF

BUDGET: PKR 7.5 Million

DURATION: Feb-Nov 2020

PARTNER: FACE

COVERAGE: Punjab, Sindh, Balochistan, Khyber Pakhtunkhwa, Azad Jammu and Kashmir, Gilgit-Baltistan

DISABILITY INCLUSION PROGRAMMES

PPAF is implementing two programmes in line with the organisation's Disability Inclusion Strategy aimed at social and technological inclusion of differently abled people, especially in the more remote and inaccessible areas of Pakistan.

EMPOWERING THE DEAF COMMUNITY

Committed to the spirit of inclusion and financial independence for the differently abled, PPAF provided scholarships to 240 students of class 1 to 12 to study at Deaf Reach schools set up by the Family Educational Services Foundation (FESF). To expand opportunities for better jobs and enterprise development, PPAF also supported skills and vocational trainings of 192 deaf students in Hyderabad, Rashidabad, Shaheed Benazirabad and Tando Allahyar.

They students are provided with transportation and a nourishing meal at the school as they learn to cook, sew, stitch, and embroider to become productive members of society. Moreover, 100 teachers have been trained from across the four provinces and GB on methodologies for educating deaf students.

DONOR: PPAF | **BUDGET:** PKR 34.5 Million | **DURATION:** Jan - Dec 2020

PARTNER: FESF
COVERAGE: **(Sindh)** Hyderabad, Nawabshah, Rashidabad
SCHOLARSHIPS PROVIDED: 240 (girls 96; boys 144)
SKILLS TRAINEES: 192
TEACHERS TRAINED: 24

REHABILITATION OF PHYSICALLY CHALLENGED PERSONS

PPAF has engaged the Chal Foundation to implement the Rehabilitation of Physically Challenged Persons Project aiming to identify and rehabilitate persons with a disability in Quetta, Balochistan. The Project will provide assistive devices (modular prostheses and orthoses) to 500 children with a disability and will encourage uninterrupted schooling for the differently abled children through motivational and psychosocial interventions with their parents. So far 425 people have been given assistive devices.

DONOR: PPAF | **BUDGET:** PKR 15.5 Million | **DURATION:** July 2020 - Oct 2021

PARTNER: Chal Foundation
COVERAGE: **(Balochistan)** Quetta
ASSISTIVE DEVICES (Prostheses and Orthoses): 500
SEMINARS (Motivational/ Physicosocial): 15

TABEER-O-TAMEER FUND (TTF)

The purpose of the Tabeer-o-Tameer Fund is to strengthen third tier community institutions in high priority districts across Pakistan through consistent financial and technical support in order to facilitate their initiatives for sustainable development in their communities. PPAF has set up this Fund to nurture the Union Council Based Organisations (UCBOs) and make them move from dependency to self-reliance. These institutions were formed under Social Mobilisation Project and Third Poverty Alleviation Fund Project (PPAF-III) from FY 2007-FY2016 and exist in PPAF's high priority regions, i.e., the poorest areas of the country.

As of June 2021, close to 1,556 sessions on SDGs 3, 4, 5,13 and 16 were held through the on-ground partner organisations. These forums which were attended by 41,000 community members aimed at creating awareness of communities for them to innovate and take forward the global goals, and achieve social, economic, and environmental outcomes. So far overall, 54 UCBOs have got themselves registered with the local authorities and 90 have functional bank accounts. Operational support as salaries of two staff members each has been provided to 94 UCBOs for the duration of the Project.

DONOR: PPAF

BUDGET: PKR 152.26 Million

DURATION: 2018- 2022

PARTNERS: TRDP, AGAHE, PIDS, YO, SERVE, CMDO, SABAWON, CUP, BB, AKRSP

COVERAGE: **(Sindh)** Tharparkar Punjab: Rajanpur; **(Balochistan)** Loralai, Kech; **(Khyber Pakhtunkhwa)** Shangla, Upper Kohistan, Bannu, Lakki Marwat, South Waziristan; **(Gilgit-Baltistan)** Astore, Ghanche, Ghizar, Skardu

SMALL GRANTS PROJECT: CAPACITY BUILDING OF SMALL ORGANISATIONS

The Small Grants Project's purpose is to provide technical assistance and support to the small/new partner organisations to define their role, develop Standard Operating Procedures (SOPs), by-laws and internal control systems, and eventually enhance their capabilities as social entrepreneurs having specialised technical capacity.

The Project focuses on enhancing PPAF's role of sector developer and furnish a support system for smaller organisations with the will to perform in vulnerable areas. The key components and interventions of the Project included trainings, capacity building and material development, exposure visits, workshops and round tables, operational support and designing and roll out of innovative pilot projects around SDGs.

During Phase I of the Project, a total of 18 Small Organisations were taken onboard: 9 from KP, 2 from Newly Merged Tribal Districts and 7 from Balochistan and their capacities built in institutional governance, linkage development, and operational self-sufficiency. Findings of evaluation of Phase I reveal that 66 percent of the organisations were successful in seeking financing from other NGOs and INGOs for their projects and 16 out of 18 of these organisations have also implemented their pilot projects. Following the successful completion of Phase I, financing for Phase II of the Project has been approved to cover 25 small organisations whose selection process has already been initiated.

DONOR: PPAF

BUDGET: PKR 50 Million

DURATION: 2018 - 2020

SMALL ORGANISATIONS: AA, GAAP, RDO, RDO (Buner), CCDP, DSDO, DEWA, SHED, CRDO, REPID, MERC, HEEP, SHAD, DOC, AFAC, SAF, ADF, AMWS

COVERAGE: **(Balochistan)** Khuzdar, Chagai, Kech, Zhob, Panjgur, Barkhan; **(Khyber Pakhtunkhwa)** Torghar, Lower Kohistan, Buner, Lower Dir, Upper Dir, Bannu, Battagram, Newly merged districts, Lakki Marwat; **(Gilgit-Baltistan)** Astore, Ghanche, Ghizar, Skardu

RESPONDING TO COVID-19 PANDEMIC

The current pandemic and its severe impacts on communities across Pakistan galvanized PPAF to develop a COVID-19 Emergency Response Fund to provide immediate relief to the poorest households to survive through the pandemic. PPAF delivered an economic revival package of PKR 413 million. This response was bolstered by a generous support of the Citi Foundation with a contribution of over PKR 19 million.

Working with its partner organisations, PPAF supported more than 66,590 households in 22 districts falling in the Extreme Poverty Zone in Balochistan, Khyber Pakhtunkhwa and Sindh. This package of economic revival and emergency food assistance was augmented with awareness campaigns to sensitise communities regarding COVID-19 risk mitigation SOPs related to maintaining hygiene, use of masks and social distancing. PPAF was a familiar face to its 30,000 followers on social media who further helped disseminate these messages on their social networks. In the field offices of Partner Organisations (POs), standees and backdrops helped educate communities on standard operating procedures to be followed during asset/ration distribution. This tangible support was accompanied by a targeted communications campaign to sensitise over 236,000 beneficiaries in these remote areas on COVID-19 risk mitigation measures.

Delivered
AN ECONOMIC REVIVAL PACKAGE
of **PKR 413 million**

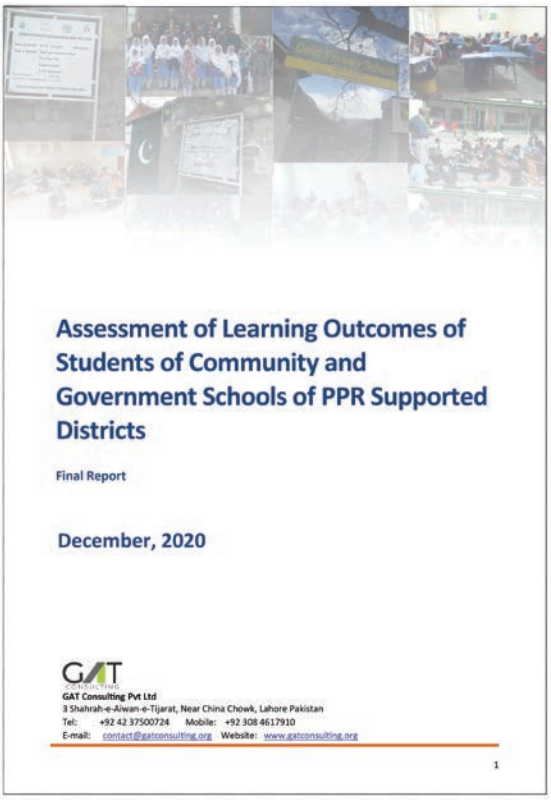
Targeted
COMMUNICATIONS CAMPAIGN
to sensitise over
236,000
beneficiaries

SUPPORTED
more than
66,590
households in
22 districts
falling in the Extreme Poverty Zones in
Balochistan, Khyber Pakhtunkhwa and **Sindh**.

KNOWLEDGE GENERATION

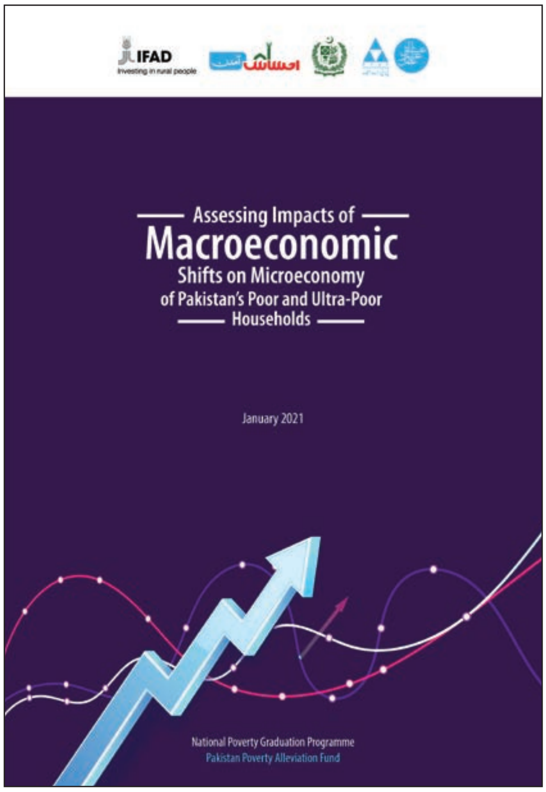
Continuous learning and improvement is part of PPAF's ethos. This year PPAF's investment in research and development included evaluations, research studies and thematic publications to inform about the programme development and policy making.

EVIDENCE GATHERING



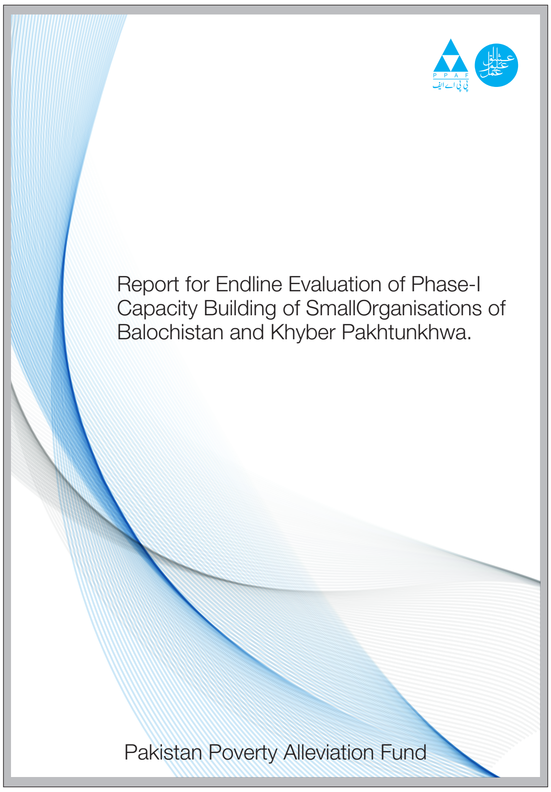
Assessment of learning outcomes of students of community and government schools

This study assessed the contribution of the Programme for Poverty Reduction's education component in selected districts of Khyber Pakhtunkhwa and Balochistan. The assessment measured the impact of the intervention by comparing progress in schools where the programme had been rolled out against schools in the same locality without the intervention. Assessment papers were designed on Grade 4 student learning objectives and a smaller sample of teachers were also tested along with students.



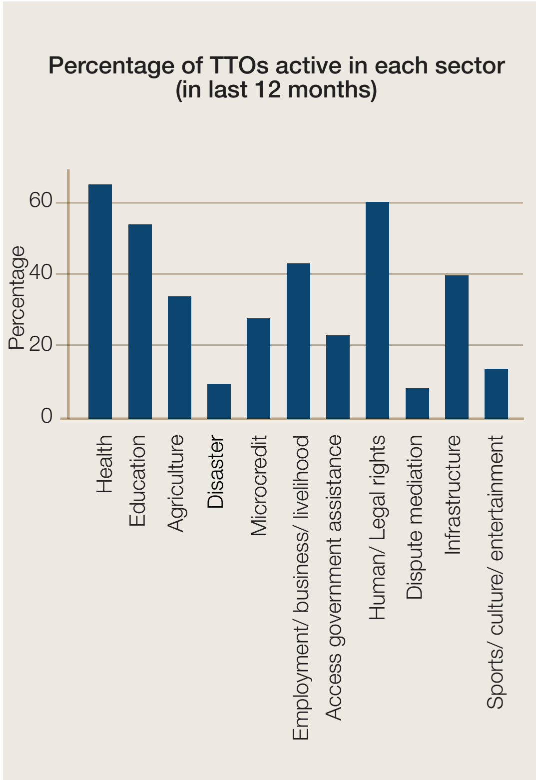
Assessing Impacts of Macroeconomic Shifts on Microeconomy of Pakistan's Poor and Ultra-Poor Households

This study analysed impacts of recent major shifts (especially in view of COVID-19) in macroeconomic variables on microeconomic variables of earning, spending, consumption, and borrowing patterns of National Poverty Graduation Programme beneficiary households, and the economic returns from the programme interventions.



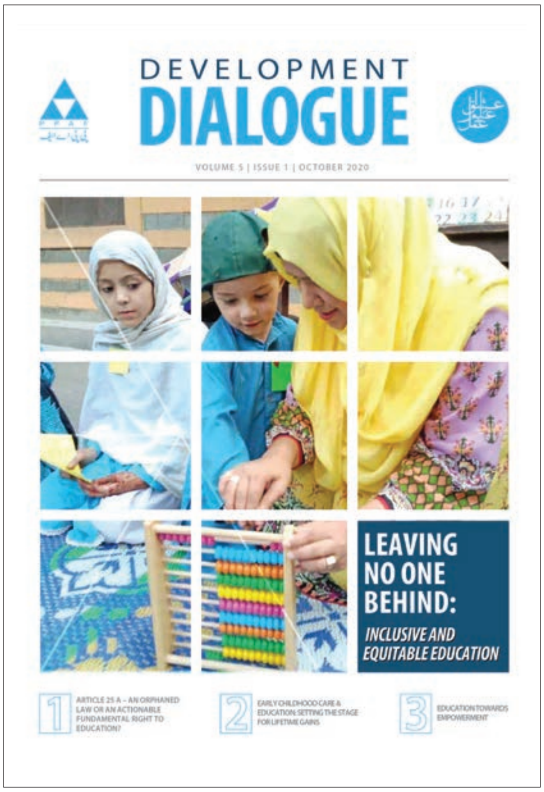
Endline Evaluation of Phase-I Capacity Building of Small Organisations

PPAF utilized its own resources to build the capacity of small organisations in Khyber Pakhtunkhwa and Balochistan. This evaluation study used a mixed method approach to assess the performance of the project against its results framework, pointing towards positive progress.



Incentivising Development: A Field Experiment with Third Tier Organisations in Pakistan

Researchers from the Lahore School of Economics, Oxford University and Duke University conducted a research experiment with Third Tier Organisations to test the impact of different factors on governance and inclusion. Between 2014-2020, the research team collected data on TTOs, providing a detailed picture of the state of these organisations. Over the last year, the research methodology and data collection tools were adapted in view of the COVID-19 pandemic to initiate the endline survey.



Development Dialogue

PPAF publishes a Development Dialogue in order to engage various stakeholders for the design of pro-poor, sustainable policies and practice. This year researchers, academics and practitioners provided their insights on inclusive and equitable education covering an array of aspects: Article 25A; features of a good rural education programme; early childhood care & education; mainstreaming out-of-school children in Sindh; the role of school management committees; and using technology to bridge learning gaps.

KNOWLEDGE SHARING

International Day for Eradication of Poverty

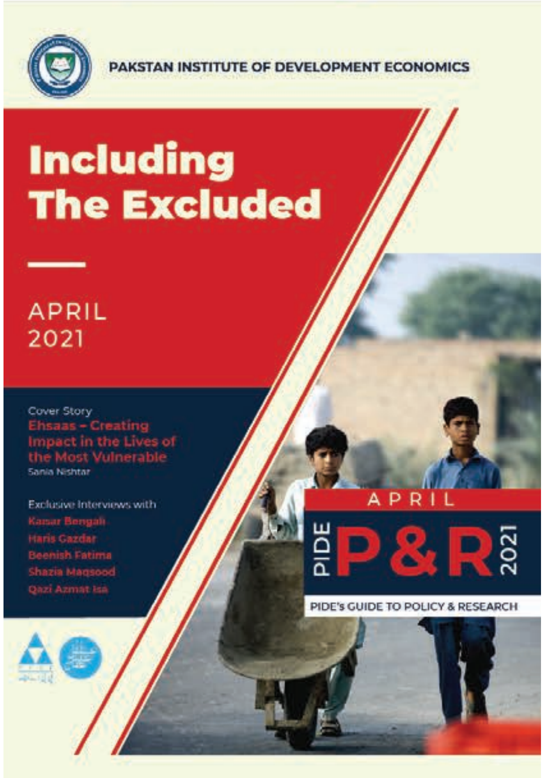
The Poverty Alleviation and Social Safety Division organised a virtual event at the Prime Minister's office, Islamabad, in October to mark this day. The event was widely covered by media and featured the Ehsaas Programme beneficiary voices including from PPAF's NPGP, IFL and other PASSD's ancillary agencies. The CEO PPAF, Mr. Qazi Azmat Isa, provided a programme brief and coordinated interaction with the beneficiaries who shared their stories and impact of the programmes on their lives and livelihoods. It served as a vital opportunity to hear beneficiaries' feedback and suggestions for programme improvement.

Unpacking Poverty and Poverty Graduation Webinar

PPAF co-hosted a webinar with the Pakistan Institute of Development Economics (PIDE) in February 2021. The purpose of the webinar was to look at the impact of current poverty graduation models and identify where there is a need to innovate and amplify graduation targets. Ms. Samia Liaquat Ali Khan (Senior Group Head – Graduation) presented PPAF's experience.

Social Protection for Economic Inclusion: Adapting the Graduation Approach in Asia and the Pacific Webinar

The Asian Development Bank (ADB) hosted an online event in March on social protection for economic inclusion. The focus was on poverty graduation approaches as a key to reduce poverty and inequality in the Asia and Pacific region. The CEO PPAF, Mr. Qazi Azmat Isa, participated as a speaker to highlight the Pakistan case.



Webinar on Role of Innovation for Rural Development

PPAF hosted a webinar in April 2021 to promote the importance of innovation for sustainable rural development. Mr. Irshad Khan Abbasi (Group Head – Institutional Development, Innovation and Integration) and Ms. Rohma Labeeb (Innovation Specialist) represented PPAF. They were joined by Madiha Pervaiz (Head Corporate Innovation) from Telenor, Imran Shams (Executive Director, Central and South Asia) from Accelerate Prosperity and Salman Shehzad (Project Director, National Financial Literacy Programme for Youth) from State Bank of Pakistan.

State of Poverty in Pakistan: Including the Excluded Virtual Conference

PPAF co-sponsored the PIDE's E-Conference on the State of Poverty in Pakistan: Including the Excluded on Labour Day. Representations from PPAF included Mr Qazi Azmat Isa (CEO) chairing the session on 'Lived Realities of the Poor' while Ms Ayesha Salma (Group Head - QARD) presented PPAF's experience of scaling up poverty graduation in the session on 'Institutional Responses to the Poor'.

PEOPLE & CULTURE AT PPAF

At PPAF, people and culture are at the heart of everything we do. We work tirelessly to create a safe, diverse and inclusive environment for our staff and strive to foster a culture that celebrates creativity. We follow the global best practices and industry benchmarks to attract, retain and develop talent.

This year, we won the "Global Diversity & Inclusion Benchmarks" (GDIB) award for the fifth consecutive year which is an acknowledgement of our inclusive work approach. We encourage equal employment opportunities irrespective of gender, disability, race, religion, and age. We have been able to increase the representation of women at PPAF from 20% in 2010 to 32% this year. PPAF takes pride in promoting women's empowerment not only in its programmes, but also in its own governance and managerial tiers so that women's voices are reflected in its decision-making. Through new talent acquisition and development, today 25% of our senior management at PPAF is composed of women. We continue to accelerate our efforts to further improve our culture for diverse voices to be heard and included.

We provide a fulfilling learning environment for employees' growth, investing in training and developing the skillset and leadership potential of our staff to maintain a market competitive work force. In FY20-21, we provided 32 trainings for 175 employees amounting to 223 training days. We arranged several trainings on project management, time and stress management, crisis and disaster management, and risk management. We also facilitated open programs for staff including on grievance handling, effective performance appraisal and constructive feedback trainings for supervisors. For developing our talent pipeline, we supported 14 of our high-potential managerial staff to attend certified courses in management and leadership from reputable business schools.

PPAF offers a variety of benefits to promote employee wellbeing. We especially ensured a flexible working arrangement to facilitate staff and their families during the COVID-19 pandemic. We prioritised employee health and safety by introducing remote working policy for staff, monetary allowances to our support staff and COVID-19 diagnostic tests for all staff, their immediate dependents and as a special measure, their parents as well.

We take dignity at workplace seriously and have a zero-tolerance policy against workplace discrimination and harassment. We have set up a strong grievance redressal mechanism to maintain accountability and transparency at PPAF. As an organisation, we continue to challenge ourselves to innovate, grow and cultivate a culture that best reflects our core values of inclusion, participation, accountability, transparency, and stewardship.

25%
of our Senior Management comprises women.

32
trainings held for
175
employees.

Employee health & safety
prioritised during COVID-19.

Zero-tolerance policy against workplace discrimination and harassment.

FINANCIAL HIGHLIGHTS

	2021	2020	2019	2018	2017
Funds deployment - Rs. in million					
Microcredit					
Loans receivable from POs (Gross)	928	950	977	1,783	10,708
Loan to PMIC	7,832	8,975	10,118	10,248	1,818
Equity investment in PMIC	3,386	3,183	3,143	2,976	2,882
Gurantee facility	-	-	-	-	420
	12,146	13,108	14,238	15,007	15,828
Grant					
Donor financed	7,905	2,579	791	1,006	2,186
Relief & Reconstruction Operations	252	534	265	82	151
	8,157	3,113	1,056	1,088	2,337
Total funds deployment	20,303	16,221	15,294	16,095	18,165
Balance Sheet -Rs. in million					
Total assets	34,228	33,537	31,598	31,942	31,259
Endowment Fund	1,000	1,000	1,000	1,000	1,000
Reserves					
Capital adequacy reserve	1,176	1,349	1,664	1,805	1,879
Grant fund	12,364	12,173	11,259	10,358	9,341
Reserve for lending activities	3,386	2,883	2,883	2,883	2,883
General reserve	2,169	2,134	1,987	1,828	1,564
Reserve for grant based activities	3,026	2,042	640	-	-
	22,121	20,581	18,433	16,874	15,667
Total equity (endowment + reserves)	23,121	21,581	19,433	17,874	16,667
Lease liabilities	195	207	-	-	-
Long term loans	7,229	8,509	9,788	11,068	12,348
Operational Results - Rs. in million					
Total income	3,003	3,785	2,845	2,334	2,332
General and admin expenses	863	731	667	605	505
Surplus before loan loss prov. and relief work	1,791	2,696	1,835	1,315	1,410
Net Surplus	1,538	2,162	1,561	1,217	1,150
Financial Ratios - Percentage					
Surplus brefore provisions & relief/total income	60%	71%	64%	56%	60%
Return on equity	8%	13%	10%	7%	9%
Return on assets	5%	8%	6%	4%	5%
Debt/equity	24:76	29:71	33:67	38:62	43:57

DIRECTORS REPORT

The Board of Directors of Pakistan Poverty Alleviation Fund (PPAF) is pleased to present the nineteenth Annual Report along with audited financial statements of the Company for the year ended June 30, 2021.

Financial year 2020-21 was a progressive year for the organisation. PPAF contributed to the Government of Pakistan's Ehsaas Strategy by spearheading the flagship National Poverty Graduation Programme, aimed at graduating ultra-poor households out of poverty through timebound, sequenced interventions i.e. asset transfers, skills trainings, and interest free loans. In its programmes on institutional development, infrastructure improvement, financial inclusion, access to energy, education, health, and economic empowerment, PPAF continued to focus on addressing the underlying causes of poverty and mainstreaming lagging regions. We were able to carry out poverty reduction interventions through collaboration with a diverse range of stakeholders including the federal and provincial governments, academic institutions, civil society organisations and community institutions. This helped to strengthen the outreach and impact of our efforts for poverty alleviation. PPAF is an institution that invests in research and development to continuously learn and evolve its programs, influence pro-poor policy formulation, and exchange knowledge with other stakeholders.

During the year, the Government of Pakistan (GoP) provided Rs 5 billion for expansion of Interest Free Loan Programme under the umbrella of Ehsaas *"Bila Sood Qarz"*. These funds will be used to support productive microenterprise activities for the poor in rural and urban areas of Pakistan. The Interest Free Loans will be made available to households with a score of up to 40 on the Poverty Score Card (PSC), which have a viable business plan or opportunity, but little or no access to banks and microfinance institutions. It is mandated that 50% loans will be disbursed to women. Under this programme, PPAF will expand outreach to 28 new districts and over 900,000 interest free loans will be provided to poor beneficiaries. Over a period of four years, Rs. 23 billion will be disbursed through Partner Organisations (POs) by revolving funds.

During the year, PPAF and International Trade Centre signed Memorandum of Understanding (MoU) with an overall budget of US$ 14.8 million. This MoU is part of the Growth for Rural Advancement and Sustainable Progress (GRASP) project which aims at creating gender inclusive employment and income opportunities in the rural areas over a period of four years.

PPAF has been given responsibility for (i) rural mobilisation – this will be done through POs, the role of which will be to work through their union councils (UCs) and/or village level institutions to help identify micro-entrepreneurs and primary producers, aggregate them into farmers marketing collectives, facilitate their participation in fairs and expos, and support them through business linkages to become sustainable small and medium enterprises (SMEs); (ii) access to finance activities - PPAF will develop and pilot financial products through POs based on needs assessment. The matching grant scheme will be implemented to provide requisite growth capital for SMEs, primary producers, and larger SMEs for each value chain/district. A technical advisory firm will also be taken on board to work with SMEs to build their capacity in financial management and business planning, provide specific support to women entrepreneurs and connect beneficiary SMEs to financial sources (including matching grants); (iii) programme monitoring and evaluation across all outputs - while PPAF has created the framework and established protocols for data collection and use, PPAF will also develop the monitoring tools and the integrated MIS system. The project has coverage of a total of 21 districts, 11 in Sindh and 10 in Balochistan.

PPAF ensures financial inclusion through provision of interest free loans to the poor forproductive purposes to help them sustain their livelihoods and conventional market-based microfinance through PPAF's associate company (Pakistan Microfinance Investment Company Limited (PMICL). For the FY 2020-21 (as per the audited financial statements of PMICL for the nine months ended March 31, 2021, and un-audited interim financial statements for the quarter ended June 30, 2021), PMICL generated cumulative net profit after tax of Rs. 415 million. PPAF has recognised a profit of Rs. 203 million (as its 49% share) during the year.

Summary of income statement and assets/labilities of PMICL is as follows:

	June 30, 2021 (Rs in million)	June 30, 2020 (Rs in million)
Current assets	20,150	21,224
Non-current assets	8,373	6,431
Current liabilities	(5,939)	(4,020)
Non-current liabilities	(15,575)	(17,140)
Capital reserve contribution by shareholder-net of tax	7,009	6,496
	(98)	-
Equity	6,911	6,496
The carrying amount of PPAF's investment	3,386	3,183
	FY 2020-21 (Rs in million)	**FY 2019-20** (Rs in million)
Income	2,645	4,012
Administrative expenses	(350)	(340)
Other operating expenses	(10)	(65)
Other income	56	19
Fair Value loss on derivative	(89)	-
Finance costs	(1,603)	(2,756)
General provision against loan portfolio	(54)	(742)
Profit before taxation	595	128
Taxation	(183)	(48)
Profit for the year	412	80
Other comprehensive income for the year	3	1
Total comprehensive income for the year	415	81
PPAF's share of profit	201	39
PAF's share of other comprehensive income	2	1
PPAF's share of total comprehensive income	203	40

The net investment of PPAF in PMICL as of June 30, 2021 is reflected as follows:

	FY 2020-21 (Rs in million)	FY 2019-20 (Rs in million)
Opening balance	3,183	3,143
Share of profit of the Associate		
Recognized in statement of income and expenditure	201	39
Recognized in statement of other comprehensive income	2	1
	203	40
Closing balance	3,386	3,183

With creation of Associate Company, the lending operations (except for interest free loans) carried out by PAF are being managed by PMICL. As a result of agreement between PPAF and PMICL, the amounts recovered by PPAF from POs under microcredit facility are disbursed to PMICL as subordinated loan. During the year PPAF had not provided any subordinated loan to PMICL. The total outstanding subordinated loan to PMICL stood at Rs. 7,832 million as of June 30, 2021 (June 30, 2020: Rs. 8,975 million). These subordinated loans carry markup rate of six months KIBOR plus 1% and repayable in instalments by FY 2032.

GRANT OPERATIOS

Grant based interventions during the year increased by 162% to Rs. 8,159 million (FY 2019- 20 – Rs. 3,114 million). Disbursements for water and infrastructure components decreased by 67% to Rs 96 million (FY 2019-20 - Rs 288 million). Disbursements for social sector development increased by 13% and were Rs. 45 million (FY 2019-20 – Rs. 40 million). Disbursements for capacity/ institutional building increased by 275% and were Rs. 940 million (FY 2019-20 – Rs. 251 million). Disbursements for social mobilization increased by 394% and were Rs. 79 million (FY

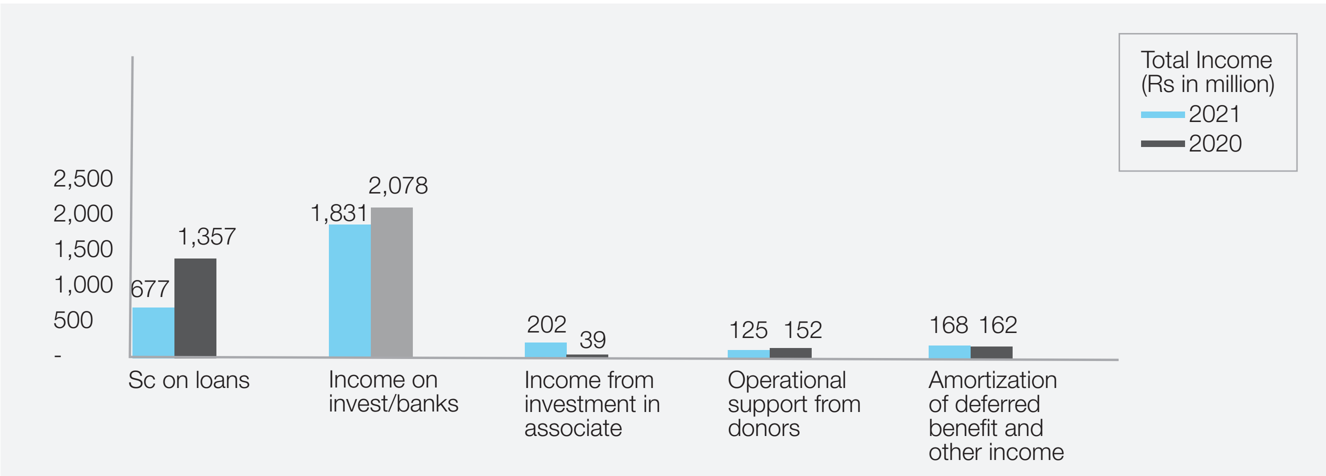
Components	Rupees in millions		Variance (%age)
	2021	2020	
Water and infrastructure	96	288	(67)
Social sector development	45	40	13
Capacity/Institutional building	940	251	275
Social mobilization	79	16	394
Livelihood enhancement and protection	1,758	1,880	(6)
Interest free loans	4,967	105	4,630
Emergency response	19	-	1000
Project and relief activities	253	534	(53)
Grand Total	**8,157**	**3,114**	**162**

2019-20 – Rs. 16 million). Disbursements for livelihood component showed a decrease of 6% and were Rs 1,758 million (FY 2019-20 – Rs.1,880 million). PPAF disbursed Rs. 4,967 million under IFL scheme (FY 2019-20 – Rs. 105 million), showing an increase of 4630% and Rs. 19 million for emergency response. In addition, Rs 253 million (FY 2019-20 – Rs 534 million) were spent on projects activities from PPAF's own resources.

FINANCIAL HIGHLIGHTS

Total income earned during FY 2020-21 was Rs 3,003 million as against Rs 3,785 million in FY 2019-20, a decrease of 21% (Rs. 785 million). Service charges on loans PMICL and POs decreased by 50% to Rs 677 million (FY 2019-20: Rs 1,357 million). Income on investments/saving accounts decreased by 12% to Rs 1,831 million (FY 2019-20: Rs 2,078 million). The decrease in service charges and investment income was mainly on account of decrease in KIBOR which was tied to policy rate. The policy rate remained at 7% for FY 2020-21 (FY 2019-20: 13.25%). The profit after tax of PMICL for the FY 2020-21amounted to Rs. 415 million. PPAF has recognized a profit of Rs. 202 million (as its 49% share) during the year showing an increase of 418% (Rs. 163 million) (FY 2019-20: profit of Rs. 39 million). The increase in profit of PMICL was due to lower provision for expected credit losses. Donors' grants in support of operational and other expenses decreased by 18% to Rs 125 million in FY 2020-21 (FY 2019-20 – Rs. 152 million). In line with the requirement of International Financial Reporting Standard, loans (payable by PPAF) were carried at present value computed at market-based interest rate. The difference between present value and loan proceed was recorded as deferred benefit which is recognized as income over loan period. Amortized income during the year was Rs. 163 million (FY 2019-20: Rs 158 million). Other income was Rs. 5 million (FY 2019-20 - 1 million).

The general and administrative expenses increased by 18% to Rs 863 million (FY 2019-20: Rs 731 million). Major increases were in the heads: salaries and benefits which increased by 11% (Rs 59 million) mainly due to impact of staff hiring and annual increment w.e.f. March 2021 for existing staff below Group Heads to compensate for cost of living; depreciation and amortization which increased by 30% (Rs. 16 million) mainly due to Rs. 7 million against increase in fixed assets and Rs. 9 million against right-of-use assets; vehicle running and maintenance expenses which increased by 34% (Rs 6 million) mainly due to increase of fuel prices; utilities expenses which increased by 34% (Rs. 4 million) on account of increased electricity rates. During the year, seminar, workshop and training expenses were Rs 11 million (FY 2019-20 Rs. 19 million). This included Rs 8 million (FY 2019-20 Rs 5 million) spent on trainings and Rs 3 million (FY 2019-20 Rs. 14 million) on seminar and workshops. Technical and other studies increased by 15% (Rs 10 million). Allowance for expected credited losses of Rs. 10 million (FY 2019-20 – Rs. 3 million) is reversed against recovery of loans from POs. The financial charges of Rs 268 million (FY 2019-20 - Rs 273 million) included Rs



Financial results are summarized as follows

Income and expenditure	2021 Rs. In million	2020 Rs. In million
Service charges on loans to PMICL and POs	677	1,357
Income on investments and savings accounts	1,831	2,078
Share of profit of Associate	202	39
Amortization of deferred income - grant fund	125	152
Amortization of deferred benefit	163	158
Other income	5	1
Total income	**3,003**	**3,785**
General and administrative expenses	863	731
Seminars, workshops and trainings	11	18
Technical and other studies	80	70
Reversal of allowance for expected credit losses	(10)	(3)
Financial charges	268	273
Total expenditure	**1,212**	**1,089**
Surplus before project and relief activities	**1,791**	**2,696**
Project and relief activities	253	534
Other comprehensive income (loss) for the year	2	(14)
Surplus for the year	**1,540**	**2,148**

69 million as service charges on long term loans; Rs 163 million amortization of deferred benefit of below market interest rate on long term loans, and Rs 36 million interest expense on lease liabilities. PPAF spent Rs 253 million (FY 2019-20 - Rs 534 million) on project activities financed from its own resources. In addition, Rs. 2 million has been recognized as PPAF's share of other comprehensive income of PMICL during the year (FY 2019-20 - Rs. 1 million for other comprehensive income and loss of Rs. 15 million against employees defined benefit plan).

Total expenditure during the year increased by 11% to Rs 1,212 million from Rs 1,089 million in FY 2019-20. Surplus before project and relief activities and actuarial losses was Rs 1,791 million as against 2,696 million in FY 2019-20 showing a decrease of 34% (Rs. 905 million).

Net surplus for the year decreased by 28% to Rs 1,540 million (FY 2019-20 – Rs 2,148 million). Financing Agreements signed with the Government of Pakistan (GoP) required repayment of loan amounts along with service and commitments charges from PPAF on the stipulated rates each year. PPAF remained current in all its repayments to GoP. During the year, Rs. 1,280 million (FY 2019-20 - Rs. 1,280 million) was repaid on account of principal amount of loan and Rs 71 million (FY 2019-20 - Rs 81 million) as service charges to the GoP.

Total funds and reserves increased by 7% to Rs 23,121 million (includes Rs 1,000 million endowment fund) as of June 30, 2021 from Rs 21,581 million as of June 30, 2020. Total assets of the Company reached Rs. 34,228 million on June 30, 2021, against Rs 33,537 million as of June 30, 2020. Total loan payable was Rs 8,509 million on June 30, 2021, as against Rs 9,788 million as of June 30, 2020. The debt equity ratio was 24:76 (FY 2019-20 - 29:71).

Deferred liability and deferred income constitute advance amounts received from donors in respect of ongoing projects. Deferred liability is used for disbursements to POs under respective financing agreement and deferred income is available to PPAF to finance operational and other expenses incurred on project activities. The balances for deferred liability and income at the end of year represent amounts to be disbursed to POs and utilized by PPAF respectively for project specific activities. Total funds under these heads increased by 80% to Rs. 2,238 million for FY 2020-21 (FY 2019-20: Rs. 1,901 million). The main reason for increase is the availability of funds for donor financed Projects.

PPAF invests its surplus funds and reserves in short term, medium term and long-term investments. All the investments are done as per Treasury Management Strategy approved by Board of Directors of PPAF. Total investments as of June 30, 2021 were Rs. 18,225 million (2019-20: Rs. 17,041 million). These investments carry markup rates (Yield) ranging from 7.54% to 12.60% per annum. In addition to these investments, endowment fund received from GoP is invested in government securities as per the terms of Endowment Deed and carry markup rate of 9% to 12% per annum (FY 2019-20: 12% per annum).

During the year, the cash and bank balances specific to project increased by 22% to Rs 2,371 from Rs. 1935 million as compared to last year mainly on account of receipts of funds for donor financed Projects. The project funds were utilized for program/operational activities as per the respective financing agreements with donors/GoP, whereas PPAF's own surplus funds were placed as per the Company's policy in short term and long-term investments. The Company's non-project specific cash and bank balances increased by 47% to 680 million as compared to last year of Rs. 464 million.

Detailed financial projections are prepared and regularly updated to ensure availability of adequate funds for operations at all times while generating optimum returns through placement of surplus liquidity in various available investment avenues. The Company actively monitors its funds to ensure that the investment portfolio of the Company is secured and well diversified. Current cash requirements are adequately financed through internal cash generation by Company's sound treasury management without recourse to external financing.

By the end of June 2021, PPAF had deployed resources in both urban and rural areas of 147 districts of the country in over 100,000 villages/rural and urban settlements. Aggregately, PPAF created and supported 144,000 community organizations and 440,000 credit/common interest groups; completed 35,000 water and infrastructure projects benefiting around 2.42 million households; supported 2,800 schools in which 401,800 children were enrolled; financed 950 community health centers benefiting over 15.35 million people; transferred 180,500 assets to ultra and vulnerable poor (61% assets to women) and organized over 18,100 skill development and managerial training events for 1,141,000 (49% women) beneficiaries nationwide. In addition, over 1.95 million interest free loans (52% loans to women) were provided from the funds disbursed PPAF POs and Akhuwat. PPAF also responded to the natural calamity (floods and earthquakes) by facilitating over 1.8 million individuals through provision of relief items followed by rehabilitation and reconstruction. Major activities financed under this initiative included provision of financing to 122,000 households for construction of earthquake resistant homes and building capacities of over 100,000 individuals in seismic construction and related skills in the aftermath of 2005 earthquake.

Since inception to August 2016, PPAF enumerated a record spread of 8.4 million microcredit loans (60% loans to women), and 80% of the financing extended in rural areas. Since August 2016 the microfinance operations are managed by PMICL.

AUDITORS

Present statutory auditor M/s A. F. Ferguson and Company, Chartered Accountants have completed their assignment for the year ended 30 June 2021 and shall retire on the conclusion of 25th Annual General Meeting. Being eligible, they offered themselves to be re-appointed.The Audit Committee considered and recommended their re-appointment for the financial year ending June 30, 2022. The Board also endorsed the recommendations of the Audit Committee.

ACKNOWLEDGEMENT

I would like to thank PPAF's Board of Directors and General Body who have always maintained a strong level of commitment towards creating social impact, adhering to the principles of corporate governance and transparency, and providing a strategic oversight to the management so they are able to deliver results. I would also extend my gratitude to the team members of PPAF, who have put their hearts into uprooting poverty from Pakistan. I am confident that with the passion, guidance, and unprecedented efforts, we will exceed our expectations of eradicating poverty in Pakistan.

We are grateful to the Government of Pakistan, especially the Poverty Alleviation and Social Safety Division and all financing partners (International Fund for Agricultural Development; Government of Italy; Government of the Federal Republic of Germany (through KfW), UNHCR, Citi Foundation and others for their support and trust. With your cooperation in the coming year, we will continue to strength our efforts for reducing inequalities and mainstreaming under-served regions across the country.

We strongly acknowledge all our POs for their collaboration in designing and executing development programmes. Most of all, we salute the communities we serve across Pakistan whose courage and resilience inspires us to continuously reflect, learn and enhance our work.

Going forward our priorities are clear: (i) foster institutions of and for the poor; (ii) enhance sustainable and resilient livelihood opportunities to support households to graduate out of poverty; and (iii) address systemic deprivations that exacerbate poverty through localized infrastructure for community wellbeing. PPAF has the expertise, partnership networks, and organized community institutions required to embrace change and promote meaningful outcomes for the rural poor of Pakistan.

Chief Executive Officer
Islamabad
September 30, 2021

Chairperson

1. PPAF STRATEGY 2021-2025

GOAL 1: Foster institutions of and for the poor to reduce inequalities, promote inclusive governance and development.

POLICY OBJECTIVES:

• Community institutions are recognised as legal entities.
• Local government institutions are strengthened to effectively coordinate the delivery of quality services to poor communities.
• Civil society organisations have an enabling operating environment.

EXPECTED OUTCOME:

• 1000 Union Councils are organized.

EXPECTED RESULTS:

• At least two-thirds of the community institutions supported by PPAF score above 70% on the community institutions maturity index.
• At least one-third of executive body members of village organizations/third tier organizations (TTO) are women.
• At least 50% of women-identified priorities are included in village development plans.

EXPECTED OUTPUTS:

• 32,000 Community Institutions formed/revitalized.
• Mentoring and technical backstopping support to 1000 TTOs in high priority districts.

GOAL 2: Enhance sustainable and resilient livelihood opportunities to support households to graduate out of poverty.

POLICY OBJECTIVES:

• Mainstream the graduation approach as part of the government poverty alleviation agenda.
• Ensure greater access to finance, especially for women.

EXPECTED OUTCOME:

• Half a million households are supported to graduate out of poverty

EXPECTED RESULTS:

• The average family income in PPAF-supported households is increased by 50%.
• 50% beneficiaries (of which 40% women) are employed or self-employed as a result of productive asset transfers, interest free loans, and/or skills trainings.
• At least 50% of men and 40% of women beneficiaries have access to some form of formal financial services.
• 75% of female-headed poor households and those with people with disabilities graduate out of poverty in PPAF-supported programmes.

EXPECTED OUTPUTS:

• 320,000 productive assets (50% assets to women) transferred to targeted households.
• 1,000,000 Interest Free Loans (50% loans to women) provided to targeted households.

GOAL 3: Address systemic deprivations that exacerbate poverty through local infrastructure development and community wellbeing initiatives.

POLICY OBJECTIVES:

• Local and provincial governments adopt community-driven development approaches to ensure equitable access to sustainable infrastructure for access to energy, water, education, and health.
• Adoption of green technologies, especially renewables in government programmes.

EXPECTED OUTCOME:

• Resilient infrastructure supported and maintained across PPAF's operational areas ensuring access to affordable energy, water, education and health.

EXPECTED RESULTS (in PPAF's intervention areas):

• 60% population has access to safe drinking water.
• At least 50% of population has access to sustainably managed sanitation services.
• 80% of targeted IAUP areas show groundwater levels remain static or are increased to sustainable levels.
• 80% of PPAF-supported irrigation related schemes show reduced / more effective use and management of water.
• At least 50% of off-grid households have access to electricity through renewable energy.
• The learning outcomes for children aged 5-16 years improve by at least 20%.
• 50% of primary and 40% of lower-secondary enrolment is of girls.
• Measurable improvements in mother and child health and nutrition.

EXPECTED OUTPUTS:

• 1,000 infrastructure development initiatives completed.
• At least 10 innovative models of public-private partnerships pursued for access to energy, water, education, and healthcare solutions.

GOAL 4: Strengthen organisational effectiveness by aligning resource mobilisation, people capabilities and partnerships to transform into a more agile, responsive and effective institution.

EXPECTED RESULTS:

• A knowledge institution which invests in staff capacity building so that the average annual training hours per employee is increased to 1 week.
• Maintain its workforce diversity balance with respect to provincial representation,ethnic, linguistic, and religious minorities and differently abled people's inclusion and ensure that its gender balance includes at least one-third women.
• Ensure that the institution continues to receive unqualified annual financial audit reports.
• Increase total revenue by 7% per annum to support PPAF's poverty alleviation programs.

2. PROGRAMME OVERVIEW

PROGRAM FOR POVERTY REDUCTION

financed by GoP through Italian Government funding has allocation of EUR 40 million of which EUR 2 million is for tied component i.e. funds allocated towards the procurement of goods and services of Italian origin. The specific objective of PPR is establishment of a social and productive infrastructure system and an effective and sustainable social safety net in project areas. PPR is being implemented in 38 Union Councils of 14 districts of Balochistan, KP and FATA. As of June 30, 2021, Euro 39.35 million was disbursed by PPAF under this project. Implementation progress of the project as of June 30, 2021 is as follows:

Indicators with components	Status as of June 30, 2021 (Number)
Social mobilization and institution building	
Formation & strengthening of 1st tier Community Organizations (COs)	4,232
Formation & strengthening of 2nd tier (village level) community institutions	648
Formation & strengthening of 3rd tier (union council level) community institutions	42
Number of community members trained (46% female)	31,634
Number of staff members trained	1,036
Social mobilization and institution building	
No. of Livelihood Investment Plans (LIPs) developed	9,248
No. of common interest groups formed	294
Number of Community Resource Persons (CRPs) trained	639
No. of individuals received skills/entrepreneurial training	33,732
No. of ultra and vulnerable poor received productive assets	9,377
Number of loan center established through community livelihood fund	12
Community physical infrastructure	
No. of water and infrastructure projects completed	1,615
No. of beneficiary households	134,150
No. of population beneficiaries	1,080,991
Basic health & education services	
School facilities constructed or renovated	824
Children benefitting from schools	114,260
Health centers constructed, renovated and/or equipped	135
Beneficiaries/patients treated from health centers	1,945,037

INTEREST FREE LOAN SCHEME

The Government of Pakistan initiated Rs. 3.5 billion IFL Scheme to support productive microenterprise activities of poor, vulnerable and marginalized households, not yet tapped by the microfinance sector, so that they may engage in productive economic activities that will improve their lives and allow them to positively contribute to the economy. Based on its previous experience, PPAF was mandated by the Government of Pakistan to design, mobilize, implement, and monitor the IFL Scheme. The POs have established loans centers at UC levels and funds are disbursed to beneficiaries as interest free loans as per predefined eligibility criteria. The community institutions are involved in different activities within this model under the supervision of POs. With effect from July 2019, PPAF was made responsible for overseeing the IFL component of its POs (which were provided funds by PPAF and are now being revolved by POs) besides Rs 15 billion available with Akhuwat from sources other than PPAF. Implementation progress of IFL project (managed from PPAF and Akhuwat funds) from July 1, 2019 to June 30, 2021 is as follows:

Key achievement indicators	Status as of June 30, 2021 (Number)
POs	22
Coverage	110 (Districts)
No. of Loan Centers/Branches established	700
	1,954,091
No. of Loans disbursed to borrowers	944,941 (Men)
	1,009,150 (Women)
Average Loan Size (Rs)	32,643

LIVELIHOOD SUPPORT & PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROJECT (LACIP-I)

LACIP-I (financed by GoP through KfW funding) is an integrated poverty reduction Programme funded by KfW that aims to develop disaster resilient public infrastructure (CPI) and provide livelihood enhancement and protection with social mobilization as the basis for all activities. The project size is EUR 31.56 million. The purpose of the project is to increase access to and sustainable utilization of social and economic infrastructure by the population of the project region; increase employment and income opportunities, especially for the poor; strengthen local civil society and enhanced participation of the population in the decision making at the local level. As of June 30, 2021, Euro 28.97 million was disbursed by PPAF under this project. Implementation progress of LACIP I project as of June 30, 2021 is as follows:

Sr.No.	Indicators with components	Status as of June 30, 2021 (Number)
	Institutional Development & Social Mobilization	
1	Community organizations formed/revitalized	4,952
2	Village organizations level formed	410
3	Union Council level organizations formed	38
4	Membership in community organizations (35% female)	100,321
	Water and Infrastructure	
5	Water and Infrastructure projects completed	2,021
6	Beneficiary households	170,364
7	Population benefitted (51% female)	1,266,85
	Livelihood, Employment and Enterprise Development	
8	No. of ultra/vulnerable poor received productive assets (44% female)	8,759
9	No. of individuals received skills/entrepreneurial training (34% female)	5,315

Sr.No.	Indicators with components	Status as of June 30, 2021 (Number)
	Education, Health and Nutrition	
10	Total Enrolment	32,033
	Boys	18,150
	Girls	13,883
11	11 Total Patients (A+B)	76,760
	Adults (A)	47,476
	Men	9,955
	Women	37,521
	Children (B)	29,284

LIVELIHOOD SUPPORT & PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROJECT (LACIP-II)

LACIP-II (financed by KfW) focuses on betterment of living conditions of poor people and stabilization of fragile areas in KP. The project size of LACIP-II is EUR 10 million. The project is being implemented in 36 village councils of 12 UCs belonging to three selected districts (Buner, Lakki Marwat and Shangla) of KP. As of June 30, 2021, Euro 5.23 million was disbursed by PPAF under this project. Implementation progress of LACIP II project as of June 30, 2021 is as follows:

Indicators with components	Status as of June 30, 2021 (Number)
Component: Institutional Development & Social Mobilization	
Community organizations formed	1,126
Village organizations level formed	148
Membership in community organizations (37% female)	17,115
Community Physical Infrastructure (CPI)	
Infrastructure projects (IAUPs) completed	67
Beneficiary households	21,059
Population benefitted (48% female)	142,709
Livelihoods, Enhancement and Protection (LEP)	
No. of ultra/vulnerable poor received productive assets (50% female)	1,228
No. of individuals received skills/entrepreneurial training (55% female)	1,389

Hydropower and Renewable Energy (HRE) Project

The overall objective of HRE project (financed by GoP through KfW funding) is to contribute to the improvement of the general living conditions and quality of life of the poor in KPK province. The project concerns about the financing of micro/mini hydropower plants, solar lighting systems, integrated water efficient solar irrigation systems and pilot projects in renewable energy in KPK. The project size is EUR 10 million. The project is being implemented in 8 union councils of 6 districts of KPK i.e. Swabi, Chitral, Upper Dir, Buner, Lakki Marwat, and Karak. As of June 30, 2021, Euro 7.29/- million was disbursed by PPAF.

Implementation progress of HRE- I project as of June 30, 2021 is as follows:

Sr.No.	Indicators with components	Status as of June 30, 2021 (Number)
1	**Micro Hydropower Project (MHP)**	
	No. of Projects completed	05
2	**Solar Lighting Systems (SLS)/ Mini-Grids**	
	No. of Projects completed	68

Hydropower and Renewable Energy (HRE-II) Project

PPAF and KfW signed an addendum to the HRE-I project in July 2019. According to this addendum KfW is providing additional 1 million Euro grant funding to PPAF to cover training and capacity building of community for operation and maintenance of the installed systems and spans over two years till December 2021. As of June 30, 2021, Euro 0.24 million was disbursed by PPAF under this project. Implementation progress of HRE II project as of June 30, 2021, is as follows:

- Tree Plantation has been completed in all planned 8 UCs. Over 56,000 saplings (forest and fruit trees) have been planted.
- Procurement and installation of transmission and distribution items for additional connections at MHP Bishoo Patrak has been completed.
- Installation of 04 solar water pumps has been initiated. Civil works has been completed while electromechanical works are in progress.
- Trainings of plant operators and community members have been conducted.
- Remote monitoring and data collection system has been installed.
- Performance monitoring data of solar mini-grids and hydropower projects is being regularly received and analyzed.
- Mid-line impact survey of completed projects has been carried out

National Poverty Graduation Programme (NPGP)

NPGP is a GoP and IFAD funded USD 150 million (GoP USD 50 Million and IFAD USD 100 Million) programme to be implemented over a period of six years with an overarching objective to assist the ultra-poor and very poor including women in graduating out of poverty on sustainable basis. The programme components include Poverty Graduation with the subcomponent of asset creation and interest free loans. NPGP aims at transferring livelihood assets and trainings to 176,947 households in 23 districts of 4 provinces of Pakistan.

Under NPGP, 222,012 interest free loans will also be disbursed to 166,626 clients (PSC 12-40) over the project life. Under social mobilization component, the programme has planned capacity building sessions for the target households and communities on SDGs such as health and nutrition, gender, climate resilience and DRR to reach out to approximately 60% of the population of the target UCs. As of June 30, 2021, US$ 22.339 million was disbursed by PPAF under this project. Implementation progress of NPGP as of June 30, 2021 is as follows:

Sr.No.	Indicators with components	Status as of June 30, 2021 (Number)
	Component: Institutional Development & Social Mobilization	
1	Village organizations formed/revitalized	2,656
	Component: Livelihood, Employment and Enterprise Development	
2	No. of ultra/vulnerable poor received productive assets (95% female)	54,930
	Component: IFL	
3	Total Number of loans disbursed	17,042

National Disaster Risk Management Fund (NDRMF)

PPAF is implementing Project titled “Building Resilience to Disasters & Climate Change) in 8 districts across the country, namely, Nasirabad (Balochistan), Multan (Punjab), Shangla, Swabi (KP), Dadu, Jamshoro, Naushero Feroze (Sind), and Skardu (GB). The project is cofinanced by National Disaster Risk Management Fund (NDRMF) and is designed to strengthen the readiness of the communities through establishing an institutional framework to mobilize and organize communities, understand their specific vulnerabilities to natural hazards and design structural and non-structural measures to reduce and protect against community vulnerabilities. As of June 30, 2021, Rs. 68.28 million was disbursed by PPAF for this project. Implementation progress of the NDRMF project as of June 30, 2021, is as follows:

Sr.No.	Indicators with components	Status as of June 30, 2021 (Number)
	Component: Institutional Development & Social Mobilization	
1	Village organizations level formed	101
2	Membership in village organizations (44% female)	3,769
	Component: Community Physical Infrastructure (CPI)	
3	No. of proposals submitted by POs	13 (36 sub-schemes)

Dera Bugti Project

PPAF is undertaking multi-sectoral intervention for the development of tehsil Phelawagh Dera Bugti (financed from PPAF’s own resources). Total 4 UCs namely Baiker, Kalchas, Phelawagh and Sham of tehsil Phelawagh where Masuri tribes of Bugti are the origin are part of the relief, rehabilitation, assistance, and development programme of PPAF. Implementation progress of Dera Bugti project as of June 30, 2021 is as follows:

Indicators with components	Status as of June 30, 2021 (Number)
Social Mobilization and Institution Building	
Formation/strengthening of community organizations	326
Formation/strengthening of 2nd tier (village level) community institutions	62
Formation/strengthening of 3rd tier (union council) community institutions	4
Number of Community members trained	1,793
Number of staff members trained	44
Livelihoods, Enhancement and Protection (LEP)	
No. of Livelihood Investment Plans developed	720
No. of Common Interest Groups formed	9
Number of Community Resource Persons trained	17
No. of individuals received skills/entrepreneurial training	826
No. of ultra and vulnerable poor received productive assets	720
Community Physical Infrastructure (CPI)	
Water and Infrastructure projects completed	123
Beneficiary households	5,471
Population benefited (49% female)	31,511
Basic Health & Education Services	
Renovation of Education Facilities	3
Health centers constructed, renovated and/or equipped	1 basic health unit renovated
Beneficiaries/patients treated from health centers	3,896

Enhancing Food Security through Strategic Interventions in Agriculture

PPAF is implementing project for enhancing Food Security through Strategic Interventions in Agriculture at District Torghar and Swabi. The project aims at expanding livelihoods opportunities for the small farmers, diversifying cropping through efficient water management, and optimizing farm income. As of June 30, 2021, Rs. 71.1 million was disbursed by PPAF under this project. Implementation progress of Food Security project as of June 30, 2021, is as follows:

Indicators with components	Status as of June 30, 2021 (Number)
Social Mobilization & Institution Building	
Formation & revitalization of community Institutions	71
Strengthening of Cis/Exposure visits and capacity building	47
Number of field farmers schools (FFS) Established	27
Agricultural Schemes Initiated on ground	9
Procurement of Goods for Agricultural schemes in process	15

Women based Dairy Cooperative Project

The 'Women based Dairy Cooperative Project' aims at establishment of a social enterprise for income generation to financially support women to address their curative health issues. As of June 30, 2021, Rs. 9.76 million was disbursed by PPAF. Implementation progress of Women based Dairy Cooperative project as of June 30, 2021 is as follows:

Indicators with components	Status as of June 30, 2021 (Number)
Social Mobilization and Institution Building	
Strengthening of women LSO	3
Number of policies developed for social enterprise management system	8
Registration of LSO	1
Registration of Social Enterprise	1
Provision of Health Cards	500
Establishment of Livestock Farm	1
Cattle procured for milk production	20

Chamalang Balochistan Education Programme

Through Chamalang Education Project, PPAF is providing scholarship to students to provide good educational services to out of school children of coal miners from Loralai and Kohlu. This program is being implemented in collaboration with Pakistan Army and has improved enrolment tremendously in ignored region. PPAF has supported more than 3,000 students under this project. Most of the students who are supported are enrolled in secondary schools.

As of June 30, 2021, Rs. 35 million has been disbursed by PPAF under the project. Implementation progress of Chamalang Balochistan Education Program as of June 30, 2021, is as follows.

Indicators with components	Status as of June 30, 2021 (Number)
Education	
Number of students getting support	968
Number of girls getting support	292
Number of schools	15
Students provided exposure of different cities	22
Students passed in matric exam (secured more than 60% marks)	100

Education Project Sindh and Gilgit Baltistan (GB)

The objective of the project is to improve quality of education through provision of services to the community managed schools which have been established/strengthened by PPAF in remotest areas of Sindh and GB. These schools are operational in very remote districts including districts Ghizer, Badin, Tharparker Taluka Nagarparker, coastal area Karachi, Jamshoro, Dadu and Khairpur. As of June 30, 2021, Rs. 59.5 million was disbursed under the project. Implementation progress as of June 30, 2021 is as follows:

Indicators with components	Status as of June 30, 2021 (Number)
Education	
Number of students getting support	9,246
Number of girls getting support	4,565 (49%)
Number of schools	44
No of districts (Sindh 6 and GB 1)	7
Number of teachers getting salary and capacity building	86

Balochistan Education Project

Through Chamalang Education Project, PPAF is providing scholarship to students to provide good educational services to out of school children of coal miners from Loralai and Kohlu. This program is being implemented in collaboration with Pakistan Army and has improved enrolment tremendously in ignored region. PPAF has supported more than 3,000 students under this project. Most of the students who are supported are enrolled in secondary schools.

As of June 30, 2021, Rs. 35 million has been disbursed by PPAF under the project. Implementation progress of Chamalang Balochistan Education Program as of June 30, 2021, is as follows.

Indicators with components	Status as of June 30, 2021 (Number)
Education	
Number of students getting support	7,986
Number of girls getting support	5,478 (68%)
Number of schools	20
No of districts	4

Earthquake Rehabilitation Project

The project aims at reconstruction and rehabilitation of two model villages of AJK district of Mirpur and Bhimber. Implementation progress as of June 30, 2021 is as follows:

Indicators with components	Status as of June 30, 2021 (Number)
Social Mobilization and Institution Building	
Formation & strengthening of community organizations	58
Formation & strengthening of 2nd tier (village level) community institutions	2
Number of Community members trained	46
Number of staff members trained	6
Community Resource Persons trained	8

Tabeer-O-Tameer Fund (TTF)

TTF aims to support households to form self-help community institutions. For the mentoring and support for Community Institutions in High Priority Districts" a data base of community institutions is available with PPAF. In batch-I, total 100 Third Tier Organizations (TTOs) are 27 taken on board in Balochistan, KPK, FATA, Sindh, Punjab, and GB. TTOs (union council level organization) which are in PPAF's high priority regions/districts (based on lowest HDI index, food security and social mobilization). As of June 30, 2021, Rs. 112 million were disbursed under the project. The activities under the project include institutional strengthening, registration of union council-based organizations (UCBOs); establishment of their offices, audits of UCBOs; preparation of development plans; and conducting awareness sessions
around SDGs.

Capacity Building of Small Grant Project for Balochistan, FATA & KP

The objective of this project is to provide technical assistance and support to the small/new POs to enhance their capabilities as social entrepreneurs with specialized technical capacity and provide initial operational support to help setup the basic and mandatory equipment's, tools and communications for working effectively at grassroots level. 18 small POs were considered eligible and recommended for technical and financial assistance under the project. As of June 30, 2021, Rs. 39.28 million was disbursed under the project.

Inclusive Development

PPAF has supported and contributed towards sustaining socio-economic status of the PWDs (Person with Disabilities) yet there is enough space and opportunity to uplift their livelihoods. PPAF is implementing project for empowering the deaf community in Sindh through Family Educational Services Fund. As of June 30, 2021, Rs 33.5 million were disbursed under the project. The project has several activities centered on capacity building of the deaf and teacher training courses, providing scholarships to 240 deaf students and livelihood development program for 175 deaf students.

PPAF is also working with CHAL foundation for the rehabilitation of physically challenged persons in Balochistan. Under this project, CHAL foundation is providing orthotics and prosthetics to 500 physically challenged persons in Balochistan. As of June 30, 2021, Rs. 10.43 million was disbursed under the project.

Revitalizing Youth Enterprise

PPAF in collaboration with financial support of CITI foundation initiated “Revitalization of Youth Enterprise” Project. The project aimed at making 300 youth (aged 16-24) from Ziarat and Killa Saifullah districts eligible for employment through the provision of technical trainings. Under this project, Rs 32.64 million were disbursed, and vocational trainings were provided to 300 youth. PPAF through its PO has linked the youth to market and internship opportunities via its livelihood platforms and involvement of community volunteers.

Plantation Campaign in District Kharan

Under this project, plantation campaign was carried out in district Kharan. As of June 30, 2021, Rs 4 million were disbursed. 4,500 plants were procured and distributed among 1,500 framers. One-day plantation ceremony was also conducted. In addition, two-days agriculture training for project staff and community resource persons was conducted.

Telemedicine Helpline Center

PPAF through its PO and technical partner University of Health Sciences (UHS) is implementing a project “Stabilization and Expansion of Tele-Medicine Helpline Centers” under PPAF Emergency Response fund for COVID-19. Rs 23.5 million were allocated for the following activities:

• Provision of COVID19 diagnostic services through telehealth center to every person that
calls from remote areas. Telemedicine helpline services have been provided to 25,676
families by UHS doctors and specialists.

• Provision of telehealth services to vulnerable populations, particularly in South Punjab.

• Provide psychosocial counseling for the COVID-19 Patient.

Promoting Community Based Tourism in Neelam Valley

This project aims to promote homestay concept for sustainable tourism through. Local households are being selected from different community organizations (COs) of Neelam Valley for social mobilization, access to finance and capacity building support to enhance their capabilities as social entrepreneurs. So far, mobilization phase in field has been completed for 669 households belonging to 30 COs, 17 houses have been successfully renovated, three training sessions have been held on hospitality management and culinary skills, a local call center and facebook page has been set up, and an online booking portal has also been developed along with marketing materials.

Second Generation Safe Spaces in Nushki and Chitral

This project pertains to the establishment and management of two second Generation Digital Safe Spaces as tech-equipped, inclusive, safe, communal areas where youth can get support. This is a buildup of the digital hubs established by PPAF. This model is going to be implemented using a commercial approach with a dedicated team to promote outreach, create traction and grow engaging activities related to entrepreneurship, career counselling, and vocations for interested youth.

Promoting Eco-Tourism and Tourism Businesses in Ziarat and Chitral

Under this project, PPAF is focusing on the development of community-based sustainable ecotourism in Chitral and Ziarat by targeting low-income communities located in the target areas with rich landscape, pristine natural beauty, and high potential for tourism. The pilot aims to generate employment and self-employment opportunities for the poor and disadvantaged section of the community, to ensure eco-friendly and culturally focused tourism minimizing negative impact on the environment, and to enhance local capacities in eco-tourism centered businesses.

3. PAKISTAN MICROFINANCE INVESTMENT COMPANY (PMIC)

PMIC, incorporated on August 10, 2016, was setup jointly by PPAF, Karandaaz Pakistan (financed by DFID) and KfW to catalyze and lead the next phase of growth in the microfinance sector of Pakistan. The shareholding percentage and amount of initial investment in PMIC is as follows:

Subordinated debt to PMIC

PPAF agreed to provide the amount received from its POs on account of principal repayment of loan as subordinated debt to PMIC. For provision of shareholder loan PPAF and PMIC signed Master Loan Framework Agreement on November 17, 2017. The total amount provided to PMIC, under 10 (ten) subordinated loan agreements, amounts to PKR 10.70 billion as of June 30, 2021 (amount outstanding with PMIC as subordinated debt was Rs 7.83 billion as of June 30, 2021). The repayment under all these agreements has started and PMIC is current in its repayments to PPAF.

Investor	Share (%age)	Equity Investments (Rs in billions)	Board Nominations (Numbers)	Remarks
PPAF	49%	2.88	3	1 Independent Director
KARANDAAZ	38%	2.16	2	1 Independent Director
KfW	13%	0.82	1	
CEO	0%	0	1	
Total	100%	5.86	7	

FINANCIAL HIGHLIGHTS

Income and expenditure	June 30, 2021 Rs. In million	June 30, 2020 Rs. In million
Financing to MFIs / MFBs (net of provision)	23,477	22,938
Investments	2,186	2,684
Other assets	2,098	2,034
Total Assets	28,565	27,656
Share Capital	5,884	5,884
Accumulated Profit / Loss	1,027	612
Equity	6,911	6,496
Subordinated Loans	11,234	11,775
Other Loans	9,485	8,547
Other liabilities	935	838
Total Liabilities	21,654	21,160
Total Equity & Liabilities	28,565	27,656
Net income (Net of Sales Tax)	2,645	4,012
Finance Cost	(1,603)	(2,756)
Allowance for expected credit losses	(54)	(742)
Admin & Operating expenses	(360)	(405)
Other income	56	19
Fair value loss on derivative	(89)	-
Profit before Tax	595	128
Taxation	(183)	(47)
Profit after Tax	**412**	**81**

The microfinance providers and their clients faced challenges since the outbreak of Corona Virus and the resultant macroeconomic instability. The first phase of the pandemic last year was followed by three subsequent waves which further impacted microfinance sector. However, as a result of smart and limited scale lockdowns in the country, businesses and enterprises were impacted on a lower scale. This helped the economic activities to continue at a slower pace.

PMIC remained in close coordination with regulators, financial institutions, different stakeholders of microfinance sector such as Pakistan Microfinance Network, Micro Finance Banks and Micro Finance Institutions, research institutions and universities, internal staff, and team members. The rescheduling of loans in FY 2019-20 allowed by PMIC helped its borrowers in maintaining necessary liquidity for self-sustaining operations. All the borrowers of PMIC are current in their repayments as per the revised loan schedules.

4.CORPORATE GOVERNANCE

PPAF believes that good corporate governance is an essential foundation for long term sustainable corporate success and enhances the stakeholders' confidence. The Company's integrity and credibility is demonstrated by adherence to global best practices, beyond the stipulated regulatory requirements. PPAF has demonstrated continued commitment towards adherence to corporate best practices and to ensure maximum compliance with legal and regulatory framework. PPAF Board and management ensures that all the activities are carried out in line with the Companies Act 2017, principles of corporate governance for Non-listed Companies (NLCs), and the Ehsaas Governance and Integrity Policy.

The Company operates under the framework enshrined in the Companies Act 2017, whereby overall superintendence rests with the Board of Directors. Management team headed by CEO is responsible for day-to-day operations, implementation of policies and disclosure requirements as envisaged in the Companies Act, 2017 and other statutory, regulatory and compliance requirements that are applicable to the companies set up under section 42 of the Companies Act, 2017.

Compliance with the best corporate practices

Key features of PPAF's corporate governance framework are:

• Existence of an appropriate governance framework for Company contained in its Memorandum and Articles of Association.

• Existence of an effective Board which is collectively responsible for the long-term success of the company. The Board promotes the company's and all its stakeholder's interests. The size and composition of the Board reflects the scale and complexity of the company's activities.

• Board structures contain Directors with a sufficient mix of competencies and experiences to act objectively in their opinion and judgment.

• Regular meetings of the Board are held to help discharge its duties. The Board is supplied with appropriate and timely information.

• Structure of remuneration is sufficient and appropriate to attract, retain, and motivate executives of the quality required to run company successfully.

• The Board is responsible for risk oversight and has maintained a sound system of internal control to safeguard company's investment and assets.

• There is a clear division of responsibilities between the running of the Board and the running of the company's business.

• The Board has established four Board Committees (Audit Committee, Compensation/HR Committee, Strategy and Design Committee and Risk Oversight Committee) with terms of reference to allow a more effective discharge of its duties.

• The Board presents a balanced and understandable assessment of the company's position.

The Management places high priority on true and fair presentation and circulation of periodic financial and non-financial information to governing bodies, donors, and other stakeholders of the Company. Besides statutory audit by a Chartered Accountant firm, PPAF is also audited by Auditor General of Pakistan. In addition to preparing financial statements abreast with statutory requirements, PPAF produces separate financial statements for different donors' projects, duly audited by its external auditors. The annual audited financial statements along with Directors' Report as well as half yearly un-audited financial statements along with

Management Reviews, of the Company were approved by the Board of Directors and circulated to the stakeholders. These statements were also made available on the Company website. Other financial and non-financial information to be circulated to governing bodies and other stakeholders were also delivered in a timely manner.

BOARD OF DIRECTORS

The Board exercises the powers conferred to it by the Companies Act, 2017 and the Memorandum and Articles of Association of the Company, through Board :meetings.

Size and composition of the Board

The present Board comprises of 10 directors out of which 9 are non-executive directors while CEO is the only executive director. Except for the CEO, all members of the Board are nonexecutive Directors and serve in an honorary capacity, without compensation. The Board possesses necessary skills, competence, knowledge, and experience to deal with various business issues. The Chairperson of the Board is a non-executive director.

Role and Responsibilities of the Chairperson and the Chief Executive Officer

The Chairperson heads the Board of Directors and is appointed by the Board. Heading the meetings, defining agenda, and signing the minutes are the primary responsibilities of the Chairperson besides making sure that the duties of the Board of Directors are discharged. The Chairperson also manages conflicts of interests arising, if any, and makes recommendations to improve performance and effectiveness of the Board. The Chairperson, at the start of the term of Directors, intimates them regarding their roles, responsibilities, duties, and powers to help them manage the affairs of the Company effectively. The CEO manages the Company and is responsible for all of its operations. The CEO designs and proposes strategies and implements decisions of the Board. The CEO reports to the Board regarding the Company's performance.

Role and Responsibilities of the Board

The primary role of the Board is that of trusteeship to protect and enhance Company value through strategic direction. As trustees, the Board has fiduciary responsibility to ensure that the Company has clear goals. The Board exercises its duties with care, skill and diligence and exercises independent judgment. It sets strategic goals and seeks accountability for their fulfilment. It also directs and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations. A formal schedule of responsibilities has been specifically ordained for the Board by virtue of provisions of the Articles of Association of the Company, the Companies Act, 2017 and other applicable regulations. The Board participates actively in major decisions of the Company including appointment of the CEO; review and approval of operational policies, strategies; projects of different donors and sponsors; decisions of Board Committee meetings, financial assistance for POs; quarterly progress; annual work plans, targets and budgets; un-audited financial statements along with Management Reviews; audited financial statements along with Directors' and Auditors' Reports.

Meetings of the Board

The Board is required to meet at least every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. During the year nine meetings of Board of Directors were held. The Board reviewed/approved PPAF's strategy for 2021- 2025; financial assistance for POs; quarterly progress; annual targets and budget; un-audited financial statements along with Management Reviews; audited financial statements along with Directors' and Auditors' Reports; Project specific audited financial statements.

The notice and agenda of the meetings were circulated in a timely manner beforehand. Decisions made by the Board during the meetings were clearly stated in the minutes of the meetings maintained by the Company Secretary, which were duly circulated to all the Directors for endorsement and were approved in the following Board meetings. Despite the pandemic, the Company had implemented its Business Continuity Plans and remarkable arrangements were in place to ensure that all meetings of the Board had the minimum quorum attendance as stipulated in the Articles of Association through arrangements for virtual attendance of the meetings by directors. The Chief Financial Officer/Company Secretary attended the meetings of the Board in the capacity of non-director without voting entitlements.

In view of amendments in the Regulation 7(vi) of the Associations with Charitable and Not for Profit Objects Regulations, 2018 made by SECP vide S.R.O. 131(I)/2021, dated February 1, 2021, the Board of directors of the Company determined that directors shall be entitled for reimbursement or payment of actual expenses incurred by them for attending meetings and they shall also receive fee at the rate of Rs. 70,000 per meeting for attending meetings of the board or a committee of board.

The number of meetings attended by each director, thereimbursement of actual expenses and payment of aforesaid meeting fee during the year is shown below:

Sr.No.	Name	No. of meetings Attended	No. of meetings Eligible to attend	Reimbursement of actual expenses & fee for attending meetings
1	Ms. Roshan Khursheed Bharucha	9	9	Rs. 490,000
2	Mr. Ali Raza Bhutta	0	6	-
3	Mr. Muhammad Ali Shahzada	2	3	Rs. 140,000
4	Syed Ahmed Raza Asif	9	9	Rs. 490,000
5	Dr. Naved Hamid	7	9	Rs. 350,000
6	Mr. Kamal Hyat	7	9	Rs. 350,000
7	Mr. Ahlullah Khan	6	9	Rs. 560,000
8	Ms. Khawar Mumtaz	7	9	Rs. 280,000
9	Dr. Ijaz Nabi	9	9	Rs. 350,000
10	Mr. Ahmad Hanif Orakzai	0	9	-
11	Mr. Qazi Azmat Isa	9	9	-

Appointment of Directors

As per the Articles of Association of the Company, all Members of the Board, except Government nominees, are appointed for a term of three years, on completion of which they are eligible for re-election through a formal election process. However, no such Member of the Board of Directors shall serve for more than two consecutive terms of three years each except for Government nominees.

Change of Directors

The Board welcomes the new Director; Mr. Muhammad Ali Shahzada, Secretary, Poverty Alleviation and Social Safety Division on the Board. We look forward to working in partnership with Mr. Shahzada to benefit from his vision and valued experience which we are confident will go a long way in the future growth and prosperity of the Company.

BOARD COMMITTEES

Board Audit Committee

The Audit Committee comprises of four non-executive directors, including the Chairman, having relevant expertise and experience. The Chairman is an independent non-executive Director. The Chief Internal Auditor acts as Secretary of the Committee.

The primary objective of the audit committee is to monitor and provide an effective supervision of the Management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity, and quality of financial reporting. The Audit Committee reviews the financial and internal reporting processes, the system of internal control, management of risk and the internal and external audit processes. The Audit Committee ensures that the Company has a sound system of internal financial and operational controls. It assists the Board in discharge of its fiduciary responsibilities. The Audit Committee reviews six monthly un-audited and annual audited financial statements of the Company before their respective presentation to the Board and ensures implementation of relevant controls for the integrity of the information. The Committee recommends to the Board of Directors the appointment of external auditors and discusses major observations highlighted by internal and external auditors.

During the year Audit Committee reviewed the internal control systems and risk management mechanisms in conjunction with the Internal Audit reports presented to the Committee. The Committee also reviewed and approved the Internal Audit plan of the Internal Audit unit. Furthermore, the Committee recommended for the approval of the Board the appointment of external auditors; un-audited condensed interim financial statements along with Management Review; audited financial statements along with Auditors' and Directors' Reports of the company; annual budget of the Company; project specific audited financial statements as per donors' requirements.

As per the best practices under the Code of Corporate Governance, the Committee held separate meeting, with External Auditors.

Board Compensation Committee

The Compensation Committee comprises of three members of the Board including the Chairman who is appointed by the Board from the non-executive Directors while Group Head (Support Services) acts as a Secretary of the Committee. The Committee has a mandate to assist the Board in overseeing Company's HR policies, placing particular emphasis on ensuring a fair and transparent compensation policy and ensuring continuous development and skill enhancement of employees.

During the year the committee recommended for Board approval, pension Fund Policy; confirmation of appointment of Senior Management positions; staff annual salary increments; mechanism for performance evaluation of the Board of Directors & CEO.

Risk Oversight Committee

The Risk Oversight Committee comprises of four members of the Board including the Chairman who is appointed by the Board from the non-executive Directors. Group Head (Financial Management and Corporate Affairs) acts as Secretary of the Committee.

The Committee reviews/asses effectiveness of overall risk management framework at PPAF; adequacy of risk management policies and procedures in identifying, measuring, monitoring and controlling risks; structure/ composition of PPAF's assets and liabilities overall and advise on maturity gaps, interest rate mismatches and exchange rate risk; Treasury Management Strategy (TMS) including composition of Treasury Management Committee and recommend changes, if any; progress and key issues of Pakistan Microfinance Investment Company.

During the year, the Committee endorsed investment decisions made by Treasury Management Committee; reviewed risk management framework along with key risks and mitigation plans; assessed performance/progress of PMIC besides recommending for Board approval revision in treasury management strategy.

Strategy and Design Committee

The Strategy and Design Committee comprises of three members of the Board including the Chairman who is appointed by the Board from the non-executive Directors. The Group Head Quality Assurance Research and Design is Secretary of the Committee.
The Strategy and Design Committee assists the Board in the effective discharge of its responsibilities about approval of concept notes and financing proposals for partners and that of donors. During the year, the Committee reviewed its ToRs, recommended financing proposals, concept notes and projects for the approval of the Board.

Management

The Company Management is supervised by the CEO who is responsible for the operations of the Company and conduct of its business, in accordance with the powers vested in him by law, the Articles of Association of the Company and authorities delegated to him through a General Power of Attorney and Board resolutions from time to time. PPAF operations are divided into different units and groups for effective functioning of the Company.

5. HUMAN RESOURCE MANAGEMENT

HR efforts at PPAF are always centered to bring PPAF philosophy of ISHQ; ILM and AMAL into action with an agile and constant approach. Being a pivotal element of the organization, all HR functions are channelized towards the core values of PPAF to materialize the human resources requirement of the organization.

Talent acquisition at PPAF is very dynamic and captures the best, diverse, and skilled human resource across the country by bringing in specific required skills and experience to support the ongoing projects. Talent hunt is being made by tracing the gender; ethnic; and provincial diversity along with people with par- abilities. The usage of various innovative tools for behavioral diagnosis of talent is aiding in our efforts to bring in the right and most appropriate skill set for the organization.

PPAF also focus on internal mobility of staff and believes that it helps us turn necessary restructuring into an opportunity. It enables the organization to retain expertise and experience by providing career opportunities to staff and thus help them to contribute through their competence in achievement of the organization goal.

To remain at the cutting edge of knowledge and to reflect our commitment to help employees develop professionally and personally and advance their careers, various virtual, in person and customized national and international learning opportunities from renowned training institutes were provided to staff during the year.

While living with the challenges of global pandemic-COVID-19, which brought great implications on workforce management nationally and globally, the year remained full of HR happenings directed towards boosting of staff morale, improving their wellbeing, and enhancing their engagement. Therefore, the human resource efforts during the year were more focused towards staff retention and motivation. We consider it crucial to understand what motivates and engages our employees and how they perceive their work environment. Therefore, we encouraged staff to participate in FGDs, in dialogue with CEO and in learning sessions on to speak up and raise their concerns and share their ideas and suggestions for the improvement in organization culture. The era of COVID-19 has shifted the focus of HR activities more towards strengthening of “HR Communications” which has now grown as a pivotal function. During the year regular communication has been made with staff to share the tips to improve their mental and physical health in this critical time of pandemic.
Diversity and inclusion are integral to all of HR practices and considered a vital element for the

success of organization. We believe in creating a respectful and inclusive environment where people can thrive. A diversified workforce with wide range of expertise is contributing proactively to achieving PPAF's vision. As of 30 June 2021, PPAF's staff strength comprised of a total of 219 employees working at Head Office, and regional office in Quetta representing 32% women at PPAF.

To remain competitive with market a comprehensive compensation and benefits survey is conducted that helps to remain align with market best practices and provides a framework for compensation and benefits. It helps the organization to attract and retain the best motivated staff.

A strong Grievance Redressal Procedure, Whistle Below Mechanism and well-defined conflict of Interest policy are helping the organization to ensure fairness and transparency in all operations of the organization and helping us to improve working relationships. It also supports to maintain a respectful and positive culture of the workplace.

A sustainable Performance Management System is in place in the organization helping the staff to understand the expected standards of performance and behavior. It depicts a very vivid reflection of organizational values of transparency and accountability.

To proactively anticipate and evaluate the emerging needs of time and challenges faced by the organization, the HR Manual is being revised. It helps the organization to meet the current challenges, keep it align with best market practices and reflect the changes of laws and regulations in existing policies.

This year again PPAF won the Global Diversity & Inclusion Benchmarks (GDIB) Award remarkably in all categories. PPAF has been recognised as a "Champion of Best Practices" in the country for winning these awards for the fifth consecutive year. This award is an acknowledgement of our inclusive work approach. This year, PPAF is awarded in all 10 (out of 14) applied categories including Vision, Structure, Recruitment & Development, Benefits, Compensation, Learning, Communications, Sustainability, Social Responsibility and Products and Services.

6. TREASURY & FUNDS MANAGEMENT

An effective cashflow management system forms the basis for successful treasury management and safeguards the Company from any cashflow risks. The Company maintains a dynamic and flexible portfolio of investments for placement of surplus cash in diversified portfolio. Treasury function is governed by Board approved Treasury Management Strategy (TMS) and managed by a Treasury Management Committee (TMC) which comprises of CEO as its chairman, two Senior Group Heads and a Senior General Manager as its members and a General Manager as its secretary.

Key objectives of the TMS are as follows:
• Protection of principal will be given high priority by limiting the company's investments to Government and other high credit rated securities.
• The portfolio will be managed to cater for company's operational, capital, disbursement, and repayment requirements.
• Portfolio is expected to achieve a competitive rate of return keeping in view the risk factor and liquidity requirements.
• Provide support for program activities through own resources in order to ensure continuity of project activities.

Diversification with Exposure Limits

The TMS revolves around the principles of maintaining liquidity, security of capital & obtaining competitive rate of return. The TMS broadly defines the following:
• Minimum 70% and maximum 100% of the overall portfolio can be invested in securities issued by Government of Pakistan (GoP) and long term AAA rated banks.
  o TMS also defines per party exposure: (i) full portfolio can be invested in securities issued by Government of Pakistan (ii) a maximum of Rs. 2,500 million per bank with long term AAA rating can be invested (iii) investment in Islamic bank with long term AAA rated banks to a maximum 5% of the portfolio can be invested.
  o Funds can be place for any tenor as per liquidity requirements, except for Islamic banks, where tenor can be a maximum of one year.
• Minimum 0% and maximum 30% of the overall portfolio can be invested in long term AA rated Banks with a maximum cap of Rs. 1,500 million per bank. Investments in long term AA rated Banks can only be made if ceiling of long-term AAA Banks have been exhausted or difference in mark-up rate between long term AAA rated Banks and long-term AA rated banks is minimum 1%. Funds in this category can be placed for a maximum tenor of one year.
• Minimum 0% and maximum 15% of the overall portfolio can be invested in long term A rated Microfinance Banks. Maximum cap per bank is the lower of Rs. 500 million or 15% of bank's equity. Funds in this category can be placed for a maximum tenor of one year.
• The placement of funds is arranged with target maturity dates to ensure availability of sufficient liquidity for working capital / investment requirements, besides generation of maximum returns.

Repayment of Debts

A portfolio of long term and short-term investments is maintained after thorough financial evaluation of available investment opportunities. The Company has remained current in its repayments of loans to GoP due to effective cashflow projections. The credit risk in short term investments is controlled through diversification in investments among top ranking financial institutions and sovereign guarantee security in the form of Treasury Bills issued by the Government of Pakistan. For the long-term credit risk, the deployed portfolio includes the sovereign guarantee security in the form of Pakistan Investment Bonds issued by the Government of Pakistan and deposits in long term AAA rated banks.

Investment Objective

The objective is to earn competitive risk adjusted rate of return by investing in a blend of short, medium, and long-term fixed income and debt instruments while ensuring security of funds.

Portfolio Mix

As of June 2021, exposure in Govt Securities & AAA rated banks was Rs. 18,225 million which represented 100% of the invested portfolio (including endowment fund provided by Government of Pakistan Rs. 1,000 million which is invested in PIBs). The portfolio mix at year end constitutes 62% of long term and 32% of short-term investments.

The SBP has kept policy rate unchanged at 7% per annum throughout the year to support post- COVID economic recovery in the country. The market yields of Government Securities were positively placed, however, yields were improving on a slower pace. In order to gain maximum benefit of higher interest rates in future, surplus funds were placed in short term securities during the year. Under this strategy, PPAF managed to earn average positive returns during the year.

The Monetary Policy Committee of SBP expects monetary policy to remain accommodative in the near term, and any adjustments in the policy rate will be measured and gradual in order to achieve mildly positive real interest rates over time.

7. RISK MANAGEMENT

Effective risk management is fundamental to the delivery of PPAF's strategic priorities. Vigorous risk management strategies and proactive risk mitigation techniques are cornerstone in accomplishing the strategic objectives and protecting business assets, personnel, and reputation. Since its inception PPAF has seen significant transformation, and this has naturally resulted in heightening of risks related to strategic choices, strategy execution along with traditional operational and compliance related risks. Management at PPAF periodically reviews major financial and operating risks faced by the Company devises and implements measures to mitigate the potential impact of the risks with the aim to ensure quality decision making. The Board of Directors and Risk Oversight Committee of the Board has overall responsibility for establishment and oversight of the Company's risk management framework.

Risk Management Framework

Risk management at PPAF is integral to all aspects of the organization including strategic planning, decision making, operational planning and resource allocation. It clarifies the accountabilities, the reporting and escalation processes, as well as the communication and consultation mechanisms for internal and external stakeholders. The Company's Board of Directors has overall responsibility for establishment of the Company's risk management framework. It is supported by the Risk Oversight Committee which reviews risk framework and risk register of PPAF on an ongoing basis.

The Enterprise Risk Management framework adopted by PPAF allows linking of risk management process to organization's mission, vision and core values in order to achieve enhanced performance. The stakeholder's value is maximized when management sets strategy and objectives to strike an optimal balance between sustainability and goals and related risks, and efficiently and effectively deploys resources in pursuit of the entity's objectives PPAF is undertaking number of initiatives for further improving its compliance culture and controls, including enhancing the capacity and scope of the compliance function. The Risk Management Framework (RMF) identifies potential threats and strategy for removing or minimizing the impact of these risks. PPAF's risk management framework is built upon following pillars:

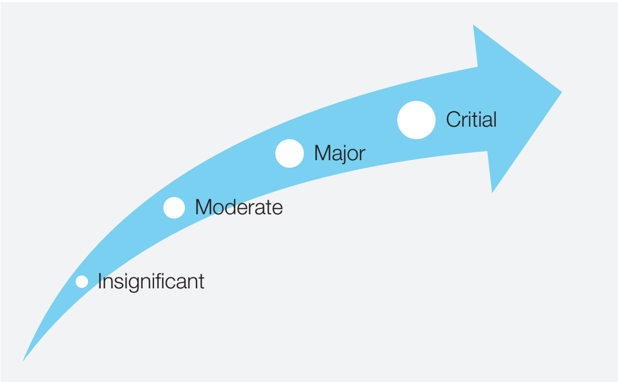
- **Risk identification**
- **Risk assessment**
- **Risk mitigation**
- **Risk reporting & monitoring**
- **Risk governance**

Risk Register

A risk register is maintained by PPAF containing the following categories of information:

1. A description of the main risks facing by the PPAF. Categorization of risks is done and key risks affecting PPAF's objective are identified primarily based on risk identified by donors at the commencement of the projects.

2. The impact shall this event occur. The consequences are defined as:



3. The probability of its occurrence through use of following scale:

3.1 Very Low (may occur only in exceptional circumstances, 20% chance)
3.2 Low (may occur at some time, 20% to 40% chance)
3.3 Medium (likely to occur/reoccur, 40% to 70% chance)
3.4 High (likely to occur/reoccur, 70% to 100% chance)

4. A summary of the planned response when the event occurs; and

5. A summary of risk mitigation (the actions that can be taken in advance to reduce the probability and/or impact of the event).

Risk register is periodically reviewed by Risk Oversight Committee of the Board. Major and significant risks with medium/high likelihood are brought to the attention of the Board of Directors.

Key Sources of Risks and Challenges

PPAF has proactively instilled a culture of risk management and placed effective systems for timely identification, assessment, and mitigation of various risks it is exposed to in the normal course of business. The risks are classified into regulatory, funding, reputational, financial, operational, and hazardous.

International Financial Reporting Standards require judgments, estimates and assumptions while preparing the financial statements which affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. PPAF is taking all necessary steps to remain fully compliant with the International Financial Reporting Standards to meeting its obligations through well managed investment.

Details of significant accounting estimates and judgments including those related to retirement benefits, estimation of useful life of property and equipment, provisions, investment in PMIC have been disclosed in Note 4 to financial statements of the Company.

1. Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rates risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The management of the Company is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

2. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other to incur a financial loss. The Company's credit risk is primarily attributable to loans to the Associate (PMIC) and the POs, receivable from donors, investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Sr.No.		2021 Rupees 000	2020
1	Long term investments	10,624,743	10,834,962
2	Long term loan to the Associate	7,832,293	8,975,231
3	Loans and advances	34,890	58,092
4	Long term deposits	9,431	9,431
5	Grant fund receivable	158,911	155,778
6	Profit / service charges receivable	570,165	891,639
7	Other receivables	349	135
8	Loans to Partner Organizations	7,760	19,400
9	Short term investments	7,599,899	6,205,805
10	Bank balances - specific to projects	2,370,768	1,935,386
11	Cash and bank balances	680,253	464,278
		29,889,462	**29,550,137**

Geographically, there is no concentration of credit risk. The Company limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit rating. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings and with GoP, management does not expect any counterparty to fail to meet its obligations.

3. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company monitors rolling forecasts of the liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet the cash flow requirements and maintaining the debt financing plans. The Company's financial position is satisfactory, and the Company does not have any liquidity problems. The contractual maturities of the financial liabilities are disclosed in note 43 to the financial statements.

4. Market risk

i. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on bank balances which is denominated in currency other than the functional currency of the Company. The Company exposure to foreign currency risk is Rupees 252,747 (2020: Nil). A 10% strengthening/weakening of the functional currency against foreign currencies at June 30, 2021 would have caused the balance to decrease/increase by Rs. 25,274 thousand (2020: nil).

ii. Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets include balances of Rs. 27,331,988 thousand (2020: Rs. 27,961,726 thousand). Applicable interest rates for financial assets have been indicated in respective notes.

If interest rates had been 1% higher / lower with all other variables held constant, surplus for the year would have been Rs. 273,320 thousand (2020: Rs. 279,617 thousand) higher / lower.

iii. Other price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end, the Company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices.

iv. Fair value of financial instruments
The following table shows the carrying amounts of financial assets and liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying

Sr.No.		2021 Rupees 000	2020 Rupees 000
1	Long term investments	10,624,743	10,834,962
2	Long term loan to the Associate	7,832,293	8,975,231
3	Loans and advances	34,890	58,092
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10	Bank balances - specific to projects	2,370,768	1,935,386
11	Cash and bank balances	680,253	464,278
		29,889,462	**29,550,137**

v. Capital risk management
The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern so that it can achieve its primary objectives, provide benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses in line with the objects of the Company.

Risk Governance

The roles and responsibilities at various levels of our risk management program are outlined in our risk governance structure.

Board and Committees

Oversees the risk management process primarily through its committees:

- Risk Oversight Committee reviews the effectiveness of overall risk management framework including risk policies, strategies, risk tolerance and risk appetite limits.
- The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.
- Compensation Committee focuses on risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk, in addition to succession planning with a view to ensure availability of talented human resources in each area of critical Company operations.

Policies & Procedures

Policies and procedures have been adopted by the Board and its committees and integrated into the Company's risk governance framework to ensure management of financial, operational and compliance risks. These are based on best practices, promoting a culture of ethics and values with authority delegated to senior management for appropriate implementation.

Performance Management

Continuous monitoring is carried out to evaluate the effectiveness of implemented controls and identify areas of weakness to devise strategic plans for improvement, which has enabled aversion of majority of performance risks.

Internal Audit

Internal Audit function provides independent and objective evaluations while reporting directly to the Audit Committee on the effectiveness of governance, risk management and control processes.

Internal Control Compliance

Each Group/Unit identifies and manages risks pertaining to their respective areas of responsibility in addition to ensuring compliance with established internal controls.

8. KEY ACTIVITIES OF PPAF

• Engro Foundation, the social investment arm of Engro Corporation, has signed an MoU with PPAF to contribute Rs 70 million to the Ehsaas Amdan Programme. As part of the commitment, Engro Foundation will be designing a livelihood programme, focused on smallholder farmers in the livestock sector. This collaboration with PPAF, the lead implementing agency for the Ehsaas Amdan programme, will support the Government of Pakistan's poverty alleviation programme for deserving families, whose incomes have been adversely affected by the Covid-19 pandemic.

• PPAF and Citi foundation signed grant agreement for US$ 200,000. The program aims to train 200 unemployed youth, aged 16-24, in 4 target locations in Sindh and Punjab. The participants will be trained in digital and life skills, to equip them for the online and offline digital markets.

The participants will be able to learn new skills and earn income. Each training will be conducted completely online, over a period ranging from 3 to 6 months. The proposed locations have access to an established market and logistic infrastructure.

• PPAF successfully completed Youth Enterprises project (financed by Citi Foundation) in districts Killa Saifullah and Ziarat of Balochistan. Under the program vocational trainings were provided to 300 youth to enable them to earn respectable livelihoods and join the work force for economic development.

• PPAF and Foundation for Arts, Culture and Education (FACE) launched country's first music residency program "Heritage Live" which aims to equip indigenous artists with the business acumen and focuses on skill development. The program will help the vulnerable musicians to generate sustainable income and play a pivotal role in preserving the endangered local culture.

• On International Day for Eradication of Poverty, PPAF organized asset distribution ceremony in Shangla and Lakki Marwat, Khyber Pakhtunkhwa under the second phase of Livelihood Support & Promotion of Small Community Infrastructure Program (LACIP). The project will benefit around 160,000 people through infrastructure development, asset transfer and by building linkages with local governments.

• Poverty Alleviation and Social Safety Division (PASSD) organized a virtual event at Prime Minister Office in Islamabad to mark the International Day for Eradication of Poverty. The event aimed at interacting with the Interest Free Loan and Amdan Programme beneficiaries of PPAF, Benazir Income Support Programme (BISP), Pakistan Bait-ul-Mal and Trust for Voluntary Organization to review implementation of the Ehsaas programme, a flagship initiative of the Government of Pakistan the objective of which is to reduce inequality, invest in people, and lift lagging districts. The virtual session was chaired by Dr. Sania Nishtar, Special Assistant to the Prime Minister of Pakistan on Social Protection & Poverty Alleviation and attended by Mr. Muhammad Ali Shahzada-Secretary PASSD and representatives of provincial governments. Ten beneficiaries of PPAF Interest Free Loan and Amdan Programme came from Layyah, Swat, Battagram and Swabi to participate in the session. The CEO, PPAF, Qazi Azmat Isa briefed the participants about the two programmes and coordinated interaction with the beneficiaries who shared their stories and narrated impact of the Interest Free Loan and Ehsaas Amdan programme on their lives and livelihoods. Later, Dr. Sania Nishtar, Mr. Muhammad Ali Shahzada-Secretary PASSD along with Mr. Qazi Azmat Isa, CEO came to PPAF office and had informal discussion with the beneficiaries of Ehsaas Amdan and Interest Free Loan programmes. The beneficiaries appreciated the PPAF led Ehsaas initiatives and shared their experiences with the visitors, provided insights into the processes and methodology adopted by PPAF for execution of the programmes and suggested ways to expand outreach of Ehsaas programme and maximize its benefits. Dr. Sania Nishtar thanked the beneficiaries for their valuable inputs and acknowledged their hard work and resilience to make Ehsaas programme a success.

• PPAF and University of Malakand signed an MOU to support university students in their endeavors to accelerate socio economic development in their respective areas. The partnership focuses at involving and encouraging the local youth to further strengthen the prospects of integrated development by working on innovative themes, primarily in the areas where PPAF is implementing the Program for Poverty Reduction funded by the Italian Government through the Italian Agency.

• PPAF, in collaboration with the United Nations Development Programme (UNDP Pakistan), Forest and Wildlife Department and the Government of Balochistan, initiated a mass tree plantation campaign called 'Chand Meri Zameen, Phool Mera Watan'. The tree plantation campaign implemented by PPAF's partner organization Taraqee Foundation, targets multiple cities of Balochistan including Quetta, Pishin, and Nushki.

• PPAF observed Earth Day on April 22, 2021. While standing in solidarity with the global community, NPGP's partner organizations across Pakistan, organized several activities including tree plantation drives, waste cleanups, and climate and environmental literacy sessions, which resonates with this year's Earth Day theme. Since January 2021, a total of 19,866 trees were planted and 126 village-level mobilization campaigns were conducted under the initiative in 23 districts across Pakistan.

• PPAF launched Telemedicine Project in collaboration with Akhuwat and with technical support of the University of Health Sciences, Lahore, to provide healthcare services in the areas where access to health facilities is hard or mobility is restricted due to the prevalence of pandemic. The initiative is part of the PPAF COVID-19 Emergency Response Fund.

FINANCIAL STATEMENTS

For the year ended June 30,2021

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September 6, 2021
185

The Board of Directors
Pakistan Poverty Alleviation Fund (the Company)
Islamabad

Dear Sirs

PAKISTAN POVERTY ALLEVIATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

We enclose five copies of the Company's financial statements for the year ended June 30, 2021 with our draft report thereon initialed by us for identification purposes. We shall be pleased to sign our report in present or amended form after:

a) the financial statements have been approved by the Board of Directors (the Board) and signed by the Chief Executive Officer and a Director authorised by the Board in this behalf;

b) we have seen the Board's specific approval for items listed in the Annexure to this letter;

c) we have received a representation letter, on the lines of the draft enclosed, duly signed by the Chief Executive Officer and Chief Financial Officer of the Company; and

d) we have received final draft of "other information" to consider whether it, including the manner of its presentation, is materially consistent with the information appearing in the enclosed financial statements.

2. Renewal of license

The Company's license issued by the Securities and Exchange Commission of Pakistan (SECP) under section 42 of the Companies Ordinance, 1984 (now Companies Act, 2017) expired in January 2015. Application for renewal has been submitted by the Company in January 2015, the approval of which is awaiting clearance from the Ministry of Interior, Government of Pakistan. During the year, SECP vide its letter dated August 17, 2020 has confirmed that the existing license remains valid till the time the license is renewed. Management of the Company is confident that renewal will be granted in due course.

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3. Income tax refunds

As at June 30, 2021, the Company has tax refunds due from the Government of Pakistan (GoP) amounting to Rs 410 million (2020: Rs 401 million). Following the requirements of the Income Tax Ordinance, 2001 (the Ordinance), the Company has applied to Commissioner Inland Revenue for such refunds.

We recommend that a policy should be devised to evaluate the Company's strategy for recovery of refunds, or its adjustment against any expected future taxable income. This policy may also set out parameters against which the management can evaluate the probabilities of receipt of refunds; and if the probability of obtaining the refund for a particular tax year is low, then that amount can be considered for write off.

4. Responsibilities of the auditors and the management in relation to the financial statements

The responsibilities of the independent auditors, in a usual examination of financial statements, are explained in the International Standard on Auditing – 200 "Overall Objectives of the Independent Auditor and Conduct of an Audit in Accordance with International Standards on Auditing". While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for preparation of the financial statements is primarily that of the Company's management. The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding the assets of the Company and prevention and detection of frauds and irregularities. The audit of financial statements does not relieve the management of its responsibilities. Accordingly, our examination of the books of accounts and records should not be construed to have disclosed all the errors or irregularities in relation to the financial statements.

5. We wish to place on record our appreciation of the cooperation and courtesy extended to us by the Company's management and staff during the course of the audit.

Yours truly

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Annexure

PAKISTAN POVERTY ALLEVIATION FUND
AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

List of items requiring the Board's specific approval as referred to in our letter 185 dated September 6, 2021.

		Rupees in thousands
(a)	Property, plant and equipment	
	Additions - at cost	61,981
	Disposal having cost of Rs 6,608 thousand and net book value of Rs 210 for sale proceeds of	324
(b)	Additions to Right of Use assets – at cost	45,830
(c)	Remeasurement/ modification of lease liability	2,874
(d)	Reversal of allowance for expected credit losses against loans to Partner Organizations (POs)	9,910
(e)	Investments made during the year – net	1,186,871
(f)	Disbursements to POs	7,905,730
(g)	Deferred liabilities - grant fund receipts	8,245,788
(h)	Deferred income - grant fund receipts	118,408
(i)	Long term loans recovered from POs	21,550
(j)	Expenditure on project and relief activities	253,258
(k)	Transfer from accumulated surplus to grant fund	191,147
(l)	Transfer from accumulated surplus to reserve for grant based activities	983,433
(m)	Contingencies and commitments – disclosed in note 29 to the financial statements	
(n)	Related party transactions – disclosed in note 41 to the financial statements	

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INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Poverty Alleviation Fund
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Poverty Alleviation Fund (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of income and expenditure, the statement of income and expenditure and other comprehensive income, the statement of changes in funds and reserves, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure, the statement of income and expenditure and other comprehensive income, the statement of changes in funds and reserves and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the surplus and other comprehensive income, the changes in funds and reserves and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of income and expenditure, the statement of income and expenditure and other comprehensive income, the statement of changes in funds and reserves and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

Prior Year Financial Statements Audited by Predecessor Auditor

The financial statements of the Company for the year ended June 30, 2020 were audited by another auditor, who expressed an unmodified opinion on those statements on September 30, 2020.

The engagement partner on the audit resulting in this independent auditor's report is Asim Masood Iqbal.

A.F. Ferguson & Co.

Chartered Accountants
Islamabad
Date: October 4, 2021

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021	2020
		-------- Rupees '000 --------	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	**359,912**	320,623
Investment in the Associate	8	**3,386,298**	3,183,047
Long term investments	9	**10,624,743**	10,834,962
Long term loans to the Associate	10	**6,689,355**	7,832,293
Long term loans and advances	11	**17,168**	33,487
Long term deposits and prepayments	12	**9,431**	18,738
		21,086,907	22,223,150
CURRENT ASSETS			
Current maturity of loans to the Associate	10	**1,142,938**	1,142,938
Loans and advances	11	**17,722**	24,605
Grant fund receivable	13	**158,911**	155,778
Short term prepayments	14	**1,906**	10,224
Profit / service charges receivable	15	**570,165**	891,639
Advances and other receivables	16	**181,466**	62,063
Loans to Partner Organizations	17	**7,760**	19,400
Short term investments	18	**7,599,899**	6,205,805
Tax refunds due from the Government	19	**409,613**	401,405
Bank balances specific to projects	20	**2,370,768**	1,935,386
Cash and bank balances	21	**680,253**	464,278
		13,141,401	11,313,521
TOTAL ASSETS		**34,228,308**	33,536,671
FUNDS, RESERVES AND LIABILITIES			
FUNDS AND RESERVES			
Endowment fund	22	**1,000,000**	1,000,000
Grant fund		**12,363,651**	12,172,504
Accumulated surplus		**6,731,415**	6,366,229
		20,095,066	19,538,733
Reserve for grant based activities		**3,025,542**	2,042,109
		23,120,608	21,580,842
NON-CURRENT LIABILITIES			
Lease liabilities	23	**195,177**	207,015
Long term financing	24	**5,979,475**	7,095,971
Deferred benefit	24	**1,249,657**	1,412,759
		7,424,309	8,715,745
CURRENT LIABILITIES			
Current portion of lease liabilities	23	**78,421**	649
Current portion of long term financing	24	**1,279,597**	1,279,597
Deferred liabilities - grant fund	25	**2,237,929**	1,891,979
Deferred income - grant fund	26	**-**	9,031
Trade and other payables	27	**73,185**	41,964
Service charges payable	28	**14,259**	16,864
		3,683,391	3,240,084
TOTAL FUNDS, RESERVES AND LIABILITIES		**34,228,308**	33,536,671
CONTINGENCIES AND COMMITMENTS	29		

The annexed notes from 1 to 48 form an integral part of these financial statements.

DIRECTOR | **CHIEF EXECUTIVE OFFICER**

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
		-------- Rupees '000 --------	
INCOME			
Service charges on loan to the Associate and Partner Organizations	30	**677,269**	1,357,382
Income on investments and savings accounts	31	**1,831,429**	2,078,368
Share of profit of the Associate	8	**201,658**	39,099
Amortization of deferred income - grant fund	13 & 26	**124,679**	152,152
Amortization of deferred benefit	24.3.1	**163,102**	157,583
Other income	32	**5,455**	641
		3,003,592	3,785,225
EXPENDITURE			
General and administrative expenses	33	**862,722**	730,965
Seminars, workshops and trainings	34	**11,033**	18,549
Technical and other studies	35	**80,383**	69,744
Reversal of allowance for expected credit losses	36	**(9,910)**	(2,509)
Financial charges	37	**267,933**	272,524
		1,212,161	1,089,273
SURPLUS BEFORE PROJECT AND RELIEF ACTIVITIES		**1,791,431**	2,695,952
Expenditure on project and relief activities	38	**(253,258)**	(533,672)
SURPLUS FOR THE YEAR		**1,538,173**	2,162,280

The annexed notes from 1 to 48 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE OFFICER

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
		------ Rupees '000 ------	
SURPLUS FOR THE YEAR		**1,538,173**	2,162,280
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Items that will not be subsequently reclassified to statement of income and expenditure			
Re-measurement loss on employees' defined benefit plan		-	(15,036)
Share of other comprehensive income of an associate - net of tax	8	**1,593**	723
		1,593	(14,313)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,539,766**	2,147,967

The annexed notes from 1 to 48 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE OFFICER

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2021

		FUNDS		RESERVES		
	Note	Endowment fund	Grant fund	Accumulated surplus	Reserve for grant based activities	TOTAL
		Rupees '000				
Balance as of July 1, 2019		**1,000,000**	**11,258,794**	**6,534,399**	**639,682**	**19,432,875**
Total comprehensive income for the year						
Surplus for the year		-	-	2,162,280	-	2,162,280
Other comprehensive loss		-	-	(14,313)	-	(14,313)
		-	-	2,147,967	-	2,147,967
Transfer from accumulated surplus to reserve for grant based activities	39	-	-	(1,402,427)	1,402,427	-
Transfer from accumulated surplus to grant fund		-	913,710	(913,710)	-	-
Balance as of June 30, 2020		**1,000,000**	**12,172,504**	**6,366,229**	**2,042,109**	**21,580,842**
Total comprehensive income for the year						
Surplus for the year		-	-	1,538,173	-	1,538,173
Other comprehensive income		-	-	1,593	-	1,593
		-	-	1,539,766	-	1,539,766
Transfer from accumulated surplus to reserve for grant based activities	39	-	-	(983,433)	983,433	-
Transfer from accumulated surplus to grant fund		-	191,147	(191,147)	-	-
Balance as of June 30, 2021		**1,000,000**	**12,363,651**	**6,731,415**	**3,025,542**	**23,120,608**

The annexed notes from 1 to 48 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE OFFICER

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
		-------- Rupees '000 --------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		**1,538,173**	2,162,280
Adjustment for non cash and other items:			
Depreciation of property and equipment		**71,186**	54,965
Share of profit of an associate		**(201,658)**	(39,099)
Reversal of allowance for expected credit losses		**(9,910)**	(2,509)
Amortization of deferred income - grant fund		**(124,679)**	(152,150)
Amortization of deferred benefit		**(163,102)**	(157,583)
Gain on disposal of property and equipment		**(114)**	(15)
Financial charges		**267,933**	272,524
		(160,344)	(23,867)
		1,377,829	2,138,413
Working capital changes			
(Increase) / decrease in current assets:			
Loans and advances		**6,883**	44,260
Short term prepayments		**8,318**	(37,394)
Profit / service charges receivable		**321,474**	(286,750)
Advances and other receivables		**(112,399)**	171
Increase/ (decrease) in current liabilities:			
Trade and other payables		**31,221**	7,927
		255,497	(271,786)
		1,633,326	1,866,627
Disbursements to Partner Organizations - Grants		**(7,905,730)**	(2,579,138)
Receipt of long term loan to the Associate		**1,142,938**	1,142,938
Recoveries of loans to Partner Organizations		**21,550**	27,487
Long term loans and advances		**16,319**	2,334
Long term deposits and prepayments		**(8,530)**	17,207
Income tax paid		**(15,212)**	(21,893)
Service charges paid		**(71,013)**	(80,609)
Financial charges paid		**(620)**	(37,084)
		(6,820,298)	(1,528,758)
Cash (used in)/ generated from operating activities		**(5,186,972)**	337,869
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - net		**(1,186,871)**	(1,150,232)
Capital expenditure incurred		**(61,981)**	(46,230)
Proceeds from disposal of property and equipment		**324**	272
Cash used in investing activities		**(1,248,528)**	(1,196,190)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		**(737)**	(52,493)
Long term financing - repaid		**(1,279,598)**	(1,279,596)
Deferred liabilities - grant fund receipts		**8,245,788**	3,414,357
Deferred income - grant fund receipts		**118,408**	58,832
Cash generated from financing activities		**7,083,861**	2,141,100
NET INCREASE IN CASH AND CASH EQUIVALENTS		**648,361**	1,282,779
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,775,660**	1,492,881
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44	**3,424,021**	2,775,660

The annexed notes from 1 to 48 form an integral part of these financial statements.

DIRECTOR	**CHIEF EXECUTIVE OFFICER**

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. STATUS, BACKGROUND AND NATURE OF OPERATIONS

1.1 Pakistan Poverty Alleviation Fund (the Company/ PPAF) was registered in Pakistan on February 6, 1997 as a public company, limited by guarantee, not having share capital and licensed under Section 42 of the Companies Ordinance, 1984 (now replaced by Section 42 the Companies Act, 2017). The registered office of the Company is situated at plot 14, street 12, Mauve Area, G-8/1, Islamabad, Pakistan.

Geographical location and address of business units

	Address
Head Office	Plot 14, Street 12, Mauve Area, G-8/1, Islamabad
Project Office	Floor 1, ICCI Building, Mauve Area, G-8/1, Islamabad
Branch Office	House 399/A Gulistan Road, Near Govt Girls College, Quetta

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

1.3 Pursuant to the establishment of the Pakistan Microfinance Investment Company Limited (PMIC), and in accordance with the terms of the Non-Compete Agreement, the Company has ceased to underwrite new loans to its POs, with effect from February 21, 2017.

1.4 The Company's license under section 42 of the Companies Act, 2017, issued by the Securities and Exchange Commission of Pakistan (SECP), expired in January 2015. The Company's application for the renewal of the license, to SECP, submitted in January 2015, is awaiting clearance / NOC from the Ministry of Interior (MOI), Government of Pakistan. SECP vide its letter CLD/CCD/CO.42/RN/157/2015-8381 dated August 17, 2020, confirmed that the existing license remains valid till the time the license is renewed (in case renewal application is filed with the Commission) under regulation 8(2) of the Associations with Charitable and Not for Profit Objects Regulations, 2018.

The management believes that the Company's primary source of earning is income from its investments and service charges on loan to its associated company. Furthermore, the Company has been receiving grants from multiple donors including Government of Pakistan to execute various charitable activities and expects to receive such grants in the future as well. Therefore, the above matter does not cast any material uncertainty about the Company's ability to continue as a going concern and the management is confident that license will be renewed to continue its operations in Pakistan in the foreseeable future.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017

Where provisions of and directives issued under the Companies Act, 2017 differ from IFRS Standards or the Accounting Standard for NPOs, the provisions of and directives issued under Companies Act, 2017 have been followed.

3. BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost convention, except for the fair value of deferred benefit of the below market rate of interest on a long term financing.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Employee benefits

(i) The Company maintains a separate, approved contributory provident fund for all employees for which contributions, at 10% of basic salary, amounting to Rs 27,440 thousand (2020: Rs 26,040 thousand) were charged to income for the year.

(ii) The Company makes defined contributions for all its regular employees, at 10% of basic salary, amounting to Rs 23,854 thousand (2020: Rs Nil) to a pension fund manager with effect from July 1, 2020, charged to the income for the year. The Company selected "NBP Fund Management Limited" (NBP Funds) as a fund manager. Employees choose investment plan of pension fund at their own choice as per the rules of pension investment fund offered by the fund manager. The Company has no obligation regarding the performance of the fund selected by the employees.

4.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.
Depreciation is charged to income, applying the straight line method to write off the cost of an asset over its estimated useful life, at the rates specified in note 7 to the financial statements. Depreciation is charged on additions from the date the asset becomes available for its intended use up to the date on which they are derecognized.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired. A gain or loss on sale or retirement of an asset is included in the current year's surplus / loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4.3 Intangible assets

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

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives. Amortization is charged on additions from the date the asset becomes available for intended use up to the date on which the asset is derecognized.

4.4 Investment in the Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The income and expenditure account reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in funds and reserves. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share of profit or loss of an associate is shown on the face of the income and expenditure account and represents profit or loss after tax of an associate. When necessary, adjustments are made to bring the accounting policies in line with those of the Company, except for the effect of non-application of IAS 40 "Investment Property" and IFRS 7 "Financial Instruments: Disclosures" by an associate holding a Non-Banking Finance Company (NBFC) License, as these standards have been deferred by SECP for NBFCs.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the income and expenditure account.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in income and expenditure account.

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4.5 Investments

These are investments with fixed maturities and the Company has the positive intent and ability to hold the investment till maturity are classified as amortized cost and initially measured at cost representing the fair value of consideration given. At subsequent reporting dates these are measured at amortized cost using the effective interest rate method. The resultant change in value is reported directly in statement of income and expenditure.

In order to safeguard against a major default and to provide sufficient capital adequacy an amount equivalent to 15% of the total loans receivable from PMIC and Partner Organizations (refer to notes 10 and 17 to the financial statements) is held in investments. Further, subsequent to the Company's investments in PMIC (refer to note 8 to the financial statements), the amount equivalent to level of Company's investment in PMIC, is deemed to be employed for micro-credit development.

4.6 Loans to Partner Organizations

These are recognised at cost, which is the fair value of consideration given. For measurement of loss allowance for loans to partner organisation, the Company applies the IFRS 9 simplified approach as explained in detail in note 4.19 to the financial statements, to measure the expected credit losses.

4.7 Grant fund

The grant fund is established to ensure long-term sustainability of the Company and is funded in accordance with the appropriation policy as follows:

i) microcredit reserve (amounting to Rs 3,386,298 thousand as at June 30, 2021, included in accumulated surplus) will be kept at the amount equivalent level of equity investment in PMIC and will grow in line with yearly income from PMIC net of any dividend received;

ii) capital adequacy reserve (amounting to Rs. 1,176,008 thousand as at June 30, 2021, included in accumulated surplus) will be kept at 15% of outstanding loan portfolio;

iii) net surplus before project and relief activities will be allocated to reserve for grant-based activities in the ratio of opening balance of grant fund to average investments (other than investment and loans to associate); and

iv) remaining net surplus before project and relief activities along with savings from capital adequacy reserve, if any, will be allocated to grant fund and general reserve in the ratio of their opening balances in equity.

4.8 Reserve for grant-based activities (RGA)

The RGA is used for grant-based health, education, infrastructure, emergency and other activities that fall within the overall strategic framework of the Company's objectives and is funded in accordance with the appropriation policy as mentioned in note 4.7 to the financial statements above.

4.9 Long-term financing

Long term financing, whose disbursement commenced before June 30, 2009, are measured at amortized cost. In accordance with IAS 20, long term financing at a below market rate of interest whose disbursement commenced on or after July 1, 2009 are carried at present value and the difference between the present value and loan receipts is treated as a Government grant and recorded as a deferred liability. The benefit is recognized as income using the effective interest rate method over the period of the loan. A corresponding charge at the market rate of interest on the carrying value of the loan is recognized as an interest expense.

4.10 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.
The right-of-use assets are also subject to impairment. Refer to the accounting policy in note 4.15 to the financial statements, Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

4.11 Receipts - loans and grants

The Government of Pakistan has executed various agreements with multiple donors for the execution of poverty alleviation projects. Amounts are received from the Government of Pakistan, on account of these donors' projects and the Prime Minister's Interest free loan scheme, on the basis of Financial Monitoring Reports, advance requests and statements of expenses, raised by the Company on a periodic basis, under the relevant categories, as specified in the Financing schedules under the respective Financing Agreements.

The Company has no obligation (contractual or constructive) in respect of the funds received from the donors and transferred to Partner Organizations under the above mentioned donor agreements, except for the monitoring of the execution of the projects against which the Company is entitled to receive certain percentages of the respective approved budgets of the Projects. The Company has adopted the deferral method of accounting instead of fund accounting.

4.12 Deferred liabilities - grant fund

Receipts related to grants specific to Partner Organizations (POs) are presented as deferred liabilities, and the related disbursements to POs, during the year, are netted off there against.

4.13 Income recognition

Service charges on loans and profit / mark-up on investments and bank accounts are recognized using the effective interest rate method.

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

4.14 Provisions

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

4.15 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment loss are restricted to the extent, that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss or reversal of impairment loss is recognized in income for the year.

4.16 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All borrowing costs are recognized as an expense in the year in which these are incurred.

4.17 Taxation

Pursuant to the promulgation of the Finance Act, 2017, from tax year 2018 onward, the Company's income has been exempted from income tax, under part 1 of the Second Schedule to the Income Tax Ordinance, 2001.

4.18 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.19 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 - Revenue from Contract with Customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

i) Financial assets at amortized cost (debt instruments),
ii) Financial assets at fair value through OCI (debt instruments),
iii) Financial assets designated at fair value through OCI (equity instruments), and
iv) Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in the statement of income and expenditure when the asset is derecognized, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of income and expenditure and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to statement of income and expenditure.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of income and expenditure.

The Company does not have any investment in equity instrument and financial instrument at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:
i) The rights to receive cash flows from the asset have expired; or
ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Loans to Partner Organizations are considered as trade debts of the Company and it applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the Partner Organizations and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At each reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

It is the Company's policy to measure ECLs on investment grade debt instruments at fair value through OCI on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the external credit agencies, both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

4.20 Financial liability

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other liabilities, deferred liabilities - grant fund, service charges payable and long-term financing.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments, if any, entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of income and expenditure.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of income and expenditure when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of income and expenditure.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income and expenditure.

4.21 Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.22 Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees (Rs), which is the Company's functional currency.

ii) Transaction and balances

Transactions in foreign currencies are translated in Pak Rupees at the monthly average rate of exchange. Monetary assets and liabilities expressed in foreign currencies are translated into Rs. at the official rate prevailing on the reporting date. Gains and losses on foreign currency transactions are included in income currently, except exchange differences related to disbursements against Special Drawing Rights (SDR) for micro credit loan, community physical infrastructure grant, social sector development, social mobilization, disability, livelihood enhancement and protection and capacity building grant which are included in their respective balances.

4.23 Related party transactions

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

4.24 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the statement of financial position in case of local currency balances and at closing exchange rate, in case of foreign currency balances. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances and short-term investments that are highly liquid and readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

4.25 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
(i) In the principal market for the asset or liability; or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
(ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
(iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The Company does not measure any of its assets or liabilities at fair value.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

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

The estimates / judgements and associated assumptions that have significant effect on financial statements are as follows:

(i) Determining the useful lives, residual value, and methods of depreciation of property and equipment - note 4.2, and note 7 to the financial statements.
(ii) Expected credit loss allowance- note 4.6, note 4.19, note 10 and note 17 to the financial
(iv) Right-of-use asset and corresponding lease liabilities - note 4.10, note 7 and note 23 to the financial statements.
(v) Fair value of the deferred benefit of the below market rate of interest on a long-term financing - note 4.9 to the financial statements.
(vi) Contingencies - note 29 to the financial statements.

6. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

6.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2023
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2023
IAS 12	Income Taxes (Amendments)	January 1, 2023
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 3	Business Combinations (Amendments)	January 1, 2022
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2021
IFRS 9	Financial Instruments (Amendments)	January 1, 2021
IFRS 16	Leases (Amendments)	January 1, 2021

The management anticipates that adoption of above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

6.2 Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 17 Insurance Contracts

IFRIC 12 Service Concession arrangements issued by IASB has been waived off by SECP.

7. PROPERTY AND EQUIPMENT

	Furniture & fixtures	Vehicles	Office equipment	Computer equipment	Right of use asset (note 7.2)	Total
	Rupees in '000					
At July 1, 2019						
Cost	23,852	53,249	49,701	89,073	-	215,875
Accumulated depreciation	(19,142)	(39,279)	(41,356)	(72,400)	-	(172,177)
Net book amount	4,710	13,970	8,345	16,673	-	43,698
Year ended June 30, 2020						
Opening net book value	4,710	13,970	8,345	16,673	-	43,698
Right of use asset recognized on adoption of IFRS 16 as at July 1, 2019	-	-	-	-	285,917	285,917
Additions	4,879	24,517	3,172	13,662	-	46,230
Disposals						
Cost	-	-	-	(2,956)	-	(2,956)
Accumulated depreciation	-	-	-	2,699	-	2,699
	-	-	-	(257)	-	(257)
Depreciation charge - note 7.1	(2,422)	(8,290)	(3,039)	(7,829)	(33,385)	(54,965)
Closing net book value	7,167	30,197	8,478	22,249	252,532	320,623
At June 30, 2020						
Cost	28,731	77,766	52,873	99,779	285,917	545,066
Accumulated Depreciation	(21,564)	(47,569)	(44,395)	(77,530)	(33,385)	(224,443)
Net book amount	7,167	30,197	8,478	22,249	252,532	320,623
Year ended June 30, 2021						
Opening net book value	7,167	30,197	8,478	22,249	252,532	320,623
Additions	2,559	18,321	15,481	25,620	45,830	107,811
Remeasurement/ modification of lease liability	-	-	-	-	2,874	2,874
Disposals						
Cost	-	-	-	(6,608)	-	(6,608)
Accumulated depreciation	-	-	-	6,398	-	6,398
	-	-	-	(210)	-	(210)
Depreciation charge - note 7.1	(2,543)	(9,392)	(4,428)	(12,095)	(42,728)	(71,186)
Closing net book value	7,183	39,126	19,531	35,564	258,508	359,912
At June 30, 2021						
Cost	31,290	96,087	68,354	118,791	334,621	649,143
Accumulated depreciation	(24,107)	(56,961)	(48,823)	(83,227)	(76,113)	(289,231)
Net book value	7,183	39,126	19,531	35,564	258,508	359,912
Annual rate of depreciation (%)	20	20	20	25	11 - 25	

7.1 Depreciation for the year is charged to general and administrative expenses (refer to note 33 to the financial statements).

7.2 Right of use asset represents office premises, obtained on rent, by the Company.

7.3 No fixed assets having net book value in excess of Rs 5,000 thousand were sold during the year.

8. INVESTMENT IN THE ASSOCIATE

	Note	2021	2020
		--------- Rupees '000 ---------	
Balance at the beginning		3,183,047	3,143,225
Share of profit of the Associate - net of tax			
Recognized in statement of income and expenditure		201,658	39,099
Recognized in statement of other comprehensive income		1,593	723
	8.3	203,251	39,822
Balance at the end		3,386,298	3,183,047

8.1 The Company has a 49% interest in Pakistan Microfinance Investment Company Limited (PMIC), an unlisted public company registered with SECP on August 10, 2016, and licensed to act as an Investment Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The registered office of PMIC is situated at 21st Floor, Ufone Tower, 55 C, Main Jinnah Avenue, Blue Area, Islamabad, Pakistan.

8.2 The Company's interest in PMIC is accounted for using the equity method in the financial statements, as the Company has significant influence over PMIC's operational and financial policies but does not have control over PMIC. Control is achieved when the Company is exposed, or has right to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

8.3 The following table illustrates the summarized financial information of the Company's investment in PMIC, based upon the audited financial statements of PMIC for the period ended March 31, 2021, and un-audited interim financial information for the three month period ended June 30, 2021:

	2021	2020
	------------ Rupees '000 ------------	
Percentage ownership interest	49%	49%
Non-current assets	8,373,148	6,431,313
Current assets	20,150,055	21,224,381
Non-current liabilities	(15,575,193)	(17,139,555)
Current liabilities	(5,939,469)	(4,020,125)
	7,008,541	6,496,014
Capital reserve contribution by shareholder - net of tax	(97,728)	-
Net assets	6,910,813	6,496,014
The Company's share of net assets (49%)	3,386,298	3,183,047
Income	2,644,593	4,011,567
Administrative expenses	(350,012)	(340,191)
Other operating expenses	(10,277)	(64,723)
Other income	56,348	19,373
Fair value loss on derivative	(89,167)	-
Finance cost	(1,602,603)	(2,756,358)
Impairment loss on financial assets	(54,114)	(741,953)
Profit before taxation	594,768	127,715
Taxation	(183,221)	(47,922)
Profit for the year (100%)	411,547	79,793
Other comprehensive income for the year	3,252	1,476
Total comprehensive income for the year (100%)	414,799	81,269
The Company's share of profit (49%)	201,658	39,099
The Company's share of other comprehensive income (49%)	1,593	723
The Company's share of total comprehensive income (49%)	203,251	39,822

8.4 PMIC has adopted IFRS 9 "Financial Instruments" for group reporting purposes and the Company's share in the net assets of PMIC reflects the impact of expected credit losses determined under IFRS-9 and specific provisions calculated by PMIC under the relevant applicable Prudential Regulations.

8.5 PMIC has received from KfW (shareholder) a below market interest rate loan amounting USD 5.5 million, out of non-revolving subordinated loan of USD equivalent Euro 15 million, under the agreement between KfW and PMIC dated December 30, 2019 with prior approval of SECP for disbursement of each tranche to the Company. The receipt was translated at the exchange rate of Rs. 159.75/USD; i.e. Rs. 878.6 million. Markup rate is 1% per annum. The agreement tenure is 10 years with principal and markup bullet repayment at the time of maturity on December 30, 2029. The fair value of the subordinated loan has been calculated with reference to the present value of future cash outflows using a discount rate of 5.46% (being the Company's estimate for market rate of interest for a similar instrument (in respect of currency, term, type of interest rate and other factors) with a similar credit rating).

The difference between the present value and the loan proceeds, is recognized as a capital contribution by the KfW. The contribution is transferred to accumulated profit using the Effective Interest Rate method over the period of the loan. The Company's management has considered the capital contribution as notional and not accounted for in these financial statements.

9. LONG TERM INVESTMENTS

	Note	2021	2020
		------------ Rupees '000 ------------	
At Amortized cost			
Specific to Endowment fund			
Pakistan Investment Bonds (PIBs)	9.1	**1,000,000**	1,000,000
Unamortized premium/ (discount) on purchase of PIBs		**4,055**	(6,843)
		1,004,055	993,157
Specific to others			
Pakistan Investment Bonds (PIBs)	9.2	**10,066,500**	10,066,500
Unamortized discount on purchase of PIBs		**(245,812)**	(424,695)
		9,820,688	9,641,805
Term Deposit Receipt (TDR)	9.3	**600,000**	600,000
		11,424,743	11,234,962
Less: amount due within twelve months shown under short term investments			
Pakistan Investment Bonds (PIBs)		**(200,000)**	(400,000)
Term Deposit Receipt (TDR)		**(600,000)**	-
		(800,000)	(400,000)
		10,624,743	10,834,962

9.1 Represents investments in PIBs as follows:

Principal Rupees '000	Issue date	Purchase Date	Maturity date	Coupon rate (per annum)	Payment terms (Coupon)
194,500	August 18, 2011	August 9, 2012	August 18, 2021	12%	Semi annually
5,500	August 18, 2011	May 31, 2013	August 18, 2021	12%	Semi annually
400,000	July 19, 2012	April 29, 2014	July 19, 2022	12%	Semi annually
400,000	September 19, 2019	July 23, 2020	September 19, 2022	9%	Semi annually
1,000,000					

9.2 Represents investments in PIBs as follows:

Principal Rupees '000	Issue date	Purchase Date	Maturity date	Coupon rate (per annum)	Payment terms (Coupon)
2,186,000	September 19, 2019	September 24, 2019	September 19, 2022	9%	Semi annually
613,000	September 19, 2019	October 2, 2019	September 19, 2022	9%	Semi annually
175,000	September 19, 2019	November 13, 2019	September 19, 2022	9%	Semi annually
175,300	September 19, 2019	November 22, 2019	September 19, 2022	9%	Semi annually
2,747,300	September 19, 2019	November 29, 2019	September 19, 2022	9%	Semi annually
1,124,000	September 19, 2019	December 4, 2019	September 19, 2022	9%	Semi annually
2,051,200	September 19, 2019	March 27, 2020	September 19, 2022	9%	Semi annually
994,700	September 19, 2019	March 27, 2020	September 19, 2024	9.5%	Semi annually
10,066,500					

9.3 These funds are invested in Term Deposit Receipt (TDR) with Habib Bank Limited, having original tenure of two years, maturing on March 27, 2022, at per annum mark-up rate of 11.95%.

10. LONG TERM LOANS TO THE ASSOCIATE

		2021	2020
		---------- Rupees '000 ----------	
PMIC - unsecured	10.1 & 10.2	**7,832,293**	8,975,231
Less: Amount receivable within next twelve months shown as a current portion of long term loan to associate		**(1,142,938)**	(1,142,938)
		6,689,355	7,832,293

10.1 The Company and PMIC signed a Master Subordinated Loan Framework Agreement, on November 17, 2016, for the provision of subordinated loans to PMIC, up to a total amount of Rs. 12,347,520 thousand, utilizing funds available to the Company for lending activities, under the Financing Agreements with the Government of Pakistan (GoP). The subordinated loans were disbursed under separate subordinate loan agreements as and when the related repayments were received by the Company, against the Company's loans to its POs, within fifteen days after the end of each calendar quarter. These loans were unsecured and fully subordinated to all other indebtedness of PMIC, carrying service charges at the rate of six months KIBOR plus 100 basis points, unless otherwise agreed by both parties, pursuant to the occurrence of specified conditions. The due dates of these loans will not be later than January 7, 2032.

10.2 After obtaining appropriate approvals from SECP, pursuant to a special resolution passed by the Company's members in accordance with the requirements of section 199 of the Companies Act, 2017, the Company has disbursed ten separate loans in prior years. The pertinent information regarding these loans is as follows:

Date of disbursement	Principal amounts disbursed (Rupees '000)	First instalment date	Last instalment date	Outstanding principal amount (Rupees '000)	Remaining no. of instalments
June 1, 2017	824,000	October 7, 2018	October 7, 2031	584,781	32
June 29, 2017	994,000	January 7, 2019	January 7, 2032	728,784	33
August 8, 2017	1,663,000	January 7, 2019	January 7, 2032	1,219,283	33
November 3, 2017	2,869,000	January 7, 2019	January 7, 2032	2,103,501	33
December 28, 2017	350,000	January 7, 2019	January 7, 2032	256,614	33
January 29, 2018	2,131,000	January 7, 2019	January 7, 2032	1,562,413	33
May 3, 2018	1,000,000	January 7, 2019	January 7, 2032	733,183	33
June 4, 2018	417,000	January 7, 2019	January 7, 2032	305,737	33
August 13, 2018	395,000	January 7, 2019	January 7, 2032	289,607	33
December 11, 2018	66,000	January 7, 2019	January 7, 2032	48,390	33
	10,709,000			**7,832,293**	

During the year ended June 30, 2021 (2020: Nil), no new loan was disbursed to the associate.

10.2.1 The first 33 unequal instalments will be payable at quarterly intervals, with the remaining unequal instalments payable at semi-annual intervals.

10.2.2 The effective interest rate ranges from 7.95% to 8.35% (2020: 11.8% to 14.49%) per annum.

10.3 The maximum aggregate amount outstanding at the end of any month during the year was Rs. 8,975,231 thousand (2020: Rs. 10,118,169 thousand).

11. LONG TERM LOANS AND ADVANCES

	Note	2021	2020
		----- Rupees '000 -----	
Loans - considered good			
Employees - secured	11.1	**31,948**	51,031
Employees - unsecured		**2,942**	7,061
		34,890	58,092
Less: amount due within twelve months shown under current loans and advances		**(17,722)**	(24,605)
	11.2	**17,168**	33,487

11.1 This represents interest free salary loans and car loans given to the employees of the Company. The principal amounts are repayable in a maximum of 60 equal monthly instalments.

11.2 Management considers that the impact of recognizing loans and advances at present value of future cash flows would be immaterial, in context of overall financial statements.

12. LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2021	2020
		----- Rupees '000 -----	
Deposits		**9,431**	9,431
Prepaid rent		**-**	17,837
		9,431	27,268
Less: amount due within twelve months shown under short term prepayments	14	**-**	(8,530)
		9,431	18,738

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		Note	2021	2020
			----- Rupees '000 -----	
13.	**GRANT FUND RECEIVABLE**			
	International Fund for Agriculture Development (IFAD) - National Poverty Graduation Programme	13.1	**153,019**	155,778
	United Nations High Commissioner for Refugees (UNHCR) Poverty Graduation for Refugees in Mansehra and Peshawar in KPK and Chaghi in Baluchistan	13.2	**5,892**	-
			158,911	155,778

		Note	2021	2020
13.1	**Movement during the year:**			
	Balance at the beginning		**155,778**	55,226
	Income recognised against expenditure		**247**	100,552
	Reversal of income recognised against expenditure		**(3,006)**	-
	Balance at the end	13.1.1	**153,019**	155,778

13.1.1 This balance represents the amounts utilized for operating expenses from the Company's own financial resources, in respect of the "National Poverty Graduation Programme" (refer to note 25.10 to the financial statements). As per Schedule 2 of Financing Agreement between the Company and IFAD, 4% of eligible program expenditure to be claimed from the Project upon acceptance of audit report by IFAD on an annual basis.

13.2 It represents the amounts utilized for operating expenses from the Company's own financial resources, in respect of PGR Project. Subsequent to year end the balance has been received from UNHCR on August 9, 2021.

		Note	2021	2020
			----- Rupees '000 -----	
14.	**SHORT TERM PREPAYMENTS**			
	Current portion of long term prepaid rent	12	-	8,530
	Prepayments		**1,906**	1,694
			1,906	10,224

		Note	2021	2020
15.	**PROFIT / SERVICE CHARGES RECEIVABLE**			
	Profit on Investments:			
	Specific to Endowment Fund		**40,374**	51,560
	Specific to others and savings accounts		**366,236**	513,757
			406,610	565,317
	Service charges receivable on loans to associate		**163,555**	325,111
	Service charges receivable on loans to POs		**149,536**	150,747
	Less: allowance for expected credit losses	15.1	**(149,536)**	(149,536)
			-	1,211
			570,165	891,639

		Note	2021	2020
			----- Rupees '000 -----	
15.1	Movement in allowance for expected credit losses:			
	Balance at the beginning		**149,536**	148,808
	Charge during the year		**-**	728
	Balance at the end		**149,536**	149,536

16. ADVANCES AND OTHER RECEIVABLES

	Note	2021	2020
Advances to suppliers		**17,721**	201
Advances to Partner Organizations		**108,673**	-
Considered good, unsecured			
Withholding tax withheld by FBR	16.1	**54,723**	61,727
Others		**349**	135
		181,466	62,063

16.1 During financial year 2018, FBR created a demand via letter dated September 19, 2017, under section 161/205 for the tax year 2014, whereby, an amount of Rs 61,727 thousand was determined to be payable by the Company. On October 4, 2017, the Company filed an appeal with the Commissioner Inland Revenue - Appeals [CIR(A)] against the demand and for grant of stay. The application for stay being dismissed, an amount of Rs 61,727 thousand was withdrawn by FBR on October 27, 2017 from the Company's bank account. The Company filed new appeal with CIR (A) who remanded back on April 23, 2018. On June 30, 2019 a new order reducing the demand to Rs 16,348 thousand was issued. The Company again filed an appeal on July 31, 2019, for which a order was received on June 23, 2021, reducing the demand to Rs 3,268 thousand along with default surcharge of Rs 3,736 thousand. The Company has accepted the order and is not pursuing it as per the recommendation by the Company's legal advisor. The Company is in a process of filling a refund application for the remaining amount.

17. LOANS TO PARTNER ORGANIZATIONS

	Note	2021	2020
		----- Rupees '000 -----	
Unsecured			
Considered good	17.1	**8,000**	20,000
Considered doubtful	17.2	**920,097**	929,647
		928,097	949,647
Less: allowance for expected credit losses	17.4	**(920,337)**	(930,247)
		7,760	19,400

17.1 The Company has disbursed loans to POs for utilization in micro-credit operations, under various Financing Agreements, with applicable service charges based upon a range of benchmarks including KIBOR. These loans are repayable on a quarterly basis within two years, under the respective Financing Agreements signed between the Company and the POs.

Rates for service charges were determined on the basis of classification of POs into "for-profit" and "not-for-profit" and further sub-categories according to geographical areas. All financing facilities are charged service charges at the standard rates based on KIBOR, with a floor of 8% per annum, for facilities to "not-for-profit" POs and "for-profit" POs utilizing facilities in remote geographical areas; the floor is 9% per annum for all other facilities to "for-profit" POs.

17.2 The Company recognises ECL for loans to partners organisation using simplified approach as explained in note 4.6 to the financial statements. As per aforesaid approach, the loss allowance was determined as follows:

	Upto 59 days	60 - 89 days	90 - 179 days	More than 180 days	Total
June 30, 2021					
Gross carrying amount	**8,000**	**-**	**-**	**920,097**	**928,097**
Loss allowance	**240**	**-**	**-**	**920,097**	**920,337**
June 30, 2020					
Gross carrying amount	20,000	-	-	929,647	949,647
Loss allowance	600	-	-	929,647	930,247
Loss allowance - %	**-**	**25%**	**50%**	**100%**	

17.3 Movement in loans to Partner Organizations:

	Note	2021	2020
		---------- Rupees '000 ----------	
Balance at the beginning		**949,647**	977,134
Recoveries during the year		**(21,550)**	(27,487)
		928,097	949,647
Allowance for expected credit losses	17.4	**(920,337)**	(930,247)
Balance at the end		**7,760**	19,400

17.4 Movement in allowance for expected credit losses is as follows:

	Note	2021	2020
Balance at the beginning		**930,247**	933,484
Charge/ (reversal) for the year			
Charge		**-**	16,365
Reversal		**(9,910)**	(19,602)
	36	**(9,910)**	(3,237)
Balance at the end		**920,337**	930,247

18. SHORT TERM INVESTMENTS

	Note	2021	2020
Current portion of long term investments			
Pakistan Investment Bonds (PIBs)		**200,000**	400,000
Term Deposit Receipt (TDR)		**600,000**	-
	9	**800,000**	400,000
At Amortized cost			
Specific to others			
Term Deposit Receipts (TDRs)	18.1	**2,831,700**	4,271,905
Government Treasury Bills	18.2	**3,968,199**	1,533,900
		7,599,899	6,205,805

18.1 These funds are invested in Term Deposit Receipts (TDRs) maturing within one month to one year from the date of investment, at per annum mark-up rates ranging from 7.54% to 8.7% (2020: 7% to 14.15%).

18.2 These funds are invested in Government Treasury Bills maturing within one month to one year from the date of investment, at per annum mark-up rate 7.55% to 7.59% (2020: 6.85% to 13.90%) per annum.

19. TAX REFUNDS DUE FROM THE GOVERNMENT	**Note**	**2021**	**2020**
		------- Rupees '000 -------	
Income tax refunds	19.1	**409,613**	401,405

19.1 This represents tax refunds in respect of withholding tax deducted on behalf of of the Company, relating to tax years 2003 to 2021. Management is confident that the tax department will allow the refunds as these are valid refund claims of the Company under the Income tax Ordinance, 2001. All the related evidences are available and verifiable.

20. BANK BALANCES SPECIFIC TO PROJECTS	**Note**	**2021**	**2020**
		------- Rupees '000 -------	
Current accounts - In local currency			
Government of Pakistan - KfW Renewable Energy (RE)		**74,612**	170,903
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP I)		**32,320**	68,144
Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL I) Scheme		**276,419**	263,769
Government of Italy - Poverty Reduction through Rural Development Activities in Baluchistan, Khyber Pakhtunkhwa and Federally Administered Tribal Areas (PPR)		**24,598**	347,030
IFAD - National Poverty Graduation Programme (NPGP)		**1,642,753**	456,109
NDRMF - Building Resilience to Disasters and Climate Change (BRDCC)		**48,734**	57,439
	20.1	**2,099,436**	1,363,394
Current accounts - In foreign currency			
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP II)		**252,747**	-
Saving accounts - In local currency			
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP II)		**6,443**	455,521
UNHCR - Poverty Graduation for Refugees in Mansehra and Peshawar in KPK and Chaghi in Baluchistan (PGR)	20.2	**12,142**	116,471
		18,585	571,992
		2,370,768	1,935,386

20.1 Under the financing agreements signed with the donors, the Company is allowed to draw funds from these special accounts for carrying out eligible activities.

20.2 These balances carry mark-up ranging between 5.5% to 5.9% (2020: 5.5% to 6.5%) per annum.

21. CASH AND BANK BALANCES

	Note	2021	2020
		------- Rupees '000 -------	
Cash at banks in:			
- Current accounts		**1,710**	1,581
- Deposit accounts	21.1	**678,543**	462,697
		680,253	464,278

21.1 These balances carry mark-up ranging between 5.5% to 5.9% (2020: 5.5% to 6.55%) per annum.

22. ENDOWMENT FUND

This represents the amounts paid by GoP for the Endowment Fund under the Subsidiary Financing Agreements (SFAs) for IDA I and IDA II projects, directly credited in the statement of changes in funds and reserves. Under the SFA, the fund is to be invested in government schemes / bonds, and the income generated there from shall be utilized for revenue and capital expenditure of the Company.

23. LEASE LIABILITIES

	2021	2020
	------- Rupees '000 -------	
Balance at the beginning	**207,664**	-
Initial recognition under IFRS 16	**-**	260,157
Additions during the year	**27,994**	-
Remeasurement/ modification of lease liability	**2,874**	-
Unwinding of interest on lease liability	**36,180**	37,040
Payments during the year	**(1,114)**	(89,533)
Balance at the end	**273,598**	207,664
Less: transferred to current portion of lease liabilities	**(78,421)**	(649)
	195,177	207,015

23.1 The undiscounted maturity analysis of lease liabilities at June 30, 2021 is as follows:

	Up to 1 year	Between 2 to 5 years	Over 5 years	Total
	---------------------- Rupees '000 ----------------------			
Lease payments 2021	**103,641**	**292,987**	**-**	**396,628**
Lease payments 2020	726	220,534	135,163	356,423

24. LONG-TERM FINANCING	Note	2021	2020
		------- Rupees '000 -------	
Unsecured - from a related party:			
Government of Pakistan - PPAF - I (IDA financing)	24.1	**219,234**	438,523
Government of Pakistan - PPAF - II (IDA financing)	24.2	**3,938,691**	4,654,848
Government of Pakistan - PPAF - III (IDA financing)	24.3	**2,540,372**	2,670,622
Government of Pakistan - (IFAD financing - MIOP)	24.4	**573,405**	649,859
Government of Pakistan - (IFAD financing - PRISM)	24.5	**1,237,027**	1,374,475
		8,508,729	9,788,327
Less: Deferred benefit of below market rate of interest on long-term financing - Government of Pakistan - PPAF-III (IDA financing)	24.3.1	**(1,249,657)**	(1,412,759)
		7,259,072	8,375,568
Less: amount due within the twelve month shown as a current liability		**(1,279,597)**	(1,279,597)
		5,979,475	7,095,971

24.1 Government of Pakistan - PPAF - I (IDA financing)	2021	2020
Balance at the beginning	**438,523**	657,810
Amount repaid	**(219,289)**	(219,287)
Balance at the end	**219,234**	438,523

A Development Credit Agreement (DCA) was signed between International Development Association (IDA) and the Government of Pakistan (GoP) on July 7, 1999 in respect of PPAF - I. Under the agreement IDA made available to the 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 a Subsidiary Financing Agreement (SFA) dated August 18, 1999, executed between the GoP and the Company, 50% of the amount was disbursed as a loan to the Company and the balance as a grant, on a non-reimbursable basis. The principal amount of the loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual instalments, payable on each May 15 and November 15, commencing from November 15, 2007 and ending on May 15, 2022. Each instalment, up to and including the instalment payable on May 15, 2013, was equal to 2.083% of such principal amount, and each instalment thereafter shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75 % per annum, on the principal amount of loan withdrawn and outstanding from time to time, and a 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.

	2021	2020
	------- Rupees '000 -------	
24.2 Government of Pakistan- PPAF - II (IDA financing)		
Balance at the beginning	**4,654,848**	5,371,005
Amount repaid	**(716,157)**	(716,157)
Balance at the end	**3,938,691**	4,654,848

A second DCA was signed between IDA and the GoP on January 20, 2004, in respect of PPAF II. Under the agreement IDA made available to GoP a sum of SDR of 168.1 million, over a period of four years, to be utilized by the GoP, through the Company.

Under an SFA dated March 24, 2004, executed between the GoP and the Company, 56% of the amount was disbursed as a loan to the Company and the balance as a grant, on a non-reimbursable basis. The principal amount of the loan is repayable over a period of twenty three years, including the grace period of eight years, in thirty semi-annual instalments, payable on each February 1 and August 1, commencing from February 1, 2012 and ending on August 1, 2026. Each instalment, up to and including the installment payable on August 1, 2017, shall be equal to 2.083% of such principal amount, and each instalment thereafter, shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75% per annum on the principal amount of the loan withdrawn and outstanding from time to time, and a commitment charge at the rate set by IDA, on the principal amount of the loan not withdrawn from time to time. The service and commitment charges are payable on February 1 and August 1 each year.

		Note	2021	2020
			------- Rupees '000 -------	
24.3	Government of Pakistan- PPAF - III (IDA financing)			
	Balance at the beginning		**2,670,622**	2,800,872
	Amount repaid		**(130,250)**	(130,250)
	Balance at the end		**2,540,372**	2,670,622
	Less: Deferred benefit of below market rate of interest on long-term financing	24.3.1	**(1,249,657)**	(1,412,759)
			1,290,715	1,257,863

A financing agreement was signed between IDA and the GoP on June 9, 2009 in respect of PPAF III. Under the agreement, IDA shall make available to GoP a sum of SDR of 167.2 million over a period of 5 years to be utilized by GoP through the Company.

Under a Subsidiary Loan Agreement (SLA) dated June 15, 2009 executed between the GoP and the Company, the GoP agreed to provide 13% of the amount as a loan to the Company, and the balance as a grant on a non-reimbursable basis. The principal amount of the loan is repayable over a period of twenty three years, including the grace period of eight years, in thirty semi-annual instalments, payable on each June 15 and December 15 commencing from June 15, 2017 and ending on December 15, 2031. Each instalment, up to and including the instalment payable on December 15, 2022, shall be equal to 2.083% of such principal amount, and each instalment thereafter shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75% per annum on the principal amount of the loan withdrawn and outstanding from time to time, and a commitment charge at the rate set by IDA, on the principal amount of the loan not withdrawn from time to time. The service and commitment charges are payable on June 15 and December 15 each year.

24.3.1 The loan is carried at its present value computed at a market based interest rate i.e. 15% per annum. The difference between the present value and the loan proceeds, is recognized as a deferred benefit. The deferred benefit is recognized as income using the effective interest rate method over the period of the loan. The movement in the deferred benefit during the year is as follows:

		2021	2020
		------- Rupees '000 -------	
	Deferred benefit		
	Balance at the beginning	**1,412,759**	1,570,342
	Amortization during the year	**(163,102)**	(157,583)
	Balance at the end	**1,249,657**	1,412,759
24.4	Government of Pakistan - (IFAD financing - MIOP)		
	Balance at the beginning	**649,859**	726,313
	Amount repaid	**(76,454)**	(76,454)
	Balance at the end	**573,405**	649,859

A programme loan agreement was signed between the International Fund for Agriculture Development (IFAD) and the GoP on January 18, 2006, in respect of the Micro-finance Innovation and Outreach Programme (MIOP). Under the 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 a Subsidiary Loan and Grant agreement (SLGA) dated April 18, 2006, executed between the GoP and the Company, the GoP agreed to provide 50% of the amount as a loan to the Company, and the balance as a grant on a non-reimbursable basis on account of capacity building. The principal amount of the loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual instalments, commencing on June 1, 2014 and ending on December 1, 2028. These loans carry a service charge of 0.75% per annum on the principal amount of the loan withdrawn and outstanding from time to time, payable on June 1 and December 1, each year.

		2021	2020
		------- Rupees '000 -------	
24.5	Government of Pakistan - (IFAD financing - PRISM)		
	Balance at the beginning	**1,374,475**	1,511,923
	Amount repaid	**(137,448)**	(137,448)
	Balance at the end	**1,237,027**	1,374,475

A programme loan agreement was signed between the International Fund for Agriculture Development (IFAD) and the GoP on November 22, 2007 in respect of the Programme for Increasing Sustainable Microfinance (PRISM). Under the 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 the GoP, through the Company.

Under an SFA dated January 12, 2008, executed between the GoP and the Company, the GoP agreed to provide 65% of the amount as a loan to the Company and the balance as grant, on a non-reimbursable basis, on account of capacity building. The principal amount of the loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty equal semi-annual instalments, commencing on December 1, 2015 and ending on June 1, 2030. These loans carry a service charge of 0.75% per annum on the principal amount of the loan withdrawn and outstanding from time to time, payable on June 1 and December 1, each year.

25. DEFERRED LIABILITIES - GRANT FUND

	Note	2021	2020
		------- Rupees '000 -------	
Government of Pakistan - KfW Renewable Energy (RE)	25.3	**67,508**	168,226
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP I)	25.4	**14,297**	64,108
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP II)	25.5	**27,352**	450,520
Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL I) Scheme	25.6	**273,371**	240,720
Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL II) Scheme	25.7	**-**	20,000
Government of Italy - Poverty Reduction through Rural Development Activities in Baluchistan, Khyber Pakhtunkhwa and Federally Administered Tribal Areas (PPR)	25.8	**1,609**	298,798
UNHCR - Poverty Graduation for Refugees in Mansehra and Peshawar in KPK and Chaghi in Baluchistan (PGR)	25.9	**-**	112,632
IFAD - National Poverty Graduation Programme (NPGP)	25.10	**1,642,790**	455,883
Citi Foundation - Revitalizing Youth Enterprise (RYE)	25.11	**32,362**	23,653
NDRMF - Building Resilience to Disasters and Climate Change (BRDCC)	25.12	**53,086**	57,439
International Trade Centre - Growth for Rural Advancement and Sustainable Progress (GRASP)	25.13	**55,554**	-
Engro Foundation - The Dairy Development Program (DDP)	25.14	**70,000**	-
		2,237,929	1,891,979

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

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25.2 **Movement during the year:**

	Note	RE (note 25.3)	LACIP I (note 25.4)	LACIP II (note 25.5)	PMIFL I (note 25.6)	PMIFL II (note 25.7)	PPR (note 25.8)	PGR (note 25.9)	NPGP (note 25.10)	RYE (note 25.11)	BRDCC (note 25.12)	GRASP (note 25.13)	DDP (note 25.14)	Total 2021	T
		Rupees '000													
Balance at the beginning		168,226	64,108	450,520	240,720	20,000	298,798	112,632	455,883	23,653	57,439	-	-	1,891,979	1,(
Receipts during the year		-	-	252,750	-	4,980,000	-	126,434	2,832,424	31,528	-	55,554	70,000	8,348,690	3,4
Profit on project account		-	-	11,012	-	-	-	4,494	-	-	-	-	-	15,506	
Transfers to deferred income - grant fund	26	(4,427)	(13,987)	(72,290)	-	-	-	(14,195)	(12,209)	(1,300)	-	-	-	(118,408)	
		163,799	50,121	641,992	240,720	5,000,000	298,798	229,365	3,276,098	53,881	57,439	55,554	70,000	10,137,767	4,4
Less: Disbursements / (recovery) for															
Water and infrastructure		96,291	-	-	-	-	-	-	-	-	-	-	-	96,291	2
Social sector development		-	-	-	-	-	44,754	-	-	-	-	-	-	44,754	
Capacity/Institutional building		-	35,824	500,935	-	-	145,041	129,197	122,934	2,070	4,353	-	-	940,354	3
Social mobilization		-	-	-	-		-	-	79,114	-	-	-	-	79,114	
Livelihood enhancement and protection		-	-	113,705	-	-	107,394	106,060	1,431,260	-	-	-	-	1,758,419	1,8
Poverty graduation		-	-	-	(32,651)	5,000,000	-	-	-	-	-	-	-	4,967,349	
Emergency response		-	-	-	-	-	-	-	-	19,449	-	-	-	19,449	
	25.15	96,291	35,824	614,640	(32,651)	5,000,000	297,189	235,257	1,633,308	21,519	4,353	-	-	7,905,730	2,5
		67,508	14,297	27,352	273,371	-	1,609	(5,892)	1,642,790	32,362	53,086	55,554	70,000	2,232,037	1,8
Less: transferred to grant fund receivable		-	-	-	-	-	-	5,892	-	-	-	-	-	5,892	
Balance at the end		67,508	14,297	27,352	273,371	-	1,609	-	1,642,790	32,362	53,086	55,554	70,000	2,237,929	1,8

25.3 Grants from Government of Pakistan - KfW - Renewable Energy (RE)

On June 22, 2012 the Company and the German Financial Cooperation - KfW signed a financing and project agreement, under which KfW has agreed to make available an amount of EUR 10 million to the Company as a grant on a non-reimbursable basis for the development of mini/micro hydro power plants, solar lighting systems, integrated water efficient solar irrigation systems and pilot projects in renewable energy in Khyber Pakhtunkhwa (North West Frontier Province-NWFP). The agreement was to expire on December 31, 2017, however, the project duration has now been extended to December 30, 2021.

25.4 Grants from Government of Pakistan - KfW - Livelihood Support and Promotion of Small Community Infrastructure (LACIP I)

On June 12, 2010 the Company and German Financial Cooperation - KfW signed a loan financing and project agreement, under which KfW has agreed to make available an amount of EUR 31,562,661 to the Company, as a grant on a non-reimbursable basis, for the support of livelihood measures and the promotion of small community economic and social infrastructure, in Khyber Pakhtunkhwa (North West Frontier Province-NWFP). The Company has entered into separate financing agreements with twenty three POs for the implementation of the project. The agreement was to previously expire on December 31, 2015, however, the project duration was extended up to December 31, 2016 and June 30, 2017, and then extended up to December 31, 2017. On January 19, 2018 the Project period was further extended up till August 31, 2021.

25.5 Grants from Government of Pakistan - KfW - Livelihood Support and Promotion of Small Community Infrastructure Programme (LACIP-II)

On August 18, 2017, the Company and German Financial Cooperation - KfW signed financing and project agreements under which KfW has agreed to make available an amount of EURO 10,000,000 to the Company, as a grant on a non-reimbursable basis, for the support of (i) public physical infrastructure (CPI) schemes inclusive of disaster management and climate adaptation aspects (ii) livelihood development on group-based approach inclusive of skills and enterprise development training and related asset transfer and (iii) beneficiaries will be mobilized and organized in a variety of groups in three districts, Lakki Marwat, Shangla and Buner, of Khyber Pakhtunkhwa. The Company has entered into financing agreements with three POs for the implementation of the project. The agreement will expire on December 30, 2021.

25.6 Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL I) Scheme

On May 14, 2014, the Government of Pakistan entered into a Memorandum of Understanding (MoU) with the Company to provide a non-repayable grant of Rs 3,500 million, of which Rs 3,159 million was for the provision of interest free loans to the poor and marginalized communities and those lacking access to financial services, through POs, in the form of a revolving fund; Rs 316 million was for operating costs of POs, and Rs 25 million for the establishment of Loan Centers by POs. The objective of the scheme is to reach marginalized men, women and youth not tapped by the micro-finance sector, support female participation by disbursing 50% of the loans, encourage behavioral change of beneficiaries and strengthen community-based institutions. The loans (revolving funds) amount is transferred to POs under respective agreements for on-lending of funds under the PMIFL I Scheme to eligible beneficiaries. The funding to POs is secured through letters of hypothecation on receivables of POs created out of financing, obtained from the Company. Upon expiry of the terms of the agreement with the Company, the receiving fund loans will continue to be administered by the POs.

25.7 Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL-II) Scheme

On October 14, 2020, Economic Coordination Committee approved the technical supplementary non-repayable grant of Rs 5 billion for the provision of interest free loans to the poor and marginalized communities and those lacking access to financial services, through POs, in the form of a revolving fund. The objective of the scheme is to reach marginalized men, women and youth not tapped by the micro-finance sector, support female participation by disbursing 50% of the loans, encourage behavioral change of beneficiaries and strengthen community-based institutions. The loans (revolving funds) amount is transferred to POs under respective agreements for on-lending of funds under the PMIFL Scheme to eligible beneficiaries.

25.8 Project for Poverty Reduction Through Rural Development Activities in Baluchistan, Khyber Pakhtunkhwa, and Federally Administered Tribal Areas (Italian Project) (PPR)

On January 14, 2011, the Government of Italy and the Government of Pakistan signed a program agreement for the Italian Project. A financing agreement was signed between GoP and Artigiancassa S.p.A. (on behalf of Government of Italy) on March 21, 2011, under which the Government of Italy has agreed to make available an amount of EUR 40 million to Company on a non-reimbursable basis. A Subsidiary Financing Agreement was signed between the GoP and the Company on December 2, 2011. The project focuses on poverty reduction through rural development in Baluchistan, Khyber Pakhtunkhwa, Federally Administered Tribal Areas and neighboring areas. Under the Agreement, the World Bank would act as a Supervision Body, the Company as Project Executing Agency, and interventions will be operated through POs. The financing part of the agreement was to expire on September 30, 2016, however, the project duration was extended to December 31, 2021.

25.9 Poverty Graduation for Refugees in Mansehra and Peshawar in KPK and Chaghi in Baluchistan (PGR)

On December 18, 2019, UNHCR and the Company signed a financing and project agreement for implementation of a graduation programme, under continuation of "Poverty Graduation for Refugees in Mansehra and Peshawar in KPK and Chaghi in Baluchistan" (the Project). The Project implementation period has been revised to January 1, 2021 to December 31, 2021. The Company will implement the Project, which will target 2,000 households including male and female young adults living in Mansehra and Peshawar in KPK and Chaghi in Baluchistan. The Project focuses on Afghan refugees acquiring transferable skills so that refugee families are able to support themselves in a dignified manner for the duration of their stay in Pakistan and after their voluntary repatriation to Afghanistan. The same skills training will be provided to their Pakistani hosting families to enable them to participate in the formal labour market to achieve a steady income, support their families empowering the targeted poor with increased incomes, improved productive capacity and access to services to achieve sustainable livelihood. This would include stronger approaches to building institutions of the poor and to livelihood enhancement that would enable poor households and communities to be more successful at attracting financial and other service providers.

25.10 National Poverty Graduation Programme (NPGP)

On November 14, 2017, the Government of Pakistan (GoP) and International Fund for Agricultural Development (IFAD) signed project and financing agreements for "National Poverty Graduation Programme "(NPGP), under which IFAD agreed to make available an amount of USD 80.60 million, to the Company, as a grant on a non-reimbursable basis over a period of six years. On January 10, 2018, GoP and the Company signed a subsidiary financing agreement for the implementation of the Project. This project is expected to be completed on June 30, 2024. The Project aims to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis while simultaneously improving their overall food security, nutritional status and resilience to climate change. The development objective of the Project is to enable the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven, flexible and responsive menu of assistance. The Project consists of two key components; Poverty Graduation and Social Mobilization and Project Management.

25.11 Revitalizing Youth Enterprise (RYE)

On December 4, 2018, the Company received funds from Citi Foundation for the project "Revitalizing Youth Enterprise" which is aimed at skills and vocational training of beneficiaries with an initial budget of US$ 240,000. During the year Citi Foundation provided another US$ 200,000. The project was to be implemented in the areas of Ziarat and Kila Saifullah in Balochistan Province, and is extended till January 31, 2023.

25.12 Building Resilience to Disasters and Climate Change(BRDCC)

On November 25, 2019, National Disaster Risk Management Fund (NDRMF) and the Company signed Grant Implementation Agreement for "Building Resilience to Disasters and Climate Change. The total cost is Rs 823,984 thousand, out of which Rs 575,112 thousand is the grant amount by NDRMF and Rs 248,872 thousand is the Company's contribution. The Project implementation period is from November 25, 2019 to November 30, 2021 with the aim to strengthen readiness of the communities in proposed districts through establishing and institutional framework to mobilize and organize communities, understand their specific vulnerabilities to natural hazards and conduct capacity analysis, ensuring that sound structural measures are taken to reduce and protect against community vulnerabilities. Eight districts from NDMA district priority list in 4 provinces and Gilgit-Baltistan region have been selected for nationwide coverage.

25.13 Growth for Rural Advancement and Sustainable Progress (GRASP)

On April 13, 2021, International Trade Centre (ITC) and the Company signed a Memorandum of Understanding (MoU) on a Grant under Project B466 - Pakistan: "Growth for Rural Advancement and Sustainable Progress" (GRASP). The purpose of this is to create gender-inclusive employment and income opportunities in the rural areas through targeted support to both the public and private sectors. ITC will grant under the project up to a maximum of US$ 14,863,514. The agreement will expire on September 30, 2024.

25.14 The Dairy Development Program under Ehsaas Amdan Program (DDP)

On March 5, 2021, Engro Foundation (EF) and the Company signed a Memorandum of Understanding (MoU) for the implementation of "The Dairy Development Program under Ehsaas Amdan Program". EF has disbursed grant of Rs. 70,000 thousand under the MoU. The duration of this project will be for two years from March 2021 to March 2023. The purpose of the project is to enhance incomes of women through promoting and supporting entrepreneurship and developing women farmers to improve productivity and income in the dairy sector.

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25.15 Breakup of Disbursements / (recovery) to / (from) POs

	RE (note 25.3)	LACIP I (note 25.4)	LACIP II (note 25.5)	PMIFL I (note 25.6)	PMIFL II (note 25.7)	PPR (note 25.8)	PGR (note 25.9)	NPGP (note 25.10)	RYE (note 25.11)	BRDCC (note 25.12)	Total 2021	Total 2020
	Rupees '000											
Awami Development Organization	-	-	-	-	-	-	-	-	-	-	-	1,789
Association of Gender Awareness and Human Empowerment Pakistan												
Akhuwat	-	-	-	-	562,500	-	-	-	8,245	-	570,745	2,937
Aga Khan Rural Support Programme	-	-	-	-	1,195,735	-	-	-	-	-	1,195,735	19,558
Al-Mehran Rural Development and Welfare Organization Foundation	5,462	-	-	-	-	1,263	-	-	-	-	6,725	6,730
Bunyad Literacy Community Council	-	-	-	-	-	-	-	-	-	-	-	1,333
Baluchistan Rural Development Society	-	-	-	(5,655)	-	-	-	-	-	-	(5,655)	562
Baluchistan Rural Development and Research Society	-	-	-	-	10,000	-	-	-	-	-	10,000	-
Baluchistan Rural Support Programme	-	-	-	-	-	1,198	-	-	-	-	1,198	2,487
Center of Excellence for Rural Development	-	-	-	-	-	-	-	129,195	5,029	-	134,224	24,479
Community Mobilization and Development Organization	-	-	-	-	49,990	-	-	-	-	-	49,990	(1,591)
Community Support Concern - CEIP	12,895	-	-	-	-	-	-	-	-	-	12,895	15,725
Environment Protection Society	-	-	-	-	-	-	-	-	-	-	-	5,553
Farmers Development Organization	-	-	-	-	-	-	-	-	-	-	-	8,783
Farmers Friend Organization	-	-	-	-	150,000	-	-	-	-	-	150,000	5,276
Ghazi Brotha Taraqiatee Idara	-	-	-	-	660,250	-	-	-	-	-	660,250	857
Health and Nutrition Development Society	-	-	-	-	275,000	-	-	-	-	-	275,000	2,995
Human Development Foundation	-	-	-	-	-	-	-	-	8,245	-	8,245	1,277
Initiative for Development and Empowerment	-	-	-	-	-	1,426	-	-	-	-	1,426	5,341
Kashf Foundation	-	-	-	-	30,000	-	186,162	-	-	-	216,162	-
Khwendo Kor Women and Children Development Programme	-	-	-	(26,996)	-	-	-	-	-	-	(26,996)	1,417
Lasoona Society for Human and Natural Resource Development	-	35,824	-	-	49,990	-	-	-	-	-	85,814	21,653
Mojaz Foundation Support Programme	-	-	-	-	45,000	-	-	154,565	-	-	199,565	140,990
National Integrated Development Association	-	-	-	-	-	-	-	-	-	-	-	4,624
National Rural Support Programme	-	-	-	-	-	(15,660)	-	-	-	-	(15,660)	-
Orangi Charitable Trust	33,180	-	188,757	-	322,500	(34,797)	-	883,635	-	-	1,393,275	1,157,200
National Rural Development Program	-	-	-	-	-	-	-	-	-	-	-	1,781
	-	-	-	-	-	-	-	-	-	-	-	(2,500)

25.15 Breakup of Disbursements / (recovery) to / (from) POs (Continued)

	RE (note 25.3)	LACIP I (note 25.4)	LACIP II (note 25.5)	PMIFL I (note 25.6)	PMIFL II (note 25.7)	PPR (note 25.8)	PGR (note 25.9)	NPGP (note 25.10)	RYE (note 25.11)	BRDCC (note 25.12)	Total 2021	Total 2020
		----------	----------	----------	----------	----------	Rupees '000	----------	----------	----------	----------	
Punjab Rural Support Programme	-	-	-	-	180,000	-	-	-	-	-	180,000	1,860
Participatory Integrated Development Society	-	-	-	-	10,000	(2,960)	-	-	-	-	7,040	-
Rural Community Development Program	-	-	-	-	388,800	-	-	-	-	-	388,800	7,204
Social Action Bureau for Assistance in Welfare and Organization Network	36,937	-	275,905	-	-	-	-	14,415	-	-	327,257	300,036
Sindh Agricultural & Forestry Workers Co-ordinating Organization	-	-	-	-	-	-	-	-	-	-	-	6,223
Sarhad Rural Support Programme	7,817	-	149,978	-	-	185,887	-	-	-	-	343,682	87,768
Sayya Microfinance Company	-	-	-	-	171,235	-	-	-	-	-	171,235	1,913
Society for Empowering Human Resource	-	-	-	-	-	(2,500)	-	-	-	-	(2,500)	5,345
Sindh Rural Support Organization	-	-	-	-	549,000	-	-	260,009		-	809,009	450,672
Taraqee Foundation	-	-	-	-	-	243	49,095	-	-	-	49,338	-
Thardeep Rural Development Programme	-	-	-	-	-	-	-	191,715	-	-	191,715	238,685
Organization for Poverty Reduction and Community Training Programme	-	-	-	-	350,000	-	-	-	-	-	350,000	-
Direct expenses on project activities	-	-	-	-	-	163,089	-	(226)	-	4,353	167,216	50,176
	96,291	35,824	614,640	(32,651)	5,000,000	297,189	235,257	1,633,308	21,519	4,353	7,905,730	2,579,138

26. DEFERRED INCOME - GRANT FUND

	RE	LACIP I	LACIP-II	PGR	NPGP	RYE	GRASP	Total 2021	Total 2020
		----------	----------	----------	Rupees '000	----------	----------	----------	
Balance at the beginning	-	-	-	-	-	-	9,031	9,031	1,797
Amount received/ transferred from deferred liabilities	4,427	13,987	72,290	14,195	12,209	1,300	-	118,408	58,832
Expenditure from grant recognized as income	(4,427)	(13,987)	(72,290)	(14,195)	(12,209)	(1,300)	(9,031)	(127,439)	(51,598)
Balance at the end	-	-	-	-	-	-	-	-	9,031

27. TRADE AND OTHER PAYABLES	Note	2021	2020
		------ Rupees '000 ------	
Trade liabilities			
Payable to employees		**4,387**	3,513
Accrued liabilities		**9,584**	2,957
Consultancy fee payable		**793**	1,535
Payable to service providers		**20,930**	5,988
Withholding tax payable		**16,214**	338
		51,908	14,331
Other payables			
Provident fund payable	27.1	**-**	4,853
CMA awards payable	27.2	**15,651**	19,683
Others		**5,626**	3,097
		21,277	27,633
		73,185	41,964

27.1 The Company maintains a separate, approved contributory provident fund for all employees. All the investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules formulated thereof.

27.2 This represents funds received in 2020, from the donor (Citi Bank) for awarding the prize money to the microfinance entrepreneurs, who have performed outstandingly. The event was not held due to the COVID-pandemic situation in Pakistan.

28. SERVICE CHARGES PAYABLE	2021	2020
	------ Rupees '000 ------	
Unsecured - from a related party:		
Government of Pakistan - PPAF - I (IDA financing)	**206**	411
Government of Pakistan - PPAF - II (IDA financing)	**12,159**	14,387
Government of Pakistan - (IFAD financing - MIOP)	**353**	400
Government of Pakistan - (IFAD financing - PRISM)	**760**	845
Government of Pakistan - PPAF - III (IDA financing)	**781**	821
	14,259	16,864

28.1 These represent service charges payable to GOP at the rate of 0.75% per annum (2020: 0.75% per annum) on the principal amount of long term financing outstanding withdrawn from time to time.

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

The Company has no material contingencies as at June 30, 2021 (2020: Nil).

29.2 Commitments	2021	2020
	------ Rupees '000 ------	
29.2.1 Aggregate commitments under Financing Agreements with Partner Organizations for Grants:		
Community physical infrastructure	**670,529**	1,390,221
Capacity building	**622,613**	431,940
Livelihood enhancement and protection	**6,278,529**	4,686,270
	7,571,671	6,508,431

29.2.2 Investment in the Associate

a) The Company has granted separate put options to other shareholders of PMIC, for sale of their shares in PMIC, individually, to the Company, between 2024 to 2026, at the higher of the aggregate net book value of the shares held by these shareholders and the total capital invested by them (strike price), on the option exercise date.

Management estimates that, as of reporting date, estimated fair value of the shares (spot price) held by these shareholders is not less than their aggregate net book value. Management's assessment is based upon PMIC's performance till date as against projections at the time of initial investment and growth in the market in which PMIC operate. Accordingly, as of reporting date, the put option does not have any intrinsic value (Out of money) to other shareholders of PMIC. Management is highly confident, considering the track record of management of PMIC, that this pattern will hold during the option exercise period. Fair value of out of money put option is zero. Effect of probability of any adverse developments is not expected to be significant, considering the time value component of put options. Accordingly, no liability in this regard has been recognized in these financial statements.

As at June 30, 2021, the aggregate net book value of shares held by other shareholders of PMIC is Rs. 3,524,530 thousand (2020: Rs. 3,312,967 thousand) at Rs.1,174 per share (2020: Rs. 1,104 per share) and the capital invested by them is Rs. 3,000,964 thousand (2020: Rs. 3,000,964 thousand).

b) Without the consent of all other shareholders of PMIC, holding at least 10% of PMIC's shares, the Company cannot sell or pledge, for a period of five years commencing from the date of incorporation of PMIC, its shares in PMIC. The Company has also granted other shareholders of PMIC, the right of first offer and tag-along rights, in case it receives a bona fide binding offer for the sale of shares held by it.

30. SERVICE CHARGES ON LOAN TO THE ASSOCIATE AND PARTNER ORGANIZATIONS

These represent service charges on loan to the Associate and Partner Organizations, under the Financing Agreement at the rate disclosed in note 10.1 and note 17.1 to the financial statements, respectively.

31. INCOME ON INVESTMENTS AND SAVINGS ACCOUNTS

	2021	2020
	------ Rupees '000 ------	
Income on investments		
Specific to Endowment Fund	**105,367**	130,498
Specific to others and savings accounts	**1,726,062**	1,947,870
	1,831,429	2,078,368

32. OTHER INCOME

	2021	2020
Gain on disposal of property and equipment	**114**	15
Miscellaneous income	**5,341**	626
	5,455	641

33. GENERAL AND ADMINISTRATIVE EXPENSES	Note	2021	2020
		------ Rupees '000 ------	
Salaries, wages and other benefits	33.1	**579,276**	520,192
Repairs and maintenance		**17,777**	13,305
Traveling, lodging and conveyance		**73,040**	67,895
Communication		**11,494**	5,968
Printing and stationery		**4,268**	2,031
Insurance		**13,781**	15,562
Vehicles running and maintenance		**25,540**	19,010
Utilities		**15,203**	11,325
Legal and professional charges		**9,926**	4,469
Auditors' remuneration	33.2	**11,755**	4,018
Fees for BOD/ committee meeting		**2,730**	-
Advertisement		**4,352**	2,111
Media projection		**2,852**	1,028
Newspapers, books and periodicals		**108**	374
Depreciation of property and equipment	7.1	**71,186**	54,965
Security services		**5,059**	3,559
Others		**14,375**	5,153
	33.3	**862,722**	730,965

33.1 This includes Rs. 27,440 thousand, Rs. 23,854 thousand and Rs. nil (2020: Rs. 22,986 thousand, Rs. nil and Rs. 5,049 thousand) in respect of contribution to the provident fund and pension fund respectively.

33.2 Auditor's remuneration	2021	2020
	------ Rupees '000 ------	
A.F.Ferguson & Co./ EY Ford Rhodes		
Statutory audit	**1,544**	1,544
Projects' audit	**7,826**	2,474
Tax services	**2,385**	-
	11,755	4,018

33.3 General and administration expenses include Rs. 187,128 thousand (2020: Rs. 127,145 thousand) incurred on different donors' agreed programme activities.

34. SEMINARS, WORKSHOPS AND TRAININGS	Note	2021	2020
		------ Rupees '000 ------	
Training		**8,474**	4,980
Seminars and workshops		**2,559**	13,569
	34.1	**11,033**	18,549

34.1 Seminars, workshops and training expenses include Rs. 852 thousand (2020: Rs. 10,035 thousand) incurred on different donors' agreed programme activities.

35. TECHNICAL AND OTHER STUDIES

This includes Rs 42,283 thousand (2020: Rs 14,972 thousand) incurred on different donors' agreed programme activities.

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		Note	2021	2020
			------ Rupees '000 ------	
36.	**REVERSAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES**			
	(Reversal of) / allowance for expected credit losses against:			
	Loans to Partner Organizations	17.4	**(9,910)**	(3,237)
	Service charges receivable	15.1	**-**	728
			(9,910)	(2,509)
37.	**FINANCIAL CHARGES**			
	Service charges on long term financing		**68,408**	77,857
	Imputed interest on long term loan at below market interest rate	24.3.1	**163,102**	157,583
	Unwinding of interest on lease liability	23	**36,180**	37,040
	Bank charges		**243**	44
			267,933	272,524
38.	**EXPENDITURE ON PROJECT AND RELIEF ACTIVITIES**			
	Institutional Development - Social Mobilization		**45,098**	41,384
	Poverty Graduation		**32,486**	-
	Health and Educational Interventions		**76,160**	37,413
	Infrastructure Schemes		**34,040**	4,091
	Operational cost - NDRMF		**30,168**	10,676
	COVID-19 Emergency Response		**19,269**	413,122
	Other program activities		**16,037**	26,986
			253,258	533,672
39.	**MOVEMENT IN GRANT FUND / RESERVE FOR GRANT BASED ACTIVITIES**			
	Income allocated to reserve for grant based activities		**1,236,691**	1,936,099
	Less: Expenditure on project and relief activities	38	**(253,258)**	(533,672)
			983,433	1,402,427

40. **REMUNERATION OF CHIEF EXECUTIVE OFFICER AND EXECUTIVES**

	Chief Executive Officer		Executives	
	2021	2020	2021	2020
	-----Rupees '000-----		-----Rupees '000'-----	
Managerial remuneration	**24,504**	24,504	**215,893**	205,410
House rent allowance	**5,100**	5,100	**70,703**	60,960
Contribution to staff Provident Fund	**2,128**	2,128	**15,712**	12,383
Contribution to staff Pension Fund	**2,128**	-	**14,068**	-
	33,860	31,732	**316,376**	278,753
Number of persons	**1**	1	**75**	56

40.1 In addition to the above, the Chief Executive Officer is provided with medical and life insurance benefit, as per Company's policy.

41. TRANSACTIONS WITH RELATED PARTIES

The Company has related parties which comprise of the Government of Pakistan, the Associate, Employees Provident Fund, Pension Fund, directors and key management personnel. Amounts due from / (to) related parties are disclosed in the relevant notes to the financial statements. The carrying value of investment in associate is disclosed in note 8 to the financial statements. The Company in the normal course of business pays for electricity, gas and telephone (utility bills) to entities controlled by the Government of Pakistan. Unless otherwise stated, the transactions with related parties are carried out at arms length basis. The transactions with related parties not disclosed elsewhere are:

41.1 Details of remuneration of key management personnel is disclosed in note 40 to the financial statements.

41.2 Following are the pertinent details of a related party with whom the Company had transactions during the year or have agreements/ arrangements in place:

Name of the related party and transactions	Nature of relationship	%age of holding	2021	2020
			------Rupees '000-------	
Government of Pakistan	Significant influence	N/A		
Repayments of principal amount of long term financing			**1,279,598**	1,279,596
Service charges paid			**71,013**	80,609
Balance of long term financing at year end			**8,508,729**	9,788,327
Service charges payable at year end			**14,259**	16,864
Telephone			**257**	256
Electricity			**14,039**	10,211
Gas			**97**	160
PMIC	Associate	49%		
Repayments of principal amount			**1,142,938**	1,142,938
Service charges received			**837,229**	1,327,464
Service charges receivable at year end			**163,555**	325,111
Balance of loan receivable at year end			**7,832,293**	8,975,231
Share of profit			**201,658**	39,099
Investment in Associate at year end			**3,386,298**	3,183,047
Employees Provident Fund	Contribution Plan	N/A		
Payment made during the year - Employee contribution			**27,440**	26,040
Payment made during the year - Employer contribution			**27,440**	26,040
Payable to provident fund			**-**	4,853
Pension Fund	Contribution Plan	N/A		
Payment made during the year - Employer contribution			**23,854**	-

41.3 No remuneration was paid to the directors during the year except reimbursement of actual expenses and meeting fees for attending the meetings of Board of Directors.

42. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Lease liabilities	Long term financing	Deferred liabilities - grant fund	Deferred income - grant fund
	------Rupees '000-------			
Balance at July 1, 2020	207,664	8,375,568	1,891,979	9,031
Changes from financing cash flows				
Long term financing - repaid	-	(1,279,598)	-	-
Grant fund receipts	-	-	8,245,788	118,408
Payment of principal portion of lease liabilities	(737)	-	-	-
Total changes from financing cash flows	(737)	(1,279,598)	8,245,788	118,408
Other charges				
Lease liability related	66,671	-	-	-
Amortization of deferred benefit	-	163,102	-	-
Disbursements to Partner Organizations - Grants	-	-	(7,905,730)	-
Grant fund receivable	-	-	5,892	-
Expenditure from grant recognized as income	-	-	-	(127,439)
Balance at June 30, 2021	273,598	7,259,072	2,237,929	-
Balance at July 1, 2019	-	9,497,581	1,056,760	1,797
Changes from financing cash flows				
Long term financing - repaid	-	(1,279,596)	-	-
Grant fund receipts	-	-	3,414,357	58,832
Payment of principal portion of lease liabilities	(52,493)	-	-	-
Total changes from financing cash flows	(52,493)	(1,279,596)	3,414,357	58,832
Other charges				
Lease liability related	260,157	-	-	-
Amortization of deferred benefit	-	157,583	-	-
Disbursements to Partner Organizations - Grants	-	-	(2,579,138)	-
Expenditure from grant recognized as income	-	-	-	(51,598)
Balance at June 30, 2021	207,664	8,375,568	1,891,979	9,031

43. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

	2021	2020
	------Rupees '000-------	
Financial Assets:		
At amortized cost		
Maturity up to one year:		
Long term loans to the Associate	**1,142,938**	1,142,938
Loans and advances	**17,722**	24,605
Grant fund receivable	**158,911**	155,778
Profit / service charges receivable	**570,165**	891,639
Other receivables	**349**	135
Loans to Partner Organizations	**7,760**	19,400
Short term investments	**7,599,899**	6,205,805
Bank balances - specific to projects	**2,370,768**	1,935,386
Cash and bank balances	**680,253**	464,278
Maturity after one year:		
Long term investments	**10,624,743**	10,834,962
Long term loans to the Associate	**6,689,355**	7,832,293
Long term loans and advances	**17,168**	33,487
Long term deposits	**9,431**	9,431
	29,889,462	29,950,137
Financial Liabilities:		
At amortized cost		
Maturities up to one year:		
Lease liabilities	**78,421**	649
Long term financing	**1,279,597**	1,279,597
Deferred liabilities - grant fund	**2,237,929**	1,891,979
Trade and other payables	**56,971**	36,773
Service charges payable	**14,259**	16,864
Maturity after one year but before five years:		
Lease liabilities	**195,177**	207,015
Long term financing	**4,697,325**	4,786,248
Maturity after five years:		
Long term financing	**2,531,807**	3,722,482
	11,091,486	11,941,607

43.1 Credit quality of financial assets

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

	Credit Rating	Long-term rating	Short-term rating	2021	2020
				------- Rupees '000 -------	
Loans to the Associate:					
Counterparties with external credit rating:					
Loans to the Associate	PACRA	AA	A-1+	**7,832,293**	8,975,231
Loans and advances:					
Counterparties without external credit rating:					
Loans and advances				**34,890**	58,092
Grant fund receivable:					
Counterparties with external credit rating:					
Grant fund receivable	Fitch Ratings	AA+	F1+	**153,019**	155,778
Counterparties without external credit rating:					
Grant fund receivable				**5,892**	-
				158,911	155,778
Profit / service charges receivable:					
Counterparties with external credit rating					
	PACRA	AA	A-1+	**163,555**	325,111
	JCR-VIS	AAA	A-1+	**95,837**	109,418
	PACRA	A	A-1	**-**	11,478
Securities issued / supported by:					
Government of Pakistan				**310,772**	444,421
Counterparties without external credit rating:					
Counterparties with no defaults in the past				**-**	1,211
				570,164	891,639
Other receivables:					
Counterparties without external credit rating:					
Other receivables				**349**	135
Loans to Partner Organization:					
Counterparties without external credit rating:					
Counterparties with no default in the past					
Loans to Partner Organizations				**7,760**	19,400
Short term investments:					
Counterparties with external credit rating					
	VIS	AAA	A-1+	**2,245,000**	1,896,590
	PACRA	AAA	A-1+	**1,186,700**	-
	PACRA	AAA	A-1+	**-**	2,059,405
	PACRA	A	A-1	**-**	315,910
Securities issued / supported by Government of Pakistan				**4,168,199**	1,933,900
				7,599,899	6,205,805

				2021	2020
				------- Rupees '000 -------	
Bank balances - specific to projects:					
Counterparties with external credit rating					
	PACRA	AAA	A-1+	**2,050,702**	1,293,456
	JCR-VIS	AAA	A-1+	**307,925**	512,960
	PACRA	AA	A-1+	**12,141**	128,970
				2,370,768	1,935,386
Cash and bank balances:					
Counterparties with external credit rating					
	PACRA	AAA	A-1+	**557,195**	236,015
	JCR-VIS	AAA	A-1+	**2,470**	1,280
	PACRA	AA	A-1+	**115,576**	217,612
	PACRA	AA+	A-1+	**2,855**	5,245
	PACRA	AA-	A-1+	**1,171**	1,120
	PACRA	A	A-1	**40**	1,556
	JCR-VIS	AA	A-1	**13**	363
	JCR-VIS	A+	A-1	**933**	934
	PACRA	A+	A-1	**-**	153
				680,253	464,278
Long term investments:					
Counterparties with external credit rating					
	VIS	AAA	A-1+	**-**	600,000
Securities issued / supported by Government of Pakistan				**10,624,743**	10,234,962
				10,624,743	10,834,962
Long term deposits					
Counterparties without external credit rating:					
Long term deposits				**9,431**	9,431

43.2 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rates risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The management of the Company is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other to incur a financial loss. The Company's credit risk is primarily attributable to loans to the Associate and the Partner Organizations, receivable from donors, investments and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021	2020
	------- Rupees '000 -------	
Long term investments	**10,624,743**	10,834,962
Long term loan to the Associate	**7,832,293**	8,975,231
Loans and advances	**34,890**	58,092
Long term deposits	**9,431**	9,431
Grant fund receivable	**158,911**	155,778
Profit / service charges receivable	**570,165**	891,639
Other receivables	**349**	135
Loans to Partner Organizations	**7,760**	19,400
Short term investments	**7,599,899**	6,205,805
Bank balances - specific to projects	**2,370,768**	1,935,386
Cash and bank balances	**680,253**	464,278
	29,889,462	29,550,137

Geographically, there is no concentration of credit risk

The Company limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit rating. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings and with Government of Pakistan, management does not expect any counterparty to fail to meet its obligations.

Impairment losses

The aging of Loans to Partner Organization at the reporting date is given in note 17.2 to the financial statements.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company monitors rolling forecasts of the liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet the cash flow requirements and maintaining the debt financing plans. The Company's financial position is satisfactory and the Company does not have any liquidity problems. The contractual maturities of the financial liabilities are disclosed in note 43 to the financial statements.

c) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on bank balances which is denominated in currency other than the functional currently of the Company. The Company exposure to foreign currency risk is as follows:

	2021	2020
	------- Rupees '000 -------	
Bank balances	**252,747**	-

The following significant exchange rate applied during the year:

Rupees per Euro		
Average rate	191.16	-
Reporting date rate	186.75	-

A 10 % strengthening/ weakening of the functional currency against foreign currencies at June 30, 2021 would have decreased/ increased by Rs. 25,274 thousand (2020: nil).

(ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets include balances of Rs. 27,331,988 thousand (2020: Rs. 27,961,726 thousand). Applicable interest rates for financial assets have been indicated in respective notes.

If interest rates had been 1% higher / lower with all other variables held constant, surplus for the year would have been Rs. 273,320 thousand (2020: Rs. 279,617 thousand) higher / lower.

(iii) Other price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end, the Company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices.

d) Fair values

The following table shows the carrying amounts of financial assets and liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is reasonable approximation of fair value.

Carrying amount	2021	2020
	--------- Rupees '000 ------------	
At amortised cost		
Financial assets carried at amortized cost		
Long term investments	10,624,743	10,834,962
Long term loan to the Associate	7,832,293	8,975,231
Loans and advances	34,890	58,092
Long term deposits	9,431	9,431
Grant fund receivable	158,911	155,778
Profit / service charges receivable	570,165	891,639
Other receivables	349	135
Loans to Partner Organizations	7,760	19,400
Short term investments	7,599,899	6,205,805
Bank balances - specific to projects	2,370,768	1,935,386
Cash and bank balances	680,253	464,278
	29,889,462	29,550,137

Afto

Carrying amount	**2021**	**2020**
	--------- Rupees '000 ------------	
At amortised cost		
Financial liabilities carried at amortized cost		
Lease liabilities	273,598	207,664
Long term financing	8,508,729	9,788,327
Deferred liabilities - grant fund	2,237,929	1,891,979
Trade and other payables	56,971	36,773
Service charges payable	14,259	16,864
	11,091,486	11,941,607

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

Fair value hierarchy

As at the reporting date, the Company does not hold any financial assets at fair value.

43.3 Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern so that it can achieve its primary objectives, provide benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses in line with the objects of the Company.

44. CASH AND CASH EQUIVALENTS

	Note	**2021**	**2020**
		------ Rupees '000 -------	
Short-term investments	18	**373,000**	375,996
Bank balances-specific to projects	20	**2,370,768**	1,935,386
Cash and bank balances	21	**680,253**	464,278
		3,424,021	2,775,660

45. NUMBER OF EMPLOYEES

	2021	**2020**
Number of employees	**219**	206
Average number of employees during the year	**211**	192

46. IMPACT OF COVID - 19 ON THE FINANCIAL STATEMENTS

The spread of COVID - 19 as a pandemic and consequently imposition of lock down by Federal and Provincial Governments of Pakistan (Authorities) caused an overall economic slow down and disruption to various businesses. It resulted in decrease in grants funding and related expenditures during the lockdown period in early 2020. Based on management's assessment there is no material impact on carrying values of assets and liabilities as of June 30, 2021. However, the businesses have now resumed as per relaxation given by the Authorities. Accordingly, as of the date of these financial statements, we have not observed any particular material adverse impact to the Company, financial conditions and results of operations. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

47. GENERAL

47.1 Figures have been rounded off to the nearest thousand Rs, unless otherwise stated.

47.2 Corresponding figures have been rearranged and reclassified, wherever necessary, to conform to current year basis and presentation.

48. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the Company on 01 OCT 2021.

DIRECTOR | **CHIEF EXECUTIVE OFFICER**

PHOTOGRAPHS

Pg 15:
Creating income generation opportunities for the ultra-poor to graduate out of poverty through provision of assets in district Tharparkar, Sindh

Pg 16
(a) Supporting livelihood opportunities for Afghan Refugees through providing income generating assets in district Mansehra, Khyber Pakhtunkhwa

(b) Providing interest free loans to the poorest beneficiaries to initiate small-scale sustainable businesses in district Narowal, Punjab

Pg 17
(a)Enabling access to financial credit facilities for MSMEs through financial agreements signed in Islamabad with POs from Sindh and Balochistan

(b) Investing in modern technology and skills training to improve livelihoods of farmers in district Nowshera, Khyber Pakhtukhwa

Pg 18
Improving the production capacity and quality of dates as an important source of income generation for communities in district Kech, Balochistan

Pg 19
(a) and (b)
Developing physical infrastructure to improve standards of living in the underserved areas of Pakistan a. District Buner, KPK | b. District Chitral, KPK

Pg 20
Providing low-cost solar power to rural communities in district Karak, KPK

Pg 21
(a) Strengthening readiness to natural hazards in vulnerable communities in district Skardu, Gilgit-Balistan

(b) Providing vocation training to young people to increase their employability and entrepreneurial potential in district Pishin, Balochistan

Pg 22
(a) Improving the access and quality of education for the children of the poorest families in district Ghizer, Gilgit-Baltistan

(b)Enhancing physical learning environment to provide better educational opportunities for student in district Gwadar, Balochistan

Pg 23
(a) Improving infrastructure facilities to enable access to better health and education services in the underserved district in district Dera Bugti, Balochistan

(b) Supporting skills training and livelihoods for indigenous artists from poorest districts in Pakistan

Pg 24
(a) Imparting vocation training to young people to increase their employability and entrepreneurial potential in district Karachi, Sindh

(b) Rehabilitating the physically challenged person through provision of assistive devices in district Quetta, Balochistan

Pg 25
(a) Facilitating awareness sessions to strengthen community institutions for sustainable development in district Rajanpur, Sindh

(b) Capacity building to enhance the innovation potential in ventures like honey farming in small scale organisations in district Lower Dir, KPK

عشق، علم، عمل

پی پی اے ایف کی بنیادی اقدار اور اس کے کام کی اصل روح ہیں

The emblem denotes three words: Ishq, Ilm, Aml
meaning profound love, knowledge and action
the core values of PPAF.

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