

ANNUAL REPORT

RURAL COMMUNITY DEVELOPMENT PROGRAMMES



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Ray of Hope

ANNUAL REPORT

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CHAIR- PERSON'S MESSAGE



This report presents the overview of our dedicated outcomes of a continued struggle guided by our strategic pillars and dynamic collaborations with the national and international supporters & investors. Our partnership commercial banks especially the National Bank of Pakistan has gone from strength to strength, of which our expansion in south Punjab regions speaks volumes for. We are playing a vital role in expanding our services in the startup of enterprise landscape across the operational areas.

On the 20th anniversary, during the year under review, Rural Community Development Programme (RCDP) launched a new initiative digitize its processes and procedures, which will definitely give unique dimensions to its working and service delivery mechanisms. Over the past two decades, RCDP has witnessed unprecedented development across the sectors and regions. It is to the unblemished contribution of the RCDP team and management that it has stood at the forefront of many of these developments by conceptualizing, leading and mobilizing resources & partners to explore and expand best practices and services. At the RCDP, we dream big, we innovate radically, we deliver conspicuous outcomes by leveraging and facilitating access to downtrodden and marginalized communities to a bouquet of amazing new economic opportunities through financial and non-financial services.

The unprecedented global COVID-19 pandemic has had lasting impact across the world; plummeting economies of scale and bringing even the super powers to their knees. Like the countries and organizations, RCDP operations too were affected by the yet to be controlled virus but it could not diminish our passion for the uplift of the

marginalized segments of society. Over the years, RCDP has been the lone ranger in bringing the best minds in the sector at single platform on exquisitely hosted forums and events to come up with innovative ways and suggestions to carry forward the community service. It has been the hallmark of the RCDP platform that great minds and professionals in the sector debated key trends and for creating synergies to help achieve our dynamic vision.

As we mark this special anniversary, we encourage all our donors, colleagues, partners and facilitators to dream big for the next 20 years so that we could have a transformed and empowered communities fully in control of their lives and resultant development.

On behalf of the RCDP Board and Management, I would like to extend my gratitude to the visionary leadership of the institution, which is leaving lasting mark on the empowered and improved lives of teeming millions across the province. I would like to thank our worthy colleagues, esteemed network members, national and international investors and dedicated staff for their consistent support, trust and inspiration in augmenting a better microfinance sector in Pakistan.

CEO'S MESSAGE



The 2020 marks another successful year for the RCDP, in which the staff accomplished numerous difficult achievements that advanced RCDPs visibility at national and international levels vis a vis delivering financial results.

During the year under review, RCDP strengthened our partnerships with the donors and investors with regard to the strategic cooperation in overcoming financial exclusion of the marginalized segments of society, providing necessary technical support to the microfinance institutions, working with member CEOs and the top management to discuss the future of microfinance, human resource, risk management and engaging in many other operational programs across Pakistan.

A deep peep into the RCDP's social performance throw light on its unparalleled role in the augmentation of the national microfinance landscape and systems. During the year under review, RCDP ably extended its operations and reached the socially-excluded communities to help them in the distress. During the year under review, RCDP devised the tools that proliferate the microfinance practitioners and support enterprises with high-growth potential in the sector.

Financing growth-oriented startups and enterprises would require the RCDP and other NBFMCs to develop more effective means to identify and support the most promising enterprises to take the microfinance sector to the scale. Evidence shows that the number of the self-employed individuals is growing and the RCDP is playing an important role in income-generating opportunities for the deserving communities. However, in some cases, it may be more economical to provide micro seed capital for self-employment in the form of loans and offer to those entrepreneurs who survive the initial stage and have potential to create economic growth and jobs in the economy. The RCDP is supporting the strategy which allows the MFIs to become sustainable on larger loans with stronger borrowers.

We are facing uncertain times right now due to the global pandemic of the COVID-19. But these tough times, we did not leave alone our clients and customers. We provided them with necessary food items supplies as the lockdown across the operational areas rendered millions jobless. The RCDP staff remained on their toes to support the deserving and the needy individuals and families in its operational areas across the province.

The RCDP staff has remained open to change and accept daunting challenges.

They have been playing inter-changing roles as well to become maters within the operational jurisdiction of the RCDP. But during all this reshuffle we never compromise on policies and risks associated with them. This is due to the dynamic culture that every staff member of the RCDP is empowered and owns the organization.

RCDP accords great value to the staff and communities feedback to transform and upgrade its procedures and services. For example, we focused on employee and customers' feedback — examining common themes, where they originated and where opportunity existed to improve services and systems. During the year, we found opportunities to increase awareness about the organizational diversity & inclusion strategy in order to talent hunt the amazing individuals.

The RCDP will continue to use data and research to further to diversify its products, services, employee programs and community engagement to transform the dream of empowered individuals and families. We will remain steadfast, dedicated to our work besides being ever-vigilant in our effort to maintain a culture where everyone can avail of the financial and non-financial services.

RCDP is the proponent of culture of respect for its customers, clients, donors and staff. It has imbedded values of mutual respect and we will continue to strictly follow them and inculcate the same for the new joiners in any of the abovementioned capacities. I wish a prosperous and peaceful times ahead for the country and the world.

OUR

ambitions

vision

Sustainable development through financial and non-financial services

mission

To provide wide range of financial and non-financial services to marginalized communities through appropriate delivery channels



CORE VALUES



- Integrity
- Adaptability
- Diversity
- Team-Work
- Accountability



INVESTORS & PARTNERS

BANKING & FINANCE PARTNERS

-  **PMIC**
Pakistan Microfinance Investment Company Limited
-  **PPAF**
پتی پی اے ایف
-  **Triple Jump**
-  **SIMA**
SOCIAL INVESTMENT MANAGERS & ADVISORS
-  **UBL**
where you come first
-  **HBL**
HABIB BANK
حبیب بینک
-  **BOP**
THE BANK OF PUNJAB
Passion Reborn
-  **MCB**
-  **efu**
عقلمندان
-  **NBP**
National Bank of Pakistan
-  **telenor microfinance bank**

BRANCHLESS PARTNERS



TECHNOLOGY PARTNERS



NETWORKS & AFFILIATIONS

RATING PARTNERS



Micro-Credit Ratings International Limited



NETWORK PARTNERS



INSURANCE PARTNERS





CORPORATE INFORMATION

CHAIRPERSON



AYESHA GULZAR



MR. SAFDAR ALI MALIK
MR. ABID MAJEED
MR. NAEEM SHAHID
MS. UMM-E-KALSOOM
MS. AROOJ JAVID
MR. FARRUKH AFTAB

LEGAL ADVISOR



AZAM LAW ASSOCIATES

CHIEF EXECUTIVE OFFICER



MUHAMMAD MURTAZA

TAX ADVISOR



MOHSIN & CO

AUDITORS



GRAND THORNTON
ANJUM REHMAN

LEGAL STATUS



Registration under Companies Ordinance Act 1984 (Rural Community Development Program (RCDP) as a Non-Banking Microfinance Finance Company (NBMFC)

House No.04,
D Block, Al-Rehman Garden,
Phase II, Near Faizpur
Motorway Interchange,
Jaranwala Road,
Lahore-Pakistan

Broadly speaking, senior management team of RCDP guides the Company's strategic direction under the leadership of CEO. While the Board of Directors is charged with the responsibilities of providing effective oversight of management's service delivery. Equally important, the Board and the senior

management are responsible for communicating and enforcing the Company's commitment to doing business in accordance with corporate standards. Since the financial crisis, we have identified a number of opportunities to strengthen structures and systems.

BOARD OF DIRECTORS

A deeply engaged Board of Directors is vital to RCDP's success and our Board of Directors bring a diverse combination of experience and expertise to their role. Over the past several years, RCDP has looked at ways to build upon a strong foundation and enhance the Board's ability to help lead our company forward.

Board Composition

Board of Directors' independence is essential to effective governance of the RCDP. An independent Board of Directors serves the interests of stakeholders and stability of the financial services system by effectively carrying out the fundamental obligation of oversight. The Board of Directors must assess and assist management by asking tough questions, making or guiding difficult decisions and providing an effective challenge to management on an ongoing basis.

BOARD COMMITTEES



Audit Committee

Mr. Safdar Ali Malik
Mr. Farrukh Aftab
Ms. Umm-e-Kalsoom



HR& R Committee

Ms. Arooj Javid
Mr. Abid Majeed
Mr. Naeem Shahid



Risk Committee

Mr. Naeem Shahid
Mr. Farrukh Aftab
Ms. Umm-e-Kalsoom



Credit & Investment

Mr. Safdar Ali Malik
Mr. Abid Majeed
Mr. Farrukh Aftab

Practices & Engagement

In addition to the changes described above underscoring the independence and strength of the Board of Directors, it continues to consider and implement enhancements to its oversight of management and engagement with regulators and stakeholders. It has formalized a number of improved governance practices through changes to the Board of Directors' Corporate Governance Principles including Board of Directors meeting and making directors available, when appropriate, for consultation with major stakeholders and regulators.

Enhancing Governance

To help strengthen governance of our control environment, governance committees have been created at the Board of Directors' level, line of business and control function. These committees enable us to better understand and address issues by serving as central forums for discussing and resolving issues that affect the company as a whole or one or more lines of business.

These committees also give us an opportunity to share the best practices and lessons learned.

DIRECTORS REPORT 2019-2020

The Directors of Rural Community Development Programmes are pleased to present the 5th Annual Report together with Annual Audited Accounts for the year ended

The Rural Community Development Programmes was incorporated on 10th December 2015 as a public company registered under Section 42 of the Companies Ordinance, (XLVII of 1984) and that the company is limited by guarantee and not having the share capital, vide License No. 851 issued by Securities & Exchange Commission of Pakistan, "Company's Corporate Universal Identification No. 0096630 as issued by CRO Lahore. The Registered office of the company is located at House No. 4, D Block, Al- Rehman Garden, Phase II, near M2 Faizpur Interchange, Sharqpur Sharif Road, Lahore. The purpose of the company is to help the poor, the landless and asset-less to enable them to gain access to resources for their productive self-employment, to encourage them to undertake activities of income generation and poverty alleviation and for enhancing their quality of life by providing them micro-credit, vocational training and capacity building. Through the process of social mobilization, capacity building of marginalized groups of society like women, children, farmers and minorities should be empowered socially and economically.

During the period, the management of the company has complied with the conditions of its license under the Companies act, 2017

Status of Portfolio as of 30th June, 2020 of Rural Community Development Programme

During the 2019-20, Rural Community Development Programme performed excellent business and achieved its targets. After that COVID-19 affected the company operations and could not meet disbursement and recovery targets. Highlights of the company's activities as on 30th June 2020 are as under;

No of Districts Covered	18
No of Area Offices	18
No of Branches	92
PMIFL Units	14
Active Clients (30th June 2020)	139,663
Outstanding Loan Portfolio – OLP	4,392,716,594
Total Staff (30th June 20)	1089

Funding Sources of Rural Community Development Programme

During the year 2019-20, the company availed funding from the following sources for its operations to achieve institutional goals & objectives;

- Loan facilities availed from PMIC
- Loan facilities availed from UBL, NBP, BOP and HBL
- Loan facilities availed from international lender named as "SIMA"
- Loan facilities renewed from PPAF related to the IFL Programmes

Income & Expenditure during Year 2019-20

Following is the snapshot of total income & expenditures along with the Operational Self-Sufficiency (OSS) ratio of RCDP as of 30th June 2020 showing the business trend;

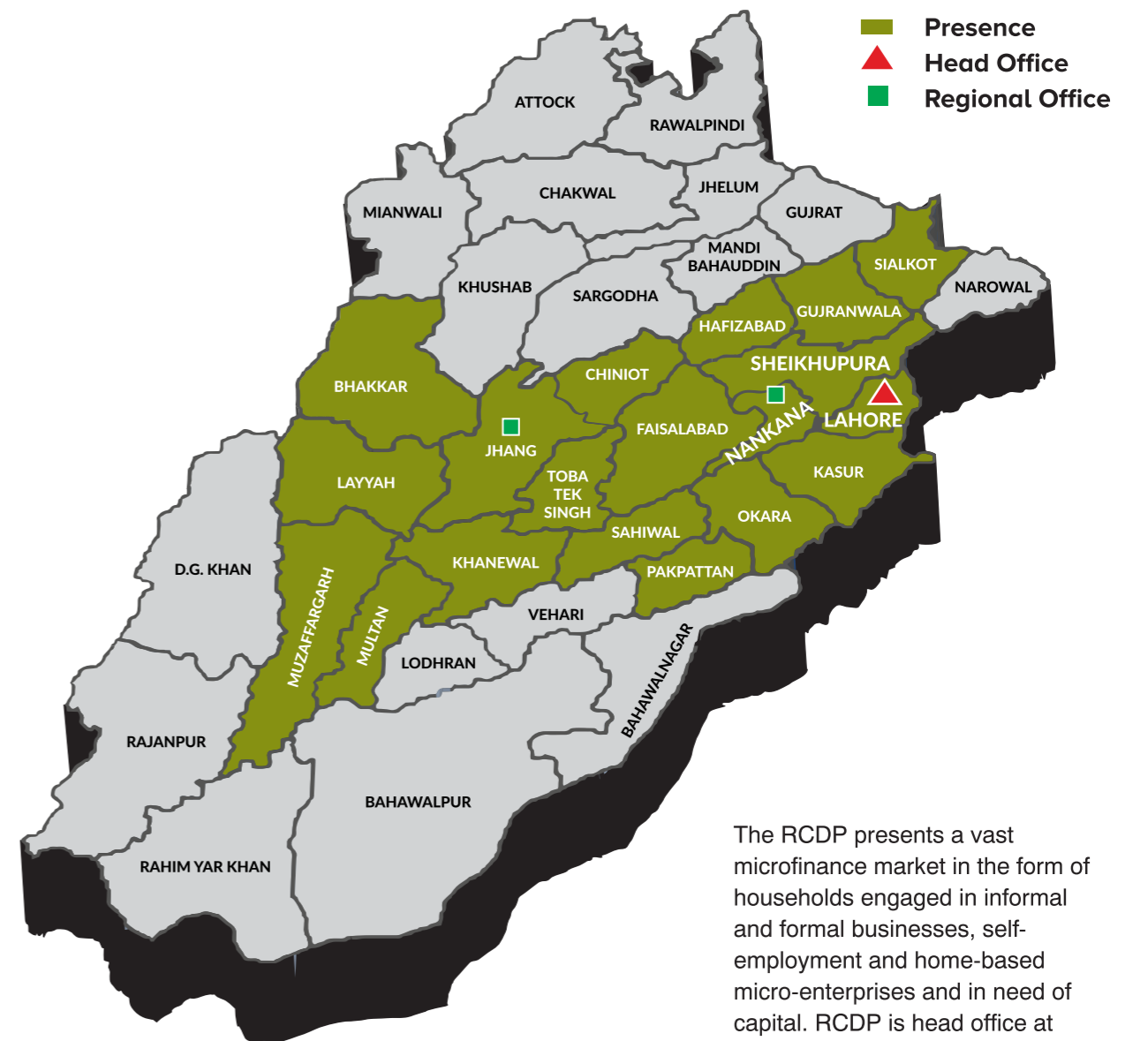
Indicators	PKR
Total Financial Income	1,879,330,864
Profit on Investment, Bank Deposits & Others	115,208,677
Other Income	21,290,879
Total Income	2,015,830,420
Financial Cost	683,552,124
Provisions Against NPLs	37,637,481
Operational Expenses	840,644,115
Total Expenditures	1,561,833,720
Surplus for Year 2019-20	
Surplus Transfer to Reserve	453,996,700
Loan Revolving Fund-Restricted Fund	272,398,020
Reserve for Construction of Building-Restricted Fund	113,499,175
Total Surplus Transfer to Reserve	385,897,195
Net Surplus for Year Ended 30th June 2020	68,099,505
Operational Self Sufficiency (OSS)	120.33%

The annual plans/targets and budgets of Rural Community Development Programmes were reviewed by the Board of Directors in its all meetings conducted during year 2019-20. The audit & HR committees also reviewed the progress of the company during their meetings during 2019-20 for maintaining complete transparency in financial records & maintaining complete business trends. The Company has prepared a comprehensive plan for 2020-21 keeping in view the situation of COVID-19.



OUTREACH & GROWTH

AREAS OF OPERATION



The RCDP presents a vast microfinance market in the form of households engaged in informal and formal businesses, self-employment and home-based micro-enterprises and in need of capital. RCDP is head office at Al-Rehman Garden, Lahore, and currently operates with 92 branches and 40 PMIFL Centers in the Punjab province of Pakistan.



financial management, capital allocation, liquidity, resolution planning, risk management, controls, regulatory matters, human resource matters, technology and legal and compliance.

The management structure of each line of business mirrors that of the company as a whole. Each is led by a CEO and the Finance, Accounts, Risk, Operations, Compliance, Audit, Human Resources, Information Technology, Training and Admin departments are guided by the respective head. Each line of business also has a Management Committee, Risk Committee, Human Resource Hiring Committee, Disciplinary Committee and ALCO Committee.

All departments have full responsibility for all aspects of its business including formulation of strategy, management of allocated capital, financial reporting, human resources, risk, control and adherence to company's standards. The department heads review their respective businesses with the Board of Directors, establish priorities for each year and report periodically on business results, risk matters and control issues.

MANAGEMENT TEAM

Our management structure is designed to enhance our ability to lead the company effectively as a whole as well as each of our businesses in a manner that promotes a strong corporate culture and is consistent with our corporate standards. We have found that the most effective approach is to manage on a line of business basis, coupled with strong corporate functions and appropriate governance of the company. In addition, the corporate segment is the focal point for setting and implementing standards for

Name	Designation
Ghulam Haider	Head of Business Affairs
Rashid Ahmed	Head HR/Company Secretary
Muhammad Imran	Head of Accounts
Usman Safdar	Head of Finance
Shahid Mahmood	Head of Operation
Asif Hassan	Head of Compliance
Shahzad Manzoor	Manager Training
Tehseen Shahzad	Manager MIS& IT
Shamim Haider	Head of Risk
Muhammad Imran Malik	Head of Internal Audit

products & SERVICES

Our products have been designed to suit the requirements of the diverse population base ranging from daily wage earners to entrepreneurs. Our current services are most suitable to meet both small and medium enterprises' requirements. On the asset front, we shall continue our micro loans lending by building on our existing base and we see a huge potential in the coming months. The RCDP shall primarily be focused on rural & remote areas, creating better opportunities for livelihood and means of small savings on self-help basis. In emerging markets of Pakistan, RCDP is destined to help communities grow by providing owners of micro, small and medium enterprises through critical financial services.



PRODUCTS



Credit and Enterprise Development (CED)

Product designed to start small businesses under which we offer the first loan cycle through group lending.



Business Enhancement Loan (BEL)

This product is for upgraded clients from CED product. This innovated product fulfill the clients need to enhance their businesses. RCDP lending through groups.



Enterprise Development Facility (EDF)

Graduated clients from BEL and CED can avail this facility. This product designed those clients who have the ability and willing to increase their businesses volume. This facility available only through group lending.



Small & Medium Enterprise (SME)

This product we offer to the clients who have good business volume and continue with 3 to 4 employees and has good cash flow.



Livestock Financing (LSF)

This product for pure livestock to purchase livestock to increase the family income



Prime Minister Interest Free Loan (PMIFL)

RCDP took initiative to start facility which available under Prime Minister Interest Free Loan especially focused in rural and deprived areas. RCDP approached that clients who have not easy access are ineligible for conventional facility.

SERVICES



Transactional Banking

RCDP is offering transactional banking services to customers for disbursement which is the easiest way to cash withdrawal from the nearest branch to the client's residence.



Branchless Banking

RCDP is offering branchless banking services to the customers for recovery which is the most convenient and customer-friendly mode of collection. Through branchless banking, customers save their time and transport expenses and deposit their instalments in the nearest cash collection agents.



Credit Life Insurance

Credit life and funeral insurance help reduce the financial stress of meeting major or unexpected expenses.



Capacity Building

RCDP providing capacity building services to the customers



BUSINESS PERFORMANCE (FY 2020)

FINANCIAL HIGHLIGHTS



PROGRAMME COST

FY19: 518,377,986
FY20: 713,950,624

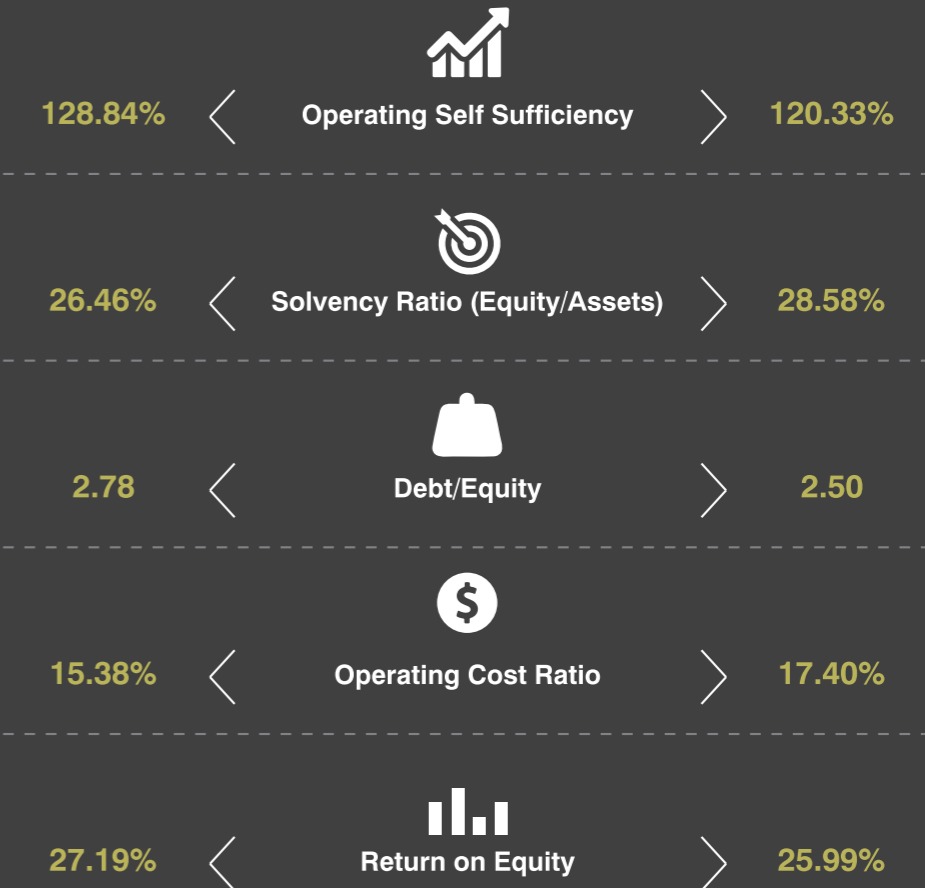
TOTAL OPERATING COST

FY19: 633,547,270
FY20: 840,644,115

Financial Ratios

FY - 2019

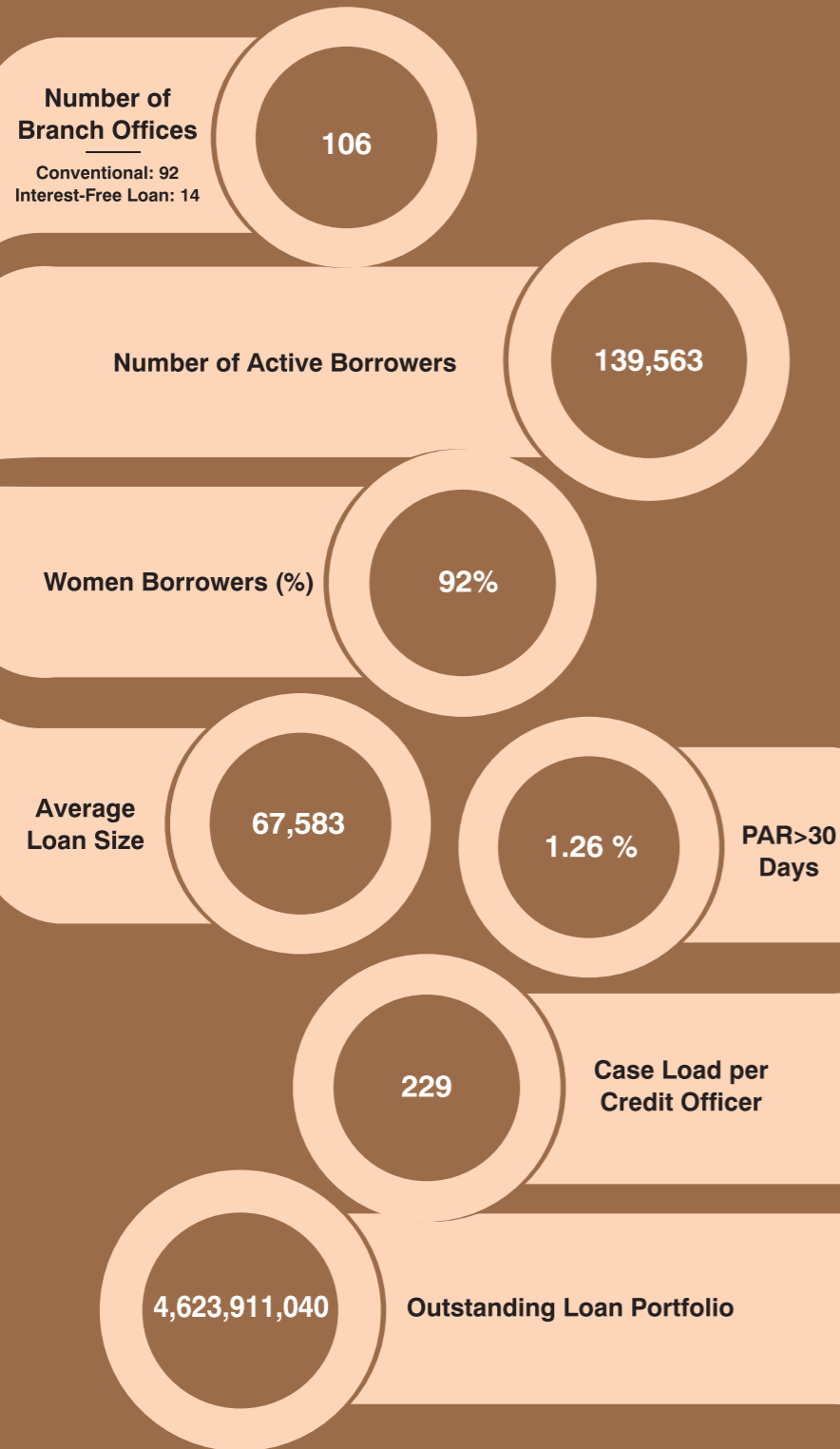
FY - 2020



Key Outlook



OPERATIONAL HIGHLIGHTS



Social Performance DASHBOARD

Depiction	Numbers
Outreach	92
Active Clients	139,562
%Clients Trained (Financial Education)	86%
%Clients Trained (Business Management)	98%
% of Clients Below 40 on the Poverty Scorecard	5%
% of Loans Used for Productive Businesses	96%
% of Women Led Businesses	72%
% of Rural Clients	80%
% of Urban Clients	20%
Customer Satisfaction	
Net Promoter Ratio	99%
Turnaround Time (within 15 days of loan completion)	97%
Client Retention Rate	68%
% of CPC Violations	0.30%
Gender Indices	
Total Staff	1089
% of Female Staff at Field Level	30%
% of Female Board Members	40%
Par Ratios	
Portfolio at Risk at > 30 days	1.26%



COVID-19 MANAGEMENT

RCDP Responses to COVID-19 Crisis

We go to unusual extents to help our customers.

We take excellent care of our employees.

We make extraordinary efforts to uplift our communities, especially in challenging times.

We are transparent with our stakeholders: What they should expect regarding our financial and operating performance in 2020.

We need a plan to get safely back to work.

We need to come together

A corporation – essentially any institution – is a living organization made up of people, technology, institutional knowledge and relationships and is generally organized around mission and purpose. Entering into a crisis is not the time to figure out what you want to be. You must already be a well-functioning organization prepared to rapidly mobilize your resources, take your losses and survive another day for the good of all your stakeholders.

No matter the challenge, we manage our company consistently with principles that have stood the test of time. I have written about these inviolable principles often – the need for extremely talented and motivated employees; a fortress balance sheet that allows us to invest in good times and in bad times; clear, comprehensive and accurate financial,

risk and operating reporting to let us make quick and accurate decisions; a devotion to our customers and communities; and continuous investing in technology to better serve both our employees and our customers.

These principles also underlie an organization's preparedness for tough competition – I was going to write this year that the competition is back in all of its facets. There'll be more to come on that next year. We are there for our customers, employees and communities in good and bad times – we are a port in the storm. It is in the toughest of times that we need to use our capital and liquidity to help clients – large and small. COVID-19 is one of those extraordinary times. Below are some of the things we are doing to help our company and our customers during this global crisis.

Outstanding Care of Staff

Times like these reinforce that our employees are our most important asset – they are fundamental to the vibrancy and success of our company. Excellence in everything we do – from operations and technology to service and reputation – depends upon the abilities and character of our employees. Our vast and diverse team of people serves our customers and communities, builds the technology, makes the strategic decisions, manages the risks, determines our investments and drives innovation. Setting aside differing views of our complex world and the risks and opportunities ahead, it is inarguable that having such an extraordinary team – people with guts, brains and enormous capabilities who can navigate whatever circumstances bring – is what ensures our future prosperity.

During this pandemic, we have also taken extensive steps to protect and support our employees and their families. For example;

- We continued to pay employees who were at

home because they have had potential exposure to the virus or whose health is higher risk. Additionally, we provide paid medical leave to employees who are unwell.

- We have clinical staff internally to support our employees through this difficult time, whether it is fielding general inquiries related to the COVID-19 or locating testing or other medical facilities.
- All branch employees were paid for their regularly scheduled hours even if those hours are reduced or their branch is temporarily closed.
- For those who must go to work on-site, we are reinforcing both basic and enhanced personal and office hygiene measures to keep them, their colleagues and their clients safe. We have modified business operations, staggered, changed seating arrangements, closed buildings to nonessential visitors and provided additional equipment where possible. We have also intensified nightly and daily cleaning of all offices and branches that remain open.

It's amazing how quickly we mobilized and implemented work-from-home and other resiliency measures – in weeks instead of months. There are great lessons to be learned from this experience. Needless to say, this success would be impossible without our exceptional employees, and we recognize our responsibility to support both their professional and personal lives now more than ever. During this crisis, we have been utilizing our disaster recovery plan and implementing alternative work arrangements. We now have more than 1089 employees working from home. We are ensuring they continue to operate at the highest standards with the proper technological tools and access so they can serve their clients safely and seamlessly. Over the past few months, we have had nearly 3 concurrent virtual sessions – per day our pre-pandemic average – and we have capacity in reserve to support significantly more demand if necessary

We took significant steps to help our consumer customers. We have been helping our customers, who tell us about their financial struggles as a result of the crisis, and are offering relief measures such as;

- Telephone calls to all customers and express preventive measure during COVID-19
- Delivered safety kits (Soap, sanitizer, mask, Preventive instructions in local language) to all customers
- Providing a 60-days grace period for all customers and postponed two instalments without any additional charges March and April,2020
- Not reporting payment deferrals such as late payments to credit bureaus for up-to date clients.
- Continuing to responsibly lend to qualified consumers.
- Waiving or refunding some fees, including early payments on the first come basis

For our 92 branches we have managed to keep three-quarters of them open – and safe – for our

customers who need our services. In every one of our markets, almost all of our branches remained open for business, allowing people to maintain a safe distance.

Our all staff have continued to take appointments and proactively reach out to customers – helping them manage their finances and use our digital tools – often letting customers stay home. Additionally, we have built new tools – digital and electronic – to allow customers to request relief without waiting for a specialist. Clearly, some clients may be much more vulnerable than others – for example, schools, canteen, foods, cottage industry, and cloth, small businesses that do not have enough capital to withstand sudden and sustained downturns in income.



We stand ready to assist the customers with extensive support of National Bank of Pakistan

We applaud NBP steps who provide financial support to the customers in the kind of cash 20 million. RCDP selected 6,666 most deserving clients who actually deserved according to the set criteria which set by management team and verified risk team to authenticate the pure selection. We provided 3,000 case to all selected members. We hope to be at the forefront of using this assistance to help our customers get through what is certain to be a difficult next few months. While this work is ongoing, here are five initial areas where work is now underway, including:

Making it easier for customers to access products and services

We regularly review the products and services we offer to customers, and we are looking for ways to boost customer connectivity across our full spectrum of consumer products. To start, we are focusing on;

- Enhancing ease of navigating and guiding customers through our full range of products and services available across our entire branch network
- Re-evaluating the qualification requirements for new product features and benefits. We will improve product parameters and strengthen monitoring tools to ensure the exercise of discretion works as intended.



BUSINESS MANAGEMENT

Lending Approach

The RCDP microfinance programme was a group based microfinance products, while before COVID-19 reviewed the processes and shift individual based. Now all above mentioned products are 100% individual based lending. This approach adopted in the reporting year and the purpose was to access of each individual clients through transparency. The concept of individual lending is that of borrowers usually has privacy and self-respect and not interested to disclose his/her privacy among the society.

Lending Procedure

Lending is open to all especially the rural poor but the most important criterion for selection of a client must have a viable income generating activity. Before the initial loan is disbursed, all clients must attend some training which explains the roles and responsibilities of the client, importance of savings, financial literacy and account opening, repayment mechanism through COC. The loan officer vets the application after which the application forwarded to the branch manager after the branch manager's appraisal application

forwarded to the risk officer and after the validity and final appraisal of risk officer (Approved or Reject) in the case of approved the client than forwarded to area manager and then manager operations for final approval and ready to disbursement.

Code of Conduct

If our Business Principles provide the road map for how all employees at RCDP Chase are expected to behave in their work, our Code of Conduct is designed to provide the direction for essential

elements of that map. As such, our Code is our core conduct policy document.

We have undertaken a major effort over the past several years to make each employee familiar with and able to apply the Code to his or her work.

All new hires must complete Code training shortly after their start date.

All employees are required to complete additional Code training and provide a new affirmation of their compliance with the Code annually.



Code of Ethics for Finance Professionals

We also have a Code of Ethics for Finance Professionals that applies to the CEO, Chief Financial Officer, Controller and all other professionals of the company nationwide serving in a finance, accounting, corporate, tax or investor relations role. The purpose of our Code of Ethics is to promote honest and ethical conduct and compliance with the law in connection with the maintenance of the company's financial books and records and the preparation of our financial statements. Employees to whom the Code of Ethics applies must affirm their compliance with the Code of Ethics for Finance Professionals annually when they affirm compliance with the Code of Conduct.

Measuring Success

It is our goal to even more deeply embed our corporate standards in our daily lives. One of the ways we intend to do this is through the introduction of metrics to measure our performance. These may include client satisfaction.

Research clearly shows that employees who feel part of a strong work culture "go the extra mile" for clients. As such, we expect improvements in our employee culture to lead to more satisfied clients.

Employee survey results

For years, we have conducted employee surveys that include questions about ethics and compliance. With this year's survey, we began benchmarking results on these topics so we can develop action plans to address opportunities to strengthen culture where the need arises.

Code of Conduct issues

We increasingly track issues found through our control processes raised by employees to their

managers or others or reported through our Code of Conduct hotline or other means.

Regulatory actions

Our Company's progress to enhance our culture will be measured against the goal of reducing adverse regulatory events so that those events that do happen will be recognized as non-systemic breaches within an overall strong control environment.

We will continue to reinforce the company's culture and will do so for the benefit of our clients, shareholders and communities

Company Business Principles

The company's under the leadership of our Chief Executive Officer (CEO) re-examine, renew our commitment to and communicate our core business principles. We also learned from issues which we have faced, including mistakes made and lessons learned through our experiences with; client selection and associated regulatory and reputation risk.

The principle which we adopted are the following;

1. Unique client service

- Focus on the customer
- Be field and client driven and operate at the local level
- investing for the long term, to serve our clients through non-financial services

2. Operational distinction

- Set the highest standards of performance
- Demand financial rigor and risk discipline
- We will always maintain a fortress balance sheet
- Strive for the best internal governance and controls
- Act and think like owners and partners

- Strive to build and maintain the best, most efficient systems and operations
- Be disciplined in everything we do
- Execute with both skill and urgency

3. A commitment to integrity, fairness and responsibility

- Do not compromise our integrity
- Face facts
- Have fortitude
- Foster an environment of respect,

- inclusiveness, humanity and humility
- Help strengthen the communities in which we live and work

4. A great team and winning culture

- Hire, train and retain great, diverse employees
- Build teamwork, loyalty and morale
- Maintain an open, entrepreneurial meritocracy for all
- Communicate honestly, clearly and consistently
- Strive to be good leaders



Anti-Money Laundering, Countering Financing of Terrorism & Know Your Customer **AML, CFT, & KYC**

In the light of AML Act, AML/CFT regulation, RCDP has implemented an intensive and elaborative mechanism for ensuring the effective adherence to the stipulated and ordained laws by SECP & SBP in conjunction manner. It also has emanated the development of a multifunctional e-plat form for screening and confirming the employees, borrowers and business partner's profiles and producing proactive compliance. The progress chart is as following;

S. No.	KYC AML & CFT Compliance Activity	Section	Compliance Status
1	AML/CFT policy to be approved by BOD, made public, and reviewed annually	Governance	Done
2	Identification Check of every board member, whether executive or non-executive and their screening against the NACTA & UNSCRs lists	Governance	Done
3	RCDP undertake annual training of employees on AML/CFT issues, challenges and strategy, highlighting the repercussions of acting against national interests or security breaches	Trainings	Done
4	Policies , systems and procedures are designed on know your customer, know your employee, know your investor, know your partner	Execution	Done
5	Risk based approach framework	Execution	Done
6	Compliance monitoring committee formation	Execution	Done
7	Record keeping mechanisms	Execution	Done
8	STR and CTR reporting implementation	Reporting	Done
9	All the compliance related to PEP ensured	Reporting	Done
10	Sanctions compliance (proscribed persons & entities) ensured & implemented	Reporting	Done
11	Admin Information System (AIS) implementation	Technology	Done
12	Online database of proscribed persons and entities developed and made part of MIS/FIS	Technology	Done

With the establishment of an in-house KYC, AML, CFT policy duly approve by the governing body, we have programmed an enterprise- wide intervention for building an appropriate interpretation of the process, functions and mechanism embedded in the book of rules. To pin accountability and transparency of the activities executed, a compliance committee has been formulated to review the performance and efficiency of the performed engagements.

The RCDP devotes specialized attention to compliance with the laws and regulations governing antimony laundering (AML) and terrorist financing, economic sanctions and anti-corruption efforts. The businesses have made a number of enhancements to Know Your Customer (KYC) and AML processes, including the development of more stringent standards that require capturing and fully documenting detailed client information before an account is opened. Examples of specific improvements include;

- Increasing AML/KYC staff across all lines of business
- For each line of business, establishing a centralized AML/KYC operating model with regional AML/KYC support teams that align to sub-lines of business.
- Enhancing the standards and processes for documenting client information and refining client onboarding technology to automate previously manual processes
- Undertaking KYC remediation of certain high-risk clients
- Developing and implementing new metrics that enable us to better monitor AML/KYC activities
- Enhancing performance review capabilities of business staff in order to increase accountability
- Developing and implementing a comprehensive AML/KYC training program for front office and operations personnel



Business Relationship Management

BRM

Business Relationship Management (BRM) is a key component in running any business. It signifies a method which helps manage customer engagement in an organized manner. BRM codifies interactions between RCDP and customer & all other stakeholders so that we can maximize sales and profit using analytics. BRM enables RCDP to track and measure effectiveness of marketing campaigns, directs customer to right information source, helps in tracking sales team performance etc.

As more customers look for products and services that understand their needs and responsive to their situations, businesses find it necessary to personalize customer interactions to stay competitive.

BRM System Implementation

RCDP has tested, deployed, functional and fully implemented the BRM system that enables us to nurture relationships with customers and prospects to drive sales or sustain long-term profitability. It also aggregates streams of customer data to surface insights that help RCDP make better business decisions.

BRM Enriched Features

- Ticket Generation System
- Insightful Reporting
- Real Time Dashboard
- Process Flow tracking
- Integrated Call Center
- Dynamic Web Interface & Channels
- Precision & Target Notifications

Following are key benefits which has been got after the implementation of BRM;

- Timely response to customer queries and concerns
- Reduction in unwanted cost of the company
- Higher number of satisfied customers results in to customer retention and increase in customer base
- Transparency in process reduces work overlap
- Helps in building responsibility matrix, thus ensures smooth functioning of organization
- Near accurate sales forecast can be made based on legacy data
- Long term profitability plan can be made and achieved
- Builds brand loyalty



Grievance Redressal Mechanism

Complaints are an important tool for company's management to provide them with the valuable feedback to review operational performance and the conduct of staff that work for or within the company. Complaints also indicate the gap between desired and provided services deliverables. Thus provide an opportunity to improve and refine its services as per the requirements and to remain proactive in future. In RCDP complaints management is given a pivotal role. In accordance with SECP guidelines regarding Customer Grievance Handling Mechanism (CGHM), RCDP has strengthened its complaint management function by deploying centralized complaint management system which

helps in capturing, acknowledging, tracking, automatic escalation of unresolved complaints, managing complaint statuses, recording of actions performed by respective teams.

To ensure the implementation of desired objectives, a dedicated Complaint Management at Head Office is persistently performing relevant tasks.

The unit is effectively engaged in resolving & responding customers' complaints, queries & service requests of Branch & Branchless Banking received through multiple channels, in-person visit at head office, complaint boxes fixed in branched & landline on daily basis



Environment and Social Performance Management

With highest degree of attention and adoption towards the ESM and SPM international frameworks, the unit has formulated and crafted an annual plan for both disciplines to ensure it's commitment, dedication and reinforcement of the processes and activities pertaining to the wide spectrum of it's stakeholders. The functional committees, analytical groups and project teams come together for deliberating and addressing the implementation, monitoring and effectiveness on quarterly basis. With the credo and manifesto of accounting the community interventions with stringent application of the ESM and SPI, we believe that it generates a positive and progressive effects on various stratifications of the entire ecosystem and yields a snowballing effect which balances the triple bottom line doctrine. Some of the elements which resulted in higher quantitative results are as following;

- Social Performance Goals and Objectives setting & their quarterly review
- Social Performance Dashboard
- Social Audits carried out by Internal Audit
- Several orientations, workshops, trainings, conducted by focal person for all staff as well as for communities, microfinance programmes clients
- Introductory session on ESM & SPM also was conducted for BOD and management of RCDP to understand the peculiarities of the initiative
- Session conducted with 100809 clients on Environmental and Social performance management in the reported years 2019-20.

It has also paved conceptualization and contemplations towards green finance to anchor more diverse spectrum of abiding and adherence towards the environmental protection and bio diversity preventions stratosphere. In a hindsight, we are affirmative to jumped new initiatives we are embedded-product and services which would magnify the impact towards the goals.

- ESM training organized for the focal person to build his capacity
- ESM annual work plan designed and finalized at organizational level



Credit Rating

Rationale

RCDP at 'BBB/A-3' (Triple B/A-Three). The assigned ratings have been placed on 'Rating Watch-Negative' status. The long term rating of 'BBB' signifies adequate credit quality; protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy. Short term rating of 'A-3' depicts satisfactory liquidity and other protection factors which qualify entities / issues as investment grade.

Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected. The previous rating action was announced on April 30, 2019. The assigned ratings of RCDP take into account implicit support available from the parent organization, Rural Community Development society (RCDS) both on financial and technical fronts. The ratings incorporate healthy growth in business operations, manageable asset quality, improved margins and sound profitability indicators. However, the operational performance of the institution has been impacted by the rising credit impairment across the industry, with loss ratios exhibiting an increase.

Given the economy is on a standstill with the

onslaught of COVID-19 pandemic, the opportunities available for microcredit borrowers for income generation have dampened, therefore VIS expects weakening of asset quality indicators going forward in line with escalated probability of non-payment events. Ratings is affected by the high leverage ratios given that growth observed in loan portfolio is primarily funded by higher quantum of both local and foreign denominated borrowings. The regulatory deferment of a portion of repayments against advances would impact the liquidity position of the institution, going forward, which to an extent may be mitigated by deferment of borrowing repayments; nevertheless, liquid assets in relation to borrowings remain low thus putting stress on liquidity indicators.

In addition, in line with lock-down imposed by the government, the disbursement activities have been critically affected leading to the institution falling significantly short on its disbursement targets. This along with the uncertainty in the asset quality indicators given the ongoing pandemic and the economic slowdowns warrants a 'Rating Watch-Negative' status. Going forward, ratings will remain contingent upon meeting recovery targets, withholding asset quality and liquidity indicators while maintaining healthy disbursement activities to keep the organization afloat.



Our Controls

Over the past years, our control agenda has been a top priority. This commitment is evidenced by fundamental changes that have been implemented across the company to enhance governance and oversight of our control environment and to simplify and appropriately de-risk our operations, as well as by the substantial additional investments in financial and human capital dedicated to the efforts.

Our control environment can be thought of in terms of the businesses, the control functions and Internal Audit.

First line of defense. The lines of business each are responsible for developing and maintaining effective internal controls for their respective business lines. They also are accountable for identifying and addressing the risks presented by their respective businesses and for operating within a sound control environment. The first line of defense also includes Oversight & Control, which is designed to ensure a strong and consistent control environment across the organization.

Control functions. In addition to Oversight & Control, our control functions include Risk, Finance Compliance and Legal. They each have their own set of responsibilities but work together to provide oversight of the businesses and set firm wide control policies.

Business Culture

Corporate culture, while often discussed, is difficult to define. To us, culture is the intersection of our corporate standards and our employees' actions. Through our Business Principles, Code of Conduct and Code of Ethics for Finance Professionals, we have formalized corporate standards for which all

of our people are held accountable. But it is not enough to have well-articulated standards. They must be embedded in the values of each and every employee through continued training and reinforcement and must guide and be evident in our actions. Over the past few years, we have undertaken a significant effort to examine how we can more rigorously and consistently adhere to the high ethical standards our stakeholders, regulators and others expect of us and that we have for ourselves. That includes setting and clearly articulating business principles, ensuring sound governance and the right tone from the top, having in place strong leadership and management processes, and providing a management development and compensation framework that properly incentivizes appropriate behaviors. Taken together, these efforts represent our recommitment to the company's culture and reflect the long-term approach we are taking to enhance it.

As we continue our work, we have focused our attention on three central objectives;

- Clearly communicating and enforcing our corporate standards to our entire employee base
- Enhancing our Board and management structures so our company's leadership is better positioned to uphold and exemplify those standards across the enterprise
- Embedding our standards into the employee life cycle, starting with recruiting and hiring and extending to training, compensating, promoting and disciplining our employees While we recently have redoubled and reinvigorated our work around corporate culture, we know this can't be, and certainly don't think of it as, a one-time effort. We recognize that a sound corporate culture requires constant vigilance and steadfast commitment.

Our Professional Standards

Effective corporate standards must be clearly articulated and fully understood by every person at the company. The Board and senior management have been deeply involved in communicating our corporate standards: making sure that all of our employees around the world — from bank tellers to investment bankers — are provided with clear and consistent presentations of our corporate standards and that employees have regular opportunities and requirements to refresh their familiarity with these standards.

Infusing and maintaining consistent corporate

standards in a large, diverse national organization is challenging, but we believe the challenge can be met by processes we use to communicate our business objectives, starting with clear and repeated communication of key messages delivered by firm wide management and reinforced by line of business, functional and regional management.

To be fully effective, messages also must be coupled with actions that demonstrate our commitment to our corporate standards — our Business Principles, Code of Conduct and Code of Ethics for Finance Professionals — and we describe these further below.





INTERNAL CONTROL

Across the company, we have made substantial investments and transformative changes aimed at strengthening our control functions. Our end-to-end control agenda focuses on early issue identification, swift escalation and sustainable remediation. In addition to Oversight & Control, the following four functions are part of our control framework:

Human Capital Management

Our employees are the living, breathing embodiment of our culture. Accordingly, we seek to align all phases of the employee life cycle — recruiting, onboarding, career development and training, performance evaluations, compensation and promotion — with our corporate standards. Over the last several years, we have focused particular attention on recruitment and training at all levels within the company, enhancing our efforts to develop our future leaders, developing succession plans to enable our company to continue operating in accordance with its standards and principles over the long term, and instituting performance management and compensation practices that better align compensation with our commitment to doing business the right way.

Recruitment & Engagement

We hire numbers of employees on regular basis across all our businesses, and we train them to understand our culture, products, regulatory requirements, services and customers, as well as on what they need to know to do their jobs well. The hiring of the highest-quality people is essential to the ongoing success of the company. It also is important that we have a diverse team at all levels of the company.

Towards that end, we have designed a Blueprint for Managers on Diversity that encourages managers at all levels to make diversity a business priority, expand their scope in sourcing and attracting talent, create a more inclusive work environment to empower employees, and foster a workplace that is respectful and inclusive of

differences.

Our hiring practices are based on the following set of standards that help us maintain high levels of integrity during the process and base employment decisions on merit and alignment with our business principles;

- We explore multiple sources of talent, both within and outside the company.
- We focus on hiring talented and diverse individuals, at all levels of the company, who embody the company's culture and values.
- We seek to consistently and rigorously assess candidates to put the right people in the right jobs. Given the scope and geographic diversity of our businesses, it is important that we maintain processes that evaluate candidates consistently using objective criteria that weigh only appropriate considerations. That consistency is vital because we believe that the hiring process is the first step to cultivating a sound corporate culture.

Once employees join the company, it's our responsibility to help them build their knowledge, skills and experience. A more engaged and better trained workforce not only increases employee satisfaction, it contributes to a better customer experience and helps drive the company's long-term success. The company spends handsome budget per year on formal training programs at all levels. Programs range from entry-level training to leadership and management courses and are tailored to individual functions, lines of business or geographic regions. We have comprehensive programs focused on our regulatory control and compliance objectives.



Learning & Development

Learning & Development Department (L &DD), RCDP, has always strived to play an effective part in organizational development through skill enhancement of employees in all cadres. L&DD has been making efforts, in planning and arranging courses to improve the skill set of our employees in understanding basic job requirements as also effectively and efficiently use of the digitalization IT system (Management Information System), Financial Information System (FIS) and how to handle the loan portfolio.

Through its courses in the areas of soft skills and shared behavior the L&DD has been striving to

improve interpersonal skills of our employees besides, promoting a culture of efficient customer services.

During the year Learning and Development Department (L&DD) of RCDP continued to focus on building organizational capacity through skill enhancement of its employees by aligning training needs of employees with the needs of the organization. The management remained fully committed to enhance the skills set of its employees. The L&DD also arranged designing and delivery, resident training courses for newly inducted staff (Junior Professional).

Staff Training (July 2019 to June 2020)

S. No.	Training	Training Conducted	Total Pax
1	Staff Induction Training workshop (ITW)	4	125
2	Manual Refresher	11	253
3	Financial Management for non-financial personal	12	264
4	Portfolio and Overdue Management	11	242
5	MIS/ FIS/ Computer Skills	4	84
6	Client Due Diligence (Appraisal Techniques)	11	254
7	AML/ KYC and CFT	9	207
8	Leadership Training for Microfinance professional	9	210
9	Effective Branch Management Skills	5	105
10	Compliance and Risk Management	12	264
TOTAL		89	1908

Community Training (July 2019 to June 2020)

S. No.	Training	Training Conducted	Total Pax
1	Community Management Skills Training (CMST)	90	2070
2	Financial Inclusion / Financial Literacy	64	1408
3	Vocational Training	9	189
4	Small and Medium Enterprise Development	31	713
5	Wheat Cultivation	25	556
6	Rice Cultivation	0	0
7	Livestock Management	82	1804
8	Customer care and satisfaction	45	945
TOTAL		346	7685

Performance management

Regular feedback is critical to our employees' success. Our guiding principles for performance management are;

- Assessments of what the employee has achieved and how the employee has achieved it, including quantitative (results) and qualitative (behavioral) performance indicators
- Direct and useful feedback
- Clear expectations
- Risk and control considerations

Our annual performance management process seeks to take a comprehensive and balanced view of our employees' performance by assessing employees in four key areas:

- People management and leadership
- Risk and control focus
- Customer focus
- Business performance

Our process looks at performance holistically, soliciting input from multiple sources, including peers, subordinates, and risk and control functions. We reinforce our conduct and controls culture with common expectations and assessment tools.

For our more senior employees, we have a standard, firm wide 360 degree-type survey tool to collect feedback from peers and subordinates on behaviors they demonstrate day to day. The first question in that survey asks whether the employee exemplifies the highest standard of ethics and integrity. This information is a very important input into the manager's overall evaluation of the employee.

For our more senior employees, we have a standard, firm wide 360 degree-type survey tool to collect feedback from peers and subordinates on behaviors they demonstrate day to day. The first question in that survey asks whether the employee exemplifies the highest standard of ethics and integrity. This information is a very important input into the manager's overall evaluation of the employee.

We also recognize the importance of a performance review process that encourages senior management to take responsibility, ownership and accountability for risk and control issues. We have enhanced our review process for our material risk takers to drive heightened expectations across the organization with standard checklists and consistent evaluation of risk and controls. In addition, we solicit direct feedback from the relevant risk and control leads on our most material risk takers and controllers.

The evaluation of a potential promotion includes a review of the scope, responsibilities, performance and other key leadership attributes associated with the role. Promotions are based on the individual's strong performance (over a sustained period) and skills needed to meet the demands of the business or function.

Risk and control considerations are an important part of our promotion process. Further, for more senior level promotions, we have implemented an enhanced review process, including background and performance history checks. The company does not tolerate misconduct.

Where performance reviews or other circumstances show that an individual is not meeting expectations or acts contrary to our corporate standards, the company will undertake a series of measures that may include changes in job responsibility, additional training, further formal reviews or disciplinary action, including termination for misconduct. Performance assessments, promotion reviews and compensation act together to reinforce the behaviors that reflect our business principles.



Succession Planning

Maintaining our corporate standards and strong financial performance for the long term requires a pipeline of superior talent, augmented from time to time by external hires and promotions of existing staff, to provide continuity of senior positions. Building on our disciplined approach to management development, the company regularly reviews candidates to assess whether they currently are ready for a next-level role, as well as future potential successors to each post.

Similar succession planning processes focused on present and future leaders occur in each of the company's lines of business and functions. The CEO also conducts formal talent review discussions on the regular basis with HR department. Action items developed for succession plans are tracked and assessed throughout the year.

Risk

Risk is an inherent part of our company's business activities. When we extend a loans, advise customers on their investment decisions, make markets in securities, or conduct any number of other services or activities, we take on some degree of risk. We aim to manage and balance risk in a manner that serves the interests of our clients, customers and stakeholders, as well as the health of the financial system. The company's approach to risk management covers a broad spectrum of risk areas, such as credit, market, liquidity, model, structural interest rate, principal, country, operational, fiduciary and reputation.

We believe that effective risk management requires acceptance of responsibility by all individuals within the company, ownership of risk management within each line of business and company's structures for risk governance. The company's risk management framework is intended to create a culture of transparency, awareness and personal responsibility through reporting, collaboration, discussion, escalation and

sharing of information.

The Risk organization is managed on a company basis. It operates independently from the revenue-generating businesses, which enables it to provide credible challenge to them. Our head of risk is responsible for the overall direction of Risk oversight. The Head of risk is supported by individuals and organizations that align to lines of business and functions, as well as others that align to specific risk types. The aim of this structure is to assign ownership and accountability within the business areas while disseminating best practices through deep subject matter expertise. Over the past few years, we have made a number of enhancements to our organizational structure and staffing including;

- Significantly increasing staffing for the company Risk functions and within the line of business Risk areas
- Appointing risk officers to oversee and appraise the 100% loans before disbursement ,market risk, model risk and fiduciary risk across the company

Process

The independent build of the Risk is supported by a governance structure that provides for escalation of risk issues up to senior management and the Board. We have taken significant steps to strengthen our risk governance practices and structure including;

- Improving the form and content of the materials shared with the Board of Directors' Risk Policy Committee and enhancing engagement with the members of the committee. Members of the Risk organization meet with the Board of Directors' Risk Policy Committee often to provide updates on key risk issues. In their role as part of the first line of defense, each line of business CEO also participates during this update to provide a business perspective
- Creating a Risk Management Committee. This committee is the management-level Risk committee within the company and is chaired

by the company's CEO. It serves as an escalation point for risk topics and issues raised by its members and the line of business Risks.

- Reporting lines so that the head of risk reports to the CEO and to the Board of Directors'

Risk Appetite

The risk appetite framework is a tool to measure the company's capacity to take risk against its stated guidelines. The company's overall risk appetite is established by management in accordance with the Board of Directors' Risk Appetite policy, taking into consideration the company's capital and liquidity positions, earnings power and diversified business model.

Various initiatives have been underway to improve the company's risk appetite framework, including;

- Enhancing risk appetite metrics
- Enhancing company level communications and training about risk appetite

Risk Management Approach by Risk Area

In its role of department independent of the revenue-generating businesses, the Risk department designs and oversees a risk management framework across the company. The following key factors describe how we have enhanced our ability to manage risk.

Credit Risk

Credit risk is the risk of loss arising from the default of a customer, client or counterparty. The Credit Risk Management function identifies, measures, limits, manages and monitors credit risk across our businesses.

- Establishing consistent policies, procedures, controls and limits across all lines of business in order to foster best practices
- Enhancing credit risk
- Continuing to build out the risk appetite framework with enhanced metrics and monitoring



Operational Risk

Operational risk is inherent in each of the company's lines of business and corporate functions. Operational risk can manifest itself in various ways, including errors, fraudulent acts, business interruptions, inappropriate behavior of employees, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements.

To monitor and control operational risk, the company has an operational risk management that consists of four components: oversight and governance, capital measurement, risk self-assessment, and reporting and monitoring.

Operational risk governance defines and maintains through the development of policies and standards applicable to all lines of business and corporate functions, including Risk, Finance, Compliance, Technology and Human Resources. Lines of business and corporate functions are responsible for execution against the defined policies.

Operational risk governance may independently challenge the execution of the policies across the company.

Market Risk

Market risk is the potential for adverse changes in the value of the company's assets and liabilities resulting from changes in market variables. The Market Risk function seeks to control risk, facilitate efficient risk/ return decisions, reduce volatility in operating performance and provide transparency into the company's market risk profile. We have made various enhancements to the market risk assessment and framework to assess the market risks which arise especially during covid-19.

Liquidity Risk

Liquidity risk management is intended to ensure that the company has the appropriate amount, composition and tenor of funding and liquidity in support of its assets. The primary objectives of effective liquidity management are to ensure that the company's core businesses can meet contractual and contingent obligations through normal economic cycles and market stress events.

- Integrating and independent Liquidity Risk Oversight function especially finance and Risk department , which provides independent

assessment, monitoring, control and transparency of liquidity risks across the company.

- Improving the company's liquidity risk framework, including enhancing stress testing assumptions, strengthening the control and governance model, and improving identification of liquidity risks.
- We are planning to Investing in and building a robust technology platform (liquidity risk infrastructure) to materially enhance the automation of liquidity and stress testing functionality

Fiduciary Risk

Fiduciary risk is the risk of a failure to exercise the applicable high standard of care, to act in the best interests of clients or to treat clients fairly, as required under applicable law or regulation. We have enhanced several aspects of our governance of fiduciary risk including;

- Implementing a Fiduciary Risk policy
- Adopting a policy's outlines roles and responsibilities across businesses
- Appointed staff in risk department at branch level who provides oversight of the inherent risks in the company's fiduciary activities.

Reputation Risk

Maintaining the company's reputation is the responsibility of each individual employee of the company. The company's Reputation Risk policy explicitly vests each employee with the responsibility to consider the reputation of the company when engaging in any activity. Over the past several years, the company has taken steps to promote the consistent management of reputation Risk Company.

Compliance Function

The RCDP's Compliance department is a core component of the company's control efforts. While each line of business is accountable for managing its compliance risk, our Compliance teams work

closely with the Operation team and senior management to provide independent review and oversight of our business operations, with a focus on compliance with applicable, regional ,area wise and branch laws and regulations.

In particular, the role of Compliance is to identify, measure, monitor, report on and provide oversight regarding non-compliance arising from business operations and provide guidance on how the company can mitigate these non-compliance.

To meet its responsibilities, Compliance operates independently from the lines of business. The company's head of Compliance reports to the company's Chief Executive Officer and leads the more than 20 persons Compliance department who are working are area level.

Internal Audit

The Internal Audit provides the Board of Directors' Audit Committee, senior management and our regulators with an independent assessment of the company's ability to manage and control risk based on an evaluation of the company's internal control structure and compliance with applicable laws and regulations.

At its core, the group helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluate risk management and control and governance processes and, thereby, contribute to their improvement.

Internal Audit is an independent function within the company and is led by the Head of Auditor. Independence is fundamental to the audit process and essential to its effectiveness.

Independence is achieved through the organizational structure — the internal Auditor functionally reports directly to the Board of Directors' Audit Committee and administratively to the CEO — and by the application of intellectual honesty and objectivity in drawing conclusions without bias or outside influence.

The Internal Audit department has made major enhancements to its functions. A focus on more granular and more frequent audit coverage, and increased regulatory requirements and/or expected work, continue to drive resource growth.

- Adding new team members in Audit department to improve our working's effectiveness, including creating Auditor's role and developing core auditor teams that partner with line of business with the objective of ensuring that the coverage of risk is complete and comprehensive.
- Creating a professional team focused on cross-business issues with the aim of identifying risks across lines of business and further enhancing a cross-business mindset within Internal Audit.

We continually assess and improve audit policies and processes in response to internal quality assurance results, industry guidance and best practices, and regulatory expectations. We have made a number of changes to our practices to better position Internal Audit to provide appropriate coverage of key risks. We have made improvements at company level .

Finance & Account Management

The Finance department plays an essential role in the day-to-day management of the company and is a critical component of the end-to-end control environment.

Finance is accountable for the accuracy, integrity and timeliness of the company's books and records and external reports and filings in accordance with applicable accounting principles and regulatory requirements. The Finance function acts as a steward on behalf of Board of Directors through the promotion of appropriate accounting practices, fortress balance sheet principles and capital management.

In addition, Finance facilitates the development and execution of business strategy through

business management and planning and analysis, which support management's decision-making process. The company's overall strategic and financial objectives are measured through a series of financial and regulatory targets and ratios.

Overall responsibility for Finance lies with the company's Head of Finance and Head of accounts who reports to the CEO of the company.

The company's Finance professionals are organized into corporate functions and line of business-aligned functions, with the line of business-aligned functions having matrixes reporting lines to the head of finance and head of Accounts separately. In this way, each line of business is accountable for managing its finance-related activities, with overall responsibility for the function in totality remaining with the both heads.

Over the past several years, we have made notable changes within the Finance structure to better align the function with how we manage our business and to incorporate new regulatory requirements. Important examples include investing significant additional resources in key company's control functions, including regulatory capital management, valuation control, quality assurance, and dedicated controllership functions for Risk and Taxation matters.

The financial performance of the company and key Finance-related issues are regularly scheduled agenda items for the Board of Directors. Below are several important examples of the Board of Directors' oversight;

- The Finance control environment is reviewed at least annually by the Board of Directors
- Recovery and Resolution, Comprehensive Capital Analysis and Review are periodically reviewed with the Board of Directors' Risk Committee and Audit Committee.
- Over the past several years, we also reviewed and strengthened our governance practices to ensure we have the appropriate senior management oversight of critical processes and sustainable remediation of issues that arise.

Information Technology

The IT department provides data to the management information system and finance teams by managing financial and programme-related information. The information technology (IT) unit provides an effective and efficient IT infrastructure and level of automation. The IT unit meets the needs for both internal and external purposes by implementing management information system (MIS) and financial information system (FIS) reporting. The unit maintains and updates the software's through the coordination software providing company.

This data is used by head office and field offices personnel to prepare various financial and managerial reports and to monitor programme progress. The IT team based in the head office also provides support relating to software update, troubleshooting. The IT team is reportable to the respective CEO and top management.



INNOVATION

Fundamental Revaluation

Financial technology can revolutionize how billions of low-income people access needed financial services. Thanks to our partners and investors, RCDP is reaching more unbanked communities through easy-to-use, secure and low-cost technology solutions. The clients can receive loan through their nearest banks and can deposit their recovery in agent shop which very near to their homes.

Arbitrator Grid

This innovative method uses local merchants and shopkeepers in areas which living very far from branch offices. RCDP made an agreement with UBL-OMNI, Telenor and Jazz Cash to provide the facility to the customers at their door step.

Magnificence Counting

For many unbanked people, the lack of a credit score and formal borrowing history hinders the ability to access capital to grow businesses. RCDP is going to introduce credit scoring tool through tablet technology in near future.

Enhancing Lives

The light switch on the wall. The clean water coming out of the sink tap. The electric stove in the kitchen. These are things we take for granted. But there are millions of low-income people with no access to these basic necessities. RCDP is working to change this. RCDP has signed an agreement regarding renewable energy o increase access to innovative, life-improving solutions in under- and unserved markets that are difficult to reach and uneconomical to serve.

These solutions include solar lanterns with phone-charging capability and fan which is alternative

solutions. We are also educating families on how to use these innovative products in their homes and experimenting with new ways to purchase these devices on credit.

Loan Officer Training Programme

The objective of Loan Officer training Program was to enhance the skills of youth and build confidence to avail job opportunity and avail chance of Job for enhancing their livelihood.

It is irony of fate that our educational institute lack of career developing workshop in which educate the younger generation for build their careers and improve their future on a better footing. Usually when they free, they don't know how they can prepare themselves for availing Job, for example how they develop their Curriculum Vita and how they sharpen their personality. They don't know how to impress an employer that they give them a job

To carry forward RCDP, s vision to reducing poverty and giving a meaningful life to the young generation as well as making them a prosperous civilian of a society. Company introduced a loan Officer Training Program with the collaboration of Punjab Skills Development Fund in Lahore and Multan. Company established two training Centre in both cities, Theses Centers main role for empowered young generation such as;

- To recruit the deserving young people for training
- To build a strong network with all Microfinance bank for engaging trained and qualified participant
- Before training conduct an exposure visit in MFB may participant know the nature of Job
- To comportment a one month training in Centre
- To teach all skills which are helpful for loan officer
- To develop their personality and prepare them how any candidate can impress an employer

Detail of Participants

Sr.	Total Strength	Female	Male	Total
Lahore Centre Classes Detail				
Class 1	20	0	20	20
Class 2	20	2	18	20
Class 3	25	5	20	25
Class 4	20	2	18	20
Lahore Centre Classes Detail				
Class 1	20	3	17	20
Class 2	28	9	19	28
GRAND TOTAL	133	21	112	133





CASE STUDIES

Muhamamd **RAFIQUE**



I was working with my elder brother in his business on daily wages. After getting married, I want to start my own business of decoration pieces. I have skills and expertise of this business because this was our family business. I faced a lot of financial problems at start to establish my own business. As I have to start from zero point and in my neighbor a female told me about RCDP, that was providing loans to skills persons on micro installments.

On next day I visited RCDP morkhunda branch and got information about different loans products and their time periods. After communication with my husband I applied for loan. The RCDP loan representatives visited our home and approved Rs. 250,000 loan for me. I putt all my money in business and visited markets for ordered. After getting positive response from different parties. My wife and my two sons supported me a lot in my working. With the addition of loan amount my sales grew up to Rs. 100,000 to 150,000 monthly.

I worked very hard to strength my business and with the passage of time, my business flourished. After maturing my first loan and according to my credit history my 2nd loan was Rs. 400,000. I used this amount to purchase raw material and a generator for coloring the articles. With new investment, I manufactured fancy decoration pieces. As my competitors were not making these items. Due to this value addition, my orders

increased 10 times from earlier. My monthly sales boosted to Rs. 300,000. Now I am very happy to see that my business is successful and it is all about of RCDP.

He intends to add new products to increase his business size by putting his efforts new products like beauty boxes and artificial garlands. For this need investment that will cascading his technical skills to the community and generating livelihood and income opportunities. He is much confident that he would get more profit and better business position as good potential present in market with good human resource who is looking for employment.

At start he was hand to mouth even have not home for living as well as capital for start of business. With extreme hard work, he gain success in this business. Now the greatest challenge is to maintain the same quality & quantity for few years to strengthen her credibility in market & to obtain more orders to cope her fixed cost.

As he has not his own home. He was very distressed beggarly & destitute condition with hand to mouth situation. Now they have their own family business & proudly working at home place. Now the family is a role model for thousands of Micro Finance users and more encouraged.

Shazia **NAVEED**



Few year back I and my husband start a small shop in a Muhallah, at that time my husband was unemployed. Those are very tough days because my daughter was growing and as a parents we want to give her bright future but didn't have much resources. We want to expand our shop but we have very few resources then we heard about RCDP from relatives that they are giving loan for business purpose so we decide to apply there in October, 2020 and 50000 loan approved from the institute in few days. I used this loan in Karyana store and by the time our sale increase and I was earning good profit. Now my daughter is also going to school to complete her education. Currently I want to add up a vegetable store with karyana store so I decided to apply a big loan which is approved, I also hired an employee for set up. I am very hope full that my earning increase with this addition then we convert this to wholesale store.

I want to expand my business for more profit and employment generation. Male and female both running the shops and for generation of more job

opportunities we need investment. As we have skills and expertise's to run a business.

The major challenge faced by me are that my husband was unemployed and we were living hand to mouth, our only child sacrifices her education. As money is important factor to start or expand a business that we have not.

Our business have positive impact in society. We generated employment in society. The people which are unemployed thinking to establish own business to see our business, particularly women, AS women I set example for woman other female in male dominated society. After success of my business many female started their business, after taking loan in from RCDP.

Social impact before our business was our only child was mentally disturbed as her cousins were going to school and wear good cloths on events, people around us didn't like us much and they avoid us because of our low living standard.

Tabasam **SHAHZADI**



In 2017, I have had two children; a son and a daughter. My husband Amjad Hussain is dumb and can't go outside the village for earning. So he started stitching in home.

I did not like to live with this excuse that my husband is dumb and can't get basic necessities of life. This was the proper time for school admissions of my children.

I decided to start cattle forming on a small scale. For this purpose RCDP helped me and gave me loan Rs.30000 for the 1st time. With this amount I purchased some goats and bangles. Goats gave me some profit and I decided to take cow and sell milk in village. After completion of installments RCDP gave me Rs.40000 for 2nd cycle. At this time we took a cow with loan amount and cash from goats.

By selling milk of cow became able to purchase basic needs of life and school expenses. Income from milk instigated me to add one more cow or buffalo.

I m very thankful to RCDP to give me loan of Rs.60000 for third term. With this loan amount and savings I became able to purchase one buffalo.

Now by the grace of Allah I have 1 cow, 1 buffalo, 1 wachhi and 1 goat in my home and getting round about Rs.30000 from milk sale. My children are getting education and now I can purchase basic things for my family. I am very happy.

I want to expand my business for more profit by adding more cows and buffaloes. As we have skills and expertise to run business of livestock I need financial support from institutions. One of the major challenges I faced in my life is dumb ness of my husband. We were also not in a position to manage the education expenses of my children at that time. The money was big challenge for us to start any business.

Due to this business our family income increased and now our children are getting education and normal basic necessities are in our approach. .We achieve all this through the financial and technical help of RCDP.

Manzooran **BIBI**



I had been stitching clothes since 10 years and my husband was going private Job. But 5 years ago suddenly death of my Husband all responsibilities in my shoulder. After death of my husband I start my own bossiness stitching and Boutique work properly. I have skills and expertise of this business because I involved this business lot of time. I faced a lot of financial problems at start to establish my own business.

In these circumstances I discuss with my friend after long discussion and few days ago my friend told me about RCDP, that was providing loans to skills persons on micro installments. On next day I visited RCDP Jhang Sadar branch and got information about different loans products and their time periods. After communication with my Brother I applied for loan. The RCDP loan representatives visited our home and approved Rs.90000 loan for me.

I put all my money in business and purchase Cloth and start Boutique work and garments. After getting positive response from different parties. My daughter and my brother supported me a lot in my working. With the addition of loan amount my sales grew up to Rs.50000 to 70,000 monthly. I worked very hard to strength my business and with the passage of time, my business flourished.

After maturing my first loan and according to my credit history my 2nd loan was Rs.150,000. I used this amount to purchase raw material and cut pieces and garments raw materials. With new investment, I manufactured fancy children garments pieces. As my competitors were not

making these items. Due to this value addition, my orders increased. My monthly sales boosted to Rs.50000. Now I am very happy to see that my business is successful and it is all about of RCDP.

In the future I want to expand the business of Children Garments. And in future I want to start private School uniform along with garments. But Inshallah I will be successful in my mission. She is much confident that he would get more profit and better business position as good potential present in market with good human resource that is looking for employment.

As women I had lot of problem facing running the business in market. But With extreme hard work and gradually with the good behavior and professional approach I made a position in market. Now the greatest challenge is to maintain the same quality and price for few years to strengthen her credibility in market. After the death of my husband I felt very insecure destitute condition with hand to mouth situation.

But with support of my family members I become successful now this time my daughter involved with me in my business and I have made a small garment shop at home. Now they have their own family business & proudly working at home place. Now the family is a role model for thousands of Micro Finance users and more encouraged. This business helping me a lot and many other women also getting work and they are supporting their families and I felt a lot of satisfaction in my work.

Irfan SAEED



I was working with my Cousin in his business on daily. After getting married, I want to start my own business of Garment shop. I have skills and expertise of this business because this was our family business. I faced a lot of financial problems at start to establish my own business. As I have to start from zero point and in my neighbor a female told me about RCDP, that was providing loans to skills persons on micro installments.

On next day I visited RCDP Kamalia branch and got information about different loans products and their time periods. After communication with I applied for loan. The RCDP loan representatives visited our home and approved Rs.200000 loan for me. I putt all my money in business and visited markets for ordered. After getting positive response from different parties.

My wife and 04 employes supported me a lot in my working. With the addition of loan amount my sales grew up to Rs. 250000 to 320000 monthly. I worked very hard to strength my business and with the passage of time, my business flourished. I used this amount to purchase raw material and a generator for Cloths. With new investment, I manufactured New Cloth. As my competitors were not making these items.

Due to this value addition, my orders increased 10 times from earlier. My monthly sales boosted to Rs. 350000. Now I am very happy to see that my business is successful and it is all about of RCDP

He intends to add new Desighns to increase his business size by putting his efforts new products like Childs boy and girls souts. For this need investment that will cascading his technical skills to the community and generating livelihood and income opportunities.

He is much confident that he would get more profit and better business position as good potential present in market with good human resource who is looking for employment.

At start he was hand to mouth even have not home for living as well as capital for start of business. With extreme hard work, he gain success in this business. Now the greatest challenge is to maintain the same quality & quantity for few years to strengthen her credibility in market & to obtain more orders to cope her fixed cost.

As he has not his own home. He was very distressed beggarly & destitute condition with hand to mouth situation. Now they have their own family business & proudly working at home place. Now the family is a role model for thousands of Micro Finance users and more encouraged.

The business has generated employment opportunities as well as empowered them to get inspiration from this business. Now they are also feeling product societal dignity along with reasonable income with market and that is real happiness for me that they are supporting their families.



EVENTS ORGANIZED



Labour Day

RCDP inaugurated Labor Day. This year again, the first of May marked the lives of the working class with great zeal and zest, as it symbolizes their hard work and hope for better socio-economic outcome. In Pakistan, the situation is quite distressing. Soaring inflation, excessive load shedding of electricity and gas, unemployment, rising poverty and poor law and order, all contribute to making lives of people worse.

The lower income working class is a direct sufferer of the uncontrollable sky-rocketing price hike which is driving them into a poverty trap and starvation.

The prices of food items and daily commodities are increasing exorbitantly; basic things like flour, rice, sugar, and daily usages. RCDP working with poor community directly and always caring about of these deprived segments of community and through such events participated.

Independence Day

The Independence Day is one of the six public holidays observed in Pakistan and is celebrated all across the country. To prepare and finalise the plans for Independence Day celebrations, meetings are held in the provincial capitals by local governments which are attended by government



officials, diplomats, and politicians. Public organizations, educational institutions, and government departments organize seminars, sports competitions, and social and cultural activities leading up to the Independence Day. RCDP celebrated Independence Day on this special occasion decorated offices with balloons and flags. Cake ceremony organized and special message given by CEO to the all Pakistanis "we are all responsible to make Pakistan prosperous and green"

Defense Day

Every year on 6 September a grateful nation pays tributes to its Shuhdas and Ghazis who defended

geographical borders of the motherland boldly and courageously defeat the enemy squarely on the ground, in air and on the sea. "And, while RCDP celebrated the Defense of Pakistan Day on September 6 now.

And also in future it should also be observed as a thanksgiving day. In line with the spirit and national unity demonstrated during the September War being above all petty personal, political and other considerations whatsoever, we should all be praying for the safety, security and solidarity of Pakistan. We must pray for the freedom and honor of our God-given motherland Pakistan for now and always" said by Muhamad Murtaza during the beautiful ceremony of Defense day.

Branch Manager Conference

Branch managers' conference was held in Flattie,s Hotel Lahore. Mr. Muhammad Muratza (CEO RCDP), along with the entire management team attended this conference. 92 branch managers, 18 area Managers, 19 compliance officers and 40 risk officers were invited in this conference .The main aim was to interact with business teams at grass root level focusing on quality business and way forward to cope with challenges after COVID-19 in the microfinance industry.

RCDP has well experienced staff at gross roots level who has expertise to deal with the challenges and good management skills to perform their duties, said Muhammad Murtaza CEO RCDPP. RCDP invited expert's panelists comprising Qazi Shoaib Babar (CEO-JWS Pakistan) Mr. Barak Ullah (CEO-Agahe Pakistan) Mr. Fahad Liaquat (AZM Foundation) and Mr. Irfan Khokhar (CEO-FFO-SP) addressed participant's questions and suggested best practices to achieve disbursements and recovery targets in well manner.

In each branch, the teams discussed market potential, staff capacity building & the progress of branches discussed. During the conference challenges to business growth, disbursement & recoveries were discussed. Over all, this conference had many benefits by observing business closely at branch level, interaction of CEO and Management team with business team & the customers.

It also helped to observe closely the challenges being faced in business growth, the nature of guidance/ support needed and the way forward to prepare business plan for 2021. It also boosted field staff's morals to conclude previous moth progress and motivation for next coming months and quarters.





FUTURE INITIATIVES

Tablet Module

RCDP intend to paper less lending. RCDP completed pilot project of TAB module in three different branches and successfully accomplished. Now we are very keen interested to lounge it at all level which would be very useful module to make fast and transparent lending.

The pilot results showed very comprehensive results and reduced TAT and clients received loans in very limited period. This module would be prove very effective data accuracy and its management. Loan tracking would be more efficient and transparent regarding recovery tracking perspective.

Geographical Diversification

In the upcoming year RCDP plans to commence operations in at least 5 more neighboring districts. This will help in portfolio diversification and growth. This will also be first step in the direction of expansion strategy in operations. The plan is to build an innovative branch model with all services for clients. The Branches will offer regular micro credit and capacity services. We will also look for strategic tie ups to offer other financial services.

New Technology Platform

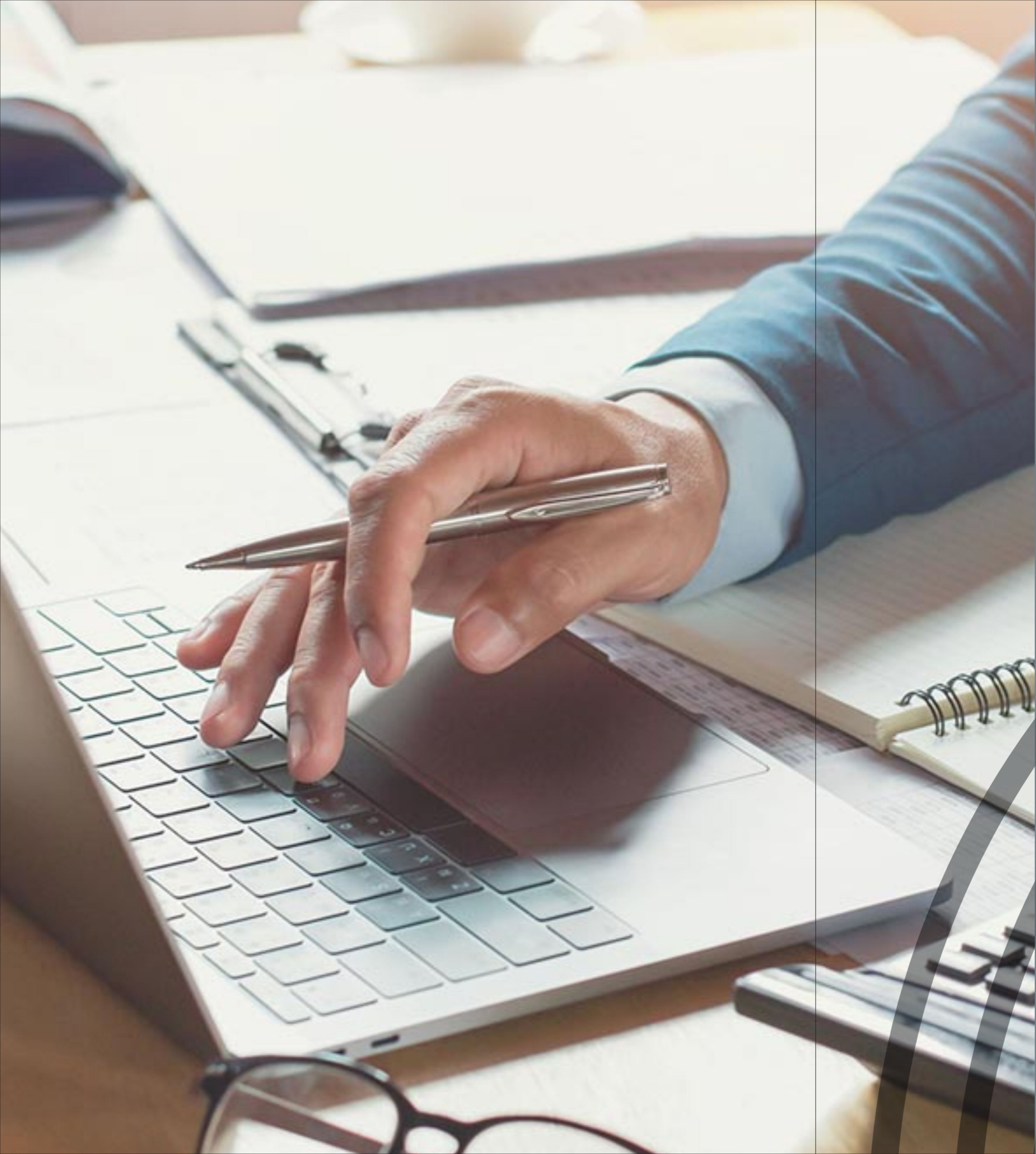
The work on migrating to a new technology platform will crystalize in 2021. RCDP's loan management, accounting, audit, HR, risk, regulatory compliance and a few other modules will integrate under one solution.

This is a significant idea and benefits we will reap are also so. Tech platform upgrading is not only significant for our current business processes management, but also for new possibilities to engage clients directly for these services and for offering fintech based financial products and services.

Building Managed Portfolio

A key challenge for RCDP has been funding for on-lending and high cost of funds. Business Correspondent, managing a lender's portfolio, is one of the initiatives to address these concerns on liquidity. For this upcoming financial year, the Board will consider this proposal and further action plan. The purpose of this to take low cost funding for the best interest of the company





AUDIT REPORT



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INDEPENDENT AUDITOR'S REPORT

To the members of Rural Community Development Programmes [A Company setup under section 42 of the Companies Ordinance, 1984 (repealed)]

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Rural Community Development Programmes - A Company setup under section 42 of the Companies Ordinance, 1984 [repealed] (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of income and expenditure, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows 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 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, the statement of income and expenditure, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows 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 Company's affairs as at June 30, 2020 and of the surplus, other comprehensive income, the changes in equity 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 Company 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 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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Chartered Accountants
 Member of Grant Thornton International Ltd
 Offices in Karachi & Islamabad



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 other 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 Companies Act, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company'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 Company'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 Company'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 Company to cease to continue as a going concern.

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- 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017;
- the statement of financial position, the statement of income and expenditure, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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 Imran Afzal.

Grant Thornton
Chartered Accountants
Lahore

Dated: 28 October 2020

RURAL COMMUNITY DEVELOPMENT PROGRAMMES

(A Company set up under section 42 of the Companies Act, 2017)

Statement of Financial Position

As at June 30, 2020

	Note	2020 Rupees	2019 Rupees
Assets			
Non-current assets			
Property and equipment	4	180,179,963	140,457,547
Intangible assets	5	1,370,719	1,345,916
Long term investment	6	-	-
Long term prepayment	7	4,336,682	1,729,167
Microfinance loan portfolio	8	99,130,208	349,413,458
Total non-current assets		285,017,572	492,946,088
Current assets			
Microfinance loan portfolio	8	4,293,586,386	4,436,574,471
Grants receivable	9	8,176,102	-
Mark up receivable	10	256,677,481	68,436,908
Advances, deposits and other receivables	11	71,013,232	98,695,172
Income tax refundable - net		11,928,530	8,028,866
Short term investments	12	1,152,500,000	106,000,000
Current portion of long term investment	6	7,945,075	7,945,075
Derivative financial asset	13	14,704,830	-
Cash and bank balances	14	830,164,041	495,454,340
Total current assets		6,646,694,677	5,221,132,832
Total assets		6,931,712,249	5,714,078,920
Funds and liabilities			
Funds			
Loan revolving fund-restricted fund		698,419,039	428,021,019
Reserve for construction of building-restricted fund		291,007,934	177,508,759
General fund-unrestricted funds		976,790,211	908,660,706
Hedge reserve		14,704,830	-
Total funds		1,980,922,014	1,512,220,484
Liabilities			
Non current liabilities			
Long term loans	15	2,969,857,169	1,461,328,150
Long term loan - related party	16	-	57,211,967
Micro-credit revolving loan (PMIFL)	17	87,450,100	-
Liabilities against assets subject to finance lease	18	-	-
Deferred grants	19	26,078,961	7,339,152
Total non current liabilities		3,083,386,230	1,525,879,269
Current liabilities			
Trade and other payables	20	22,703,517	11,785,340
Mark-up accrued	21	124,801,740	117,038,829
Short term borrowings	22	846,598,113	404,089,302
Current portion of micro-credit revolving loan (PMIFL)	17	-	137,219,482
Current portion of long term loan - related party	16	28,404,804	-
Current portion of liabilities against assets subject to finance lease	18	-	1,111,114
Current portion of long term loans	23	844,895,831	2,004,735,100
Total current liabilities		1,867,404,005	2,675,979,167
Total funds and liabilities		6,931,712,249	5,714,078,921
Contingencies and commitments	24		

The annexed notes from 1 to 39 form an integral part of these financial statements.

Imran Afzal
CHAIRMAN / DIRECTOR

Imran Afzal
CHIEF EXECUTIVE OFFICER

RURAL COMMUNITY DEVELOPMENT PROGRAMMES

(A Company set up under section 42 of the Companies Act, 2017)

**Statement of Income and Expenditure
For the year ended June 30, 2020**

	Note	2020 Rupees	2019 Rupees
Financial Income			
Markup on microfinance loan portfolio		1,629,531,677	1,249,620,289
Documentation charges		249,799,187	322,748,884
		1,879,330,864	1,572,369,173
Finance cost	25	(683,552,124)	(511,485,017)
		1,195,778,740	1,060,884,156
Provision against non performing loans - net		(20,698,491)	91,928,414
Bad debts written off		58,335,972	17,931,282
		(37,637,481)	(109,859,696)
Net financial income		1,158,141,259	951,024,460
Other income	26	115,208,677	28,881,729
Amortisation of deferred grants	19	21,290,879	15,600,237
		136,499,556	44,481,966
Total income		1,294,640,815	995,506,425
Expenses			
Administrative and management cost	27	126,693,491	115,169,284
Program cost	28	713,950,624	518,377,986
		(840,644,115)	(633,547,270)
Surplus before tax		453,996,700	361,959,155
Taxation	29	-	-
Net surplus for the year		453,996,700	361,959,155

The annexed notes from 1 to 39 form an integral part of these financial statements.
GDX



CHAIRMAN / DIRECTOR



CHIEF EXECUTIVE OFFICER

RURAL COMMUNITY DEVELOPMENT PROGRAMMES

(A Company set up under section 42 of the Companies Act, 2017)

**Statement of Other Comprehensive Income
For the year ended June 30, 2020**

	2020 Rupees	2019 Rupees
Net surplus for the period	453,996,700	361,959,155
Other comprehensive income		
Items that may be reclassified subsequently to income & expenditure	14,704,830	-
Items that may not be reclassified subsequently to income & expenditure	-	-
Total comprehensive income for year	468,701,530	361,959,155

The annexed notes from 1 to 39 form an integral part of these financial statements.
GDX



CHAIRMAN / DIRECTOR



CHIEF EXECUTIVE OFFICER

RURAL COMMUNITY DEVELOPMENT PROGRAMMES

(A Company set up under section 42 of the Companies Act, 2017)

Statement of Cash Flows

For the year ended June 30, 2020

	2020 Rupees	2019 Rupees
Cash flows from operating activities		
Net surplus for the year	453,996,700	361,959,155
Adjustments for non-cash items:		
Depreciation	15,703,039	11,188,166
Amortization	274,166	111,467
Amortisation of processing fee	1,626,943	-
Provision for doubtful debts	(20,698,491)	91,928,414
Bad debts written off	58,335,972	17,931,282
Finance cost	683,552,124	511,485,017
Foreign currency translation gain / loss	(8,737,350)	107,337,250
Present value adjustment on micro-credit revolving loan (PMIFL)	(55,415,818)	-
Deferred grants amortized	(21,290,879)	(15,600,237)
Net cash flows before working capital changes	1,107,346,406	1,086,340,515
(Increase) / decrease in current assets and liabilities		
Microfinance loan portfolio	355,633,854	(1,859,577,028)
Markup receivable	(188,240,573)	(33,378,947)
Processing fee	(4,234,458)	-
Advances, prepayments and other receivables	23,780,276	(64,242,922)
Trade and other payables	10,918,177	5,367,642
	197,857,276	(103,940,453)
Net cash from operating activities	1,305,203,682	982,400,061
Cash flows from investing activities		
Purchase of fixed assets during the year	(55,425,452)	(36,572,876)
Purchase of intangible assets during the year	(298,969)	(1,160,000)
Net cash used in investing activities	(55,724,421)	(37,732,876)
Cash flows from financing activities		
Loans received / repaid during the year-net	799,935,910	1,076,162,087
Grants received during the year	31,855,585	3,629,077
Repayment of finance lease liabilities	(1,111,114)	(1,111,114)
Repayment of loan obtained from related party	(28,807,163)	-
Finance cost paid	(670,142,778)	(434,230,988)
Net cash from financing activities	131,730,440	644,449,062
Net increase/(decrease) in cash and cash equivalents	1,381,209,701	(255,999,138)
Cash and cash equivalents at beginning of the year	601,454,340	857,453,478
Cash and cash equivalents- at the end of the year	1,982,664,041	601,454,340

The annexed notes from 1 to 39 form an integral part of these financial statements.

GPK



CHAIRMAN / DIRECTOR



CHIEF EXECUTIVE OFFICER

RURAL COMMUNITY DEVELOPMENT PROGRAMMES

(A Company set up under section 42 of the Companies Act, 2017)

Statement of Changes in Funds

For the year ended June 30, 2020

	Loan Revolving Fund	Reserve for construction of building	General Funds	Hedging Reserve	Total Funds
	Rupees				
Balance as on July 01, 2018	208,845,526	87,018,970	854,398,833	-	1,150,263,329
Total comprehensive income for the year	-	-	361,959,155	-	361,959,155
Transfer to restricted funds	217,175,493	90,489,789	(307,665,282)	-	-
Balance as at 30 June 2019	426,021,019	177,508,759	908,690,706	-	1,512,220,484
Surplus for the year	-	-	453,996,700	-	453,996,700
Other comprehensive income for the year	-	-	-	14,704,830	14,704,830
Less: Transfer to restricted funds	272,398,020	113,499,175	(385,897,195)	-	-
Balance as at June 30, 2020	698,419,039	291,007,934	976,790,211	14,704,830	1,980,922,014

The annexed notes from 1 to 39 form an integral part of these financial statements.

GPK



CHAIRMAN / DIRECTOR



CHIEF EXECUTIVE OFFICER