



A Year **Accomplished** with **Growth & Innovation**

Annual Report 2017

SAFCO Support Foundation (SSF)

(As of) 1st July 2016 30th June 2017

www.safcosupport.org



A Year Accomplished with Growth & Innovation



Sustainable Action to Access Financial Capital Opportunities
(SAFCO Support Foundation)

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Our Purpose

We exist to provide businesses the power to grow.

Our Vision

To be the leading financial institute which provides excellent microfinance services to unbanked entrepreneur and productive poor families in order to create benefits for clients, shareholders and society.

Our Mission

To reach unbanked and low income communities with financial and business solutions in a socially, economically and environmentally sustainable approach through the efficient use of capital, technology and human resources.

Corporate Values



Fairness - We consider all our borrowers, stakeholders and partners for quality treatment and a way that is right, reasonable and free from the discrimination.



Integrity - We keep strict adherence to a moral code, reflected in transparent, honesty and complete harmony in what we think, say and do.



Innovation - We involve innovation for deliberate application of information, imagination and initiative in deriving greater or different values from resource including all process to generate new ideas and convert into useful products.



Efficiency - We give importance to the lasting beliefs which are being shared by the borrowers, members, cultures, person's behavior or attitude and serve as board guidelines in all situations.



Competency - At SSF, competencies are the foundation for the compensation and performance engagement programs. Our philosophy in recognizing and rewarding specific competencies is the key to Institutional continued and growing success.



Excellence - We move continuously toward target groups pursuing through action of integrity, being frontrunner in terms of products and services delivery that are reliable and safe for communities. We meet all obligations and continually learning and improving in all spheres to pursue the moving target.

Executive Summary

(About the Report)

This fiscal report, as whole is a Safco Support Foundation Business Presentation of 2017. It expresses an altitude of Institution in rationality of integrity to its audience including associates, stakeholders, donors, partners and borrowers. Precisely, SSF urbanized its internal controls to deal variability to mature the prospects of poverty Alleviation.

This annual report is a demonstration of the operational doings and faces of stimulated management approaches, enthusiasm and business drives. This report also lines the accountability of funds, collection tendency and the focused financial inclusion upon borrowers' needs and preference as per universal standards of social performance and previews of social corporate responsibilities.

This yearbook additionally lights the branding and business increases, inclusions for borrowers' satisfaction, corporative information – and a comprehensive analysis by the management. It shows the attired leverages of Institution to accelerate the operations in meeting its social goals and objectives and awards/recognitions the Institution has achieved in the fiscal year 2017.

This report also provides an analysis and evaluation of the current and prospective profitability, liquidity and financial stability of the Institution. Methods of analysis include trend, horizontal and vertical analyses, as well as ratios such as Debt, Current and Quick ratios. Other calculations include rate of return and shareholders, equity, total assets and earnings.

Results of data analyzed show that all ratios are best suits as per industry averages. In particular, comparative performance is mounted in the areas of profit margins, liquidity, and credit control and inventory management. The report finds the prospects of the Institution in its current position are enough positive.

The major areas of strength remained consecutive disbursements, extensive geographical penetrations and 99.34% recovery rates flanked by the bearable operational overheads and remedial actions have been taken by management in lieu of regular flagged internal controls. We pay gratitude to our employees and alliances for their interminable sustenance, reliance, attentiveness and splendid conjunction in heightening the Institution intensively.

Safco Support Foundation

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List of Abbreviation

AGM	Annual General Meeting
BISP	Benazir Income Support Program
BWTP	Banking with the Poor
CED	Credit Enterprise Development
CGC	Client Grievance Committee
CGAP	Consultative Group to Assist the Poor
CIB	Credit Information Bureau
COs	Community Organizations
CRMC	Credit Risk Management Committee
EPs	Essential Practices
ESMF	Environmental Social Management Framework
FGP	Federal Government of Pakistan
FIS	Financial Information System
FSSP	Financial Sector Strengthening Program
GL	Group Lending
GLP	Gross Loan Portfolio
HRC	Human Resource Committee
HRMS	Human Resource Management System
IT	Information Technology
LC	Loan Centers
LSO	Local Support Organization
MCGF	Micro Credit Guarantee Facility
MIS	Management Information System
MMS	Microfinance Management System
PMIC	Pakistan Microfinance Investment Company
PMN	Pakistan Microfinance Network
PPAF	Pakistan Poverty Alleviation Fund
PSC	Poverty Score Card
SAFWCO	Sindh Agricultural Forestry Workers' Coordinating Organization
SBP	State Bank of Pakistan
SECP	Security & Exchange Commission of Pakistan
SME	Small Medium Enterprise
SPM	Social Performance Management
SPMC	Social Performance Management Committee
SPTF	Social Performance Task Force
SSF	Safco Support Foundation
TC	Treasury Committee
VB	Village Bank
VDO	Village Development Organization
VOs	Village Organizations

Chapter 01

Introduction

SSF at a Glance

Key Performance Indicators

Table 01

Indicators	2014	2015	2016	2017
Net Assets(million)	203.2	297.7	364.4	433
Return on Assets(%)	0.41%	9.60%	6.48%	7%
Return on Equity(%)	3.4%	43%	24%	26%
Yield on Portfolio(%)	32%	33%	32%	33%
Portfolio at Risk(%)	3%	2%	1.10%	1.1%
Financial Self-Sufficiency(%)	95%	116%	117%	122%

Table 02

Indicators	2014	2015	2016	2017
Operation Self-Sufficiency(%)	102%	136%	137%	142%
Gross Loan Portfolio(million)	434.95	539	765	962
Cumulative Disbursement(billion)	3.39	4.08	5.27	6.79
Served Borrowers (numbers)	223,874	268,242	317,621	378,676
Yearly Disbursement (million)	595	813	1,199	1,526
Active Borrowers(numbers)	38,234	48,009	58,468	64,853

Table 03

Indicators	2014	2015	2016	2017
Recovery Ratio (%)	98.68%	99.48%	99.17%	99.34%
MFO Productivity (numbers)	351	417	436	418
Average Loan Size(PKR)	19,145	18,314	20,976	25,285
Staff Strength(numbers)	245	246	286	342

Brief about SSF

Introduction

Support Foundation ("SSF") is a Non-Banking Finance Company (NBFC) licensed to carry out Investment Finance Services as NBFC by SECP under NBFC rules & regulations, 2015. It is registered under section 42 of the Companies Ordinance 1984, established in May 2009. In the last 25 years of journey, SSF restructured itself to demonstrate how blend of service delivery and advocacy can help the Institution become financially sustainable at operational level. Having completed years of development collaboration with client communities and public sector organizations, SSF is looking towards building the micro finance operations into a banking system for the people in coming years.

SSF is providing services in rural and urban areas of Sindh province of Pakistan and is currently operational with 37 branches in seven (7) districts i.e. Hyderabad, Jamshoro, Tando Allahyar, Matyari, Sanghar, Nawabshah, and Thatta; operations locations (branches) are given in the SSF Operational Tree. However, as per Strategic Business Plan 2015 – 2019 we shall make newfangled outreach penetrations in District Tando Muhammad Khan, Mirpur Khas, and Badin. Whereof, we shall expand the operations in district Jamshoro, Thatta, Tando Allahyar and Noshehrofez.

As we do this, the ripple effect will be the growth of economic generating activities in terms of knowledge, quality produce and tangible wealth. The products we offer enable our borrowers to improve their status of lives, businesses and resources for income generation. Presently, we offer livestock, agriculture, enterprise and small medium enterprise products with a tailor-made product delivery.

Interestingly, we have been introducing new products as per borrowers' needs and preference and in upcoming era, we shall introduce new products i.e. personal consumption loan, emergency loan, solar power loan, and new loan. Despite, we aim at the productivity of the borrowers to enable them achieve their full potentials rural communities for poverty alleviation. We achieve this by emphasizing the immense benefits of empowering the borrowers through a discipline of consistent and deliberate savings to achieve both short term and long term goals.

Growth Tendency

The development of SSF net transactions in 2017 was influenced by general inclusive trends and by the growth importance of the Institution's regions. In 2017, the Institution accounted for approximately 27.27% of the disbursement growth in both group and individual distributions.

All business sectors made positive contribution to the overall transactions growth of the Institution. In 2017, financial provision and social performance material generated the Institution's largest share of loan disbursements in absolute terms. At 19.22%, the highest outreach penetration growth by the regions was achieved. Gross Loan Portfolio followed outlying, with sale techniques growth rate of 25.75% and 28.84% growth in cumulative loan disbursements respectively.

Rendering the self-assessment and according to the latest SSF internal monitoring report it is noted that in domestic / doorstep product delivery, livestock development product has raised by 32.96%, whereas, enterprise development product delivery is raised by 23.36% and Small Medium Enterprise development product is increased by 124.80% respectively.

Report of the Chairman



A handwritten signature in black ink, appearing to read 'Rana' followed by a stylized surname.

Chairman of Board
Rana Abdul Salam

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Dear Shareholders

We are delighted to share our annual performance in Annual Report, as 2017 stood “A year accomplished with Growth and Innovation”. In 2017, Safco Support Foundation (SSF) celebrated its 9th anniversary. Quite fittingly, the Institution has finished its year with record earnings. With its Strategy, SSF is moving forward with a sense of purpose into the stimulating age of digitalization and fully intends to continue playing an active role in shaping technological change within the “Microfinance Industry”.

Throughout the year 2017, we performed the obligatory duties in accordance to the law and the Articles of Association. We “the Supervisory Board” continuously monitored the *modus operandi* and business provided advice on important strategies and plans. One of the main areas of emphasis with regard to reporting and our consultations in 2017 was the enhanced development of the SSF corporate strategy. We also deliberated at length on fruitful planning for the SSF. Corporate planning was a further key area of focus.

Management discussed the operational and financial position in Supervisory Board meetings. We carefully previewed and reviewed the overall performance of the Institution, both at scheduled meetings and at other times as the situation required. The Management kept informing Supervisory Board about all key executions, progress, innovations and expansion of Human Resource on a regular basis. At beginning of financial year (as of – 01st July 2016 – 30th June 2017), management presented us a summary of new and revised Policies & Procedures, Integrations, Associations and Development to the Supervisory Board which are scheduled for market launch.

Management reported to Supervisory Board (us) regularly and comprehensively on the SSF financial condition, sales volume developments, and market competition issues relevant for the ultra-poor and poor segments, and changes in the size of the loans to borrowers. Management continuously kept updating the Supervisory Board regarding economic developments in the world’s key regions and the prospects for business in each of them. Management has been providing the regular updates on industrial variation, new business outreach landmarks, and explanations of variances against the forecast.

In its regular business status reports, management kept Supervisor Board (us) well informed regarding the progress of important current projects and transactions, which then deliberated in greater detail. With the trend of growth and executions we are delighted and pay our gratitude to the SSF Management, Operational Teams, Borrowers and Donor/Investors and Stakeholders for their constant support in making SSF more cost-effective in delivering funds to the excluded groups for their own sustainability and scalability on the bases of self-help.

Chief Executive Officer's Statement



A stylized, handwritten signature in black ink.

Chief Executive Officer
Suleman G. Abro

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Dear Readers,

A new era has begun for your Institution: in this year, we are embarking on a new age of individual mobility. Everything we do is for our Borrowers. For them, we are creating a new kind of premium flexibility tackled entirely towards their individual needs, which will continue to thrill and excite them moving ahead. 2017 was our centenary year, and you could see the reports everywhere: We are celebrating "A Year Accomplished with Growth and Innovation", but we are not resting on the successes – we are actively shaping the future of poor communities."

The response of many people when they saw our digital financial services with a range of products and services for the first time was unequivocally enthusiastic: "The Institution's Vision Financial Provisions are unlike anything we've seen before." I experienced this excitement myself in our operational areas.

With our Vision, we are providing a glimpse of freedom of movement beyond 2020, when autonomous undertakings, connectivity, electronic based systems-mobility and services will be part of borrowers' everyday life. With its courageous, entrepreneurial spirit and ground-breaking innovations, the Institution has always shaped individual motility – constantly evolving in the process.

Through Strategy "To be Leader of Leaders", we grew from a credit enterprise development sector to financial provider institution. The Institution maps-out its further evolution towards an electronic based institution for the finest mobility financial services.

To achieve this, we will continue to expand our operational areas and delivery channels and services best suits rural based community individuals: Get Now, Earn Now, Expand Now, and Save Now. Our aspiration to be a Finance providing leader is firmly anchored in institution's five year Strategy. We have focused on a cooperative spirit. In the digital eons, new players from the IT domain are bringing their business model to the automotive sector – proving once again that individual mobility is an attractive field for future business.

Our acquisition, together with other financial providers, of map service here was followed by another important strategic decision in 2017: the Institution has allied partnership with National and International Investment Companies, Local Commercial Banks and digital service providers to hasten the modus operandi. We emphasized, over the "Social Performance Management" and "Corporate Social Responsibilities" that are the important drivers for the future prospect of financial provision, that are opening totally new possibilities for our borrowers' easy approaches.

Above all, the rural communities would be able to retrieve the time they previously spent under poverty intent to the inflations and lack access to financial services. With all our products and services, we offer various forms of alertness that generates excitement in communities and individuals, creative space, are intuitive to use and, at the same time, fully integrated systems into our borrowers' lives. As the financial provision of SSF becomes more familiar with its partners, associates and networks, it offers tailored recommendations to make everyday life easier.

Ownership of Governing Body

SSF is a Microfinance provider Institution limited by guarantee that is being governed and guided by (07) Board of Directors (BoD) who oversee the operations of the Institution under the Not-For-Profit (NPO) status:

Chairman

Mr. Rana Abdul Salam

(Banker & Finance Expert)

Vice Chairperson

Ms. Ziab-un-Nisa Mallah

(Practitioner & Gender Specialist)

Director

Mr. Yar Muhammad Khan Laghari

(Agriculturist and Economist)

Director

Mr. Iqbal Hussain Memon

(Businessman & Enterprise Expert)

Director

Ms. Ayesha Fazal Noor

(Banker & Financial Expert)

Director

Mr. Yar Muhammad Khaskheli

(Banker & Financial Expert)

Director

Prof. Dr. Ghulam Ali Jariko.

(Rural Economist)

Sub – Committees of Board

Board has formed listed below sub-committees to look into functions and execution in detail;

Audit Committee

Human Resource Management Committee

Credit & Risk Management Committee

Social Performance Management Committee

Key Players

Chief Executive Officer/ Founder

Mr. Suleman G. Abro

Deputy Managing Director

Mr. Bashir Ahmed Abro

Senior Manager Finance/ Chief Accountant

Ms. Aleena Maria Soomro

Manager IT/ MIS

Mr. Naveed Memon

Manager ME&R/SPM

Mr. Zahid Hussain Qazi

Operations Coordinator

Mr. Mashoq Ali Qureshi

Regional Manager

Mr. Aijaz Ali Bhatti

Regional Manager

Mr. Zulfiqar Ali Memon

Regional Manager

Mr. Aajiz Ali Mahar

Regional Manager

Ms. Shabana Mallah

Managing Director/ Company Secretary

Mr. Syed Sajjad Ali Shah

Manager Internal Audit

Mr. Zulfiqar Ali Muttaqi

Manager Human Resource/ Corporate Insurance

Mr. Harish Raisinghani

Manager Credit and Compliance

Mr. Rameez Memon

Manager Administration

Mr. Sunil Kumar Vatwani

Manager DBMS

Mr. Wajid Hussain Jorenjo

Regional Manager

Mr. Ghulam Nabi Shaikh

Regional Manager

Mr. Ghulam Mustafa Umrani

Regional Manager

Mr. Ghulam Nabi Bughio

Regional Manager

Mr. Ghulam Abbas Narejo

Management Committees

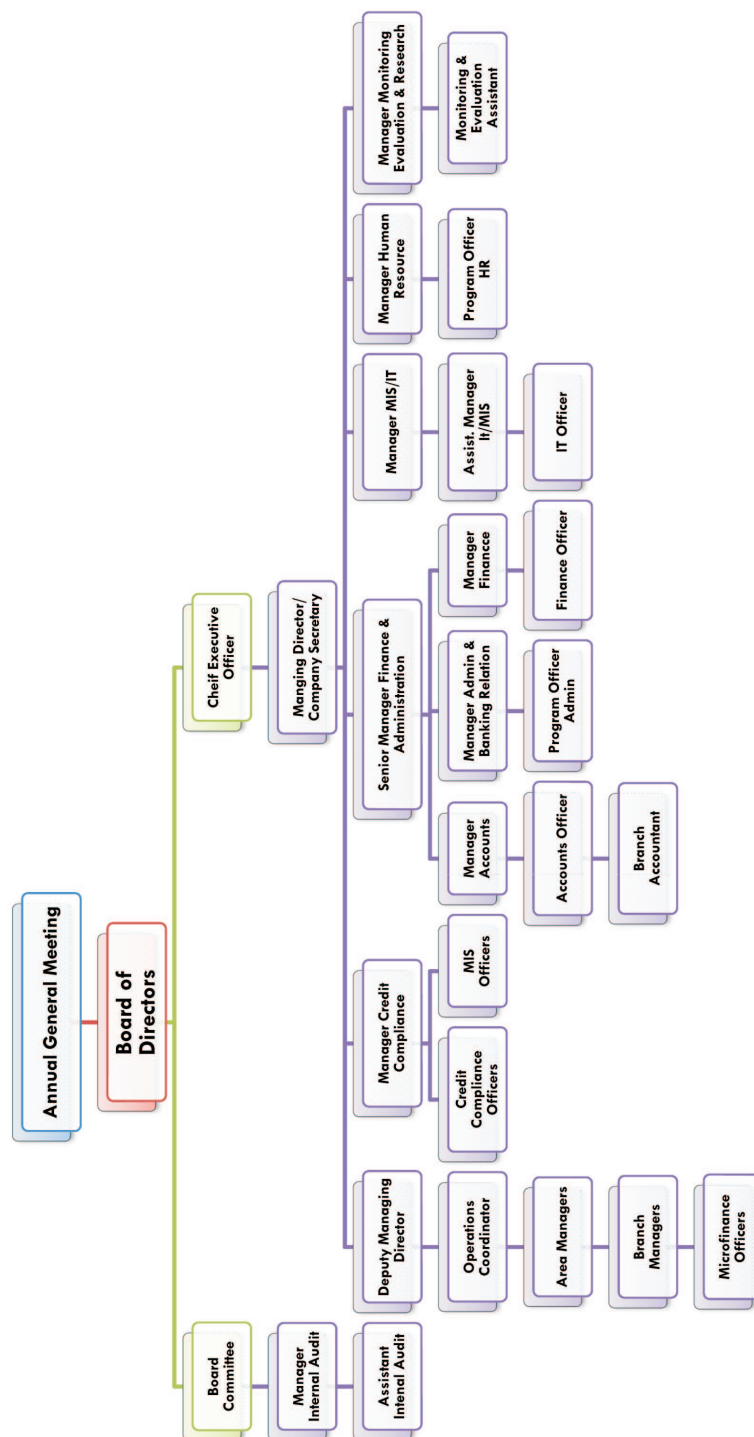
Assets Liabilities Committee (ALCO)

IT Streering Committee (ITSC)

Staff Greivence Committee (SGC)

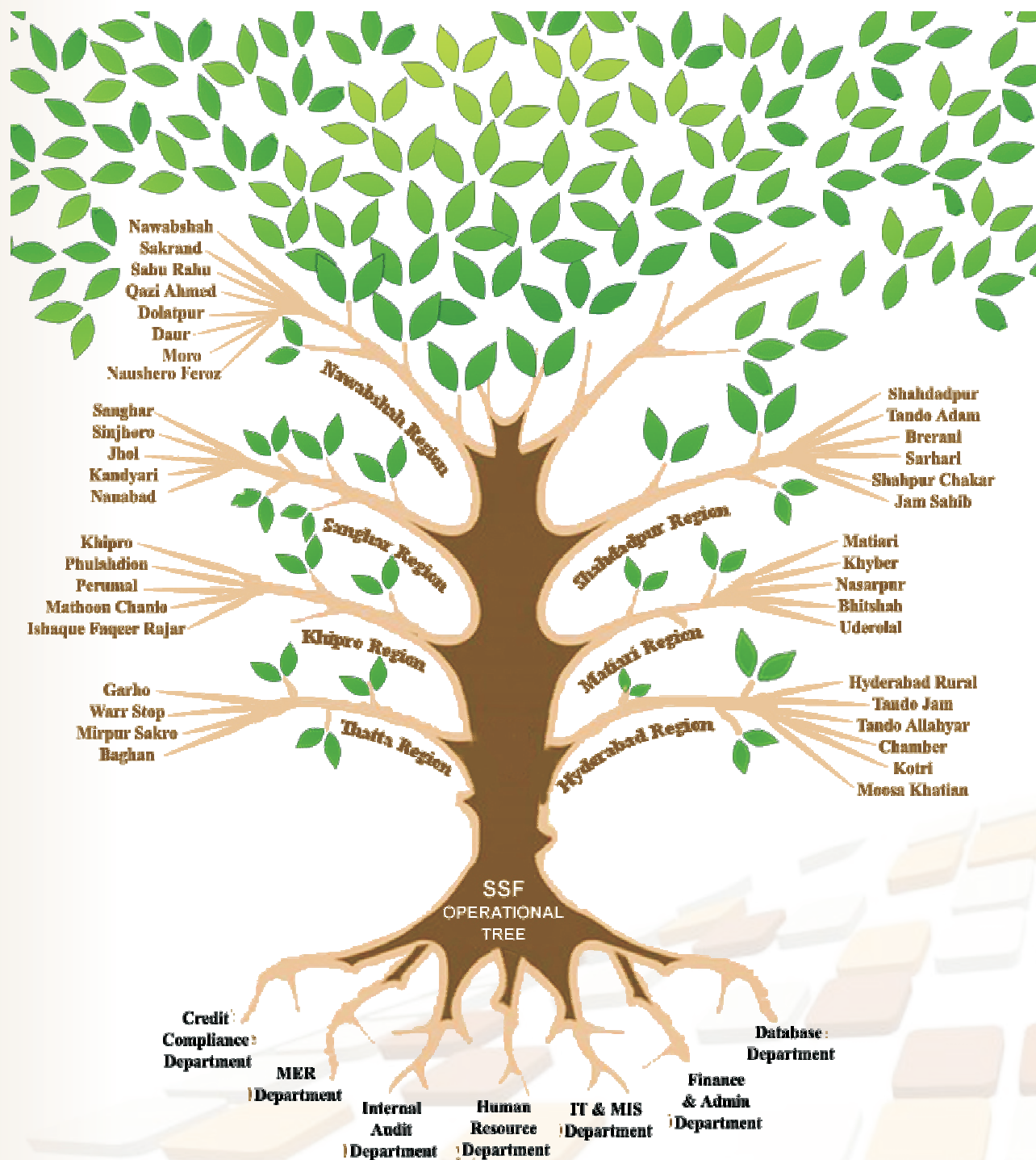
Client Greivence Redressal Committee (CGRC)

Institution's Organogram



Institutional Operations Locations

Presentation as of November 2017



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Products We Offer



The table shows product wise yearly comparison with the disbursed numbers and amounts of loans

Sectorial Disbursement		2014		2015		2016		2017	
		Number of loans	Disbursed amounts in million	Number of loans	Disbursed amounts in million	Number of loan	Disbursed amounts in million	Number of loans	Disbursed amounts in million
Agriculture Loan Product	Male	1,046	43.87	946	42.78	840	146.50	716	65.50
	Female	182	7.59	109	5.03	103	5.26	89	3.50
Livestock Loan Product	Male	6,213	106.60	8,119	133.64	11,135	207.83	14,096	270.57
	Female	10,052	185.74	13,313	234.63	17,073	344.40	19,216	463.65
Enterprise Loan Product	Male	14,281	133.28	7,900	142.10	9,004	180.91	9,629	211.49
	Female	15,875	102.45	9,251	158.41	11,598	228.95	13,405	294.12
Small Medium Enterprise (SME)	Male	0	0.00	21	0.88	106	6.18	190	12.69
	Female	0	0.00	14	0.68	24	1.20	59	3.90
Prime Minister Interest Free Loan (PMIFL)	Male	0	0.00	1,315	24.71	1,572	41.23	1,677	52.24
	Female	0	0.00	2,784	52.15	5,393	12.19	4,243	125.10
Village Bank (EDS)	Male	523	7.84	525	7.88	972	14.58	920	13.80
	Female	784	11.76	788	11.82	648	9.72	613	9.20
Emergency Funds	Male	131	1.27	117	1.29	156	1.58	160	2.21
	Female	92	0.92	91	1.02	113	1.28	114	1.32
SSF Consolidated		49,179	601.32	45,293	817.02	58,737	1,201.86	65,127	1,529.32

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Partners



Networks



Associates



Business Management

Institutional Anthropological Approaches

The success of Institution's business and borrowers' satisfaction is largely based on satisfied teams. The Institution's work responsibility is building an engaging team of performers. Among the many factors of long-term success, competence and leadership of team members are important attributes. The Institution continued to attract, develop and retain the best talent covering significant ground to emerge as a preferred Institution to work within. The Institution made significant ground in areas of talent development, leadership programmes and recruitment space. Some of the key initiatives during the year 2017 are;

- ✓ Strengthened leadership team across various operations with the appointment of various departmental heads,
- ✓ Embedded a culture of ownership by delegating authorities at various levels,
- ✓ Bringing transparency in performance management and reward systems,
- ✓ Fixed up high performance culture in the Institution by appraising, recognizing and incentivizing on monthly and quarterly basis,
- ✓ Improved the productivity of the human capital, the Institution has decentralized induction and training programs to reduce the time to market products by new joiners in the core business teams,
- ✓ Conducted various employee engagement activities to boost the employee morale,
- ✓ Established HR Grievance Mechanism system and whistle blow policy,
- ✓ HR Committee of board of directors to discuss staff matters in every quarter,
- ✓ Offering Staff General Incentives like; registered Provident Funds, Health Insurance, Life Insurance, EOBI, Leave Encashment and Staff Loans.
- ✓ Online payroll system integrated with (HRMS) and (FIS),
- ✓ To bring up the paperless environment, the Institution initiated online attendance system by HRMS,
- ✓ Under the consideration of BoG, the Management established "Risk Dashboard" to measure the risks. Also DAC "Disciplinary Action Committee" is emplaced to deal the frauds as per mitigation strategy, and
- ✓ Organized sport event (Cricket Tournament) for staff capacity building, encouragement and health fitness, wherein all SSF employees including BoD and Management took part.



Henceforth, SSF as Institution is committed to support all its employees, regardless of region, ethnicity, race, gender and cripples. The Institution continues focusing on performance management and retaining the best talent to ensure sustain growth. Comprehended the importance of people, and the Institution keeps its doing continue to further strengthen the team and enhance productivity level among them.

Institutional Expansions

With growing motto, the Institutional management has been establishing alliances and association for the more diversified and harmonized financial deliveries. The Institution's operational excellence, strong relationships with investors and borrowers and at large, market share in microfinance sectors in Sindh solidified the leadership position on the region for poverty alleviation.

Even more, the institution has expanded its associations and alliances with national and international investment parties, with an efficient and innovative strategic business plan for the poverty alleviation.

Successful Due Diligence visit of Symbiotics Investment Company

The Institution has reached at the landmark in terms of debt financing and equity investment by the Symbiotics Investment Company of Singapore. The Institution Governance and management persuaded foreign company to invest in achieving its business plan objectives.

Mr. Daniel Schriber “Executive Director & Head of Investment Operations” and Mr. Eugene Tan “Investment Analyst” get together to comprehend management strategy and business plan, models, operational methodologies, financial systems, risk management mechanism, internal controlling systems, product-services, policies-procedures, and marketing strategy. The diligence team



ED & Head of IO, IA of Symbiotics Investment Company, while making discussion with SSE-CEO and MD-SSE

conducted field visit to be more aware with operational process.

After the successful due diligence visit, the institution has signed funding agreement with Symbiotics Investment Company for debt financing facility. The Investment Company has granted the funding facility to drive the Institutional growth in existing operations as well as for the further expansion in new areas.

The agreement signed between the two microfinance & investment champions promises to inject a new dynamism into the growing microfinance sector in Pakistan by providing the funds, expertise and contacts for small businesses and potential unbanked population to break into local markets and enhance income generation.

Investment Finance Services

Securities and Exchange Commission of Pakistan considered the application for the grant of license to carry out Investment Finance Services submitted by the Institution “SSF” under rule 5 of the Non-Banking Finance Companies.

The SECP hereby grants the license to carry out Investment Finance Services. The Management is committed to deliver financial services to unbanked population with diversified product and services under new regulations.

Step towards New Investment

"The Institution Governance and Management above the robust harmonization carried productive meetings with Mr. Christian Andersen CEO BOPA Investment Company intend to future equity investment.

Initially BOPA Investment Company agreed for debt financing of \$1.2 Million as Convertible Loan for next eighteen months to the Institution. SSF & BOPA mutually agreed on future business partnership and way forward to meet funding constraints for execution of 05 years Strategic Business Plan.

BOPA Investment Company declares the delivery of technical assistant to Institution in the latest prospects regarding Technology, Innovation, Good Governance, Investment Readiness and Financial Managements additionally.

CEO of BOPA Investment Company, SSF BoD member, Consultant, CEO, MD and other team members while signing debt financing agreement.





SSF Winner entrepreneur in 2015 CMA, Mr. Wazir Ali while revealing his past experience in International day for eradication of poverty 2016

United Nations – International Day for Eradication of Poverty (2016)

“Advancing the Sustainable Future”

The Day was organized by Pakistan Poverty Alleviation Fund, UKaid and Pakistan Microfinance Network to get together to eradicate poverty through “Financial Provision”.

The day was supported by World Bank Group, ACTED, Data Check, Engro Foundation and First Microfinance Bank. Chief Executive Officer of SSF Mr. Muhammad Suleman Abro and Monitoring Evaluation & Research Manager participated in the International Day.

On the occasion, CEO shared his thoughts and deliberated SSF contribution for eradication of poverty through financial services.

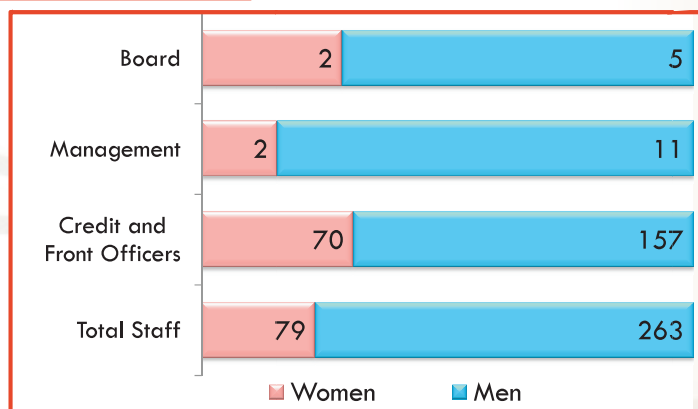
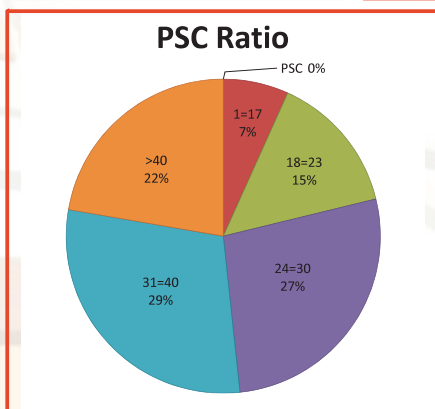
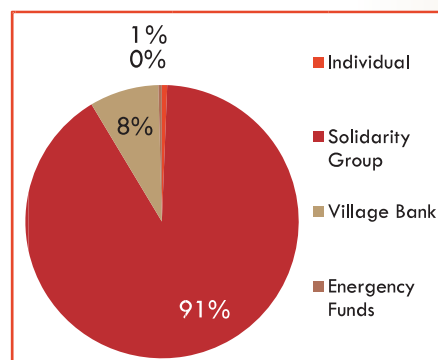
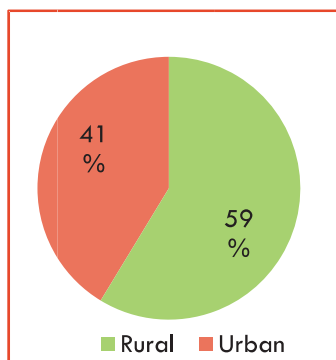
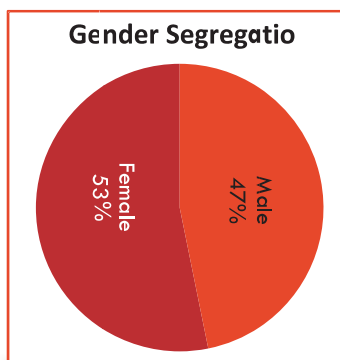
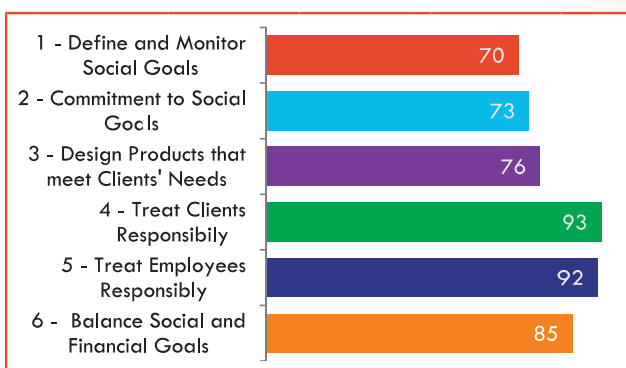
Taking part in the discussion SSF's Successful Entrepreneur Winner of CMA Entrepreneurship 2015 also spoken in line with other Heroes where he demonstrated and revealed the journey with SSF from "Beggar to Success Entrepreneur".

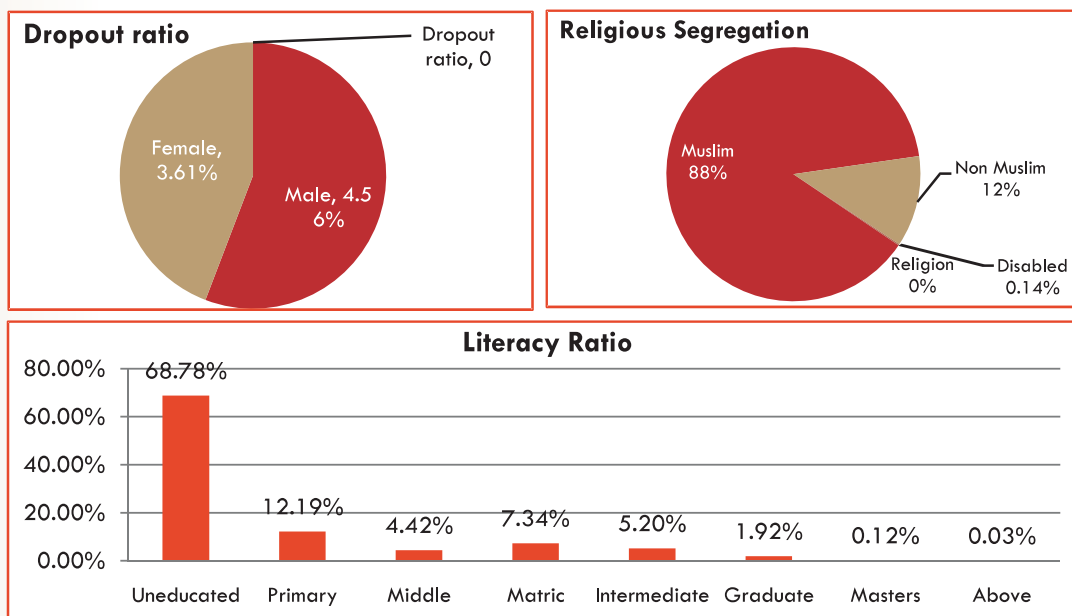
In the session of Client's Voice, entrepreneurship National and International delegates of the event appreciated struggle of SSF and borrowers towards eradication of poverty.

Social Performance Management (Dashboard)

Pakistan Microfinance Network (PMN) Social Responsibility Team conducted Social Audit of the Institution ascertaining the fortes and flaws of the Institution towards its Social Performance Management commitment in order to meeting social goals. Social Auditors after three days extensive exercise in compliance of SPI4 tool developed by CERIES Foundation audited the policies, procedures, and social goals in accordance of Six Dimensions of Social Performance Management Framework.

The initiative showed Institution's commitment towards Social Performance Management and Clients Protection. Wherein, Certificate of Recognition is awarded to SSF for successfully undergoing Social Audit. Afterward the Social Audit process, the Institution conducted a self-assessment in 2016 via using SPI4 to further hasten the Social Performance Management and the results of each dimension are given as under;





Clients Protection & Awareness Initiatives

- ✓ Clients Grievances Mechanism Policy,
- ✓ Installation of Complaint & Suggestion Boxes,
- ✓ Installation of Client Protection Campaign,—posters at all branches;
- ✓ Client Orientation on the Policies & Procedures,
- ✓ Branchless Banking initiative to provide doorstep services,
- ✓ Introduced SMS service for Client information on loan status,
- ✓ Fulfilling client's Social needs through with cooperation of local NGOs,
- ✓ CSR support in Health & Education for borrowers and non-borrowers families,
- ✓ Implementation of Universal Standards of Social Performance Management,
- ✓ Clients orientation on ESMF, and
- ✓ Business development & Volunteer Saving Mechanism for Clients.

Capacity Building Workshop

Digital Financial Services (DFS) Risks, Internal Control and Fraud Deterrence"



The Institution organized training workshop on "Digital Financial Services (DFS) Risks, Internal Control and Fraud Deterrence".

The workshop training topics were include an overview of inclusive financial services, DFS & their risks, fraud risk management framework, an internal control framework, and strategies for effective and efficient preventive and detective controls for IT, Finance, HR and relevant

business processes particularly for head office and branches. The content of the course was picked up from International Training Centre, CGAP and other recognized institutions. Keynote speaker was an International Business Consultant Mr. Faheem A. Khawaja.

Innovative Award 2017



Pakistan Poverty Alleviation Fund (PPAF) with the collaboration of Citi Foundation organized Citi Micro entrepreneurship Award Ceremony and called all partner organizations from Pakistan to participate.

In the event SSF also participated wherein the Institution is awarded with 1st runner up award in the spectrum of "Most Innovative Microfinance Institution" from all over the Pakistan. Even more, Mr. Ogham Singh a beneficiary from Prime Minister Interest Free Loan Project Scheme Khipro (desert) and field officer Mr. Kashif Somroo both has

received 1st runner up award in CMA 2016. It was not so possible without support of SSF operations team and guidance of its management. The Institution is deliberately pays gratification to all members, stakeholders, operative teams, borrowers and beneficiaries for their positive support in taking the Institution at the mountains.

Institutional Digital Financial Inclusion

Short Message Service: The year 2016 bought a number of developments and initiatives for its borrowers and the frontline staff in streamlining the focused groups of people the Institution strives for. SSF has triggered an automated Short Message Service (SMS) for borrowers' to know their own information relating to collection of cheques from branches, due installments schedules and outstanding amounts, repayments and borrowers' status. The service is integrated with SSF Microfinance Management System (MMS). The integrated service helps authorized officials inquire borrower's detailed loan and



personal information by just sending borrower's (CNIC) by SMS into the system. The authorized sender within a minute receives relevant details of borrowers through message service.

Integrated Branchless Banking Service: The Institution has initiated branchless banking service for its borrowers to put them on easy in payments of due recoveries and collect loan amounts. The service is fully integrated with SSF – MMS and all national telco companies. The telco agents by inserting borrowers' loan ID verify borrowers' details of loan and receive amounts to be paid through the process of Thumb verification that is already integrated by NADRA.

Now with on click, borrowers can submit their due payments that automatically update MMS – whereof borrowers receive successful payment message. The idealistic approach of Information Technology Management is to benefit borrowers at doorstep in servicing appropriately, which not only reduce borrowers' cost of travelling but also facilitate deliver easiness acquiring/paying loans to increase client protection.

E-Appraisal Process of Loan: the Institution has started Electronic-appraisal process in operations to promote paperless environment and facilitate borrowers on ease process and cost-effective financial deliveries. By visiting borrowers' locations the institution's frontline staff enters/updates borrowers' relevant information in "Tablet" with thumb verification, also finger-print machines are given to the frontline staff.

In addition, the frontline staff at the time of data processing captures borrowers' snaps to insert into the system along with borrowers' original CNIC pictures. It benefits borrowers for quick process. The initiative reduces borrowers' extra cost on pictures and photo-copies of CNIC. Hence, time-saving and data-accuracy is part of implemented innovation, even it reduces human efforts in data entry.

Auto Repayment via Android: In year 2017, the Institution has begun process to make repayments through Android System (in Tablet) during field visit. With the tablet auto repayment system field officers fetches the borrowers' data before field visit and during the field visit the field officer checks borrowers' loan ID / Thumb/CNIC.

The system shares the data of group repayment entry. The field officer shares collected data with Branch Accountant to make deposit slip of bank for the borrowers paid their amounts through android. It reduces the human efforts of data entry of repayment, also sends a short messages to borrowers about payment for borrowers' satisfaction.

Credit Information Buru – CIB: CIB is mandatory part of the loan process, new and / or repeat borrowers have to pass the mandatory process of CIB verification. Initially, borrowers' submit their loan application and accountants verifies from SSF – MMS to check borrower status from both systems.

CIB ensures borrowers' character of nominee in repayment, and on the bases of systematized report the approving authority approve/reject the loan application of borrowers. It also maintains transparency and accuracy in loan distribution to the needy potential borrowers instead of defaulters.

Information & Digital Financial Technology

The Institution, since its commencement has implemented systems and digital technologies to better facilitate its partners, stockholders, staff and customers as given here;

- ☑ Financial Information System – FIS
- ☑ Microfinance Management System – MIS
- ☑ Human Resource Management System – HRMIS
- ☑ Credit Information Buru– CIB integrated with SSF MIS



- ☑ Jazz Cash for disbursement and Collection
- ☑ SMS Service to inform clients for Disbursement of Cheques
- ☑ SMS Services for Customer Sensitization
- ☑ SMS Loan Inquiry and Repayment Service
- ☑ Electronic Appraisal of Borrowers
- ☑ Cheque Disbursement Collection information by SMS
- ☑ Mobile based Auto Repayment



SSF CIB Integration successfully completed

KPMG IT Audit



KPMG team after IT audit conducting wrap-up meeting with SSF management

The Institution successfully completed the Information Technology (IT) Audit by KPMG; one of the top audit firm in the world. The audit report was initially presented to Management and final report in soft and hard copy.

During the Audit, KPMG reviewed the Institution's MMS, FIS, HRMS and IT security Controls, Networking, Internet connectivity, Servers, Application Software, Operating systems, Anti-viruses and other security controls from servers to user end.

A Year Accomplished with Growth & Innovation

Annual Report 2017



Branding and Business Development

The Institution has a strong foundation based on speed of service and customization of offerings as per borrower requirements (a tailor-made financial delivery). The Institution's management values its borrowers, together with innovative products, trust and a positive brand image, is the substance which borrowers' chose product and services to meet their financial needs.

As a part of brand strategy, the institutional participated in several exhibitions, local festivals and fairs (like, International Day for Eradication of Poverty – 2016) and Citi-PPAF Micro Entrepreneurship Event) helping the Institution reach-out to the borrowers enhance Institutional brand recall. In the new geographies where the Institution set its presence in the year 2017, the management leveraged brand to reach-out to larger number of borrowers.

As a regular business development activity, the Institution leveraged brand through advertising in local publications, FM Radio and Mobile SMS facility to further enhance the visibility. In order to capitalize on the growing relevance of digital and social media, the institution is the on-course to strengthen brand presence on these platforms as well. The key initiatives during the year include;

- ✓ Strengthening the relationship with active borrowers across product segments,
- ✓ Participation in local community social events, to showcase the strengths,
- ✓ Initiated Digital Marketing for effective business generation, and
- ✓ Printed marketing material for distribution in untapped areas.

The Institution expects promotion of brand exclusively through large number of active satisfied borrowers and other event platforms. With new financial products and services to be launched soon, the overall brand strategy would complement the future ambitions of the Institution. The digital marketing space would not be just used as a medium of marketing but as a business generations platform as well.

Branches Inauguration

The Institution in harmony of poverty alleviation, inaugurated 36th and 37th Branch Offices in Tehsil Chamber, District Tando Allahyar and Tehsil Kotri, District Jamshoro. This outreach growth occurred due to positive response and feedback of communities. The tendency in outreach growth shall be carried in order to accomplish business plan of 2015 – 2019.



Borrowers are showing their happiness after receiving loan disbursement cheques.

Chapter 03

General Sectored-Specific Environment

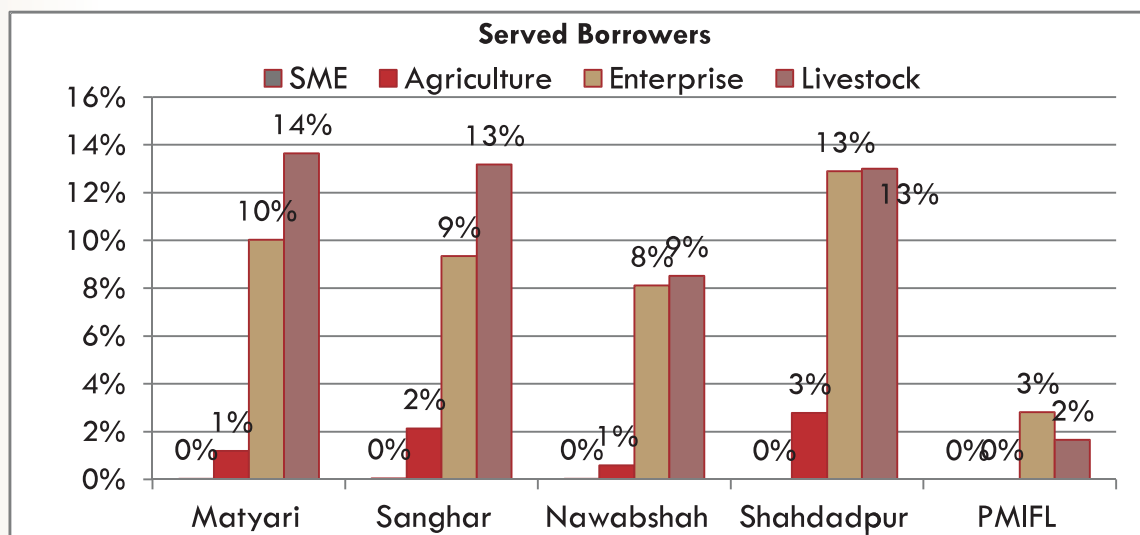
Operational Highlights

The Institution business is expected to grow significantly faster in areas of Sindh Pakistan. The Institution's operations are increased by approximately 5.71% in 2017, while predictions for Jamshoro, Noshehroferoz and Mirpur Khas districts anticipate that the operations and its market penetrations will grow by 18.92% till 2018. While the development of e-appraisal models and the increasing openness of borrowers to shortly acquire loans the Institution anticipate the geography to continue grow to strongly in 2017.

Served Borrowers

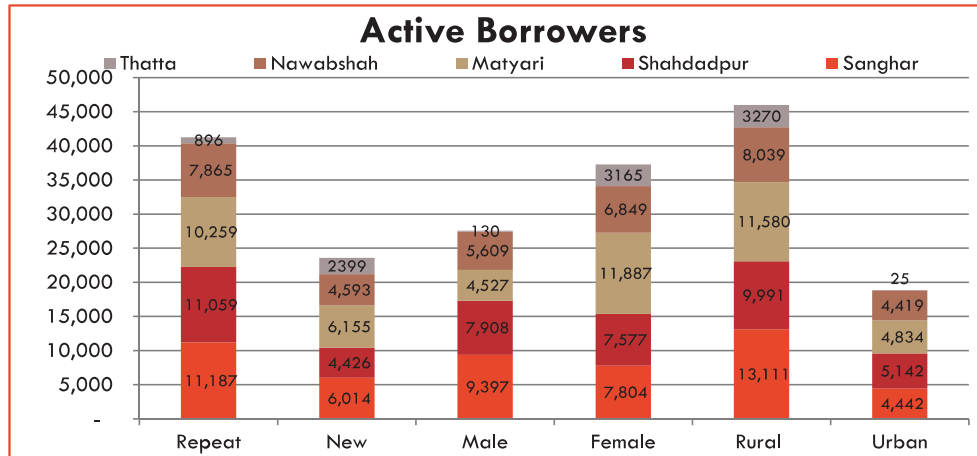
Since the commencement, the institution has served 384,367 borrowers with 53.18% female proportion. Wherein, the ratio of Livestock Development Products stood greater than all other products i.e. 51.37%, Enterprise Development Loan Product persisted at 35.52%, whereas Agriculture Development product ratio is 1.24% and the Small Medium Enterprise Loan remained 0.38% that is lower comparing to all products.

The low severing in SME occurred because it was started in late 2017 and borrowers mostly prefer small loans instead of huge amounts above of their capacity in repayments; the below given line-chart shows sectorial / regional proportion of served borrower.



Comparing to the last year, the institution has promoted provisions of financial services and contributed in served borrowers by an increase of 19.22% in 2017. The institution is enough straight forward; continual improvement within the institution is an active business objective. The benefits of continual improvement are clear, whereon, it helps increase ability to embrace new opportunities of outreach, and it makes institution more flexible and improves performance in meeting borrowers' needs and preference.

Especially, in difficult economic times, the Institution thrive its business and adopted dissimilar strategies according to the market situations. The institution stood officious in



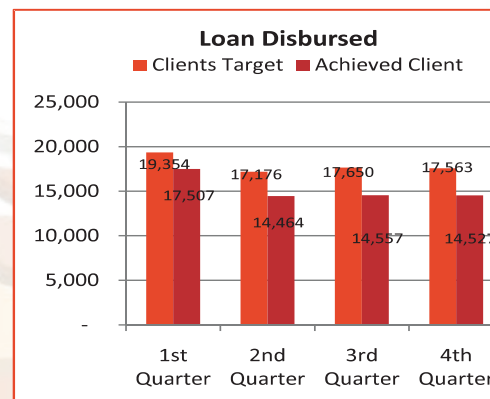
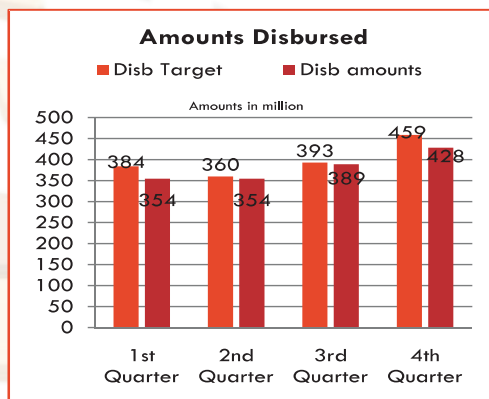
keeping its borrowers vigorous. In the fiscal year, the institution made growth of 10.92% in active borrowers comparing to the last year 2017. The below given staked column chart shows regional serving in male/female, new/repeat and rural/urban slices.

Credit Management

Credit management also represents a significant business drive for the Institutional modus operandi. It provides sustainable information on the Institution's financial risk when it delivered as loan to borrowers, together with the social collateral held. Ensuring the sustainability credibility of the borrower holds relevance for the future of the Institution.

As a part of risk management, the institution management reviewed and re-structured "Credit Policy" to bring into line with Institutional Operations strategies. The team identifies and understands the requirement of the borrower thereby appraising the finance need of borrowers based on the credit framework.

With the thought to hasten the outreach penetration, the institution throughout the year increased disbursements amounts by 27.27% and increased numbers of loan disbursed by 19.22% comparing to the last year. That was tough for the operational teams to achieve, but, their efforts delivered satisfactory outcomes. The below given column charts show quarterly outlook in disbursed amounts and loans;

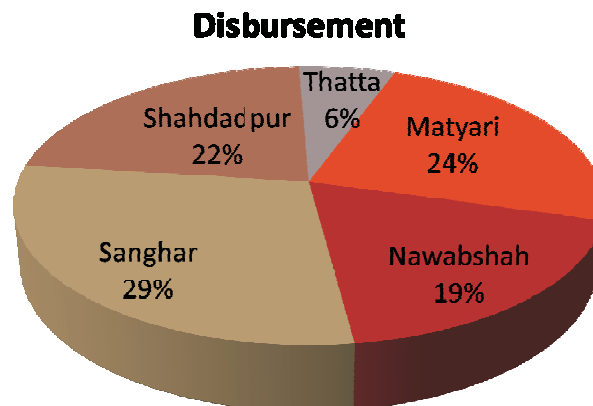


During the year 2017, the management under consideration of governance has taken the steps in light to make right direction to further strengthen the credit framework as given under;

- ☑ Restructured credit policy, tailoring with the business model and strategy,
- ☑ Risking from risk arising from ticket credit; the management strikes the right balance with increasing portfolio of small, medium and large volume loans,
- ☑ The management established and substituted financial and non-financial products as per universal standards and feedback of borrowers,
- ☑ To build capacity, training and development department is developed to frequently deliver trainings to the workforce, and
- ☑ Identified gaps and rectified the criteria and strengthen the systems, fixed obligation to income ratio and liquid income assessment.

Regional Disbursement

2017 year, is the year of success wherein the institution not only exceeded the loan disbursement to poor and ultra-poor. Even more, the Institution made expansion in far-flung and coastal areas, where banking facilities were prevented for the rural poor communities. The institution being a socially responsible corporate has made intervention to better facilitate the poor fall under 0 – 40 poverty score and more than that. Comparing to last year, the institution has disbursed higher amounts in year 2017 and served PKR 1526 million in 61,055 borrowers. The pie-chart shows the proportion of regional disbursements.



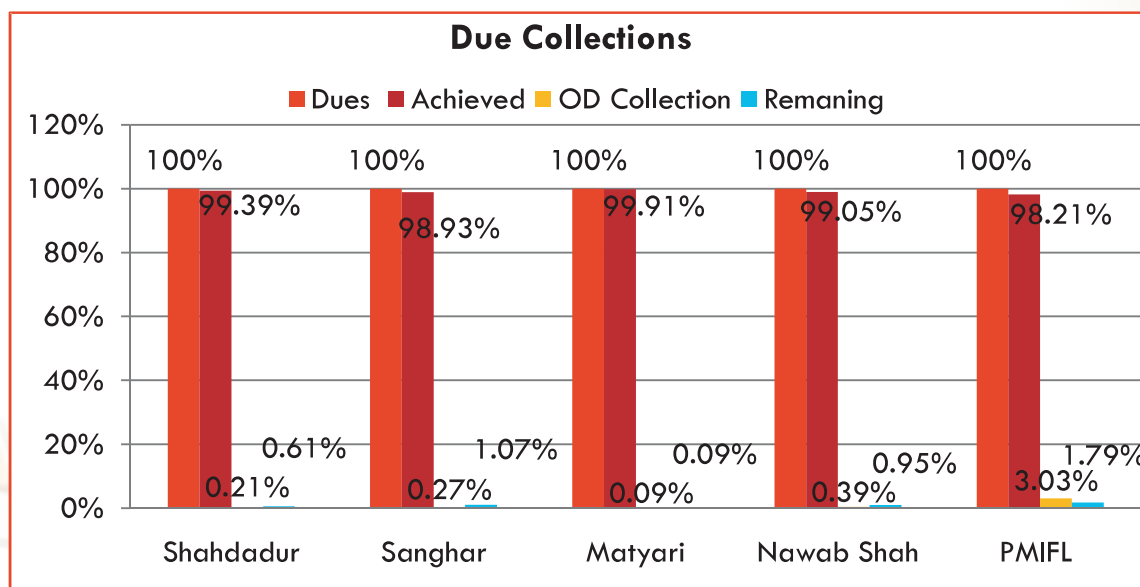
Collection Management

While risk governance aligns closely with the business ideologies, the collections management provides sustainability to our business. The team works to ensure regular cash flows and collections to minimize debts levels. The Institution further strengthened collection process with enhanced training of operations team, backed by code of conduct. With weak economic market sentiments, the Institution segregated the receivables on their age, supported by respective collection management staff. In the year 2017, the team took the following initiatives to further improve the collections;

- ☑ Expansion of workforce with increased incentives and recruits for efficient collection,

- ✓ Streamlined the process of collection with digital services and professional approach,
- ✓ Mobilized maximum collection through branchless banking and allied services, reducing any risk of cash handling and movement and pilferage arising therefrom,
- ✓ Set-up a dedicated follow-up mechanism to regularly recap borrowers about outstanding payments,
- ✓ Made coalition with telco companies to service for digitalized reminder and follow up about due collections,
- ✓ Introduced staff incentives for timely and 100% collection management, and
- ✓ Introduced financial educations for borrowers knowing about benefits of proper utilization and timely repayment of loans.

Throughout the year, the management with experience and expertise has minimized the follow-up visits to collect recovery that assured the sustainable recovery at defined time intervals. The initiative not only helped in smooth operational undertaking but increased operational margin level. The Institution's management additionally planned lessens the turnaround time with industry best practice. However with an analytical approach, the Institution primarily focused on collection of due and overdue recoveries. The year 2017 remained tough to meet expectation but through the steadfast attitude of frontline workforce, the Institution has collected due and overdue recoveries as given under in the clustered column chart.

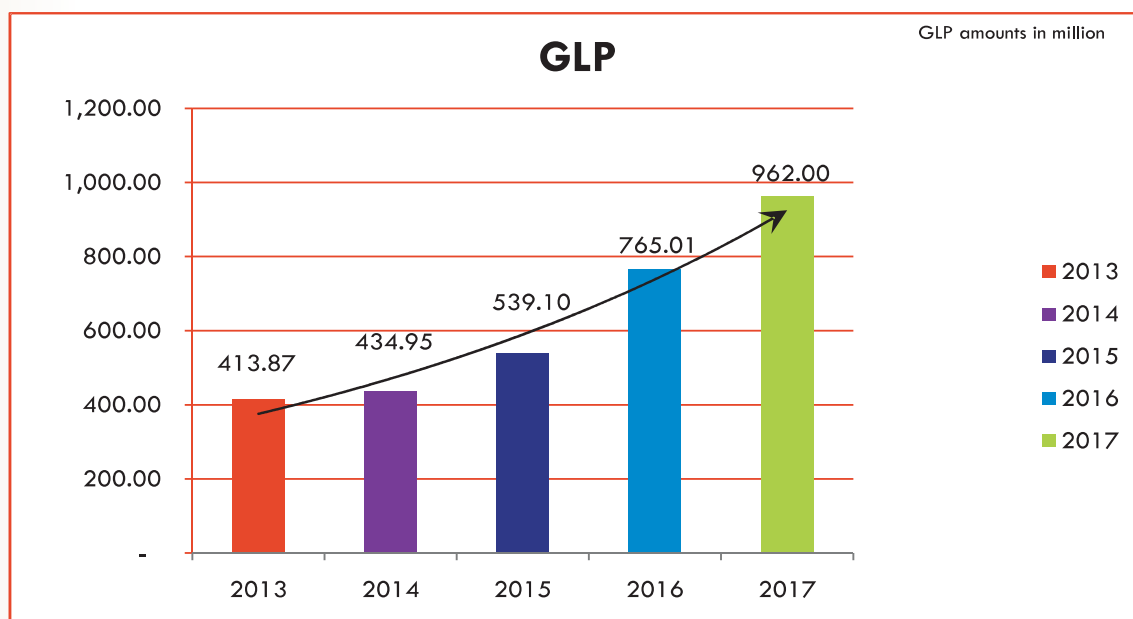


The year 2017 remained lucrative in recovery collections and the Institution remained stiff in collection of due and overdue recoveries through triggering borrowers for payments at their door-steps. As well as, use of Easy-Paisa and Jazz Cash Digital Financial Services are purely designed to put borrowers on easy in payments.

Hence, comparing to preceding years, the Institution has much improved in servicing and has legitimized the ranges of products and services to achieve institutional objective and social goals accordingly.

Gross Loan Portfolio

While looking at the Gross Loan Portfolio, the year 2017 upshot in GLP growth; comparing to the last year, 25.74% growth in GLP is recorded which consequently gave good results. This intensified growth occurred due to geographical expansions and in-depth outreach in the far-flung areas, also the board and management's collective decisions in increasing the range of product and services made exceeding leverages. The below given column chart shows yearly proportions of SSF Growth Loan Portfolio.



Financial Highlights

Treasury Management

The Institutional objective is to find activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and requirements. The objective is not only to maintain natural financial market of transactional accounts and balances, but also to outperform at the margin, which ought to provide a natural liquidity buffer.

The Finance department is responsible for management of the liquidity and funding position. There is a Management's ALCO "Assets, Liability Committee", defined management approach which starts with weekly/fortnightly (operational liquidity) managing the payments queue, forecasting cash flows and factoring in access to banking consortium.

It then covers tactical liquidity risk management dealing with access to secured funding sources. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities (funding Matrix) and institution's treasury management strategy. During the year, the treasury team managed the sensitivity of capital ratios to best possible extent with the following initiatives;

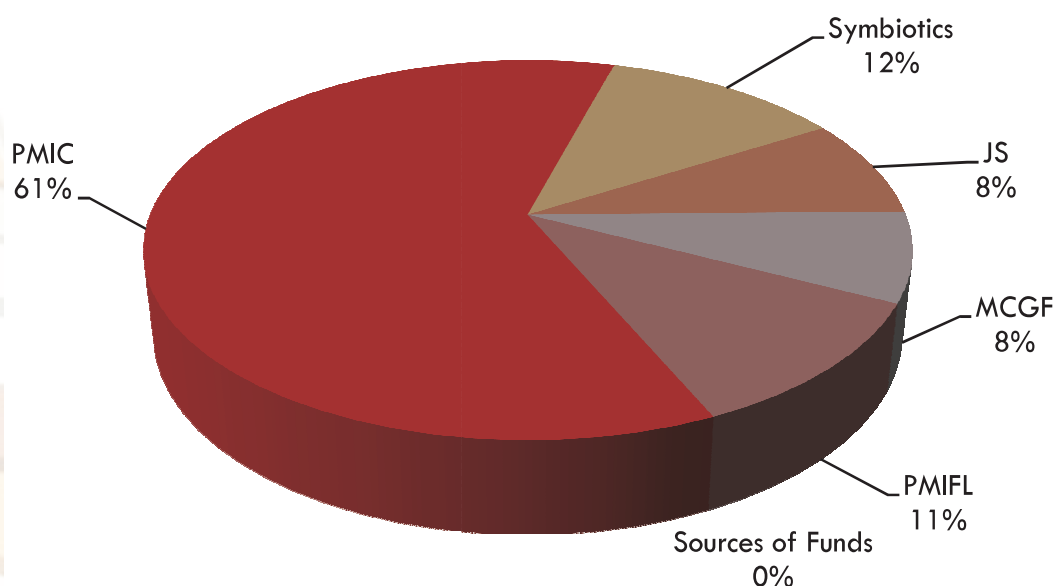
- ✓ Crossed benchmark of PKR 962 million of new borrowings till June 30th 2017,
- ✓ Successfully completed funding of Running Finance Facility, Reflows and PMIFL Scheme Financing Agreements of PKR 1,054 Million with PMIC, JS Bank Ltd and MCB Bank Ltd respectively,
- ✓ Reduced average borrowing cost by approximately 1% from last financial year,
- ✓ According to liquidity enhancement plans for business strategies, the Institution has successfully negotiated with International Investors “Symbiotics Investment Company” and reserved PKR 157.5 million liquidity to manage more funds,
- ✓ The Institution has taken the “Micro Credit Guarantee Facility” – MCGF on the board of State Bank of Pakistan through reputable commercial banks and reserved PKR 100 million liquidity,
- ✓ Maintained track record of timely payment to institution’s finance partners, and
- ✓ Sustained the Capital Adequacy Ratio at respectable levels.
- ✓ The sourcing through Banks networks helped improve funds management as well as reduced the overall cost of transactions,
- ✓ Completed fresh funding of term loans from PMIC, MCGF, Symbiotics, JS Bank Ltd and MCB Bank Ltd to increase overall liquidity reserves,

Source of Funds

The Institution made partnership with national and international investment companies and institutions that have given multiple opportunities to make more growth in loan distribution and outreach penetration with increased human resource.

The below given pie chart shows the ratio of received funds from multiple donors and investors that helped cater the funding needs for the alleviation of poverty in the accordance of its vision mission and social goals.

Sources of Funds



Strategic Business Plan 2015 – 2019

Strategic business plan and way forward

Based on institutional assessment of SSF, analysis of its loan portfolio / NPLs and above mentioned outlook for the microfinance sector, the overall strategy / plan of SSF has been developed with the aim to:

- ✓ Increase SSF's penetration / outreach to further pursue its mission of to be a leader in eradication of poverty through political and socio-economic empowerment of communities in the region on sustainable basis.
- ✓ Increase opportunities by expanding outreach both in the rural/urban areas of Sindh province. This will help in mitigating the concentration risks (both in terms of geography and loan products).
- ✓ The above enhancement would require SSF to introduce new products and entering into new districts in order to increase its outreach and client base.
- ✓ These target areas will be steadily increased to cover more adjoining districts across lower and central Sindh.
- ✓ Improve profit margins of the SSF by reducing direct and overhead costs and better cash management system.
- ✓ The new initiatives planned to achieve the objectives of the strategic plan are discussed in detail below.

Future Growth and Expansion (by branches)

In line with the strategic direction, diversification strategy of achieving higher client base, increased operational sustainability and mitigating operational risk, outreach of the existing branches will be increased and new main and settlement branches will be opened in existing and some new districts. At present, SSF is operating through a network of 27 branches, in the following four districts:

- ✓ Matiari
- ✓ Nawabshah
- ✓ Hyderabad

The following new districts are recommended to open new branches:

- ✓ Mirpurkhas
- ✓ Noshhero Feroz
- ✓ Thatta
- ✓ Tando Allahyar
- ✓ Badin
- ✓ Jamshoro
- ✓ Tando Muhammad Khan
- ✓ Umar Kot

Above mentioned districts have been recommended considering following key factors:

- ✓ Proximity of prospective districts to SSF operations in the existing districts;
- ✓ Economic activity in the area when compared to other districts of Sindh;
- ✓ Current MFI activity of competitors i.e. number of branches, number of active borrowers, and gross loan portfolio in the area.

Based on the analysis of expansion, potential in the proposed Strategic Business Plan, below given year wise branch expansion plan is recommended for the consideration:

Branch Type	Year 1	Year 2	Year 3	Year 4	Year 5
Main Branch	-	4	4	4	4
Settlement Branch	1	3	3	3	3
Loan Centres	6	-	-	-	-

Basis of year wise expansion plan

- ✓ Access to additional funding to establish and operate new branches and increasing the client base each year.
- ✓ Opening of 4 new loan Centres in district Sanghar and Thatta in relation to PMIFL project.
- ✓ One settlement branch in year 1
- ✓ Four main and three settlement branches in year 2 and 3 respectively in the new proposed districts.
- ✓ Four main and three settlement branches in year 4 and 5 in the new districts with the analysis of maximum penetration during previous years.

Products and Services

In line with the strategic direction, diversification strategy of achieving higher client base and increased operational sustainability; SSF shall consider to introduce new products and changes to the terms and conditions, currently being offered to the customers.

SSF is increasingly focused on financial sustainability in the long run and is looking towards a number of options, including market segmentation and product diversification.

As a mean of achieving its long term goals; SSF shall consider introduction of “Asset backed Loan Financing” to Micro Enterprise (MSE) and / or startup businesses as a new product for addition into the existing products and services portfolio.

Further, to increase the client base SSF shall consider altering the terms and conditions of the existing products. In lieu of the future strategy and focus of SSF the following recommendations have been considered:

- A. Launch Asset Backed Loan Financing products for Micro Enterprises (MSEs),
- B. Revisit the terms and conditions of its existing products in the light of current market and competitor analysis,
- C. Strategically align themselves with a commercial bank to develop a voluntary saving program, and
- D. Promote savings with the clients.

Chapter 04

Institution's Financial Statements

Stand Alone Statement

The year 2017 has been a year of progress on many fronts from a risk and compliance prospective. We are pleased to state that, our Institution is on the way to attainment within growing tendency of overall progress. Our Institution has achieved benchmark over the key indicators – the Institution's assets, portfolio & equity is increased over 50.32%, 26% and 52% respectively comparing to the last year. The Institution's income stands at Rs. 94 million in 2017, and OSS is recorded at 142%. Hence, Portfolio at Risk remained reduced that is 1.1% in year 2017.

Overall, the Institution has assayed hard to achieve the landmarks and succeeded eventually. Apart, the Institution has opened new windows of funding that include international and national. In the fiscal year 2017, international donors i.e. BOPA, Symbiotics Investment Companies approached the Institution and conducted due diligence visits for the maturity of partnership. Among all Symbiotics deal is matured and funds of amount Rs. 157.5 million are received successfully. However, a number of other investment companies are in process of coordination and they have revealed their positive sign to invest in the Institution. So far, we've achieved these milestones that are biggest success of the year.

However, we have attracted national commercial credit lines for funding and currently we are entitled with running finance of JS, MCB along with MCGF facility with the support of State Bank of Pakistan. Henceforth, we have added comprehensive outlook of Balance Sheet and Income Statement which are given below for a complete review for the readers..!

Overview of Balance Sheet

In current year total assets stands at Rs. 1,643 million and it has increased by 50.32% as compared to last year. Total assets are further elaborated into current and noncurrent assets. The current assets of SSF mainly comprise of cash and bank balance, gross loan portfolio, grants and other receivables along with accrued services charges.

The current assets have increased by 56% as compared to 2016. The overall increase is due to increase in loan portfolio and short term investments during the year. The loan loss reserve amounts to Rs. 44.4 million during the year 2017 which stands at 5% of gross loan portfolio. Total current assets stands at Rs. 1,533 million and 985.6 million in 2017 and 2016 respectively.

The proportion of non-current assets as compared to the total assets of SSF is 7% and it has been decreased with 3% as compared with last year. The long term assets include land, buildings, fixtures, furnishings, equipment and vehicles. Total non-current assets stands at Rs. 110.2 million and 107.4 million in 2017 and 2016 accordingly.

Total Liability has increased with 62% as compared to last year hence it stands at Rs. 1,185 million and 728.6 million in 2017 and 2016 respectively, which indicates the increase in short terms liabilities mainly loan payable to Pakistan Microfinance Investment Company (PMIC) and Symbiotics with an amount of Rs. 350 million and 157 million.

The current liabilities amount to Rs 1,039 Million and long term liabilities amounting to Rs 146 Million as at June 30, 2017. Net assets are raised with 52% as compared to last year and it stands at Rs. 433 million and 284 million in 2017 and 2016 subsequently, this boom is mainly because of control received over endowment fund of amount 54 million.

Overview of the Income statement

During the year, SSF has made a net profit of Rs. 94 million and 67.1 million in the year 2017 and 2016. SSF has fewer sources of income which primarily includes income from lending, grant income, donations received and interest income earned on savings. Total income in current year stands at Rs. 318million.

Further income from operation contributes Rs. 284.6 million, Grant income contributes Rs. 16.1 million and other income contributes Rs. 17.6 million accordingly, hence, income from operations and grant income are increased 32% and 16 % accordingly,whereof, other income is reduced by 18% as compared to last year.

In current year total expense stands at Rs. 224.2 million which are increased by 21.8 % as compared to last year. Interest expense paid during the year amounts to Rs. 62.8 million and is the markup paid to PPAF, PMIC and JS bank on its subsidized lending to the company.

This expense has increased by 28.5% in the current financial year as compared to Rs. 48.9 million for the last year. It has increased because of increased national and international credit lines i.e. PMIC and Symbiotics Limited. In this financial year, the operating expenses of the company have shown an increase of 25% as compared to the last year.

The major increase is contributed by the general and administrative expenses including vehicle maintenance, fuel cost, and rent of office premises for all 37 branches along with salaries and other benefits provided to the employees. Loan loss reserve charged for the year is Rs. 12.2 million and it has reduced with 16.8% as compared to last year, major decrease is because of reducing amount of write-off i.e. Rs. 2.6 million and 5.5 million in the year 2017 and 2016 accordingly.





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INDEPENDENT AUDITORS' REPORT TO THE BOARD

We have audited the annexed balance sheet of **SAFCO Support Foundation** (the Company) / (the Company) as at June 30, 2017 and the related income statement, cash flow statement and statement of changes in funds together with notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statement. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion:
 - i. the balance sheet and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;
- c. In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income statement, cash flow statement of changes in funds together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the surplus, cash flows and changes in fund for the year then ended; and;
- d. In our opinion, no zakat was deductible at source under the zakat and Ushr Ordinance, 1980.

Chartered Accountants
Engagement Partner:
Mushtaq Ali Hirani
Date: October 01, 2017
Karachi

**Institution's
Financial Statements**

→ Balance Sheet

Safco Support Foundation Income Statement For the Year Ended June 30, 2017

		2017	2016
	Note	-----Rupees-----	
ASSETS			
Non-current assets			
Property and equipment	4	108,178,082	105,573,217
Intangible assets	5	1	1
Security deposits	6	2,065,000	1,915,000
		110,243,083	107,488,218
Current assets			
Investments	7	213,258,050	144,200,000
Micro credit loan portfolio	8	914,903,995	724,666,225
Accrued service charges	9	17,657,981	14,576,793
Short term loans	10	8,761,764	4,505,208
Advances and prepayments	11	2,598,025	2,867,047
Other receivables	12	5,221,024	3,363,163
Grant receivable from a donor	13	15,810,659	8,000,000
Cash and bank balances	14	354,993,752	83,452,218
		1,533,205,250	985,630,654
Total assets		<u>1,543,448,333</u>	<u>1,093,118,872</u>
ACCUMULATED FUNDS AND LIABILITIES			
Unrestricted			
Accumulated fund		432,968,565	284,436,437
Restricted			
Endowment fund	15	-	54,000,000
		432,968,565	338,436,437
Surplus on revaluation of property		25,571,757	26,040,128
Non-current liabilities			
Deferred grant for fixed assets - restricted	16	1,597,275	1,957,914
Liabilities against assets subject to finance lease	17	327,950	650,576
Revolving fund	18	144,000,000	144,000,000
		145,925,225	146,608,490
Current liabilities			
Loan from donors	19	837,404,808	429,179,144
Short term running finances	20	158,963,902	114,255,623
Accrued service charges	21	13,509,935	13,063,601
Current portion of liabilities against assets subject to finance lease	17	207,839	600,052
Emergency fund	22	8,288,060	10,387,225
Deferred grant for operations - restricted	23	2,885,938	2,885,938
Accrued and other liabilities	24	17,722,304	11,657,184
		1,038,982,786	582,033,767
Contingencies and commitments	25		
Total accumulated funds and liabilities		<u>1,643,448,333</u>	<u>1,093,118,872</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.


Chief Executive Officer


Director


Chief Accountant

Safco Support Foundation – Income Statement For the Year Ended June 30, 2017

		Unrestricted	Restricted Deferred grant for fixed assets	2017	2016
	Note	Rupees			
INCOME					
Service charges earned	26	284,631,844	-	284,631,844	21,554,571
Service charges expensed	27	(62,857,713)	-	(62,857,713)	(48,903,524)
Net service charges income		221,774,131	-	221,774,131	166,642,188
Provision against losses for the year	8.5,8.6 & 8.7	(12,284,665)	-	(12,284,665)	(14,763,725)
Net service charges income after loan losses provision		209,489,466	-	209,489,466	151,878,463
EXPENDITURE					
Administrative and general expenses	28	(149,280,357)	-	(149,280,357)	(120,368,707)
Net profit from operations		60,209,109	-	60,209,109	31,509,756
Other income	29	17,683,300	-	17,683,300	21,669,189
Grant income	30	15,810,659	360,639	16,171,298	13,998,641
Surplus for the year before taxation		93,703,068	360,639	94,063,707	67,177,586
Taxation		-	-	-	-
Surplus after taxation		93,703,068	360,639	94,063,707	67,177,586
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year		93,703,608	360,639	94,063,707	67,177,586

The annexed notes from 1 to 38 form an integral part of these financial statements


 Chief Executive Officer


 Director


 Chief Accountant

**Institution's
Financial Statements**
**→ Cash Flow
Statements**

SAFCO SUPPORT FOUNDATION CASH FLOW STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017Rupees.....	2016
CASH FLOWS OPERATING ACTIVITIES			
Surplus for the year		94,063,707	67,177,586
Adjustments for			
Depreciation	4	3,427,332	3,594,815
Amortization	5	-	456,853
Exchange Loss	29	525,000	
Grant for operations – realized – restricted	30	(360,639)	(963,962)
Deferred grant realized	30	(15,810,660)	(13,034,679)
Income on term deposit certificates	29	(7,979,698)	(8,669,800)
Gain on disposal of vehicles	29	(341,151)	(464,343)
Gain on disposal of investment	29	-	(1,487,816)
Emergency funds fee realized	22	(11,839,415)	(4,420,780)
Provision against loan losses for the year	8.5.8.6 & 8.7	12,284,665	14,763,725
		<u>73,969,141</u>	<u>56,951,599</u>
(Increase) / decrease in operating assets			
Micro credit loans portfolio		(202,522,435)	(253,346,239)
Accrued service charges		(3,081,188)	(4,688,495)
Short term loans		(4,256,556)	(1,773,194)
Advance and prepayments		269,022	(1,808,228)
Other receivables		(3,666,695)	(49,575)
Grant receivable from a donor		-	28,000
		<u>(213,257,852)</u>	<u>(261,637,731)</u>
(Decrease) / increase in operating liabilities			
Accrued service charges		441,334	2,093,635
Accrued and other liabilities		6,065,120	4,369,658
Grant received (PMIFL)		8,000,000	3,046,400
Grant received (PPAF III CB)		-	270,000
Emergency fund received – net		9,740,250	7,260,175
Income on term deposit receipts received		9,788,532	12,106,657
Net cash used in operating activities		<u>(105,253,475)</u>	<u>(175,539,607)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		1,183,000	883,002
Property and equipment acquired		(6,874,044)	(3,555,790)
Payment of security deposits		(150,000)	(55,000)
Purchase of investments		(279,256,851)	(236,781,832)
Proceeds from sale of investments		210,198,800	214,204,677

**Institution's
Financial Statements**

→ **Cash Flow
Statements**

CASH FLOWS FROM FINANCING ACTIVITIES

	Note	2017Rupees.....	2016
Repayment of loan to donors	19	(493,319,336)	(596,487,041)
Proceeds of loan from donors	19	901,020,000	765,360,000
Proceeds from PMIFL as revolving fund	18	-	24,320,000
Finance lease repaid		(714,840)	(519,714)
Net cash generated from financing activities		406,985,824	192,673,245
Net increase in cash and cash equivalents		226,833,255	(8,171,305)
Cash and cash equivalents at beginning of the year		(30,803,405)	(22,632,100)
Cash and cash equivalents at end of the year		196,029,850	(30,803,405)
Cash and cash equivalents	14	354,993,752	83,452,218
Cash and bank balances	20	(158,963,902)	(114,255,623)
Short term running finance		196,029,850	(30,803,405)

The annexed notes from 1 to 38 form an integral part of these financial statements


Chief Executive Officer


Director


Chief Accountant



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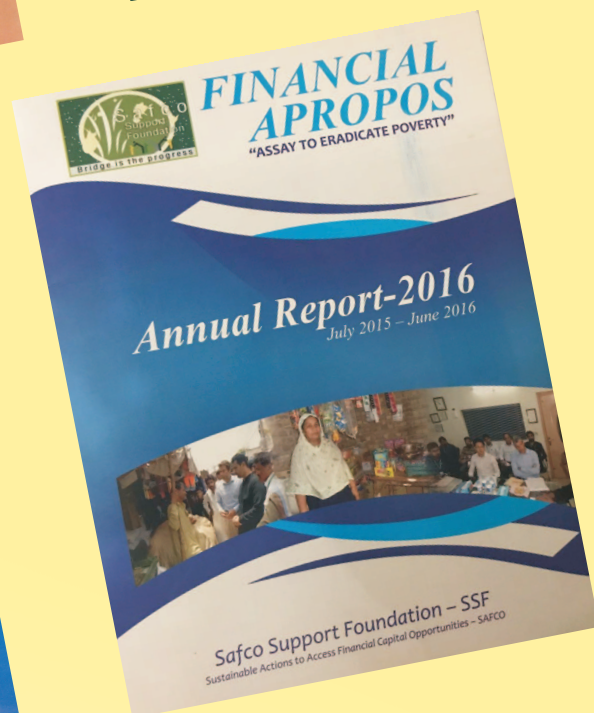
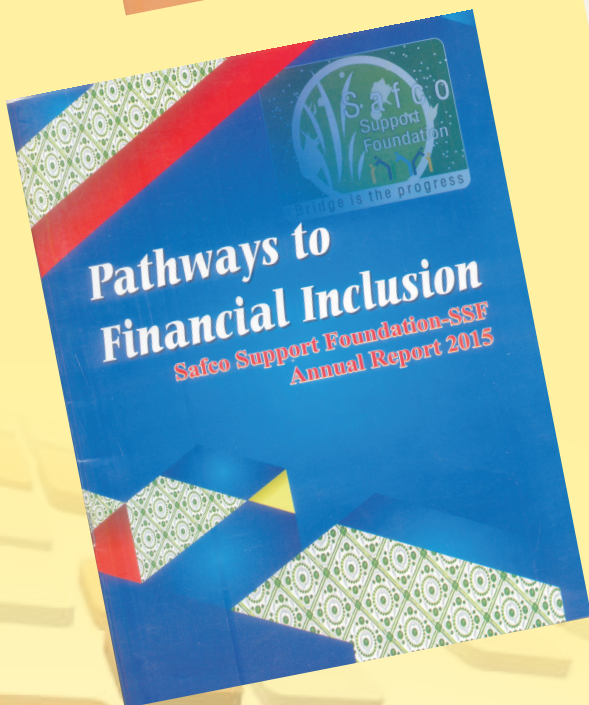
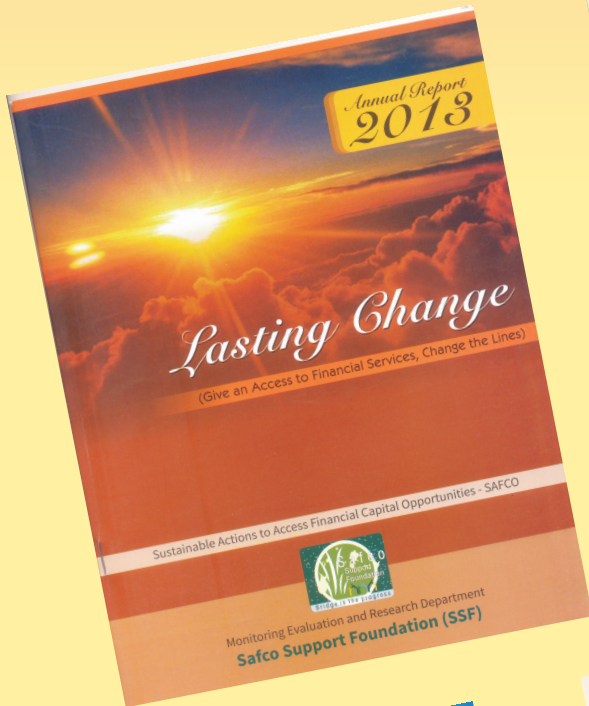
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Author: Safco Support Foundation Monitoring Evaluation & Research Department

A Year Accomplished with Growth & Innovation

Annual Report 2017



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