

Financial Statements

For the Half Year ended
December 31, 2018

(Un-audited)



Pakistan Poverty Alleviation Fund



UN-AUDITED FINANCIAL STATEMENTS

Attachments:

- **Management Review**

- **Un-audited Condensed Interim Financial Statements for the half year ended December 31, 2018**
 - Balance Sheet
 - Income and Expenditure Account
 - Cash Flow Statement
 - Statement of Changes in Equity and Reserves
 - Notes to the Financial Statements



PAKISTAN POVERTY ALLEVIATION FUND MANAGEMENT REVIEW



The Management is pleased to present the un-audited condensed interim financial statements of the Company for the half year ended December 31, 2018.

During six months (July-December, 2018) PPAF continued its integrated programmes in Balochistan and Kyber Pakhtun Khwa (KPK) through Programme for Poverty Reduction - PPR (funded by Italian Government through Government of Pakistan - GoP) and two phases of Livelihoods and Small Scale Infrastructure Programme - LACIP (funded by German Development Bank - KfW through GoP). The Hydro and Renewable Energy Project (funded by KfW through GoP) focused on energy access in KPK is nearing completion. The interest free loan scheme financed by GoP is being successfully implemented in selected priority districts across the country where the financial inclusion indicators are the poorest. Through its associate company (Pakistan Microfinance Investment Company - PMIC), PPAF is providing responsible financial services to the poor and financially excluded individuals of Pakistan.

Operational and Financial Results:

The Company's operations continued steadily during the first half year of the financial year 2018-19. Total funds managed during six months were Rs. 18,480 million (Jul – Dec 17: Rs 18,611 million). Total income generated during six months was Rs. 1,172 million compared to Rs. 1,117 million during the corresponding period last year indicating an increase of 5%. Service charges on loans to Partner Organizations (POs) and PMIC increased to Rs. 443 million from Rs 429 million corresponding period last year, representing an increase of 3%, on account of increase in discount rate which forms basis for calculation of service charges. Income on investments/saving accounts was Rs 545 million as compared to Rs 531 million for corresponding period last year indicating an increase of 3%. The Company received Rs. 28 million as operational support from donors (Jul - Dec 17: Rs. 36 million). Amortized income (difference between present value and loan proceeds recognizable as income over loan period) during six months was Rs 76 million as compared to Rs 75 million during corresponding period

last year. Surplus before project and relief activities during six months was Rs. 728 million (Jul - Dec 17: Rs. 632 million).

The general and administrative expenses increased by 8% to Rs 306 million (Jul - Dec 17: Rs. 282 million) mainly on account of increase in salary and rent expenses. Salary and benefits increased due to impact of annual increments for staff and hike in rent expenses was due to standard escalation as per lease agreement. Other expenses included fee to PMIC on account of management of PPAF's loan portfolio - Rs. 0.6 million (Jul – Dec 2017: 36 million); seminar, workshops and training expenses - Rs 5 million (Jul – Dec 2017: Rs 3 million); technical and other studies - Rs. 42 million (Jul – Dec 2017: Rs. 38 million); financial charges - Rs 113 million (Jul – Dec 2017: Rs. 126 million). In addition, an amount of Rs 100 million (Jul – Dec 2017: Rs 45 million) was spent on projects and relief activities from PPAF's own resources.

PPAF continued to make steady progress towards sustainable growth. Its equity has grown over Rs. 18.5 billion which is a key element in the sustainability of the organization. As of December 31, 2018, total equity and reserves stood at Rs 18,502 million (June 30, 2018: Rs 17,874 million); total assets at Rs 31,282 million (June 30, 2018: Rs 31,942 million); debt repayable to GoP at Rs. 11,708 million (June 30, 2018: Rs. 12,348 million) and loans receivable from POs and PMIC at Rs 11,684 million (June 30, 2018: Rs 11,809 million).

By the end of December 31, 2018, PPAF has cumulatively disbursed Rs 217 billion (credit Rs 145 billion: Grants Rs 72 billion) through 148 POs since inception. PPAF deployed resources in both urban and rural areas of the country. Aggregately, PPAF has by December 31, 2018 completed more than 34,566 water and infrastructure projects, supported and financed more than 3,634 health and education facilities, transferred 112,974 productive assets to ultra and vulnerable poor (45% women), provided skills training to more than 430,000 individuals (44% women), trained more than 267,000 community members (66% women) on institutional development and issued more than 473,000 interest free loans to individuals (66% women). Additionally PPAF facilitated 1.8 million households affected by natural disasters under relief and early recovery projects and managed reconstruction of 122,000 seismically-safe houses affected by 2005 earthquake. The lending operations were managed by PPAF till August 2016 after which these were span off to PMIC. PPAF enumerated a record spread of 8 million

microcredit loans, of which 4.8 million (60%) were to women with 80% of the financing extended in rural areas.

Key Highlights

The National Poverty Graduation Programme (funded by IFAD through GoP) was accorded approval by Government. The overall goal of the programme is to assist BISP beneficiaries graduate out of poverty on a sustainable basis simultaneously improving their overall food security, nutritional status and resilience to climate change. The program size is US\$ 150 million. IFAD will cover US\$ 100 million (agreement for US\$ 82.6 million has been signed and the balance amount will be provided by the third year of the project) and the balance US\$ 50 million will be utilized from interest free loan funds already made available to PPAF by GoP.

PPAF has set up Provincial Advisory Committees (PACs) responsible for (i) reviewing ongoing projects in the province; (ii) providing feedback and guidance to the Company on its programs in the respective provinces; (iii) providing feedback on provincial strategies; and (iv) exploring joint ventures with provincial governments. Each PAC comprises of 10 members including three representatives of Provincial Government; three members of civil society from the province; three General Body members from the province (one of them to be Chairman of PAC) and a provincial Coordinator from senior management of PPAF.

PPAF is collaborating with provincial government line departments, universities and ministries in order to strengthen outreach and improve the quality of service delivery for infrastructure, environment, and agriculture. In this regard MoUs have been signed with Balochistan Education Department; Public Health & Engineering Department, Balochistan; Agriculture Research Institute, Balochistan; Tourism Department, AJK; National Incubation Centre – Karachi, and Pakistan Agriculture Coalition.

The Chamalang Balochistan Education Programme (CBEP) has been a long-running partnership between PPAF and the Pakistan Army to provide education to children from the extremely marginalised Kohlu community of Balochistan. In September 2018, PPAF selected the best students from the programme to undertake exposure visits across Pakistan. These students were engaged in exposure visits, meeting with individuals/organisations and touring Pakistan's

national heritage.

PPAF is committed to delivering gender equity, both within the workplace as well as across all activities and programmes. To commemorate 16 days of activism against gender based violence, PPAF launched a campaign from November 25 – December 10, 2018. During this period awareness was created through sessions conducted in PPAF, POs and universities in order to raise awareness among communities on gender-based violence.

PPAF has once again claimed the prestigious 2018 Energy Institute (EI) Award, for its ‘Community Managed Solar Energy Mini Grid Systems’. The award acknowledges the impact of 60 solar mini-grid systems installed in districts Swabi, Karak and Lakki Marwat of KPK with funding from KfW through GoP.

A critical step towards PPAF's own goal of sustainable institution building was the launch and operationalization of PPAF's Tameer-o-Tabeer Fund. The Fund supports the strengthening of community Institutions that were established at village and Union Council levels during PPAF's previous programmes. The aim is to provide financial and technical support that allows community institutions to contribute towards achievement of the Sustainable Development Goals relevant to them, in their own areas. The first set of trainings related to good governance, implementation of PPAF's core values and organizational management for members of these institutions was conducted in Bannu, Besham, Tharparkar, Quetta, Gilgit and Muzaffargarh.

Conclusion

Maintaining the momentum will require PPAF to continue improving its business model to become even more nimble and adaptive in the way it operates. Delivering results in an evolving environment, while upholding PPAF's standards and quality, requires it to be flexible and creative. PPAF is nurturing a culture of greater innovation, empowerment, and accountability.

January 24, 2019

Qazi Azmat Isa
Chief Executive Officer

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2018

	<u>Note</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
		(Rupees in '000)	
NON CURRENT ASSETS			
Property, plant and equipment		49,179	34,874
Investment in associate	4	3,056,530	2,976,238
Long term investments	5	2,099,714	2,097,428
Long term loans to associate	6	9,546,700	9,435,721
Long term loans to Partner Organizations	7	94,078	55,896
Long term deposits and prepayments		32,863	32,764
		14,879,064	14,632,921
CURRENT ASSETS			
Grant fund receivable	8	77,823	25,176
Loans and advances	9	88,889	92,643
Short term prepayments		27,221	41,956
Profit/service charges receivable	10	563,038	508,475
Other receivables		74,622	73,328
Current maturity of long term investments	5	2,131,000	2,131,000
Current maturity of loans	7	-	803,100
Current maturity of loans to associate	6	1,142,938	812,279
Short term investments	11	10,615,483	10,246,700
Tax refunds due from the Government		377,613	360,806
Bank balances-specific to projects	12	1,015,209	1,842,534
Cash and bank balances	13	289,049	371,240
		16,402,885	17,309,237
		31,281,949	31,942,158
FUND AND RESERVES			
Endowment fund	14	1,000,000	1,000,000
Grant fund and Reserve for grant based activities	15	10,936,054	10,358,191
Accumulated surplus		6,565,737	6,515,798
		18,501,791	17,873,989
NON-CURRENT LIABILITIES			
Long term financing	16	8,781,153	9,344,441
Deferred benefit	16.5.1	1,646,971	1,723,480
		10,428,124	11,067,921
CURRENT LIABILITIES			
Deferred liabilities - grant fund	17	1,017,046	1,623,317
Deferred income - grant fund		4,502	5,490
Current portion of long term loans	16	1,279,596	1,279,597
Trade and other liabilities		38,735	69,873
Service charges payable		12,155	21,971
		2,352,034	3,000,248
		31,281,949	31,942,158

The annexed notes 1 to 25 are an integral part of these financial statements.

Chief Executive Officer

Senior Group Head
Financial Management & Corporate Affairs

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

		for the half year ended	
Note	December 31, 2018	December 31, 2017	
INCOME			
	Service charges on loans to Partner Organizations and associate	442,571	429,184
18	Income from associate	80,292	45,986
19	Income on investments and saving accounts	544,965	530,958
	Amortization of deferred income - grant fund	27,734	35,903
16.5.1	Amortization of deferred benefit of below market rate of interest on long term loan	76,509	74,596
	Other income	40	377
		1,172,111	1,117,004
EXPENDITURE			
20	General and administrative expenses	306,063	281,658
	Management fee	600	36,061
21	Seminars, workshops and trainings	5,425	2,551
	Technical and other studies	42,384	38,590
	Provision against loans / service charges	(23,631)	-
22	Financial charges	113,498	125,845
		444,339	484,705
EXCESS OF INCOME OVER EXPENDITURE BEFORE PROJECT AND RELIEF ACTIVITIES		727,772	632,299
23	Project and relief activities	99,970	45,301
EXCESS OF INCOME OVER EXPENDITURE		627,802	586,998
OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR		627,802	586,998

The annexed notes 1 to 25 are an integral part of these financial statements.

Chief Executive Officer

Senior Group Head
Financial Management & Corporate Affairs

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Note	December 31, 2018	December 31, 2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the half year ended	627,802	586,998
Adjustment for non cash and other item:		
Depreciation	3,538	5,248
Amortization of intangible assets	-	120
Amortization of deferred Income-grant fund	(27,734)	(35,903)
Transfer of deferred liabilities-grant fund to other income		
Amortization of deferred benefit	(76,509)	(74,596)
Provision against loans/service charges	(23,631)	
Financial charges	88,664	97,965
	<u>(35,672)</u>	<u>(7,166)</u>
	592,130	579,832
Working capital changes		
Decrease / (Increase) in current assets:		
Loan and Advances	3,754	(39,962)
Other Receivables	(1,294)	(3,852)
Long term deposits and prepayments	(99)	(81,142)
Short term prepayments	14,735	11,473
Profit/service charges receivables	(54,563)	(215,686)
Increase / (decrease) in current liabilities:		
Trade and other liabilities	(31,138)	29,663
	<u>(68,605)</u>	<u>(299,506)</u>
Cash generated from operations	523,525	280,326
Loan to associate	(461,000)	(4,882,000)
Grants	(638,559)	(779,587)
Recovery of loan from:		
partner organizations	788,549	5,599,004
associate	19,362	-
Income tax paid	(16,807)	-
Financial charges paid	(21,972)	(24,002)
	<u>(330,427)</u>	<u>(86,585)</u>
Cash utilized in operating activities	193,098	193,741
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - net purchases	(371,068)	(90,069)
Investment in associate	(80,292)	(45,986)
Capital expenditure incurred	(17,843)	(4,888)
Proceeds from disposal of fixed assets	-	14,160
Cash generated from/ (utilized in) investing activities	(469,203)	(126,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans - repaid	(639,798)	(460,716)
Deferred liabilities - grant fund receipts	(20,359)	305,053
Deferred income - grant fund receipts	26,746	35,903
Cash generated from financing activities	<u>(633,411)</u>	<u>(119,760)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(909,516)	(52,802)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE HALF YEAR	2,213,774	1,441,178
CASH AND CASH EQUIVALENTS AT END OF THE HALF YEAR	<u>1,304,258</u>	<u>1,388,376</u>

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The annexed notes 1 to 25 are an integral part of these financial statements.

Chief Executive Officer

Senior Group Head
Financial Management & Corporate Affairs

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
CONDENSED INTERIM STATEMENT OF CHANGES IN FUNDS AND RESERVES - UNAUDITED
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Note	Endowment Fund	Grant fund	Reserve for grant based activities (Rupees in '000)	Accumulated Surplus	Total
Balance as at June 30, 2017	1,000,000	9,340,591	-	6,326,367	16,666,958
Total comprehensive income for the half year					
Surplus for the half year ended December 31, 2017	-	-	-	586,998	586,998
Other comprehensive income	-	-	-	-	-
	-	-	-	586,998	586,998
Transfer from accumulated surplus to grant fund	-	493,911	-	(493,911)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	176,642	(176,642)	-
Balance as at December 31, 2017	<u>1,000,000</u>	<u>9,834,502</u>	<u>176,642</u>	<u>6,242,812</u>	<u>17,253,956</u>
Surplus for half year ended June 30, 2018	-	-	-	630,095	630,095
Other comprehensive income	-	-	-	(10,062)	(10,062)
	-	-	-	620,033	620,033
Transfer from reserve for grant based activities to grant fund	-	381,391	(381,391)	-	-
Transfer from accumulated surplus to grant fund	-	142,298	-	(142,298)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	204,749	(204,749)	-
Balance as at June 30, 2018	<u>1,000,000</u>	<u>10,358,191</u>	<u>-</u>	<u>6,515,798</u>	<u>17,873,989</u>
Total comprehensive income for the half year					
Surplus for the half year ended December 31, 2018	-	-	-	627,802	627,802
Other comprehensive income	-	-	-	-	-
	-	-	-	627,802	627,802
Transfer from accumulated surplus to grant fund	-	334,087	-	(334,087)	-
Transfer from accumulated surplus to reserve for grant based activities	-	-	243,776	(243,776)	-
Transfer from Reserve from grant based activities to grant fund	-	243,776	(243,776)	-	-
Balance as at December 31, 2018 - Unaudited	<u>1,000,000</u>	<u>10,936,054</u>	<u>-</u>	<u>6,565,737</u>	<u>18,501,791</u>

The annexed notes 1 to 25 are an integral part of these financial statements.

Chief Executive Officer

Senior Group Head
Financial Management & Corporate Affairs

**PAKISTAN POVERTY ALLEVIATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

1 STATUS, BACKGROUND AND NATURE OF OPERATIONS

- 1.1 Pakistan Poverty Alleviation Fund ("the Company" / "PPAF") was registered in Pakistan on 06 February, 1997 as a public company, limited by guarantee, not having share capital and licensed under Section 42 of the Companies Ordinance, 1984. The registered office of the Company is situated at plot 14, street 12, Mauve Area, G-8/1, Islamabad, Pakistan.

The Company's license under section 42 of the Companies Ordinance, 1984, 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 from the Ministry of Interior, Government of Pakistan. The management of the Company is confident that the license will be renewed in due course.

- 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.
2. These condensed interim financial statements for the half year ended December 31, 2018 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, 2018. Comparative condensed interim balance sheet is extracted from annual audited financial statements for the year ended June 30, 2018, whereas, comparative condensed interim income and expenditure account, condensed interim cash flow statement, and condensed interim statement of changes in fund and reserves are stated from unaudited condensed interim financial statements for the half year ended December 31, 2017.
3. The accounting policies adopted, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in the preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended June 30, 2018.

	Note	December 31, 2018	June 30, 2018
(Rupees '000')			
4. INVESTMENT IN ASSOCIATE			
Opening balance		2,976,238	2,881,509
Share of income/(loss) from associate	4.1	80,292	94,729
		<u>3,056,530</u>	<u>2,976,238</u>

This represents investment in 49% shares of Pakistan Microfinance Investment Company Limited (PMICL). The investment is accounted for using equity method of accounting.

- 4.1 This represents 49% shares of net profit of PMICL estimated on the basis of un-audited financial statements for the nine months ended September 30th, 2018.
- 4.2 PMICL was established in August 2016 and is registered as an Investment Finance Company under NBFCS regulations with Securities and Exchange Commission of Pakistan (SECP). It is setup to catalyze and lead the next phase of growth in the microfinance sector of Pakistan. PMIC has been formed to provide a wide range of financial services, including wholesale funding to promote financial inclusion in Pakistan to alleviate poverty and contribute to broad based development. Other promoters of PMIC include Karandaaz Pakistan and KfW, a German Development Company.

	Note	December 31, 2018	June 30, 2018
(Rupees '000')			
5. LONG TERM INVESTMENTS - held to maturity			
Specific to Endowment fund			
Pakistan Investment Bonds (PIBs)	5.1	1,000,000	1,000,000
Specific to others			
Pakistan Investment Bonds (PIBs)	5.2	3,242,300	3,242,300
		<u>4,242,300</u>	<u>4,242,300</u>
Net unamortised discount on purchase of Pakistan Investment Bonds		11,586	13,872
		<u>4,230,714</u>	<u>4,228,428</u>
Less: Long term investments maturing within next twelve months shown as current asset		2,131,000	2,131,000
		<u>2,099,714</u>	<u>2,097,428</u>

- 5.1 Represents investments in PIBs as follows:

Principal (Rupees)	Issue Date	Maturity Date	Coupon rate % per annum	Payment terms
200,000	22-Jul-2010	22-Jul-2020	12.00	Semi annually
200,000	22-Jul-2010	22-Jul-2020	12.00	Semi annually
194,500	18-Aug-2011	28-Aug-2021	12.00	Semi annually
5,500	18-Aug-2011	18-Aug-2021	12.00	Semi annually
<u>400,000</u>	29-Apr-2014	19-Jul-2022	12.00	Semi annually
<u>1,000,000</u>				

5.2	Principal (Rupees)	Issue Date	Maturity Date	Coupon rate % per annum	Payment terms
	238,000	21-Apr-2016	21-Apr-2019	6.70	Semi annually
	303,000	21-Apr-2016	21-Apr-2019	6.70	Semi annually
	400,000	17-Jul-2014	17-Jul-2019	11.50	Semi annually
	400,000	17-Jul-2014	17-Jul-2019	11.50	Semi annually
	870,000	21-Apr-2016	21-Apr-2019	6.72	Semi annually
	720,000	21-Apr-2016	21-Apr-2019	6.75	Semi annually
	311,300	29-Dec-2016	29-Dec-2019	7.08	Semi annually
	3,242,300				

	Note	December 31, 2018	June 30, 2018
		(Rupees '000')	
6. Long term Loan to Associate			
Opening balance		10,248,000	1,818,000
Loan issued during the period		461,000	8,430,000
	6.1.1	10,709,000	10,248,000
Less: amount recovered		(19,362)	-
		10,689,638	10,248,000
Less: Amount receivable within next twelve months		(1,142,938)	(812,279)
		9,546,700	9,435,721

6.1 PPAF issued subordinated loans to PMICL in accordance with the requirements of Companies Ordinance 1984. The agreements were signed in pursuance of the Master Subordinated Loan Framework Agreement, dated November 17, 2016 signed between PPAF and PMICL for provision of subordinated loans to PMICL.

The loans carry markup rate of KIBOR plus 1% i.e. (7.15%-8.04% p.a.). These loans are repayable as per quarterly repayment schedule agreed in respective agreements with first recovery started from October 7, 2018. Details of the agreements are as follows:

6.1.1	Sr. No.	Date of Agreement	Amount (Rs.000)	Markup Rate	Repayment period	First Repayment date	Last Repayment date	No of installments
	1	31-May-17	824,000	6 months KIBOR + 1%	13 years	1-Oct-18	30-Sep-31	43
	2	29-Jun-17	994,000	6 months KIBOR + 1%	13 years	1-Jan-19	31-Dec-31	43
	3	8-Aug-17	1,663,000	6 months KIBOR + 1%	13 years	1-Jan-19	31-Dec-31	43
	4	3-Nov-17	2,869,000	6 months KIBOR + 1%	13 years	1-Jan-19	31-Dec-31	43
	5	27-Dec-17	350,000	6 months KIBOR + 1%	13 years	1-Jan-19	31-Dec-31	43
	6	29-Jan-18	2,131,000	6 months KIBOR + 1%	13 years	1-Jan-19	31-Dec-31	43
	7	2-May-18	1,000,000	6 months KIBOR + 1%	13 years	1-Jan-19	31-Dec-31	43
	8	1-Jun-18	417,000	6 months KIBOR + 1%	13 years	1-Jan-19	31-Dec-31	43
	9	13-Aug-18	395,000	6 months KIBOR + 1%	13 years	1-Jan-19	31-Dec-31	43
	10	11-Dec-18	66,000	6 months KIBOR + 1%	13 years	1-Jan-19	31-Dec-31	43
			<u>10,709,000</u>					

	Note	December 31, 2018	June 30, 2018
		(Rupees in '000')	
considered good		404,864	886,137
considered doubtful		589,414	896,690
	7.1	994,278	1,782,827
Less: Loan loss provision against loans to other entities	7.2	900,200	923,831
		94,078	858,996
Less: Amount receivable within next twelve months shown as current asset		-	803,100
		94,078	55,896

PPAF has received revised repayment plans in respect of loans to Centre for Women Cooperative Development, Orangi Charitable Trust and Organization for Participatory Development. Specific provision in respect of these organizations have not been reversed, however, outstanding portfolio's thereof are classified against considered good.

	Note	December 31, 2018	June 30, 2018
7.1 Breakup of loans to Partner Organizations:		(Rupees in '000')	
Centre for Women Cooperative Development		257,839	257,839
Asasah		197,096	197,096
Orangi Charitable Trust		117,043	120,043
Organization for Participatory Development		70,233	74,733
Shadab Rural Development Organization		68,000	68,000
Narowal Rural Development Programme		55,955	58,455
Buksh Foundation		49,925	49,925
SAATH Development Society		37,165	61,354
Al Mehran Rural Development and Welfare Organization		25,823	91,471
Mehran Education Society		21,748	21,748
Baidarie		18,147	18,647
Shah Sachal Sami Welfare Association		16,000	43,811
Khajji Cooperative Society		12,620	12,620
Dia Welfare Organization		11,000	11,000
AGAHE		8,000	30,000
Young Pioneers Society		6,650	6,650
Farmers Friend Organization		6,000	71,021
Save The Poor		4,872	4,872
Sayya Foundation		4,000	4,000
Women Social Organization		3,830	3,828
Poverty Eradication Network		1,827	1,827
Mashal Development Organization		505	505
BRAC Pakistan		-	65,678
Development Action for Mobilization and Emancipation		-	116,881
Thardeep Rural Development Programme		-	154,417
ASA Pakistan Limited		-	43,750
Rural Community Development Society		-	91,404
Jinnah Welfare Society		-	54,000
Mojaz Foundation		-	45,100
Bunyad Literacy Community Council		-	2,150
	7.1.1	<u>994,278</u>	<u>1,782,827</u>

7.1.1 The Company disbursed microcredit loans to POs under respective Financing Agreements at service charges based upon including KIBOR. 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.

7.1.2 Effective April 1, 2013 rates for service charges are revised on the basis of classification of POs into "for-profit" and "not-for-profit" and further sub categories into geographical areas 4.00% p.a. to 9.00% p.a. (June 2015: 4.61% p.a. to 11.68% p.a.). All financing agreements signed after September 30, 2015 with "for profit" Microfinance Institutional and Microfinance Banks are charged interest on the basis of internal rating system of PPAF 9.5% p.a (June 2018: 9.5%). All other financing facilities that have completed two years of subsidized funding are charged standard rate based on KIBOR, 8% p.a (June 2018: 8%)

	December 31, 2018			June 30, 2018
	Specific	General	Total	Total
7.2 Movement of loan loss provision	(Rupees '000')			Rupees '000'
Opening balance	896,690	27,141	923,831	974,605
Provision during the period	-	(23,631)	(23,631)	(50,774)
Closing balance	<u>896,690</u>	<u>3,510</u>	<u>900,200</u>	<u>923,831</u>

	December 31, 2018	June 30, 2018
7.3 Movement of loans	(Rupees in '000')	
Opening balance	1,782,827	10,708,004
Recoveries during the period	(788,549)	(8,925,177)
	994,278	1,782,827
Less: Loan loss provision	(900,200)	(923,831)
	<u>94,078</u>	<u>858,996</u>

7.3.1 Particulars of non-performing loans	Loan amount	Provision required	Provision 2018
	Rupees '000'		Rupees '000'
Other Assets Especially Mentioned (OAEM)	-	0%	-
Substandard	-	25%	-
Doubtful	-	50%	-
Loss	896,690	100%	896,690
	<u>896,690</u>		<u>896,690</u>

8 GRANT FUND RECEIVABLE		December 31, 2018	June 30, 2018
		(Rupees in '000')	
Considered good, unsecured	8.1	<u>77,823</u>	<u>25,176</u>

8.1 This represents the amounts disbursed to POs, from the Company's own financial resources, in respect of projects (refer to note 17.2).

	Note	December 31, 2018	June 30, 2018
----- Rupees '000 -----			
9			
Loans and advances			
Loans - considered good, secured			
Employees		85,178	76,693
Advances - considered good, unsecured			
Employees	9.1	3,711	3,267
Suppliers		-	12,683
		<u>3,711</u>	<u>15,950</u>
		<u>88,889</u>	<u>92,643</u>

9.1 This represents the advance salary loans and car loans given to the employees of the Company, carrying annual mark-up of NIL (June 2018: NIL) and NIL (June 2018: NIL), respectively. The principal amount is repayable within a maximum period of five years in equal in installments.

	December 31, 2018	June 30, 2018
----- Rupees '000 -----		
10. PROFIT / SERVICE CHARGES RECEIVABLE		
Profit receivable on		
Endowment fund investments	51,738	51,600
Short term investments others	285,990	271,261
	<u>337,728</u>	<u>322,861</u>
Service charge receivable on loans to POs	380,856	341,164
Less: Provision for doubtful service charges	(155,546)	(155,546)
	<u>225,310</u>	<u>185,618</u>
	<u>563,038</u>	<u>508,479</u>

	Note	December 31, 2018	June 30, 2018
(Rupees in '000')			
11. SHORT TERM INVESTMENTS			
Specific to others	11.1	10,615,483	10,246,700
		<u>10,615,483</u>	<u>10,246,700</u>

11.1 Investments are classified as investments specific to others, except investments related to projects and endowment fund. These include following:

	Note	December 31, 2018	June 30, 2018
(Rupees in '000')			
Treasury bills	11.1.1	2,647,137	1,167,768
Term Deposit Receipts (TDRs)	11.1.2	7,968,346	9,078,932
		<u>10,615,483</u>	<u>10,246,700</u>

11.1.1 These funds are invested in Government Treasury Bills maturing within one year from the date of investment, at annual mark up rate ranging from 8.70% of 8.77% p.a (June 2018: 6.74% p.a).

11.1.2 These funds are invested in term deposit receipts maturing within one year from the date of investment, at annual mark up rates ranging from 6.76% p.a to 10.35% p.a (June 2018: 6.10% p.a to 9.00% p.a).

	December 31, 2018	June 30, 2018
	----- Rupees '000 -----	
12. BANK BALANCES - SPECIFIC TO PROJECTS		
Current accounts		
Specific to KfW - Livelihood and Community Infrastructure I	97,212	102,106
Specific to KfW - Livelihood and Community Infrastructure II	50,094	129,260
Specific to KfW - Renewable Energy	81	81
Specific to Italian Project - Poverty Reduction Through Rural Development Activities in Baluchistan, KPK and FATA	682,828	1,373,299
Specific to Prime Minister's Interest Free Loan Scheme (PMIFL)	184,358	231,111
UNHCR-Poverty Graduation for Afghan Refugees in Balochistan	636	6,677
	1,015,209	1,842,534

12.1 Under the financing agreements signed with various donors, the Company is allowed to draw funds from the special accounts for carrying out eligible activities. Such funds may not be invested to earn profit, and are accordingly kept in current accounts.

	Note	December 31, 2018	June 30, 2018
		----- Rupees '000 -----	
13. CASH AND BANK BALANCES			
Cash in hand		100	59
Cash at banks in:			
Cash at banks - current accounts		17,297	605
Cash at banks - deposit accounts	13.1	271,652	370,576
		288,949	371,181
		289,049	371,240

13.1 These balances carry a per annum mark-up ranging between 5% to 9.5% (June 2018: 3.5% to 6.0%).

14. ENDOWMENT FUND

This represents the amounts paid by GOP for endowment fund under the Subsidiary Financing Agreements (SFAs) for IDA I and IDA II projects. Under the SFA, the fund is to be invested in the government schemes / bonds and income generated therefrom shall be utilized for revenue and capital expenditure of the Company.

15. GRANT FUND AND RESERVE FOR GRANT BASED ACTIVITIES	December 31, 2018	June 30, 2018
	----- Rupees '000 -----	
Grant Fund	10,936,054	10,358,191
	10,936,054	10,358,191

Any unutilized reserve will be reclassified as grant fund at the end of the year.

	Note	December 31, 2018	June 30, 2018
		----- Rupees '000 -----	
16. LONG TERM LOANS - Unsecured			
Government of Pakistan - PPAF - I (IDA financing)	16.1	767,456	877,097
Government of Pakistan- PPAF - II (IDA financing)	16.2	5,729,084	6,087,162
Government of Pakistan - MIOP (IFAD financing)	16.3	764,540	802,767
Government of Pakistan - PRISM (IFAD financing)	16.4	1,580,644	1,649,370
Government of Pakistan- PPAF - III (IDA financing)	16.5	2,865,996	2,931,122
		<u>11,707,720</u>	<u>12,347,518</u>
Less: Amount payable within next twelve months shown as current liability		<u>(1,279,596)</u>	<u>(1,279,597)</u>
		<u>10,428,124</u>	<u>11,067,921</u>
Less: Deferred benefit of below market rate of interest on long-term financing - Government of Pakistan - PPAF - III (IDA fir	16.5.1	<u>(1,646,971)</u>	<u>(1,723,480)</u>
		<u>8,781,153</u>	<u>9,344,441</u>

16.1 Government of Pakistan - PPAF - I (IDA financing)

Opening balance	877,100	1,096,387
Amount repaid	<u>(109,644)</u>	<u>(219,287)</u>
	<u>767,456</u>	<u>877,100</u>

The principal amount of loan is repayable 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 2.083% of such principal amounts and each installment thereafter shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75 % p.a.

	December 31, 2018	June 30, 2018
	----- Rupees '000 -----	
16.2 Government of Pakistan- PPAF - II (IDA financing)		
Opening balance	6,087,162	6,624,237
Amount repaid	<u>(358,078)</u>	<u>(537,075)</u>
	<u>5,729,084</u>	<u>6,087,162</u>

The principal amount of loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments, payable on each February 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 2.083% of such principal amounts and each installment thereafter shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75 % p.a.

	December 31, 2018	June 30, 2018
	----- Rupees '000 -----	
16.3 Government of Pakistan - (IFAD financing MIOP)		
Opening balance	802,767	879,221
Amount repaid	<u>(38,227)</u>	<u>(76,454)</u>
	<u>764,540</u>	<u>802,767</u>

The loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments, payable on each June 01, and December 01 commencing from June 01, 2014 and ending on December 01, 2028 in thirty equal semi annual installments. These loans carry a service charge of 0.75 % p.a.

	December 31, 2018	June 30, 2018
	----- Rupees '000 -----	
16.4 Government of Pakistan - (IFAD financing PRISM)		
Opening balance	1,649,368	1,786,816
Amount repaid	<u>(68,724)</u>	<u>(137,448)</u>
	<u>1,580,644</u>	<u>1,649,368</u>

The loan is repayable 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. These loans carry a service charge of 0.75 % p.a.

	Note	December 31, 2018	June 30, 2018
		----- Rupees '000 -----	
16.5 Government of Pakistan- PPAF - III (IDA financing)			
Opening balance		2,931,121	3,061,371
Amount repaid		<u>(65,125)</u>	<u>(130,250)</u>
		2,865,996	2,931,121
Less: Deferred benefit of below market rate of interest on long term loan	16.5.1	<u>(1,646,971)</u>	<u>(1,723,480)</u>
		<u>1,219,025</u>	<u>1,207,641</u>

The loan is repayable 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 2.083% of such principal amounts and each installment thereafter shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75 % p.a.

16.5.1 The loan is carried at present value computed at market based interest rate. The difference between present value and loan proceeds is recognised as deferred benefit. The deferred benefit is recognized as income using the effective interest method over the period of the loan. Movement of deferred benefit during the year is as follows:

	December 31, 2018	June 30, 2018
	----- Rupees '000 -----	
Deferred benefit		
Opening balance	1,723,480	1,872,752
Amortization during the period	<u>(76,509)</u>	<u>(149,272)</u>
	<u>1,646,971</u>	<u>1,723,480</u>

17. DEFERRED LIABILITIES - GRANT FUND

	December 31, 2018	June 30, 2018
	(Rupees '000')	
Government of Pakistan - KfW Renewable Energy (RE)	(14,300)	2,405
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP) I	105,223	111,889
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP) II	50,092	126,470
Government of Pakistan - Poverty Reduction through Rural Development Activities	682,828	1,146,988
Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL) Scheme	178,810	228,210
Government of Pakistan - IFAD National Poverty Graduation Program	(41,649)	(25,176)
UNHCR - Afghan Refugees	(21,874)	7,262
Others	93	93
	<u>939,223</u>	<u>1,598,141</u>

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

17.2 Movement during the year:

	KfW Renewabl e Energy	KfW Liveliho od I	KfW Liveliho od II	Italian	PMIFL	NPGP	UNHCR-AR	OTHER FUNDS	31-Dec-18	30-Jun-18
Note										
Opening balance	2,405	111,889	126,470	1,146,988	228,210	(25,176)	7,262	93	1,598,141	932,325
Amount received/(transferred)	-	-	6,310	-	-	-	77	-	6,387	1,778,710
Funds returned to Donor	-	-	-	-	-	-	-	-	-	(885)
Transferred to other income	-	-	-	-	-	-	-	-	-	(10,000)
Transferred to deferred income	-	(1,772)	-	(5,381)	-	(16,473)	(3,120)	-	(26,746)	(95,718)
	2,405	110,117	132,780	1,141,607	228,210	(41,649)	4,219	93	1,577,782	2,604,432
Less: Disbursements for										
Water and infrastructure	-	-	9,453	152,887	-	-	-	-	162,340	226,837
Social sector development	-	-	-	118,771	-	-	-	-	118,771	160,075
Capacity/Institutional building	16,705	4,894	67,338	53,924	49,400	-	26,093	-	218,354	65,447
Social mobilization	-	-	-	11,270	-	-	-	-	11,270	78,282
Livelihood enhancement and protection	-	-	5,897	121,927	-	-	-	-	127,824	73,117
Microcredit access	-	-	-	-	-	-	-	-	-	402,533
17.9	16,705	4,894	82,688	458,779	49,400	-	26,093	-	638,559	1,006,291
	(14,300)	105,223	50,092	682,828	178,810	(41,649)	(21,874)	93	939,223	1,598,141
Represented by:										
Deferred liabilities - grant fund	-	105,223	50,092	682,828	178,810	-	-	93	1,017,046	1,623,317
Grant fund receivable	(14,300)	-	-	-	-	(41,649)	(21,874)	-	(77,823)	(25,176)
	(14,300)	105,223	50,092	682,828	178,810	(41,649)	(21,874)	93	939,223	1,598,141

17.3 **Grants from Government of Pakistan - Kfw - Renewable Energy**

On June 22, 2012 PPAF and German Financial Cooperation - Kfw signed financing and project agreement under which Kfw has agreed to make available an amount of EUR 10 million to the Company as grant on 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 will expire on December 31, 2017.

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

On 12 June, 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 PPAF, 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). PPAF has entered into separate financing agreements with twenty three (23) POs for the implementation of the project. The agreement was to expire on 31 December, 2015, however, the project duration has now been extended to June 30, 2018.

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

On August 18, 2017, PPAF and KfW signed a 10 million Euros agreement for implementation of 'Livelihood Support and Promotion of Small Community Infrastructure Program' (LACIP II) in KPK. The project will be executed in three years and will contribute to greater political participation of villagers in decision making in tehsil and village councils by supporting the implementation of decentralization

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

On 14 January, 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 21 March, 2011 under which the Government of Italy has agreed to make available an amount of EUR 40 million to PPAF on a non-reimbursable basis. A Subsidiary Financing Agreement was signed between the GoP and PPAF on 02 December, 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, PPAF as Project Executing Agency, and interventions will be operated through POs. The financing part of the agreement has been extended till 30 September, 2018.

17.7 **Prime Minister's Interest Free Loan Scheme**

On May 14, 2014 Government of Pakistan has agreed to provide non-repayable grant of Rs. 3,500,000 thousand for provision of interest free loans to the poor and marginalized communities and those lacking access to financial services. The objective of the scheme is to reach marginalized men, women and youth not tapped by microfinance sector, support female participation by disbursing 50% of the loans, encourage behavioural change of beneficiaries and strengthen community-based institutions.

17.8 **UNHCR - Afghan Refugees**

UNHCR and PPAF has signed an agreement to work for the betterment of Afghan Refugees in two districts of Pakistan.

18 Income from Associate

Represents PPAF's share of net profit after tax of PMIC equal to 49% shareholding.

		for the half year ended	
		December 31, 2018	December 31, 2017
		----- Rupees '000 -----	
19	Income on investments and saving accounts		
	Profit on investments		
	Specific to Endowment Fund	64,595	64,042
	Specific to projects	-	3,564
	Specific to Grant Fund	343,746	221,943
	Specific to others and savings accounts	136,624	241,409
		<u>544,965</u>	<u>530,958</u>
20.	GENERAL AND ADMINISTRATIVE EXPENSES		
	Salaries, wages and other benefits	226,320	200,542
	Rent, rates and taxes	19,620	16,876
	Repairs and maintenance	4,296	4,884
	Traveling, lodging and conveyance	26,692	27,663
	Communication	1,680	1,599
	Printing and stationery	947	913
	Insurance	4,584	4,494
	Vehicles running and maintenance	6,596	4,478
	Utilities	3,979	3,579
	Legal and professional charges	2,440	6,277
	Marketing and communication	1,167	438
	Newspapers, books and periodicals	176	146
	Depreciation	3,537	5,329
	Amortization	-	120
	Security services	1,517	1,107
	Others	2,511	3,213
		<u>306,063</u>	<u>281,658</u>
21.	SEMINARS, WORKSHOPS AND TRAININGS		
	Training	3,130	1,960
	Seminar and workshops	2,295	591
		<u>5,425</u>	<u>2,551</u>
22.	FINANCIAL CHARGES		
	On long term loans	36,487	49,797
	Imputed interest on below market rate long term loan	76,509	74,596
	Bank charges	502	1,452
		<u>113,498</u>	<u>125,845</u>

		for the half year ended	
		December 31, 2018	December 31, 2017
		----- Rupees '000 -----	
23.	EXPENDITURE ON PROJECT AND RELIEF ACTIVITIES		
	Project and other activities	99,970	45,301
		<u>99,970</u>	<u>45,301</u>
24.	MOVEMENT IN RESERVE FOR GRANT BASED ACTIVITIES		
	Income earned during the period on grant fund investments	343,746	221,943
	Less: expenditure on project and relief activities	99,970	45,301
		<u>243,776</u>	<u>176,642</u>

25. COMPARATIVE FIGURES

Comparative figures have been rearranged, remeasured and reclassified, wherever necessary, for better presentation. Service charges on loans to POs for Jul-Dec 2017 has been remeasured to Rs. 429 million from Rs. 530 million based on adjustments in audited financial statements for FY 2017-18.

Chief Executive Officer

Senior Group Head
Financial Management & Corporate Affairs