You don’t have to work in organizations like Phakamani for long before you realize two things. The human spirit is the driving force behind achieving against all odds; fulfilling what others call ‘unrealistic goals’ by taking the ‘im’ out of Im-possible. And secondly, that the human spirit is fed by the four letter word, HOPE without which the human spirit shrivels and dies.

Inside the hearts of those caught in poverty a tiny flame of hope stubbornly lingers – waiting for that magical opportunity to change the trajectory of their lives.

Knowing that Phakamani Foundation ignites the flame of hope in the human spirit is an enormous privilege we don’t take for granted. Each small flame represents a family. And each family is part of the whole of South Africa and we want to start a country wide fire.

On Behalf of over 250 staff and 23 000 clients who are currently empowered through an enterprise loan and training, THANK YOU!

Sincerely,
Mark and Shirley Tucker
Co-Founders of Phakamani Foundation

2018 EXCITING INITIATIVES INCLUDE:

- Loan max increased to R25 000 ($2 000)
- 7 new branches
- Repayments continue to average > 98%
- All Phakamani staff received external training in 2017-2018
- Implementation of a values driven operating system for the whole of Phakamani
In order to ensure that Phakamani’s beneficiaries are truly benefiting from our services, a combination of business and poverty impact monitoring is carried out prior to each loan. Using the international recognised Poverty Probability Index our findings indicate that at the second loan cycle, there is a 74% probability that our clients are below the national poverty line. At the 12th loan cycle, the probability of a client being below the national poverty line drops to 25%.

Another interesting finding is that after just two loan cycles, 27% of Phakamani’s clients crossed the national upper poverty line. As one can see from the chart above, there is a steady improvement at the start of each loan cycle.

Phakamani also tracks the value of the clients’ businesses and the client’s savings at each loan cycle as another indicator of progress. In both cases there is a steady improvement as measured at the start of each loan cycle. The value of our client’s businesses grew from R1500 to over R3000 over the course of ten loan cycles. Additionally, by the 10th loan cycle the average client has saved nearly R450.

To hear more about client success stories visit phakamanifoundation.org/news where we regularly share client stories.
This year Phakamani Foundation celebrated its 10th anniversary. This is a significant milestone for the team that envisioned and started Phakamani in 2008, and an inspiration for those that have joined and currently enable the original vision.

Phakamani continues to grow and achieve new firsts each year. In the 2018 financial year Phakamani noted the following 'firsts':

- disbursed over R100m
- appointed and trained more than 100 new staff members
- distributed nearly 200 tablets to field staff to improve client service and productivity

Our plans for the 2019 financial year remain focused on broadening our reach, growing our people, and improving Phakamani’s sustainability.

A lot of exciting work was accomplished in the IT and Research Department in 2018. Through a lot of hard work and determination, Phakamani has ironed out the majority of the teething problems with our new software system. Our Operations, Administration, and IT teams have worked closely with each other, and with our software providers, to transition to an improved and reliable system. On the back of that success, we have rolled out mobile tablets to field staff. With tablets in hand the team now has direct access to the loan system for real time information and data to better support our clients.

In the year ahead, we’re planning to consolidate the gains made available through the mobile access. There are also plans being made to further consolidate our new systems and policies to ensure that our processes can keep up with the planned rate of growth for the next few years.

The Finance and Administration teams are honoured to serve the Phakamani front line staff and to empower our clients each day. We continue to strive towards greater efficiency and excellence. Some key highlights in 2018 were:

- The conclusion of a successful Jobs Fund Project with all major contractual obligations and outcomes achieved and exceeded.
- Increased & diversified Debt Funding for the organisation.
- Increased Balance Sheet, and positive Retained Earnings maintained despite the rapid operational growth.
- Strengthened staffing & personnel structure in the Finance & Admin area to manage the operational growth.
- Flawless & effective use of the Management Information System, Finflux, and an upgrade of our Accounting Information System, Pastel, to accommodate the increased financial & transactional activity.
Phakamani gratefully acknowledges all donors and supporters in South Africa and abroad. Your gifts and volunteer efforts are helping to change lives, one woman and one family at a time.
THE NUMBERS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non current assets</td>
<td>R 684,000</td>
<td>R 887,000</td>
<td>R 1,342,000</td>
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<td>Trade and other receivables</td>
<td>R 15,481,000</td>
<td>R 23,309,000</td>
<td>R 31,861,000</td>
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<td>Cash and cash equivalents</td>
<td>R 12,749,000</td>
<td>R 16,341,000</td>
<td>R 19,862,000</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>R 28,914,000</td>
<td>R 40,537,000</td>
<td>R 53,065,000</td>
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<tr>
<td><strong>Equity and Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained surplus + capital reserve</td>
<td>R 14,147,000</td>
<td>R 18,500,000</td>
<td>R 28,635,000</td>
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<td>Loans from institutions</td>
<td>R 13,559,000</td>
<td>R 20,254,000</td>
<td>R 21,300,000</td>
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<td>Trade and other payables</td>
<td>R 1,208,000</td>
<td>R 1,783,000</td>
<td>R 3,130,000</td>
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<tr>
<td><strong>Total Equity and Liabilities</strong></td>
<td>R 28,914,000</td>
<td>R 40,537,000</td>
<td>R 53,065,000</td>
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<td><strong>Income</strong></td>
<td>R 10,365,000</td>
<td>R 18,889,000</td>
<td>R 24,080,000</td>
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<td>Operating Expenses</td>
<td>R 17,838,000</td>
<td>R 24,070,000</td>
<td>R 32,148,000</td>
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<td><strong>Gross Operating Deficit</strong></td>
<td>R -7,473,000</td>
<td>R -5,181,000</td>
<td>R -8,068,000</td>
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<td>Donations and grants to cover the deficit</td>
<td>R 5,110,000</td>
<td>R 2,874,000</td>
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<td><strong>Deficit/Surplus</strong></td>
<td>R -2,363,000</td>
<td>R -2,307,000</td>
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<td>Jobs Fund Grant - ended Dec 2017***</td>
<td>R 6,296,000</td>
<td>R 6,661,000</td>
<td>R 4,710,000</td>
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<td>Phakamani Trust Distribution****</td>
<td>R -</td>
<td>R -</td>
<td>R 5,300,000</td>
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*Full audited financials for 2018 pending. Auditor: PBS ACCT, Nelspruit, SA

**Average exchange rate ZAR for USD during 2018 was approximately R12.87 to the $1

***3 yr Grant Jobs Fund - ended Dec 2017

****Phakamani Trust Dispersed for the first time in 2018

THE HISTORY AND FUTURE OF THE PHAKAMANI FOUNDATION TRUST

The Phakamani Foundation Trust was formed in 2015 and has recorded fantastic year to year growth. The majority of the fund-raising is sourced from Dividends and Call Option premiums received in the Trust’s capacity as a minority shareholder in several black, broad-based empowerment equity (BBB-EE) structures.

The Phakamani Foundation is the sole beneficiary of the Trust, which was created to close the gap in the Foundation’s sustainability goals by generating funds through investments.

Looking ahead the Trust has a steady flow of guaranteed investment income and development. We are confident the investments will continue to grow as the Trust is invited to participate in more of these empowerment structure opportunities.

One of our goals is to be 100% operationally sustainable and we are making steady progress despite our rapid development and growth. Our clients are 100% sustainable at each loan cycle so, if careful to make wise choices, they would survive and thrive without us even though they would miss the structure and people in place to support them as well as the continued access to capital.
As a leader in a large business, 1.5 billion in revenue, I continue to be amazed at the combination of compassion AND systems. Their impact can be replicated more easily because of these strengths.

Rhoda Olsen–Vice Chair, Great Clips, Inc. and Member of Phakamani US Fund

We love partnering with Phakamani Foundation because they enable us to assist - and get funds to - some of the poorest people in South Africa. Meeting loan recipients and seeing the change it has made in their lives, motives us to do more!

Richard Beaumont - CEO Entrust Foundation Australia

Phakamani Foundation Canada has had the joy of partnering with Phakamani Foundation South Africa for almost ten years. Ten years of witnessing the growth, empowerment, impact and constant positive change that have been hallmarks of Phakamani Foundation’s successful journey. One micro-entrepreneur at a time Phakamani Foundation raises up small businesses people, their extended families and the communities they live in and serve. We are proud to stand with Phakamani Foundation South Africa in this meaningful and exciting work.

Randy Klassen –Chairperson Phakamani Foundation Canada
Phakamani Foundation NPC is an independent organisation registered as a not-for-profit company (Reg. 2007/034748/08) and Public Benefit Organisation (No. 930034465) under South African law.

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Donate now at phakamanifoundation.org/how-to-donate to reach more entrepreneurs.

Photo credits: Ken Hand and Joe Kissick