



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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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. 805, 8th Floor, Al-Hafeez Heights,
65-D-A, Sir Syed/Ghalib Road, Gulberg III, Lahore.
Phone: 042-35750149, 35751660
Fax: 042-35751661

ISLAMABAD

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

SIALKOT

Chowk Shahab 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

Mr. Bilal Mustafa - Chairman
Mr. Dilshad Ali Ahmad
Mr. Mohammad Mubeen Mufti
Mr. Javed Mehmood
Ms. Darakhshan S. Vohra

CHIEF EXECUTIVE OFFICER

This position is vacant due to the sad and untimely demise of the Acting CEO, Mr. Abdul Waseem on 24th May, 2020.

AUDIT COMMITTEE

Mr. Javed Mehmood - Chairman
Ms. Darakhshan S. Vohra
-
Mr. Mohammad Mubeen Mufti
Mr. Asad Ali - Committee Secretary

RISK MANAGEMENT COMMITTEE

Mr. Javed Mehmood - Chairman
Ms. Darakhshan S. Vohra
Mr. Bilal Mustafa
Mr. Naeem ul Hasan - Secretary

HUMAN RESOURCE COMMITTEE

Mr. Bilal Mustafa - Chairman
Mr. Dilshad Ali Ahmad
Ms. Darakhshan S. Vohra
Mr. Adnan Sajar - Committee Secretary

Corporate Information

COMPANY SECRETARY & CFO

Mr. M. Shahzad

EXTERNAL AUDITORS

Grant Thornton Anjum Rahman
Chartered Accountants

INTERNAL AUDITOR

Mr. Asad Ali

TAX CONSULTANTS

Ernst Young Ford Rhodes
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company
Advocate & Legal Consultant

CREDIT RATING

Long Term: B Short Term: B

REGISTERED OFFICE

56-F, Nazim-ud-Din Road, F-5/1, Blue Area, Islamabad

MAIN OFFICE

Office No.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 CERTIFICATE

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

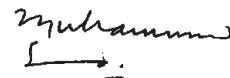
Notice of the 18th Annual General Meeting

Notice is hereby given that the Eighteenth Annual General Meeting of the shareholders of SME Leasing Limited (the Company) will be held at Hotel DE Papae (INTL) 16-D West, Blue Area, Islamabad on Monday, June 29, 2020 at 09:30 am to transact the following business:

ORDINARY BUSINESS.

1. To confirm the minutes of the 17th Annual General Meeting of the Company held on April 24, 2019.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended December 31, 2019 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2020 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, 2020.
4. To transact any other business with the permission of the Chair.

By Order of the Board



M. Shahzad
Company Secretary

Karachi: May 28, 2020

Notes:

1. The Register of the members of the Company will remain closed from June 22, 2020 to June 29, 2020 (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 No: 304, 3rd Floor, Business Arcade, Shahrah-e-Faisal, and 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 No: 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, and Karachi.
6. If the company receives consent from members holding at least 10% shareholding residing at a geographical location to participate in the meeting through video link facility, the company will arrange video link facility in that city. Members holding requisite shareholding should send a duly signed request at least 7 days before the meeting to the Main office of the company at Office No: 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, Karachi.
7. The annual report 2019 has been dispatched at the registered address of all the members. For future, as allowed under S.E.C.P. Notification S.R.O.787(1)/2014, the annual report will be dispatched at the email address of those members who have provided their email address and consent to receive the annual report electronically. For this purpose, a standard request form is available at the company's web site www.smelease.com.

Directors' Report

The Board of Directors of SME Leasing Limited ("SLL") is pleased to present the annual audited financial statements for the year ended December 31, 2019.

The Company

SLL was incorporated in Pakistan in July 2002 and acquired the status of listed company in December 2006. SLL is a subsidiary of SME Bank Limited which holds 73.14% of the company's shares. The company is licensed to carry out leasing business as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies Rules issued by the Securities and Exchange Commission of Pakistan ("SECP").

The core objective of the company is to extend lease and working capital financing facilities to small and medium enterprises of the country.

Operational Review

In view of funding constraints, the Company remained focused on its strategy of recoveries from its portfolio and writing new good quality leases with the target of minimum default. Total recoveries aggregated to Rs.113 million whereas new business of Rs. 88 million was written during the year. The default ratio in the new business over last 4 years has continued to remain low.

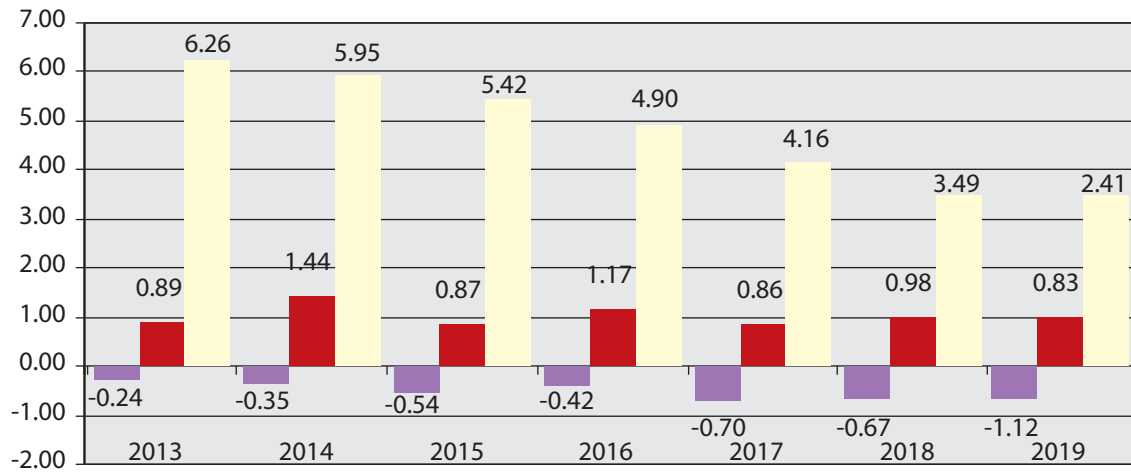
The company has also been managing its expenses in order to curtail its losses to the minimum possible.

Financial Review

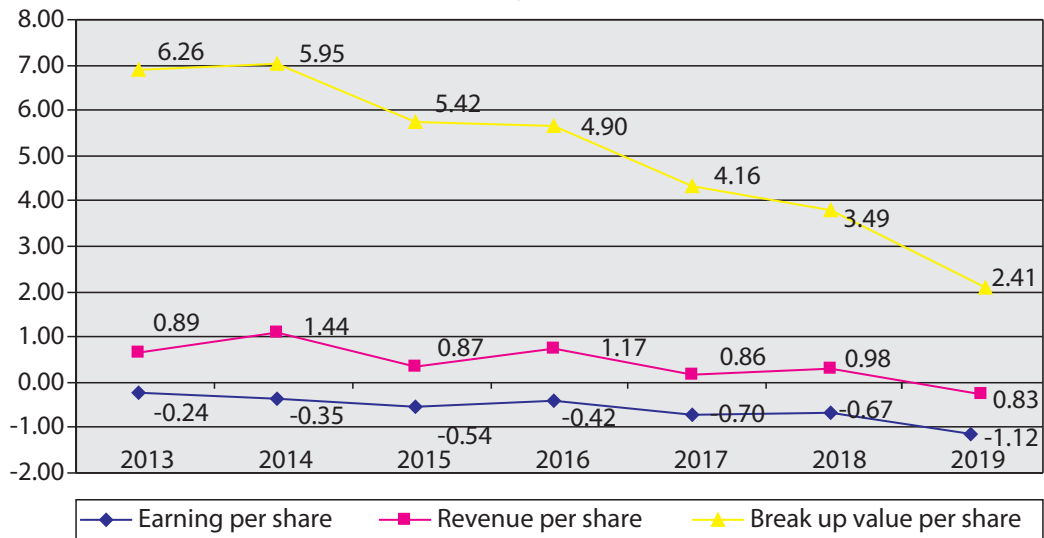
	2019 Rupees	2018 Rupees
Gross revenue	26,577,638	31,450,707
Operating Expenses	(66,693,186)	(58,063,861)
Profit/(Loss) before provisions	(40,115,548)	(26,613,154)
Reversal of provisions (Net)	4,730,977	5,602,056
(Loss) before taxation	(35,384,571)	(21,011,098)
Taxation	(309,759)	(349,920)
(Loss) after taxation	(35,694,330)	(21,361,018)
(Loss) per share - basic and diluted	(1.12)	(0.67)

The revenue from operations decreased compared to the last year on account of less business written during the year. Due to adoption of IFRS 16, during the year, the Company recorded depreciation expense and interest expenses instead of Rent expenses. Administrative expenses recorded increase of 1% mainly on account of increase in salaries, depreciation, legal charges for effecting recoveries and advertisements for meeting various requirements. The financial charges recorded increase of 56% due to increase in benchmark rate used for the financing; and interest expenses for leasing arrangements.

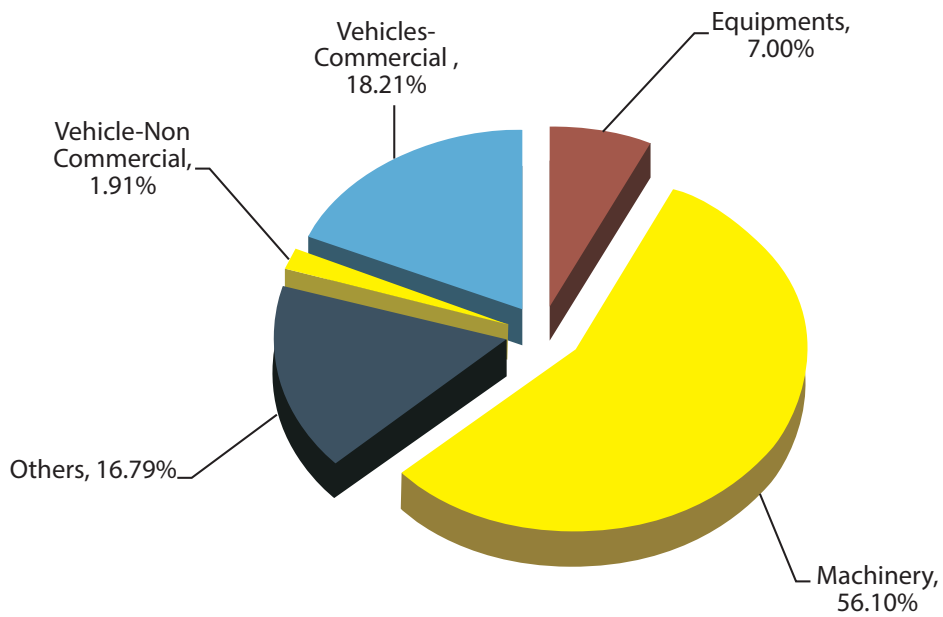
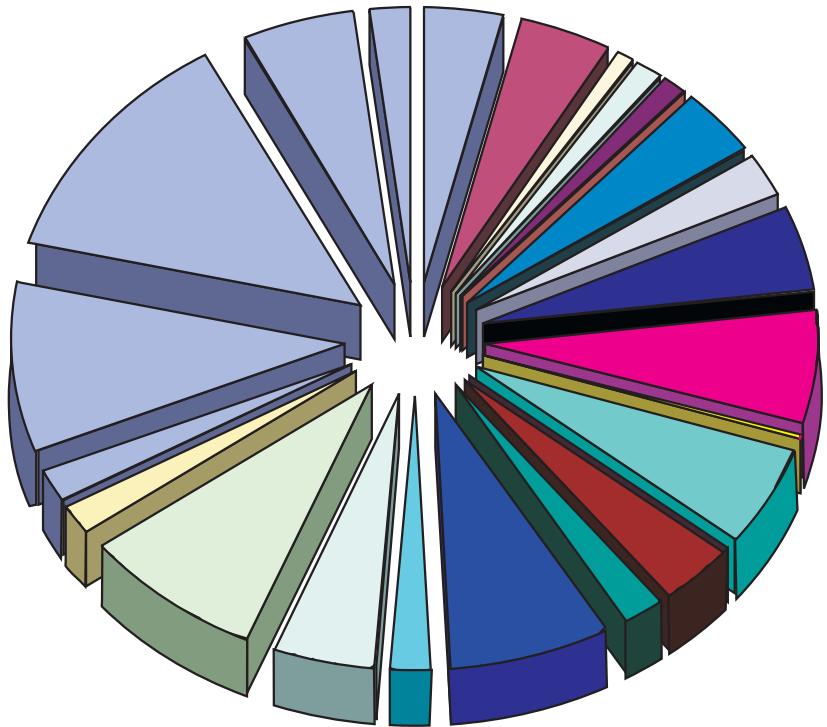
Key Ratios



Key Ratios



■ Cargo Carriers	3.60%
■ Chemicals	3.57%
■ Communication	0.99%
■ Confectionary	1.41%
■ Construction And Building Products	0.76%
■ Dates	0.08%
■ Education	2.58%
■ Engineering	2.47%
■ Entertainment	4.54%
■ Film Processing	7.11%
■ Fisheries	0.19%
■ Food And Beverages	6.26%
■ Furniture	0.06%
■ Garments	5.59%
■ Gems & Jeweler	2.03%
■ Health Care	8.25%
■ Leather & Tannery	2.24%
■ Miscellaneous	4.94%
■ Oil & Gas	7.20%
■ Pharma	1.79%
■ Plastic	1.88%
■ Printing & Packaging	8.66%
■ Public Transport Services	14.51%
■ Rubber	7.21%
■ Textile	2.09%



Economic review

During the year under review, the SBP increased the discount rate from 10% to 13.25% in consideration of inflationary pressure, current account deficit and fiscal deficit. The increased discount rate adversely affected the economic activity in general and SME Sector in particular. However, due to various factors the SBP reduced the discount rate to 8%. The inflation, current account deficit; fiscal deficit; exchange reserves shall be the key challenges in the year to come.

Dividend

During the year under review, the Company has incurred a loss; and, therefore, the Board has not recommended any dividend for the year under review.

Minimum equity requirements

Your company being a non-deposit taking entity is fully compliant with the minimum capital requirement of Rs.50 million imposed by the SECP.

Future Prospects

The sole credit line at the disposal of the Company from the Parent Company has almost exhausted, therefore, the Company is solely relying on the internal cash generation through recovery measures, which can help in bringing a steady improvement in the years to come.

With regard to the privatization of the SME Bank Limited, we would like to apprise that the Privatization Commission (the PC) appointed Financial Advisory Consortium comprising of AKD Securities Limited (Financial Advisor); Riaz Ahmed & Company (Accounting and Tax Advisor); and RIAA Barker Gillette (Legal Advisor) for privatization of the Bank. The PC vide advertisements invited "Expression of Interest" (EOI) for acquisition of 93.88% shares of SME Bank Limited. The last date for submission of EOI and SOQ 9Statement of Qualification) was 28 February, 2020.

After privatization of the parent company, this Company's shareholding of 73% will be taken over by the acquirer of SME Bank, which is likely to result in advantage to all the stakeholders.

The COVID-19 caused unprecedented challenges for the whole world. The lockdown and economic slowdown effected the financial sector as a whole. The Company has taken various measures to mitigate the risk and hope that it will safely sail through the storm.

Human Resource

The management fully understands the need and role of skilled human resource 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 as far as possible.

Board of Directors

During the year two casual vacancies occurred on the Board due to resignation of Mr. Ihsanul Haq Khan and Mir Javed Hashmat. The Board appointed Mr. Mohammad Mubeen Mufti, Non-executive Director and Mr. Javed Mahmood, an Independent Director, for the remainder of the term, to fill in those vacancies.

The board is comprising of following:

Male Directors	6
Female Directors	1
Total Directors	7

The Board's composition is as follows:

	Total	Male	Female
Independent Directors	3	2	1
Non-executive Directors	3	3	-
Executive Director	1	1	-
Total	7	6	1

Committees of the Board:

Following is the composition of the Committees of the Board (as at 31 December 2019)

Audit Committee

Ms. Darakshan S. Vohra - Chairman	Independent Director
Mr. Mohammad Farrukh Mansoor Malik	Member Non-executive Director
Mr. Mohammad Mubeen Mufti	Member Non-executive Director

Risk Management Committee

Ms. Dilshad Ali Ahmad - Chairman	Non-executive Director
Mr. Bilal Mustafa	Member Independent Director
Mr. Abdul Waseem	Member Executive Director

Human Resource Committee

Mr. Bilal Mustafa - Chairman	Independent Director
Ms. Dilshad Ali Ahmad	Member Non-executive Director
Ms. Darakshan S. Vohra	Member Independent Director
Mr. Abdul Waseem	Member Executive Director

The Board, in consideration of, amongst others, the Company's financial health and limited operations, has not constituted Nomination Committee. The HR Committee of the Board is performing the role of Nomination Committee.

The Board, in consideration of the evaluation of the CEO that the Company is involved in very little procurement of day to day items, has not formed Procurement Committee. The Board is directly looking after procurement matters and all procurement in excess Rs.1 million are required to be submitted to the Board for approval.

Meetings of the Board of Directors

During the year under review, four meetings of the Board of Directors were held. The details of attendance are as follows:

Name of Director	Total number of meetings entitled to attend	Total meetings attended
Mr. Bilal Mustafa	4	4
Ms. Dilshad Ali Ahmad	4	4
Ms. Darakshan S. Vohra	4	3
Mr. Mohammad Farrukh Mansoor Malik	4	4
Mr. Mohammad Mubeen Mufti	3	3
Mr. Javed Mahmood	1	1
Mr. Abdul Waseem	4	4
Mir Javed Hashmat (Resigned during the year)	1	1

Meetings of the Audit Committee

During the year under review, four meetings of the Audit Committee were held. The details of attendance are as follows:

Name of Director	Total number of meetings entitled to attend	Total meetings attended
Ms. Darakshan S. Vohra	4	3
Mr. Mohammad Farrukh Mansoor Malik	4	4
Mr. Mohammad Mubeen Mufti	3	3
Mr. Abdul Waseem (Resigned during the year as a member of the Committee)	1	1

Meeting of the Risk Management Committee

During the year under review, one meeting of the Risk Management Committee was held. The details of attendance are as follows:

Name of Director	Total number of meeting entitled to attend	Total meeting attended
Ms. Dilshad Ali Ahmad	1	1
Mr. Bilal Mustafa	1	1
Mr. Abdul Waseem	1	1

Meeting of the Human Resource Committee

During the year under review, one meeting of the Human Resource Committee was held. The details of attendance are as follows:

Name of Director	Total number of meeting entitled to attend	Total meeting attended
Mr. Bilal Mustafa	1	1
Ms. Dilshad Ali Ahmad	1	1
Ms. Darakshan S. Vohra	1	1
Mr. Abdul Waseem	1	1

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

Remuneration Policy of Executive and Non-Executive Directors

The Non-Executive Directors are paid fee of Rs=25,000/- and Rs=10,000/- for attending each meeting of the Board and its committees, respectively. The Executive Directors are not paid for attending the meeting of the Board and its committees; and are paid remuneration determined by the Board.

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 Public Sector Companies (Corporate Governance) Rules, 2013 and a Review Report to the Members on the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013 on compliance with best practices of the Code of Corporate Governance by the statutory auditors is annexed with this 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 Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013 issued by the Securities and Exchange Commission of Pakistan. Following are the comments on acknowledgement of 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 (including independent directors) 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 notes to the financial statements;
- viii) There has been no material departure from the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013;
- 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, 2019 was Rs5.725million (un-audited) and as at December 31, 2018, was Rs4.786 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 except following

No of shares	Sold by Outgoing Director	Purchased by Incoming Director
1	Mr. Ihsanul Haq Khan	Mr. Mohammad Mubeen Mufti
1	Mir Javed Hashmat	Mr. Javed Mahmood

Credit Rating

On 06 April 2020, PACRA maintained the entity ratings, which is as under:

- Long term "B"
- Short term "B"
- Outlook "Negative"

Parent Company

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

Auditors

The present auditors M/s Grant Thornton Anjum Rahman, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment for the year ending December 31, 2020. On the proposal of Board Audit Committee, the Board recommends the appointment of M/s Grant Thornton, Chartered Accountant, as statutory auditors of the company for the year 2020, on remuneration of Rs=355,600/-.

Pattern of Shareholding

The pattern of shareholding of the Company as on December 31, 2019, is annexed with this report.

Acknowledgement

The Board would like to place on record 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.

Due to the sad and unfortunate demise of the Acting CEO / Director, Mr Abdul Waseem on 24 May 2020, the financial statements and other related documents have been signed by Mr Dilshad Ali Ahmed, Director of the Company, in place of the Acting CEO, Mr. Waseem.

On behalf of Board of Directors



Bilal Mustafa
Chairman

Dated: Islamabad, May 28, 2020

ڈائریکٹرز رپورٹ

ایس ایم ای لیزنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2019ء کو ختم ہونے والے سال کیلئے سالانہ آڈٹ شدہ مالیاتی حسابات آپ کے سامنے پیش کر رہے ہیں۔

کمپنی کا تعارف:

ایس ایم ای لیزنگ لمیٹڈ (ایس ایل ایل) جس کا قیام پاکستان میں جولائی 2002ء میں ہوا اور دسمبر 2006ء میں یہ ترقی کی منازل طے کرتے ہوئے لٹڈ کمپنی کی فہرست میں شامل ہو گئی۔ ایس ایل ایل جو کہ ایس ایم ای بینک سے الحاق شدہ ہے جس کے کمپنی میں %73.14 شیئرز ہیں۔ کمپنی لیزنگ کاروبار بطور نان بینکنگ فنانس کمپنی (این بی ایف سی) کو چلانے کی حامل لائسنس ہے اور یہ کاروبار ایس ای سی پی کی جانب سے جاری کردہ نان بینکنگ فنانس کمپنیز رولز کے تحت ہے۔

کمپنی کے اہم مقاصد میں اس ملک میں چھوٹے اور متوسط انٹرپرائزز کو لیز اور ورکنگ کیپٹل فنانسنگ کی سہولیات فراہم کرنا شامل ہے۔

عملی جائزہ:

فٹڈ زکی رکاوٹوں کے پیش نظر کمپنی نے اپنے پورٹ فولیو سے ریکوریز اور کم نقصان کے ہدف کے ساتھ نئے کاروبار کرنے کیلئے ذرائع استعمال کرنے پر نظر مرکوز کی ہوئی ہے۔ دوران سال مجموعی طور پر مبلغ 113 ملین روپے کی ریکوریز ہوئیں جبکہ مبلغ 88 ملین روپے کا نیا کاروبار لکھا گیا۔ گزشتہ چار سالوں میں نئے کاروبار میں پہلے سے طے شدہ تناسب کم رہا ہے۔

کمپنی نے کم سے کم ممکنہ طور پر اس نقصان کو کم کرنے کیلئے اخراجات کو بھی کم کیا ہے۔

مالیاتی جائزہ:

2018	2019	
31,450,707	26,577,638	کل آمدنی
(58,063,861)	(66,693,186)	علیٰ اخراجات
(26,613,154)	(40,115,548)	نفع / (نقصان) پروویژن سے پہلے
5,602,057	4,730,977	پروویژن
(21,011,098)	(35,384,571)	ٹیکس سے قبل نفع / (نقصان)
(349,920)	(309,759)	ٹیکسیشن
(21,361,018)	(35,694,330)	خسارہ بعد از ٹیکس
(0.67)	(1.12)	فی شیئر آمدنی / (خسارہ)۔ بنیادی اور اجمالی

نئے کاروبار میں کمی کی وجہ سے آپریشن کی آمدنی میں پچھلے سال کے مقابلے میں کمی واقع ہوئی ہے۔ IFRS 16 کو اپنانے کے باعث دوران سال کمپنی نے کرایہ داری اخراجات کے بجائے فرسودگی اخراجات اور سود کے اخراجات کو ریکارڈ کیا۔ انتظامی اخراجات میں 1 فیصد کا اضافہ ہوا جو کہ بنیادی طور پر تنخواہوں میں اضافے، فرسودگی، ریکوریز پر اثر انداز ہونے کیلئے قانونی چارجز اور مختلف ضروریات کو پورا کرنے کے اشتہارات کی وجہ سے ہوا۔ مالیاتی سہولت کے بہتر استعمال پر مالیاتی چارجز میں 56 فیصد کا اضافہ ہوا اور مالیاتی سہولت کے استعمال کردہ بیٹج مارک کی شرح میں اضافہ ہوا۔

اقتصادی جائزہ:

زیر جائزہ سال کے دوران اسٹیٹ بینک آف پاکستان نے افراط زر کے دباؤ، کرنٹ اکاؤنٹ خسارے اور مالی خسارے کے پیش نظر ڈسکاؤنٹ ریٹ کو 10 فیصد سے بڑھا کر 13.25 فیصد کر دیا۔ ڈسکاؤنٹ ریٹ میں اضافہ نے خاص طور پر ایس ایم ای سیلٹر میں معاشی سرگرمیوں کو بری طرح متاثر کیا ہے۔ تاہم مختلف عوامل کے باعث اسٹیٹ بینک آف پاکستان نے ڈسکاؤنٹ ریٹ کو 8 فیصد تک کم کر دیا۔ آنے والے سال میں مہنگائی، کرنٹ اکاؤنٹ خسارہ اور مالیاتی خسارہ زرمبادلہ کے ذخائر میں کلیدی چیلنج ہونگے۔

ڈویڈنڈ:

بورڈ نے کمپنی کو خسارہ ہونے کی وجہ سے زیر نظر سال کیلئے کسی بھی ڈویڈنڈ کی سفارش نہیں کی ہے۔

کم از کم ایکویٹی کی ضروریات:

آپ کی کمپنی نان ڈپازٹ کمپنی کی حیثیت سے ایس ای سی پی کی جانب سے سرمایہ کی کم سے کم ضروریات مبلغ 50 ملین روپے پر عمل پیرا ہے۔

مستقبل کا نظریہ:

متعلقہ کمپنی سے کمپنی کو ڈسپوزل کرنے کی واحد کریڈٹ لائن تقریباً ختم ہو چکی ہے۔ لہذا کمپنی مکمل طور پر بحالی کے اقدامات کے ذریعے اندرونی نقد رقم پر انحصار کر رہی ہے جو کہ آنے والے سالوں میں بہتری لانے میں مدد فراہم کر سکتی ہے۔

ایس ایم ای بینک کی نجکاری کے حوالے سے یہ مطلع کیا جاتا ہے کہ نجکاری کمیشن (PC) نے بینک کی نجکاری کیلئے AKD سیکورٹیز لمیٹڈ (مالیاتی مشیر) ریاض احمد اینڈ کمپنی (اکاؤنٹنگ اینڈ ٹیکس ایڈوائزر) اور RIAA بارکر جلیٹ (قانونی مشیر) کا تقرر کیا ہے۔ PC نے اشتہار کے ذریعے SME بینک لمیٹڈ کے 93.88 فیصد شیئرز کے حصول کیلئے ”اظہار دلچسپی“ (ای او آئی) طلب کیا ہے۔ EOI اور SOQ جمع کرانے کی آخری تاریخ 28 فروری 2020 تھی۔

کمپنی کی نجکاری کے بعد 73 فیصد کی شیئر ہولڈنگ کا حصول SME بینک کے پاس ہوگا جس کے نتیجے میں تمام اسٹیٹک ہولڈرز کو فائدہ ہوگا۔

کورونائزس پوری دنیا کیلئے غیر معمولی چیلنج کا باعث بنا۔ لاک ڈاؤن اور معاشی سست روی نے مجموعی طور پر مالیاتی شعبے کو متاثر کیا۔ کمپنی نے اس خطرے کو کم کرنے کیلئے مختلف اقدامات کئے ہیں اور امید ہے کہ کمپنی اس وبا کا مقابلہ کرتے ہوئے بحفاظت رواں دواں رہے گی۔

ہیومن ریسورسز:

انتظامیہ ماہر ہیومن ریسورسز کے کردار اور اس کی ضرورت کو مکمل طور پر سمجھتی ہے جو کہ کاروبار کے بہتر نتائج حاصل کرنے کے لئے ضروری ہے۔ ہیومن ریسورسز داخلی اور خارجی ٹریننگ پروگرام کے توسط سے عملدرآمد کیا جا رہا ہے تاکہ ہیومن ریسورس کی ترقی میں جہاں تک ممکن ہو اضافہ ہو۔

بورڈ آف ڈائریکٹرز:

دوران سال جناب احسان الحق خان اور میر جاوید حشمت کے استعفیٰ کے باعث بورڈ میں عارضی طور پر دو آسامیاں خالی ہوئیں۔ بورڈ نے ان خالی آسامیوں کو پُر کرنے کیلئے غیر ایگزیکٹو ڈائریکٹر جناب محمد مبین مفتی اور ایک آزاد ڈائریکٹر جناب جاوید محمود کو ان عہدوں کی بقیہ مدت کیلئے مقرر کیا ہے۔

بورڈ درج ذیل پر مشتمل ہے:

6	مرد ڈائریکٹرز
1	خواتین ڈائریکٹرز
7	ٹوٹل ڈائریکٹرز

بورڈ کی تشکیل درج ذیل ہے:

مرد	خواتین	کل	
2	1	3	آزاد ڈائریکٹرز
3	-	3	غیر ایگزیکٹو ڈائریکٹرز
7	-	1	ایگزیکٹو ڈائریکٹرز
6	1	7	ٹوٹل

بورڈ کی کمیٹیاں:

بورڈ کی کمیٹیاں درج ذیل پر مشتمل ہیں (31 دسمبر 2019ء)

آڈٹ کمیٹی	چیئر پرسن	آزاد ڈائریکٹر
محترمہ درخشاں ایس و ہرہ	چیئر پرسن	آزاد ڈائریکٹر
جناب محمد فرخ منصور ملک	ممبر	غیر ایگزیکٹو ڈائریکٹر
جناب محمد مبین مفتی	ممبر	غیر ایگزیکٹو ڈائریکٹر

		رسک مینجمنٹ کمیٹی
غیر ایگزیکٹو ڈائریکٹر	چیئرمین	جناب دانشا علی احمد
آزاد ڈائریکٹر	ممبر	جناب بلال مصطفیٰ
ایگزیکٹو ڈائریکٹر	ممبر	جناب عبدالوہیم

		ہیومن ریسورس کمیٹی
آزاد ڈائریکٹر	چیئرمین	جناب بلال مصطفیٰ
غیر ایگزیکٹو ڈائریکٹر	ممبر	جناب دانشا علی احمد
آزاد ڈائریکٹر	ممبر	محترمہ درخشاں الیس و ہرہ
ایگزیکٹو ڈائریکٹر	ممبر	جناب عبدالوہیم

بورڈ نے کمپنی کی مالی حالت اور محدود آپریشنز کے علاوہ دیگر امور کو مد نظر رکھتے ہوئے نامزدگی کمیٹی تشکیل نہیں دی ہے۔ بورڈ کی ہیومن ریسورس کمیٹی نامزدگی کمیٹی کا کردار ادا کر رہی ہے۔

بورڈ نے CEO کے جائزے/تعمیرت کو مد نظر رکھتے ہوئے کمپنی روزمرہ کی اشیاء کی خریداری میں بہت کم ملوث ہے، پروکیورمنٹ کمیٹی تشکیل نہیں دی ہے۔ بورڈ خریداری کے امور کو براہ راست دیکھ رہا ہے اور مبلغ 1 ملین روپے سے زیادہ کی تمام خریداری کو منظوری کیلئے بورڈ میں پیش کرنا ضروری ہے۔

بورڈ آف ڈائریکٹرز کی میٹنگ:

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کی چار میٹنگز منعقد ہوئیں۔ میٹنگ میں حاضری کی تفصیلات درج ذیل ہیں:

ڈائریکٹر کا نام	میٹنگ میں شرکت کرنے کیلئے کل تعداد	میٹنگ میں شرکت کی کل تعداد
جناب بلال مصطفیٰ	4	4
جناب دانشا علی احمد	4	4
محترمہ درخشاں الیس و ہرہ	4	3
جناب محمد فرخ منصور ملک	4	4
جناب محمد مبین مفتی	3	3
جناب جاوید محمود	1	1
جناب عبدالوہیم	4	4
میر جاوید حسرت (دوران سال مستعفی ہو گئے)	1	1

آڈٹ کمیٹی کی مینٹنگز:

زیر جائزہ سال کے دوران آڈٹ کمیٹی کی چار مینٹنگز منعقد ہوئیں۔ مینٹنگ میں حاضری کی تفصیلات درج ذیل ہیں:

ڈائریکٹر کا نام	مینٹنگ میں شرکت کرنے کیلئے کل تعداد	مینٹنگ میں شرکت کی کل تعداد
محترمہ درخشاں ایس و ہرہ	4	3
جناب محمد فرخ منصور ملک	4	4
جناب محمد مبین مفتی	3	3
جناب عبدالوہیم (دوران سال بطور ممبر کمیٹی سے استعفیٰ دے دیا)	1	1

رسک مینجمنٹ کمیٹی:

زیر جائزہ سال کے دوران رسک مینجمنٹ کمیٹی کی ایک مینٹنگ منعقد ہوئی۔ مینٹنگ میں حاضری کی تفصیلات درج ذیل ہیں:

ڈائریکٹر کا نام	مینٹنگ میں شرکت کرنے کیلئے کل تعداد	مینٹنگ میں شرکت کی کل تعداد
جناب دانشا علی احمد	1	1
جناب بلال مصطفیٰ	1	1
جناب عبدالوہیم	1	1

ہیومن ریورس کمیٹی کی مینٹنگ:

زیر جائزہ سال کے دوران ہیومن ریورس کمیٹی کی ایک مینٹنگ منعقد ہوئی۔ مینٹنگ میں حاضری کی تفصیلات درج ذیل ہیں:

ڈائریکٹر کا نام	مینٹنگ میں شرکت کرنے کیلئے کل تعداد	مینٹنگ میں شرکت کی کل تعداد
جناب بلال مصطفیٰ	1	1
جناب دانشا علی احمد	1	1
محترمہ درخشاں ایس و ہرہ	1	1
جناب عبدالوہیم	1	1

مینٹنگ میں شرکت نہ کرنے والے ڈائریکٹران کو رخصت دی گئی تھی۔

ایگزیکٹو اور غیر ایگزیکٹو ڈائریکٹرز کے معاوضہ کی پالیسی:

غیر ایگزیکٹو ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کے ہر اجلاس میں شرکت کیلئے بالترتیب مبلغ 25,000 روپے اور 10,000 روپے فیس ادا کی جاتی ہے۔

ایگزیکٹو ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کی مینٹنگز میں شرکت کیلئے ادا کیے جانے والے فیس کی رقم بورڈ کے ذریعے طے شدہ معاوضہ ادا کئے جاتے ہیں۔

کارپوریٹ گورننس - پبلک سیکیورٹیز:

بورڈ آف ڈائریکٹرز نے اس بات کا اعادہ کیا ہے کہ کارپوریٹ گورننس کے معیار کو مزید بہتر کیا جائے۔ کمپنی نے پبلک سیکیورٹیز کیلئے کارپوریٹ گورننس رولز 2013ء کے کوڈ پر بھی عملدرآمد کیا ہے۔ اس سلسلے میں ممبران کیلئے جائزہ رپورٹ لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019ء اور پبلک سیکیورٹیز کمپنیز (کارپوریٹ گورننس) رولز 2013ء کے ضابطہ تبدیل اور کارپوریٹ گورننس کوڈ پر مشتمل آڈیٹرز کی رپورٹ اس رپورٹ کے ساتھ منسلک ہے۔

کاروباری اصول:

کمپنی کا ضابطہ اخلاق کمپنی کے تمام ملازمین کیلئے تشکیل دیا گیا ہے تاکہ وہ عزت و احترام اور ایمانداری سے بہتر ماحول میں کارکردگی کا مظاہرہ کر سکیں اور کاروباری اصول پر نافذ العمل قوانین کے تحت عملدرآمد کر سکیں۔

ڈائریکٹرز کا اقرار نامہ:

کمپنی کا بورڈ جو کہ اپنی ذمہ داریوں کو اچھی طرح سے سمجھتا ہے جو کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019ء اور پبلک سیکیورٹیز (کارپوریٹ گورننس) رولز 2013ء کے تحت ہے جس کا اجراء سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے کیا ہے اور درج ذیل ایس ایم ای ایل کا اقرار نامہ جو کہ کارپوریٹ گورننس کے اعلیٰ معیار کے تحت ہے اور مستقل بہتری کیلئے ہے۔

- ۱- کارپوریٹ گورننس کے متعلقہ اصولوں پر عملدرآمد کیا جا رہا ہے اور وہ رول جس پر عملدرآمد نہیں کیا جا رہا ہے اس کی شناخت دو رائے کے ساتھ کر دی گئی ہے اور اس پر عملدرآمد نہ کرنے کے اسباب بھی بیان کئے گئے ہیں۔
- ۲- مالیاتی حسابات ایس ایم ای لیزنگ لمیٹڈ کی انتظامیہ نے تیار کئے ہیں اور ان حسابات کے امور، اس کے آپریشنز کے نتائج، کیش فلو، آمدنی اور ایکویٹی میں تبدیلی سے متعلق حسابات مکمل اور شفاف پیش کئے گئے ہیں۔
- ۳- کمپنی کی بکس آف اکاؤنٹ کو درست رکھنے کا اہتمام کیا گیا ہے۔
- ۴- مناسب اکاؤنٹنگ کی پالیسیز پر بھی عملدرآمد کیا گیا ہے جس میں مالیاتی حسابات اور اکاؤنٹنگ کے تخمینہ کی بنیاد صحیح فیصلے پر ہے۔
- ۵- انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ جن کا اطلاق پاکستان میں ہے، جو کہ مالیاتی حسابات کی تیاری کیلئے استعمال کئے گئے ہیں۔
- ۶- کمپنی کا داخلی کنٹرول سسٹم مضبوط ہے اور اس پر موثر طور پر عملدرآمد کیا جاتا ہے اور اس کی نگرانی کی جاتی ہے۔
- ۷- کمپنی کے کاروباری معاملات کو جاری رکھنے کی اہلیت پر کسی قسم کے کوئی شبہات نہیں ہیں جسے مالیاتی حسابات کے تحریر کردہ نوٹ میں شامل کیا گیا ہے۔

- ۸- کارپوریٹ گورننس کی بہترین پریکٹس سے کوئی اخراج نہیں کیا گیا ہے جس کی تفصیلات کارپوریٹ گورننس کے پبلک سیکیورٹیز کوڈ میں موجود ہے۔
- ۹- اہم امور اور گذشتہ چھ سالوں کا مالیاتی ڈیٹا سالانہ رپورٹ میں شامل ہے۔
- ۱۰- سرمایہ کاری کی ویلیو کے حوالے سے پروویڈنٹ فنڈ 31 دسمبر 2019ء کو مبلغ 5.725 ملین روپے (غیر آڈٹ شدہ) اور 31 دسمبر 2018ء کو مبلغ 4,786 ملین روپے (آڈٹ شدہ) تھا۔
- ۱۱- ڈائریکٹر، چیف ایگزیکٹو، چیف فنانشل آفیسر/کمپنی سیکریٹری ان کوزوجات اور چھوٹے بچوں نے دوران سال کمپنی کے شیئر میں کوئی تجارت نہیں کی۔

شیرز کی تعداد	سبکدوش ہونے والے ڈائریکٹر کی جانب سے فروخت	آنے والے ڈائریکٹر کی جانب سے خرید
۱	جناب احسان الحق خان	جناب محمد مبین مفتی
۲	میر جاوید حشمت	جناب جاوید محمود

کریڈٹ کی ریٹنگ:

پی اے سی آرا نے 06 اپریل 2020ء کو اپنی پچھلی ریٹنگ کو برقرار رکھا ہے جو کہ درج ذیل ہے:

- طویل مدتی ریٹنگ "B"
- مختصر مدتی "B"
- آؤٹ لک "مفتی"

متعلقہ کمپنی:

ایس ایم ای بینک لمیٹڈ اور اس کے نامزد گان کمپنی میں 73.14% شیرز کے حامل ہیں۔

آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز میسرز گرانٹ تھورنٹن انجم رحمان اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس جو کہ ریٹائر ہوئے اور انہوں نے 31 دسمبر 2020ء کیلئے اپنے آپ کو دوبارہ تقرری کیلئے پیش کیا۔ بورڈ آڈٹ کمیٹی کی تجویز پر بورڈ نے میسرز گرانٹ تھورنٹن، چارٹرڈ اکاؤنٹینٹس کی تقرری مبلغ 355,600 روپے برائے سال 2020ء کی سفارش کی ہے۔

شیر ہولڈنگ کی ساخت:

مورخہ 31 دسمبر 2019ء کی شیر ہولڈنگ کی ساخت جو کارپوریٹ گورننس کو درکار ہے وہ اس رپورٹ کے آخر منسلک ہے۔

اظہار تشکر:

ہمیں یہ موقع حاصل ہوا ہے کہ ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان اسٹاک ایکسچینج اور دیگر اتھارٹیز اور قرض فراہم کرنے والے مالیاتی اداروں سے اظہار تشکر کریں کیونکہ انہوں نے مستقل طور پر پیشہ ورانہ مدد فراہم کی ہے اس کے علاوہ ہم شیر ہولڈرز کے بھی ہم پر مکمل اعتماد کرنے پر مشکور ہیں۔

ہم اپنے اسٹاف سے بھی اظہار تشکر ریکارڈ پر لانا چاہتے ہیں جنہوں نے ہمارے ساتھ اس ادارے کی ترقی کیلئے نہایت جانفشانی اور محنت سے کام کیا۔

مورخہ 24 مئی 2020ء کو قائم مقام چیف ایگزیکٹو آفیسر/ ڈائریکٹر جناب عبدالوسیم کے انتقال کے سبب مالی حسابات اور دیگر متعلقہ دستاویزات پر قائم مقام چیف ایگزیکٹو جناب وسیم کی جگہ کمپنی کے ڈائریکٹر جناب دلشاد علی احمد نے دستخط کئے ہیں۔

بتوسط بورڈ آف ڈائریکٹرز



بلال مصطفیٰ

چیئرمین

مورخہ: اسلام آباد، 28 مئی 2020ء

Chairman's Review Report to the Shareholders

I am pleased to present my report to the shareholders on the performance of **SME Leasing Limited** during the year 2019.

The year 2019 remained very challenging for the Company due to increase in discount rate to 13.5% and the general slowdown in the business. However, due to various factors the SBP reduced the discount rate to 8%.

The Company continued its focus on recoveries from both regular and irregular portfolios and used the resources in writing fresh quality business; the Management is exercising a very cautious approach in building a fresh healthy performing and quality risk portfolio with negligible defaults. The backlog of non-performing portfolio is still the main cause of continuing losses.

Currently, the only source of funding is a credit line provided by the Parent Company SME Bank Limited, which has almost exhausted. It is hoped that the finance / refinance opportunities available for the SME banking sector would also be opened for the Non-Banking Financial Institutions (NBFIs).

The privatization SME Bank Limited is underway and in this regard the Privatization Commission (the PC) appointed Financial Advisory Consortium comprising of AKD Securities Limited (Financial Advisor); Riaz Ahmed & Company (Accounting and Tax Advisor); and RIAA Barker Gillette (Legal Advisor) for privatization of the Bank. The PC vide advertisements invited "Expression of Interest" (EOI) for acquisition of 93.88% shares of SME Bank Limited. The last date for submission of EOI and SOQ was 28 February 2020.

After privatization of the parent company, shareholding of 73% will be taken over by the acquirer of SME Bank, which is likely to result in advantage to all the stakeholders.

The Financial Statements (FS) of the Company have been prepared on a going concern basis based on various mitigating factors as explained in the FS.

Effectiveness of the Board:

The Board and Audit Committees have met four times during the year .The Risk Committee and the Human Resource and Remuneration Committee met once during the year .The committees operated under their terms of reference approved by the Board.The performance of the Board was evaluated as required under the Regulations .The Board considers that it has effectively played its oversight function operating through the various meetings held during the year.



Bilal Mustafa
Chairman

Islamabad: 28 May 2020

Financial Highlights

(Rupees in 000)

Balance Sheet	2019	2018	2017	2016	2015	2014
Paid-up Capital	320,000	320,000	320,000	320,000	320,000	320,000
Total Equity	77,108	111,680	133,251	156,956	173,373	190,474
Gross Lease Receivable	587,376	621,899	609,310	632,010	676,450	777,084
Net Investment in Lease	383,222	411,412	389,669	342,510	443,243	519,173
Long-Term Liabilities	181,674	188,291	177,555	204,736	58,533	72,553
Current Liabilities	222,938	209,030	166,839	142,075	335,336	395,357
Current Assets	168,134	164,379	116,575	82,160	447,217	427,864
Total Assets	481,720	509,001	477,644	503,767	567,241	658,384

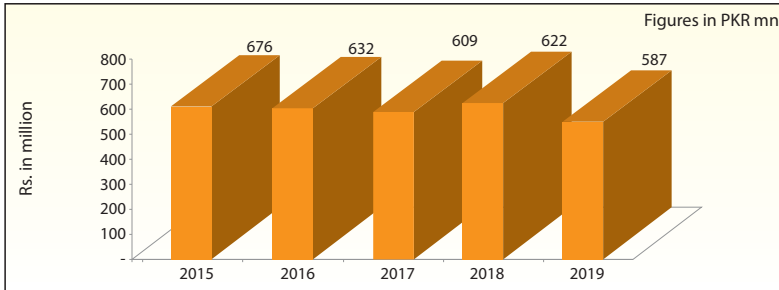
(Rupees in 000)

Income Statement	2019	2018	2017	2016	2015	2014
Lease Income	26,466	31,160	26,671	32,531	27,700	46,063
Total Revenue	26,578	31,451	27,363	37,415	27,889	46,220
Financial Charges	22,459	14,422	10,318	13,225	17,665	16,535
Administrative Expenses	44,234	43,642	40,548	38,111	38,378	37,945
Provisions	(4,731)	(5,602)	(1,326)	(864)	(5,975)	2,322
Total Expenses	66,693	(58,064)	50,866	51,336	50,068	56,803
(Loss) Before Taxation	(35,385)	(21,011)	(22,177)	(13,057)	(21,106)	(10,583)
(Loss) After Taxation	(35,694)	(21,361)	(22,510)	(13,382)	(17,312)	(11,046)

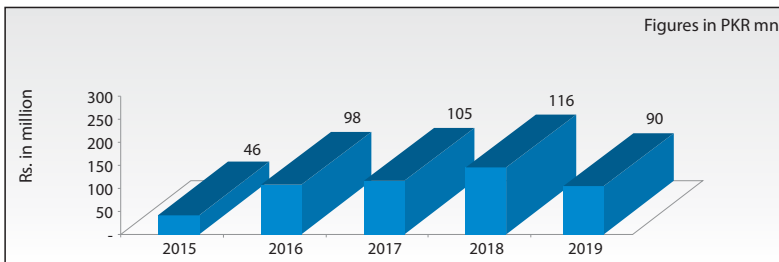
Financial Indicators	2019	2018	2017	2016	2015	2014
Breakup Value (Rs per share)	2.41	3.49	4.16	4.90	5.42	5.95
Current Ratio (X)	0.75	0.79	0.70	0.58	1.33	1.08
Earning Per Share (Rs.)	(1.12)	(0.67)	(0.70)	(0.42)	(0.54)	(0.35)
Financial Charges to Total Exps (%)	33.68	(24.84)	20.28	25.76	35.28	29.11
Financial Charges to Total Revenue (%)	84.51	45.86	37.71	35.35	63.34	35.78
Income Expense Ratio (Times)	0.40	(0.54)	0.52	0.63	0.55	0.81
Net Profit Margin (%)	(134.30)	(67.92)	(82.27)	(35.77)	(62.07)	(23.90)
Return on Average Equity (%)	(37.81)	(17.44)	(15.51)	(8.10)	(9.52)	(5.65)
Return to Shareholders (%)	-	-	-	-	-	-
Revenue Per Share (Rs.)	0.83	0.98	0.86	1.17	0.87	1.44

Financial Highlights and Charts

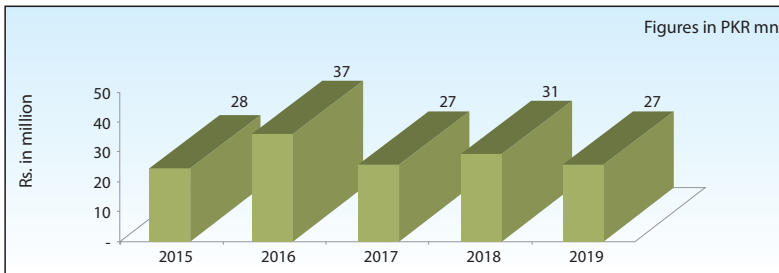
Gross Lease Receivables



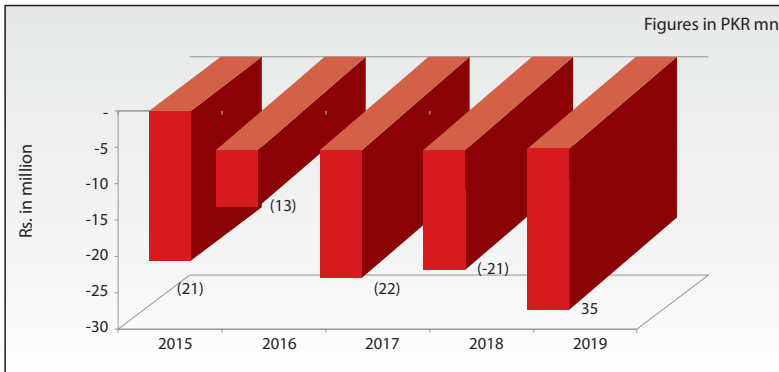
Disbursements



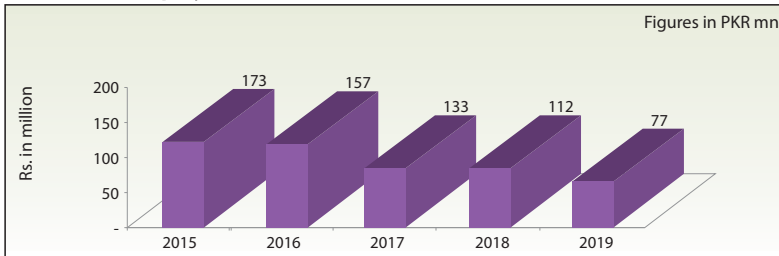
Total Revenue



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 Schedule I

Name of Company: **SME Leasing Limited**
Name of Ministry: **Ministry of Finance**
For the year ended: **December 31, 2019**

- 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 at least one third of its total members as independent directors. At present the Board includes:	3(2)	✓																						
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Independent Directors</td> <td>Ms. Darakhshan S. Vohra</td> <td>23-07-2018</td> </tr> <tr> <td>Mr. Bilal Mustafa</td> <td>23-07-2018</td> </tr> <tr> <td>Mr. Javed Mahmood</td> <td>11-10-2019</td> </tr> <tr> <td>Executive Director</td> <td>Mr. Abdul Waseem</td> <td>23-07-2018</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>Mr. Dilshad Ali Ahmad</td> <td>23-07-2018</td> </tr> <tr> <td>Mr. M. Farrukh Mansoor Malik</td> <td>23-07-2018</td> </tr> <tr> <td>Mr. M. Mubeen Mufti</td> <td>01-02-2019</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors	Ms. Darakhshan S. Vohra	23-07-2018	Mr. Bilal Mustafa	23-07-2018	Mr. Javed Mahmood	11-10-2019	Executive Director	Mr. Abdul Waseem	23-07-2018	Non-Executive Directors	Mr. Dilshad Ali Ahmad	23-07-2018	Mr. M. Farrukh Mansoor Malik	23-07-2018	Mr. M. Mubeen Mufti	01-02-2019				
Category	Names	Date of Appointment																							
Independent Directors	Ms. Darakhshan S. Vohra	23-07-2018																							
	Mr. Bilal Mustafa	23-07-2018																							
	Mr. Javed Mahmood	11-10-2019																							
Executive Director	Mr. Abdul Waseem	23-07-2018																							
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	Mr. M. Farrukh Mansoor Malik	23-07-2018																							
	Mr. M. Mubeen Mufti	01-02-2019																							
3.	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)	✓																						
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as board members under the provisions of the Act.	3(7)	✓																						
5.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓																						
6.	The chairman has been elected by the board of directors except where chairman of the Board has been appointed by the Government.	4(4)	✓																						
7.	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)	✓																						
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	5(4)	✓																						

S. No.	Provision of the Rules	Rule no.	Y	N	N/A	Remarks
	(b) The board 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 (www.smelease.com) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.			✓		Code of Conduct is disseminated through their website and also published in financial statements.
9.	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)	✓			
10.	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)	✓			
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5) (b)(vi)	✓			
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5) (c)(ii)	✓			
13.	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.	5(5) (c)(iii)	✓			
14.	The board has developed a vision or mission statement, corporate strategy and significant policies of the company.	5(6)	✓			
15.	The Board has developed 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(7)	✓			
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.	The Board has ensured compliance with policy direction requirements received from the Government.	5(11)	✓			
18.	(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)	✓ ✓ ✓			
19.	The board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)				
20.	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																		
21.	<p>(a) The board has approved the profit and loss account for, and statement of financial position as at the end of, the first, second and third quarter of the year as well as the financial year end.</p> <p>(b) In case of listed PSCs, the board has prepared half yearly accounts and undertaken limited scope review by the auditors.</p> <p>(c) The Board has placed the annual financial statements on the company's website.</p>	10	✓																					
22.	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	✓																					
23.	<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="236 981 946 1361"> <thead> <tr> <th>Committee</th> <th>Number of members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>3</td> <td>Ms. Darakshan S. Vohra</td> </tr> <tr> <td>Risk Management Committee</td> <td>3</td> <td>Ms. Dilshad Ali Ahmad</td> </tr> <tr> <td>Human Resource Committee</td> <td>4</td> <td>Mr. Bilal Mustafa</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	3	Ms. Darakshan S. Vohra	Risk Management Committee	3	Ms. Dilshad Ali Ahmad	Human Resource Committee	4	Mr. Bilal Mustafa	Procurement Committee	-	-	Nomination Committee	-	-	12		✓		<p>1. Procurement committee The CEO evaluated that at present the Company is involved in very little procurement of day to day items so Board Procurement Committee is not needed. The Board will be directly looking after procurement matters and all transactions in excess Rs.1 million will be brought to the Board for approval.</p> <p>2. Nomination Committee HR committee of the Board is performing the role of Nomination Committee .</p>
Committee	Number of members	Name of Chair																						
Audit Committee	3	Ms. Darakshan S. Vohra																						
Risk Management Committee	3	Ms. Dilshad Ali Ahmad																						
Human Resource Committee	4	Mr. Bilal Mustafa																						
Procurement Committee	-	-																						
Nomination Committee	-	-																						
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	✓																					
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the rules.	14	✓																					
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of subsection (1) of section 225 of the Act.	16	✓																					
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓																					
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	✓																					

S. No.	Provision of the Rules	Rule no.	Y	N	N/A	Remarks												
29.	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. (b) The annual report of the company contains criteria and details of remuneration of each director.	19	✓															
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before consideration and approval of the audit committee and the Board.	20	✓															
31.	The board has formed an audit committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="236 763 946 1021"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Ms. Darakshan S. Vohra</td> <td>Chairman</td> <td>Lawyer</td> </tr> <tr> <td>Mr. Mohammad Farrukh Mansoor Malik</td> <td>Member</td> <td>Chartered Accountant</td> </tr> <tr> <td>Mr. Mohammad Mubeen Mufti</td> <td>Member</td> <td>Head of IT</td> </tr> </tbody> </table> The chief executive and chairman of the Board are not members of the audit committee.	Name of Member	Category	Professional Background	Ms. Darakshan S. Vohra	Chairman	Lawyer	Mr. Mohammad Farrukh Mansoor Malik	Member	Chartered Accountant	Mr. Mohammad Mubeen Mufti	Member	Head of IT	21(1) and 21(2)	✓			
Name of Member	Category	Professional Background																
Ms. Darakshan S. Vohra	Chairman	Lawyer																
Mr. Mohammad Farrukh Mansoor Malik	Member	Chartered Accountant																
Mr. Mohammad Mubeen Mufti	Member	Head of IT																
32.	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. (b) The audit committee met the external auditors, at least once a year, without the presence of chief financial officer, the chief internal auditor and other executives. (c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓															
33.	(a) The Board has setup an effective internal audit function, which has an audit charter, duly approved by the audit committee. (b) The chief internal auditor has requisite qualification and experience prescribed in the Rules. (c) The internal audit reports have been provided to the external auditors for their review.	22	✓			The internal auditor, having requisite qualifications, has joined the Company in September 2019.												
34.	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)	✓															
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓															



Dilshad Ali Ahmad
Director



Bilal Mustafa
Chairman

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

SCHEDULE II

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.	4(10)	The Board shall define the level of materiality, keeping in view the specific context of the Public Sector Company and the recommendations of any committee of the Board that may be set up for the purpose.	We will get the materiality level determined in upcoming meeting.
2.	12(1) d & e	<p>The Board, in consideration of limited operations; cost and benefits; Company's financial position; and advice of management, have not formed Procurement Committee and Nomination Committee.</p> <p>Procurement Committee - At present the Company is involved in very little procurement of day to day items, in consideration thereof the Board is directly looking after procurement matters and required the management to obtain approval of the Board for all procurement in excess Rs.1 million.</p> <p>Nomination Committee - The Board has decided that the HR Committee of the Board will perform functions of the Nomination Committee</p>	The Board is reviewing the matter on ongoing basis.
3.	22(2)	From January 2019 to September 2019, the existing employee hold the position of internal auditor who did not had requisite qualifications. During this period the Company was in the process of hiring.	The internal auditor, having requisite qualifications, has joined the Company in September 2019.



Dilshad Ali Ahmad
Director



Bilal Mustafa
Chairman

Statement of Compliance

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

Certain additional disclosures as required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG 2019)

The company has complied with the requirements of the Regulations in the following manner:

1) The total number of directors are 7 as per the following:

- a) Male: 6
- b) Female: 1

2) The composition of the Board is as follows:

i. Female directors

Darakshan Sheikh Vohra

3) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

4) The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

5) The Board has arranged Directors' Training program for the following:

Name	Designation
Bilal Mustafa	Chairman
Dilshad Ali Ahmad	Director
Muhammad Farrukh Mansoor Malik	Director
Muhammad Mubeen Mufti	Director
Abdul Waseem	Director / Acting CEO

6) The Board has formed committees comprising of members given below:

a) Audit Committee (Name of members and Chairman)

Name of Member	Designation
Ms. Darakshan S. Vohra	Chairman
Mr. Mohammad Farrukh Mansoor Malik	Member
Mr. Mohammad Mubeen Mufti	Member

b) HR and Remuneration Committee (if applicable)

Name of Member	Designation
Mr. Bilal Mustafa	Chairman
Ms. Dilshad Ali Ahmad	Member
Ms. Darakshan S. Vohra	Member
Mr. Abdul Waseem	Member

- c) Nomination Committee (if applicable)
- d) Risk Management Committee (if applicable) (Name of members and Chairman)

Name of Member	Designation
Dilshad Ali Ahmad	Chairman
Bilal Mustafa	Member
Abdul Waseem	Member

- 7) The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
- 8) The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
 - a) Audit Committee;**
Quarterly
 - b) HR and Remuneration Committee (if applicable);**
Yearly
 - c) Nomination Committee (if applicable);**
N/A
 - d) Risk Management Committee (if applicable);**
Yearly
- 9) 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 and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
- 10) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
- 11) We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
- 12) Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below

Reference of Rule	Description	Explanation
31(2)	The head of internal audit shall functionally report to the audit committee and administratively to the chief executive officer and his performance appraisal shall be done jointly by the Chairman of the audit committee and the chief executive officer.	In September 2019, the Board appointed the Internal Auditor. As the whole year was not passed performance appraisal was not carried out.
24	<p>No person shall be appointed as the company secretary unless he holds the qualification as specified under the relevant Regulations by the Commission:</p> <p>Provided, the same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company.</p>	<p>These Regulations are applicable based on "comply or explain approach" except the requirements which are mandatory.</p> <p>The Regulation 24 is also a non-mandatory requirement and therefore either it should be complied or explained.</p> <p>The person holding the positions of CFO and the Company Secretary have the requisite qualifications and experience and is qualified to be appointed as the Company Secretary and the CFO of the company.</p> <p>The Board in consideration of the financial health of the Company and as the person meets with requirements prescribed for holding the positions of the CFO; and the Company Secretary have not appointed separate individual for these posts.</p>



Dilshad Ali Ahmad
Director



Bilal Mustafa
Chairman

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 Listed Companies (Code of Corporate Governance) Regulations, 2019 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 December 31, 2019 to comply with the requirements of regulation No 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and regulation 24 of the 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 respects, with the requirements contained in the Codes as applicable to the Company for the year ended December 31, 2019.

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

S. No.	Statement of Compliance reference	Description
Statement of Compliance as per Public Sector Companies (Corporate Governance) Rules, 2013		
1.	4(10)	Level of materiality is not determined by the Board.
2.	23	Company does not have operative procurement and nomination committee.
3.	33 (b)	Contravention of qualification criteria of Internal Auditor from January to August, 2019.
Statement of Compliance as per Listed Companies (Code of Corporate Governance) Regulations, 2019		
1.	12	Performance appraisal of the Internal Auditor was not performed during the year.
2.	12	The Chief Financial Officer also holds the position of Company Secretary.

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner
Karachi

Dated: 28th May, 2020

Chartered Accountants
Member of Grant Thornton International Ltd
Offices in Islamabad, Lahore

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SME LEASING LIMITED

Report on the audit of the financial statements

Opinion

We have audited the annexed financial statements of SME Leasing Limited (the Company), which comprise the statement of financial position as at December 31, 2019 along with the statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information; and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss account, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Material uncertainty relating to going concern

We draw attention to the note 1.3 to the financial statements which states that the Company has incurred a net loss of Rs. 35.694 million (December 31, 2018: Rs. 21.361 million), resulting in accumulated losses of Rs. 291.358 million (December 31, 2018: Rs. 256.784 million) as at statement of financial position date and as of that date the Company's current liabilities exceed its current assets by Rs. 54.804 million (December 31, 2018: Rs. 44.648 million).

These conditions along with other matter as set forth in the above referred note indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Emphasis of matter

We draw attention to note 1.2 of the financial statement which fully explain the status of application filed with the Securities and Exchange Commission of Pakistan for renewal of license to operate as a leasing company. Our opinion is not qualified in respect of this matter.

Key audit matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matters is addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters.

Key audit matter is as follows:

S. No.	Key audit matter	How the matter was addressed in our audit
1.	<p>Impairment allowance for potential lease and loan losses</p> <p>Refer to notes 9, 10 and 15 to the financial statements and the accounting policy in notes to 5.9 and 5.10 to the financial statements</p> <p>The Company's portfolio of net investment in finance leases and long term finances and loans amounts to Rs. 383.222 million and Rs. 74.569 million respectively having provision of Rs. 136.351 million and Rs. 9.494 million respectively.</p> <p>We identified the impairment allowance for potential lease and loan losses as a key audit matter due to the inherent uncertainty and judgement used by the management and compliance of the applicable regulations issued by Securities and Exchange Commission of Pakistan (SECP).</p>	<p>Our audit work included:</p> <ul style="list-style-type: none"> - obtained an understanding, evaluated the design and tested the key controls; - performed detailed assessment of the credit approval procedures of the leases sanctioned in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the credit manual of the Company. In addition, we have circularized confirmations for sampled lessees and checked recoveries from the same. - Detailed testing and assessment of provision/reversal of net investment in finance leases and long-term finances and loans to ensure that these amounts are in line with applicable regulations. - We tested a sample of lease portfolio to ascertain whether the loss event (that is the point at which impairment is recognized) had been identified in a timely manner including, where relevant, how recoveries have been made and where impairment has been identified.

Information other than the financial statements and auditor's report thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and board of directors for the financial statements

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

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

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- o Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- o Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- o Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- o Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- o Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.



Grant Thornton Anjum Rahman
Karachi

Date: 28th May, 2020

Chartered Accountants
Member of Grant Thornton International Ltd

Offices in Islamabad, Lahore

Statement of Financial Position

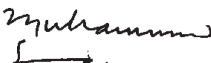
As At December 31, 2019

	Note	31 December 2019	31 December 2018
----- (Rupees) -----			
ASSETS			
Non-current assets			
Property and equipment	6	4,510,324	4,998,971
Right-of-use assets	7	12,053,712	-
Intangible assets	8	-	77,838
Net investment in finance leases	9	237,195,651	273,329,996
Long-term finances and loans - secured	10	57,932,105	64,315,374
Long-term loans to employees - secured	11	732,683	1,075,157
Long-term deposits and prepayments	12	1,162,410	824,901
Total non-current assets		313,586,885	344,622,237
Current assets			
Advances	13	3,369,958	3,345,945
Prepayments and other receivables	14	951,154	1,210,241
Current maturity of non current assets	15	163,024,745	153,691,926
Cash and bank balances	16	787,718	6,130,435
Total current assets		168,133,575	164,378,547
Total assets		481,720,460	509,000,784
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
100,000,000 (2018: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	24	320,000,000	320,000,000
Capital reserves		38,019,277	38,019,277
		358,019,277	358,019,277
Revenue reserves			
Reserve against future losses		10,447,052	10,447,052
Accumulated losses		(291,358,265)	(256,784,077)
		(280,911,213)	(246,337,025)
Total shareholder's equity		77,108,064	111,682,252
Non-current liabilities			
Liabilities against assets subject to finance lease	21	10,505,675	-
Long-term deposits	9	163,545,094	179,200,619
Defined benefit obligation	23	7,623,230	9,090,662
Total non-current liabilities		181,673,999	188,291,281
Current liabilities			
Trade and other payables	17	4,870,238	3,743,855
Unclaimed dividend		19,694	19,694
Mark-up accrued on borrowings	18	2,143,384	1,299,884
Short term borrowings - secured	19	142,156,359	141,556,042
Current maturity of non-current liabilities	20	60,590,939	51,707,395
Current maturity of liabilities against assets subject to finance lease	21	2,489,296	-
Provision for compensated absences	22	2,500,565	2,491,591
Taxation - net		8,167,922	8,208,790
Total current liabilities		222,938,397	209,027,251
Total equity and liabilities		481,720,460	509,000,784
CONTINGENCIES AND COMMITMENTS			
	25		

The annexed notes from 1 to 41 form an integral part of these financial statements.



Dilshad Ali Ahmad
Director



M. Strahzad
Chief Financial Officer



Bilal Mustafa
Director

Statement of Profit or Loss Account

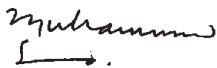
For The Year Ended December 31, 2019

	Note	2019 Rupees	2018 Rupees
REVENUE			
Income from operations			
Finance leases		19,634,038	26,471,227
Finances and loans		6,832,160	4,688,759
		26,466,198	31,159,986
Income from other activities			
Other income	26	111,440	290,721
Total revenue		26,577,638	31,450,707
EXPENSES			
Administrative and general expenses	27	(44,233,719)	(43,641,984)
Finance cost	28	(22,459,467)	(14,421,877)
Total expenses		(66,693,186)	(58,063,861)
Operating loss before reversals / (provisions)		(40,115,548)	(26,613,154)
REVERSALS			
Net reversals for potential lease losses	9.6	3,510,494	5,528,195
Net reversals for long term finances and loans	10.2	1,220,483	73,861
Total reversals		4,730,977	5,602,056
LOSS BEFORE TAXATION		(35,384,571)	(21,011,098)
Taxation	29	(309,759)	(349,920)
LOSS FOR THE YEAR		(35,694,330)	(21,361,018)
Loss per share - basic and diluted	30	(1.12)	(0.67)

The annexed notes from 1 to 41 form an integral part of these financial statements.



Dilshad Ali Ahmad
Director



M. Strahzad
Chief Financial Officer



Bilal Mustafa
Director

Statement Of Comprehensive Income


For The Year Ended December 31, 2019

	Note	2019 Rupees	2018 Rupees
Loss for the year		(35,694,330)	(21,361,018)
Other comprehensive loss			
Items to be reclassified to profit or loss account in subsequent years			
Actuarial gain / (loss) on defined benefit obligation	23	1,120,142	(207,332)
Items not to be reclassified to profit or loss account in subsequent years			
Total comprehensive loss for the year		<u>(34,574,188)</u>	<u>(21,568,350)</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.



Dilshad Ali Ahmad
Director



M. Shahzad
Chief Financial Officer



Bilal Mustafa
Director

Statement of Cash Flows

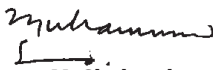
For The Year Ended December 31, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(35,384,571)	(21,011,098)
Adjustment for:			
Depreciation and amortization	27	3,517,675	1,506,217
Gratuity expense	23.2	2,433,115	2,054,696
Provision for compensated absences	22	1,348,605	826,439
Finance cost	28	22,459,467	14,421,877
Profit on bank accounts		-	(129,043)
Gain on disposal of property and equipment	26	(2,500)	(161,678)
Reversal of provision for potential lease losses	9.6	(3,510,494)	(5,528,195)
Reversal of provision for loans and receivables	10.2	(1,220,483)	(73,861)
		<u>25,025,385</u>	<u>12,916,452</u>
Operating loss before working capital changes		(10,359,186)	(8,094,646)
Movement in working capital			
Decrease / (increase) in operating assets			
Net investment in lease		33,002,556	(16,214,419)
Finances and loans		5,211,350	(6,284,221)
Prepayments and other receivables		259,087	(244,812)
Long-term deposits and prepayments		(337,509)	361,997
Long-term deposits (paid)/used-in		(6,771,981)	18,988,025
Advances		(24,013)	(542,201)
		<u>31,339,490</u>	<u>(3,935,631)</u>
Increase / (decrease) in operating liabilities			
Trade and other payables		1,126,383	(66,547)
Unclaimed dividend		-	935
		<u>1,126,383</u>	<u>(65,612)</u>
Cash generated from / (used in) operations		22,106,687	(12,095,889)
Financial charges paid		(19,579,127)	(13,932,630)
Interest income received		108,940	129,043
Gratuity paid	23.3	(2,780,405)	(82,672)
Benefits paid	22	(1,339,631)	(713,917)
Taxes paid		(350,627)	(359,056)
		<u>(23,940,850)</u>	<u>(14,959,232)</u>
Net cash used in operating activities		(1,834,163)	(27,055,121)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure	6	(272,011)	(84,395)
Proceeds from disposal of fixed assets	6	2,500	162,990
Net cash (used in) / generated from investing activities		(269,511)	78,595
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		(3,839,362)	-
Net cash used in financing activities		(3,839,362)	-
Net decrease in cash and cash equivalents		(5,943,036)	(26,976,526)
Cash and cash equivalents at beginning of the year		(135,425,605)	(108,449,079)
Cash and cash equivalents at end of the year	33	(141,368,641)	(135,425,605)

The annexed notes from 1 to 41 form an integral part of these financial statements.



Dilshad Ali Ahmad
Director



M. Shahzad
Chief Financial Officer



Bilal Mustafa
Director

Statement of Changes in Equity

For The Year Ended December 31, 2019


	Issued, subscribed and paid-up share capital	Capital reserves		Revenue reserves		Total shareholders' equity
		*Share premium	*Statutory reserve	*Reserve against future losses	Accumu- lated losses	
----- (Rupees) -----						
Balance as at January 01, 2018	320,000,000	10,000,000	28,019,277	10,447,052	(235,215,727)	133,250,602
Total comprehensive loss for the year ended December 31, 2018						
Loss for the year after taxation	-	-	-	-	(21,361,018)	(21,361,018)
Other comprehensive loss						
Actuarial loss on defined benefit obligation	-	-	-	-	(207,332)	(207,332)
Balance as at December 31, 2018	320,000,000	10,000,000	28,019,277	10,447,052	(256,784,077)	111,682,252
Balance as at January 01, 2019	320,000,000	10,000,000	28,019,277	10,447,052	(256,784,077)	111,682,252
Total comprehensive loss for the year ended December 31, 2019						
Loss for the year after taxation	-	-	-	-	(35,694,330)	(35,694,330)
Other comprehensive loss						
Actuarial loss on defined benefit obligation	-	-	-	-	1,120,142	1,120,142
Balance as at December 31, 2019	320,000,000	10,000,000	28,019,277	10,447,052	(291,358,265)	77,108,064

* Share premium, Statutory reserves and Reserves against future losses are reflected as reserves in statement of financial position.

The annexed notes from 1 to 41 form an integral part of these financial statements.



Dilshad Ali Ahmad
Director



M. Shahzad
Chief Financial Officer



Bilal Mustafa
Director

Notes to the Financial Statements

For The Year Ended December 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** SME Leasing Limited (the Company) was incorporated in Pakistan on July 12, 2002 as an unlisted public company and acquired the status of a listed company on December 13, 2006. The Company is a subsidiary of SME Bank Limited (the Holding Company), who holds 73.14% (2018: 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 January 28, 2003. The Company is listed on Pakistan Stock Exchange and its registered office is situated at 56-F, Nazim-ul-Din Road F-6/1, 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. The Company obtained license of non deposit taking NBFC and as per section 4 (Schedule I) of NBFC Regulations 2008, a non deposit taking NBFC shall have minimum equity of Rs 50 million. The Company being non deposit taking NBFC has complied with said requirement of NBFC Regulations 2008. The PACRA Credit Rating Agency has assigned a long term rating of B (2018: B+) and a short-term rating of B (2018: B) to the Company in the month of September 2019.
- 1.2** The license of the Company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via application reference # SMEL/MO/2019 dated April 16, 2019 for its renewal in the manner so required by the NBFC rules, 2003. However, renewal of license was in progress till the year end.
- 1.3** During the year ended December 31, 2019, the Company has incurred a net loss of Rs. 35.694 million (December 31, 2018: Rs. 21.361 million), resulting in accumulated losses of Rs. 291.358 million (December 31, 2018: Rs. 256.784 million) at the end of the year. Further, the net assets of the Company amounts to Rs. 77.108 million (December 31, 2018: Rs. 111.682 million). The Company has negative cash and cash equivalent of Rs. 141.369 million (December 31, 2018: Rs. 135.426 million) which comprise of running finance facility from SME Bank Limited and as of that date the Company's current liabilities exceed its current assets by Rs. 54.805 million (2018: Rs. 44.649 million).

Further, the Company is dependent on the running finance facility granted by the Holding Company. The revised prudential regulation of State Bank of Pakistan (SBP) applicable from June 2015 has restricted the exposure by bank to a related party to the extent of 7.5% of its equity. However, SBP on letter BPRD/BA&CPD/646/332/20 dated January 06, 2020 has granted relaxation to the Holding Company from the Regulation till December 31, 2019 or completion of restructuring / privatization, whichever is earlier.

These factors along with other factors 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 a going concern basis considering the factors mentioned below:

- The Holding Company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 142.156 million has been utilized as at December 31, 2019 (2018: Rs. 141.556 million). The said facility can be extended to the extent of Rs. 300 million as per the standby agreement for finance facility. The Holding Company will not call off the said amount till December 31, 2020 as the Holding Company will facilitate, assist and support the Company in arrangement of finance from external sources as and when required by the Company.
- The management of the Company has prepared cash flow projections which reflect that based on financial support by the Holding 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 and in this respect during the year Rs. 17.612 million (2018: Rs. 21.748 million) has been recovered from non-performing loans.
- Efforts are also being made by the management to reduce the overall cost of the Company.

Based on the above mentioned financial measures and the concerted operational measures being taken by the Company, the management is confident that the Company would be able to survive in the foreseeable future and therefore, has prepared the financial statements on going concern basis.

Notes to the Financial Statements

For The Year Ended December 31, 2019

1.4 The existence of novel coronavirus (COVID 19) was confirmed in early 2020 and has spread across the globe, causing disruption to businesses and economic activities. The Company considers this outbreak to be a non-adjusting post statement of financial position date event. As this situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on the Company's financial statements, if any, will be considered in the next financial statements. The Company has observed the following mitigating factors against the above condition:

- The Company offices are geographically spread in five cities; and in case of any eventuality, the work of branch will be managed from another city by staff working from home remotely.
- The customers can make payments through electronic transfer or deposit the cheques directly in the bank accounts of the Company.
- The company has successfully tested the above during the lockdown period.

	Note	2019 Rupees	2018 Rupees
2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES			
Net lease disbursements	2.1	64,460,000	83,022,401
Recoveries	2.2	113,127,363	112,051,179

2.1 This represents amount disbursed against new leases written during the year.

2.2 This represents recoveries from non-performing leases and loans amounting to Rs. 17,612,272 (2018: Rs. 21,747,959) and performing customers amounting to Rs. 95,515,091 (2018: Rs. 90,303,220).

2.3 First time adoption of IFRS-16. Refer note 4.1, 5.3, 5.4, 5.5, 7, 21 and 29.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, the provisions of and directives issued under the Companies Act, 2017, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. In case where requirements differ, the provision or directives issued under the Companies Act, 2017, NBFC Rules, 2003 and NBFC Regulations, 2008 shall prevail.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that defined benefit liability, compensated absences and liabilities against asset subject to finance lease, which is carried at present value. These financial statements are prepared on accrual basis of accounting.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency. The figures are rounded off to the nearest rupee.

Notes to the Financial Statements

For The Year Ended December 31, 2019

3.4 Critical accounting 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 associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following:

- Provision for current and deferred taxation and recognition and measurement of deferred tax assets and liabilities (notes 5.17 and 29).
- Classification and provision of net investment in finance lease and loans and finances (notes 5.8, 5.9, 9 and 10).
- Determination and measurement of useful life and residual value of property and equipment, right of use asset and intangibles (note 5.2, 5.3, 5.6, 6, 7 and 8).
- Staff retirement benefits (note 5.7 and 23).
- Staff compensated absences (note 5.7 & note 22).
- Impairment of non-financial assets (note 5.13).

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

4.1 Standards, interpretations and amendments that are relevant to the Company and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation	effective date (Annual periods beginning on or after)
IFRS 16 - Leases	January 1, 2019
IFRS 15 - Revenue from Contracts with Customers'	July 1, 2018
Annual improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019
IAS 19 'Plan Amendment, Curtail or Settlement' (Amendments to IAS 19)	January 1, 2019

The following significant pronouncements from the IASB have been issued and have been adopted by the Company.

Notes to the Financial Statements

For The Year Ended December 31, 2019

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. IFRS 15 provides a single, principle-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations in a contract are satisfied.

The Company has adopted IFRS 15 by applying the modified retrospective approach for transition as allowed under the standard. The existing revenue recognition methods are consistent with the recognition criteria given in IFRS-15. Therefore, the adoption of IFRS-15 did not have any impact on these financial statements.

IFRS 16 'Leases'

Effective January 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right, a 'right-of-use asset' representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to Company's right of use asset and lease liability are disclosed in note 5.3, 5.4 and 5.5.

The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 17.33%.

On adoption of IFRS 16, the Company has recognised lease liability amounting to Rs. 12.950 million as at January 1, 2019 in respect of operating lease commitments of Rs 2.074 million disclosed in the annual financial statements for the year ended December 31, 2018. On balance sheet recognition of leases previously accounted for as operating leases was most significantly impacted by adjustments as a result of different treatment of extension and termination options under IFRS 16.

As permitted by the transitional provisions of IFRS 16, the Company has adopted modified retrospective approach and elected not to restate the comparative figures and not to adjust the opening accumulated losses. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

The recognised right-of-use assets relate to the following types of assets:

Notes to the Financial Statements

For The Year Ended December 31, 2019

		December 31, 2018	Adjustment on transition to IFRS 16 (Rupees)	January 1, 2019
	Note			
Right-of-use assets	7	12,950,191	12,950,191	
Total right of use assets		-	12,950,191	12,950,191
Liabilities against assets subject to finance lease		-	12,950,191	12,950,191

Motor vehicles amounting to Rs. 1.782 million were also recognised as right-of-use assets during the year. This recognition was not made on January 1, 2019 as the Company entered into this lease transaction later in the year.

The effect of adoption of IFRS 16 as at January 01, 2019 is as follows:

	January 1, 2019 ----- Rupees-----
Increase in right-of-use assets	12,950,191
Decrease in prepayments	-
Increase in total assets	12,950,191
Increase in lease liability against assets subject to finance lease	(12,950,191)
Increase in net assets	-

4.1.1 Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2019 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

Notes to the Financial Statements

For The Year Ended December 31, 2019

Standard or Interpretation	effective date (Annual periods beginning on or after)
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019

4.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective date (Annual periods beginning on or after)
IAS 1 'Presentation of Financial Statements' (Amendments)	January 1, 2020
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 8 'Accounting Policies' (Amendments)	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

IFRS 9 'Financial instruments' - This standard is effective for periods beginning from or after July 1, 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. However, SECP has deferred the applicability of IFRS 9 for reporting year ending on or after June 30, 2019.

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

4.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 17 - Insurance Contracts	January 1, 2021
IFRS 1 - First-time Adoption of International Financial Reporting Standards	January 1, 2021

Notes to the Financial Statements

For The Year Ended December 31, 2019

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand 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 cashflows.

5.2 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to statement of profit or loss by using the straight line method at the rates specified in note 6 after taking into account residual value, if any. Depreciation on additions is charged from the month the assets are available for 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 statement of financial position date.

Subsequent costs are included in the assets' carrying amounts or recognized 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 statement of profit or loss account as and when incurred.

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

5.3 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

5.4 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

5.5 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Notes to the Financial Statements

For The Year Ended December 31, 2019

5.6 Intangible

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over its estimated useful life at the rate specified in note 8 after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate at each statement of financial position date. Subsequent costs are included in the assets' carrying amounts 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.

Amortization on additions is charged from the month the assets are put to use while no amortization 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 statement of profit or loss.

5.7 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 % of basic salary. The contributions are recognized 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 unavailed compensated absences for all permanent employees on the basis of actuarial advice under the Projected Unit Credit Method.

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 recognized immediately in other comprehensive income based on actuarial gains and losses.

The Company determines the net interest expense on the net defined benefit liability 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, taking into account and change in the net defined benefit liability 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 statement of profit or loss.

5.8 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 derecognized and the present value of the lease receivable is recognized on the statement of financial position date. The difference between the gross lease receivables and the present value of the lease receivables is recognized as unearned finance income. A receivable is recognized at an amount equal to the present value of the minimum lease payments under the lease agreements, including guaranteed residual value, if any.

Notes to the Financial Statements

For The Year Ended December 31, 2019

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 recognized in the statement of profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease.

Initial direct costs incurred by the Company in negotiating and arranging finance leases are added to finance lease receivables and are recognized as an expense in the statement of profit or loss over the lease term on the same basis as the finance lease income.

5.9 Provision for potential lease losses and doubtful loans and receivables

Specific provision for potential lease losses and doubtful loans and receivables are made based on the appraisal of each lease or loan on the basis of the requirements of the NBFC Regulations. Calculating the allowance for potential lease losses and doubtful loans and receivables is subject to numerous judgements and estimates. Management consider various factors including the requirements of NBFC Regulations, the nature and characteristics of obligations, current economic conditions, credit conculations or deterioration in collateral, historical loss experience and delinquencies. Leases and loans & recievables are written off, when in the opinion of management, the likelihood of any future collection is minimal.

5.10 Financial assets and liabilities

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company losses 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 statement of profit or loss directly.

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

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

5.11 Investments

All investments are initially recognized 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 statement of profit or loss. 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 recognized and classified as follows:

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 premeasured 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 recognized directly in equity. Gains or losses on revaluation of available-for-sale investments are recognized 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 statement of profit or loss.

Notes to the Financial Statements

For The Year Ended December 31, 2019

All investments classified as available-for-sale are initially recognized 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 amortized 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 amortized and taken to the statement of profit or loss 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 statement of profit or loss.

5.12 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 recognized at fair value plus any related transaction costs directly attributable to the acquisition. Subsequent to initial recognition, they are carried at amortized cost.

5.13 Impairment of non-financial assets

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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

5.14 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently premeasured 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 recognized in the statement of profit or loss.

5.15 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 recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

5.16 Taxation

Taxation charge in the statement of profit or loss 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.

Notes to the Financial Statements

For The Year Ended December 31, 2019

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 realization 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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.17 Provisions

A provision is recognized in the statement of financial position 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.

5.18 Long term finances

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

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

5.19 Revenue recognition

- The Company follows the "financing method" of accounting for the recognition of finance 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. Unrealized 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 realized.
- Income on investments is accounted for on accrual basis.
- Dividend income is recognized when the right to receive the dividend is established.
- Income on loans and finances is accounted for on accrual basis using effective interest method.
- Unrealized lease income and unrealized 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).
- 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.
- Other income is recognized on receipt basis.

Notes to the Financial Statements

For The Year Ended December 31, 2019

5.20 Earnings / (loss) per share

The Company presents basic and diluted earnings / (loss) per share (EPS) for its ordinary shares. 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.

5.21 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 recognized in the financial statements in the period in which such dividends are declared or such transfers between reserves are made.

5.22 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 the repealed Ordinance. This premium is available for restrictive use as per section 81 of the Companies Act 2017.

Statutory reserves

In accordance with the requirements of the NBFC Regulations, an amount of not less than 20% 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. However, the Company has not transferred any amount to its statutory reserve due to the net losses in the current and prior year.

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 recognized 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 or loss for the period. The amount to be set aside against future losses is determined at the rate of 0.5 % 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 December 31, 2019.

5.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors operating results of its business units separately for the purpose of making decisions regarding resources allocation and performance assessment. Segment results, assets and liabilities include item directly attributable to segment as well as those that can be allocated on a reasonable basis.

5.24 Deposits and prepayments

These are initially recognised at cost being the fair value of the consideration paid. Subsequently, these are stated at cost less impairment losses, if any, which equals to the fair value of the consideration to be received in future.

5.25 Accrued and other payables

Accrued expenses and other payables are carried at cost which equals to the fair value of the consideration to be paid in future for goods or services received.

Notes to the Financial Statements

For The Year Ended December 31, 2019

7 Right-of-use assets

2019	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at 1 January 2019	Adjustment on transition to IFRS 16	Additions/ Transfer	As at 31 December 2019	As at January 1, 2019	For the year	As at Dec 31, 2019	As at Dec 31, 2019
----- (Rupees) -----								
Office premises	-	12,950,191	-	12,950,191	-	2,590,044	2,590,044	10,360,147
Motor vehicles	-	-	1,782,700	1,782,700	-	89,135	89,135	1,693,565
	-	12,950,191	1,782,700	14,732,891	-	2,679,179	2,679,179	12,053,712

8 INTANGIBLE ASSETS

Software and licenses

Note	2019 Rupees	2018 Rupees
8.1	-	77,838
	-	77,838

8.1 Movement of intangible assets

2019	COST		ACCUMULATED DEPRECIATION		BOOK VALUE		Ammortisation rate per annum %
	As at 1 January 2019	As at 31 December 2019	As at January 1, 2019	For the year	As at 31 December 2019	As at 31 December 2019	
----- (Rupees) -----							
Software and licenses	1,507,142	1,507,142	1,429,304	77,838	1,507,142	-	33
	1,507,142	1,507,142	1,429,304	77,838	1,507,142	-	

2018	COST		ACCUMULATED DEPRECIATION		BOOK VALUE		Ammortisation rate per annum %
	As at 1 January 2018	As at 31 December 2018	As at January 1, 2018	For the year	As at 31 December 2018	As at 31 December 2018	
----- (Rupees) -----							
Software and licenses	1,507,142	1,507,142	1,195,992	233,312	1,429,304	77,838	33
	1,507,142	1,507,142	1,195,992	233,312	1,429,304	77,838	

Notes to the Financial Statements

For The Year Ended December 31, 2019

	Note	2019 Rupees	2018 Rupees
9 NET INVESTMENT IN FINANCE LEASES			
Net investment in finance leases	9.1	383,222,542	411,411,891
Less: Current maturity	15	(146,026,891)	(138,081,895)
		237,195,651	273,329,996

9.1 Net investment in finance leases

		December 31, 2019			December 31, 2018		
		Total	Later than one year and less than five years	Not later than one year	Total	Later than one year and less than five years	Not later than one year
----- (Rupees) -----							
Minimum lease payments	9.3	363,613,847	266,683,943	96,929,904	391,364,518	291,883,192	99,481,326
Add: Residual value of leased assets	9.4	223,762,800	163,545,094	60,217,706	230,534,781	179,200,619	51,334,162
Gross investment in leases		587,376,647	430,229,037	157,147,610	621,899,299	471,083,811	150,815,488
Less: Unearned lease income		(18,120,622)	(6,999,903)	(11,120,719)	(19,640,718)	(6,907,125)	(12,733,593)
Less: Markup held in suspense account		(49,681,670)	(49,681,670)	-	(50,984,383)	(50,984,383)	-
		(67,802,292)	(56,681,573)	(11,120,719)	(70,625,101)	(57,891,508)	(12,733,593)
		519,574,355	373,547,464	146,026,891	551,274,198	413,192,303	138,081,895
Less: Provision for potential lease losses	9.6	(136,351,813)	(136,351,813)	-	(139,862,307)	(139,862,307)	-
Net investment in finance leases		383,222,542	237,195,651	146,026,891	411,411,891	273,329,996	138,081,895

9.2 The internal rate of return (IRR) on lease contract receivable ranges from 9.5% to 25% per annum (2018: 9.5% to 27% per annum).

9.3 This include amount receivable in respect of non performing leases of Rs. 124.601 million (2018: Rs. 134.060 million) which have not been fully provided due to forced sales value benefit amounting to Rs. 150.100 million (2018: Rs. 204.254 million).

9.4 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 non-performing leases amounting to Rs. 145.463 million (2018: Rs. 154.936 million).

9.5 Lease rentals received during the year aggregate to Rs. 113.127 million (2018: Rs. 112.051 million). Lease disbursed during the year amounts to Rs. 64.460 million (2018: Rs. 83.022 million).

Notes to the Financial Statements

For The Year Ended December 31, 2019

	Note	2019 Rupees	2018 Rupees
9.6 Provision for potential lease losses			
Balance at the beginning of the year		139,862,307	145,390,502
Provision for the year		9,403,368	429,250
Recovered during the year		(12,913,862)	(5,957,445)
Net reversals		(3,510,494)	(5,528,195)
Balance at the end of the year		136,351,813	139,862,307
10 LONG-TERM FINANCES AND LOANS - secured			
Customers			
- considered good	10.1	24,244,705	27,211,350
- considered doubtful		59,818,056	62,999,191
	10.3	84,062,761	90,210,541
Less: Provision for doubtful finances and loans - net	10.2	(9,494,030)	(10,714,513)
		74,568,731	79,496,028
Less: Current maturity			
Customers	15	(16,636,626)	(15,180,654)
		57,932,105	64,315,374

10.1 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 15% to 27% (2018: 9.5% to 27.02%) per annum.

	Note	2019 Rupees	2018 Rupees
10.2 Provision for doubtful finances and loans - net			
Balance at the beginning of the year		10,714,513	10,788,374
Provision for the year		3,588,157	61,554
Recovered during the year		(4,808,640)	(135,415)
Net reversals		(1,220,483)	(73,861)
Balance at the end of the year		9,494,030	10,714,513

10.3 This includes non-performing loans of Rs. 75.662 million (2018: Rs. 80.569 million) which have not been fully provided due to forced sales value benefits amount to Rs. 76.025 million (2018: 92.832 million).

Notes to the Financial Statements

For The Year Ended December 31, 2019

	Note	2019 Rupees	2018 Rupees
11 LONG-TERM LOANS TO EMPLOYEES - secured			
Related parties - considered good			
- house loans		155,352	193,980
- car loans		938,559	1,310,554
	11.1 & 11.2	<u>1,093,911</u>	<u>1,504,534</u>
Less: Current maturity			
Employees	15	<u>(361,228)</u>	<u>(429,377)</u>
		<u>732,683</u>	<u>1,075,157</u>
11.1 Movement in loan to employees			
Balance at the beginning of the year		1,504,534	1,884,251
Disbursements		89,567	128,983
Repayments		<u>(500,190)</u>	<u>(508,700)</u>
Balance at the end of the year		<u>1,093,911</u>	<u>1,504,534</u>

11.2 These represent housing loans and car 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 favor of the Company. Car loans are secured by the title of car in the Company's name. These loans carry mark-up at 5% to 7% (2018: 5% to 7%) per annum.

	Note	2019 Rupees	2018 Rupees
12 LONG-TERM DEPOSITS AND PREPAYMENTS			
Security deposits	12.1	787,222	782,222
Prepayments		375,188	42,679
		<u>1,162,410</u>	<u>824,901</u>
12.1 Security deposits			
Deposit on rent: branches		711,000	706,000
Deposit - Central Depository Company		50,000	50,000
Miscellaneous deposits		14,422	14,422
Deposit on BRR security vault		11,800	11,800
		<u>787,222</u>	<u>782,222</u>
13 ADVANCES			
Considered good - unsecured			
- employees	13.1	1,180,216	1,295,960
- legal advisors	13.2	2,053,200	1,881,450
- others		136,542	168,535
		<u>3,369,958</u>	<u>3,345,945</u>

Notes to the Financial Statements

For The Year Ended December 31, 2019

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

13.2 These represents advance payments made to the legal advisors of the Company for handling the cases on behalf of the Company.

	Note	2019 Rupees	2018 Rupees
14 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		838,786	1,093,965
Accrued interest on long-term finances and loans		47,368	51,276
Other receivable		65,000	1,769,706
		951,154	2,914,947
Less: Provision for other receivables		-	(1,704,706)
		951,154	1,210,241
15 CURRENT MATURITY OF NON-CURRENT ASSETS			
Current maturity of :			
- Net investment in finance leases	9	146,026,891	138,081,895
- Long term finances and loans	10	16,636,626	15,180,654
- Long term loans to employees	11	361,228	429,377
		163,024,745	153,691,926
16 CASH AND BANK BALANCES			
Balance with State Bank of Pakistan in current account		6,282	21,642
Balances with banks in:			
- Current accounts	16.1	633,408	5,955,850
- Saving accounts	16.2	81,616	86,531
Cash in hand		66,412	66,412
		787,718	6,130,435

16.1 These include balance with related party amounting to nil (2018: Rs. 1.562 million).

16.2 These carry profit at the rate of 4% per annum (2018: 4% per annum).

	Note	2019 Rupees	2018 Rupees
17 TRADE AND OTHER PAYABLES			
Insurance payable		2,023,774	2,295,245
Payable on termination/maturity of leases		1,323,320	597,920
Accrued expenses		1,206,715	629,840
Others		316,429	220,850
		4,870,238	3,743,855

Notes to the Financial Statements

For The Year Ended December 31, 2019

	Note	2019 Rupees	2018 Rupees
18 MARK-UP ACCRUED ON BORROWINGS			
Interest accrued on short term borrowings	18.1	<u>2,143,384</u>	<u>1,299,884</u>

18.1 This amount represents accrued interest payable to the Holding Company.

19 SHORT TERM BORROWINGS - Secured

	Note	2019 Rupees	2018 Rupees
Short term borrowings	19.1	<u>142,156,359</u>	<u>141,556,042</u>

19.1 The Company has a running finance facility available from the Holding Company amounting to Rs.150 million (2018: Rs.150 million) at mark-up rates ranging between 10.43% to 17.33% (2018: 9.97% to 10.43%) per annum, said facility is secured by way of hypothecation of the Company's specific leased assets and related receivables.

	Note	2019 Rupees	2018 Rupees
20 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term deposits	9.1	<u>60,217,706</u>	51,334,162
Long term finance	20.1	<u>373,233</u>	373,233
		<u>60,590,939</u>	<u>51,707,395</u>

20.1 This represents balance due against financing facilities amounting to Rs. 0.373 million (2018: Rs. 0.373 million) from National Energy Conservation Centre (Enercon). The facilities from Enercon were obtained under an agreement whereby they agreed to provide funds to the Company for granting lease / finance facility to its customers at a preferential mark-up rate for procuring and using energy efficient equipments. The facility requires sharing of profit @ 5% of the financing amount on quarterly basis. However, this facility is no more active.

21 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2019		2018	
	Minimum lease payment	Present value	Minimum lease payment	Present value
	----- (Rupees) -----		----- (Rupees) -----	
Upto one year	<u>4,392,078</u>	<u>2,489,296</u>	-	-
Later than one year but not later than five years	<u>13,183,867</u>	<u>10,505,675</u>	-	-
Total minimum lease payments	<u>17,575,945</u>	<u>12,994,971</u>	-	-
Less: Finance charges not due yet	<u>(4,580,974)</u>	-	-	-
Present value of minimum lease payments	<u>12,994,971</u>	<u>12,994,971</u>	-	-
Less: Current maturity	<u>(2,489,296)</u>	<u>(2,489,296)</u>	-	-
	<u>10,505,675</u>	<u>10,505,675</u>	-	-

Notes to the Financial Statements

For The Year Ended December 31, 2019

	Note	2019 Rupees	2018 Rupees
22 PROVISION FOR COMPENSATED ABSENCES			
Changes in present value of defined benefit obligations			
Present value of defined benefit obligations- Opening		2,491,591	2,379,069
Current service cost		820,743	888,418
Interest cost on defined benefit obligation		241,385	166,824
Benefits paid		(1,339,631)	(713,917)
Remeasurement			
- Actuarial gains from changes in assumptions		(4,307)	15,656
- Experience adjustments		290,784	(244,459)
Present value of defined benefit obligations- Closing		2,500,565	2,491,591
Expenses to be charged to statement of profit or loss account			
Current service cost		820,743	888,418
Experience adjustments		290,784	(244,459)
Actuarial gains from changes in financial assumptions		(4,307)	15,656
Interest cost on defined benefit obligation		241,385	166,824
Expense chargeable to statement of profit or loss account	27.1	1,348,605	826,439
Changes in net liability			
Statement of financial position liability- Opening		2,491,591	2,379,069
Expenses chargeable to statement of profit or loss account		1,348,605	826,439
Benefits paid		(1,339,631)	(713,917)
Statement of financial position liability- Closing		2,500,565	2,491,591

23 DEFINED BENEFIT OBLIGATION

The Company operates an unapproved and unfunded gratuity scheme for all of its permanent employees. Number of employees covered under the scheme are 28 (2018: 34).

Principal actuarial assumptions

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on SLIC (2001 - 2005) - 1 ultimate mortality tables rates down one year.

The latest actuarial valuation of the gratuity scheme was carried out on December 31, 2019 using the Projected Unit Credit Method. The following significant assumptions were used for valuation of the scheme:

	2019	2018
Valuation discount rate	11.25%	13.25%
Expected long term rate of increase in salary level	11.25%	13.25%

	Note	2019 Rupees	2018 Rupees
23.1 Liability in statement of financial position			
Present value of defined benefit obligation	23.2	7,623,230	9,090,662

Notes to the Financial Statements

For The Year Ended December 31, 2019

	Note	2019 Rupees	2018 Rupees
23.2 Movement in liability during the year			
Balance at the beginning of the year		9,090,662	6,911,306
Charged to statement of profit or loss account	27.1	2,433,115	2,054,696
Remeasurements chargeable in other comprehensive income	23.5	(1,120,142)	207,332
Benefits paid during the year		(2,780,405)	(82,672)
Balance at the end of the year		7,623,230	9,090,662
23.3 Reconciliation of the present value of defined benefit obligations			
Present value of obligations at beginning of the year		9,090,662	6,911,306
Current service cost		1,412,804	1,201,017
Interest cost		1,020,311	566,773
Past service cost		-	286,906
Benefits paid during the year		(2,780,405)	(82,672)
Remeasurements (gain) / losses chargeable in other comprehensive income		(1,120,142)	207,332
Present value of obligations at the end of the year		7,623,230	9,090,662
23.4 Charged to statement of profit or loss account			
Current services cost		1,412,804	1,201,017
Past service cost		-	286,906
Interest cost		1,020,311	566,773
		2,433,115	2,054,696
23.5 Remeasurements (gain) / losses chargeable in other comprehensive income			
Actuarial (gains) / losses on obligation		(23,258)	50,533
Experience adjustment		(1,096,884)	156,799
Total re-measurements recognized in other comprehensive income		(1,120,142)	207,332

23.6 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:

Discount rate effect	Rupees	Rate effect
Original liability	7,623,230	11.25%
1% increase	7,011,224	12.25%
1% decrease	8,321,209	10.25%

Notes to the Financial Statements

For The Year Ended December 31, 2019

Salary increase rate effect	Rupees	Rate effect
Original liability	7,623,230	11.25%
1% increase	8,326,837	12.25%
1% decrease	6,994,885	10.25%

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.

23.7 Maturity profile

The weighted average duration of the obligation (in years)

2019 Rupees	2018 Rupees
<u>10</u>	<u>8</u>

24 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2019 (Number of shares)	2018		2019 Rupees	2018 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>

24.1 SME Bank Limited is a public limited company incorporated in Pakistan on October 30, 2001 under the Companies Ordinance, 1984 having its registered office at 56-F, Nazim-ud-Din Road, F-6/1, Blue Area Islamabad. The Bank obtained its business commencement certificate on April 16, 2005 which became effective from the date of its issue. The Bank is a Scheduled Commercial Bank engaged in the business engaged in the business of banking with primary objective to support and develop Small and Medium Enterprise (SME) sector in Pakistan by providing necessary financial assistance and business support services on sustainable basis. At December 31, 2019, The Holding Company and its nominees hold 73.14% (2018: 73.14%) ordinary shares of the Company.

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

There are no contingencies as at year end except disclosed in note 29.2 of the financial statements.

Notes to the Financial Statements

For The Year Ended December 31, 2019

	Note	2019 Rupees	2018 Rupees
25.2 Commitments			
25.2.1 Lease disbursement	25.2.2	-	8,624,950
25.2.2 These represent lease and finances which have been approved by the Company at the year end.			
25.2.3 Commitments in respect of rent agreement are as follows:			
Not later than one year		-	1,698,695
Later than one year but not later than five years		-	376,200
		-	2,074,895
26 INCOME FROM OPERATIONS			
Income from finance lease		19,634,038	26,471,227
Income on finance and loans		6,832,160	4,688,759
		26,466,198	31,159,986
27 OTHER INCOME			
Income from financial assets			
Mark-up on loan to employees		89,003	115,355
Profit on bank account/return on investment		-	5,244
Income from non-financial assets			
Gain on disposal of fixed assets	6.1.1	2,500	161,678
Other income		19,937	8,444
		111,440	290,721
28 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, allowances and other benefits	28.1	28,359,429	27,040,411
Depreciation and amortization	6, 7 & 8	3,517,675	1,506,217
Legal and professional		2,754,034	3,176,303
Travelling, conveyance and entertainment		1,660,194	1,634,119
Insurance		970,843	998,848
Electricity, gas and water		958,523	942,210
Telephone and postage		899,205	939,711
Miscellaneous		782,187	523,256
Printing and stationery		706,202	725,550
Directors' fee	28.4	660,000	785,000
Training and development		608,000	189,500
Auditor's remuneration	28.6	509,825	509,825
Rent, rates and taxes		507,025	3,302,068
Repairs and maintenance		479,549	434,907
Vehicle running		474,076	297,336
Advertising		327,545	594,043
Books and periodicals		59,407	42,680
		44,233,719	43,641,984

Notes to the Financial Statements

For The Year Ended December 31, 2019

	Note	2018 Rupees	2017 Rupees
28.1 Salaries allowance and other benefits include:			
Staff gratuity fund	23.4	2,433,115	2,054,696
Staff provident fund		665,233	619,432
Compensated absences	22	1,348,605	826,439

28.2 Remuneration of Chief Executive Officer and Executives

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

	2019		2018	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	1,057,813	2,101,935	2,904,000	1,432,818
Housing and utilities	528,906	1,050,968	1,452,000	716,409
Provident fund	-	-	232,320	114,625
Medical and other perquisites	105,781	210,194	290,400	143,282
Gratuity	1,548,800	-	387,200	-
Leave encashment	270,911	67,375	193,600	-
Leave fare assistance	387,200	-	387,200	-
	<u>3,899,411</u>	<u>3,430,472</u>	<u>5,846,720</u>	<u>2,407,134</u>
Number of person(s)	<u>2</u>	<u>3</u>	<u>1</u>	<u>1</u>

28.3 The Chief Executive Officer and certain executives were also provided with free use of Company owned and maintained cars in accordance with their terms of employment.

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

28.5 Executive means an employee, other than the chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

	2019 Rupees	2018 Rupees
28.6 Auditor's remuneration		
Annual audit fee	250,000	250,000
Half yearly review fee	55,600	55,600
Fee for other certifications	50,000	50,000
Out of pocket expenses	154,225	154,225
	<u>509,825</u>	<u>509,825</u>

29 FINANCE COST

	2019 Rupees	2018 Rupees
Mark-up on short term borrowings	20,290,115	14,314,107
Interest expense for leasing arrangements	2,036,840	-
Bank charges	132,512	107,770
	<u>22,459,467</u>	<u>14,421,877</u>

Notes to the Financial Statements

For The Year Ended December 31, 2019

30 TAXATION

30.1 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.

30.2 Current status of tax assessments

The income tax assessments of the Company for tax year 2012 has been selected for tax audit u/s 214 C of Income tax ordinance 2001.

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 filed an appeal before the Commissioner Inland Revenue (Appeals-II) against the said order who decided all the issues in favor of the Company except for initial allowance on leased asset. Company has filed second appeal and the appeal has not yet been fixed for hearing.

In respect of minimum tax for the year ended December 31, 2015, the tax authorities have served order under section 124 of Income Tax Ordinance, 2001 for additional amount of minimum tax of Rs. 0.14 million payable due to restatement of turnover of the Company. The Company has filed application for rectification in the order on the issue of incorrect value of turnover for the purpose of charging minimum tax under section 113 and tax credit not allowed. No action has been taken by the tax officer yet.

30.3 Deferred tax asset of Rs. 125.357 million (2018: Rs. 80.834 million) has not been recognized as the Company does not foresee future taxable profits against which unused tax losses will be utilized.

30.4 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analyzed as follows:

	2018 Rupees	2017 Rupees	2016 Rupees
Tax provision as per accounts	349,920	333,598	325,312
Tax payable/paid as per tax return	349,920	383,785	300,119

31 LOSS PER SHARE - BASIC AND DILUTED

Loss after taxation attributable to ordinary shareholders

2019 Rupees	2018 Rupees
(35,694,330)	(21,361,018)
(Number of shares)	
32,000,000	32,000,000
(Rupees)	
(1.12)	(0.67)

Weighted average number of outstanding ordinary shares

Loss per share - basic and diluted

31.1 No figure for diluted earnings per share has been presented as the Company has no potential ordinary shares outstanding at year end.

32 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise of SME Bank Limited (the Holding Company), key management personnel, non-executive directors and contributory staff retirement benefit plan.

Notes to the Financial Statements

For The Year Ended December 31, 2019

		2019 Rupees	2018 Rupees
32.1 BALANCES			
SME Bank Limited (the Holding Company)			
Short term borrowings	19	142,156,359	141,556,042
32.2 TRANSACTIONS			
SME Bank Limited (the Holding Company)			
Mark up on short-term borrowings	29	20,290,115	14,314,107
Acquisition / (Repayment) of short term borrowing facility-net		600,317	(31,204,220)
Rent expense paid for Peshawar branch		544,805	423,288
Key management personnel			
Key management remuneration		5,722,504	4,795,600
Post retirement benefits		3,141,686	440,600
Staff provident fund			
Company's contribution towards provident fund	28.1	665,233	619,432
33 PROVIDENT FUND			
Size of the fund (Net assets)		5,598,610	4,795,600
Cost of investment made		5,313,248	4,590,796
Percentage of investment made		94.90%	95.73%
Fair value of investments		5,725,270	4,785,749

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

33.1 Investments out of provident fund have been made in accordance with the provisions of the section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	Note	2019 Rupees	2018 Rupees
34 CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	787,718	6,130,435
Short term borrowings	19	(142,156,359)	(141,556,040)
		(141,368,641)	(135,425,605)

35 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.

Notes to the Financial Statements

For The Year Ended December 31, 2019

Risk management framework

Company's Board of directors has overall responsibility for the establishment and oversight of the Company's 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 analyze 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.

The Company's audit committee oversees how management monitor compliance with the Company's risk management policies and procedures, and review the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's audit committee is assisted in its oversight by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the result of which are reported to the audit committee.

35.1 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.

35.1.1 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.

35.1.2 Exposure to credit risk

In summary, compared to the maximum amount included in the balance sheet, the maximum exposure to credit risk as at December 31, 2019 is as follows:

	2019		2018	
	Statement of financial position	Maximum exposure	Statement of financial position	Maximum exposure
	----- (Rupees) -----			
Bank balances	721,306	715,024	6,064,023	6,108,793
Advances	136,542	136,542	168,535	168,535
Net investment in finance lease	383,222,542	383,222,542	411,459,259	411,411,891
Finances and loans	74,568,731	74,568,731	79,496,028	79,496,028
Loans to employees	1,093,911	1,093,911	1,504,534	1,504,534
Deposits and other receivables	899,590	899,590	2,551,928	2,551,928
	<u>460,642,622</u>	<u>460,636,340</u>	<u>501,244,307</u>	<u>501,241,709</u>

Notes to the Financial Statements

For The Year Ended December 31, 2019

35.1.3 Credit ratings and collaterals

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

	2019	2018
Ratings		
A1+	0.00%	2.93%
A-1+	99.13%	71.36%
Others	0.87%	25.71%
	<u>100%</u>	<u>100%</u>

35.1.4 Description of collaterals held

The Company's leases are secured against assets leased out. In certain leases additional collaterals are also obtained.

Details of exposures and the collaterals as at December 31, 2019 against them are as follows:

	Net Exposure (Rupees)	Lower of collateral and gross exposure (Rupees)
Finance leases		
- Regular	163,020,331	163,071,659
- Non performing net of provision	220,202,211	356,502,696
	<u>383,222,542</u>	<u>519,574,355</u>
Long-term finances and loans		
- Regular	24,244,705	24,244,705
- Non performing net of provision	50,324,026	59,818,056
	<u>74,568,731</u>	<u>84,062,761</u>

Settlement risk

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

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.

Notes to the Financial Statements

For The Year Ended December 31, 2019

35.1.5 Impairment losses and past due balances

	2019			
	Total	Loans and receivables	Net investment in finance lease	Impairment recognised
	------(Rupees)-----			
Not past due	143,898,499	16,636,626	127,261,873	-
1 - 179 days	18,812,386	47,368	18,765,018	-
180 days - 1 year	-	-	-	-
More than 1 year	295,127,756	67,426,135	373,547,464	(145,845,843)
	<u>457,838,641</u>	<u>84,110,129</u>	<u>519,574,355</u>	<u>(145,845,843)</u>

	2018			
	Total	Loans and receivables	Net investment in finance lease	Impairment recognised
	------(Rupees)-----			
Not past due	141,045,992	15,180,654	125,865,338	-
1 - 179 days	1,249,846	-	1,249,846	-
180 days - 1 year	10,447,202	-	10,447,202	-
More than 1 year	337,696,647	75,081,164	413,192,303	(150,576,820)
	<u>490,439,687</u>	<u>90,261,818</u>	<u>550,754,689</u>	<u>(150,576,820)</u>

35.1.6 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 funded exposures with reference to a particular sector or group of leases.

Notes to the Financial Statements

For The Year Ended December 31, 2019

Details of the composition of leases and loans and finances portfolio of the Company are given below:

Category	2019		2018	
	Rupees	Percentage	Rupees	Percentage
Public transport services	99,445,189	14.31%	102,465,283	13.88%
Printing and packaging	59,389,249	8.55%	74,340,247	10.07%
Rubber	58,935,095	8.48%	40,741,231	5.52%
Health care	56,529,752	8.13%	57,355,514	7.77%
Oil and gas	49,316,299	7.10%	65,036,320	8.81%
Film processing	48,744,973	7.01%	50,249,843	6.81%
Food and beverages	43,449,273	6.25%	43,391,427	5.88%
Garments	38,339,582	5.52%	26,315,598	3.56%
Miscellaneous	33,863,905	4.87%	36,220,855	4.91%
Entertainment	31,122,877	4.48%	37,426,843	5.07%
Cargo carriers	24,697,886	3.55%	28,654,192	3.88%
Chemicals	24,438,035	3.52%	32,660,785	4.42%
Education	17,651,360	2.54%	27,791,490	3.76%
Engineering	16,925,999	2.44%	17,962,590	2.43%
Leather and tannery	15,364,218	2.21%	15,364,218	2.08%
Textile	14,293,784	2.06%	14,832,903	2.01%
Gems and jewelers	13,921,662	2.00%	13,921,662	1.89%
Plastic	12,894,665	1.86%	14,138,949	1.91%
Pharma	12,236,745	1.76%	12,244,365	1.66%
Confectionary	9,637,726	1.39%	10,114,506	1.37%
Communication	6,802,623	0.98%	6,802,623	0.92%
Construction and building products	5,192,256	0.75%	8,131,225	1.10%
Fisheries	1,285,857	0.19%	1,285,857	0.17%
Furniture	441,872	0.06%	972,448	0.13%
	694,920,882	100%	738,420,974	100%

35.2 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.

35.2.1 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 fulfill its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

35.2.2 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 cashflows. The amounts in the table are the gross nominal undiscounted cashflows (including interest payments).

Notes to the Financial Statements

For The Year Ended December 31, 2019

	2019			
	Total	Contractual cash flow	Upto one year	More than one year
	(Rupees)			
Financial liabilities				
Trade and other payables	4,870,238	4,870,238	4,870,238	-
Lease liabilities	12,994,971	12,994,971	2,489,296	10,505,675
Short term borrowings	142,156,359	142,156,359	142,156,359	-
Long term finances	373,233	373,233	373,233	-
Long term deposits	223,762,800	223,762,800	60,217,706	163,545,094
Markup accrued	2,143,384	2,143,384	2,143,384	-
	386,300,985	386,300,985	212,250,216	174,050,769

	2018			
	Total	Contractual cash flow	Upto one year	More than one year
	(Rupees)			
Financial liabilities				
Accrued and other liabilities	3,743,855	3,743,855	3,743,855	-
Short term borrowings	141,556,042	141,556,042	141,556,042	-
Long term finances - secured	373,233	373,233	373,233	-
Long term deposits	230,534,781	230,534,781	51,334,162	179,200,619
Markup accrued	1,299,884	1,299,884	1,299,884	-
	377,507,795	377,507,795	198,307,176	179,200,619

35.3 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 optimizing the return on risk.

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

35.3.1 Management of market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing 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 December 31, 2019

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

	Effective Interest rate %	Carrying amount	
		2019 (Rupees)	2018 (Rupees)
Fixed rate instruments			
Financial assets			
Net investments in finance lease	9.5% to 25%	383,222,542	411,411,891
Long term finance and loans	9.5% to 27%	74,568,731	79,496,028
Long-term loans to employees - secured	5% to 7%	1,093,911	1,504,534
		458,885,184	492,412,453
Financial liabilities			
Long term finance	-	373,233	373,233
Liabilities against assets subject to finance lease	17.33% to 18.26%	10,505,675	-
		10,878,908	373,233
Variable rate instruments			
Financial assets			
Bank balances	4.00%	81,616	86,531
		81,616	86,531
Financial liabilities			
Short term borrowings	9.97% to 17.33%	142,156,359	141,556,042
		142,156,359	141,556,042

35.3.3 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.

35.3.4 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. 0.142 million (2018: Rs. 0.141 million).

35.3.5 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 December 31, 2019

	2019				
	Effective mark-up / interest / profit rate	Total	Exposed to mark-up / interest / profit rate risk		
			Upto three months	More than three months and upto one year	More than one year
%		----- (Rupees) -----			
Financial assets					
Cash and bank balances	4.00%	81,616	81,616	-	-
Long-term finances and loans	9.5% to 27%	74,568,731	16,636,626	-	57,932,105
Long-term loans to employees - secured	5% to 7%	1,093,911	-	361,228	732,683
Net investment in finance lease	9.5% to 25%	383,222,542	-	146,026,891	237,195,651
Total financial assets as on December 31, 2019		458,966,800	16,718,242	146,388,119	295,860,439
Financial liabilities					
Lease liabilities	17.33%	12,994,971	438,657	2,050,639	10,505,675
Short term borrowings	9.97% to 17.33%	142,156,359	-	142,156,359	-
Long term finances	-	373,233	373,233	-	-
Total financial liabilities as on December, 2019		155,524,563	811,890	144,206,998	10,505,675
On balance sheet gap		303,442,237	15,906,352	2,181,121	285,354,764
Total interest rate sensitivity gap		303,442,237	15,906,352	18,087,473	303,442,237

	2018				
	Effective mark-up / interest / profit rate	Total	Exposed to mark-up / interest / profit rate risk		
			Upto three months	More than three months and upto one year	More than one year
%		----- (Rupees) -----			
Financial assets					
Cash and bank balances	3.5%	86,531	86,531	-	-
Long-term finances and loans	9.5% to 27%	79,496,028	15,180,654	-	64,315,374
Long-term loans to employees	5% to 7%	1,504,534	-	429,377	1,075,157
Net investment in finance lease	9.5% to 27%	411,411,891	125,865,338	12,216,557	273,329,996
Total financial assets as on December 31, 2018		492,498,984	141,132,523	12,645,934	338,720,527
Financial liabilities					
Short term borrowings	9.96% to 9.97%	141,556,042	-	141,556,042	-
Long term finances		373,233	373,233	-	-
Total financial liabilities as on December, 2018		141,929,275	373,233	141,556,042	-
On balance sheet gap		350,569,709	140,759,290	(128,910,108)	338,720,527
Total interest rate sensitivity gap		350,569,709	140,759,290	11,849,182	350,569,709

Notes to the Financial Statements

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35.4 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 December 31, 2019.

36 CAPITAL RISK MANAGEMENT

36.1 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.

36.2 The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in the economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to its shareholders or issue new shares. Consistent with others in the industry, the Company also monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital employed:

	2019 Rupees	2018 Rupees
Total debt	12,994,971	373,233
Total equity	77,108,064	111,682,252
Total capital employed	<u>90,103,035</u>	<u>112,055,485</u>
Gearing ratio	<u>14.42%</u>	<u>0.33%</u>

36.3 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 minimize 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.

36.4 Fair value and risk management

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 categorized 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).

Notes to the Financial Statements

For The Year Ended December 31, 2019

36.5 For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (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 Company's policy is to recognize 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 December 31, 2019 and 2018, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

As at December 31, 2019, the Company held the following classes of financial instruments measured at fair value:

December 31, 2019	Note	Carrying amount		Fair value					
		Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and bank balance		787,718	-	-	787,718	-	-	-	-
Advances		-	3,369,958	-	3,369,958	-	-	-	-
Deposits, prepayments and other receivables		-	951,154	-	951,154	-	-	-	-
Long term finances and loans and accrued interest thereon		-	74,568,731	-	74,568,731	-	-	-	-
Net investment in finance leases		-	383,222,542	-	383,222,542	-	-	-	-
		787,718	462,112,385	-	462,900,103	-	-	-	-
Financial liabilities									
Accrued and other liabilities		-	-	4,870,238	4,870,238	-	-	-	-
Accrued mark-up on borrowings		-	-	2,143,384	2,143,384	-	-	-	-
Short term borrowings		142,156,359	-	-	142,156,359	-	-	-	-
Provision for compensated absences		-	-	2,500,565	2,500,565	-	-	-	-
Long term finances		-	-	373,233	373,233	-	-	-	-
Long term deposits		-	-	10,505,675	10,505,675	-	-	-	-
Defined benefit obligation		-	-	7,623,230	7,623,230	-	-	-	-
Lease liabilities		-	-	12,994,971	12,994,971	-	-	-	-
		142,156,359	-	28,016,325	170,172,684	-	-	-	-

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

Notes to the Financial Statements

For The Year Ended December 31, 2019

December 31, 2018	Carrying amount		Fair value					
	Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees)							
Financial assets								
Cash and bank balance	6,130,435	-	-	6,130,435	-	-	-	-
Advances	-	3,345,945	-	3,345,945	-	-	-	-
Deposits, prepayments and other receivables	-	1,158,965	-	1,158,965	-	-	-	-
Long term finances and loans and accrued interest thereon	-	81,000,562	-	81,000,562	-	-	-	-
Net investment in finance leases	-	411,411,891	-	411,411,891	-	-	-	-
	6,130,435	496,917,363	-	503,047,798	-	-	-	-
Financial liabilities								
Accrued and other liabilities	-	-	3,743,855	-	-	-	-	-
Accrued mark-up on borrowings	-	-	1,299,884	-	-	-	-	-
Short term borrowings	141,556,042	-	-	-	-	-	-	-
Provision for compensated absences	-	-	2,491,591	-	-	-	-	-
Long term finances	-	-	373,233	-	-	-	-	-
Long term deposits	-	-	179,200,619	-	-	-	-	-
Deferred liabilities	-	-	9,090,662	-	-	-	-	-
	141,556,042	-	196,199,844	-	-	-	-	-

Note

Notes to the Financial Statements

For The Year Ended December 31, 2019

37 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.

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

	2019			Total
	Finance lease	Loans and receivables	Others	
	----- (Rupees) -----			
Segment revenue	<u>19,634,038</u>	<u>6,832,160</u>	<u>111,440</u>	<u>26,577,638</u>
Segment profit	<u>16,123,544</u>	<u>5,611,677</u>	<u>111,440</u>	<u>21,846,661</u>
Segment result				<u>21,846,661</u>
Unallocated cost				
Finance cost				(22,459,467)
Administrative and general expenses				(44,233,719)
				<u>(66,693,186)</u>
Loss before tax				(35,384,571)
Taxation				(309,759)
Loss after tax				<u>(35,694,330)</u>
Other information				
Segment assets	383,222,542	74,568,731	-	457,791,273
Unallocated assets				23,929,187
Total assets				481,720,460
Segment liabilities	227,109,894	-	-	227,109,894
Unallocated liabilities				177,502,502
Total liabilities				404,612,396
Net assets				77,108,064
Capital expenditure	-	-	272,011	272,011

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

37.2 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 assets and profit on saving accounts.

Notes to the Financial Statements

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	2018				Total
	Finance lease	Loans and receivables	Investment	Others	
	----- (Rupees) -----				
Segment revenue	<u>26,471,227</u>	<u>4,688,759</u>	<u>5,244</u>	<u>285,477</u>	<u>31,450,707</u>
Segment profit	<u>20,943,032</u>	<u>4,614,898</u>	<u>5,244</u>	<u>285,477</u>	<u>25,848,651</u>
Segment result					<u>25,848,651</u>
Unallocated cost					
Finance cost					(14,421,877)
Administrative and general expenses					(43,641,984)
					(58,063,861)
Loss before tax					(21,011,098)
Taxation					(349,920)
Loss after tax					(21,361,018)
Other information					18,092,865
Segment assets	411,411,891	79,496,028	-	-	490,907,919
Unallocated assets				18,092,865	18,092,865
Total assets					509,000,784
Segment liabilities	233,427,946	-	-	-	233,427,946
Unallocated liabilities				163,880,586	163,880,586
Total liabilities					397,318,532
Net assets					<u>111,682,252</u>
Capital expenditure	-	-	-	84,395	<u>84,395</u>

38 NUMBER OF EMPLOYEES

The number of employees as on the year end were 32 (2018: 34) and average number of employees during the year were 33 (2018: 33).

39 CORRESPONDING FIGURES

Items presented in the statement of financial position as at December 31, 2018 have been reclassified to confirm to current year's presentation.

	As previously reported	Reclassification	Currently reported
Non-current assets:			
Long-term finances and loans - secured	65,390,531	(1,075,157)	64,315,374
Long-term loans to employees - secured	-	1,075,157	1,075,157
	<u>65,390,531</u>	<u>-</u>	<u>65,390,531</u>
Non-current assets:			
Property and equipment	5,076,809	(77,838)	4,998,971
Intangibles	-	77,838	77,838
	<u>5,076,809</u>	<u>-</u>	<u>5,076,809</u>

Notes to the Financial Statements

For The Year Ended December 31, 2019

40 SUBSEQUENT EVENTS

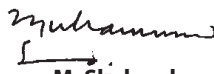
The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across Pakistan and beyond, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on the Company's financial statements, if any, will be considered in next financial statements.

41 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 28th May, 2020 by the Board of Directors of the Company.



Dilshad Ali Ahmad
Director



M. Strahzad
Chief Financial Officer



Bilal Mustafa
Director

Pattern of Shareholding

As at December 31, 2019

Shareholding		No of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	18	153	0.00
101	500	192	95,056	0.30
501	1,000	44	43,403	0.14
1,001	5,000	61	186,005	0.58
5,001	10,000	14	114,999	0.36
10,001	15,000	3	38,000	0.12
15,001	20,000	6	111,500	0.35
20,001	25,000	3	66,000	0.21
25,001	30,000	1	30,000	0.09
40,001	45,000	1	43,000	0.13
45,001	50,000	2	96,000	0.41
50,001	55,000	3	160,525	0.50
110,001	115,000	1	114,000	0.36
150,001	155,000	1	155,000	0.48
195,001	200,000	1	200,000	0.63
210,001	215,000	1	215,000	0.67
410,001	415,000	1	410,159	1.28
425,001	430,000	1	428,000	1.34
450,001	455,000	1	453,525	1.42
820,001	825,000	1	823,500	2.57
910,001	915,000	1	910,477	2.85
1,295,001	1,300,000	1	1,298,500	4.06
2,600,001	2,605,000	1	2,602,000	8.13
23,405,001	23,410,000	1	23,405,198	73.14
		360	32,000,000	100

Categories of Shareholders

As at December 31, 2019

Categories of	Physical	CDC	Total	Percentage %
Directors, Chief Executive Officer, Their Spouses and Minor Children				
Directors				
Mrs. Darakhshan Sheikh Vohra	1	-	1	0.00
Mr. Abdul Waseem	1	-	1	0.00
Mr. Bilal Mustafa Siddiqui	1	-	1	0.00
Mr. Muhammad Farrukh Mansoor Malik	1	-	1	0.00
Mr. Javed Mahmmod	1	-	1	0.00
Mr. Dilshad Ali Ahmad	1	-	1	0.00
Mr. Muhammad Mubeen Mufti	1	-	1	0.00
	7	-	7	0.00
Executives	-	51,000	51,000	0.16
	-	51,000	51,000	0.16
Associated Companies, Undertakings & Related Parties				
M/s. SME BANK LIMITED	-	23,405,198	23,405,198	73.14
	-	23,405,198	23,405,198	73.14
Banks, NBFCs, DFIs, Takaful, Pension Funds				
Banks	-	2,208,977	2,208,977	6.90
NBFCs, DFIs	-	215,000	215,000	0.67
	-	2,423,977	2,423,977	7.57
Insurance Companies	-	174,500	174,500	0.55
Other Companies, Corporate Bodies, Trust etc.	46,000	1,462,702	1,508,702	4.71
General Public	137,000	4,350,616	4,487,616	14.02
	183,007	31,816,993	32,000,000	100.00
Shareholders More Than 5.00%				
SME BANK LIMITED			23,405,198	73.14
ALI ASLAM MALIK			2,602,000	8.13

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 18th Annual General Meeting of the Company to be held on June 29, 2020 and at any adjournment thereof.

Signed this _____ of _____ 2020.
(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.)