

SAFCO Support Foundation

Financial Statements
For the year ended June 30, 2020

INDEPENDENT AUDITOR'S REPORT

To the members of **SAFCO Support Foundation** Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **SAFCO Support Foundation** (the Foundation), which comprise the statement of financial position as at June 30, 2020, and the income and expenditure and comprehensive income statement, the statement of changes in funds, cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, income and expenditure and comprehensive income statement, the statement of changes in funds and cash flows statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Foundation's affairs as at June 30, 2020 and of the surplus and comprehensive income, the changes in funds and its cash flows for the year then ended.

Basis for Opinion

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

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

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

The annual report is expected to be made available to us after the date of this audit's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of Directors are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Foundation as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the income and expenditure and comprehensive income statement, the statement of changes in funds and cash flows statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Foundation's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.


Chartered Accountants

Place: Karachi

Date: 27 OCT 2020

SAFCO SUPPORT FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 Rupees	2019
Assets			
Non current assets			
Property and equipment	4	122,104,360	127,479,317
Right of use assets	5	38,397,485	-
Intangible assets		1	1
Security deposits	6	2,028,000	2,865,000
Long term loans	7	24,529,475	32,440,398
Loan to enterprises	13	1,145,846	5,078,327
		<u>188,205,167</u>	<u>167,863,043</u>
Current assets			
Investments	8	209,700,000	350,000,000
Micro credit loan portfolio	9	2,069,304,042	2,282,224,231
Accrued financial charges		145,160,785	45,246,137
Current maturity of long term loans	7	17,953,191	6,042,217
Advances and prepayments	10	3,463,651	6,877,839
Other receivables	11	19,858,472	84,167,333
Grant receivable from donor	12	5,635,507	218,305
Current maturity of loan to enterprises	13	1,967,490	1,903,332
Cash and bank balances	14	863,144,973	426,694,037
		<u>3,336,178,111</u>	<u>3,203,373,431</u>
Total assets		<u>3,524,383,277</u>	<u>3,371,236,474</u>
Accumulated funds and liabilities			
Funds and surplus			
Accumulated fund		712,007,861	615,639,556
Endowment fund - restricted		6,125,014	-
Surplus on revaluation of property - capital reserve		28,986,282	29,396,031
		<u>747,119,157</u>	<u>645,035,587</u>
Liabilities			
Non-current liabilities			
Deferred grant for fixed assets - restricted	15	734,769	891,845
Lease liabilities	16	33,997,661	-
Revolving fund	17	118,531,914	118,531,914
Loan from donors - secured	18	1,640,582,500	1,082,816,000
		<u>1,793,846,844</u>	<u>1,202,239,759</u>
Current liabilities			
Current portion of deferred grant for fixed assets - restricted	15	157,076	215,416
Current portion of loan from donors - secured	18	709,302,500	960,739,000
Current portion of lease liabilities	16	9,688,995	-
Current portion of liabilities against assets subject lease		-	87,984
Running finances - secured	19	145,000,000	459,200,000
Accrued financial charges	20	90,610,636	70,587,951
Emergency fund	21	19,800,502	24,532,189
Deferred grant for operations - restricted	22	-	1,314,530
Accrued and other liabilities	23	8,857,567	7,284,058
		<u>983,417,276</u>	<u>1,523,961,128</u>
Contingencies and commitments	24		
Total accumulated funds and liabilities		<u>3,524,383,277</u>	<u>3,371,236,474</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

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Chief Executive Officer

Director

Chief Accountant

SAFCO SUPPORT FOUNDATION
INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020

		2020			2019		
		Unrestricted	Restricted deferred grant for fixed assets	Total	Unrestricted	Restricted deferred grant for fixed assets	Total
Note		Rupees					
Financial income earned	25	822,731,482	-	822,731,482	674,764,547	-	674,764,547
Financial charges expensed	26	(329,197,537)	-	(329,197,537)	(228,485,394)	-	(228,485,394)
Net financial charges income		493,533,945	-	493,533,945	446,279,153	-	446,279,153
Provision against loan losses for the year	9.4.1	(56,915,732)	-	(56,915,732)	(54,499,137)	-	(54,499,137)
Net financial charges income after loan losses provision		436,618,213	-	436,618,213	391,780,016	-	391,780,016
EXPENDITURE							
Operational expenses	27	(314,067,149)	-	(314,067,149)	(297,574,340)	-	(297,574,340)
Administrative expenses	28	(58,461,406)	-	(58,461,406)	(37,638,116)	-	(37,638,116)
Net surplus from operations		64,089,658	-	64,089,658	56,567,560	-	56,567,560
Other income	29	16,034,839	-	16,034,839	31,391,793	-	31,391,793
Grant income	30	21,743,657	215,416	21,959,073	10,783,781	2,568,595	13,352,376
Surplus for the year before taxation		101,868,154	215,416	102,083,570	98,743,134	2,568,595	101,311,729
Taxation	32	-	-	-	-	-	-
Surplus for the year after taxation		101,868,154	215,416	102,083,570	98,743,134	2,568,595	101,311,729
Other comprehensive Income for the year							
Surplus on revaluation of property		-	-	-	-	-	-
Total comprehensive income for the year		101,868,154	215,416	102,083,570	98,743,134	2,568,595	101,311,729

The annexed notes from 1 to 40 form an integral part of these financial statements.

Bvz

Chief Executive Officer

Director

Chief Accountant

SAFCO SUPPORT FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	Revenue reserve / Unrestricted Accumulated fund	Restricted deferred grant for fixed assets	Restricted Endowment fund	Capital reserve Revaluation surplus on property	Total
	Rupees				
Balance as at June 30, 2018	512,736,372	1,162,058	-	29,825,428	543,723,858
Total comprehensive income for the year end June 30, 2019					
-Surplus for the year after taxation	98,743,134	2,568,595	-	-	101,311,729
-Other comprehensive income	-	-	-	-	-
	98,743,134	2,568,595	-	-	101,311,729
Incremental depreciation on revaluation of property	429,397	-	-	(429,397)	-
Balance as at June 30, 2019	611,908,903	3,730,653	-	29,396,031	645,035,587
Total comprehensive income for the year end June 30, 2020					
-Surplus for the year after taxation	101,868,154	215,416	-	-	102,083,570
-Other comprehensive income	-	-	-	-	-
	101,868,154	215,416	-	-	102,083,570
Incremental depreciation on revaluation of property	409,749	-	-	(409,749)	-
Endowment fund contribution	(6,125,014)	-	6,125,014	-	-
Balance as at June 30, 2020	708,061,791	3,946,069	6,125,014	28,986,282	747,119,157

The annexed notes from 1 to 40 form an integral part of these financial statements.

BY

Chief Executive Officer

Director

Chief Accountant

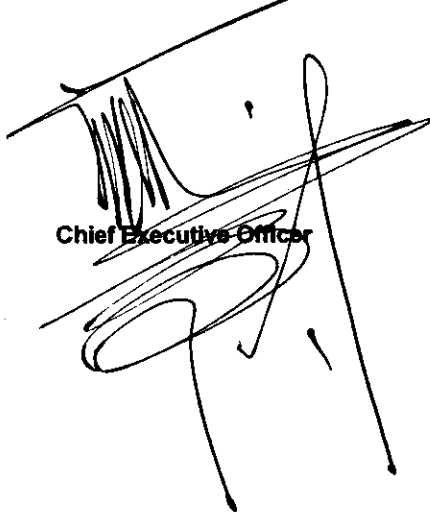
SAFCO SUPPORT FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year before taxation		102,083,570	101,311,729
Adjustments:			
Depreciation on property and equipment	4	6,996,708	7,422,004
Depreciation on right of use assets	5	12,441,987	-
Exchange loss	29	6,330,000	133,815,000
Finance cost on lease liability	28	7,915,795	-
Grant for operations - realized - restricted	30	(215,416)	(2,568,595)
Deferred grant realized	30	(21,743,657)	(10,783,781)
Income on term deposit certificates	29	(12,634,237)	(22,705,775)
Contribution to provident fund		-	(23,562,339)
Gain on disposal of property and equipment	29	(1,012,149)	(187,637)
Emergency fund fee realized	21	(24,343,487)	(21,054,300)
Provision against loan losses for the year	9.4.1	56,915,732	54,499,137
Interest on bank deposits	29	(51,268,589)	(28,284,199)
Staff loan written off		-	774,223
		81,466,257	188,675,467
(Increase) / decrease in current assets			
Micro credit loans portfolio - unsecured		156,004,457	(894,002,791)
Micro credit loans to enterprises - unsecured		3,878,323	(4,625,002)
Accrued financial charges		(99,914,648)	(19,124,628)
Long term loans		(4,000,051)	(9,987,820)
Advances and prepayments		3,414,188	(2,046,153)
Other receivables		64,212,422	(39,729,444)
		123,594,691	(969,515,838)
Increase / (decrease) in current liabilities			
Accrued and other liabilities		1,573,509	(18,353,386)
Accrued financial charges		20,022,685	39,786,340
Employee benefit paid-provident fund		-	23,562,339
		21,596,194	44,995,293
Grant for operations - realized - restricted received		(1,314,530)	1,308,593
Grant received (PMIFL)		16,326,455	26,422,744
Income on term deposit receipts received		12,730,676	13,634,157
Interest on bank deposits received		51,268,589	28,284,199
Net cash generated / (used) in operating activities		305,668,332	(666,195,385)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment	4	3,903,677	758,200
Property and equipment acquired		(4,513,278)	(13,863,422)
Payment of security deposits		837,000	(355,000)
Purchase of investments		(234,700,000)	(465,000,000)
Repayment of lease liability		(15,068,611)	-
Proceeds from sale of investments		375,000,000	397,113,390
Net cash generated / (used) in investing activities		125,458,787	(81,346,832)

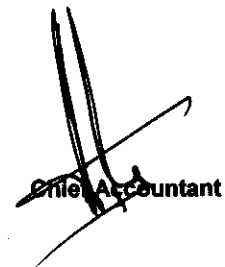
	2020	2019
Note	Rupees	
18	(750,000,000)	(637,268,086)
18	1,050,000,000	1,017,845,000
	19,611,800	28,949,990
	(87,984)	(239,965)
	319,523,816	409,286,939
	750,650,936	(338,255,278)
	(32,505,963)	305,749,315
14 & 19	718,144,973	(32,505,963)
14	863,144,973	426,694,037
19	(145,000,000)	(459,200,000)
	718,144,973	(32,505,963)

The annexed notes from 1 to 40 form an integral part of these financial statements.

By


Chief Executive Officer


Director


Chief Accountant

SAFCO SUPPORT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. STATUS AND NATURE OF OPERATIONS

- 1.1 SAFCO Support Foundation (SSF) "the Foundation" was incorporated in Pakistan on May 28, 2009 as a public company limited by guarantee and not having share capital under section 42 of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). SSF is engaged in programmes for poverty alleviation through capacity building of SSF and communities and through providing micro credits to groups and individuals for income generating activities. The operations are primarily funded through microfinance loans and grants received from Pakistan Poverty Alleviation Fund (PPAF). However, SSF also revolves its surplus for the purpose of microfinance loans under self financed project named "Revolving Fund".

On September 02, 2016, the Foundation has obtained license to carry out 'Investment Finance Services' under Rule 5 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O 1002 (I)/(2015) (NBFC Rules). The license is obtained as required by NBFC Regulations amended vide SRO 1160 (I)/2015 requiring all entities carrying out micro finance business to apply for grant of license of Non Banking Microfinance Company (NBMFC). During the year the license was renewed for a period of three years w.e.f September 2, 2019 which is renewable every three years as specified by the rules

- 1.2 SSF is providing services in rural as well as in urban areas of Sindh province and is currently operational in jurisdictions of cities of Sindh province through a network of 50 (2019: 49) branches.

Following are the geographical locations and addresses of the Foundation:

Registered office

H # C-415/416, Behind Byco Petrol Pump, Phase-I, Qasimabad, Hyderabad.

Building-ware house

Shahdadpur co-operative housing society, shahdadpur.

Lease hold land-ware house

HDA housing scheme Phase-I, Qasimabad, Hyderabad.

Branches

S #	City	Address
1	Shahdadpur	Near Mehran Petrol Pump Opposite Javed Saleem Bus Stand Shahdadpur Dist. Sanghar
2	Tando Adam	818 Juman Shah Road, Near Khosa Library Tando Adam Dist. Sanghar
3	Bhit Shah	Plot. Farm II Dakhla No. 244, Muhallah Shaikh Bhit Shah
4	Nawabshah	H/No 32 Waqar House Near Gulshan School, Housing Society Nawabshah
5	Sakrand	Near ZTBL Bank Azeem Colony, Sakrand Dist. Shaheed Benazirabad
6	Shahpur Chakar	Allahyar Town Stop, Nawabshah Road Opposite Hascol Pump Shahpur Chakar Dist. Sanghar
7	Sanghar	H/No A-4 Housing Society District Sanghar
8	Jhol	Fida Manzil Shahdadpur Road Jhol District Sanghar
9	Khipro	Near Old Roshan Tara School Khipro, District Sanghar
10	Sinjhoro	Ward # 04 Near Al-Khadim Medical Centre Sinjhoro
11	Matari	Plot# 59, Opp Water Supply Office Main Stop, Matari
12	Nasarpur	Main Bus Stop Near National Bank of Pakistan Nasarpur, District Tando Allahyar
13	Uderolal	Near Eid Gah Shaheed Akbar Sahawal Chowk Uderolal Station, District Matari
14	Sarhari	Near Habib Bank Ward # 2 Sarhari Taluka Shahdadpur Dist. Sanghar
15	Berani	Near Makhah Masjid Berani Dist. Sanghar
16	Jam Sahib	Near MCB Bank Jam Sahib Dist. Shaheed Benazirabad
17	Saeedabad	Near MCB Bank Ltd. Saeedabad, Dist. Matari
18	Kandyari	Sadar Bazar Kandyari District Sanghar
19	Nauabad	Shahi Bazar Near Subhan Sweet Shop Nauabad District Sanghar
20	Tando Jam	Main Hyderabad Mirpurkhas Road Tando Jam District Hyderabad
21	Qazi Ahmed	Deran Road Near Sher Muhammad Unar Banglows Qazi Ahmed Dist. Shaheed Benazirabad
22	Daur	Near Alamdar Chowk Aliabad Mohallah Daur District Shaheed Benazirabad
23	Dolatpur	Main Road Opp. Govt. Boys High School Dolatpur Dist. Shaheed Benazirabad

S #	City	Address
24	Perumal	Building Haji Roshan Din Junejo Shahi Bazar Perumal District Sanghar
25	Hyderabad Rural	Gulshan-e-Rehmat Housing Scheme Opposite HASCOL Petrol Pump Phuleli Wah Hyderabad
26	Tando Allahyar	Opp: Wapda Grid Station Hyderabad Road Tando Allahyar
27	Kotri	Mohalla Malik Town Near Sikander Hieghts Kotri District Jamshoro
28	Chamber	Shahjahan Shopping Centre Near Utility Store Chamber District Tando Allahyar
29	Moro	Dodo Road Near Hascol Petrol Pum Opposite Hazoori Pir Memon Flats Moro Dist. Naushehro
30	Naushehro Feroz	Sindh Colony Near Girls Higher Secondry School, Jinnah Road Naushehro Feroze
31	Kandiaro	Bukhari Muhalla Ward# 8, Old Wapda Office Near Police Station, Kandiaro, Dist. Naushehro
32	Mehrabpur	First Floor Over Allied Bank Limited Main City Mehrabpur, Dist. Naushehro Feroze
33	Tando Muhammad Khan	Ward No. 11, Muhalla Grid Station, Near Sujawal Chowk, Tando Muhammad Khan
34	Baghan	Main Market Baghan City, UC Ketu Bander Dist. Thatta
35	Mirpurkhas	H # C-43 CS 864/74 Ward-A Adam Town Mirpurkhas
36	Garho	Near Al Shahbaz Rice Mill Main By Pass Garho Dist. Thatta
37	Mathoon Chanio	7-G Road Behind Sodha Flour Mill Khipro
38	Mirpur Sakro	Near Mehran Rice Mill Rehanabad Road Colony Mirpur Sakro Dist. Thatta
39	Bharya Road	Main Road, Near Habib Bank Limited, Bharya Road, Dist. Naushehro Feroze
40	Qasimabad	Plot Number 28, Opposite Ali Palace Banquet Hall, Phase-2 Qasimabad Hyderabad
41	Khyber	Akhund Centre Main Road Khyber Dist. Matyari
42	Moosa Khatyan	Near Gulab Clinic Opp: Rawal General Store Moosa Khatian
43	Hingorno Phuledyon	Soomra Colony Opp: Dhanak Health Center Hingorno
44	Warr Stop	Near Mehran Rice Mill Rehanabad Road Colony Mirpur Sakro Dist. Thatta
45	Ishaq Faqir Rajar	Khipro City Dist. Sanghar
46	Padidan	Ward # 11 MCB Street Muhallah Qadri Chowk Padiden
47	Jamshoro	Near MCB Bank Ltd, Bisimillah Center, Jamshoro
48	Mirwah Gorchani	Main Mirwah Road Near Utility Store Mirwah Gorchani
49	Digri	Opposite Meezan Bank Main Road Tando Ghulam Ali
50	Tharu Shah	Ward# 1 Near Kamran Faqeer Manjhut Road Nawabshah, Tharushah

1.3 SSF operates following projects and funds:

Projects relating to capacity building

Project name	Grant amount Rs. in million	Contractual Commencement date	Contractual Completion date
Social Safety Net	12.6	1-Dec-07	31-May-10
Social Safety Net	12.3	1-Oct-10	30-Sep-11
Program to Increase Sustainable Micro Finance (PRISM)	2.5	1-Oct-10	31-Mar-13
Microfinance Innovation Outreach Program (MIOP) Capacity	7.4	1-Oct-10	30-Sep-11
Microfinance Innovation Outreach Program (MIOP) CB Branchless	0.9	1-Apr-11	30-Sep-11
Program to Increase Sustainable Micro Finance (PRISM)	2.2	1-Oct-11	30-Sep-13
PRISM Endowment Fund	60	1-Apr-12	31-Mar-15
PRISM Endowment Fund	54	1-Mar-13	29-Feb-16
Financial Literacy for Branchless Banking	1.3	1-Oct-13	14-Jul-14
Risk Mitigation and Corporate Governance Training	0.5	1-Oct-13	30-Jun-14
Strategic Planning and Exposure Visit	0.7	1-Apr-14	31-Dec-14
Risk Management and Corporate Governance Training	0.3	1-Jan-15	30-Sep-15
Prime Minister Interest Free Loan (PMIFL) I	8	1-Jul-14	30-Jun-18
Prime Minister Interest Free Loan (PMIFL) II	6.4	1-Apr-15	31-Mar-19
Fundaeja Microfinance Center (Social Audit)	0.3	1-Dec-17	1-Jan-18
Livestock Stock Micro Insurance	0.8	1-Nov-17	30-Apr-18
Graduation Model	0.3	1-Nov-17	30-Apr-18
Enterprise Development Project	0.4	1-Jan-18	30-Jun-18
Prime Minister Interest Free Loan (PMIFL) I	8.0	1-Jul-14	30-Jun-18
Prime Minister Interest Free Loan (PMIFL) II	6.4	1-Apr-15	31-Mar-19
Enterprise Value Chain	6.9	1-Apr-19	31-Dec-19
Livestock Value Chain	2.5	1-Apr-19	31-Dec-19
PMIC-KFW Renewal Energy Initiative through Microfinance	2.6	1-Aug-19	30-Jun-20
Crop Productivity Enhancement Initiative (CPEI)	0.4	1-Aug-19	31-Dec-19
National Poverty Graduation program (NPGP)	12.4	1-Jan-20	31-Dec-23

Main objectives of these projects are as follows:

Social Safety Net

The purpose of ex projects were to graduate the ultra poor people and linking them with the conventional micro credit program.

Program to Increase Sustainable Micro Finance (PRISM)

The purpose of ex projects were to support IT based social audit. Further, the endowment fund amounts are given to the SSF for investment in fixed income securities / instruments publically traded in Pakistan with credit rating of at least A- and / or deposit with any scheduled commercial bank rated AA.

Microfinance Innovation Outreach Program (MIOP) Capacity Building

Under this project, Pakistan Poverty Alleviation Fund supported the operational expenses of Khyber, Nauabad and Moosakhatiyan branches established in 2011, which include cost of fixed assets and administrative cost.

Microfinance Innovation Outreach Program (MIOP) CB Branchless

Under this project branch less banking was focused to be incorporated in SSF, therefore, PPAF entered into an agreement with SSF to launch branchless banking program. SSF initiated the program in collaboration with Easy Paisa- through Telenor Microfinance Bank Limited . This project included operational cost and program cost.

Financial Literacy for Branchless Banking

It was supported under PPAF CB III and purpose of the project is to provide financial literacy and awareness regarding branchless banking among staff and community through training and workshops.

Risk Mitigation and Corporate Governance Training

This project was funded for corporate governance related to the training of board of directors.

Strategic Planning and Exposure Visit

Under this project, PPAF funded for exposure visit of staffs for development of business plan for the organization.

Risk Management and Corporate Governance Training

This project was founded for management's training to assess project risk and for Board's good corporate governance.

Fundaeja Microfinance Center (Social Audit)

This project was founded for social audit of the Foundation, it was supported by Fundaeja Microfinance center situated at ul.Noakowskiego.

Livestock Stock Micro Insurance

This project was funded by PMIC for livestock insurance of the clients.

Graduation Model

This project was funded by PMiC for capacity building of operations' staff.

Enterprise Development Project

This project was funded by PMIC for capacity building of operations' staff.

Prime Minister Interest Free Loan (PMIFL) I & II

PPAF with the association of Federal Govt of Pakistan has launched "Prime Minister Interest free loan (PMIFL) scheme" for the ultra poor who are below the poverty line according to the poverty score card data conducted by BISP.

Enterprise Value Chain

This project is funded from PMIC in order to enhance entrepreneurship and to enhance their skills related to business.

Livestock Value Chain

This project is funded from PMIC in order to enhance the skills of clients related to livestock.

PMIC-KFW Renewal Energy Initiative through Microfinance (PRIME)

This project is funded from PMIC in order to disburse solar loans against solar products

Crop Productivity Enhancement Initiative (CPEI)

This project is funded from PMIC in order to give trainings to clients.

National Poverty Graduation program (NPGP)

PPAF with the association of Federal Govt of Pakistan has launched "National Poverty Graduation program" for the ultra poor who are below the poverty line according to the poverty score card data conducted by BISP.

1.4 Projects relating to micro credit

Project name	Loan amount Rs. in million	Contractual commencement date	Contractual completion date
Pakistan Poverty Alleviation Fund (PPAF) Micro credit Phase IX	325	1-Oct-10	30-Jun-13
Pakistan Poverty Alleviation Fund Micro credit III	240	1-Oct-11	30-Sep-12
Pakistan Poverty Alleviation Fund Micro credit Phase X	160	1-Oct-11	30-Sep-12
Pakistan Poverty Alleviation Fund Phase II	287	1-Oct-12	30-Sep-13
Pakistan Poverty Alleviation Fund Phase XI	150	1-Oct-12	30-Sep-13
Pakistan Poverty Alleviation Fund Phase XII and Phase III	500	1-Oct-13	30-Sep-13
Pakistan Poverty Alleviation Fund Prime Minister Interest Free Loan	80	1-Jul-14	30-Jun-18
Pakistan Poverty Alleviation Fund Credit Enhancement Facility	100	1-Oct-14	30-Sep-16
Pakistan Poverty Alleviation Fund Micro credit Phase XIII	700	1-Oct-14	30-Sep-16
Pakistan Poverty Alleviation Fund Prime Minister Interest Free Loan	64	1-Apr-15	31-Mar-19
Pakistan Poverty Alleviation Fund Micro credit Phase XIV	765	1-Jan-16	31-Dec-16
Pakistan Microfinance Investment Company (PMIC)	800	1-Apr-17	31-Mar-20
Symbiotic	155	18-Apr-17	18-Apr-19
Pakistan Microfinance Investment Company	2250	1-Apr-18	31-Mar-22
Symbiotic	115	28-May-18	28-Nov-20
Triodos Investment Bank	217.8	18-Sep-18	14-Sep-21
MCB Bank Limited	145	1-Jul-18	31-Jul-19
United Bank Limited	98	13-Mar-18	13-Mar-19
United Bank Limited	78	18-Jul-18	18-Jul-19
JS bank Limited	150	18-Jul-18	18-Jul-19

Main objectives of micro credit projects are as follows:

- mobilize community groups for saving;
- provide credit to the poor specially women;
- accelerate economic development through local investment;
- create job opportunities;
- train potential entrepreneurs for managerial and technical skills; and
- interest free micro finance sub - loans

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting standards for Not for Profit Organizations (Accounting Standards for NPOs) issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except certain properties measured at revalued amount less accumulated depreciation.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Foundation's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenditures. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are provision against micro credit loans (refer note 3.2), revaluation of property, useful life and impairment of fixed assets (refer note 3.3) and provisions (refer note 3.10)

2.5 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2020

2.5.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations are either not relevant to the Foundation's operations or are not expected to have significant impact on the Foundation's financial statements other than certain additional disclosures except for IFRS 16 (refer note 2.5.3).

**Effective from accounting period
beginning on or after**

IFRS 16 Leases, this standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.

January 1, 2019

IFRS 14 – Regulatory Deferral Accounts - IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016. However, SECP has adopted from July 01, 2019.

July 1, 2019

	Effective from accounting period beginning on or after
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

2.5.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Foundation's operations or are not expected to have significant impact on the Foundation's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 1, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 1, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 1, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 1, 2022

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

Moreover, IFRS 9 has been adopted by SECP through SRO 1007(I)/2017 however, SECP has deferred the applicability of IFRS 9 on Non Banking Finance Companies via notification S.R.O.273 (I)/2020 dated 30th March, 2020, modifying the applicable date for reporting period / year ending on or after June 30, 2021 with earlier application permitted.

2.5.3 Impact of initial application of IFRS 16 Leases

IFRS 16 Leases replaced IAS 17 Leases, the former lease accounting standard and became effective for periods beginning on or after January 01, 2019.

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 'Leases' and the related interpretations.

Impact on Lease Accounting

IFRS 16 will change how the Foundation accounts for leases previously classified as operating leases under IAS 17, which were off-statement of financial position.

On initial application of IFRS 16, for all leases (except as noted below), the Foundation has:

- a) Recognised right of use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognised depreciation on right of use assets and interest on lease liabilities in the income and expenditure and other comprehensive income statement;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right of use assets will be tested for impairment in accordance with IAS 36 'Impairment of Assets'. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Foundation will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Impact on Statement of Financial Position

Movement in right to use asset:

Adoption of IFRS 16 - July 01,2019	50,839,472
Depreciation for the year	12,441,988
Balance as at June 30, 2020	<u>38,397,484</u>

Movement in lease liability

Adoption of IFRS 16 - July 01, 2019	50,839,472
Unwinding of lease liability	7,913,410
Payments made during the year	(15,066,226)
Balance as at June 30, 2020	<u>43,686,656</u>

The total lease liability recognised as at June 30, 2020, of

Current lease liabilities	33,997,661
Non-current lease liabilities	9,688,995

Impact on income and expenditure for the year

(Increase) / decrease in profit:

Rent expense	15,066,226
Depreciation as per IFRS16	(12,441,988)
Interest expense as per IFRS16	(7,913,410)
Decrease in profit before tax	<u>(5,289,172)</u>

Had IFRS 16 not been applicable then the profit before tax for the year would have been increased by Rs.5,289,172 for the year as a result of adoption of IFRS 16.

2.6 Impact of COVID-19

These financial statements have been prepared on a going concern basis. Giving the global political and economic uncertainties resulting from the COVID-19 pandemic, the Foundation has seen volatility among its customers. The Foundation has already adopted the impact of the government's guidelines on lockdown, with its micro credit loan portfolio and its related service income which has affected the Foundation's business as follows

- i. The principal installments from the customers have been deferred/rescheduled as per the instruction issued by Securities & Exchange Commission of Pakistan (SECP) for NBMFC via letter ref SC/NBFC-81/2020-85 dated March 31, 2020. A total of 54,239 customers have been deferred and 1,136 customers have been rescheduled from a total of 91,357 customers. The portfolio deferred/rescheduled amounts to Rs.1,327,524,835 with the deferment period ranging from 1-6 months.
- ii. The SECP instructed the NBMFC to charge interest from the customers during the tenure deferred. SSF accrued income on the deferred period from its customers amounting to Rs.102 million which resulted in an overall increase in surplus.
- iii. The deferment of the principal installments resulted in a large number of customers being classified as 'Regular' with payments being overdue. This resulted in no specific provisioning charge for the year as per NBFC Regulations on 'over due' loans, whereas general provisioning percentage on other than PMIFL loans was increased from 5% to 7.5% that resulted in an overall provisioning charge for the year of Rs.56,915,732.
- iv. During the year, a number of employees' salaries were reduced by 10%.
- v. The deferment of the donor's loan installments resulted in an increase of markup expense during the year amounting to Rs.75.977 million

As a result, the Foundation believes that it is well placed to manage its financing and other significant risks satisfactorily and that the Foundation will be able to operate within the level of its facilities for the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash in transit, balances with banks and running finance.

3.2 Micro credit loans to customers

Loans are stated net of provision against loan losses, which is provided through income and expenditure and other comprehensive income statement. Specific provisioning is created on amounts overdue for 30 days or above as required by the NBFC Regulations 2008 in Schedule X (b) which is as follows:

Description	Reserve (Percentage of outstanding)
30-59 days overdue loans	0%
60-89 days overdue loans	25%
90-179 days overdue loans	50%
180-365 days or more overdue loans	100%

Write offs are made after three years from the date of loan disbursement.

General provision is maintained @ 2% of the gross loan portfolio of Prime Minister Interest Free Loan (PMIFL) and 7.5% of other than PMIFL loan portfolio as per requirement of donors. Provision is calculated after taking into account the write offs during the year.

Provision against loan losses for the year is charged at the higher of 'specific provisioning' and 'general provisioning'.

3.3 Property and equipment

3.3.1 Fixed assets

Property and equipment (except lease hold land, building office and warehouse on lease hold land) are stated at cost less accumulated depreciation and impairment loss, if any. Leasehold land and buildings are stated at revalued amount less accumulated depreciation and impairment loss, if any. Depreciation is charged to income by applying the reducing balance method on monthly basis at the rates specified in note 4. Depreciation is charged from the month in which an asset is available for use while no depreciation is charged from the month in which the asset is disposed off.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the SSF and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in income and expenditure and other comprehensive income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of fixed assets, if any, are taken to income and expenditure and other comprehensive income statement.

Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the reporting date. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on revaluation of property' shown as part of accumulated funds through other comprehensive income. The Foundation has adopted the following accounting treatment of depreciation on revalued assets.

- a) depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the income and expenditure and other comprehensive income statement; and

- b) an amount equal to incremental depreciation for the year net of deferred tax if any is transferred from "surplus on revaluation of property" to accumulated fund through statement of changes in fund balances to record realization of surplus to the extent of the incremental depreciation charge for the year.

3.3.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. Amortization is charged to income and expenditure and other comprehensive income statement applying the straight line method. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of 4 years.

3.4 Borrowing costs

Borrowing costs are charged to income and expenditure and other comprehensive income statement in the year to which they relate.

3.5 Accrued and other payables

These are stated at cost which is the fair value of consideration to be paid in future against goods and services received.

3.6 Grants - restricted

3.6.1 Deferred grant for operations

SSF records grants and donations for operations in the income and expenditure and other comprehensive income statement below the net surplus / deficit from operations. Grants and donations for periods beyond the current operating period are recorded under liabilities as deferred grant for operations. Grant is received by the Foundation against expenses incurred by them related to specific projects.

3.6.2 Deferred grant for fixed assets

Grants for fixed assets are recorded as deferred grants for fixed assets in the statement of financial position and an amount equal to the period's depreciation is transferred to income and expenditure and other comprehensive income statement over the useful life of the assets acquired.

3.7 Foreign currency

Foreign currency transactions are translated into Pak Rupees using the exchange rate prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies at year end are translated into Pak Rupees using the exchange rate at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date are included in income and expenditure and other comprehensive income statement.

3.8 Income recognition

Financial charges on micro credit loans are recognized in the income and expenditure and other comprehensive income statement income using the effective interest rate method. Financial charges are accrued on overdue loans for a period up to 30 days. After 30 days, overdue loans are classified as non-performing and further accrual of financial charges ceases. Accrued interest charges on non-performing loans are reversed.

Donations for unrestricted funds, processing fee and income on bank accounts and investments are recognized on accrual basis.

3.9 Financial charges expenses

Financial charges expense related to the long term loans from donors and loan from banks are charged to income and expenditure and other comprehensive income statement income as and when incurred.

3.10 Provisions

Provisions are recognized when there are legal or constructive obligations as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. These are reviewed at each reporting date to reflect current best estimates.

3.11 Leases

Lease liability and Right of use assets

At inception of a contract, the Foundation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized as a right of use assets and a corresponding liability at the date on which the leased asset is available for use by the Foundation.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Foundation's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Foundation is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Foundation's estimate of the amount expected to be payable under a residual value guarantee, or if the Foundation changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right of use assets, or is recorded in the income and expenditure and other comprehensive income statement if the carrying amount of right of use assets has been reduced to zero.

The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right of use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.12 Taxation

The Foundation is an approved non-profit organization under section 2(36)(c) of the Income Tax Ordinance, 2001. As per section 100C (2) of the Income Tax Ordinance, 2001, non-profit organizations shall be allowed a tax credit equal to one hundred per cent of the tax payable subject to the fulfillment of specified conditions. The management intends to avail a tax credit equal to 100% of the tax payable. Accordingly, no tax charge in the financial statements has been recorded in the financial statements.

3.13 Restricted funds

Fund generated by the Foundation either through donations or through fund raising events for a specific purpose are classified as restricted funds. Based on the restrictions made by management, these funds are only used for the purpose for which they were generated. The funds' balance is transferred to fixed asset or expenses, as appropriate, when the Foundation utilizes the funds for stated purposes.

3.14 Staff retirement benefits

SSF operates an approved defined contribution provident fund scheme for its permanent employees. Monthly deductions are made from the salaries of the employees at the rate of 3% to 5% of basic salary. The organization recognizes an equal charge in the income and expenditure and other comprehensive income statement. The accumulated amount has been recognized as a liability in the statement of financial position.

3.15 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence which indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the income and expenditure and other comprehensive income statement. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognized.

Non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized, as an expense in the income and expenditure and other comprehensive income statement. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized previously. Reversal of an impairment loss is recognized immediately in the income and expenditure and other comprehensive income statement.

3.16 Off-setting

Financial assets and financial liabilities are only set-off and the net amount is reported in the financial statements when there is a legally enforceable right to set-off and SSF intends to settle either on a net basis or realize the assets and settle the liabilities simultaneously.

3.17 Emergency fund

Emergency fund is charged @ 1% of the amount of loan disbursed to the borrower as a fee. In case of death of the borrower the emergency fund is utilized to repay the principal amount earlier recovered from loan and to settle outstanding balance of loan pertaining to dead borrower. Emergency fund against the loans fully recovered or written off at the end of reporting period are taken into income and expenditure and other comprehensive income statement.

3.18 Micro credit loans to enterprise

Loans are stated net of provision against loan losses, which is provided through income and expenditure and other comprehensive income statement.

3.19 Borrowings

Borrowings are recognised initially at fair value net of transaction costs and subsequently at amortised cost using the effective interest method

2020

2019

* Lease hold land and buildings on lease hold lands are carried at revalued amount.

	Note	2020 Rupees	2019
4.1 Depreciation allocation			
Operational expenses	27	5,412,531	6,437,927
Administration expenses	28	1,584,177	984,077
		<u>6,996,708</u>	<u>7,422,004</u>

- 4.2 Lease hold land and building thereon has been revalued on June 30, 2018 by a firm of independent valuer. Depreciated replacement value basis has been used for revaluation. Had there been no revaluation the related figures of land and buildings would have been as follows:

	Cost as at June 30, 2020	Accumulated depreciation as at June 30, 2020 (Rupees)	Written down value as at June 30, 2020
Lease hold land-office	4,454,200	-	4,454,200
Lease hold land-ware house	60,362,250	-	60,362,250
Building-office	2,150,000	1,246,109	903,891
Building-ware house	2,340,000	525,700	1,814,300
	<u>69,306,450</u>	<u>1,771,809</u>	<u>67,534,641</u>

	Cost as at June 30, 2019	Accumulated depreciation as at June 30, 2019 (Rupees)	Written down value as at June 30, 2019
Lease hold land-office	4,454,200	-	4,454,200
Lease hold land-ware house	60,362,250	-	60,362,250
Building-office	2,150,000	1,198,535	951,465
Building-ware house	2,340,000	430,210	1,909,790
	<u>69,306,450</u>	<u>1,628,745</u>	<u>67,677,705</u>

- 4.3 Depreciation charged during the year includes depreciation on assets which were transferred to SSF from MIOP CB and Social Safety Net project. An equivalent amount was transferred from deferred grant for fixed assets - Restricted (note 15) to grant income (note 30).

	2020 Rupees	2019
Depreciation		
MIOP CB	199,375	189,531
Social Safety Net	16,041	18,664
	<u>215,416</u>	<u>208,195</u>

- 4.4 Assets in the name of Sindh Agricultural Forestry Workers & Coordinating Organization (SAFWCO) an associated company

Description of assets	Nature of relationship	Ownership	Control / Possession	Written down value Rupees
Leasehold land	Associate Company	SAFWCO	SSF	12,401,230
Leasehold land	Associate Company	SAFWCO	SSF	12,087,000
Building	Associate Company	SAFWCO	SSF	8,688,574
Motor vehicle	Associate Company	SAFWCO	SSF	2,313,792

Management is in process to transfer these assets to the Foundation.

- 4.5 The forced sale value of land and buildings based on valuation conducted in June 2020 is Rs. 87.043 million.

			2020	2019
			Rupees	
5.	RIGHT OF USE ASSETS - BUILDINGS	Note		
	Cost as at July 1, 2019		50,839,472	-
	Cost as at June 30, 2020		50,839,472	-
	Depreciation for the year	5.2	12,441,987	-
	Accumulated depreciation as at June 30, 2020		12,441,987	-
	Net book value as at June 30, 2020		38,397,485	-
	Useful life (in years)		2 - 12	
5.1	These represent right of use assets recognized under IFRS-16 'Leases' for its 50 branch offices in Sindh, which the Foundation has acquired on rental basis.			
			2020	2019
			Rupees	
5.2	Depreciation allocation	Note		
	Operational expenses	27	10,584,285	-
	Administration expenses	28	1,857,702	-
			12,441,987	-
6.	SECURITY DEPOSITS			
	These primarily represent the amounts given to the landlords as security deposits for the premises of branch offices on rent.			
			2020	2019
			Rupees	
7.	LONG TERM LOANS	Note		
	Loan to employees	7.3	42,482,666	38,482,615
	Less: Current maturity of long term loans		(17,953,191)	(6,042,217)
			24,529,475	32,440,398
7.1	Reconciliation of carrying amount of long term loans is as follows;			
	Balance at July 1,		38,482,615	29,269,018
	Disbursements during the year		18,059,987	23,542,372
			56,542,602	52,811,390
	Less: Received during the year		(14,059,936)	(14,328,775)
			42,482,666	38,482,615
7.2	The rate of interest is charged as per management discretion ranging from 0% to 10% per annum.			
7.3	It includes Rs 18.25 million (2019: 19.3 million) given to the Managing Director of the Foundation which is secured against post dated cheques.			
8.	INVESTMENTS	Note	2020	2019
			Rupees	
	At amortised cost			
	Term deposit receipts	8.1	209,700,000	350,000,000
8.1	These represent Term Deposit Receipts (TDRs) held with various banks amounting to Rs. 209.7 million (2019: Rs 350 million). The rate of profit on these TDRs is ranging from 7.0% to 13.25% (2019: 6.0% to 9.80%) per annum. These TDRs will mature on various dates till June 15, 2021.			

9. MICRO CREDIT LOAN PORTFOLIO	Note	2020	2019
		Rupees	
Micro credit loan portfolio - PMIC	9.1	1,590,974,544	1,472,051,359
Micro credit loan portfolio - PMIFL	9.2	55,765,221	60,103,297
Micro credit loan portfolio - other than PMIFL & PMIC	9.3	597,775,725	876,005,270
Gross microcredit loan portfolio		2,244,515,490	2,408,159,926
Provision against loan losses		(164,604,680)	(118,295,716)
Loans written off		(10,606,768)	(7,639,979)
		2,069,304,042	2,282,224,231

9.1 Microcredit loan portfolio- PMIC

Note	2020		2019	
	Number	Rupees	Number	Rupees
Regular loans	56,892	1,557,503,934	57,034	1,464,799,591
Overdue loans	3,737	33,470,610	559	7,251,768
Gross portfolio	60,629	1,590,974,544	57,593	1,472,051,359
Provision against loan losses		(119,283,369)		(73,602,568)
Loans written off		(529,630)		-
Net portfolio		1,471,161,545		1,398,448,791

9.2 Microcredit loan portfolio- PMIFL

Note	2020		2019	
	Number	Rupees	Number	Rupees
Regular loans	3,244	55,765,221	4,043	60,103,297
Gross portfolio	3,244	55,765,221	4,043	60,103,297
Provision against loan losses		(1,068,536)		(1,153,521)
Loans written off		(2,338,424)		(2,427,250)
Net portfolio		52,358,261		56,522,526

9.3 Micro credit loan portfolio - other than PMIFL & PMIC

Note	2020		2019	
	Number	Rupees	Number	Rupees
Regular loans	24,671	575,978,185	40,392	864,123,280
Overdue loans	2,815	21,797,540	1,181	11,881,990
Gross portfolio	27,486	597,775,725	41,573	876,005,270
Provision against loan losses		(44,252,776)		(43,539,627)
Loans written off		(7,738,714)		(5,212,729)
Net portfolio		545,784,235		827,252,914

9.4 Overdue loans and related specific provision have been classified in the following categories:

	2020		2019	
	Number	Rupees	Number	Rupees
PMIC	3,737	33,470,610	559	7,251,768
Other than PMIC & PMIFL	2,815	21,797,540	1,181	11,881,990
	6,552	55,268,150	1,740	19,133,758

Classification	2020			
	Amount outstanding Rupees	Provision against loan losses required %	Provision against loan losses required Rupees	Provision against loan losses held Rupees
30-59 days overdue	714,930	0%	-	-
60-89 days overdue	1,565,701	25%	391,425	391,425
90-179 days overdue	20,037,165	50%	10,018,583	10,018,583
180-365 days or more	32,950,354	100%	32,950,354	32,950,354
	55,268,150		43,360,362	43,360,362

2019

Classification	Amount outstanding Rupees	Provision against loan losses required %	Provision against loan losses required Rupees	Provision against loan losses held Rupees
30-59 days overdue	3,658,556	0%	-	-
60-89 days overdue	1,476,752	25%	369,188	369,188
90-179 days overdue	1,339,526	50%	669,763	669,763
180-365 days or more	12,658,924	100%	12,658,924	12,658,924
	<u>19,133,758</u>		<u>13,697,875</u>	<u>13,697,875</u>

	Note	2020 Rupees	2019
9.4.1 General provision			
Opening balance		118,295,716	71,436,559
Charge for the year	9.5, 9.6 & 9.7	56,915,732	54,499,137
Amounts written-off against loan losses	9.1, 9.2 & 9.3	(10,606,768)	(7,639,980)
Closing balance		164,604,680	118,295,716
Less: specific provision	9.4	(43,360,362)	(13,697,875)
		<u>121,244,318</u>	<u>104,597,841</u>

9.4.2 General provision is maintained @ 2% of the gross loan portfolio of Prime Minister Interest Free Loan (PMIFL) and 7.5% of other than PMIFL loan portfolio as per requirement of donors. Provision against loan losses for the year is charged at the higher of 'specific provisioning' and 'general provisioning'. Provision is calculated after taking into account the write offs during the year.

	Note	2020 Rupees	2019
9.5 Provision against loan losses - PMIC			
Opening balance		73,602,568	45,182,628
Charge for the year		46,210,430	28,419,940
Amounts written-off against loan losses	9.1	(529,630)	-
Closing balance	9.1	<u>119,283,369</u>	<u>73,602,568</u>
9.6 Provision against loan losses - PMIFL			
Opening balance		1,153,521	2,879,248
Charge for the year		2,253,439	701,523
Amounts written-off against loan losses	9.2	(2,338,424)	(2,427,250)
Closing balance	9.2	<u>1,068,536</u>	<u>1,153,521</u>
9.7 Provision against loan losses - other than PMIFL & PMIC			
Opening balance		43,539,627	23,374,683
Charge for the year		8,451,863	25,377,673
Amounts written-off against loan losses	9.3	(7,738,714)	(5,212,729)
Closing balance	9.3	<u>44,252,776</u>	<u>43,539,627</u>

9.8 Deferment / Rescheduling during the year

During the year, the spread of pandemic caused financial difficulties on the part of the Foundation's customers which created hindrances in loan repayment installments. In view of the situation, the Securities & Exchange Commission of Pakistan (SECP) for NBMFC via letter ref SC/NBFC-81/2020-85 dated March 31, 2020 instructed deferment/rescheduling of customer loans. Acting upon the directives of SECP, below mentioned are the details of deferment / rescheduling as at June 30, 2020.

Donor	Not deferred	Deferred	Total	Not deferred	Deferred	Amount
	Number of customers			Amount in Rupees		
PMIC	22,716	37,913	60,629	654,217,044	936,227,870	1,590,444,914
PPAF	2,108	1,136	3,244	31,348,197	22,078,600	53,426,797
Other	12,296	15,190	27,486	220,818,646	369,218,365	590,037,011
	37,120	54,239	91,359	906,383,887	1,327,524,835	2,233,908,722

The deferment of the principal installments resulted in a large number of customers being classified as 'Regular' with payments being overdue. This resulted in no specific provisioning charge for the year as per NBFC Regulations on 'over due' loans, whereas general provisioning percentage on other than PMIFL loans was increased from 5% to 7.5% that resulted in an overall provisioning charge for the year of Rs.56,915,732.

9.9 Portfolio quality report

SSF's main measure of loan delinquency is an aged portfolio-at-risk ratio. Loans are separated into classes depending upon the number of days overdue. For each such class of loan, the outstanding principal balance of such loan is divided by the outstanding principal balance of the gross portfolio before deducting provision for loan losses and after deducting loans written off.

	2020		2019	
	Rupees	Portfolio at risk	Rupees	Portfolio at risk
30-59 days overdue	714,930	0.0%	3,658,556	0.0%
60-89 days overdue	1,565,701	0.1%	1,476,752	0.1%
90-179 days overdue	20,037,165	0.9%	1,339,526	0.1%
180-365 days or more	32,950,364	1.5%	12,658,924	0.5%
	55,268,150	2.5%	19,133,758	0.8%

During the year micro credit loans were disbursed relating to following products. Each product has same terms, conditions and financial charge rates as follows:

Product	Average term range (in months)	Interest rate (per annum)
Agriculture loan	3	23%
Enterprise loan	12	23%
Live stock loan	12	23%
Village banking loans	12	15%
Prime Minister Interest Free Loan	12	0%
Personal loan	15	26%
Small and medium entity loan	21	26%
Solar loan	21	23%

9.10 Current recovery ratio

Current recovery ratios are calculated and reported on a quarterly basis. The numerator of this ratio is total cash principal received during the reporting period. The denominator is the total loans falling due during the period along with the payments in arrears at the start of the period. Penalty interest is not included in the numerator or the denominator of the ratio.

Period	2020	2019
1st Quarter	97.92%	99.42%
2nd Quarter	97.96%	99.22%
3rd Quarter	97.05%	99.24%
4th Quarter	86.34%	98.70%

Loans are repaid in an average of 1 year computed on the basis of a sample of tenure of loans disbursed during the year.

Under these circumstances, a average current recovery ratio of 94.82% (2019: 99.15%) for one year loans is approximately equivalent to an Annual Loss Rate (ALR) of 2.5% (2019: 0.8%).

		2020	2019
		-----Rupees-----	
10. ADVANCES AND PREPAYMENTS	Note		
Advances			
Branches		302,170	121,979
Suppliers and service providers		751,475	3,570,384
Administration		2,940	249,692
Against assets subject to finance lease		40,369	40,369
		<u>1,096,954</u>	<u>3,982,424</u>
Prepayment			
Rent		-	340,002
Health insurance		2,366,697	2,555,413
		<u>3,463,651</u>	<u>6,877,839</u>
11. OTHER RECEIVABLES			
Accrued income on term deposit certificates		9,691,796	9,788,235
Accrued income on saving accounts		-	274,952
Receivable from associated company	11.1 & 33	5,300,000	7,303,705
Receivable against group insurance		402,864	284,703
Receivable against health insurance		330,318	284,930
Others		4,133,494	5,051,008
Unrealized gain of forward contract		-	61,179,800
		<u>19,858,472</u>	<u>84,167,333</u>
11.1 This represents amount receivable from SAFWCO (associated company).			
Opening		7,303,705	9,300,000
Received during the year		(2,003,705)	(1,996,295)
Closing		<u>5,300,000</u>	<u>7,303,705</u>
The maximum balance outstanding from SAFWCO during the year was Rs.7,303,705 (2019: 9,300,000). The receivable balance was agreed to be an 'interest free' amount.			
12. GRANT RECEIVABLE FROM A DONOR	Note	2020	2019
		-----Rupees-----	
PPAF- PMIFL	12.1	<u>5,635,507</u>	<u>218,305</u>
12.1 This represents grant receivable from Pakistan Poverty Alleviation fund (PPAF) relating to operational expenses incurred for the disbursement and recovery of loan relating to Prime Minister Interest Free Loan (PMIFL).			
13. LOAN TO ENTERPRISES			
These are the loans given to the enterprises. The rate of interest on these loans is charged as per management discretion ranging from 0% to 40% per annum.			
	Note	2020	2019
		-----Rupees-----	
Loan to enterprises		3,103,336	6,981,659
Less: Current portion shown under current assets		<u>1,957,490</u>	<u>1,903,332</u>
Closing balance		<u>1,145,846</u>	<u>5,078,327</u>
14. CASH AND BANK BALANCES			
Cash in hand		3,151,159	10,290,209
Cash at banks:			
- current accounts	14.1	80,791,699	115,033,605
- saving accounts		758,991,032	285,353,597
- in transit		20,211,083	16,016,626
		<u>859,993,814</u>	<u>416,403,828</u>
		<u>863,144,973</u>	<u>426,694,037</u>

14.1 These carry mark-up ranging from @ 4% to 11.35% (2019: 8% to 10%) per annum.

	Note	2020 -----Rupees-----	2019
15. DEFERRED GRANT FOR FIXED ASSETS - RESTRICTED			
Opening balance		1,107,261	1,315,456
Deferred grant realised on account of depreciation	4.3	(215,416)	(208,195)
		891,845	1,107,261
Less: Current portion shown under current liabilities		(157,076)	(215,416)
Closing balance		734,769	891,845
16. LEASE LIABILITIES			
Lease liabilities		43,686,656	-
Less: Current portion shown under current liabilities		(9,688,995)	-
Closing balance		33,997,661	-

16.1 The future payments of lease liabilities are as follows:

	Future minimum lease payments	Principal Repaymnets	Future minimum lease payments	Principal Repaymnets
	2020		2019	
		-----Rupees-----		
Not Later than one year	15,701,832	9,688,995	-	-
Later than one but not five years	28,785,375	11,297,450	-	-
Later than five but not ten years	31,262,334	17,071,786	-	-
Later than ten years	6,034,338	5,628,425	-	-
	81,783,879	43,686,656	-	-

	Note	2020 -----Rupees-----	2019
17. REVOLVING FUND			
Opening balance		118,531,914	144,000,000
Adjusted during the year	17.1	-	(25,468,086)
Closing balance		118,531,914	118,531,914

17.1 The adjustment in 2019 pertains to the netting off of expenses to be reimbursed by PPAF against the total revolving fund balance.

17.2 SSF and PPAF entered into two agreements, with four year terms, effective from July 01, 2014 and April 01, 2015 respectively under which PPAF transferred this amount to SSF as a revolving fund. The purpose of this revolving fund is provision of Interest Free Loan to eligible borrowers. This revolving fund would continue to be part of SSF's long term liabilities till the satisfactory transfer to Community Institutions. In case of non transfer of funds to the community institutions, SSF will return the amount to PPAF. As per the agreement the amount will be disbursed to eligible borrowers as interest free loan and recoveries will be revolved during the agreed period for further disbursement to borrowers.

17.3 PPAF provided a revolving fund of Rs. 80 million for a period starting from July 01, 2014 to June 30, 2018, Rs. 64 million for a period starting from April 01, 2015 to March 31, 2019 and extending this agreement from January 1, 2020 to December 31, 2023. The purpose of this revolving fund is to provide interest free loans and relevant capacity building training and market linkages to the unbanked and / or those lacking access to the financial services in urban and rural areas, small towns and large villages. The provision of this loan amount is based on the defined borrower eligibility criteria governed by the financing

18.	LOAN FROM DONORS -Secured	Note	2020	2019
			Rupees	
	As at July 1, 2019		2,043,555,000	1,503,695,000
	Obtained during the year		1,050,000,000	1,017,845,000
	Repaid during the year		(750,000,000)	(611,800,000)
	Exchange loss		6,330,000	133,815,000
		18.1,18.2&18.3	2,349,885,000	2,043,555,000
	Less: Current portion shown in current liabilities		(709,302,500)	(960,739,000)
	As at June 30, 2020		1,640,582,500	1,082,816,000
18.1	Pakistan Microfinance Investment Company			
	As at July 1, 2019		1,600,000,000	1,200,000,000
	Obtained during the year		1,050,000,000	800,000,000
	Repaid during the year		(750,000,000)	(400,000,000)
		18.1.1	1,900,000,000	1,600,000,000
18.1.1	These represent loans from Pakistan Microfinance Investment Company (PMIC) which carry financial charges at the rate of six monthly KIBOR+3.5% per annum. The repayment of the said loans started after 12 months of loans provided and repayment is made quarterly for 2 years. The loans are secured by mortgage or charge of Rs. 2,280,000,000 on current assets in connection to the agreement amount Rs. 2,250,000,000 for three years time period.			
18.2	Symbiotics	Note	2020	2019
	As at July 1, 2019		164,000,000	303,695,000
	Obtained during the year		-	-
	Repaid during the year		-	(211,800,000)
	Exchange loss		3,600,000	72,105,000
		18.2.1	167,600,000	164,000,000
18.2.1	These represent loans from Symbiotics S.A amounting to \$ 1 million which carry financial charges at the rate of six months LIBOR+4.6% per annum. The said loan is payable on June 05, 2021 . The loans are secured by mortgage or charge of Rs. 115,508,000 on current assets.			
18.3	Triodos Investment Bank	Note	2020	2019
	As at July 1, 2019		279,555,000	-
	Obtained during the year		-	217,845,000
	Repaid during the year		-	-
	Exchange loss		2,730,000	61,710,000
		18.3.1	282,285,000	279,555,000
18.3.1	These represent loans from Triodos Investment Bank amounting to Euro 1.5 million, which carry service charges at the rate of 5.2% per annum. The said loans is payable on August 15, 2021. The loans are secured by mortgage or charge of Rs. 224,000,000.			
18.4	Funds received from PMIC, Symbiotic and Triodos are utilised to finance micro credit loans to groups and individuals for income generating activities.			
18.5	Due to the impact of COVID-19 the repayments of loan were deferred by the donors for the period of maximum 12 months.			
19.	RUNNING FINANCES - SECURED		2020	2019
	- Secured		Rupees	
	Opening balance		459,200,000	218,062,161
	Received during the year		195,000,000	712,200,000
	Repaid during the year		(509,200,000)	(471,062,161)
	Closing balance		145,000,000	459,200,000

- 19.1 The sanctioned limit is Rs. 145 million (2019: Rs.461 million). These are subject to mark-up of 11.35% (2019:6.4% to 14.3%) per annum. Finances obtained are utilised to finance micro credit loans to groups and individuals for income generating activities.

	2020	2019
	Rupees	
20. ACCRUED FINANCIAL CHARGES		
Loan from donors	87,166,308	60,023,474
Running finance	3,444,328	10,564,477
	<u>90,610,636</u>	<u>70,587,951</u>

21. EMERGENCY FUND

Emergency fund pertains to the fund generated by charging 1% of the loan disbursed to customers. The purpose is to keep an amount reserved in case of a death of a customer where the legal heir is refunded the principal back to him from the fund. Or in case of full settlement by the customer, the 1% charged to him at the time of disbursement is realised as income.

	2020				
	Opening	Addition	Claims paid	Realized	Closing
	Rupees				
On micro credit loans:					
PMIC	15,324,530	22,979,285	3,245,623	17,607,356	17,450,836
Other than PMIC	9,207,659	7,372,620	7,494,482	6,736,131	2,349,666
Total	<u>24,532,189</u>	<u>30,351,905</u>	<u>10,740,105</u>	<u>24,343,487</u>	<u>19,800,502</u>
	2019				
	Opening	Addition	Claims paid	Realized	Closing
	Rupees				
On micro credit loans:					
PMIC	13,213,580	23,363,690	6,045,000	15,207,740	15,324,530
Other than PMIC	3,422,919	15,258,300	3,627,000	5,846,560	9,207,659
Total	<u>16,636,499</u>	<u>38,621,990</u>	<u>9,672,000</u>	<u>21,054,300</u>	<u>24,532,189</u>

- 21.1 Emergency fund is not levied on PMIFL credit portfolio.

	Note	2020	2019
		Rupees	
22. DEFERRED GRANT FOR OPERATIONS - RESTRICTED			
Prime Minister Interest Free Loan		-	2,360,400
Realized grant for operations - restricted		-	(2,360,400)
	22.1	-	-
PPAF III CB		1,314,530	1,314,530
Realized grant for operations - unrestricted		<u>(1,314,530)</u>	
		<u>-</u>	<u>1,314,530</u>

22.1 Prime Minister Interest Free Loan

Under Prime Minister Interest Free loan (PMIFL) scheme, SSF and PPAF entered in grant agreements for meeting operational costs. Details of agreements are as follows;

PMIFL (CB) I

SSF and PPAF entered into an agreement effective from July 1, 2014 and shall be for a period of four years ended on June 30, 2018.

PMIFL (CB) II

SSF and PPAF entered into an agreement effective from April 1, 2015 and shall be for a period of four years ended on March 31, 2019.

23.	ACCRUED AND OTHER LIABILITIES	Note	2020	2019
			Rupees	
	Accrued expenses			
	Audit fee		1,318,908	856,065
	Courier charges		32,938	33,673
	Utility		54,181	115,000
	Livestock insurance premium		285,018	285,018
	Rent		35,750	705,000
			1,726,795	1,994,756
	Other payable			
	Payable to provident fund	23.1	-	-
	Liability against unrealized loss on forward contract		6,116,275	-
	Sindh sales tax		72,800	4,700,352
	Others		941,697	588,950
			7,130,772	5,289,302
			8,857,567	7,284,058
23.1	Payable to provident fund - movement			
	Opening		-	23,562,339
	Contribution made during the year		6,836,478	13,849,492
	Payment made during the year		(6,836,478)	(2,114,361)
	Transferred during the year	23.1.1	-	(35,297,470)
	Closing		-	-
23.1.1	The Foundation has made separate approved provident fund and transferred all amount to that fund in previous year. The fund has made investment in debt securities.			
24	CONTINGENCIES AND COMMITMENTS			
24.1	U/s 161(1) for the tax year 2017 and 2018 and U/s 122(5A) for tax year 2018 and 2019 of the Income Tax Ordinance 2001, which are replied in time as well, but it is likelihood that a meagre amount of tax may be imposed by the tax department for failure to collect the tax on certain expenses, besides the discrepancies pointed out vide notices u/s 122(5A) with regard to the withdrawal of exemption u/s 100C are properly complied with and no unfavorable outcome is anticipated.			
24.2	A litigation is pending in the instant case with regard to the withdrawal of exemption under Rule 217 of the Income Tax Rules (ITR) - 2002 by Unit-I, Zone-I, RTO, Hyderabad with multiple issue pertaining to tax years 2013 to 2019, which may result in an unfavorable outcome but it cannot be ascertained at this stage.			
24.3	The Foundation has challenged the Order-in-Original dated December 05, 2018 passed by the Deputy Commissioner, Sindh Revenue Board, for the tax periods July 2015 to June 2017. The case is still pending before the Commissioner Appeals (SRB) on the contention that the Foundation has obtained the license subsequent to the period mentioned in the order.			
25.	FINANCIAL INCOME EARNED		2020	2019
			Rupees	
	Income on micro credit loans		798,387,995	609,968,797
	Loan processing fee		-	43,741,450
	Emergency fund fee realized		24,343,497	21,054,300
			822,731,482	674,764,547
26.	FINANCIAL CHARGES EXPENSE			
	Financial charges on:			
	Loan from donors	18.1, 18.2 & 18.3	309,230,724	198,230,455
	Running finances	19.1	19,966,813	30,254,939
			329,197,537	228,485,394

		2020	2019
	Note	Rupees	
27. OPERATIONAL EXPENSES			
Salaries and other benefits	27.1	182,324,305	163,344,279
Vehicles operating		13,233,296	17,696,488
Rent		-	10,045,191
Bank charges		29,685,123	31,182,932
Travelling and conveyance		23,096,192	10,569,423
Health insurance		3,887,575	3,296,088
Depreciation on property and equipment	4.1	5,412,531	6,437,927
Depreciation on right of use assets	5.2	10,584,286	-
Utilities		6,759,851	3,614,321
Taxes		-	299,046
MIS software maintenance		5,600,020	4,509,764
Entertainment		6,080,073	5,172,338
Training		7,709,904	4,458,002
Printing, publication and stationery		3,880,575	2,952,205
Annual membership fee		47,496	280,650
Donation	27.3	5,259,167	8,518,334
Legal and professional		4,705,837	3,916,656
Office supplies and equipment		2,488,043	2,431,919
Credit Information Bureau (CIB)		1,403,615	2,038,638
Courier		585,479	648,096
Repairs and maintenance		446,576	1,054,203
Finance cost against assets subject to finance lease		-	32,875
Miscellaneous		556,554	634,776
Sales tax on services	27.2	320,651	14,440,189
		314,067,149	297,574,340

27.1 This amount includes employees' retirement benefits expense of Rs.10,054,391 (2019 : Rs.8,986,599)

27.2 Sindh sales tax is levied at 13% on loan processing fee from the month of September 2016 to January 2019. The amount is not recoverable from customers

27.3 Detail of donation and interested directors are as follows:

		2020	2019
Name of donee	Note	Rupees	
Sindh Agricultural Forestry Workers & Coordinating Organization	27.4	5,259,167	8,518,334

27.4 One of Director is member of Governing Body of SAFWCO, an associated undertaking.

		2020	2019
	Note	Rupees	
28. ADMINISTRATION EXPENSES			
Salaries and other benefits	28.2	20,101,073	17,409,933
Vehicles operating		3,043,264	3,627,335
Miscellaneous Rent		186,025	1,896,960
Travelling and conveyance		1,924,302	614,572
Depreciation on property and equipment	4.1	1,584,177	984,077
Depreciation on right of use assets	5.2	1,857,702	-
Utilities		2,927,951	3,785,734
Taxes		-	164,068
MIS software maintenance		1,446,453	1,127,441
Entertainment		1,504,780	1,209,760
Stationery		97,750	98,403
Annual membership fee		250,000	-
Legal and professional		1,667,089	1,003,164
Office supplies and equipment		3,160,441	250,566
Auditors remuneration	28.1	1,068,100	947,500
Finance cost on lease liabilities		7,915,795	-
Study grant		196,387	97,038
Miscellaneous		6,643,722	4,421,565
Training		569,453	-
Repairs and maintenance		2,316,943	-
		58,461,406	37,638,116

28.1 Auditor's remuneration	2020		2019	
	Rupees		Rupees	
Statutory audit fee	825,000		750,000	
Other certification	160,600		37,800	
Out of pocket expense	82,500		159,700	
	<u>1,068,100</u>		<u>947,500</u>	

28.2 This amount includes employees' retirement benefits expense of Rs.1,108,487 (2019: Rs.957,830)

29. OTHER INCOME	Note	2020		2019	
		Rupees		Rupees	
Income on term deposit receipts		12,634,237		22,705,775	
Income on bank deposits		51,268,589		28,284,199	
Gain on sale of property and equipment		1,012,149		187,637	
Loans written off recovered		404,956		571,673	
Exchange loss - unrealized		(6,330,000)		(133,815,000)	
Service charges against staff loan		640,983		584,859	
Exchange (loss) / gain - unrealized on forward		(67,296,075)		52,322,650	
Exchange gain - realized	29.1	23,700,000		60,550,000	
		<u>16,034,839</u>		<u>31,391,793</u>	

29.1 These are contracts for forward cover against USD and Euro foreign currency loans.

30.	GRANT INCOME	Note	2020	2019
			Rupees	Rupees
	Unrestricted			
	Grant for operations - realized			
	-Prime Minister Interest Free Loan		10,293,956	9,829,123
	-Others		11,449,701	954,658
			21,743,657	10,783,781
	Restricted			
	Deferred grant for operations - realized - restricted	22	-	2,360,400
	Deferred grant for fixed assets - realized - restricted	4.3 & 15	215,416	208,195
			215,416	2,568,595
			21,959,073	13,352,376

31. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2020		2019	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees			
Remuneration	7,003,500	19,971,604	6,693,750	19,257,823
House rent allowance	2,501,251	3,628,935	2,390,625	2,797,427
Utilities	500,251	1,820,857	478,125	1,615,588
Retirement benefits	600,302	1,514,804	573,750	1,268,700
	<u>10,605,304</u>	<u>26,936,200</u>	<u>10,136,250</u>	<u>24,939,538</u>
No. of person (s)	<u>1</u>	<u>11</u>	<u>1</u>	<u>10</u>

31.1 Chief executive and two executives are provided with the Foundation's maintained car.

32. TAXATION

The Foundation is an approved non-profit organization under section 2(36)(c) of the Income Tax Ordinance, 2001. As per section 100C (2) of the Income Tax Ordinance, 2001, non-profit organizations shall be allowed a tax credit equal to one hundred per cent of the tax payable subject to the fulfillment of specified conditions. The management intends to avail a tax credit equal to 100% of the tax payable. Accordingly, no tax charge in the financial statements has been recorded in the financial statements.

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings and key management personnel and post employment benefit plans. The transactions between the Foundation and the related parties are carried out as per agreed terms. Amounts due from and to related parties have been disclosed in the notes to the financial statement as follows:

- Due from associated undertakings under receivables in note 11 ;
- Donation made to associated undertaking amounts to Rs 5.259 million (2019: Rs. 8.518 million);
- Remuneration of key management personnel is disclosed in note 31;
- Contribution made to SSF Employees provident fund amounts to Rs 6.836 million (2019: Rs. 13.84 million);
- Short term loan to Managing director outstanding amounts to Rs 18.25 million (2019: Rs. 19.3 million)

Other significant transactions with SAFWCO, an associated undertaking due to common directorship are as follows:

	Rupees	
Outstanding balance		
Receivable	5,300,000	7,303,705
Transactions		
Receipts	2,003,705	11,834,288
Payments	-	9,837,993

34. FINANCIAL INSTRUMENTS BY CATEGORY

Available for sale

At amortised cost

Investments	209,700,000	350,000,000
Security deposits	2,028,000	2,865,000
Micro credit loan portfolio	2,069,304,042	2,282,224,231
Accrued financial charges	145,160,785	45,246,137
Loan to employees	42,482,666	38,482,615
Other receivables	19,858,472	84,167,333
Grant receivable from donor	5,635,507	218,305
Loan to enterprises	1,957,490	6,981,659
Cash and bank balances	863,144,973	426,694,037
	3,149,571,935	2,886,879,317
	3,359,271,935	3,236,879,317

Financial liabilities as per statement of financial position

Financial liabilities measured at amortised cost

Liability against assets subject to finance lease	43,686,656	87,984
Revolving grant	118,531,914	118,531,914
Running finance	145,000,000	459,200,000
- Endowment loan from a donor-PPAF	-	-
Accrued financial charges	90,610,636	70,587,951
Accrued and other liabilities	8,857,567	7,284,058

34.1 Fair values of financial assets and liabilities

- (a) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for below.

- (b) Fair value estimation

The Foundation measures the financial instruments carried at fair value in the balance sheet in accordance with the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Foundation does not have any financial instruments as at year end which require classification in the above levels.

There were no transfer between the categories during the year.

- 34.2 The Foundation's lease hold lands and buildings thereon are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses, if any. The fair value measurements of the Foundation's lease hold lands and buildings thereon were carried out as at June 30, 2018 being performed by United Architects (valuer), an independent valuer not related to the Foundation. The valuer is listed on panel of Pakistan Banks Association and they have appropriate qualification and experience in the fair value measurement of properties.

Details of Foundation's lease hold lands and buildings thereon about the fair value hierarchy as at end of June 30, 2020 are as follows:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
	Rupees			
Lease hold land-office	-	24,488,230	-	24,488,230
Lease hold land-ware house	-	61,577,250	-	61,577,250
Building-office	-	8,688,574	-	8,688,574
Building-ware house	-	1,814,300	-	1,814,300
	-	96,568,354	-	96,568,354
	June 30, 2019			
	Level 1	Level 2	Level 3	Total
	Rupees			
Lease hold land-office	-	24,488,230	-	24,488,230
Lease hold land-ware house	-	61,577,250	-	61,577,250
Building-office	-	9,145,867	-	9,145,867
Building-ware house	-	1,909,790	-	1,909,790
	-	97,121,137	-	97,121,137

35. CHANGES ARISING FROM FINANCING ACTIVITIES

The table below states changes in the Foundation's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Foundation's cash flows as cash flows from financing activities.

	Jun 30, 2019	Non cash changes	Financing cash inflows	Financing cash outflows	Jun 30, 2020
			Rupees		
Liabilities against assets subject to finance lease	87,984	58,755,267	-	(15,156,595)	43,686,656
Loan from donors	2,043,555,000	6,330,000	1,050,000,000	(750,000,000)	2,349,885,000
Emergency fund	24,532,189	(24,343,487)	30,351,905	(10,740,105)	19,800,502

	Jun 30, 2018	Non cash changes	Financing cash inflows	Financing cash outflows	Jun 30, 2019
Liabilities against assets subject to finance lease	327,950	-	-	(239,966)	87,984
Loan from donors	1,503,695,000	133,815,000	1,017,845,000	(611,800,000)	2,043,555,000
Emergency fund	16,636,499	(21,054,300)	38,621,990	(9,672,000)	24,532,189

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction and overview

The SSF's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk.

This note presents information about the SSF's exposure to each of the above risks, SSF's objectives, policies and processes for measuring and managing these risks and the SSF's management of capital.

Financial risk factors and risk management framework

SSF's activities expose it to a variety of financial risks and risk management framework involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business and the operational risks are an inevitable consequence of being in business. The SSF's senior management oversees the management of these risks. SSF's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.

SSF's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems SSF regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

36.1 Credit risk

SSF is exposed to credit risk, which is the risk that a counterparty will cause a financial loss by failing to discharge an obligation. Credit risk is the most important risk for the SSF's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending activities that results in loans in the SSF's asset portfolio and balances with bank accounts. The credit risk is managed through the credit policies of the SSF which are updated regularly.

36.1.1 Maximum exposure to credit risk

Credit risk exposures relating to on-statement of financial position assets are as follows:

	2020	2019
	Rupees	
Security deposits	2,028,000	2,865,000
Investments	209,700,000	350,000,000
Micro credit loan portfolio	2,069,304,042	2,282,224,231
Accrued financial charges	145,160,785	45,246,137
Loan to employees	42,482,666	38,482,615
Other receivables	19,858,472	84,167,333
Grant receivable from donor	5,635,507	218,305
Loan to enterprises	1,957,490	1,903,332
Cash and bank balances	859,993,814	416,403,828
	<u>3,356,120,776</u>	<u>3,221,510,781</u>

36.1.2 Credit risk measurement

In measuring credit risk of loans to borrowers at a counterparty level, SSF reflects three components;

- (i) the 'probability of default' by the client or counterparty on its contractual obligations;
- (ii) current exposures to the counterparty and its likely future development, from which SSF derive the 'exposure at default'; and
- (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

36.1.3 Risk limit control and mitigation policy

SSF manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups.

SSF structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or program. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Exposure to credit risk is also managed through analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations at the time of loan appraisal for initial and subsequent loans.

36.1.4 Impairment and provisioning policies

The management assessed the existence of impairment, based on the accounting policy mentioned in note 3.2.

36.1.5 Loans to customers are summarized as follows:

	2020	2019
	Rupees	
Neither past due nor impaired	2,189,247,340	2,389,026,168
Past due and impaired	55,268,150	19,133,758
Gross portfolio	2,244,515,490	2,408,159,926
Loans written off	(10,606,768)	(7,639,979)
	2,233,908,722	2,400,519,947
Provision against loan losses	(164,604,680)	(118,295,717)
Net portfolio	2,069,304,042	2,282,224,230

Aging of loan to customers is disclosed in note 9.

36.1.6 Concentration of credit risk by class of business

SSF's major credit risk arises from micro credit loans to customers, which is divided into following classes of business:

	2020		2019	
	Rupees	%	Rupees	%
Agriculture	144,596,007	6.44	93,635,655	4.10
Livestock	977,556,549	43.55	1,019,909,733	42.35
Retailing	1,006,758,293	44.85	1,127,987,608	46.84
Personal	75,400,095	3.36	119,254,519	4.95
Village Banking	40,204,546	1.79	42,372,411	1.76
Gross portfolio	2,244,515,490	100	2,408,159,926	100

36.1.7 Concentration of credit risk by projects

SSF's major credit risk arises from micro credit loans to customers, which is divided into following projects

	2020		2019	
	Rupees	%	Rupees	%
PPAF Micro Credit	3,013,636	0.13	6,797,761	0.28
PPAF III	7,487	-	7,487	-
Revolving Fund	178,846,386	7.97	5,708,105	0.24
PRISM	-	-	(1,639)	-
Equity Injection - RF	-	-	6,277	-
Village Bank System	40,204,546	1.79	42,372,411	1.76
PPAF CEF	72,726	-	65,410	-
MCB EIRF	87,430,428	3.90	122,061,575	5.07
PPAF PMIFL	55,730,097	2.48	60,103,297	2.50
SSF IL	60,396	-	61,382	-
SSF-JS-RF	26,294,934	1.17	216,025,946	8.97
SSF-MCGF	51,509	-	51,509	-
SSF-Symbiotic	107,167,579	4.77	149,222,068	6.20
PMIC-TC	1,590,974,544	70.88	1,472,051,359	61.13
UBL RF	14,659,147	0.65	130,363,575	5.41
Triodos Investment Bank	140,002,075	6.24	203,263,403	8.44
Gross portfolio	2,244,515,490	100	2,408,159,926	100

36.1.8 Concentration of credit risk by geographical location

SSF's major credit risk arises from micro credit loans to customers, which is divided into following geographical locations:

Branches	2020		2019	
	Rupees	%	Rupees	%
Baghan	2,224,900	0.10	2,518,350	0.10
Behriya	66,831,816	2.98	29,605,982	1.23
Berani	35,742,673	1.59	69,185,199	2.87
Bhit Shah	62,785,393	2.80	72,443,740	3.01
Chamer	45,133,622	2.01	46,585,853	1.93
Daur	45,785,288	2.04	32,924,028	1.37
Diggri	16,109,935	0.72	17,163,224	0.71
Doulatpur	62,502,374	2.78	57,194,361	2.38
Garho	12,232,458	0.54	14,923,558	0.62
Hyderabad Rural	54,973,906	2.45	74,500,032	3.09
Ishaque Faqeer Rajar	10,788,000	0.48	12,963,916	0.54
Jam Sahib	55,667,201	2.48	50,769,378	2.11
Jamshoro	32,069,994	1.43	26,975,972	1.12
Jhol	63,836,615	2.84	59,804,836	2.48
Kandiyari	55,518,527	2.47	57,189,397	2.37
kandiyaro	52,165,801	2.32	44,459,357	1.85
Khipro	67,897,530	3.03	81,931,647	3.40
Khyber	30,758,686	1.37	36,180,842	1.50
Kotri	42,522,972	1.89	47,763,189	1.98
Mathoon chano	18,037,000	0.80	18,581,499	0.77
Matyari	49,918,412	2.22	68,823,856	2.86
Mehrabpur	32,696,224	1.46	29,821,370	1.24
Mirpur Sakroo	6,307,577	0.28	5,921,277	0.25
MirpurKhas	18,896,679	0.84	14,632,120	0.61
Mirwah Gorchani	16,096,201	0.72	16,147,994	0.67
Moosa khatiyar	25,038,246	1.12	41,946,343	1.74
Moro	59,177,179	2.64	57,070,177	2.37
Carried forward	1,041,715,209	46.41	1,088,027,497	45.18

	2020		2019	
	Rupees	%	Rupees	%
Brought forward	1,041,715,209	46.41	1,088,027,497	45.18
Nasarpur	35,486,346	1.58	58,308,970	2.42
Nauabad	79,885,767	3.56	67,710,594	2.81
Nawabshah	76,970,503	3.43	99,433,569	4.13
Noushoroferoz	56,092,158	2.50	61,044,820	2.53
Padiedan	25,189,948	1.12	17,519,188	0.73
Peru Mal	43,016,337	1.92	51,244,491	2.13
Phuladiyon	27,192,935	1.21	35,712,924	1.48
Qasimabad	37,898,189	1.69	57,350,365	2.38
Qazi Ahmed	51,537,632	2.30	66,471,837	2.76
Sabu Rahu	62,144,309	2.77	54,547,140	2.27
Sakrand	90,670,029	4.04	90,440,233	3.76
Sanghar	68,713,808	3.06	75,048,945	3.12
Sarhari	64,459,681	2.87	64,221,469	2.67
Shadadpur	83,767,801	3.73	94,024,521	3.90
Shahpur Chakar	79,344,842	3.54	67,111,443	2.79
Sinhoro	50,669,511	2.26	55,104,157	2.29
Tando Adam	58,178,845	2.59	76,864,837	3.19
Tando Allahyar	28,574,718	1.27	34,902,286	1.45
Tando Jam	47,320,974	2.11	48,473,224	2.01
Tando Muhammad Khan	27,668,638	1.23	36,637,496	1.52
Tharu Shah	19,528,647	0.87	-	-
Udero Lal	42,145,567	1.88	60,160,609	2.50
Various locations	40,204,546	1.79	42,372,411	1.76
Warr stop	6,138,550	0.27	5,426,900	0.23
Gross portfolio	2,244,515,490	100	2,408,159,926	100

36.1.9 SSF deals / places deposits with the banks of good rating by external agencies. The credit quality of SSF's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
MCB Bank Limited	PACRA	A1+	AAA
Sonari Bank Limited	PACRA	A1+	AA-
Habib Bank Limited	VIS	A1+	AAA
JS Bank Limited	PACRA	A1+	AA-
National Bank of Pakistan	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AAA
Telenor Microfinance Bank Limited	PACRA	A1	A+
Al Baraka Bank	PACRA	A1	A
Apna Microfinance Bank	PACRA	A3	BBB+
Faysal Bank Limited	PACRA	A1+	AA
Mobilink Microfinance Bank Limited	PACRA	A1	A
Waseela Microfinance Bank Limited	PACRA	A2	BBB+
Bank Alfalah	PACRA	A1+	AA+

36.2 Liquidity risk

Liquidity risk is the risk that the SSF is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay lenders and fulfill commitments to lend.

SSF has a strong financial support from Pakistan Poverty Alleviation Fund (donor of SSF) to maintain sufficient liquidity and to meet anticipated funding requirements. Efficient and accurate planning plays a critical role in liquidity management. Management performs a critical review of expected cash inflows / outflows which allows the SSF to take timely decisions based on the future requirements. Maturity profile of SSF's financial assets and liabilities as at reporting date is given in note 36.3.3

36.3 Market risk

Market risk is the risk that the value or cash flow of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risks: interest rate risk, currency risk and equity price risk.

36.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The SSF has obtained foreign currency loan which exposes it to currency risk which it hedges by forward contracts. As at June 30, 2020, financial liabilities included loans from donor in foreign currency amounting to Rs. 167.8 million (2019: Rs. 164 million) equivalent to US\$ 1 million (2019: US\$ 1 million). The average rate applied during the year is Rs. 165.45 / US \$ and the spot rate as at June 30, 2020 was Rs. 167.86/ US\$. Other financial liabilities included loans from donor in foreign currency amounting to Rs. 282.25 million (2019: Rs. 282.68 million) equivalent to Euro 1.5 million (2019: Euro. 1.5 million). The average rate applied during the year is Rs. 185.9/€ and the spot rate as at June 30, 2020 was Rs. 185.59/€.

As at June 30, 2020, the Pakistan rupee had weakened/strengthened by 10% against the US Dollar or Euro with all other variables held constant, surplus for the year would have been lower/higher by Rs.28.28m and Rs.16.78m respectively, mainly as a result of foreign exchange gains/losses on translation of US Dollar/Euro denominated loan form donor.

36.3.2 Equity price risk

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

There are no equity investments held by the SSF which are measured at fair value, hence, no equity price risk exists as at June 30, 2020.

36.3.3 Interest rate risk

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

Liquidity profile of interest rate sensitive financial assets and liabilities

	Effective yield/ Interest rate	Interest / mark up bearing		Non Interest / mark up bearing		Total	
		Maturity upto one year	Maturity above one years	Maturity upto one year	Maturity above one years	Sub total	June 30, 2020 June 30, 2019
Financial assets							
- Security deposits	-	-	-	-	2,028,000	2,028,000	2,885,000
- Investments	6 to 9.8%	209,700,000	-	-	-	209,700,000	350,000,000
- Micro credit loan portfolio	15% to 25%	2,069,304,042	-	2,069,304,042	-	2,069,304,042	2,282,224,231
- Accrued financial charges	-	-	-	145,160,785	-	145,160,785	45,246,137
- Long term loans - unsecured	10%	42,482,666	-	-	-	-	38,482,615
- Accrued markup on TDR	-	9,891,796	-	-	-	-	9,891,796
- Other receivables	-	-	-	10,166,676	-	10,166,676	74,379,098
- Loan to enterprises	0 to 40%	1,957,490	-	-	-	-	1,957,490
- Cash and bank balances	8% to 10%	758,991,032	-	104,153,941	-	104,153,941	883,144,973
		3,092,127,026	-	259,481,402	2,028,000	281,509,402	3,353,636,428
Financial liabilities							
- Liability against assets subject to finance lease	14.46%	-	-	-	-	-	87,984
- Lease liabilities	16.99%	43,886,666	-	-	-	-	43,886,666
- Revolving fund	-	-	-	-	118,531,914	118,531,914	118,531,914
- Loan from donors - secured	6.43% to 14.3%	2,349,885,000	-	-	-	2,349,885,000	2,043,555,000
- Running finance	6.4% to 14.3%	145,000,000	-	-	-	145,000,000	459,200,000
- Accrued financial charges	-	-	-	90,610,636	-	90,610,636	70,587,951
- Accrued and other liabilities	-	-	-	8,857,567	-	8,857,567	7,284,058
		2,538,571,666	-	99,488,203	118,531,914	218,000,117	2,896,246,907

36.3.4 Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased or decreased the surplus for the year and accumulated fund by Rs. 24,948,850 (2019: Rs.23,985,230). This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis as for 2019.

36.4 Capital risk management

SSF's objectives when managing risks and accumulated fund are to safeguard its ability to continue as a going concern in order to provide financial services for poverty alleviation from society. SSF manages such risk by ensuring continuous availability of sufficient funds in the form of loans and grants from PPAF and others.

37. PROJECT RELATED EXPENSES	2020	2019
	Rupees	
37.1 PMIFL Project		
Salaries and other benefits	5,123,603	7,172,978
Travelling and conveyance	1,184,920	368,950
Rent	527,390	583,233
Printing	24,739	53,461
Stationery	19,709	39,196
Vehicles operating	452,250	1,061,408
Withholding tax charges	49,716	-
Staff entertainment and meeting	166,436	250,998
Office supplies and equipment	84,764	156,795
Utility charges	153,581	189,745
Repair and maintenance	6,000	13,980
Bank charges	12,473	2,296
Courier charges	150	-
Legal and other fee	1,100	2,115
Miscellaneous	9,870	16,350
	7,816,701	9,911,505
37.2 Livestock value chain (LVC)		
Salaries & Other Benefits	165,000	-
Travelling and conveyance	353,000	124,000
Training	1,450,126	411,530
	1,968,126	535,530
37.3 Enterprise value chain (EVC)		
Salaries & Other Benefits	300,000	-
Training	4,921,785	379,128
Travelling and Conveyance	1,252,520	40,000
Printing Expense	6,048	-
Miscellaneous Expenses	40	-
Utility charges	600	-
Staff Entertainment & Meeting	10,950	-
	6,491,943	379,128
37.4 Crop productivity enhancement initiative (CPEI)		
Training	356,938	-
Travelling and Conveyance	52,502	-
	409,440	-

	2020	2019
	Rupees	
37.5 Solar		
Salaries & Other Benefits	1,333,242	-
Training	205,000	-
Travelling and Conveyance	720,000	-
Printing	220,000	-
Staff EOBI expense	1,950	-
Staff Entertainment & Meeting	100,000	-
	<u>2,580,192</u>	<u>-</u>

37.6 National Poverty Graduation program (NPGP)

Salaries, Wages & Other Benefits	1,767,339	-
Vehicle Operating	101,180	-
Bank charges	4	-
Travelling and Conveyance	4,300	-
Office Supplies and Equipment	28,475	-
Printing	8,175	-
Miscellaneous	1,600	-
Rent Expense	268,328	-
Utility charges	5,420	-
Gas charges	10,550	-
Stationery	4,450	-
Repair and Maintenance	1,200	-
Staff EOBI expense	69,550	-
Staff Entertainment & Meeting	34,755	-
Vehicle fuel expense	168,550	-
Electricity	3,379	-
	<u>2,477,255</u>	<u>-</u>

38. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2020 and 2019 respectively are as follows;

	2020	2019
Average number of employees during the year.	<u>532</u>	<u>502</u>
Number of employees as at June 30	<u>515</u>	<u>548</u>

39. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized on 26 OCT 2020 by the Board of Directors of SAFCO Support Foundation.

40. GENERAL

Figures have been rounded off to the nearest Rupee.

Signature
Chief Executive Officer

Signature
Director

Signature
Chief Accountant