



MANAGEMENT REVIEW
&
FINANCIAL STATEMENTS

September 30, 2009
(Un-audited)

Pakistan Poverty Alleviation Fund



Company Information

Board of Directors:

Hussain Dawood
Chairman

Mueen Afzal

Rafiud Deen Ahmad

Rana Assad Amin

Muhammad Arif Azim

Naved Hamid

Aijaz Ahmed Qureshi

Syed Ayub Qutub

Fareeha Zafar

Zubyr Soomro

Kamal Hyat
Chief Executive/Managing Director

BOD Committees:

Human Resources Committee:

Hussain Dawood
Chairman

Aijaz Ahmed Qureshi
Member

Fareeha Zafar
Member

Audit Committee:

Mueen Afzal
Chairman

Rafiud Deen Ahmad
Member

Rana Assad Amin
Member

Aijaz Ahmed Qureshi
Member

Company Secretary: Iltifat Rasul Khan

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

Legal Advisors: Azam Chaudhry Law Associates

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

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

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PAKISTAN POVERTY ALLEVIATION FUND

MANAGEMENT REVIEW

The Management is pleased to present a brief overview of the operational and financial performance of the Company for the first quarter ended September 30, 2009.

Reflecting on PPAF's performance during the quarter was the continuing national challenges of growth and development. In this perspective, PPAF strove to sustain the momentum of operations by increasingly adopting an approach which involved provision of credit, infrastructure, health, education and skill development in an integrated manner. Collectively these interventions addressed the many facets of poverty and worked towards reducing vulnerability, especially with respect to gender. In addition, PPAF also continued its multi-pronged strategy for restoration of disrupted livelihoods in disaster affected areas. In areas of PPAF sponsored interventions, the poor have started reaping benefits of self-reliance and community driven development. They are experiencing increased opportunities for income generation, reduced dependence on external support and enhanced quality of life.

By the end of September 30, 2009, PPAF funding had been disbursed in urban and rural areas of 126 districts of the country (about 152,000 community organizations / groups) through 78 partner organizations of which 12 were focusing exclusively or predominantly on women. On cumulative basis, PPAF has financed 3,220,000 microcredit loans. More than 18,000 infrastructure, health and education projects were initiated and 360,000 staff and community members were trained. In earthquake affected areas, PPAF provided financing to 120,000 households to build earthquake resistant homes and also provided training to over 108,000 individuals in seismic construction and related skills.

PPAF financial and non-financial services are estimated to have, on a cumulative basis, benefited (directly or indirectly) over nineteen million individuals from its microfinance programme and over twelve million individuals from infrastructure, health, education and capacity building interventions, across the country.

Operational and Financial Results:

In a difficult environment, the overall operational and financial results during the quarter under review continue to remain satisfactory. Total disbursements for core operations during the quarter were Rs. 2,022 million compared to Rs. 2,024 million in the corresponding period last year. Loan (microcredit and enterprise development facility) disbursements were Rs 1,564 million as compared to Rs 1,824 million. The decrease in lending activities was due to cautious approach adopted by PPAF in view of a sharp economic downturn that negatively impacted national macroeconomic fundamentals. Water and infrastructure disbursements were Rs 180 million as compared to Rs 109 million; capacity building disbursements were Rs 190 million against Rs 83 million; and disbursements for education and health were Rs 18 million as against Rs 8 million during the preceding period last year. In addition, Rs 70 million were disbursed during the quarter for social mobilization. During the quarter disbursement for rehabilitation and reconstruction operations in earthquake affected areas was Rs 91 million as against Rs 2,250 million in the preceding year. As PPAF completed major portion of its activities in earthquake affected areas, its incremental disbursements were lower due to full commitment and utilization of funds allocated by the donors.

By the end of September 2009, cumulative disbursements for core operations were Rs 44,938 million. Credit and enterprise development, the largest component of the PPAF, accounted for 76% of total disbursements followed by community physical infrastructure (15%); capacity building/social mobilization assistance (8%); and health & education (1%). In addition, cumulative disbursements for relief, rehabilitation and reconstruction activities in earthquake affected areas were Rs 18,803 million.

PPAF interventions are being carried out in all parts of the country. Provincial distribution of funding under the mainstream programmes remained consistent with previous allocations: 57% of the resources deployed in Punjab, 25% in Sindh, 7% in NWFP, 6% in Balochistan and 5% in Northern Areas/AJK.

Having utilized the World Bank funds allocated for microcredit component under second project, PPAF is now meeting its obligations through its own reserves built up from repayments received from partner organizations. As of September 30, 2009, out of total disbursement of Rs 34,120 million, an amount of Rs 21,306 million was disbursed from PPAF own reserves.

Total equity crossed five billion mark and was Rs 5,112 million as at September 30, 2009 as against Rs 4,785 million as at June 30, 2009. Total assets of the Company on September 30, 2009 stood at Rs 18,682 million against Rs 18,509 million as at June 30, 2009. The amount of loans receivable from partner organizations was Rs 9,829 million on September 30, 2009 as against Rs 9,696 million as at June 30, 2009. PPAF continued to maintain 100% recovery rate in respect of its lending operations.

In order to safeguard against major default and provide sufficient capital adequacy, the Board of Directors had decided that, with effect from July 01, 2009, an amount of 20% of total loan receivable from partner organizations should be held in investments reserve. The surplus funds of the Company, in excess of above investment reserve, would be employed for lending activities (micro credit and enterprise development facility) to the extent of 35% and the balance 65% to be held in investments, the income of which would be used for grant based health, education, infrastructure, emergency and any other activity that falls within the overall strategic framework of PPAF objectives.

Total income generated during the quarter under review was Rs 526 million compared to Rs 387 million during the corresponding period last year – an increase of 36%. Service

charges on loan to partner organizations increased by 54% due to high volume of amount of credit outstanding and introduction of market based rates for large partner organizations. Despite reduction in investment portfolio, income on investments and saving accounts increased by 8% due to improved profit rates. During the year, capacity building grant increased by 92% due to the availability of financing from Government of Pakistan and donor agencies for PPAF operational support.

The general and administrative expenses during the quarter increased by 52%. The main increases were in salaries/benefits and traveling expenses. The salaries, wages and other benefits increased due to annual increments to existing employees to provide relief against higher cost of living as well as hiring of additional staff for managing expansion in core operations and new activities under different donors' projects. Travel cost increased due to extensive appraisal and monitoring visits during the quarter under review. During the quarter, an amount of Rs 1,821,515 was spent by the Company from its own resources on the relief activities for Internally Displaced Persons. Seminar, workshops and training expenses during the quarter included Rs 2,859,084 spent on the workshop to launch third PPAF project and Rs 12,544,029 incurred on the event to mark ten years of PPAF operations. Consultancy charges for the quarter included Rs 47,623,606 on poverty scorecards. As per requirement of World Bank, poverty scorecard survey has to be carried out in 25 districts under social mobilization project for better targeting.

During the quarter, PPAF commemorated ten years of its operations. The Chief Guest on the occasion, Mr. Shaukat Tarin, Minister of Finance, Revenue, Economic Affairs and Statistics, lauded the role of PPAF in poverty alleviation and paid rich tributes to its work – “This is one of our pioneer organizations. What it has done in the field of microfinance and social sector is outstanding. What it has done for the life of poor people is commendable.” The Chairman and Members of PPAF General Body and Board of Directors as well as foreign delegates from multilateral, bilateral and private institutions; partner organizations; and representatives from leading civil society organizations, corporate and public sectors attended the events. The high points of the ceremony were

the cultural exhibition and a thought provoking theatrical performance by representatives of community organizations highlighting the dynamics of poverty and social change.

The workshop to launch the third PPAF Project was held on August 06, 2009. Mr. Humayun Aziz Kurd, Minister for Livestock and Dairy Development inaugurated the workshop. The project involves total World Bank funding of US\$ 250 million (loan US\$ 33 million and grant US\$ 217 million) over a period of five years. The objective of the proposed project is to empower the targeted poor with increased incomes, improved productive capacity and access to services to achieve sustainable livelihood.

Going forward, the Company aims to sustain its performance by endeavouring to deliver on commitments and improving the quality of its multifaceted interventions. In doing so, it will be guided by the requirements of its stakeholders.



Kamal Hyat

Chief Executive/Managing Director

November 03, 2009

Pakistan Poverty Alleviation Fund

Condensed Interim Balance Sheet

As at September 30, 2009

	Note	Un-audited September 30, 2009	Audited June 30, 2009
(Rupees)			
NON CURRENT ASSETS			
FIXED ASSETS - TANGIBLE		51,861,176	54,380,063
INTANGIBLE ASSETS		8,968,602	10,167,986
LONG TERM INVESTMENTS	4	1,000,000,000	1,000,000,000
LONG TERM LOANS TO PARTNER ORGANIZATIONS	5	2,946,076,005	1,721,037,948
CURRENT ASSETS			
Current maturity of loans to Partner Organizations	5	6,321,834,808	7,419,925,938
Short term investments-specific to projects	6	673,000,000	530,000,000
Short term investments-specific to activities	7	3,231,766,211	-
Short term investments	8	1,965,875,961	5,224,642,173
Advances, deposits, prepayments and other receivables		91,354,963	91,288,563
Profit/service charges receivable		679,183,364	451,863,074
Cash and bank balances-specific to projects	9	1,519,838,836	1,959,485,918
Cash and bank balances	10	192,417,405	46,324,747
		14,675,271,548	15,723,530,413
		18,682,177,331	18,509,116,410
REPRESENTED BY:			
FUND AND RESERVES			
Endowment Fund	11	1,000,000,000	1,000,000,000
Accumulated Surplus		4,111,941,573	3,785,356,163
		5,111,941,573	4,785,356,163
LONG TERM LOANS	12	11,315,438,134	11,030,865,907
CURRENT LIABILITIES			
Deferred liabilities - grant fund	13	2,088,908,274	2,451,222,148
Deferred Income/(expense) - grant fund		(2,069,058)	60,915,780
Current portion of long term loan	12	109,617,378	109,617,378
Service and commitment charges payable		51,985,052	62,496,823
Accrued and other liabilities		6,355,978	8,642,211
		2,254,797,624	2,692,894,340
		18,682,177,331	18,509,116,410

The annexed notes from 1 to 19 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE / MANAGING DIRECTOR

Pakistan Poverty Alleviation Fund
Condensed Interim Income and Expenditure Account (Un-audited)
for the quarter ended September 30, 2009

	Note	For the quarter ended	
		September 30, 2009	September 30, 2008
		(Rupees)	
INCOME			
Service charges on loans to Partner Organizations		255,029,944	165,942,744
Amortization of deferred income - grant fund		71,909,958	36,509,336
Income on investments and saving accounts	14	198,890,947	184,078,963
Other income		54,384	706,312
		525,885,233	387,237,355
EXPENDITURE			
General and administrative expenses	15	93,462,218	60,522,480
Relief for Internally Displaced Persons		1,821,515	-
Seminars, workshops and trainings	16	16,750,878	2,989,027
Consultancy charges	17	59,175,308	5,606,497
Loan loss provision		6,681,417	6,965,933
Financial charges	18	21,408,487	27,504,145
		199,299,823	103,588,082
SURPLUS FOR THE YEAR		326,585,410	283,649,273

The annexed notes from 1 to 19 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE / MANAGING DIRECTOR

Pakistan Poverty Alleviation Fund
Condensed Interim Cash Flow Statement (Un-audited)
for the quarter ended September 30, 2009

Note	For the quarter ended	
	September 30, 2009	September 30, 2008
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from / (used in) operations		
Surplus for the period	326,585,410	283,649,273
Adjustment for non cash items:		
Depreciation	7,427,783	6,127,820
Amortization of intangible assets	1,199,384	933,523
Amortization of deferred income	(71,909,958)	(36,509,336)
Loan loss provision	6,681,417	6,965,933
Financial charges	21,408,487	27,504,145
	(35,192,887)	5,022,085
	291,392,523	288,671,358
Working capital changes		
(Increase) / decrease in current assets:		
Advances, deposits, prepayments and other receivables	(66,400)	(40,513,918)
Profit/service charges receivables	(227,320,290)	(183,363,642)
Increase / (decrease) in current liabilities:		
Accrued and other liabilities	(2,286,233)	(394,257)
	(229,672,923)	(224,271,817)
Cash generated from operations	61,719,600	64,399,541
Recoveries of loans from partner organizations	1,430,394,656	1,591,699,203
Disbursements to partner organizations:		
Loans	(1,564,023,000)	(1,823,896,981)
Grants	(548,568,655)	(1,936,900,245)
Financial charges paid	(31,920,258)	(28,259,161)
	(714,117,257)	(2,197,357,184)
Net cash (used in) operating activities	(652,397,657)	(2,132,957,643)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	(115,999,999)	47,500,011
Capital expenditure incurred	(4,908,896)	(4,567,115)
Proceeds from disposal of fixed assets	-	14,270
Net cash generated from (used in) investing activities	(120,908,895)	42,947,166
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans - receipts	284,572,227	53,584,498
Deferred liabilities - grant fund receipts	186,254,781	806,667,461
Deferred income - grant fund receipts	8,925,120	33,524,101
Net cash generated from financing activities	479,752,128	893,776,060
NET DECREASE IN CASH AND CASH EQUIVALENTS	(293,554,424)	(1,196,234,417)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,005,810,665	3,054,444,195
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,712,256,241	1,858,209,778

The annexed notes from 1 to 19 form an integral part of these financial statements


CHAIRMAN


CHIEF EXECUTIVE / MANAGING DIRECTOR

Pakistan Poverty Alleviation Fund
Condensed Interim Statement of Changes in Fund and Reserves (Un-audited)
for the quarter ended September 30, 2009

	<u>Endowment Fund</u>	<u>Accumulated Surplus (Rupees)</u>	<u>Total</u>
Balance as at June 30, 2008	1,000,000,000	2,755,078,994	3,755,078,994
Net surplus for the first quarter ended on September 30, 2008		283,649,273	283,649,273
Balance as at September 30, 2008	1,000,000,000	3,038,728,267	4,038,728,267
Net surplus for the three quarters ended on June 30, 2009		746,627,896	746,627,896
Balance as at June 30, 2009	1,000,000,000	3,785,356,163	4,785,356,163
Net surplus for the first quarter ended on September 30, 2009	-	326,585,410	326,585,410
Balance as at September 30, 2009	1,000,000,000	4,111,941,573	5,111,941,573

The annexed notes from 1 to 19 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE / MANAGING DIRECTOR

Pakistan Poverty Alleviation Fund
Notes to the Condensed Interim Financial Statements (Un-audited)
for the quarter ended September 30, 2009

1. Pakistan Poverty Alleviation Fund was registered in Pakistan on February 6, 1997 as a public company with liability limited by guarantee, under Section 42 of the Companies Ordinance, 1984. The primary object of the Company is to help poor, the landless and the asset-less in order to enable them to gain access to the resources for their productive self employment and to encourage them to undertake activities of income generation, poverty alleviation and for enhancing quality of life.
2. These financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard 34: Interim Financial Reporting.
3. Accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended June 30, 2009.

	<u>Note</u>	<u>Un-audited September 30, 2009</u>	<u>Audited June 30, 2009</u>
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(Rupees)

4. LONG TERM INVESTMENTS - held to maturity

Pakistan Investment Bonds (PIBs)	4.1	1,000,000,000	1,000,000,000
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4.1 Represents investments in PIBs as follows:

<u>Principal (Rupees)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Profit rate % per annum</u>	<u>Payment terms</u>
200 million	30-12-2000	30-12-2010	14.00	Semi annually
200 million	22-08-2001	22-08-2011	13.00	Semi annually
100 million	29-04-2004	28-04-2014	8.00	Semi annually
300 million	29-04-2004	28-04-2014	8.00	Semi annually
200 million	19-05-2006	19-05-2011	9.30	Semi annually

	<u>Note</u>	<u>Un-audited September 30, 2009</u>	<u>Audited June 30, 2009</u>
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(Rupees)

5. LOANS TO PARTNER ORGANIZATIONS - secured, considered good

National Rural Support Programme	3,882,653,000	3,562,630,808
Punjab Rural Support Programme	162,690,460	253,913,980
Kashf Foundation	2,331,324,999	2,514,249,999
Sarhad Rural Support Programme	85,333,333	85,333,333
Thardeep Rural Development Programme	386,000,000	463,500,000
Development Action for Mobilization and Emancipation	464,965,339	473,700,325
Sindh Agricultural & Forestry Workers Coordinating Organization	191,462,515	222,618,832
Sindh Rural Support Programme	200,000	475,000
Jinnah Welfare Society	163,561,650	139,336,230
Centre for Women Cooperative Development	296,518,742	258,284,020
Rural Community Development Society	191,700,927	181,802,469
Young Pioneers Society	10,550,000	10,250,000
Women Social Organisation	5,933,000	4,520,000
Anjuman-e- Falah-o-Behbood	-	352,500
Community Support Concern	259,847,223	284,152,581
Poverty Eradication Network	2,810,000	2,800,000
Baanhn Beli	-	1,200,000
Bunyah Literacy Community Council	8,020,000	3,590,000
Indus Resource Centre	11,418,431	12,885,697
Network Leasing Corporation Limited	73,125,000	85,625,000
Organization for Participatory Development	57,375,000	74,512,500
Swabi Women Welfare Society	9,249,998	11,749,998
Orangi Charitable Trust	217,697,917	180,575,000
Community Development Concern	-	245,000
Karwan Community Development Organization	4,770,000	4,510,000
Balances continued - carried forward	8,817,207,534	8,832,813,272

	Un-audited September 30, 2009	Audited June 30, 2009
	(Rupees)	
Balances continued - brought forward	8,817,207,534	8,832,813,272
Kiran Welfare Organization	6,350,001	6,025,001
Narowal Rural Development Programme	21,147,500	18,833,333
Soon Valley Development Programme	7,120,000	6,110,000
Asasah	187,939,363	258,784,818
Baidarie	1,410,000	2,206,045
Orix Leasing Pakistan Limited	191,653,256	181,883,631
Save The Poor	5,748,533	9,747,466
Marvi Rural Development Organization	11,513,460	10,521,153
Sindh Rural Support Organization	124,256,499	85,617,225
BRAC Pakistan	420,575,400	259,863,000
Khajji Cooperative Society	4,286,000	1,576,168
AL Mehran Rural Development and Welfare Organization	8,000,000	-
Farmers Friend Organization	8,714,757	9,862,847
Mojaz Foundation	4,480,000	3,980,000
Balochistan Rural Development & Research Society	927,500	427,500
Badbaan Enterprise Development Forum	1,050,000	500,000
Buksh Foundation	7,000,000	7,000,000
	5.1 9,829,379,803	9,695,751,459
Less: Loan loss provision	(561,468,990)	(554,787,573)
	9,267,910,813	9,140,963,886
Less: Current maturity	(6,321,834,808)	(7,419,925,938)
	2,946,076,005	1,721,037,948

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

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

	Un-audited September 30, 2009	Audited June 30, 2009
	(Rupees)	
5.2 Loan loss provision		
Opening balance	554,787,573	319,055,689
Provision during the period	6,681,417	235,731,884
	561,468,990	554,787,573

6. SHORT TERM INVESTMENTS-SPECIFIC TO PROJECTS

Term deposit receipts - USDA	6.1	423,000,000	530,000,000
Term deposit receipts - PRISM	6.2	250,000,000	-
		673,000,000	530,000,000

- 6.1 Represents investments in respect of United States Department of Agriculture (USDA) project activities, maturing within one year from the date of investment at annual markup rates ranging from 10.00% p.a. to 11.00% p.a. (June 2009: 10.00% p.a. to 11.00% p.a.)
- 6.2 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 of 11.50% p.a. (June 2009: Nil)

7. SHORT TERM INVESTMENTS-SPECIFIC TO ACTIVITIES

In order to safeguard against major default and provide sufficient capital adequacy, the Board of Directors had approved that, with effect from July 01, 2009, an amount of 20% of total loan receivable from partner organizations should be held in investments reserve. The surplus funds of the Company, in excess of above investment reserve, would be employed for lending activities (micro credit and enterprise development facility) to the extent of 35% and the balance 65% to be held in investments, the income of which would be used for grant based health, education, infrastructure, emergency and any other activity that falls within the overall framework of PPAF objectives.

These investments include term deposit receipts of various commercial banks and investment banks respectively, maturing within one year from the date of investment at annual markup rates ranging from 11% p.a. to 15.20% p.a.

8. SHORT TERM INVESTMENTS

Represents 20% of the total amount receivable from partner organizations. Current investments include term deposit receipts of various commercial banks and investment banks respectively, maturing within one year from the date of investment at annual markup rates ranging from 11% p.a. to 15.40% p.a. (June 2009: 11.00% p.a. to 15.40% p.a.)

9. CASH AND BANK BALANCES-SPECIFIC TO PROJECTS

Cash at banks - current accounts

specific to Kfw

specific to IDA

specific to IFAD-MIOP

specific to IFAD-REACH

specific to IFAD-PRISM

specific to Disability Project

specific to CECP grant

-	3,508,935
1,059,997,980	1,400,003,901
92,654,932	2,577,628
32,170,804	99,540,804
21,493,609	133,561,734
204,854,181	212,312,453
96,512,617	105,379,479
1,507,684,124	1,956,884,934

Cash at banks - deposit accounts

specific to USDA grant

specific to CECP

12,134,101	2,580,373
20,611	20,611
12,154,712	2,600,984
1,519,838,836	1,959,485,918

The balances in deposit account carry average markup of 5% p.a. (June 2009: 5% p.a.).

	Note	Un-audited September 30, 2009	Audited June 30, 2009
(Rupees)			
10. CASH AND BANK BALANCES			
Cash in hand			
in head office		50,494	40,237
in centers		53,344	100,000
in field coordination offices		103,324	113,110
		207,162	253,347
Cash at banks - current accounts		13,747,928	14,947,783
Cash at banks - deposit accounts		178,462,315	31,123,617
		192,210,243	46,071,400
		192,417,405	46,324,747

The balances in deposit account carry average markup of 9% p.a. (June 2009: 5% p.a.).

	Note	Un-audited September 30, 2009	Audited June 30, 2009
(Rupees)			
11. ENDOWMENT FUND			
PPAF - I		500,000,000	500,000,000
PPAF - II		500,000,000	500,000,000
	11.1	<u>1,000,000,000</u>	<u>1,000,000,000</u>

11.1 This represent the amounts paid by GOP for endowment fund under the Subsidiary Financing Agreements (SFAs) as detailed in note 17.1 and 17.2. Under the SFA, the fund is to be invested in the government schemes / bonds and income generated therefrom shall be utilized for revenue and capital expenditure of the company.

	Note	Un-audited September 30, 2009	Audited June 30, 2009
(Rupees)			
12. LONG TERM LOANS - Unsecured			
Government of Pakistan - PPAF - I (IDA financing)	12.1	2,343,783,966	2,343,783,966
Government of Pakistan- PPAF - II (IDA financing)	12.2	8,321,429,227	8,321,429,227
Government of Pakistan - (IFAD financing-MIOP)	12.3	480,965,455	281,910,990
Government of Pakistan - (IFAD financing-PRISM)	12.4	169,259,486	83,741,724
		<u>11,315,438,134</u>	<u>11,030,865,907</u>
12.1 Government of Pakistan - PPAF - I (IDA financing)			
Opening balance		2,453,401,344	2,563,018,722
Amount paid		-	(109,617,378)
		<u>2,453,401,344</u>	<u>2,453,401,344</u>
Current portion of long term loan		(109,617,378)	(109,617,378)
		<u>2,343,783,966</u>	<u>2,343,783,966</u>

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

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

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

	Note	Un-audited September 30, 2009	Audited June 30, 2009
(Rupees)			
12.2 Government of Pakistan- PPAF - II (IDA financing)			
Opening balance		8,321,429,227	8,197,837,189
Amount received		-	123,592,038
Foreign exchange translation differences - Net		-	-
		<u>8,321,429,227</u>	<u>8,321,429,227</u>

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

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

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

	<u>Note</u>	<u>Un-audited September 30, 2009</u>	<u>Audited June 30, 2009</u>
12.3 Government of Pakistan - (IFAD financing-MIOP)		(Rupees)	
Opening balance		281,910,990	118,656,330
Amount received		199,054,465	163,254,660
		<u>480,965,455</u>	<u>281,910,990</u>

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

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

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

	<u>Note</u>	<u>Un-audited September 30, 2009</u>	<u>Audited June 30, 2009</u>
12.4 Government of Pakistan - (IFAD financing-PRISM)		(Rupees)	
Opening balance		83,741,724	-
Amount received		85,517,762	83,741,724
		<u>169,259,486</u>	<u>83,741,724</u>

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

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

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

	Note	Un-audited September 30, 2009	Audited June 30, 2009
(Rupees)			
13. DEFERRED LIABILITIES - GRANT FUND			
Government of Pakistan - IDA	13.1	1,245,152,715	1,539,410,346
US Agency for International Development/Pakistan	13.2	115,984,115	115,984,115
Government of Pakistan - USDA	13.3	462,597,423	552,702,419
Government of Pakistan - KfW	13.4	-	3,508,935
Government of Pakistan - IFAD (MIOP)	13.5	39,911,710	(14,986,003)
Government of Pakistan - IFAD (REACH)	13.6	32,170,804	99,540,804
Government of Pakistan - IFAD (PRISM)	13.7	92,340,917	45,444,080
Committee Encouraging Corporate Philanthropy	13.8	100,750,590	109,617,452
		<u>2,088,908,274</u>	<u>2,451,222,148</u>

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

	Note	Un-audited September 30, 2009	Audited June 30, 2009
(Rupees)			
13.1 Grants from Government of Pakistan - IDA			
Community physical infrastructure	13.1.1	185,594,889	238,987,442
Social sector development	13.1.2	(5,315,704)	12,781,616
Capacity building - POs	13.1.3	198,609,889	340,038,783
Emergency relief	13.1.4	3,386,315	3,386,315
Rehabilitation & Reconstruction	13.1.5	(299,884,674)	(299,884,674)
Grants for Social Mobilization	13.1.6	962,488,119	1,032,124,235
Grants for Disability Project	13.1.7	200,273,881	211,976,629
		<u>1,245,152,715</u>	<u>1,539,410,346</u>
13.1.1 Community physical infrastructure			
Opening balance		238,987,442	(181,749,155)
Amount received		-	790,757,491
		<u>238,987,442</u>	<u>609,008,336</u>
Less: Disbursements		53,392,553	370,020,894
		<u>185,594,889</u>	<u>238,987,442</u>
13.1.2 Social sector development			
Opening balance		12,781,616	(49,840,581)
Amount received		-	135,505,936
		<u>12,781,616</u>	<u>85,665,355</u>
Less: Disbursements		18,097,320	72,883,739
		<u>(5,315,704)</u>	<u>12,781,616</u>
13.1.3 Capacity building - POs			
Opening balance		340,038,783	(221,898,926)
Amount received		-	881,918,696
		<u>340,038,783</u>	<u>660,019,770</u>
Less: Disbursements		141,428,894	319,980,987
		<u>198,609,889</u>	<u>340,038,783</u>

	Note	Un-audited September 30, 2009	Audited June 30, 2009
13.1.4 Emergency relief			(Rupees)
Opening balance		3,386,315	(1,888,594)
Amount received		-	39,584,909
		<u>3,386,315</u>	<u>37,696,315</u>
Less: Disbursements		-	34,310,000
		<u>3,386,315</u>	<u>3,386,315</u>
13.1.5 Rehabilitation & Reconstruction			
Housing reconstruction and community buildings	13.1.5.1	(948,795,913)	(967,066,358)
Revitalization of affected communities / rehabilitation of CPI schemes	13.1.5.2	648,911,239	667,181,684
		<u>(299,884,674)</u>	<u>(299,884,674)</u>
13.1.5.1 Housing reconstruction and community buildings			
Opening balance		(967,066,358)	1,644,628,596
Amount received/(transferred)		-	(84,254,431)
		<u>(967,066,358)</u>	<u>1,560,374,165</u>
Less: Disbursements		(18,270,445)	2,527,440,523
		<u>(948,795,913)</u>	<u>(967,066,358)</u>
13.1.5.2 Revitalization of communities / rehabilitation of CPI schemes			
Opening balance		667,181,684	4,478,024
Amount received		-	880,993,009
		<u>667,181,684</u>	<u>885,471,033</u>
Less: Disbursements			
revitalization of affected communities		18,270,445	159,066,335
rehabilitation of CPI schemes		-	59,223,014
		<u>18,270,445</u>	<u>218,289,349</u>
		<u>648,911,239</u>	<u>667,181,684</u>

13.1.5.3 Agreements amending the DCA was signed between IDA and GOP on December 06, 2005, in respect of Grants for Emergency Relief and Rehabilitation & Reconstruction. As per the agreement, IDA agreed to reallocate a sum of SDR 3.53 million for activities responding to the Emergency by the earthquake as disclosed in note 10.1.4 to these financial statements, and to make available to GOP an additional sum of SDR of 68.90 million under Phase II to GOP.

Second agreements amending the DCA was signed between IDA and GOP on May 02, 2007, in respect of Grants for Rehabilitation & Reconstruction. As per agreement IDA agreed to make available to GOP an additional sum of SDR of 91.80 million under Phase II to GOP.

The GOP will utilize these amounts through the Company to support the relief, reconstruction and rehabilitation of communities affected by the earthquake which occurred on October 8, 2005.

Under agreements amending the SFAs dated May 03, 2006 and June 22, 2007 executed between GOP and the Company, the GOP agreed to provide SDR 68.90 million and SDR 91.80 million respectively to the Company as grants on non reimbursable basis.

	Note	Un-audited September 30, 2009	Audited June 30, 2009
13.1.6 Grant for Social Mobilization			(Rupees)
Opening balance		1,032,124,235	958,260,000
Amount received		-	785,776,100
		<u>1,032,124,235</u>	<u>1,744,036,100</u>
Less: Disbursements	13.1.6.1	69,636,116	711,911,865
		<u>962,488,119</u>	<u>1,032,124,235</u>
13.1.6.1 Disbursements by components			
Trainings		19,567,308	99,668,337
Capital costs		16,419,437	236,207,700
Operating costs		33,649,371	376,035,828
		<u>69,636,116</u>	<u>711,911,865</u>

13.1.6.2 On December 07, 2007 GOP signed a financing agreement with International Development Association - IDA (the Association) under which the association agreed to extend an amount equivalent to Forty Nine Million Special Drawing Rights (Equivalent US Dollars: 75 million) as additional financing for the second poverty alleviation fund project to support participatory development through social mobilization.

The project Includes mobilization of about one million rural poor house holds into more than fifty thousand multi functional and sustainable community organizations in rural areas of poorest districts in Pakistan, mobilization of existing community organizations to form federations at Union council level and to form local support organizations and provision of training to approximately two hundred and fifty thousand people on management of community organizations and federations to achieve long term sustainability.

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

	Note	Un-audited September 30, 2009	Audited June 30, 2009
13.1.7 Grant for Disability Project		(Rupees)	
Opening balance		211,976,629	-
Amount received		-	303,110,148
		<u>211,976,629</u>	<u>303,110,148</u>
Less: Disbursements		11,702,748	91,133,519
		<u>200,273,881</u>	<u>211,976,629</u>
13.2 Grants from USAID/Pakistan			
Capacity building - POs	13.2.1	-	-
Enterprise development loans	13.2.2	115,984,115	115,984,115
		<u>115,984,115</u>	<u>115,984,115</u>
13.2.1 Capacity building - POs			
Opening balance		-	(1,479,621)
Amount received		-	1,479,621
		<u>-</u>	<u>-</u>
13.2.2 Enterprise Development loans			
Opening balance		115,984,115	127,585,729
Amount received/(transferred)		-	(11,656,477)
		<u>115,984,115</u>	<u>115,929,252</u>
Service charges earned		-	54,863
		<u>115,984,115</u>	<u>115,984,115</u>

13.2.2.1 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.

13.2.2.2 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.

13.3 Grants from Government of Pakistan - USDA	Note	Un-audited	Audited
		September 30, 2009	June 30, 2009
		(Rupees)	
Opening balance		552,702,419	1,117,938,769
Amount received/(transferred)		-	(19,145,427)
Profit on project bank account		36,108,349	63,382,172
		588,810,768	1,162,175,514
Less: Disbursements		126,213,345	609,473,095
		<u>462,597,423</u>	<u>552,702,419</u>

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

13.4 Grants from Government of Pakistan - KfW	Note	Un-audited	Audited
		September 30, 2009	June 30, 2009
		(Rupees)	
Housing reconstruction and community buildings	13.4.1	(39,933,690)	(39,933,690)
Revitalization of affected communities / rehabilitation of CPI schemes	13.4.2	39,933,690	43,442,625
		<u>-</u>	<u>3,508,935</u>
13.4.1 Housing reconstruction and community buildings			
Opening balance		(39,933,690)	58,918,857
Amount received		-	190,172,453
		(39,933,690)	249,091,310
Less: Disbursements:		-	289,025,000
		<u>(39,933,690)</u>	<u>(39,933,690)</u>
13.4.2 Revitalization of affected communities / rehabilitation			
Opening balance		43,442,625	48,274,043
Amount received		-	82,446,756
		43,442,625	130,720,799
Less: Disbursements:		3,508,935	87,278,174
		<u>39,933,690</u>	<u>43,442,625</u>

13.4.3 On June 09, 2006 the Government of Pakistan and KfW Development Bank (KfW) signed a programme agreement under which KfW has extended a financial contribution of EURO 14 million as non reimbursable grant for reconstruction of rural housing and related infrastructure of communities in union councils Jabori and Sachan Kalan of North West Frontier Province (NWFP) affected by the earthquake occurred on October 08, 2005 . The allocated amount will cover the grants to affected communities for (a) reconstruction of housing (b) rehabilitation of community infrastructure (c) costs of trainings for the affected communities and staff of the POs (d) operating costs and cost of equipments to POs engaged in these activities. The period of this agreement is of two years, starting from the date of signing i.e. June 09, 2006 through June 08, 2008. Under SFA dated September 25, 2006 executed between GoP and PPAF, GOP agreed to provide EURO 14 million to the company as grant on non reimbursable basis.

	Note	Un-audited September 30, 2009	Audited June 30, 2009
13.5 Grants from Government of Pakistan - IFAD (MIOP)		(Rupees)	
Opening balance		(14,986,003)	8,863,170
Amount received		103,249,595	25,871,697
		<u>88,263,592</u>	<u>34,734,867</u>
Less: Disbursements:		48,351,882	49,720,870
		<u>39,911,710</u>	<u>(14,986,003)</u>
13.6 Grants from Government of Pakistan - IFAD (REACH)			
Housing reconstruction and community buildings	13.6.1	108,438,552	108,438,552
Revitalization of affected communities / livestocks	13.6.2	(76,267,748)	(8,897,748)
		<u>32,170,804</u>	<u>99,540,804</u>
13.6.1 Housing reconstruction and community buildings			
Opening balance		108,438,552	456,088,552
Amount received		-	-
		<u>108,438,552</u>	<u>456,088,552</u>
Less: Disbursements:		-	347,650,000
		<u>108,438,552</u>	<u>108,438,552</u>
13.6.2 Revitalization of affected communities / livestocks			
Opening balance		(8,897,748)	489,574
Amount received		-	-
		<u>(8,897,748)</u>	<u>489,574</u>
Less: Disbursements:		67,370,000	9,387,322
		<u>(76,267,748)</u>	<u>(8,897,748)</u>

13.6.3 On June 14, 2006 the Government of Pakistan and International Fund for Agricultural Development (IFAD) signed a Project Loan Agreement under which IFAD has extended a financial contribution of Special Drawing Rights (SDRs) 18.350 million (equivalent to US\$ 27 million) under the project "Restoration of Earthquake Affected Communities and Households". The allocated amount will cover the grants to affected communities for (a) reconstruction of housing (b) rehabilitation of community infrastructure (c) grants for livestocks (d) costs of trainings for the affected communities and staff of the POs (e) operating costs and cost of equipments to POs engaged in these activities. The period of this agreement is of three years from the effective date i.e. August 01, 2006.

Under SFA dated September 19, 2006 executed between GoP and PPAF, GOP agreed to provide SDR 18.35 million to the company as grant on non reimbursable basis.

	Note	Un-audited September 30, 2009	Audited June 30, 2009
13.7 Grants from Government of Pakistan - IFAD (PRISM)		(Rupees)	
Opening balance		45,444,080	-
Amount received		46,896,837	45,444,080
		<u>92,340,917</u>	<u>45,444,080</u>
13.8 Grants from CECF			
Opening balance		109,617,452	281,745,494
Amount received		-	193,355,114
Foreign exchange translation differences - Net		-	12,574,431
		<u>109,617,452</u>	<u>487,675,039</u>
Less: Disbursements:		8,866,862	378,057,587
		<u>100,750,590</u>	<u>109,617,452</u>

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

	Note	For the quarter ended	
		September 30, 2009	September 30, 2008
		(Rupees)	
14. INCOME ON INVESTMENTS AND SAVING ACCOUNTS			
Profit on long term investments		26,150,000	26,364,932
Profit on term deposit receipts/saving accounts		172,740,947	157,714,031
		<u>198,890,947</u>	<u>184,078,963</u>
15. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		51,687,902	30,107,258
Rent		7,005,878	4,749,254
Repairs and maintenance		2,103,408	1,465,195
Traveling, lodging and conveyance		13,142,561	7,366,835
Communication		899,148	632,438
Printing and stationery		1,644,384	1,331,145
Insurance		2,872,746	1,824,214
Vehicles running and maintenance		2,395,529	2,593,440
Utilities		769,329	611,873
Legal and professional charges		536,500	784,500
Advertisement		454,430	763,550
Media projection		37,650	126,356
Newspapers, books and periodicals		98,824	69,929
Depreciation		7,427,783	6,127,820
Amortization		1,199,384	933,523
Security services		463,458	577,300
Others		723,304	457,850
		<u>93,462,218</u>	<u>60,522,480</u>
16. SEMINARS, WORKSHOPS AND TRAININGS			
Training		1,347,765	2,672,921
Seminar and workshops		2,859,084	316,106
PPAF ten years events		12,544,029	-
		<u>16,750,878</u>	<u>2,989,027</u>
17. CONSULTANCY CHARGES			
Social Mobilization		47,623,606	-
Reconstruction & Rehabilitation		1,520,637	1,601,357
General		10,031,065	4,005,140
		<u>59,175,308</u>	<u>5,606,497</u>
18. FINANCIAL CHARGES			
On micro credit loans		21,228,202	27,363,901
Bank charges		180,285	140,244
		<u>21,408,487</u>	<u>27,504,145</u>

19. COMPARATIVE FIGURES

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



CHAIRMAN



CHIEF EXECUTIVE / MANAGING DIRECTOR