



Condensed Interim Financial Statements

For the Nine Months ended
March 31, 2012

(un-audited)



PAKISTAN POVERTY ALLEVIATION FUND

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Pakistan Poverty Alleviation Fund

Company Information

Board of Directors:

Mr. Hussain Dawood
Chairman

Dr. Nuzhat Ahmad

Mr. Rafiud Deen Ahmad

Dr. Naved Hamid

Mr. Abdul Khaliq

Dr. Rajab Ali Memon

Dr. Aisha Ghaus Pasha

Mr. Asif Qadir

Mr. Zubyr Soomro

Mr. Qazi Azmat Isa
Chief Executive Officer

BOD Committees:

Board Compensation Committee:

Mr. Hussain Dawood
Chairman

Mr. Zubyr Soomro

Dr. Rajab Ali Memon

Dr. Aisha Ghaus Pasha

Audit Committee:

Mr. Rafiud Deen Ahmad
Chairman

Dr. Nuzhat Ahmad

Dr. Naved Hamid

Mr. Abdul Khaliq

Mr. Asif Qadir

Risk Oversight Committee:

Mr. Zubyr Soomro
Chairman

Dr. Aisha Ghaus Pasha

Mr. Asif Qadir

Company Secretary:

Mr. Amir Naeem

Auditors:

A. F. Ferguson & Company, Chartered Accountants

Legal Advisor:

Azam Chaudhry Law Associates

Tax Advisors:

A. F. Ferguson & Company, Chartered Accountants

Bankers:

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

Registered Office:

1, Hill View Road, Bani Gala, Islamabad, Pakistan.

UAN: (+92-51) 111-000-102, Ph: 2613935-50

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Website: www.ppaf.org.pk

The Management is pleased to present the un-audited condensed interim financial statements of the Company for the nine months ended March 31, 2012.

During the period under review, PPAF continued to serve the needs of the poor by following an integrated approach focusing on social mobilization followed by credit, infrastructure, health, education, and skill development. This approach has helped in addressing the many facets of poverty and worked towards reducing vulnerability, especially for women. PPAF interventions are making a qualitative difference in the lives of poor people across Pakistan despite national challenges of growth and development. The Company is making steady advancement in pursuit of its objectives of poverty alleviation.

In addition to effectively carrying out its mainstream operations, the Company remained vibrant in responding to the needs of those affected by devastation caused by widespread flooding in July 2011. PPAF disbursed Rs 206 million from its own reserves to help overcome plight of affected communities. The relief operations were carried out in 14 union councils of district Badin of Sindh. Food items to over 61,000 families were distributed; medical camps were set up and 8,766 patients were treated; hygiene kits were dispersed to 59,680 families; supply points were established to provide potable water, which benefited 24,000 families. In addition, PPAF also provided shelter to 625 affected families. PPAF successfully completed the relief activities to allow people in affected areas to rebuild their lives and livelihoods.

Operational and Financial Results:

The overall operational and financial results during nine months remained satisfactory. Total income generated was Rs 1,822 million compared to Rs 1,720 million during the corresponding period last year, an increase of 6%. Service charges on loan to partner organizations and interest income on investments increased by 4% and 7%, respectively. Income of Rs 269 million was generated on grant fund as against Rs 178 million. In addition, Rs 117 million was received by the Company for its operational support as against Rs 179 million.

The general and administrative expenses during nine months were Rs 292 million as against Rs 253 million during the corresponding period last year, an increase of 15%. The main increase was in salaries/benefits, travel and vehicle running/maintenance expenses. The rise in salaries/benefits expense was on account of annual increments to existing employees to provide relief against higher cost of living and recognition of their work performance. Travel expense increased due to extensive appraisal and monitoring visits in view of high cumulative disbursements and enhanced activities. The high vehicle running/maintenance expenses were due to rise in fuel prices.

Seminar, workshops and training expenses of Rs 25 million included Rs 13 million spent on the workshops and Rs 12 million on PPAF staff trainings and exposure visits. The consultancy charges of Rs 72 million included Rs 40 million in respect of poverty scorecard survey and Rs 32 million for baseline, impact assessment and specialized services. The financial charges of Rs 83 million include commitment and service charges on long term loan as well bank charges. In addition, an amount of Rs 206 million was spent on flood relief activities.

As of March 31, 2012, total equity and reserves stood at Rs 8,603 million (June 30, 2011: Rs 7,530 million), total assets at Rs 26,384 million (June 30, 2011: Rs 24,565 million) and

loans receivable from partner organizations at Rs 13,173 million (June 30, 2011: Rs 11,755 million). PPAF continued to maintain 100% recovery rate in respect of its lending operations.

Disbursements and outputs

Total disbursements during nine months were Rs. 12,971 million compared to Rs. 10,367 million in the corresponding period last year, indicating an increase of 25%. Loan (microcredit and enterprise development facility) disbursements were Rs 10,449 million (Jul 10 - Mar 11: Rs 7,722 million) and disbursements for core grant based interventions were Rs 2,522 million (Jul 10 - Mar 11: Rs 2,645 million). In addition, Rs 1,129 million was disbursement for special projects and relief activities (Jul 10 - Mar 11: Rs 528 million).

During the period under review, PPAF financed over 550,000 microcredit loans; 1,200 water and infrastructure projects were initiated; 146 health and education projects were supported; 12,730 community organizations were formed/revitalized, 26,487 staff and community members were trained; 5,947 assets were transferred to poor households and 7,485 persons with disabilities rehabilitated.

Key Events

An interactive session on "Branchless Banking and Savings" was organized in March 2012 where 45 POs and representatives of major stakeholders including State Bank of Pakistan, Pakistan Microfinance Network, Shore Bank International, a number of Insurance Companies, KfW and senior management of PPAF participated. The objectives of the workshop were to explore opportunities for scaling up Branchless Banking models as they holds tremendous promise for reducing microfinance transactions costs, thereby assisting with increasing outreach to far-fetched areas. PPAF also used this platform to assess whether linkages between informal savings groups and banks may help small savers access formal banking services as well as gauge the possibility of using remittances as an entry point to give access to savings accounts.

On the occasion of World Water Day 2012, PPAF organized a half day Panel Colloquium on March 22, 2012. Leading water sector and disaster management practitioners/specialists were invited as panelists/discussants. PPAF offered its services as a secretariat for a potential Water Forum initiative.

The graduation ceremony of the third batch interns of the Federally Administered Tribal Areas (FATA) internship programme was organized. Sixteen interns enrolled from South Waziristan successfully completed an in-house course at PPAF head office. These graduates have now been attached with the selected PPAF POs to gain field experience.

On the occasion of International Women's Day (March 8, 2012) PPAF launched Amtul Raqeeb Award which pays tribute to the services of courageous women who braved adversity and chalked out their own and their communities' destiny. On this occasion women belonging to PPAF's communities from various geographical locations of the country were given awards. A simple ceremony was organized to launch this chronicle of success captioned 'Women of Substance'.

New Strategy and Products:

As the microfinance sector has evolved in Pakistan, and is facing a new array of opportunities and challenges, the vision of PPAF is commensurately evolving. PPAF sees the opportunity to spur a revitalization of the microfinance sector where the technological innovation, the progressive operating environment, and the range of institutions operating in Pakistan is now matched with a resurgence in financial penetration and responsible growth of outreach, particularly in untapped markets. In

order to achieve this vision, PPAF will create a transformative, modern, specialized, and innovative microfinance apex that will spur a resurgence of high quality growth of the microfinance sector and substantially increase financial sector penetration for poor households and microenterprises, particularly in underserved areas of Pakistan. PPAF is in the process of engaging experts to conduct extensive study and recommend options for new institutional design.

Considering the huge unmet demand of financial services and its low penetration especially in the remote/deprived regions of the country, PPAF recently institutionalized a new pricing and grant policy to incentivize the microfinance institutions and banks to extend their lending operations to deprived and remote areas.

During the period under review, PPAF also started offering "Equity Fund" to the most dynamic microfinance institutions and partner organizations to access commercial financing to realize their growth potential and expansion into rural areas. PPAF would provide equity to only those microfinance institutions which meet international criteria on actual sustainability and third party independent assessment besides having proven microfinance models and counterpart funding ability, thus making them more attractive prospects for commercial sector lending. This would provide a much needed boost to expand the outreach of microfinance sector in Pakistan.

New projects and programmes:

During the period under review, the Company finalized modalities for effectiveness of Italian Government's Programme for "Poverty Reduction through Rural Development". The project size is EUR 40 million with an overall objective of establishing a social and productive infrastructure system and an effective/sustainable social safety net. The project will be implemented in Balochistan, Kyber-Pakhtunkhwa and Federally Administered Tribal Areas.

The Company executed Financing Agreements for EUR 31.50 million KfW (Development Bank of Germany) "Livelihood Support and Promotion of Small Community Infrastructure" Project. The project will be implemented in five districts of Khyber-Pakhtunkhwa Province and its objectives are; (a) increased access and sustainable utilization of social and economic infrastructure; (b) increased employment and income opportunities, especially for the poor; and (c) strengthening local civil society and enhanced participation of the population in the decision making at local level.

During the period under review, PPAF negotiated with KfW "Renewable Project" for EUR 22.5 million. The overall objective of the project is to contribute to the improvement of the general living conditions and quality of life of the poor population living in the selected districts by increased access to energy for communities; reduction in the use of fuel wood; increased employment and income opportunities, especially for the poor through promotion of productive usage of the energy; and strengthening of the local civil society and enhanced participation of the population in the decision making at the local level. The project will be implemented in Khyber Pakhtunkhwa.

With unmatched experience, PPAF's approach to strike poverty has matured into a unique model of participatory development considering carefully synchronized interventions that are contextually responsive to community needs. Within this framework, each innovation in PPAF's progression towards finding effective, integrated solution for community issues has been based on empirical research anchored in a culture of continuous learning, improvement and course corrections.

Condensed Interim
Financial Statements
Pakistan Poverty Alleviation Fund

Pakistan Poverty Alleviation Fund
Condensed Interim Balance Sheet
as at March 31, 2012

	Note	Un-audited March 31, 2012	Audited June 30, 2011
(Rupees '000)			
ASSETS			
NON CURRENT ASSETS			
Fixed assets - tangible	4	53,193	58,824
Intangible assets		1,071	3,493
Investments-specific to endowment fund	5	800,000	800,000
Long term investments-specific to grant fund	6	-	350,896
Long term loans to Partner Organizations	7	2,239,958	1,466,675
CURRENT ASSETS			
Current maturity of investments-specific to endowment fund	5	200,000	200,000
Current maturity of investments-specific to grant fund	6	3,702,876	2,221,252
Current maturity of loans to Partner Organizations	7	10,204,254	9,630,919
Short term investments-specific to projects	8	1,635,000	1,445,000
Short term investments-others	9	4,190,588	4,867,535
Advances, deposits, prepayments and other receivables		101,042	72,259
Profit/service charges receivable		955,553	682,095
Cash and bank balances-specific to projects	10	2,279,008	2,734,888
Cash and bank balances	11	21,453	31,332
		23,289,774	21,885,280
		26,383,996	24,565,168
FUND AND RESERVES			
Endowment fund	12	1,000,000	1,000,000
Grant fund		3,702,876	2,572,148
Reserve for grant based activities		284,836	222,180
Accumulated surplus		3,615,131	3,736,074
		8,602,843	7,530,402
LONG TERM LOANS			
	13	14,733,837	13,760,923
CURRENT LIABILITIES			
Deferred liabilities - grant fund	14	2,474,738	2,826,743
Deferred income - grant fund		31,688	31,427
Current portion of long term loans	13	467,609	282,795
Service and commitment charges payable		26,747	37,194
Accrued and other liabilities		46,534	95,684
		3,047,316	3,273,843
		26,383,996	24,565,168

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

Chairman

Chief Executive

Pakistan Poverty Alleviation Fund
Condensed Interim Income and Expenditure Account (Un-audited)
for the period ended March 31, 2012

	Note	For the quarter ended		For the nine months ended	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
		(Rupees '000')		(Rupees '000')	
INCOME					
Service charges on loans to Partner Organizations		292,737	277,725	857,675	824,046
Amortization of deferred income - grant fund		9,550	57,679	116,787	178,903
Income on investments and saving accounts	15	116,255	164,340	571,402	536,063
Income on grant fund		95,847	63,769	268,921	177,924
Other income		-	800	6,924	2,634
		<u>514,389</u>	<u>564,314</u>	<u>1,821,709</u>	<u>1,719,570</u>
EXPENDITURE					
General and administrative expenses	16	102,200	88,420	291,574	252,886
Seminars, workshops and trainings	17	9,704	5,503	24,744	13,407
Consultancy charges	18	14,103	67,422	72,312	99,555
Project and relief activities	19	3,494	3,732	206,265	207,319
Loan loss provision	7	31,934	-	70,875	-
Financial charges	20	28,681	26,733	83,498	73,402
		<u>190,116</u>	<u>191,810</u>	<u>749,268</u>	<u>646,569</u>
SURPLUS FOR THE PERIOD		<u>324,273</u>	<u>372,505</u>	<u>1,072,441</u>	<u>1,073,001</u>

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

Pakistan Poverty Alleviation Fund
Condensed Interim Cash Flow Statement (Un-audited)
for the period ended March 31, 2012

	For the nine months ended	
	March 31, 2012	March 31, 2011
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from / (used in) operations		
Surplus for the nine months	1,072,441	1,073,001
Adjustment for non cash items:		
Depreciation	24,189	27,599
Amortization of intangible assets	2,824	4,336
Amortization of deferred income	(116,787)	(178,903)
Loan loss provision	70,875	-
Gain on sale of fixed assets	(404)	(3,522)
Financial charges	83,498	50,716
	64,195	(99,774)
	1,136,636	973,227
Working capital changes		
(Increase) / decrease in current assets:		
Advances, deposits, prepayments and other receivables	(28,783)	7,309
Profit/service charges receivables	(273,458)	(399,876)
Decrease in current liabilities:		
Accrued and other liabilities	(49,150)	(16,653)
	(351,391)	(409,220)
Cash generated from operations	785,245	564,007
Disbursements to partner organizations:		
Loans	(10,449,332)	(7,722,436)
Grants	(3,448,878)	(2,969,228)
Recoveries of loans from partner organizations	9,031,839	8,003,262
Financial charges paid	(93,945)	(65,108)
	(4,960,316)	(2,753,510)
Cash flows from operating activities	(4,175,071)	(2,189,503)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - net	(643,782)	(1,929,128)
Capital expenditure incurred	(19,450)	(14,231)
Proceeds from disposal of fixed assets	986	3,757
Cash flows investing activities	(662,246)	(1,939,602)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans - received	1,391,533	1,018,448
Long term loans - repaid	(233,805)	(54,809)
Deferred liabilities - grant fund receipts	3,096,781	1,481,088
Deferred income - grant fund receipts	117,048	179,806
Cash flows from financing activities	4,371,558	2,624,533
NET DECREASE IN CASH AND CASH EQUIVALENT	(465,759)	(1,504,572)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,766,220	5,062,362
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,300,461	3,557,790
	10&11	

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

Chairman

Chief Executive Officer

Pakistan Poverty Alleviation Fund
Condensed Interim Statement of Changes in Fund and Reserves (Un-audited)
for the period ended March 31, 2012

	Endowment fund	Grant fund	Reserve for grant based activities	Accumulated surplus	Total
	(Rupees '000')				
Balance as at June 30, 2010	1,000,000	1,763,431	161,052	3,189,978	6,114,461
Net surplus for the nine months ended on March 31, 2011	-	-	-	1,073,001	1,073,001
Transfer from accumulated surplus to grant fund	-	766,941	-	(766,941)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	177,924	(177,924)	-
Expenses on project & relief activities	-	-	(205,981)	205,981	-
Balance as at March 31, 2011	<u>1,000,000</u>	<u>2,530,372</u>	<u>132,995</u>	<u>3,524,095</u>	<u>7,187,462</u>
Net surplus for the quarter ended on June 30, 2011	-	-	-	342,940	342,940
Transfer from accumulated surplus to grant fund	-	41,776	-	(41,776)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	89,313	(89,313)	-
Expenses on project & relief activities	-	-	(128)	128	-
Balance as at June 30, 2011	<u>1,000,000</u>	<u>2,572,148</u>	<u>222,180</u>	<u>3,736,074</u>	<u>7,530,402</u>
Net surplus for the nine months ended on March 31, 2012	-	-	-	1,072,441	1,072,441
Transferred from accumulated surplus to grant fund	-	1,130,728	-	(1,130,728)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	268,921	(268,921)	-
Expenses on project & relief activities	-	-	(206,265)	206,265	-
Balance as at March 31, 2012	<u>1,000,000</u>	<u>3,702,876</u>	<u>284,836</u>	<u>3,615,131</u>	<u>8,602,843</u>

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

Chairman

Chief Executive Officer

Pakistan Poverty Alleviation Fund
Notes to the Condensed Interim Financial Statements (Un-audited)
for the period ended March 31, 2012

- Pakistan Poverty Alleviation Fund ("the Company") was registered in Pakistan on February 6, 1997 as a public company with liability limited by guarantee, under Section 42 of the Companies Ordinance, 1984. The primary object of the Company is to help poor, the landless and the asset-less in order to enable them to gain access to the resources for their productive self employment and to encourage them to undertake activities of income generation, poverty alleviation and for enhancing quality of life.
- These condensed interim financial statements for the nine months ended March 31, 2012 are un-audited and have been prepared in accordance with the requirements of International Accounting Standard - 34: "Interim Financial Reporting". These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2011. Comparative condensed interim balance sheet is extracted from annual audited financial statements for the year ended June 30, 2011, whereas, comparative condensed interim income and expenditure account, condensed interim cash flow statement, and condensed interim statement of changes in fund and reserves are stated from unaudited condensed interim financial statements for the nine months ended March 31, 2011.
- Accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended June 30, 2011.

Note	Un-audited March 31, 2012	Audited June 30, 2011
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(Rupees '000')

4.	FIXED ASSETS - TANGIBLE		
	Opening written down value	58,918	64,972
	Additions	19,046	20,525
	Written down value of disposals / adjustments	(582)	(235)
	Depreciation	(24,190)	(26,439)
		<u>53,192</u>	<u>58,824</u>
5.	INVESTMENTS - Specific to Endowment Fund		
	Pakistan Investment Bonds (PIBs)	5.1 800,000	1,000,000
	Government Treasury Bills	5.2 200,000	-
	Less: maturing within next twelve months shown as current asset	(200,000)	(200,000)
		<u>800,000</u>	<u>800,000</u>

- 5.1 Represents investments in PIBs as follows:

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

- 5.2 This represents investment in treasury bills at markup rate of 13% p.a. maturing on August 24, 2012.

Note	Un- audited March 31, 2012	Audited June 30, 2011
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(Rupees '000')

6.	INVESTMENTS - specific to grant fund		
	Long term investments specific to grant fund	3,702,876	2,572,148
	Less: TDRs maturing within next twelve months shown as current asset	(-)	(350,896)
		<u>3,702,876</u>	<u>2,221,252</u>

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

	Un-audited March 31, 2012	Audited June 30, 2011
	(Rupees '000)	
7. LOANS TO PARTNER ORGANIZATIONS-secured, considered good		
National Rural Support Programme	4,116,940	4,397,851
Punjab Rural Support Programme	380,442	363,942
Kashf Foundation	2,458,500	1,846,500
Sarhad Rural Support Programme	14,000	5,000
Thardeep Rural Development Programme	496,500	492,845
Development Action for Mobilization and Emancipation	640,342	596,842
Sindh Agricultural & Forestry Workers Coordinating Organization	382,948	261,400
Sindh Rural Support Programme	-	200
Jinnah Welfare Society	363,717	295,916
Centre for Women Cooperative Development	188,514	219,420
Rural Community Development Society	380,353	297,819
Khwendo Kor Women and Children Development Programme	2,875	1,052
Young Pioneers Society	7,250	7,250
Women Social Organisation	29,225	18,993
Community Support Concern	228,214	270,298
Poverty Eradication Network	2,777	2,777
Bunyard Literacy Community Council	14,900	14,500
Indus Resource Centre	-	1,282
Network Leasing Corporation Limited	-	15,125
Organization for Participatory Development	45,327	47,264
Swabi Women Welfare Society	19,614	6,550
Orangi Charitable Trust	173,300	261,500
Karwan Community Development Organization	14,875	12,353
Kiran Welfare Organization	1,500	1,500
Narowal Rural Development Programme	45,000	35,137
Soon Valley Development Programme	38,125	24,300
Asasah	217,338	222,338
Baidarie	28,278	22,042
Orix Leasing Pakistan Limited	180,778	216,542
Save The Poor	26,776	28,916
Marvi Rural Development Organization	24,044	34,605
Sindh Rural Support Organization	461,841	452,473
BRAC - Pakistan	731,110	966,387
Khajji Cooperative Society	12,920	16,000
Al Mehran Rural Development and Welfare Organization	42,599	62,783
Farmers Friend Organization	123,841	61,716
Mojaz Foundation	43,600	26,920
Balochistan Rural Development & Research Society	-	1,860
Badbaan Enterprise Development Forum	12,695	2,292
Buksh Foundation	13,958	5,417
Villagers Development Organization	22,404	4,950
SAATH Development Society	31,438	24,300
Mashal Development Organization	1,501	3,471
Association for Gender Awareness & Human Empowerment	19,367	8,117
Sayya Foundation	6,640	3,980
Dia Welfare Organization	14,090	4,638
ASA Pakistan Limited	148,750	85,000
Chenab Development Foundation	16,770	3,000
Mehran Education Society	21,800	-
Shadab Rural Development Organization	15,650	-
Ghazi Brotha Taraqiatee Idara	11,544	-
Khushhali Bank	184,053	-
NRSP Microfinance Bank	700,000	-
Shah Sachal Sami Welfare Association	13,833	-
Loans outstanding	13,172,855	11,755,362
Less: Loan loss provision	(728,643)	(657,768)
	12,444,212	11,097,594
Less: Amount receivable within next twelve months shown as current asset	(10,204,254)	(9,630,919)
	2,239,958	1,466,675

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

With effect from January 01, 2008, the Partner Organisations, in respect of all lending facilities (credit), defined as large (POs which are approved annual credit disbursements by PPAF of Rs. 500 million and above or POs having PPAF credit outstanding of Rs. 500 million and above, at any given point in time) will be charged annual markup rate (service charge) equal to 10% or KIBOR (Karachi Interbank Offered Rate) prevailing on first working day of January (applicable on Financing Agreements executed between January 01, to June 30) and first working day of July (applicable on Financing Agreements executed between July 01 to December 31) each year, the KIBOR of one year will be applicable. The proposed markup rate (service charge) will be applicable to all lending facilities contracted on or after January 01, 2008. However, after May 06, 2009 all lending facilities (credit) will be charged annual markup rate (service charge) upto 2% below the relevant KIBOR prevailing on last working day prior to the date of execution of Financing Agreements. The KIBOR will correspond with agreement period i.e. for one year Financing Agreement, KIBOR of one year will be applicable. Repayment of principal amount will commence after the grace period of 12 months and shall continue over a period not exceeding 15 months. Payment of mark up (service charges) will be on quarterly basis.

<u>Note</u>	Un-audited March 31, 2012	Audited June 30, 2011
	(Rupees '000')	

8. SHORT TERM INVESTMENTS-specific to projects

Term deposit receipts - PRISM	8.1	1,635,000	1,445,000
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- 8.1 This represents investments in respect of Programme For Increasing Sustainable Microfinance (PRISM) activities, maturing within one year from the date of investment at annual markup rate ranging from 10.50% p.a. to 11.76% p.a. (June 2011: 10.50% p.a. to 11.50% p.a) As agreed in the Subsidiary Financing Agreement, these funds are placed with commercial banks as cash collaterals for providing a partial guarantee for the Banks to facilitate lending to the following Microfinance Institutions:

<u>Microfinance Institutions</u>	<u>Investment amount</u>	<u>Running finance facility amount</u>
National Rural Support Programme	250 million	500 million
Orangi Charitable Trust	150 million	150 million
Sindh Agricultural & Forestry Workers Coordinating Organization	50 million	60 million
Asasah	50 million	55 million
Jinnah Welfare Society	20 million	22 million
Rural Community Development Society	25 million	28 million
BRAC Pakistan	150 million	175 million
National Rural Support Programme	250 million	350 million
KASHF Foundation	500 million	750 million
Development Action for Mobilization and Emancipation	40 million	60 million
BRAC Pakistan	100 million	250 million
Community Support Concern	50 million	75 million

<u>Note</u>	Un-audited March 31, 2012	Audited June 30, 2011
	(Rupees '000')	

9. SHORT TERM INVESTMENTS - others

Specific to capital adequacy	1,975,928	2,351,072
Specific to lending activities	2,214,660	2,516,462
9.1	4,190,588	4,867,534

- 9.1 This represents investments equivalent to 15% of the loan receivable from Partner Organizations to safeguard against major default and provide capital adequacy and surplus funds available for lending activities. These funds are invested in term deposits receipts and treasury bills of various commercial banks, maturing within one year from the date of investment, at annual markup rates ranging from 11.25% p.a. to 14.00% p.a (June 2011: 10.80% p.a. to 16.25% p.a)

	Note	Un-audited March 31, 2012	Audited June 30, 2011
(Rupees '000')			
10.	CASH AND BANK BALANCES-specific to projects		
	Cash at banks - current accounts		
	specific to IDA III	1,728,494	2,472,254
	specific to IFAD-MIOP	-	121,304
	specific to IFAD-PRISM	751	-
	specific to Kfw	373,271	-
	specific to others	77,048	38,268
	10.1	2,179,564	2,631,826
	Cash at banks - deposit accounts		
	specific to USDA	99,444	103,062
		2,279,008	2,734,888

10.1 As per the financing agreements signed with various donors, PPAF is allowed to draw funds from the special accounts for carrying out eligible categories of expenses. However, such funds cannot be invested to earn profit and are hence kept in special project specific bank accounts which are current in their nature.

	Note	Un-audited March 31, 2012	Audited June 30, 2011
(Rupees '000')			
11.	CASH AND BANK BALANCES		
	Cash in hand	103	44
	Cash at banks - deposit accounts	21,350	31,288
		21,453	31,332

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

	Note	Un-audited March 31, 2012	Audited June 30, 2011
(Rupees '000')			
12.	ENDOWMENT FUND	1,000,000	1,000,000

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

	Note	Un-audited March 31, 2012	Audited June 30, 2011
(Rupees '000')			
13.	LONG TERM LOANS - Unsecured		
	Government of Pakistan - PPAF - I (IDA financing)	2,038,363	2,093,172
	Government of Pakistan - PPAF - II (IDA financing)	7,776,901	8,140,711
	Government of Pakistan - PPAF - III (IDA financing)	2,296,033	1,110,500
	Government of Pakistan - (IFAD financing-MIOP)	1,137,540	1,137,540
	Government of Pakistan - (IFAD financing-PRISM)	1,485,000	1,279,000
		14,733,837	13,760,923
13.1	Movement of loan from GoP - PPAF - I (IDA financing)		
	Opening balance	2,202,789	2,343,784
	Amount paid during the period	(54,809)	(109,617)
	Amount transferred to deferred liability	-	(31,378)
		2,147,980	2,202,789
	Less: Amount payable within next twelve months shown as current liability	(109,617)	(109,617)
		2,038,363	2,093,172

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

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

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

	Un-audited March 31, 2012	Audited June 30, 2011
	(Rupees '000')	
13.2 Movement of loan from GoP - PPAF - II (IDA financing)		
Opening balance	8,313,889	8,321,429
Amount paid during the period	(178,996)	-
Amount transferred to deferred liability	-	(7,540)
	<u>8,134,893</u>	<u>8,313,889</u>
Less: Amount payable within next twelve months shown as current liability	<u>(357,992)</u>	<u>(173,178)</u>
	<u>7,776,901</u>	<u>8,140,711</u>

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

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

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

	Un-audited March 31, 2012	Audited June 30, 2011
	(Rupees '000)	
13.3 Movement of loan from GoP - PPAF - III (IDA financing)		
Opening balance	1,110,500	267,522
Amount received	1,185,533	842,978
	<u>2,296,033</u>	<u>1,110,500</u>

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

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

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

	Un-audited March 31, 2012	Audited June 30, 2011
	(Rupees '000')	
13.4 Government of Pakistan - (IFAD financing-MIOP)	1,137,540	1,137,540

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

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

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

	Un-audited March 31, 2012	Audited June 30, 2011
	(Rupees '000')	
13.5 Movement of loan from GoP - (IFAD financing-PRISM)		
Opening balance	1,279,000	609,175
Amount received	206,000	669,825
	1,485,000	1,279,000

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

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

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

	Note	Un-audited March 31, 2012	Audited June 30, 2011
		(Rupees '000')	
14. DEFERRED LIABILITIES - grant fund			
Government of Pakistan - IDA III	14.1	1,597,621	2,388,314
US Agency for International Development/Pakistan	14.2	115,984	115,984
Government of Pakistan - USDA	14.3	96,526	100,144
Government of Pakistan - IFAD (MIOP)	14.4	-	125,632
Government of Pakistan - IFAD (PRISM)	14.5	253,285	(301)
Government of Pakistan - Kfw	14.6	373,271	-
Committee Encouraging Corporate Philanthropy	14.7	1,668	30,768
Model Village Projects	14.8	3,797	6,446
Benazir Income Support Program	14.9	9,697	56,867
Engro Foundation - Flood Relief	14.10	2,889	2,889
Grant for Flood relief from individuals and corporations	14.11	-	-
		2,474,738	2,826,743

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

	Un-audited March 31, 2012	Audited June 30, 2011
14.1 Grants from Government of Pakistan - IDA III	(Rupees '000')	
Opening balance	2,388,314	2,278,886
Amount received	1,259,268	1,661,265
	<u>3,647,582</u>	<u>3,940,151</u>
Less: Disbursements for		
Social mobilization	389,270	260,169
Institutional building	29,586	103,165
Livelihood enhancement and protection	384,623	414,160
Micro credit access	177,436	51,439
Health and Education	529,648	320,821
Water and infrastructure	539,398	402,084
	<u>2,049,961</u>	<u>1,551,837</u>
	<u>1,597,621</u>	<u>2,388,314</u>
14.2 Grants from USAID/ Pakistan	<u>115,984</u>	<u>115,984</u>

The closing balance of the USAID grant represents amounts for disbursement to POs for EDF and service charges earned on outstanding loan. These funds cannot be used by PPAF for its operational and capital expenses till the expiry of the term of the agreement. During the nine months, Rs. 5.70 million have been disbursed to POs. Total disbursements for EDF under USAID aggregates to Rs. 346.216 million.

PPAF signed a cooperative agreement with the U.S. Agency for International Development Mission to Pakistan (USAID/Pakistan). The period of this agreement was of four years, starting from the date of award i.e. September 30, 2003 through September 30, 2007. The total programme size is US\$ 7,098,621 of which USAID/Pakistan will contribute US\$ 6,320,000 and PPAF share will be US\$ 778,621. The funds committed under this agreement will be disbursed as loans to POs under EDF and as capacity building grant for PPAF and for POs. EDF will be given to the POs in order to enable them to give loans of larger amounts (from Rs. 30,000 to Rs. 100,000) to their borrowers who have successfully completed two loan cycles. According to the agreement, PPAF will create a revolving fund from the repayments and service charges earned on EDF loans and bank account.

	Un-audited March 31, 2012	Audited June 30, 2011
14.3 Grants from Government of Pakistan - USDA	(Rupees '000')	
Opening balance	100,144	206,227
Amount transferred	-	(17,958)
Profit on project bank account	6,113	11,107
	<u>106,257</u>	<u>199,376</u>
Less: Disbursements to Pos	9,731	99,232
	<u>96,526</u>	<u>100,144</u>

On August 30, 2002, the Government of United States of America and GOP signed an agreement under which U.S. Department of Agriculture (USDA) through its Commodity Credit Corporation has agreed to provide 37,800 metric tons of soybean oil to GOP. The GOP has authorized Trading Corporation of Pakistan to receive and monetize the commodity. The plan of operation of this Agreement is to use the sale proceeds to finance PPAF on non reimbursable basis. The total programme size is Rs. 1,518 million, out of which Rs 400 million have been received during the year 2004-05, Rs 240 million during the year 2005-06 and Rs 878 million during 2006-07. PPAF used these funds (cumulative Rs. 1,545 million) to implement long-term poverty reduction programmes, including: small-scale infrastructure programmes; sustainable agriculture development programmes. Funding in respect of the Company was recognised as deferred income.

	Un-audited March 31, 2012	Audited June 30, 2011
14.4 Grants from Government of Pakistan - IFAD (MIOP)	(Rupees '000')	
Opening balance	125,632	61,294
Amount received	182,217	555,588
	<u>307,850</u>	<u>616,882</u>
Less: Disbursements to POs	307,850	491,251
	<u>-</u>	<u>125,632</u>
14.5 Grants from Government of Pakistan - IFAD (PRISM)		
Opening balance	(301)	217,127
Amount received	407,979	(215,826)
	<u>407,678</u>	<u>1,301</u>
Less: Disbursements to POs	154,393	1,602
	<u>253,285</u>	<u>(301)</u>

On June 12, 2010 PPAF and German Financial Cooperation - kfw signed loan, financing and project agreement a programme agreement under which kfw has agreed to make available an amount of EUR 31,562,660.62 to the Company as grant on 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 agreement will expire on December 31, 2012.

	Un-audited March 31, 2012	Audited June 30, 2011
14.7 Grants from Committee Encouraging Corporate Philanthropy	(Rupees '000')	
Opening balance	30,768	74,831
Less: Disbursements to POs	9,100	44,063
	<u>21,668</u>	<u>30,768</u>

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

	Un-audited March 31, 2012	Audited June 30, 2011
14.8 Model Village Projects	(Rupees '000')	
Opening balance	6,446	-
Amount received	11,654	8,000
	<u>18,100</u>	<u>8,000</u>
Less: Disbursements to POs	14,303	1,554
	<u>3,797</u>	<u>6,446</u>

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

	Un-audited March 31, 2012	Audited June 30, 2011
14.9 Benazir Income Support Program	(Rupees '000')	
Opening balance	56,867	-
Amount received	854,229	127,130
	<u>911,095</u>	<u>127,130</u>
Less: Disbursements to POs	901,398	70,263
	<u>9,697</u>	<u>56,867</u>

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

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

	Un-audited March 31, 2012	Audited June 30, 2011
14.10 Engro Foundation - Flood Relief	(Rupees '000')	
	<u>2,889</u>	<u>2,889</u>

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

	Un-audited March 31, 2012	Audited June 30, 2011
14.11 Grant for Flood relief from individuals and corporations	(Rupees '000')	
Amount received	2,143	3,428
Less: Disbursements to POs	2,143	3,428
	<u>-</u>	<u>-</u>

	For the quarter ended		For the nine months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	(Rupees '000')		(Rupees '000')	
15. INCOME ON INVESTMENTS AND SAVING ACCOUNTS				
Profit on Pakistan Investment Bonds	20,507	24,690	66,034	77,420
Profit on term deposit receipts/saving accounts	95,748	139,650	505,368	458,643
	<u>116,255</u>	<u>164,340</u>	<u>571,402</u>	<u>536,063</u>
16. GENERAL AND ADMINISTRATIVE EXPENSES				
Salaries, wages and other benefits	58,437	52,665	162,950	140,411
Rent, rates and taxes	6,140	5,345	19,729	21,900
Repairs and maintenance	2,678	1,404	6,180	3,990
Office shifting and related expenses	3,432	-	8,095	-
Travelling, lodging and conveyance	12,971	10,826	31,939	27,147
Communication	1,012	1,091	2,655	3,324
Printing and stationery	799	174	2,563	2,526
Insurance	621	568	1,841	1,684
Vehicles running and maintenance	5,624	2,843	14,056	9,092
Utilities	1,368	1,060	3,300	2,601
Legal and professional charges	1,060	717	2,358	2,680
Advertisement	120	120	1,023	364
Media projection	1,470	844	3,340	1,089
Newspapers, books and periodicals	161	117	330	354
Depreciation	4,081	8,173	24,189	27,599
Amortization	378	1,445	2,824	4,336
Security services	496	537	966	1,403
Others	1,351	491	3,236	2,386
	<u>102,200</u>	<u>88,420</u>	<u>291,574</u>	<u>252,886</u>
17. SEMINARS, WORKSHOPS AND TRAININGS				
Training and exposure visits	2,890	1,213	11,471	2,512
Seminar and workshops	6,814	4,290	13,273	10,895
	<u>9,704</u>	<u>5,503</u>	<u>24,744</u>	<u>13,407</u>
18. CONSULTANCY CHARGES				
Poverty score card	909	50,771	39,695	56,741
General	13,194	16,651	32,617	42,814
	<u>14,103</u>	<u>67,422</u>	<u>72,312</u>	<u>99,555</u>
19. PROJECT AND RELIEF ACTIVITIES				
School Milk Project	-	44	-	12,158
Flood relief activities	3,494	3,688	206,265	195,161
	<u>3,494</u>	<u>3,732</u>	<u>206,265</u>	<u>207,319</u>
20. FINANCIAL CHARGES				
On micro credit loans	28,478	26,657	82,752	73,233
Bank charges	203	76	746	169
	<u>28,681</u>	<u>26,733</u>	<u>83,498</u>	<u>73,402</u>
21. COMPARATIVE FIGURES				

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