

Annual Report | **2015**



SME Leasing Limited
(A subsidiary of SME Bank Ltd.)



Mission Statement

To be the leading financial institution in the country that provides lease finance facilities to the SME sector on a sustainable basis.

To have a client focused strategy and develop the approach and expertise in SME's that will set an example and lead the way for the financial industry to serve the SME's on a commercial basis.

Vision Statement

In partnership with the people, empowering small and medium enterprises, strengthening the economy, towards a prosperous Pakistan.

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Proxy Form

Branch Network

KARACHI

Main Branch:

Office # 304, 3rd Floor, Business Arcade,
Shahra-e-Faisal, Karachi.
Phone No. 92-21-34322128-9 Fax: 92-21-34322082

HYDERABAD

M-06, Mezzanine Floor, Rabi Shopping Centre,
Cantonment Area, Saddar.
Phone: 022-9200747, Fax: 022-9201060

LAHORE

Office No. 03, 2nd Floor, Sky Centre,
Karim Block, Allama Iqbal Town Road.
Phone: 042-35295423-24
Fax: 042-35295425

ISLAMABAD

Office No. 15, 2nd Floor, Rehmat Centre, I-8 Markaz.
Phone: 051-9257524, Fax: 051-9257520

SIALKOT

Chowk Shahah Pura, City Bazar, Street No. 3, Shop No. 195,
Opposite Sahab Marriage Hall, Sialkot.
Phone: 052-3572136

PESHAWAR

34, Ground Floor, State Life Building, The Mall, Peshawar Cantt.
Phone: 091-9211683, Fax: 091-9211683

Corporate Information

BOARD OF DIRECTORS

Ms. Mehnaz Saleem - Chairperson

Mr. Ihsan ul Haq Khan

Mr. Ali A. Rahim

Mir Javed Hashmat - CEO

Mian Tahir Bashir

Mr. Ateeq Ur Rehman

Mr. Dilshad Ali Ahmed

CHIEF EXECUTIVE OFFICER

Mir Javed Hashmat

AUDIT COMMITTEE

Mr. Ateeq Ur Rehman Chairman

Mr. Ali A. Rahim Member

Mian Tahir Bashir Member

Mr. Naeem-ul-Hasan Committee Secretary

HUMAN RESOURCE COMMITTEE

Mr. Ali A. Rahim Chairman

Mr. Dilshad Ali Ahmed Member

Mir Javed Hashmat Member

Corporate Information

COMPANY SECRETARY & CFO

Mr. Osama Iqbal

EXTERNAL AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

INTERNAL AUDITOR

Mr. Naeem-ul-Hasan

TAX CONSULTANT

Earnst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company,
Advocate & Legal Consultant

CREDIT RATING

Long-term: BB - Short-term: B

REGISTERED OFFICE

56-F, Nazim-ul-Din Road, F-6/1, Blue Area, Islamabad.

MAIN OFFICE

Office # 304, 3rd Floor, Business Arcade, Shahra-e-Faisal, Karachi.
Tel: (+92-21) 34322128-129-137
Fax: (+92-21) 34322082
E-mail: info@smelease.com

REGISTRAR AND SHARE TRANSFER OFFICE **Corptec Associates (Pvt.) Limited**

503-E, Johar Town, Lahore.

BANKS AND LENDING INSTITUTIONS

Allied Bank Limited
MCB Bank Limited
SME Bank Limited
Meezan Bank Limited

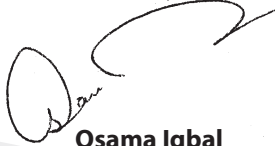
Notice of the 14th Annual General Meeting

Notice is hereby given that the Fourteenth Annual General Meeting of the shareholders of SME Leasing Limited (the Company) will be held at the Hotel Crown Plaza, Islamabad on Tuesday April 26, 2016 at 11:00 am to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 13th Annual General Meeting of the Company held on April 24, 2015.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended December 31, 2015 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2016 and fix their remuneration. The Board of Directors has recommended appointment of M/s. Grant Thornton Anjum Rahman, Chartered Accountants as auditors of the Company for the year ending December 31, 2016.
4. To transact any other business with the permission of the Chair.

By Order of the Board



Osama Iqbal
Company Secretary

Karachi: April 05, 2016

Notes:

1. The Register of the members of the Company will remain closed from April 19, 2016 to April 26, 2016 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint another member as proxy to attend, speak and vote in the meeting. Proxies in order to be effective must be received by the company at the main office situated at Office # 304, 3rd Floor, Business Arcade, Shahrah-e-Faisal, Karachi not less than 48 hours before the time of holding the meeting.
3. An instrument appointing proxy and the Power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, in order to be valid must be deposited at the main office of the company not less than 48 hours before the time of the meeting.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan

For attending the meeting.

- In case of individuals, the account holder or sub - account holder shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their participants I.D. numbers and account numbers in CDS.
- In case of a corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

For appointing proxies.

- In case of individuals, the account holder or sub - account holder and /or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
 - The proxy shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.
 - Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
 - In case of corporate entity, the Board of Directors resolution /power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with the proxy form for the meeting.
5. Shareholders are requested to notify the change of their address, if any, at our main office at Office # 304, 3rd Floor, Business Arcade, Shahrah-e-Faisal, Karachi.

Directors' Report

The Board of Directors of SME Leasing Limited is pleased to present before you the annual audited financial statements for the year ended December 31, 2015.

Operational Review

We are pleased to inform you that your company started working aggressively on the recovery of long outstanding non-performing loans (NPLs). The company has succeeded to reverse its provisioning amounting to Rs. 9.8 million before charge from its recoveries. The company has managed its cash flows through recoveries and out of total cash generation of Rs. 123.20 million, recoveries from NPL has contributed Rs. 23.20 million this year.

During the period under review, the company mainly focused on the recoveries of the non-performing loans and utilization of the resources in generating new business in order to remain as a going concern. The company despite financial pressures due to shrinkage of performing portfolio managed to control its losses to minimum. However due to financial health we have not been able to arrange new lines from the market except for relying on the internal cash generation from recoveries and availing the running finance facility provided by the parent bank and therefore could not add substantial fresh business to our portfolio.

In view of the above the Company's current gross revenue has decreased to Rs. 27.89 million as compared to Rs. 46.22 million in 2014. The amendments made by the regulators near to year end regarding provisioning criteria also impacted increased suspension of income in the current year. The operating expenses remained constant as compared to the last year due to controlled monitoring. During the year Rs. 23.2 million has been recovered from NPLs resulting in net reversal of provisions of Rs. 5.97 million. The highlights of statement of income of the company for current year are as follows;

| | 2015 Rupees | 2014 Rupees |
|-----------------------------------------------|---------------------|----------------|
| Gross revenue | 27,889,120 | 46,219,696 |
| Operating Expenses | (54,970,175) | (54,480,558) |
| Profit/(Loss) before provisions | (27,081,055) | (8,260,862) |
| Reversal of provisions /(Provisions) | 5,974,922 | (2,322,449) |
| Profit/(Loss) before taxation | (21,106,603) | (10,583,311) |
| Taxation: | 3,794,318 | (462,197) |
| (Loss) after taxation | (17,311,745) | (11,045,508) |
| Earnings/(loss) per share - basic and diluted | (0.54) | (0.35) |

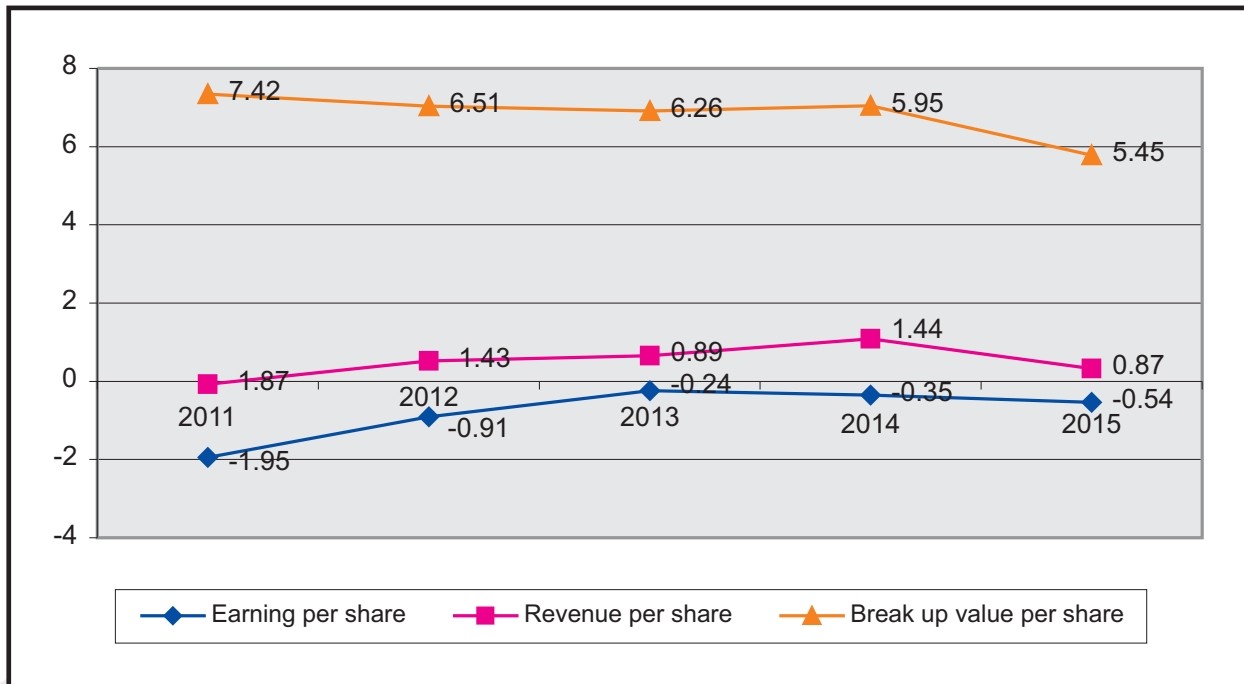
Economic review

During the year, a sharp drop in the global oil prices has been experienced which has been instrumental in creating a positive economic outlook. The country's external factors have benefited the most from the oil prices decline. The CPI inflation rate has fallen below 3 percent during the period and State Bank of Pakistan has reduced its discount rate to 6.5 percent increasing the demand for credit. These factors have impacted the economy of Pakistan positively.

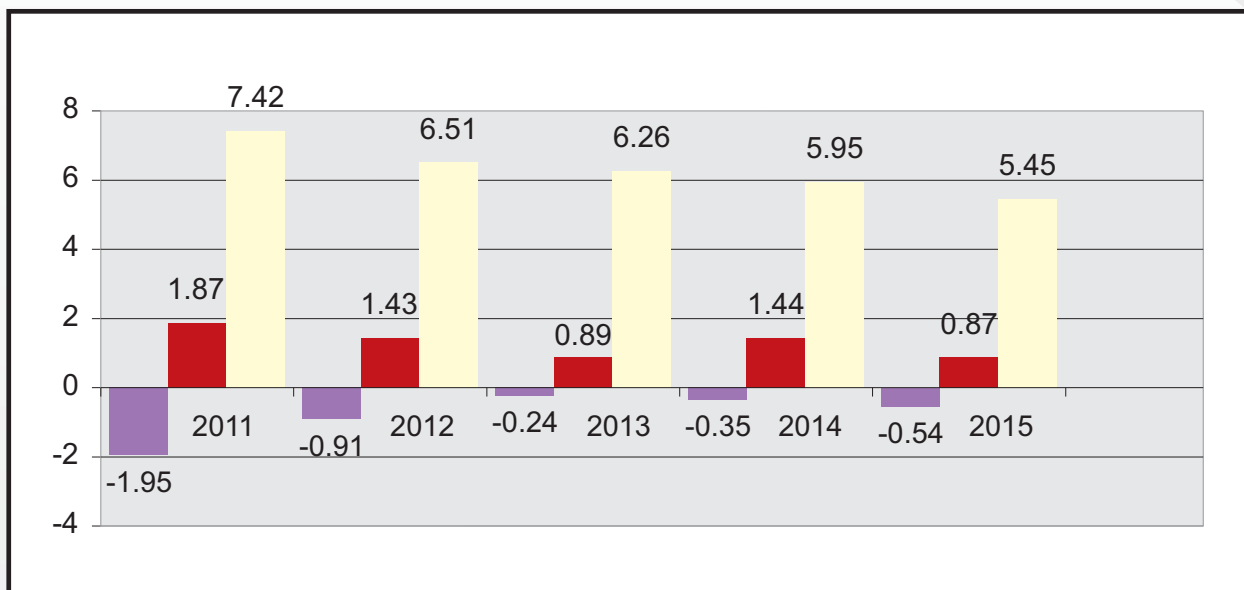
Leasing companies which, for several years had contributed to the economy of Pakistan and remained a vital part of financial sector in the form of NBFIs, have been facing financial stress in the form of liquidity, unwillingness from commercial banks to lend credit at flexible terms and escalating cost of doing business. Majority of small leasing companies have either opted for mergers with strong financial institutions or are closing their business through voluntary liquidation. Currently, few leasing companies are operating in Pakistan and are struggling for their survival with limited resources.

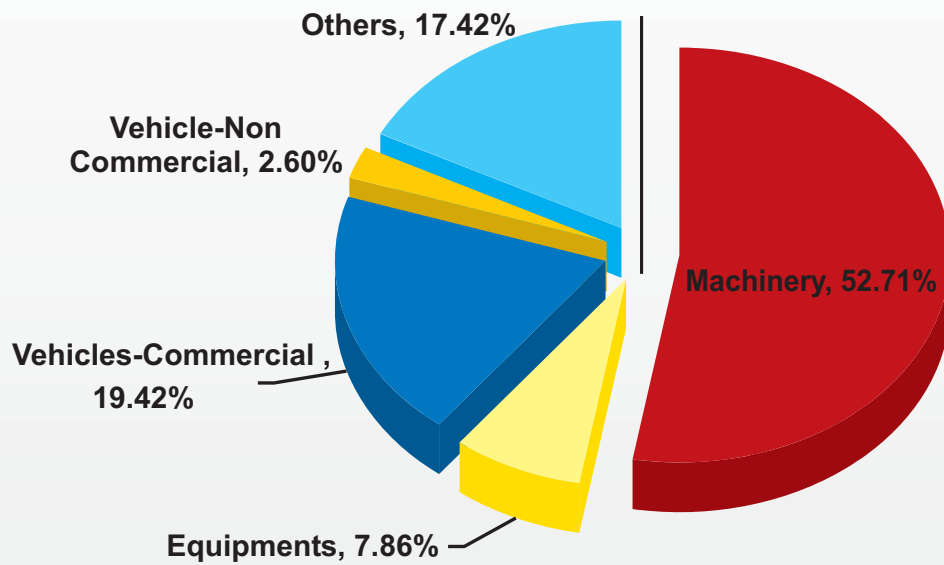
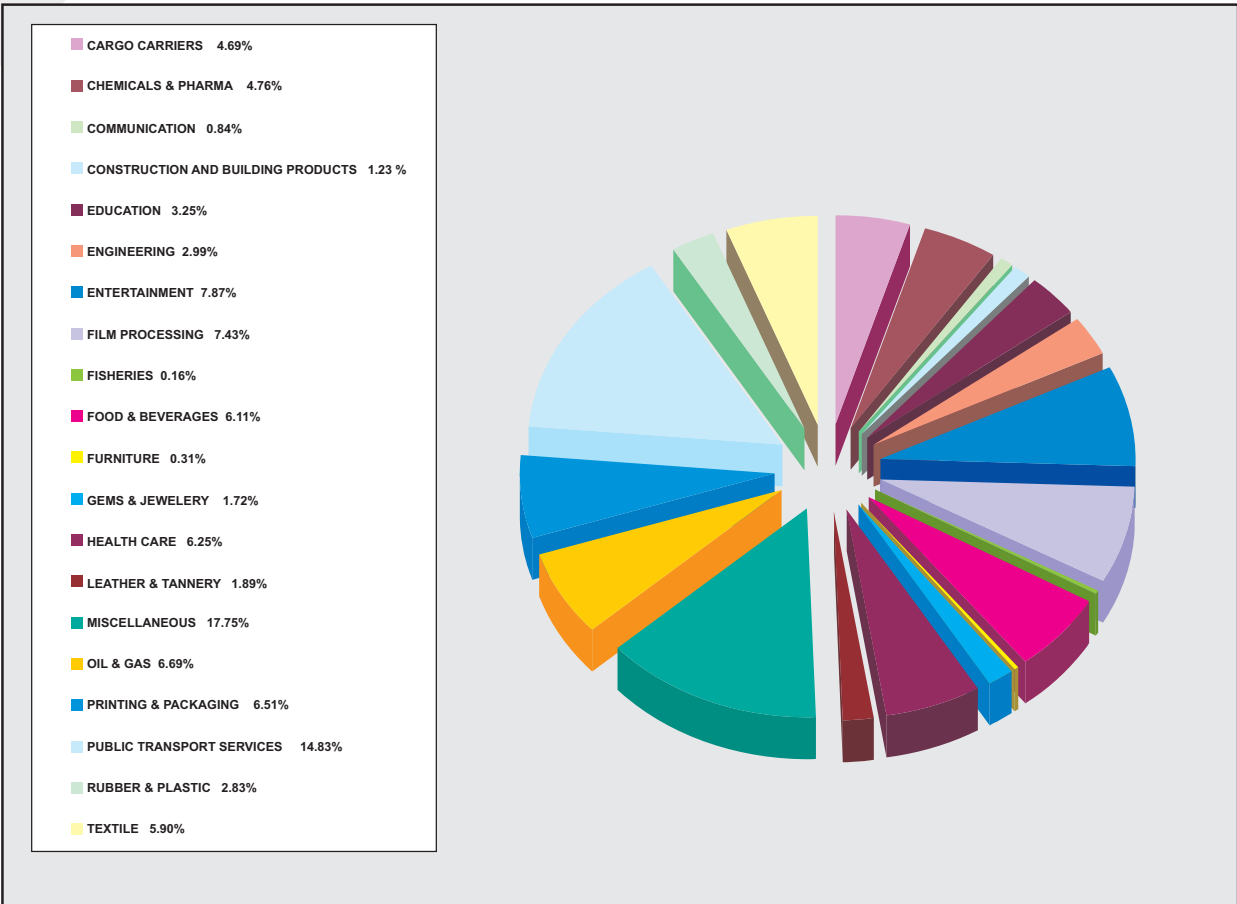
Commercial banks are still reluctant in taking exposure on the NBFI sector; NBFI and Modaraba Association of Pakistan is in constant negotiations with the regulatory authorities for working out solutions to overcome this challenging phase and to improve liquidity position of the sector.

Key Ratios



Key Ratios





Subsequent Development

Subsequently to year end, all the stock exchanges of Pakistan, namely Lahore Stock Exchange, Islamabad Stock Exchange and Karachi Stock Exchange have integrated to form Pakistan Stock Exchange. All the stocks listed on former exchanges are listed on new exchange in the same category as previous with effective from January 11, 2016.

Dividend

Due to the company having incurred a loss the Board has not recommended any dividend for the year under review.

Minimum equity requirements

As per the recommendations of the Reform Committee of Securities and Exchange Commission of Pakistan (SECP), the commission has recently made some changes in the regulations of NBFIs. The minimum capital requirement of the non-deposit taking leasing company has been reduced to Rs. 50 million and for deposit taking Leasing Company to Rs. 500 million. It is expected that these reforms will play a positive role in resource mobilization from the capital markets.

Future Prospects

The stable economic outlook of the society is a vital part for any business to grow. Business requires adequate profit margins to get the room enough to maintain their liquidity and honor their repayment commitments. In present, the ability of business to service their liabilities has been impaired due to diminishing profits resulting from increased costs, direct and indirect taxes.

Leasing companies currently facing the high borrowing costs, the spread being demanded by the commercial banks on their debt financing is always kept on a higher side. Moreover, lending banks also look for collateral securities before undertaking any credit commitment to the leasing sector which makes it tougher for the companies to access funding.

To make the situation more tough for the leasing companies, commercial banks have become more active in offering Islamic mode of leasing (Ijarah) as well as leasing facilities to its customers at much lower rates due to their lower costs making it hard for leasing companies to match those rates thus losing competition in the market.

In the absence of funding for its disbursements from commercial banks other than the parent bank the company is also utilizing internal cash generation through recovery measures. Whilst this would be sufficient for rapid result in near future, it is a step towards revival; and the management is optimistic about bringing improvement in the coming year. Prudential regulations of State Bank of Pakistan have restricted the single exposure to a related party. Therefore management is working on various funding options in consultation with the main sponsor, SME Bank Limited, to build new healthy assets in the coming year.

Human Resources

The management fully understands the need and role of skilled human resources in achieving improved business results. Training and development of human resources through in-house orientations and external training programs is being implemented for capacity building of the human resource.

Board of Directors

Elections of the Board of Directors were held in July 2015 after the expiration of the term of three years of the appointment of directors.

Ms. Mehnaz Saleem assumed the charge of Chairperson of the Board of Directors of the Company on August 31, 2015.

Mr. Masrur Zulfiqar, VP Head Marketing, who was given additional charge of Chief Executive Officer, handed over the office to Mir Javed Hashmat on his joining as CEO in March 2015.

The Board wishes to place on record its appreciation for the valuable contributions made by the outgoing/retiring Directors and welcomes the new Directors and expect them to play a positive role in bringing the company out of financial crises.

During the year, four meetings of the Board of Directors and Board Audit Committee were held. Detail of the attendance by each member of the Board and Audit Committee are as follows:

Board of Directors Meetings

| Director | Meetings attended | Director | Meetings attended |
|-----------------------|-------------------|----------------------|-------------------|
| Mr. Ihsan-ul-Haq Khan | 4 | Mian Tahir Bashir | 4 |
| Mr. Dilshad Ali Ahmad | 2 | Mr. Masrur Zulfiqar* | 1 |
| Mr. Ali A Rahim | 4 | Mr. Ateeq Ur Rehman | 4 |
| Mr. Junaid Mohmand | 2 | Ms. Mehnaz Saleem | 4 |
| Mir Javed Hashmat | 3 | | |

*Mr. Masrur Zulfiqar handed over the charge to Mir Javed Hahsmat.

Audit Committee Meetings

| Director | Meetings attended |
|---------------------|-------------------|
| Mr. Ateeq Ur Rehman | 4 |
| Mr. Ali Rahim | 4 |
| Mian Tahir Bashir | 4 |

Leave of absence was granted to Directors who could not attend the Meetings.

Corporate Governance - Public Sector Companies

The Board of Directors is committed to uphold the highest standards of Corporate Governance. The Company has also implemented the provisions of the Code of Corporate Governance for Public Sector Companies and a review report on compliance with best practices of the Code of Corporate Governance by the statutory auditors is annexed with the report.

Business Ethics

The Code of conduct of the company sets out a framework for all the employees of the company to perform in the environment of integrity and honesty with complete dedication ensuring highest standards of ethical business conduct and compliance with the applicable laws.

Directors Declaration:

The Board of the company is fully cognizant of its responsibility as recognized by the Code of Corporate Governance, detailed in listing regulation and Public Sector Companies (Corporate Governance) Rules, 2013 issued by the Securities and Exchange Commission of Pakistan. Following are the comments on acknowledgement of SMEL's commitment towards high standards of corporate governance and continuous improvements:

- i) Compliance has been made with the relevant principles of corporate governance, and the rules that have not been complied with, have been identified along with the period in which such non-compliance is made, and reasons for such non-compliance.
- ii) The financial statements prepared by the management of SME Leasing Limited present fairly its statement of affairs, the results of its operations, cash flows, statement of comprehensive income and changes in its equity;
- iii) Proper books of accounts of the company have been maintained;
- iv) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- v) International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements;
- vi) The system of internal control is sound in design and has been effectively implemented and monitored;

- vi) The non-executive members of the Board do not have fixed remuneration and are being paid a fixed fee for each meeting attended. The said fees are decided upon by the entire Board of directors collectively;
- vii) There are no significant doubts upon the Company's ability to continue as a going concern in view of the mitigating factors as stated in note number 1.2 of the financial statements;
- viii) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations and Public Sector Code of Corporate Governance;
- ix) Key operating and financial data for last six years in summarized form is included in the Annual report.
- x) The value of investments of recognized provident fund as at December 31, 2015, was Rs. 3.99 million (un-audited) and as at December 31, 2014, was Rs. 4.44 million (Audited).
- xi) No trading in shares of the Company was carried out by the Directors, Chief Executive, Chief Financial Officer/Company Secretary and their spouses and minor children during the year.

Credit Rating

Based on the results for the year ended December 31, 2014, the rating agency, JCR-VIS, has given the long term entity rating to BB - (Double B negative) with negative outlook and short term of B with stable outlook.

Parent Company

SME Bank Limited and its nominees hold 73.14% of the shareholding in the company.

Auditors

The present auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants, retire this year. On the proposal of the Board Audit Committee, the Board recommends the appointment of M/s. Grant Thornton Anjum Rahman, Chartered Accountants, as statutory auditors of the company for the year 2016.

Pattern of Shareholding

The pattern of shareholding of the Company as on December 31, 2015, is annexed with this report.

Acknowledgement

We take this opportunity to place on record our appreciation to the Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange, other regulatory authorities and lending financial institutions for their continued support and professional guidance, and the shareholders for the trust and confidence reposed in us.

We also would like to place on record, our thanks and appreciation to the staff for their commitment and dedication which has contributed towards strengthening of the organization.

On behalf of Board of Directors



Ms. Mehnaz Saleem
Chairperson

Dated: March 02, 2016

Financial Highlights

(Rupees in 000)

| Balance Sheet | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Paid-up Capital | 320,000 | 320,000 | 320,000 | 320,000 | 320,000 | 320,000 |
| Total Equity | 174,447 | 190,474 | 200,334 | 207,886 | 237,473 | 303,664 |
| Gross Lease Receivable | 676,450 | 777,084 | 697,016 | 718,133 | 914,494 | 1,065,118 |
| Net Investment in Lease | 443,243 | 519,173 | 459,877 | 481,606 | 662,865 | 843,012 |
| Long-Term Liabilities | 58,533 | 72,553 | 62,452 | 64,013 | 98,820 | 297,074 |
| Current Liabilities | 335,336 | 395,357 | 279,299 | 315,155 | 453,190 | 388,898 |
| Current Assets | 448,291 | 427,864 | 421,028 | 472,700 | 582,321 | 519,151 |
| Total Assets | 568,316 | 658,384 | 542,085 | 587,054 | 789,483 | 989,636 |

(Rupees in 000)

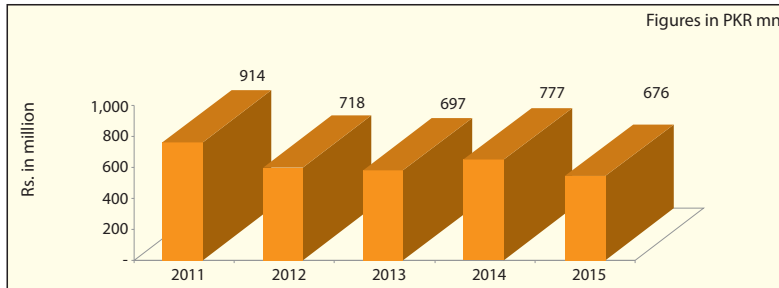
| Income Statement | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Lease Income | 27,700 | 46,063 | 26,204 | 44,906 | 53,376 | 84,512 |
| Total Revenue | 27,889 | 46,220 | 28,392 | 45,827 | 59,718 | 85,591 |
| Financial Charges | 17,665 | 16,535 | 7,362 | 20,764 | 30,769 | 46,824 |
| Administrative Expenses | 37,305 | 37,945 | 29,416 | 40,555 | 47,249 | 44,709 |
| Provisions | (5,975) | 2,322 | (954) | 13,366 | 43,642 | 41,447 |
| Total Expenses | 48,995 | 56,803 | 35,825 | 74,685 | 126,661 | 132,979 |
| (Loss) Before Taxation | (21,106) | (10,583) | (7,433) | (28,859) | (61,943) | (47,388) |
| (Loss) After Taxation | (17,312) | (11,046) | (7,717) | (29,088) | (62,540) | (49,786) |

| Financial Indicators | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Breakup Value (Rs per share) | 5.45 | 5.95 | 6.26 | 6.51 | 7.42 | 9.49 |
| Current Ratio (X) | 1.34 | 1.08 | 1.51 | 1.50 | 1.28 | 1.13 |
| Loss Per Share (Rs.) | (0.54) | (0.35) | (0.24) | (0.91) | (1.95) | (1.56) |
| Financial Charges to Total Exps (%) | 36.06 | 29.11 | 20.55 | 27.80 | 25.29 | 35.21 |
| Financial Charges to Total Revenue (%) | 63.34 | 35.78 | 25.93 | 45.31 | 51.52 | 54.71 |
| Income Expense Ratio (Times) | 0.57 | 0.81 | 0.73 | 0.60 | 0.49 | 0.64 |
| Net Profit Margin (%) | (62.07) | (23.90) | (27.18) | (63.47) | (104.71) | -58.17 |
| Return on Average Equity (%) | (9.06) | (5.55) | (3.78) | (13.05) | (23.11) | (15.20) |
| Return to Shareholders (%) | - | - | - | - | - | - |
| Revenue Per Share (Rs.) | 0.87 | 1.44 | 0.89 | 1.43 | 1.87 | 2.67 |

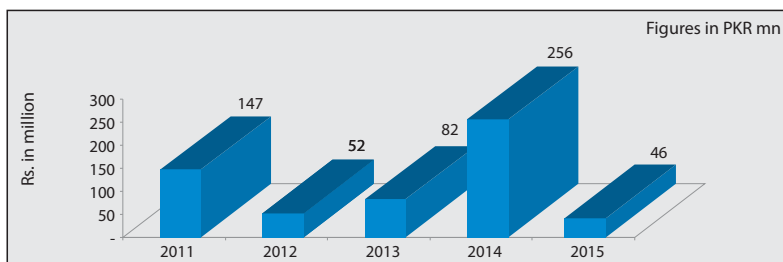
* bonus issue

Financial Highlights and Charts

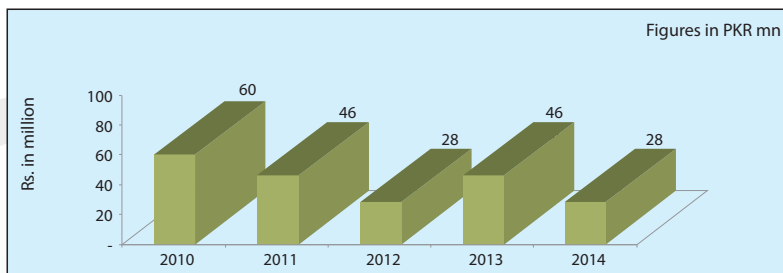
Gross Lease Receivables



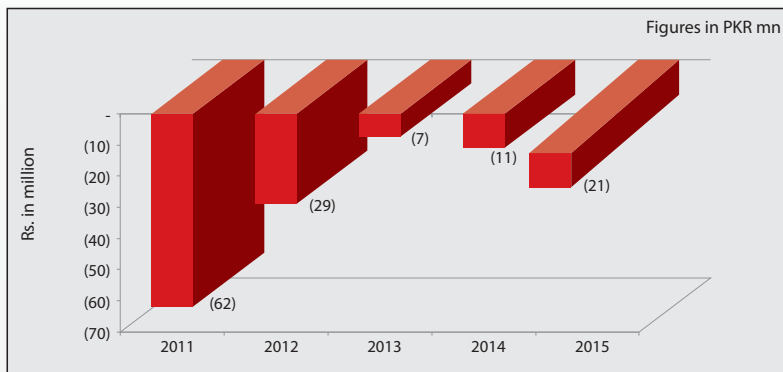
Disbursements



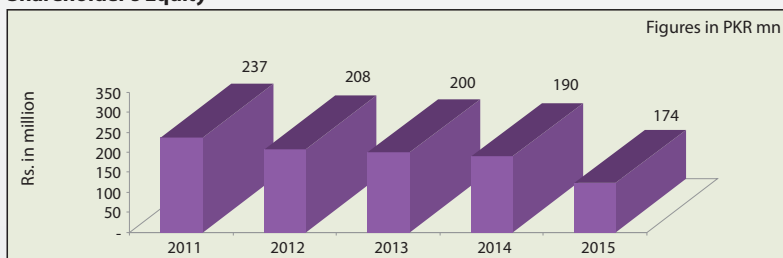
Total Revenue



Profit & Loss before taxation



Shareholder's Equity



Code of Conduct

The Code of Conduct of SME Leasing Limited (SLL) has been prepared in accordance with the requirements of Code of Corporate Governance and other rules & policies formulated by the Company. The Code sets out fundamental policies/standards which intended to guide employees of the Company in the performance of their professional duties and responsibilities in a manner that maintains company's commitment to honesty, integrity and quality. The Code applies to all peoples related to SLL including its Directors, Officers and Employees whether permanent or contractual.

The Code of Conduct also serves as a model for the employees of the SME Leasing Limited, who are free to adopt additional measures as and when required and to integrate it into their existing codes.

The salient features of the Code are as follows;

1. Business conduct.

SME Leasing Limited (SLL) is committed to conduct its business activities and to structure relationships with its customers, associates, business partners, employees and others with integrity, honesty, sincerity and professionalism.

2. Compliance with laws and regulations.

All the Directors and employees must ensure to comply with all the applicable laws, guidelines and regulations of the country. This include understanding the laws and regulations relevant to their work and complying with the legal requirements effecting business activities, ignorance of the law does not excuse SLL or its employees from their obligation to comply. If in doubt advice should be taken.

3. Competition and fair dealing.

SLL believes in fair competition and seeks to out perform its competitors fairly and honestly through superior performance. The company supports the appropriate competition laws. No company personnel should take unfair advantage of anyone through manipulation, concealment, or abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

4. Conflict of interest.

Each Director and Employee shall maintain a high degree of integrity, engage in honest and ethical conduct and avoid any activity or personal interest that creates, or appears to create, a conflict between their interests and the interests of SLL. The company's assets and information should not be used for any personal advantage or gain .Where conflict of interest exists it should be disclosed and guidance sought. Conflict of interest may include followings:

- Owing a meaningful financial interest in an organization that competes with SLL.
- Making any transaction or dealing in which personal interests conflict, or may appear to conflict, with the interest of SLL.
- Insider dealings, bribes, kickbacks or acceptance of compensation from any other person or entity as a result of business activity or prospective business activity affecting SLL.

5. Gifts and favors

Nothing shall be given or received in any type of material gift, cash or in kind, token or favor that could reasonably be viewed as having the potential to influence engagement or conduct of business in relation to particular customer, community, vendor, supplier or competitor.

Code of Conduct

6. Political contributions and activities.

SLL does not support any political party and is prohibited from making any political contribution either directly or indirectly promoting party interests.

7. Human rights and dignity of the individuals.

SLL respect and promote the equality of opportunity regardless of gender, race, disability, color, and marital status, ethnic and national origin. Policies pertaining to recruitment and promotions are excellence and performance oriented and is free from any discrimination.

8. Guarding Corporate Assets.

Company's assets shall be used for company business only. Without specific approval no one is allowed to use company's property for any non- company purpose.

9. Communication & disclosure.

SLL encourages its employees to communicate with their seniors or any appropriate person in regard to doubt(s) about a course of action in any situation. Any suspected material violation of a law, regulation or ethical standard and internal policies must be reported to appropriate level without any fear of vengeance.

Statement of Compliance

With the Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company: **SME Leasing Limited**

Name of Ministry: **Ministry of Finance**

For the year ended: **Dec 31, 2015**

I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "The Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The Company has complied with the provisions of the Rules in the following manner:

| S. No. | Provision of the Rules | Rule no. | Y | N | N/A | Remarks | | | | | | | | | | | |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-------|---------------------|-----------------------|--------------------------------------------------------------------------------|--------------------------|--------------------|-----------------------|------------|-------------------------|----------------------------------------------------------------------------------------|------------------------------------------------------|--|--|--|--|
| 1. | The independent directors meet the criteria of independence, as defined under the Rules. | 2(d) | ✓ | | | | | | | | | | | | | | |
| 2. | The Board has the requisite percentage of independent directors. At 31 December 2015 the Board includes: | 3(2) | | ✓ | | The Board does not have majority of its total members as independent directors | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>Mr. Ateeq ur Rehman Ms. Mehnaz Saleem</td> <td>23-07-2015 23-07-2015</td> </tr> <tr> <td>Executive Director</td> <td>Mr. Mir Javed Hashmat</td> <td>23-07-2015</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr. Ihsan-ul-Haq Mr. Mian Tahir Bashir Mr. Ali A. Rahim Mr. Dilshad Ali Ahmed</td> <td>23-07-2015 23-07-2015 23-07-2015 23-07-2015</td> </tr> </tbody> </table> | Category | Names | Date of Appointment | Independent Directors | Mr. Ateeq ur Rehman Ms. Mehnaz Saleem | 23-07-2015 23-07-2015 | Executive Director | Mr. Mir Javed Hashmat | 23-07-2015 | Non-Executive Directors | Mr. Ihsan-ul-Haq Mr. Mian Tahir Bashir Mr. Ali A. Rahim Mr. Dilshad Ali Ahmed | 23-07-2015 23-07-2015 23-07-2015 23-07-2015 | | | | |
| Category | Names | Date of Appointment | | | | | | | | | | | | | | | |
| Independent Directors | Mr. Ateeq ur Rehman Ms. Mehnaz Saleem | 23-07-2015 23-07-2015 | | | | | | | | | | | | | | | |
| Executive Director | Mr. Mir Javed Hashmat | 23-07-2015 | | | | | | | | | | | | | | | |
| Non-Executive Directors | Mr. Ihsan-ul-Haq Mr. Mian Tahir Bashir Mr. Ali A. Rahim Mr. Dilshad Ali Ahmed | 23-07-2015 23-07-2015 23-07-2015 23-07-2015 | | | | | | | | | | | | | | | |
| 3. | A casual vacancy occurring on the board was filled up by the directors within ninety days. | 3(4) | | | ✓ | No casual vacancy arose during the year. | | | | | | | | | | | |
| 4. | The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries. | 3(5) | ✓ | | | | | | | | | | | | | | |
| 5. | The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance. | 3(7) | ✓ | | | | | | | | | | | | | | |
| 6. | The chairman of the board is working separately from the chief executive of the Company. | 4(1) | ✓ | | | | | | | | | | | | | | |
| 7. | The chairman has been elected from amongst the independent directors. | 4(4) | ✓ | | | | | | | | | | | | | | |
| 8. | The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. | 5(2) | ✓ | | | | | | | | | | | | | | |



| S. No. | Provision of the Rules | Rule no. | Y | N | N/A | Remarks |
|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------|---|-----|-------------------------------------------------------------------------------------------------------------------------------------|
| 9. | (a) The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices. | 5(4) | ✓ | | | |
| 10. | The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules. | 5(5) | ✓ | | | |
| 11. | The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest. | 5(5) (b)(ii) | | ✓ | | Mr. Naeem is acting as the Internal Auditor and Head of Compliance simultaneously. |
| 12. | The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company. | 5(5) (b)(vi) | ✓ | | | |
| 13. | (a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the company's code of conduct. | 5(5) (c)(ii) | ✓ | | | |
| 14. | The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules. | 5(5) (c)(iii) | | | ✓ | PPRA Rules are not applicable on the Company (Procurement via public accounts) |
| 15. | The board has developed a vision or mission statement, corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. | 5(6) | ✓ | | | |
| 16. | The board has quantified the outlay of any action in respect of any service delivered or a good sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration. | 5(8) | | | ✓ | |
| 17. | (a) The board has met at least four times during the year. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated. | 6(1) 6(2) 6(3) | ✓ ✓ ✓ | | | |
| 18. | The board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management annually. | 8 | | ✓ | | The performance evaluation forms were approved by the board in the 59th Board meeting but the evaluation have not been carried out. |
| 19. | The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained. | 9 | ✓ | | | |

| S. No. | Provision of the Rules | Rule no. | Y | N | N/A | Remarks | | | | | | | | | | | | | | | | | | |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------|---------------|-----------------|-----------------------------------------------------------------------------------|--------------------|---------------------------|--------------------------------------------------------------------|-----------------------|--------------------------|-------------------------------------------------------------------|-----------------|-----------------------|---|---|----------------------|---|---|----|--|---|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 20. | The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members. | 10 | ✓ | | | | | | | | | | | | | | | | | | | | | |
| 21. | All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules. | 11 | | ✓ | | No formal orientation training took place during the year. | | | | | | | | | | | | | | | | | | |
| 22. | <p>(a) The board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the board members.</p> <p>(d) The committees were chaired by the following non -executive directors:</p> <table border="1" data-bbox="236 898 946 1413"> <thead> <tr> <th>Committee</th> <th>Number of members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>Mr Ateeq Ur Rehman Mr Ali A. Rahim Mr. Mian Tahir Bashir</td> <td>Mr Ateeq-ur-Rehman</td> </tr> <tr> <td>Risk Management Committee</td> <td>Mr. Dilshad Ali Ahmed Mr. Mian Tahir Bashir Mr. Ali A. Rahim</td> <td>Mr. Dilshad Ali Ahmed</td> </tr> <tr> <td>Human Resource Committee</td> <td>Mr Ali A. Rahim Mr. Dilshad Ali Ahmed Mr. Mir Javed Hashmat</td> <td>Mr Ali A. Rahim</td> </tr> <tr> <td>Procurement Committee</td> <td>-</td> <td>-</td> </tr> <tr> <td>Nomination Committee</td> <td>-</td> <td>-</td> </tr> </tbody> </table> | Committee | Number of members | Name of Chair | Audit Committee | Mr Ateeq Ur Rehman Mr Ali A. Rahim Mr. Mian Tahir Bashir | Mr Ateeq-ur-Rehman | Risk Management Committee | Mr. Dilshad Ali Ahmed Mr. Mian Tahir Bashir Mr. Ali A. Rahim | Mr. Dilshad Ali Ahmed | Human Resource Committee | Mr Ali A. Rahim Mr. Dilshad Ali Ahmed Mr. Mir Javed Hashmat | Mr Ali A. Rahim | Procurement Committee | - | - | Nomination Committee | - | - | 13 | | ✓ | | <p>Mr. Dilshad Ali Ahmed being the Chairman of the Risk Management Committee and Mr. Ali A. Rahim being the Chairman of Human Resource Committee are not independent directors.</p> <p>The majority of the members of Audit Committee, Risk Management Committee and Human Resource Committee are not independent.</p> <p>The CEO evaluated that at present the Company is involved in very limited procurement of day to day items so Procurement Committee is not needed. The Board will be directly looking after procurement matters and all transactions in excess of Rs 1 million will be brought to the Board for approval.</p> |
| Committee | Number of members | Name of Chair | | | | | | | | | | | | | | | | | | | | | | |
| Audit Committee | Mr Ateeq Ur Rehman Mr Ali A. Rahim Mr. Mian Tahir Bashir | Mr Ateeq-ur-Rehman | | | | | | | | | | | | | | | | | | | | | | |
| Risk Management Committee | Mr. Dilshad Ali Ahmed Mr. Mian Tahir Bashir Mr. Ali A. Rahim | Mr. Dilshad Ali Ahmed | | | | | | | | | | | | | | | | | | | | | | |
| Human Resource Committee | Mr Ali A. Rahim Mr. Dilshad Ali Ahmed Mr. Mir Javed Hashmat | Mr Ali A. Rahim | | | | | | | | | | | | | | | | | | | | | | |
| Procurement Committee | - | - | | | | | | | | | | | | | | | | | | | | | | |
| Nomination Committee | - | - | | | | | | | | | | | | | | | | | | | | | | |
| 23. | The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications. | 13/14 | ✓ | | | Mr. Naeem-ul-Hasan has been appointed as acting Internal Auditor during the year. | | | | | | | | | | | | | | | | | | |
| 24. | The company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Ordinance. | 16 | ✓ | | | | | | | | | | | | | | | | | | | | | |
| 25. | The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed. | 17 | ✓ | | | | | | | | | | | | | | | | | | | | | |
| 26. | The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding. | 18 | ✓ | | | | | | | | | | | | | | | | | | | | | |
| 27. | <p>A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place.</p> <p>The annual report of the company contains criteria and details of remuneration of each director.</p> | 19 | ✓ | | | | | | | | | | | | | | | | | | | | | |

| S. No. | Provision of the Rules | Rule no. | Y | N | N/A | Remarks | | | | | | | | | | | | |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------|-------------------------|---------------------|----------|----------------------------|-----------------|--------|-------------------|-----------------------|--------|-------------------------|----|---|--|--|--|
| 28. | The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board. | 20 | ✓ | | | | | | | | | | | | | | | |
| 29. | The board has formed an audit committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="236 589 946 741"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Ateeq ur Rehman</td> <td>Chairman</td> <td>Businessman/ Member of KCC</td> </tr> <tr> <td>Mr. Ali A Rahim</td> <td>Member</td> <td>CA/Tax Consultant</td> </tr> <tr> <td>Mr. Mian Tahir Bashir</td> <td>Member</td> <td>CA/Banking Professional</td> </tr> </tbody> </table> <p>The chief executive and chairman of the Board are not members of the audit committee.</p> | Name of Member | Category | Professional Background | Mr. Ateeq ur Rehman | Chairman | Businessman/ Member of KCC | Mr. Ali A Rahim | Member | CA/Tax Consultant | Mr. Mian Tahir Bashir | Member | CA/Banking Professional | 21 | ✓ | | | |
| Name of Member | Category | Professional Background | | | | | | | | | | | | | | | | |
| Mr. Ateeq ur Rehman | Chairman | Businessman/ Member of KCC | | | | | | | | | | | | | | | | |
| Mr. Ali A Rahim | Member | CA/Tax Consultant | | | | | | | | | | | | | | | | |
| Mr. Mian Tahir Bashir | Member | CA/Banking Professional | | | | | | | | | | | | | | | | |
| 30. | The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards. | 22 | ✓ | | | | | | | | | | | | | | | |
| 31. | The company has appointed its external auditors in line with the requirements envisaged under the Rules. | 23 | ✓ | | | | | | | | | | | | | | | |
| 32. | The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan. | 23(4) | ✓ | | | | | | | | | | | | | | | |
| 33. | The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard. | 23(5) | ✓ | | | | | | | | | | | | | | | |
| 34. | The company has complied with all the corporate and financial reporting requirements of the Rules. | | ✓ | | | | | | | | | | | | | | | |

Statement of Compliance

With the Public Sector Companies (Corporate Governance) Rules, 2013

Certain additional disclosures as required under Code of Corporate Governance (CCG) 2012

1. All the resident directors of the Company registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
2. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
3. Director's Training program was arranged for one member of the Board during the year.
4. During the year, the Company appointed a full time Chief Executive Officer (CEO) in March 2015 for which approval was duly obtained from SECP.
5. The meetings of the Audit Committee were held at least once in every quarter, prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Audit Committee have been framed and approved by the Board and have been advised to the Committee for compliance.
6. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold share of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
7. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to Directors, employees and stock exchange.
8. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
9. We confirm that all other material principles contained in the CCG have been complied with.



Ms. Mehnaz Saleem
Chairperson



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer


Statement of Compliance

With the Public Sector Companies (Corporate Governance) Rules, 2013

Reasons for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with [except for the following, toward which reasonable progress being made by the company to seek compliance by the end of next accounting year]:

| S. No. | Rule/sub-rule no. | Reasons for non-compliance | Future course of action |
|--------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | 3(2) | The Company is a subsidiary of SME Bank Limited which holds 73.14% of the Company's shares. Hence, the Board does not have majority of its members as independent directors due to nominee representation of SME Bank on the Board of the Company. | Matter will be brought up with the Board to determine future course of action for complying with the said requirement |
| 2. | 5(5)b(ii) | The Company initiated its hiring process, however the Company has not found a suitable candidate for the position yet. | The Board has documented separate duties and functions for the two positions. The matter for separate appointment shall be brought before the Board for its resolution. |
| 3. | 8 | The performance evaluation forms were approved by the board in the 59th Board meeting but the evaluation have not been carried out. | Management has assured that evaluation forms will be submitted in subsequent meeting. |
| 4. | 12 | Mr. Dilshad Ali Ahmed being the Chairman of the Risk Management Committee is a nominee director of SME Bank Limited. Further, Mr. Ali A. Rahim is serving on the Board for third consecutive term. Therefore, these directors are not considered as independent directors. Also, due to majority nomination of SME Bank Limited on the Board of the Company, the committees of the Board do not constitute majority of independent directors. | Matter will be brought up with the Board in the next Board meeting for reconstitution of the committees. |
| 5. | 11 | No formal orientation training was conducted during the year. | No need for a formal session arose during the year. However the management delivered important information from time to time. |



Ms. Mehnaz Saleem
Chairperson



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer

Karachi: March 02, 2016



KPMG Taseer Hadi & Co.
Chartered Accountants
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Karachi, 75530 Pakistan

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Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'Codes') prepared by the Board of Directors of SME Leasing Limited for the year ended 31 December 2015 to comply with the requirements of Listing Regulation of the Pakistan Stock Exchange where the Company is listed and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material aspects, with the Codes as applicable to the Company for the year ended December 31, 2015.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the point/paragraph references where these are stated in the Statement of Compliance:

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.


Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

Point/paragraph

| S.No. | Reference | Description |
|-------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i. | S No. 2 | As stated in the Explanation, the Board does not have majority of its total members as independent members |
| ii. | S No. 18(a) | As stated in the Explanation, performance evaluation forms were approved by the Board in the 59th Board meeting but the evaluation has not been carried out. |
| iii. | S No. 21 | As stated in the Explanation, orientation course for the Board members has not been arranged by the Company. |
| iv. | S No. 22 | As stated in the Explanation, the Chairman of the Risk Management Committee and Human Resource Committee are not elected from amongst the independent directors. Also, the committees of the Board do not constitute majority of independent directors. |
| v. | S No. 30 | As stated in the Explanation, Head of Internal Audit is also acting as Head of Compliance. |

Date: 02 March 2016

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem



KPMG Taseer Hadi & Co.
Chartered Accountants
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Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of SME Leasing Limited ("the Company") as at 31 December 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change described in note 3.1 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the loss, its cash flows and changes in equity for the year then ended; and

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

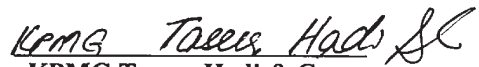
Auditors' Report to the Members

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which indicates that the Company has incurred net loss of Rs. 17.312 million during the year ended 31 December 2015, and as of that date, its accumulated losses amounted to Rs. 197.122 million. These conditions, along with other matters as set forth in the above referred note; indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Date: 02 March 2016

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Balance Sheet

As at 31, December 2015

| | Note | 31 December 2015 | 31 December 2014 |
|----------------------------------------------------------------------------|------|----------------------|----------------------|
| ----- (Rupees) ----- | | | |
| ASSETS | | | |
| Current assets | | | |
| Cash and bank balances | 4 | 3,115,209 | 5,520,170 |
| Advances | 5 | 2,484,094 | 2,129,255 |
| Deposits, prepayments and other receivables | 6 | 1,630,488 | 982,396 |
| Accrued interest on loans | | 13,843 | 1,391,293 |
| Investments | 7 | 4,283,091 | 3,209,123 |
| Asset held for sale | 8 | 3,979,986 | 3,979,986 |
| Current maturity of non-current assets | 9 | 432,784,153 | 416,543,263 |
| | | 448,290,864 | 433,755,486 |
| Non-current assets | | | |
| Long term finances and loans | 10 | 17,380,776 | 57,647,617 |
| Net investment in finance leases | 11 | 91,803,251 | 154,887,400 |
| Long term deposits and prepayments | 12 | 1,543,322 | 1,626,654 |
| Fixed assets | 13 | 9,297,595 | 10,466,345 |
| | | 120,024,944 | 224,628,016 |
| Total assets | | 568,315,808 | 658,383,502 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accrued and other liabilities | 14 | 6,066,743 | 15,654,125 |
| Accrued mark-up on borrowings | 15 | 1,171,429 | 2,382,032 |
| Short term borrowings | 16 | 129,066,524 | 155,320,077 |
| Current maturity of non-current liabilities | 17 | 189,774,946 | 208,632,647 |
| Provision for compensated absences | | 1,069,901 | 1,033,768 |
| Provision for taxation - net | | 8,186,714 | 12,334,023 |
| | | 335,336,257 | 395,356,672 |
| Non-current liabilities | | | |
| Long term finances | 18 | - | - |
| Liabilities against assets subject to finance lease | 19 | 600,977 | 1,974,255 |
| Long term deposits | 11 | 53,040,880 | 65,971,901 |
| Deferred liabilities | 20 | 4,890,705 | 4,606,467 |
| | | 58,532,562 | 72,552,623 |
| Total liabilities | | 393,868,819 | 467,909,295 |
| NET ASSETS | | 174,446,989 | 190,474,207 |
| FINANCED BY | | | |
| Authorised share capital | | | |
| 100,000,000 (31 December 2014: 100,000,000) ordinary shares of Rs. 10 each | | 1,000,000,000 | 1,000,000,000 |
| Issued, subscribed and paid-up capital | | | |
| Reserves | 21 | 320,000,000 | 320,000,000 |
| Accumulated loss | | 48,466,329 | 48,466,329 |
| | | (197,122,431) | (180,021,245) |
| | | 171,343,898 | 188,445,084 |
| Surplus on revaluation of available-for-sale investments - net | | 3,103,091 | 2,029,123 |
| Total shareholder's equity | | 174,446,989 | 190,474,207 |
| COMMITMENTS | | | |
| | 22 | | |

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



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer

Profit and Loss Account

For the year ended 31, December 2015

| | Note | 2015 Rupees | 2014 Rupees |
|-------------------------------------------------|--------|---------------------|---------------------|
| INCOME | | | |
| Income from leasing operations | 23 | 27,699,519 | 46,062,940 |
| OTHER OPERATING INCOME | | | |
| Profit on bank accounts / return on investments | 24 | 18,881 | 75,056 |
| Other income | 25 | 170,720 | 81,700 |
| | | 189,601 | 156,756 |
| | | 27,889,120 | 46,219,696 |
| EXPENSES | | | |
| Administrative and operating expenses | 26 | 37,304,838 | 37,945,238 |
| Finance cost | 27 | 17,665,337 | 16,535,320 |
| | | 54,970,175 | 54,480,558 |
| | | (27,081,055) | (8,260,862) |
| PROVISIONS | | | |
| Provision for potential lease losses - net | 11.1.3 | (6,361,725) | 2,006,744 |
| Provision for doubtful finances and loans - net | 10.3 | 386,733 | 315,705 |
| | | (5,974,992) | 2,322,449 |
| Loss before taxation | | (21,106,063) | (10,583,311) |
| Taxation | 28 | | |
| - Current | | (278,891) | (462,197) |
| For the period | | 4,073,209 | - |
| Prior year | | 3,794,318 | (462,197) |
| Loss for the year | | (17,311,745) | (11,045,508) |
| Loss per share - basic and diluted | 29 | (0.54) | (0.35) |

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



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer

Statement of Comprehensive Income

For the year ended 31, December 2015

| | 2015 Rupees | 2014 Rupees |
|----------------------------------------------------------|----------------|----------------|
| Loss after tax | (17,311,745) | (11,045,508) |
| Other comprehensive income | | |
| Surplus on revaluation of available-for-sale investments | 1,073,968 | 1,221,424 |
| Actuarial gain / (loss) on defined benefit obligations | 210,559 | (35,412) |
| | 1,284,527 | 1,186,012 |
| Total comprehensive income for the year | (16,027,218) | (9,859,496) |

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



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer

Cash Flow Statement

For the year ended 31, December 2015

| Note | 2015 Rupees | 2014 Rupees |
|-----------------------------------------------------------------|----------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (21,106,063) | (10,583,311) |
| Adjustments for: | | |
| - Depreciation and amortisation | 1,699,173 | 1,978,404 |
| - Gratuity | 1,106,797 | 1,069,380 |
| - Finance cost | 17,399,275 | 16,151,671 |
| - Profit on bank accounts / return on investments | (53,868) | (145,756) |
| - Lease finance charges | 266,062 | 383,649 |
| - Gain on disposal of fixed assets | (135,733) | (11,000) |
| - Provision for potential lease losses | (6,361,725) | 2,006,744 |
| - Provision for doubtful finances and loans | 386,733 | 315,705 |
| | 14,306,714 | 21,748,797 |
| Operating (loss) / profit before working capital changes | (6,799,349) | 11,165,486 |
| Movement in working capital | | |
| (Increase) / decrease in operating assets | | |
| - Accrued interest on loans | 1,377,450 | (1,258,522) |
| - Decrease in net investment in finance leases | 82,292,384 | (61,303,497) |
| - Deposits and prepayments | (648,092) | 1,145,784 |
| - Long term deposits and prepayments | 83,332 | (66,599) |
| - Advances | (354,839) | (846,325) |
| | 82,750,235 | (62,329,159) |
| (Decrease) / increase in operating liabilities | | |
| - Provision for compensated absences | 36,133 | 356,897 |
| - Long term deposits received | (31,071,864) | (1,409,770) |
| - Accrued and other liabilities | (9,587,382) | 8,814,047 |
| | (40,623,113) | 7,761,174 |
| Cash generated from operations | 35,327,773 | (43,402,499) |
| - Decrease in long term finances and loans | 10,792,708 | (57,343,424) |
| - Financial charges paid | (18,492,291) | (14,414,513) |
| - Interest received | 53,868 | 145,756 |
| - Gratuity paid | (612,000) | (172,394) |
| - Taxes paid | (534,554) | (543,267) |
| | (8,792,269) | (72,327,842) |
| Net cash flows from operating activities | 26,535,504 | (115,730,341) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| - Capital expenditure | (728,186) | (310,266) |
| - Proceeds from disposal of fixed assets | 333,500 | 245,670 |
| - Proceeds from disposal of investments | - | 2,000,000 |
| Net cash flows from investing activities | (394,686) | 1,935,404 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| - Decrease in long-term finances | (892,256) | (2,515,350) |
| - Decrease in certificates of investment | - | (200,000) |
| - Lease rentals paid | (1,399,970) | (1,788,550) |
| Net cash flows used in financing activities | (2,292,226) | (4,503,900) |
| Net increase in cash and cash equivalents | 23,848,592 | (118,298,837) |
| Cash and cash equivalents at beginning of the year | (149,799,907) | (31,501,070) |
| Cash and cash equivalents at end of the year | (125,951,315) | (149,799,907) |

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



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer

Statement of Changes in Equity

For the year ended 31, December 2015

| | Issued, subscribed and paid-up capital | Capital reserves | | Revenue reserves | | | Total shareholder equity |
|-----------------------------------------------------------------------|----------------------------------------------------|-------------------|----------------------|----------------------------------------|-------------------------|--------------------------------------------------------------------------------------|--------------------------------|
| | | Share premium | Statutory reserve | Reserve against future losses | Accum- lated loss | Surplus / (deficit) on revaluation of available- for-sale investments | |
| ----- (Refer note 3.21) ----- | | | | | | | |
| ----- (Rupees) ----- | | | | | | | |
| Balance as at 31 December 2013 | 320,000,000 | 10,000,000 | 28,019,277 | 10,447,052 | (168,940,325) | 807,699 | 200,333,703 |
| Total comprehensive income for the year ended 31 December 2014 | | | | | | | |
| Loss for the year | - | - | - | - | (11,045,508) | - | (11,045,508) |
| Other comprehensive income | | | | | | | |
| Actuarial loss on defined benefit obligation | - | - | - | - | (35,412) | - | (35,412) |
| Surplus on revaluation of available-for-sale investments | - | - | - | - | - | 1,221,424 | 1,221,424 |
| Balance as at 31 December 2014 | 320,000,000 | 10,000,000 | 28,019,277 | 10,447,052 | (180,021,245) | 2,029,123 | 190,474,207 |
| Total comprehensive income for the year ended 31 December 2015 | | | | | | | |
| Loss for the year | - | - | - | - | (17,311,745) | - | (17,311,745) |
| Other comprehensive income | | | | | | | |
| Actuarial loss / (gain) on defined benefit obligation | - | - | - | - | 210,559 | - | 210,559 |
| Surplus on revaluation of available-for-sale investments | - | - | - | - | - | 1,073,968 | 1,073,968 |
| Balance as at 31 December 2015 | 320,000,000 | 10,000,000 | 28,019,277 | 10,447,052 | (197,122,431) | 3,103,091 | 174,446,989 |

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



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer

Notes to the Financial Statements

For the year ended 31, December 2015

1. STATUS AND NATURE OF BUSINESS

- 1.1 SME Leasing Limited (the Company) was incorporated in Pakistan on 12 July 2002 as an unlisted public company and acquired the status of a listed company on 13 December 2006. The Company is a subsidiary of SME Bank Limited (holding company), which holds 73.14% (31 December 2014: 73.14%) of the Company's shares. At the time of incorporation, the Company was a wholly owned subsidiary of SME Bank Limited, whereby under an arrangement the assets and liabilities of the leasing division of SME Bank Limited were transferred to the Company on 28 January 2003. The Company is listed on Pakistan Stock Exchange (formerly listed on Lahore Stock Exchange). Its registered office is situated at 56-F, Nazim-ul-Din Road, Blue Area, Islamabad. The core objective of the Company is to extend lease and working capital financing facilities to small and medium enterprises of the country.
- 1.2 During the year ended 31 December 2015, the Company incurred loss of Rs. 17.312 million (2014: Rs. 11.046 million) increasing the accumulated losses to Rs. 197.122 million (2014: Rs. 180.021 million) as at the year end. Further, the net assets of the Company amounting to Rs. 174.447 million (2014: Rs. 190.474 million) includes non-performing leases and loan and finances, net of provision of Rs. 199.751 million (Rs. 129.885 million). Furthermore, the license to conduct leasing business granted to the Company by the Securities and Exchange Commission of Pakistan (SECP) expired on 20 May 2013.

The Company applied for renewal of the license on 22 April 2013 and submitted a detailed business plan including measures to be taken for improvement of financial health of the Company and due compliance with the minimum equity requirement as per NBFC Regulations 2008. Considering the financial health of the Company and expiry of leasing license, the SECP in its letter dated 05 July 2013 instructed the Company to not to raise deposits from general public in any form till the compliance of the minimum equity requirement and the renewal of the leasing license.

During the year, the NBFC Regulations 2008 have been amended by SECP and the minimum equity requirement for 'existing NBFCs with valid deposit taking permission having leasing license' has been revised at Rs. 500 million whereas minimum equity requirement for 'non-deposit taking NBFCs for Leasing or Discounting or Housing Finance Services licenses' has been set at Rs. 50 million for each form of business. The Company is in the process of determining whether they will operate as a 'deposit taking' or 'non-deposit taking' NBFC.

Further, the Company is dependent on the running finance facility granted by the Parent Company amounting to Rs. 150 million which has been renewed on 23 April 2015. As at 31 December 2015, the Company has utilized Rs. 129.066 million of the said facility. The revised Prudential Regulation of State Bank of Pakistan (SBP) has restricted the exposure by a bank to a related party to the extent of 7.5% of its equity, considering which the Parent Company is in non-compliance with the said requirement in terms of running finance facility granted to the Company. However, the SBP vide its letter no. BPRD/BRD/PRs/23947/2015 dated 29 October 2015 has granted relaxation to the Parent Company from the aforesaid requirement till 30 June 2016 subject to the condition that the exposure will be adjusted within the said date and a plan to this effect shall be submitted accordingly. The Parent Company in its reply to SBP has mentioned that Government of Pakistan has decided to privatize the Parent Company and has put it on fast track for privatization. Therefore, the Parent Company is of the opinion that with the privatization of the bank, equity of Rs. 6 billion at least will be injected. Consequently the enhanced single related party exposure limit of the Parent Company will cover the financing to the Company. The above factors indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. However, these financial statements have been prepared on going concern basis considering the factors mentioned below:

- The management of the Company has prepared cash flow projections which reflect that based on financial support by the Parent Company, the Company will be able to continue its business on going concern basis in the foreseeable future;
- Concerted efforts are being made for the recovery of non-performing leases and loans and finances. During the year Rs. 23.012 million has been recovered and subsequent to the year-end Rs. 9.209 has been recovered to date;
- The credit review system of the Company has been further strengthened and after careful scrutiny leases and finances amounting to Rs. 45.79 million were disbursed during the year at attractive mark-up rates and reasonable deposit margins;

Notes to the Financial Statements

For the year ended 31, December 2015

- Considering the privatization of the Parent Company as discussed above, further financial support is expected from the Parent Company.

Based on the above mentioned financial measures and the concerted operational measures being taken by the Company, the management is confident of the profitable operations in the foreseeable future and therefore, has prepared the financial statements on going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984 (the Ordinance), the requirements of the Ordinance, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), and the directives issued by the Securities and Exchange Commission of Pakistan (the SECP). Wherever the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations, or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments classified as 'available-for-sale' are marked to market and carried at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the subsequent years are as follows:

- Classification and valuation of investments (notes 3.9 and 7).
- Provision for current and deferred taxation and recognition and measurement of deferred tax assets and liabilities (notes 3.14 and 28).
- Classification and provision of net investment in finance lease and loans and finances (notes 3.6, 3.7, 10 and 11).
- Determination and measurement of useful life and residual value of operating fixed assets (note 3.2 and 13).
- Staff retirement benefits (3.5 and 20).

Notes to the Financial Statements

For the year ended 31, December 2015

2.5 STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entity are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

Notes to the Financial Statements

For the year ended 31, December 2015

- IAS 19 'Employee Benefits': IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting': IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Standards, interpretations and amendments effective in current year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for the following standards, which became effective during the year:

IFRS10 'Consolidated Financial Statements', IFRS11 'Joint Arrangements', IFRS12 'Disclosure of Interests in Other Entities', IFRS13 'Fair Value Measurements'. These standards became applicable from 1 January 2015, as per the adoption status of IFRS in Pakistan.

IFRS 10 replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control where by an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on defacto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. The application of IFRS 10 did not result in any investee being in control of the company.

IFRS11 replaces IAS31 Interests in Joint Ventures. It requires all joint ventures to be equity accounted thereby removing the option in IAS31 for proportionate consolidation. It also removes the IAS31 concept of jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as a joint venture.

IFRS12 prescribes additional disclosures around significant judgements and assumptions made in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interests in unconsolidated structured entities. The application of IFRS 12 did not result in additional disclosures.

IFRS13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments in to the fair value hierarchy. As a result, the Company has included additional disclosures in this regard (see Note 35).

3.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and balances in current and savings bank accounts. Short term running finance that are repayable on demand and form an integral part of the Company's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.3 Fixed assets

3.3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to profit and loss accounts by applying using the straight line method at the rates specified in note 12.1 after taking into account residual value, if any. Depreciation on additions is charged from the month the assets are put to use while no depreciation is charged in the month in which the assets are disposed off. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Notes to the Financial Statements

For the year ended 31, December 2015

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other subsequent costs including repairs and maintenance are charged to the profit and loss account as and when incurred.

Gains or losses on sale of assets are charged to the profit and loss account in the period in which they arise.

3.3.2 Intangible

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged using the straight line method over its estimated useful life at the rates specified in note 12.2 after taking into account residual value, if any. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortisation on additions is charged from the month the assets are put to use while no amortisation is charged in the month in which the assets are disposed off.

Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

3.4 Assets held under finance lease

The Company accounts for assets acquired under finance lease by recording the asset and related liability. The amounts are determined on the basis of lower of their fair value of assets and present value of minimum lease payments at the inception of lease. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are depreciated on a basis similar to owned assets.

3.5 Assets held for sale

Non current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

3.6 Staff retirement benefits

Defined contribution plan

The Company operates an approved defined contributory provident fund for all its permanent employees. Monthly contributions are made to the fund equally by the Company and the employees at the rate of 8 percent of basic salary. The contributions are recognised as employee benefit expense when they become due.

Staff retirement benefits are payable to employees on completion of the prescribed qualifying period of service under the scheme.

Employees' compensated absences

The Company accounts for its liability towards accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences.

Defined benefit plan

The Company operates an unapproved and unfunded gratuity scheme covering all of its permanent employees who have completed the qualifying period under the scheme. The scheme is administered by the trustees and contributions therein are made in accordance with the actuarial recommendations.

The valuation in this regard is carried out at each year end, using the Projected Unit Credit Method for the valuation of the scheme. Remeasurement of the defined benefit liability, which comprises of actuarial gains and losses are recognised immediately in other comprehensive income based on actuarial.

Notes to the Financial Statements

For the year ended 31, December 2015

The company determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the net defined benefit liability (asset), taking into account and change in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are recognized in profit and loss account.

3.7 Net investment in lease finance

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet. The difference between the gross lease receivables and the present value of the lease receivables is recognised as unearned finance income.

A receivable is recognised at an amount equal to the present value of the minimum lease payments under the lease agreements, including guaranteed residual value, if any.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the profit and loss account on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial direct costs incurred by the company in negotiating and arranging finance leases are added to finance lease receivables and are recognised as an expense in the profit and loss account over the lease term on the same basis as the finance lease income.

3.8 Provision for potential lease losses and doubtful loans and receivables

Specific provision for potential lease losses and doubtful loans and receivables are made based in the appraisal of each lease or loan on the basis of the requirements of the NBFC Regulations.

3.9 Financial assets and liabilities

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account directly.

Financial assets carried at balance sheet date includes cash and bank balances, investments, long term finances and loans, net investment in finance leases, deposits and other receivables.

Financial liabilities carried at balance sheet date includes certificates of investment, deposits, short term borrowing, long term finances, liabilities against assets subject to finance lease, accrued and other payables.

3.10 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognised and classified as follows:

Notes to the Financial Statements

For the year ended 31, December 2015

Investment at fair value through profit or loss (held for trading)

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

Available-for-sale

These are stated at fair value, with any resultant gain or loss being recognised directly in equity. Gains or losses on revaluation of available-for-sale investments are recognised directly in equity until the investments are sold or other wise disposed off, or until the investments are determined to be impaired, at which time cumulative gain or loss previously reported in the equity is included in current year's profit and loss.

All investments classified as available-for-sale are initially recognised at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year.

Held to maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

The difference between the redemption value and the purchase price of the held to maturity investments is amortised and taken to the profit and loss account over the term of the investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

3.11 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These are initially recognised at fair value plus any related transaction costs directly attributable to the acquisition. Subsequent to initial recognition, they are carried at amortised cost.

3.12 Impairment

The carrying value of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

3.13 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

Any change in the fair value is recognised in the profit and loss account.

3.14 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

For the year ended 31, December 2015

3.15 Taxation

Taxation charge in the profit and loss account comprises of current and deferred tax.

Current

Provisions for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime and minimum tax under section 113 of the Income Tax Ordinance, 2001, wherever applicable, at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.16 Provisions

A provision is recognised in the balance sheet when the Company has legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.17 Long term finances

Long term finances are initially recognised at cost being the fair value of the consideration received together with the associated transaction cost.

Subsequently, these are carried at amortised cost using effective interest method. Transaction cost relating to the long term finance is being amortised over the period of agreement using the effective interest method.

3.18 Foreign currency translation

Transactions in foreign currencies are translated to Pakistani Rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange approximating those prevailing on the balance sheet date. Exchange differences are taken to the profit and loss account.

3.19 Revenue recognition

- The Company follows the finance lease method in accounting for the recognition of lease income. Under this method, the unearned lease income i.e. the excess of gross lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease contract, so as to produce a systematic return on the net investment in finance lease. Unrealised lease income is held in suspense account, where necessary, in accordance with the requirements of the NBFC Regulations.
- Front-end fees and documentation charges are taken to income when realised.
- Income on investments is accounted for on accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.
- Income on loans and finances is accounted for on accrual basis using effective interest method.
- Unrealised lease income and unrealised income on loans and finances is held in suspense account, where necessary, in accordance with requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

Notes to the Financial Statements

For the year ended 31, December 2015

- Profit on bank deposit and short term placements is accrued on a time proportion basis.
- Gain or loss arising on sale of investments are taken to income in the period in which they arise.

3.20 Earnings / (loss) per share

The Company presents basic and diluted earnings / (loss) per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary share holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, if any.

3.21 Dividend distribution and transfer between reserves

Dividend distribution (including stock dividend) to the Company's shareholders and transfer between reserves, except appropriations which are required under law, are recognised in the financial statements in the period in which such dividends are declared or such transfers between reserves are made.

3.22 Capital and Revenue reserves

Share premium

The share premium was recorded in the year 2006 on issue of shares in accordance with requirements of the Companies Ordinance, 1984. This premium is available for restrictive use as per section 83 of the Companies Ordinance 1984.

Statutory reserves

In accordance with the requirements of the NBFC Regulations, an amount of not less than 20 percent of after tax profits shall be transferred to statutory reserve till such time when the reserve equals the amount of paid-up capital, and thereafter a sum of not less than 5 percent shall be transferred. Consequently, during the current year the Company has transferred an amount of Rs. Nil (2014: Rs. Nil) to its statutory reserve.

Reserve against future losses

This reserve represents amounts set aside in view of the risks associated with the economic cyclical nature of the business and is recognised as an appropriation of retained earnings. Any credits resulting from reduction of such amounts result in an increase in unappropriated profit and are not included in the determination of profit and loss for the period. The amount to be set aside against future losses is determined at the rate of 0.5 percent of the outstanding balance of the regular portfolio of leases and loans and receivables as at each year end. No such reserve has been created by the Company for the year ended 31 December 2015.

4. CASH AND BANK BALANCES

| | Note | 2015 Rupees | 2014 Rupees |
|--------------------------------------------------------|------|------------------|------------------|
| Cash in hand | | 66,412 | 66,508 |
| Balance with State Bank of Pakistan in current account | | 23,431 | 23,095 |
| Balances with banks in: | | | |
| - current accounts | 4.1 | 2,729,541 | 5,285,026 |
| - saving accounts | 4.2 | 295,825 | 145,541 |
| | | <u>3,115,209</u> | <u>5,520,170</u> |

4.1 These include balance with a related party amounting to Rs. 1.451 million (2014: Rs 0.946 million).

4.2 These carry profit rate of 4.5% to 6% per annum (2014: 6% to 7% per annum).

Notes to the Financial Statements

For the year ended 31, December 2015

| | Note | 2015 Rupees | 2014 Rupees |
|--------------------------------------|------|------------------|------------------|
| 5. ADVANCES - considered good | | | |
| Advances to: | | | |
| - employees | 5.1 | 425,819 | 502,855 |
| - others | | 2,058,275 | 1,626,400 |
| | | <u>2,484,094</u> | <u>2,129,255</u> |

5.1 This represents interest free advances given to employees. These are recovered through monthly deductions from salaries over a period of one year from the date of disbursement.

6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | | | |
|-------------------|--|------------------|----------------|
| Security deposits | | - | 95,000 |
| Prepayments | | 556,552 | 887,396 |
| Other receivable | | 1,073,936 | - |
| | | <u>1,630,488</u> | <u>982,396</u> |

7. INVESTMENTS - available-for-sale

| | | | |
|------------------------|-----|------------------|------------------|
| Mutual Funds | | | |
| - Open end mutual fund | 7.1 | 4,283,091 | 3,209,123 |
| | | <u>4,283,091</u> | <u>3,209,123</u> |

7.1 This represents investment in 327,709 units (2014: 327,709) of Namco Balanced Fund, an open end mutual fund. As at 31 December 2015, the cost of the above investments amounted to Rs. 1.18 million (2014: Rs. 1.18 million).

8. ASSETS HELD FOR SALE

This represents property located at F.B area classified as assets held for sale in accordance with the requirements of IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations. The Company has received bids from prospective buyers, however it has not received bid for a suitable price. The Company is committed to dispose off the said property prior to 31 December 2016 and for that purpose it has re-designed its marketing strategy and negotiations are being held to finalize the sale at a higher price.

| | Note | 2015 Rupees | 2014 Rupees |
|--------------------------------------------------|------|--------------------|--------------------|
| 9. CURRENT MATURITY OF NON-CURRENT ASSETS | | | |
| Current portion of: | | | |
| - Long term finaces and loans | 10 | 81,344,787 | 52,257,387 |
| - Net investment in leases | 11 | 351,439,366 | 364,285,876 |
| | | <u>432,784,153</u> | <u>416,543,263</u> |

Notes to the Financial Statements

For the year ended 31, December 2015

| | Note | 2015 Rupees | 2014 Rupees |
|---------------------------------------------------|------|-------------------|----------------|
| 10. LONG TERM FINANCES AND LOANS - secured | | | |
| Related parties - considered good | | | |
| - Employees | 10.1 | 613,458 | 1,211,419 |
| Other than related parties | | | |
| Customers | 10.2 | | |
| - considered good | | 20,795,532 | 78,682,315 |
| - considered doubtful | | 82,756,374 | 35,064,338 |
| | | 103,551,906 | 113,746,653 |
| Provision for doubtful finances | 10.3 | (5,439,801) | (5,053,068) |
| | | 98,112,105 | 108,693,585 |
| | | 98,725,563 | 109,905,004 |
| Less: Current maturity | | | |
| Related parties - Employees | 9 | (70,907) | (107,709) |
| Other than related parties - Customers | | (81,273,880) | (52,149,678) |
| | | (81,344,787) | (52,257,387) |
| | | 17,380,776 | 57,647,617 |

10.1 These represent housing loans given to employees. These loans are recovered through deduction from salaries over varying periods up to a maximum period of 20 years. These loans are granted to the employees in accordance with their terms of employment. The housing loans are secured by registered mortgage in favour of the Company. These loans carry mark-up at 5% (2014: 5%) per annum.

10.2 These represent loans to customers for a period of three to five years on mark-up basis and are secured by way of hypothecation of stock and immovable property. The rate of mark-up ranges from 11% to 27.02% (2014: 13.5% to 25.44%) per annum.

10.3 Provision for doubtful finances and loans

| | 2015 Rupees | 2014 Rupees |
|----------------------------------|------------------|----------------|
| Balance at beginning of the year | 5,053,068 | 4,737,363 |
| Provision for the year | 418,255 | 315,705 |
| Reversal for the year | (31,522) | - |
| | 386,733 | 315,705 |
| Balance at end of the year | 5,439,801 | 5,053,068 |

11. NET INVESTMENT IN FINANCE LEASES

| | | |
|--------------------------------------------|-------------------|---------------|
| Net investment in finance leases | 443,242,617 | 519,173,276 |
| Current portion shown under current assets | (351,439,366) | (364,285,876) |
| | 91,803,251 | 154,887,400 |

Notes to the Financial Statements

For the year ended 31, December 2015

11.1 Net investment in finance leases

| | | 2015 | | | 2014 | | |
|--------------------------------------|--------|-------------------------|----------------------------------------------|---------------|-------------------------|----------------------------------------------|---------------|
| | | Not later than one year | Later than one year and less than five years | Total | Not later than one year | Later than one year and less than five years | Total |
| ----- (Rupees) ----- | | | | | | | |
| Minimum lease payments | 11.1.1 | 392,528,718 | 42,852,505 | 435,381,223 | 400,708,895 | 104,235,133 | 504,944,028 |
| Add: Residual value of leased assets | 11.1.2 | 188,027,480 | 53,040,880 | 241,068,360 | 206,168,322 | 65,971,901 | 272,140,223 |
| Gross investment in leases | | 580,556,198 | 95,893,385 | 676,449,583 | 606,877,217 | 170,207,034 | 777,084,251 |
| Unearned lease income | | (16,797,199) | (4,090,134) | (20,887,333) | (27,662,431) | (13,407,649) | (41,070,080) |
| Mark-up held in suspense | | (59,390,248) | - | (59,390,248) | (57,549,785) | - | (57,549,785) |
| | | (76,187,447) | (4,090,134) | (80,277,581) | (85,212,216) | (13,407,649) | (98,619,865) |
| | | 504,368,751 | 91,803,251 | 596,172,002 | 521,665,001 | 156,799,385 | 678,464,386 |
| Provision for potential lease losses | 11.1.3 | (152,929,385) | - | (152,929,385) | (157,379,125) | (1,911,985) | (159,291,110) |
| Net investment in finance leases | | 351,439,366 | 91,803,251 | 443,242,617 | 364,285,876 | 154,887,400 | 519,173,276 |

The Internal Rate of Return (IRR) on lease contract receivable ranges from 8% to 29% per annum (2014: 10% to 29.1% per annum).

11.1.1 This includes a lease receivable of Rs. 8.371 million, restored as a result of the order of the Supreme Court of Pakistan dated 03 January 2014. The said order cancelled the previous settlement of the lease through sale of underlying mortgaged property. Liability of Rs. 9.819 million towards the buyer of the property has been deposited with the additional registrar of Sindh High Court in respect of said order.

11.1.2 These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases. The amount is net of security deposit held against matured leases amounting to Rs. 251.808 million (2014: Rs. 240.233 million).

11.1.3 Provision for potential lease losses

Balance at beginning of the year

Provision for the year
Reversals for the year

Balance at end of the year

| | 2015 Rupees | 2014 Rupees |
|----------------------------------|----------------|----------------|
| Balance at beginning of the year | 159,291,110 | 157,284,366 |
| Provision for the year | 3,815,790 | 9,001,370 |
| Reversals for the year | (10,177,515) | (6,994,626) |
| | (6,361,725) | 2,006,744 |
| Balance at end of the year | 152,929,385 | 159,291,110 |

12. LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits against assets acquired under lease arrangements
Other deposits
Prepayments

13. FIXED ASSETS

Property and equipment
Intangible assets

13.1
13.2

775,100
768,222
-

775,100
768,222
83,332

1,543,322

1,626,654

9,282,095
15,500
9,297,595

10,428,865
37,480
10,466,345

Notes to the Financial Statements

For the year ended 31, December 2015

13.1 Property and Equipment

| | COST | | ACCUMULATED DEPRECIATION | | Net book value as at 31 December 2015 | Depreciation rate % per annum |
|-----------------------------|----------------------|-------------------------|--------------------------|------------------------------|---------------------------------------|-------------------------------|
| | As at 1 January 2015 | Additions / (Disposals) | As at 31 December 2015 | For the year/ (on disposals) | | |
| | (Rupees) | | | | | |
| Owned | | | | | | |
| Office premises | 9,514,190 | - | 9,514,190 | 475,710 | 3,786,988 | 5 |
| Building improvements | 824,862 | (39,893) | 784,969 | 40,705 | 740,860 | 33.33 |
| Furniture and fixtures | 1,682,416 | 131,798 | 1,814,214 | 28,304 | 1,655,631 | 20 |
| Office equipment and others | 1,110,089 | 345,198 | 1,329,903 | 62,445 | 903,084 | 15 |
| Computers | 1,421,635 | 251,190 | 1,672,825 | 84,597 | 1,406,819 | 33.33 |
| Vehicles | 3,998,184 | - | 4,250,184 | 210,333 | 3,956,369 | 20 |
| | | 950,000* | | 490,833 | | |
| | 18,551,376 | 728,186 | 19,366,285 | 902,094 | 12,449,751 | 6,916,537 |
| | | 950,000 | | 490,833 | | |
| Leased Vehicles | 4,825,500 | - | 3,875,500 | 775,100 | 1,509,940 | 20 |
| | | (950,000)* | | (490,833) | | |
| | 23,376,876 | 728,186 | 23,241,785 | 1,677,194 | 13,959,691 | 9,282,095 |
| | | 950,000 | | 490,833 | | |

* Represents assets transferred from leased asset to owned assets

Notes to the Financial Statements

For the year ended 31, December 2015

13.1.2 Particulars of disposal of Fixed Assets

| Particulars | Cost | WDV | Sale proceeds | Gain on disposal | Mode of | Particulars of buyers |
|-------------------------|----------------|----------------|----------------|------------------|---------------------|-----------------------|
| | | | | | | |
| Owned Vehicles | | | | | | |
| Glass Partioning | 39,893 | - | 12,800 | 12,800 | Tender | Mr. Abdul Rasheed |
| Alto (AVP Compliance) | 698,000 | 197,767 | 279,200 | 81,433 | Terms of employment | Ms Shafaq |
| Air Conditioner | 26,700 | - | 14,000 | 14,000 | Tender | Afzal Electronics |
| Air Conditioner | 59,984 | - | 18,000 | 18,000 | Tender | Ahmed Brothers |
| Air Conditioner | 38,700 | - | 9,500 | 9,500 | Tender | Ahmed Brothers |
| 31 December 2015 | 863,277 | 197,767 | 333,500 | 135,733 | | |
| 31 December 2014 | 723,961 | 234,670 | 245,670 | 11,000 | | |

13.2 Intangible Assets

| | 2015 | | | | | | Net book value as at 31 December 2015 | Amortisation rate % per annum |
|--------------------------------|----------------------|-------------------------|------------------------|--------------------------|--------------|------------------------|---------------------------------------|-------------------------------|
| | COST | | | ACCUMULATED AMORTISATION | | | | |
| | As at 1 January 2015 | Additions / (Disposals) | As at 31 December 2015 | As at 1 January 2015 | For the year | As at 31 December 2015 | | |
| Software licenses and licenses | 807,142 | - | 807,142 | 769,663 | 21,979 | 791,642 | 15,500 | 33.33 |

| | 2014 | | | | | | Net book value as at 31 December 2014 | Amortisation rate % per annum |
|--------------------------------|----------------------|-------------------------|------------------------|--------------------------|--------------|------------------------|---------------------------------------|-------------------------------|
| | COST | | | ACCUMULATED AMORTISATION | | | | |
| | As at 1 January 2014 | Additions / (Disposals) | As at 31 December 2014 | As at 1 January 2014 | For the year | As at 31 December 2014 | | |
| Software licenses and licenses | 786,830 | 20,312 | 807,142 | 740,749 | 28,913 | 769,662 | 37,480 | 33.33 |

Notes to the Financial Statements

For the year ended 31, December 2015

| | Note | 2015 Rupees | 2014 Rupees |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------------|----------------|
| 14. ACCRUED AND OTHER LIABILITIES | | | |
| Accrued liabilities | | 998,362 | 688,681 |
| Rentals received in advance | | 110,000 | 289,425 |
| Payable on maturity of leases | | 1,172,293 | 200,000 |
| Insurance payable | | 3,635,128 | 3,772,997 |
| Payable to SME Bank Limited - holding company | | - | - |
| Unclaimed dividend | | 20,629 | 20,629 |
| Payable to Staff Provident Fund | | - | 90,685 |
| Others | 11.1.1 | 130,331 | 10,591,708 |
| | | 6,066,743 | 15,654,125 |
| 15. ACCRUED MARK-UP ON BORROWINGS | | | |
| Interest accrued on: | | | |
| - Long term finances | | - | 458,252 |
| - Short term borrowings | 15.1 | 1,171,429 | 1,923,780 |
| | | 1,171,429 | 2,382,032 |
| 15.1 The amount represents accrued interest payable to the holding company. | | | |
| 16. SHORT TERM BORROWING | | | |
| The Company has a running finance facility available from the holding company amounting to Rs. 150 million (2014: Rs.180 million) at mark-up rates ranging between 10.71% to 13.49% (2014: 13.49% to 15.42%) per annum. Above arrangements are secured by way of hypothecation of the Company's specific leased assets and related receivables of the Company. Further, the said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility. | | | |
| 17. CURRENT MATURITY OF NON-CURRENT LIABILITIES | | | |
| Long term finances | 18 | 373,233 | 1,265,489 |
| Liabilities against assets subject to finance lease | 19 | 1,374,233 | 1,198,836 |
| Long term deposits | 11.1 | 188,027,480 | 206,168,322 |
| | | 189,774,946 | 208,632,647 |
| 18. LONG TERM FINANCES - secured | | | |
| National Energy Conservation Centre | 18.1 | 373,233 | 1,265,489 |
| Current maturity | | (373,233) | (1,265,489) |
| | | - | - |
| 18.1 This represents balance due against financing facilities amounting to Rs. 7.3 million from National Energy Conservation Centre (Enercon). The facilities from Enercon have been obtained under an agreement whereby they have agreed to provide funds to the Company for granting lease / finance facility to its customers for procuring and using energy efficient equipments. The facility carries mark-up at the rate of 5% per annum payable on quarterly basis subject to the condition that the Company will provide lease / finance facility to its customers at a preferential mark-up rate. | | | |

Notes to the Financial Statements

For the year ended 31, December 2015

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | 2015 | | | 2014 | | |
|-----------------------------------------------------------|------------------------|----------------------------------------------|-----------------------|------------------------|----------------------------------------------|-----------------------|
| | Minimum lease payments | Financial charges for future period (Rupees) | Principal outstanding | Minimum lease payments | Financial charges for future period (Rupees) | Principal outstanding |
| Payable not later than one year | 1,477,040 | 102,807 | 1,374,233 | 1,463,193 | 264,357 | 1,198,836 |
| Payable later than one year but not later than five years | 606,870 | 5,893 | 600,977 | 2,082,955 | 108,700 | 1,974,255 |
| | <u>2,083,910</u> | <u>108,700</u> | <u>1,975,210</u> | <u>3,546,148</u> | <u>373,057</u> | <u>3,173,091</u> |

19.1 The finance lease arrangements have been entered into with Commercial Banks & Leasing Companies for vehicles. Lease rentals are payable in monthly installments at mark-up rates ranging from 14.39% to 15.10% per annum (2014: 14.39% to 23% per annum). These finance lease arrangements will mature in the year 2015 to 2017. At the end of lease term, the Company has the option to acquire the assets subject to the adjustment of security deposit which it intends to exercise.

20. DEFFERED LIABILITIES

The Company operates an unapproved and unfunded gratuity scheme for all of its permanent employees. Number of employees covered under the scheme are 32 (2014:27).

Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out on 31 December 2015 by Nauman Associates using the Projected Unit Credit Method. The following significant assumptions were used for valuation of the scheme:

| | 2015 Rupees | 2014 Rupees |
|-----------------------------------------------------|-------------------|-------------------|
| Valuation Discount rate | 10.00% | 11.25% |
| Expected long term rate of increase in salary level | 10.00% | 11.25% |
| Demographic assumptions | | |
| Mortality rate | SLIC (2001- 2005) | SLIC (2001- 2005) |
| Employee turnover rate | Moderate | Moderate |

Notes to the Financial Statements

For the year ended 31, December 2015

| | 2015 Rupees | 2014 Rupees |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| 20.1 Liability in balance sheet | | |
| Present value of defined benefit obligation | <u>4,890,705</u> | <u>4,606,467</u> |
| 20.2 Movement in liability during the year | | |
| Opening balance | 4,606,467 | 3,674,069 |
| Charged to profit and loss account | 1,106,797 | 1,069,380 |
| Remeasurements chargeable in other comprehensive income | (210,559) | 35,412 |
| Benefits paid during the year | (612,000) | (172,394) |
| Closing balance | <u>4,890,705</u> | <u>4,606,467</u> |
| 20.3 Reconciliation of the present value of defined benefit obligations | | |
| Present value of obligations as at 1 January | 4,606,467 | 3,674,069 |
| Current service cost | 639,869 | 622,457 |
| Interest cost | 466,928 | 446,923 |
| Benefits paid during the year | (612,000) | (172,394) |
| Remeasurements loss / (gain) chargeable in other comprehensive income | (210,559) | 35,412 |
| Present value of obligations as at 31 December | <u>4,890,705</u> | <u>4,606,467</u> |
| 20.4 Charge for the year | | |
| Current services cost | 639,869 | 622,457 |
| Interest cost | 466,928 | 446,923 |
| | <u>1,106,797</u> | <u>1,069,380</u> |
| 20.5 Re-measurements recognised in other comprehensive income | | |
| Actuarial losses / (gains) on obligation | (210,559) | 35,412 |
| Experience adjustment | (210,559) | 35,412 |
| Total re-measurements recognised in other comprehensive income | <u>(210,559)</u> | <u>35,412</u> |
| 20.6 Expected accrual of expenses in respect of defined benefit scheme in the next financial year on the advice of the actuary is Rs. 1.222 million. | | |
| 20.7 Sensitivity analysis | | |
| Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below: | | |

Notes to the Financial Statements

For the year ended 31, December 2015

| | (Rupees) | (Rate effect) |
|------------------------------------|------------------|---------------|
| Discount rate effect | | |
| Original liability | 4,890,705 | 10% |
| 1% increase | 4,385,989 | 11% |
| 1% decrease | 5,483,270 | 9% |
| Salary increase rate effect | | |
| Original liability | 4,890,705 | 10% |
| 1% increase | 5,485,795 | 11% |
| 1% decrease | 4,374,368 | 9% |

The sensitivity analysis prepared presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

| 20.8 Maturity profile | 2015 | 2014 |
|------------------------------------------------------------|-----------|-----------|
| The weighted average duration of the obligation (in years) | <u>11</u> | <u>12</u> |

21. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2015 (Number of shares) | 2014 | | 2015 Rupees | 2014 Rupees |
|----------------------------|-------------------|---------------------------------------------------------------------------------------|---------------------------|--------------------|
| 10,100,000 | 10,100,000 | Ordinary shares of Rs. 10 each issued as fully paid in cash | 101,000,000 | 101,000,000 |
| 19,900,000 | 19,900,000 | Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash | 199,000,000 | 199,000,000 |
| 2,000,000 | 2,000,000 | Ordinary shares of Rs 10 each issued as fully paid bonus shares | 20,000,000 | 20,000,000 |
| <u>32,000,000</u> | <u>32,000,000</u> | | <u>320,000,000</u> | <u>320,000,000</u> |

21.1 At 31 December 2015 SME Bank Limited (holding company) and its nominees hold 73.14% (2014: 73.14%) of ordinary shares of Rs. 10 each.

| 22. COMMITMENTS | | 2015 Rupees | 2014 Rupees |
|---------------------|------|--------------------------|-------------------|
| Lease disbursements | 22.1 | <u>14,466,000</u> | <u>11,000,000</u> |

22.1 This represents those leases which have been approved by the Company as at the year end.

Notes to the Financial Statements

For the year ended 31, December 2015

23. INCOME FROM LEASING OPERATIONS

| | Note | 2015 Rupees | 2014 Rupees |
|-------------------------------------------|------|-------------------|----------------|
| Leases | | | |
| Income from finance lease operations | | 21,239,032 | 34,869,679 |
| Gain on termination of leases | | 169,802 | 72,815 |
| | | 21,408,834 | 34,942,494 |
| Income on finances and loans to customers | | 6,290,685 | 11,120,446 |
| | | 27,699,519 | 46,062,940 |

24. PROFIT ON BANK ACCOUNTS / RETURN ON INVESTMENTS

| | | | |
|----------------------------------|--|---------------|--------|
| Mark-up on government securities | | - | 13,672 |
| Profit on bank accounts | | 18,881 | 61,384 |
| | | 18,881 | 75,056 |

25. OTHER INCOME

| | | | |
|-------------------------------------------|--|----------------|--------|
| Income from financial assets | | | |
| Mark-up on loans to employees | | 34,987 | 70,700 |
| Income from non-financial assets | | | |
| Gain / (loss) on disposal of fixed assets | | 135,733 | 11,000 |
| | | 170,720 | 81,700 |

26. ADMINISTRATIVE & OPERATING EXPENSES

| | | | |
|------------------------------------------|-------------|-------------------|------------|
| Salaries, allowances and other benefits | 26.1 & 26.2 | 21,737,404 | 22,027,740 |
| Directors' fee | 26.3 | 500,000 | 444,000 |
| Rent | | 2,201,473 | 2,110,728 |
| Electricity, gas and water | | 868,451 | 1,139,764 |
| Telephone and postage | | 885,428 | 1,027,110 |
| Repairs and maintenance | | 434,924 | 519,391 |
| Books and periodicals | | 37,994 | 39,577 |
| Fees and subscriptions | | 15,551 | 20,894 |
| Vehicle running | | 406,638 | 458,965 |
| Advertising | | 369,641 | 179,799 |
| Training and development | | 132,500 | 45,000 |
| Travelling, conveyance and entertainment | | 2,033,313 | 1,947,578 |
| Printing and stationery | | 678,681 | 769,871 |
| Auditors' remuneration | 26.4 | 540,125 | 539,000 |
| Depreciation and amortisation | 13 | 1,699,173 | 1,978,404 |
| Legal and professional | | 3,225,960 | 2,965,888 |
| Insurance | | 949,352 | 970,817 |
| Miscellaneous | | 588,230 | 760,712 |
| | | 37,304,838 | 37,945,238 |

Notes to the Financial Statements

For the year ended 31, December 2015

26.1 Salaries allowances and other benefits include Rs. 1.107 million (2014: Rs.1.069 million) in respect of staff gratuity scheme and Rs. 0.57 million (2014: Rs. 0.429 million) in respect of staff provident fund. In addition the amount charged to the profit and loss account in respect of compensated absences was Rs. 0.8 million (2014: Rs. 0.969 million)

26.2 Remuneration of Chief Executives and Executives

The aggregate amount charged in the financial statements, including all benefits, to the Chief Executive and Executives of the Company are as follows:

| | 2015 | | 2014 | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | Chief Executive | Executives | Chief Executive | Executives |
| | (Rupees) | | | |
| Managerial remuneration | 1,903,226 | 3,763,080 | 2,329,032 | 3,194,957 |
| Housing and utilities | 761,290 | 1,505,232 | 931,613 | 1,277,977 |
| Provident fund | - | 301,128 | - | 234,316 |
| Medical and other perquisites | 190,323 | 376,296 | 232,903 | 319,486 |
| Leave fare assistance | - | - | 300,000 | - |
| Gratuity | - | 218,623 | 300,000 | 214,524 |
| Leave encashment | 150,000 | 165,430 | 150,000 | 160,893 |
| Others | - | - | - | - |
| | <u>3,004,839</u> | <u>6,329,789</u> | <u>4,243,548</u> | <u>5,402,153</u> |
| Number of persons | <u>1</u> | <u>7</u> | <u>1</u> | <u>7</u> |

26.2.1 The chief executive and certain executives were also provided with free use of Company owned and maintained cars in accordance with their terms of employment.

26.3 This represents remuneration paid to the non-executive directors of the Company for attending meetings of the Board and Board's committees.

26.4 Auditors' remuneration

| Note | 2015 Rupees | 2014 Rupees |
|------------------------|----------------|----------------|
| Annual audit | 250,000 | 250,000 |
| Half yearly review | 100,000 | 100,000 |
| Other certifications | 50,000 | 50,000 |
| Out of pocket expenses | 140,125 | 139,000 |
| | <u>540,125</u> | <u>539,000</u> |

27. FINANCE COST

| | | |
|------------------------------|------|-------------------|
| Mark-up on: | | |
| - Long term finance | | 96,774 |
| - Short term borrowings | 27.1 | 15,864,547 |
| - Certificates of investment | | 20,243 |
| | | <u>15,981,564</u> |
| Lease finance charges | | 383,649 |
| Bank charges | | 170,107 |
| | | <u>16,535,320</u> |

Notes to the Financial Statements

For the year ended 31, December 2015

27.1 Finance cost includes mark up expense related to the holding company as follows:

| | 2015 Rupees | 2014 Rupees |
|-----------------------|-------------------|-------------------|
| Long term finance | - | - |
| Short term borrowings | 17,164,534 | 15,864,547 |
| | <u>17,164,534</u> | <u>15,864,547</u> |

28. TAXATION

28.1 Current tax liability

Provision for the current year income tax has been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001 (Ordinance).

28.2 Current status of tax assessments

The income tax assessments of the Company have deemed to be finalised up to and including Tax year 2015, except for Tax year 2012, which has been selected for audit.

In respect of Tax year 2012, the tax authorities have served order under section 122(1) read with section 177(1) and 214C of the Income Tax Ordinance, 2001 disallowing expenses relating to depreciation allowance, markup on loan to employees and financial cost and creating tax demand of Rs. 3.8 million. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals-II) against the said order and the case has not yet been fixed for hearing.

28.3 During the year, the Company has reversed the excess tax liability provided in financial years prior to 2009 on the basis that the assessment for the year 2009 and earlier tax years have attained finality and cannot be amended.

28.4 Deferred tax liabilities / (assets) - net

Deductible temporary differences

| | 2015 Rupees | 2014 Rupees |
|--------------------------------------------------------------------------|----------------------|----------------------|
| Carried forward losses | (91,526,344) | (97,843,537) |
| Provisions against potential lease losses & long term finances and loans | (47,510,756) | (57,520,462) |
| Liabilities against gratuity expense | (1,467,212) | (1,612,263) |
| | <u>(140,504,312)</u> | <u>(156,976,262)</u> |

Taxable temporary differences

| | 2015 Rupees | 2014 Rupees |
|-----------------------------------------------------|---------------------|---------------------|
| Net investment in lease | 40,653,965 | 68,632,999 |
| Liabilities against assets subject to finance lease | 117,104 | 1,259,938 |
| Accelerated tax depreciation on fixed assets | 518,301 | 520,845 |
| | <u>41,289,370</u> | <u>70,413,782</u> |
| | <u>(99,214,942)</u> | <u>(86,562,480)</u> |

28.4.1 The Company has recognised deferred tax asset on deductible temporary difference only to the extent of deferred tax liability on taxable temporary difference. Deferred tax asset of Rs. 99.215 million (2014: Rs. 86.562 million) has not been recognised as the Company does not foresee future taxable profits against which unused tax losses will be utilised.

29. LOSS PER SHARE - BASIC AND DILUTED

| | 2015 Rupees | 2014 Rupees |
|-----------------------------------------------------------|---------------------------|---------------------|
| Loss after taxation attributable to ordinary shareholders | (17,311,745) | (11,045,508) |
| | <u>(17,311,745)</u> | <u>(11,045,508)</u> |
| | (Number of shares) | |
| Weighted average number of outstanding ordinary shares | 32,000,000 | 32,000,000 |
| | <u>32,000,000</u> | <u>32,000,000</u> |
| | (Rupees) | |
| Loss per share - basic and diluted | (0.54) | (0.35) |
| | <u>(0.54)</u> | <u>(0.35)</u> |

Notes to the Financial Statements

For the year ended 31, December 2015

29.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

30. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of SME Bank Limited (holding company), key management personnel, non- executive directors and contributory employee plan:

| | 2015 | | 2014 | |
|--------------------------------|--------------------------|------------------------------------|--------------------------|------------------------------------|
| | Key management personnel | SME Bank Limited (Holding Company) | Key management personnel | SME Bank Limited (Holding Company) |
| Borrowings | | | | |
| Balance as at 1 January | - | 155,320,077 | - | 37,534,120 |
| Borrowings during the year | - | - | - | 126,540,120 |
| Repayments during the year | - | (26,253,553) | - | (8,754,163) |
| Balance as at year end | - | 129,066,524 | - | 155,320,077 |
| Loans and advances | | | | |
| Balance as at 1 January | - | - | - | - |
| Advances given during the year | - | - | - | - |
| Repayments during the year | - | - | - | - |
| Balance as at year end | - | - | - | - |

| | 2015 Rupees | 2014 Rupees |
|--------------------------------------------------------------------------|-------------|-------------|
| Balances | | |
| (Payable) / receivable from Staff Provident Fund | 80,000 | (90,685) |
| Transactions during the year | | |
| Mark-up expense against borrowings from holding company | 17,164,534 | 15,864,547 |
| Disposal of Motor Vehicle to the Chief Financial Officer- Sales proceeds | - | - |
| Rent expense | 325,608 | 325,608 |
| Key management remuneration | 4,530,639 | 4,243,548 |
| Post retirement benefits | - | 300,000 |
| Staff Provident Fund - Company's contribution | 89,376 | 28,372 |
| 31. PROVIDENT FUND | | |
| Size of the fund (Net Assets) | 4,940,125 | 5,205,604 |
| Cost of Investment made | 3,640,687 | 4,013,897 |
| Percentage of investment made | 73.70% | 77.11% |
| Fair value of investments | 3,999,252 | 4,440,687 |

All the investments of the Provident Fund are kept in mutual funds.

Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Notes to the Financial Statements

For the year ended 31, December 2015

| | Note | 2015 Rupees | 2014 Rupees |
|--------------------------------------|------|----------------------|----------------|
| 32. CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 4 | 3,115,209 | 5,520,170 |
| Short term borrowings | 16 | (129,066,524) | (155,320,077) |
| | | (125,951,315) | (149,799,907) |

33. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing it.

33.1 Risk management framework

The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

33.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

33.2.1 Management of credit risk

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the NBFC Rules and Regulations. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continually assessing the credit worthiness of counter parties.

33.2.2 Exposure to credit risk

In summary, compared to the maximum amount included in the balance sheet, the maximum exposure to credit risk as at 31 December 2015 is as follows:

Notes to the Financial Statements

For the year ended 31, December 2015

| | 2015 | | 2014 | |
|-------------------------------------------|----------------------|--------------------|--------------------|--------------------|
| | Balance sheet | Maximum exposure | Balance sheet | Maximum exposure |
| | ----- (Rupees) ----- | | | |
| Bank balances | 3,091,778 | 3,025,366 | 5,497,075 | 5,430,576 |
| Investments | 4,283,091 | 4,283,091 | 3,209,123 | 3,209,123 |
| Advances | 2,484,094 | 2,484,094 | 2,129,255 | 2,129,255 |
| Accrued interest on working capital loans | 13,843 | - | 1,391,293 | - |
| Net investment in finance lease | 443,242,617 | 443,242,617 | 519,173,276 | 519,173,276 |
| Long term finances and loans | 98,725,563 | 98,725,563 | 109,905,004 | 109,905,004 |
| Short term and long term deposits | 3,173,810 | 3,173,810 | 2,609,050 | 2,609,050 |
| | <u>555,014,796</u> | <u>554,934,541</u> | <u>643,914,076</u> | <u>642,456,284</u> |

33.2.3 Credit ratings and Collaterals

Details of the credit ratings of balances with the banks (including profit receivable) as at 31 December were as follows:

| Ratings | 2015 | 2014 |
|---------|-------------|-------------|
| A1+ | 13.00% | 7.51% |
| A-1+ | 50.00% | 74.59% |
| A-3 | 0.00% | 17.36% |
| Others | 37.00% | 0.54% |
| | <u>100%</u> | <u>100%</u> |

33.2.4 Description of Collateral held

The Company's leases are secured against assets leased out. In a few leases additional collateral is also obtained. Details of exposures and the collateral as at 31 December 2015 against them are as follows:

| | Net Exposure | Lower of collateral and gross exposure |
|-----------------------------------|--------------------|----------------------------------------|
| Lease Finance | | |
| - Regular | 135,161,086 | 135,161,086 |
| - Non Performing net of provision | 308,081,531 | 308,081,531 |
| | <u>443,242,617</u> | <u>443,242,617</u> |
| Working Capital Finance | | |
| - Regular | 20,795,532 | 20,795,532 |
| - Non Performing net of provision | 77,316,573 | 77,316,573 |
| | <u>98,112,105</u> | <u>98,112,105</u> |

Notes to the Financial Statements

For the year ended 31, December 2015

Settlement risk

Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

To reduce the exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery (and also obtains security / advance payments, wherever considered necessary). Cash is held only with reputable banks with high quality credit worthiness.

33.2.5 Impairment losses and past due balances

| | 2015 | | | |
|-------------------|---------------------|-----------------------|---------------------------------|-----------------------|
| | Total | Loans and receivables | Net investment in finance lease | Impairment recognised |
| | ------(Rupees)----- | | | |
| Not past due | 155,955,983 | 20,795,532 | 135,160,451 | - |
| 1 - 179 days | 83,017,680 | 32,717,148 | 50,300,532 | - |
| 180 days - 1 year | 25,985,262 | 17,443,965 | 8,541,297 | - |
| More than 1 year | 276,395,162 | 32,595,261 | 402,169,087 | (158,369,186) |
| | <u>541,354,087</u> | <u>103,551,906</u> | <u>596,171,367</u> | <u>(158,369,186)</u> |
| | 2014 | | | |
| | Total | Loans and receivables | Net investment in finance lease | Impairment recognised |
| | ------(Rupees)----- | | | |
| Not past due | 325,065,142 | 78,682,315 | 246,382,827 | - |
| 1 - 179 days | 3,369,415 | 105,889 | 3,263,526 | - |
| 180 days - 1 year | 12,165,911 | 2,399,799 | 9,766,112 | - |
| More than 1 year | 451,610,571 | 32,558,650 | 419,051,921 | (164,344,178) |
| | <u>792,211,039</u> | <u>113,746,653</u> | <u>678,464,386</u> | <u>(164,344,178)</u> |

33.2.6 Concentration of credit risk - gross investment in finance lease

The Company seeks to manage its credit risk through diversification of financing activities to avoid undue concentration of credit risk with individuals or groups of customers in specific locations or business sectors. It also obtains collaterals when appropriate.

The management of the Company follows two sets of guidelines. Internally, it has its own policies and procedures duly approved by the Board of Directors whereas externally it adheres to the regulations issued by the SECP. The operating policy defines the extent of fund based exposures with reference to a particular sector or group of leases.

Notes to the Financial Statements

For the year ended 31, December 2015

Details of Composition of finance lease and finances and loan portfolio of the company are given below:

| Category | 2015 | | 2014 | |
|------------------------------------|--------------------|------------|--------------------|------------|
| | Rupees | Percentage | Rupees | Percentage |
| Cargo Carriers | 38,012,108 | 4.69 | 55,150,877 | 5.95 |
| Chemicals | 20,658,876 | 2.55 | 28,686,351 | 3.10 |
| Communication | 6,802,623 | 0.84 | 6,802,623 | 0.73 |
| Confectionary | 10,440,318 | 1.29 | 10,440,318 | 1.13 |
| Construction And Building Products | 9,972,339 | 1.23 | 27,199,149 | 2.93 |
| Dates | 550,947 | 0.07 | 550,947 | 0.06 |
| Education | 26,380,027 | 3.25 | 20,689,196 | 2.23 |
| Engineering | 24,269,640 | 2.99 | 23,372,245 | 2.52 |
| Entertainment | 52,792,056 | 6.51 | 60,469,756 | 6.52 |
| Film Processing | 60,260,116 | 7.43 | 65,731,842 | 7.09 |
| Fisheries | 1,285,857 | 0.16 | 1,285,857 | 0.14 |
| Food And Beverages | 49,588,143 | 6.11 | 49,296,467 | 5.32 |
| Furniture | 2,480,157 | 0.31 | 551,872 | 0.06 |
| Garments | 45,460,501 | 5.60 | 70,547,617 | 7.61 |
| Gems & Jewellery | 13,921,662 | 1.72 | 14,482,865 | 1.56 |
| Health Care | 50,677,697 | 6.25 | 49,169,081 | 5.31 |
| Leather & Tannery | 15,364,218 | 1.89 | 15,631,112 | 1.69 |
| Miscellaneous | 64,479,172 | 7.95 | 82,993,536 | 8.96 |
| Oil & Gas | 54,241,689 | 6.69 | 54,241,067 | 5.85 |
| Pharma | 17,950,954 | 2.21 | 18,748,310 | 2.02 |
| Plastic | 22,275,668 | 2.75 | 25,168,880 | 2.72 |
| Printing & Packaging | 52,806,596 | 6.51 | 57,318,637 | 6.18 |
| Public Transport Services | 120,323,223 | 14.83 | 132,284,584 | 14.27 |
| Rubber | 614,190 | 0.08 | 1,409,593 | 0.15 |
| Textile | 49,502,038 | 5.90 | 54,550,209 | 6.00 |
| | 811,110,815 | 100 | 926,772,991 | 100 |

33.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

33.3.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Due to nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

33.3.2 Maturity analysis for financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

Notes to the Financial Statements

For the year ended 31, December 2015

Liabilities

Accrued and other liabilities
Short term borrowings
Long term finances - secured
Long term deposits
Liabilities against asset subject
to finance lease

| | 2015 | | | |
|----------------------------------------------------|--------------------|-----------------------|--------------------|--------------------|
| | Total | Contractual cash flow | Upto one year | More than one year |
| ----- (Rupees) ----- | | | | |
| Accrued and other liabilities | 6,066,743 | 6,066,743 | 6,066,743 | - |
| Short term borrowings | 129,066,524 | 129,066,524 | 129,066,524 | - |
| Long term finances - secured | 373,233 | 373,233 | 373,233 | - |
| Long term deposits | 241,068,360 | 241,068,360 | 188,027,480 | 53,040,880 |
| Liabilities against asset subject to finance lease | 1,975,210 | 2,083,910 | 1,477,040 | 606,870 |
| | 378,550,070 | 378,658,770 | 325,011,020 | 53,647,750 |

Liabilities

Accrued and other liabilities
Short term borrowings
Certificates of investment - unsecured
Long term finances - secured
Long term deposits
Liabilities against asset subject
to finance lease

| | 2014 | | | |
|----------------------------------------------------|--------------------|-----------------------|--------------------|--------------------|
| | Total | Contractual cash flow | Upto one year | More than one year |
| ----- (Rupees) ----- | | | | |
| Accrued and other liabilities | 15,654,125 | 15,654,125 | 15,654,125 | - |
| Short term borrowings | 155,320,077 | 155,320,077 | 155,320,077 | - |
| Certificates of investment - unsecured | - | - | - | - |
| Long term finances - secured | 1,265,489 | 1,265,489 | 1,265,489 | - |
| Long term deposits | 272,140,223 | 272,140,223 | 206,168,322 | 65,971,901 |
| Liabilities against asset subject to finance lease | 3,173,091 | 3,546,148 | 1,463,193 | 2,082,955 |
| | 447,553,005 | 447,926,062 | 379,871,206 | 68,054,856 |

33.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company is exposed to interest rate and other price risk only.

33.4.1 Management of market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

Notes to the Financial Statements

For the year ended 31, December 2015

33.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in finance lease, finance and loans, investment in government securities, bank balances and borrowing from banks. The Company carries a mix of fixed and floating rate financial instruments.

At 31 December, details of the interest rate profile of the Company's interest bearing financial instruments were as follows:

| | Carrying amount | |
|-----------------------------------------------------|--------------------|--------------------|
| | 2015 (Rupees) | 2014 (Rupees) |
| Fixed rate instruments | | |
| Financial assets | | |
| Net investments in finance lease | 443,242,617 | 519,173,276 |
| Long term finance and loans | 98,725,563 | 109,905,004 |
| | <u>541,968,180</u> | <u>629,078,280</u> |
| Financial liabilities | | |
| Long term finance | 373,233 | 1,265,489 |
| Liabilities against assets subject to finance lease | 1,975,210 | 3,173,091 |
| | <u>2,348,443</u> | <u>4,438,580</u> |
| Variable rate instruments | | |
| Financial assets | | |
| Bank balances | 295,825 | 145,541 |
| | <u>295,825</u> | <u>145,541</u> |
| Financial liabilities | | |
| Short term borrowings | 129,066,524 | 155,320,077 |
| | <u>129,066,524</u> | <u>155,320,077</u> |

33.4.3 Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

33.4.4 Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by Rs. 1.288 million (2014: Rs.1.551 million). This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis which were used for the year ended 31 December 2014.

The sensitivity analysis prepared as of 31 December 2015 is not necessarily indicative of the impact on the Company's net assets of future movements in interest rates and profit for the year and assets / liabilities of the Company.

33.4.5 Interest rate gap position

Yield / interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual re-pricing or maturity date is as follows:

Notes to the Financial Statements

For the year ended 31, December 2015

| | Effective mark-up / interest / profit rate | 2015 | | | |
|----------------------------------------------------|--------------------------------------------|---------------------|--------------------------------------------------|------------------------------------------|--------------------|
| | | Total | Exposed to mark-up / interest / profit rate risk | | |
| | | | Upto three months | More than three months and upto one year | More than one year |
| Financial assets | % | ------(Rupees)----- | | | |
| Cash and bank balances | 4.5 - 6 | 295,825 | 295,825 | - | - |
| Long term finances and loans | 11-27.2 | 98,725,563 | 33,429,079 | 47,915,708 | 17,380,776 |
| Net investment in finance lease | 8-29 | 443,242,617 | 250,281,131 | 101,158,235 | 91,803,251 |
| Total financial assets as on 31 December 2015 | | 542,264,005 | 284,006,035 | 149,073,943 | 109,184,027 |
| Financial liabilities | | | | | |
| Short term borrowings | 10.79 - 13.49 | 129,066,524 | - | 129,066,524 | - |
| Long term finances | 5 | 373,233 | 373,233 | - | - |
| Liabilities against asset subject to finance lease | 14.39-15.10 | 1,975,210 | 276,531 | 1,097,702 | 600,977 |
| Total financial liabilities as on 31 December 2015 | | 131,414,967 | 649,764 | 130,164,226 | 600,977 |
| On balance sheet gap | | 410,849,038 | 283,356,271 | 18,909,717 | 108,583,050 |
| Total interest rate sensitivity gap | | 410,849,038 | 283,356,271 | 302,265,988 | 410,849,038 |

| | Effective mark-up / interest / profit rate | 2014 | | | |
|----------------------------------------------------|--------------------------------------------|---------------------|--------------------------------------------------|------------------------------------------|--------------------|
| | | Total | Exposed to mark-up / interest / profit rate risk | | |
| | | | Upto three months | More than three months and upto one year | More than one year |
| Financial assets | % | ------(Rupees)----- | | | |
| Cash and bank balances | 6 - 7 | 145,541 | 145,541 | - | - |
| Investments | 11.60 -14.2 | - | - | - | - |
| Long term finances and loans | 5 - 25.44 | 109,905,004 | 41,995,925 | 58,239,992 | 9,669,087 |
| Net investment in finance lease | 9.5 - 25.11 | 519,173,276 | 348,764,114 | 87,826,683 | 82,582,479 |
| Total financial assets as on 31 December 2014 | | 629,223,821 | 390,905,580 | 146,066,675 | 92,251,566 |
| Financial liabilities | | | | | |
| Short term borrowings | 13.44 - 13.96 | 155,320,077 | - | 155,320,077 | - |
| Certificates of investment | 10.5 - 14 | - | - | - | - |
| Long term finances | 5 | 1,265,489 | 595,500 | 669,989 | - |
| Liabilities against asset subject to finance lease | 21.53 - 23 | 3,173,091 | 350,000 | 1,050,000 | 1,773,091 |
| Total financial liabilities as on 31 December 2014 | | 159,758,657 | 945,500 | 157,040,066 | 1,773,091 |
| On balance sheet gap | | 469,465,164 | 389,960,080 | (10,973,391) | 90,478,475 |
| Total interest rate sensitivity gap | | 469,465,164 | 389,960,080 | 378,986,689 | 469,465,164 |

Notes to the Financial Statements

For the year ended 31, December 2015

33.5 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Company is not exposed to equity securities price risk as the Company does not hold any equity securities as at 31 December 2015.

34. CAPITAL RISK MANAGEMENT

34.1 The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost of capital.

34.2 Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital employed:

| | 2015 Rupees | 2014 Rupees |
|------------------------|--------------------|--------------------|
| Total debt | 373,233 | 1,265,489 |
| Total equity | <u>171,343,898</u> | <u>188,445,084</u> |
| Total capital employed | <u>171,717,131</u> | <u>189,710,573</u> |
| Gearing ratio | <u>0.22%</u> | <u>0.67%</u> |

34.3 Financial risk management objectives and policies

The Company finances its operations through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise liquidity risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

35. FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value of underlying financial assets are determined based on requirements of Regulation 66 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and directives if any, issued by the Securities and Exchange Commission of Pakistan. Fair value of debt instruments other than Government Securities, which are unlisted or listed but not traded regularly on stock exchange be valued at rates notified by Mutual Funds Association of Pakistan. The fair value of financial assets traded in active market i.e. listed securities are based on the quoted market price at determined by stock exchange in accordance with its regulations.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

As at 31 December 2015, the Fund held the following classes of financial instruments measured at fair value:

Notes to the Financial Statements

For the year ended 31, December 2015

| | Carrying amount | | | | Fair value | | | |
|-----------------------------------------------------------|-----------------|--------------------------|-----------------------|-----------------------------|------------|-----------|---------|-------------|
| | Investments | Cash and cash equivalent | Loans and receivables | Other financial liabilities | Level 1 | Level 2 | Level 3 | Total |
| 31 December 2015 | 1,180,000 | - | - | - | - | 4,283,091 | - | 4,283,091 |
| Financial assets measured at fair value | | | | | | | | |
| Investments - Units of Open end Mutual Fund | | | | | | | | |
| | 1,180,000 | - | - | - | - | 4,283,091 | - | 4,283,091 |
| Financial assets not measured at fair value | | | | | | | | |
| Cash and bank balance | 35.1 | 3,115,209 | - | - | - | - | - | 3,115,209 |
| Advances | 35.1 | 2,484,094 | - | 2,484,094 | - | - | - | - |
| Deposits, prepayments and other receivables | 35.1 | - | 3,173,810 | - | - | - | - | 3,173,810 |
| Asset held for sale | 35.1 | 3,979,986 | - | - | - | - | - | - |
| Long term finances and loans and accrued interest thereon | 35.1 | 98,739,406 | - | 98,739,406 | - | - | - | - |
| Net investment in finance leases | 35.1 | - | 443,242,617 | - | - | - | - | 443,242,617 |
| | | 5,159,986 | 3,115,209 | 547,639,927 | - | 4,283,091 | - | 4,283,091 |
| Financial liabilities not measured at fair value | | | | | | | | |
| Accrued and other liabilities | 35.1 | - | - | 6,066,743 | - | - | - | - |
| Accrued mark-up on borrowings | 35.1 | - | - | 1,171,429 | - | - | - | - |
| Short term borrowings | 35.1 | 129,066,524 | - | - | - | - | - | - |
| Provision for compensated absences | 35.1 | - | - | 1,069,901 | - | - | - | - |
| Long term finances | 35.1 | - | - | 373,233 | - | - | - | - |
| Liabilities against assets subject to finance lease | 35.1 | - | - | 1,975,210 | - | - | - | - |
| Long term deposits | 35.1 | - | - | 53,040,880 | - | - | - | - |
| Deferred liabilities | 35.1 | - | - | 4,890,705 | - | - | - | - |
| | | - | 129,066,524 | 68,588,101 | - | - | - | - |

35.1 The Fund has not disclosed the fair values for these financial instruments, because their carrying amounts are reasonable approximation of fair value.

35.2 For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year ended 31 December 2015, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

Notes to the Financial Statements

For the year ended 31, December 2015

36. SEGMENT INFORMATION

A segment is a distinguishable component of the Company that is engaged in business activities from which the Company earns revenues and incur expenses and its results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

The Company's reportable segments under IFRS 8 are therefore finance lease, loans and receivables, and investments. Other operations, which are not deemed by the management to be sufficiently significant to disclose as separate items are reported under Others.

All assets and liabilities are allocated to reportable segments other than assets and liabilities not directly related to the particular segment.

| | 2015 | | | | Total |
|---------------------------------------|----------------------|-----------------------|------------|----------------|--------------------|
| | Finance lease | Loans and receivables | Investment | Others | |
| | ----- (Rupees) ----- | | | | |
| Segment revenue | <u>21,408,834</u> | <u>6,290,685</u> | - | <u>189,601</u> | <u>27,889,120</u> |
| Segment profit | <u>27,770,559</u> | <u>5,903,952</u> | - | <u>189,601</u> | <u>33,864,112</u> |
| Segment result | | | | | <u>33,864,112</u> |
| Unallocated cost | | | | | |
| Finance cost | | | | | 17,665,337 |
| Administrative and operating expenses | | | | | 37,304,838 |
| | | | | | <u>54,970,175</u> |
| Loss before tax | | | | | (21,106,063) |
| Taxation | | | | | 3,794,318 |
| Loss after tax | | | | | (17,311,745) |
| Other information | | | | | |
| Segment assets | 443,242,617 | 98,112,105 | 4,283,091 | - | 545,637,813 |
| Unallocated assets | | | | 22,677,995 | 22,677,995 |
| Total assets | | | | | <u>568,315,808</u> |
| Segment liabilities | 245,985,781 | - | - | - | 245,985,781 |
| Unallocated liabilities | | | | 147,883,038 | 147,883,038 |
| Total liabilities | | | | | <u>393,868,819</u> |
| Net assets | | | | | <u>174,446,989</u> |
| Capital expenditure | - | - | - | 728,186 | <u>728,186</u> |

36.1 Revenue reported above represents revenue from external customers. There are no intersegment sales.

36.2 Revenue from finance lease includes income from finance lease operations and gain/loss on termination of lease. Revenue from loans and receivable includes mark-up income on loans to customers and employees, and revenue from investments include gain on disposal of investments, dividend income and mark-up on government securities.

Notes to the Financial Statements

For the year ended 31, December 2015

| | 2014 | | | | Total |
|---------------------------------------|----------------------|-----------------------|------------|-------------|--------------|
| | Finance lease | Loans and receivables | Investment | Others | |
| | ----- (Rupees) ----- | | | | |
| Segment revenue | 34,942,494 | 11,120,446 | 13,672 | 143,084 | 46,219,696 |
| Segment profit | 32,935,750 | 10,804,741 | 13,672 | 143,084 | 43,897,247 |
| Segment result | | | | | 43,897,247 |
| Unallocated cost | | | | | |
| Finance cost | | | | | 16,535,320 |
| Administrative and operating expenses | | | | | 37,945,238 |
| | | | | | 54,480,558 |
| Loss before tax | | | | | (10,583,311) |
| Taxation | | | | | (462,197) |
| Loss after tax | | | | | (11,045,508) |
| Other information | | | | | |
| Segment assets | 519,173,276 | 108,693,585 | 3,209,123 | - | 631,075,984 |
| Unallocated assets | | | | 27,307,518 | 27,307,518 |
| Total assets | | | | | 658,383,502 |
| Segment liabilities | 276,402,645 | - | - | - | 276,402,645 |
| Unallocated liabilities | | | | 191,506,650 | 191,506,650 |
| Total liabilities | | | | | 467,909,295 |
| Net assets | | | | | 190,474,207 |
| Capital expenditure | - | - | - | 310,266 | 310,266 |

37. NUMBER OF EMPLOYEES

The number of employees as on the year end were 41 and average number of employees during the year were 40

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 02, 2016 by the Board of Directors of the Company.



Mr. Ali A. Rahim
Director



Mir Javed Hashmat
Chief Executive Officer

Pattern of Shareholding

As at December 31, 2015

| Shareholding | | No of Shareholders | Total Shares Held | Percentage % |
|--------------|------------|--------------------|-------------------|--------------|
| From | To | | | |
| 1 | 100 | 14 | 143 | 0.00 |
| 101 | 500 | 198 | 98,498 | 0.31 |
| 501 | 1,000 | 38 | 37,425 | 0.12 |
| 1,001 | 5,000 | 41 | 117,492 | 0.37 |
| 5,001 | 10,000 | 3 | 26,999 | 0.08 |
| 10,001 | 15,000 | 2 | 25,500 | 0.08 |
| 15,001 | 20,000 | 2 | 40,000 | 0.13 |
| 20,001 | 25,000 | 1 | 22,500 | 0.07 |
| 25,001 | 30,000 | 1 | 30,000 | 0.09 |
| 45,001 | 50,000 | 3 | 146,000 | 0.46 |
| 50,001 | 55,000 | 2 | 105,525 | 0.33 |
| 150,001 | 155,000 | 1 | 155,000 | 0.48 |
| 220,001 | 225,000 | 1 | 225,000 | 0.70 |
| 410,001 | 415,000 | 2 | 820,318 | 2.56 |
| 450,001 | 455,000 | 1 | 453,000 | 1.42 |
| 600,001 | 605,000 | 1 | 604,575 | 1.89 |
| 900,001 | 905,000 | 1 | 902,350 | 2.82 |
| 1,230,001 | 1,235,000 | 1 | 1,230,477 | 3.85 |
| 1,295,001 | 1,300,000 | 1 | 1,298,500 | 4.06 |
| 2,255,001 | 2,260,000 | 1 | 2,255,500 | 7.05 |
| 23,405,001 | 23,410,000 | 1 | 23,405,198 | 73.14 |
| 31,086,621 | 31,176,600 | 316 | 32,000,000 | 100.00 |

Categories of Shareholders

As at December 31, 2015

| Category No. | Categories of | Numbers of Share Held | Category wise No. of Shareholders | Category wise Share Held | Percentage % |
|--------------|----------------------------------------------------------------------|-----------------------|-----------------------------------|--------------------------|--------------|
| 1 | General Public | | 286 | 3,103,079 | 9.70 % |
| 2 | Other Companies, Joint Stock Companies | | 14 | 1,024,553 | 3.20 % |
| 3 | Banks, NBFCs, DFIs, Takaful, Pension Funds | | 5 | 27,061,525 | 84.57 % |
| 4 | Leasing , Modarabas and Mutual Funds | | 2 | 604,836 | 1.89 % |
| 5 | Insurance Companies | | 1 | 155,000 | 0.48 % |
| 6 | Executives | | 1 | 51,000 | 0.16 % |
| 7 | Directors, Chief Executive Officer, Their Spouses and Minor Childern | | 7 | 7 | 0.00 |
| | Mr. Ihsan-ul-Haq Khan | 1 | | | |
| | Mrs Mehnaz Saleem | 1 | | | |
| | Mr. Ali A. Rahim | 1 | | | |
| | Mr. Mir Javed Hashmat | 1 | | | |
| | Mian Tahir Bashir | 1 | | | |
| | Mr. Atiq-ur-Rehman | 1 | | | |
| | Mr. Dilshad Ali Ahmed | 1 | | | |
| | Total | | 316 | 32,000,000 | 100 % |

Proxy Form

I/We _____
of _____ (full address)
being a member of SME Leasing Limited hereby appoint _____
of _____ (full address)
or failing him/her _____ (full address)
of _____ (full address)
as my / our Proxy to attend and vote for me / us and on my / our behalf at the 14th Annual General Meeting of the Company to be held on April 26, 2016 and at any adjournment thereof.

Signed this _____ of _____ 2016.
(day) (date, month)

Signature of Member: _____

Folio Number: _____

Number of shares held : _____

Witnesses:

1. _____
2. _____

Please affix
Revenue Stamp

Signature and Company Seal

1. A member entitled to attend and vote at a General meeting is entitled to appoint a Proxy to attend and vote instead of him / her.
2. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his / her attorney duly authorized in writing, if the appointer is a corporation, under its common seal or the hand of an officer or attorney duly authorized. A Proxy need to be a Member of the Company.
3. The instrument appointing a Proxy, together with the Power of attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Main Office of the Company at least 48 hours before the time of the meeting.
4. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his / her National Identity Card with him / her as proof of his / her identity, and in case of Proxy, must enclose an attested copy of his / her National Identity Card. Representative of corporate entity, shall submit Board of Directors resolutions / power of attorney with specimen signature (unless it has been provided earlier) along with proxy form of the Company.

Affix
Correct
Postage

To:
SME Leasing Limited
Office # 304, 3rd Floor
Business Arcade,
Shahra-e-Faisal, Karachi.



SME Leasing Limited
(A subsidiary of SME Bank Ltd.)



SME Leasing Limited

(A subsidiary of SME Bank Ltd.)

Office No. 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, Karachi
Phone No. +92-21-34322128-9 Fax No. +92-21-34322082

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