



Annual Report 2018



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



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. Ihsan ul Haq Khan
Mir Javed Hashmat - CEO
Mr. Dilshad Ali Ahmad
Mr. Mohammad Farrukh Mansoor Malik
Mr. Abdul Waseem
Ms. Darakshan S. Vohra

CHIEF EXECUTIVE OFFICER

Mir Javed Hashmat

AUDIT COMMITTEE

Mr. Abdul Waseem - Chairman
Mr. Mohammad Farrukh Mansoor Malik - Member
Ms. Darakshan S. Vohra - Member
Mr. Naeem-ul-Hasan - Committee Secretary

RISK MANAGEMENT COMMITTEE

Mr. Dilshad Ali Ahmad - Chairman
Mr. Abdul Waseem - Member
Mr. Bilal Mustafa - Member
Mr. Naeem-ul-Hasan - Secretary

HUMAN RESOURCE COMMITTEE

Mr. Bilal Mustafa - Chairman
Mr. Dilshad Ali Ahmad - Member
Mir Javed Hashmat - Member
Ms. Darakshan S. Vohra
Mr. Adnan Sajar - Committee Secretary

Corporate Information

COMPANY SECRETARY & CFO

Liaquat Ali

EXTERNAL AUDITORS

Grant Thornton Anjum Rahman
Chartered Accountants

INTERNAL AUDITOR

Mr. Naeem-ul-Hasan

TAX CONSULTANT

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company,
Advocate & Legal Consultant

CREDIT RATING

Long-term: B + Short-term: B

REGISTERED OFFICE

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

MAIN OFFICE

Office # 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, Karachi.

Tel: (+92-21) 34322128-129-137

Fax: (+92-21) 34322082

E-mail: info@smelease.com

REGISTRAR AND SHARE TRANSFER OFFICE

Corptec Associates (Pvt.) Limited

503-E, Johar Town, Lahore.

BANKS AND LENDING INSTITUTIONS

Allied Bank Limited

MCB Bank Limited

SME Bank Limited

Meezan Bank Limited

Notice of the 17th Annual General Meeting

Notice is hereby given that the seventeenth Annual General Meeting of the shareholders of **SME Leasing Limited** (the Company) will be held at Hotel Crown Plaza, Islamabad on Wednesday, April 24, 2019 at 11:00 am to transact the following business:

ORDINARY BUSINESS.

1. To confirm the minutes of the 16th Annual General Meeting of the Company held on April 25, 2018.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended December 31, 2018 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2019 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, 2019.
4. To transact any other business with the permission of the Chair.

By Order of the Board



Liaquat Ali
Company Secretary

Karachi: March 30, 2019

Notes:

1. The Register of the members of the Company will remain closed from April 18, 2019 to April 24, 2019 (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, 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, Shahra-e-Faisal, 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, Shahra-e-Faisal, Karachi.
7. The annual report 2018 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 is pleased to present the annual audited financial statements for the year ended December 31, 2018.

The Company

SME Leasing Limited ("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 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 Rs.112 million whereas new business of Rs. 116 million was written during the year. The default ratio in the new business over last 3.5 years has continued to remain below 1%.

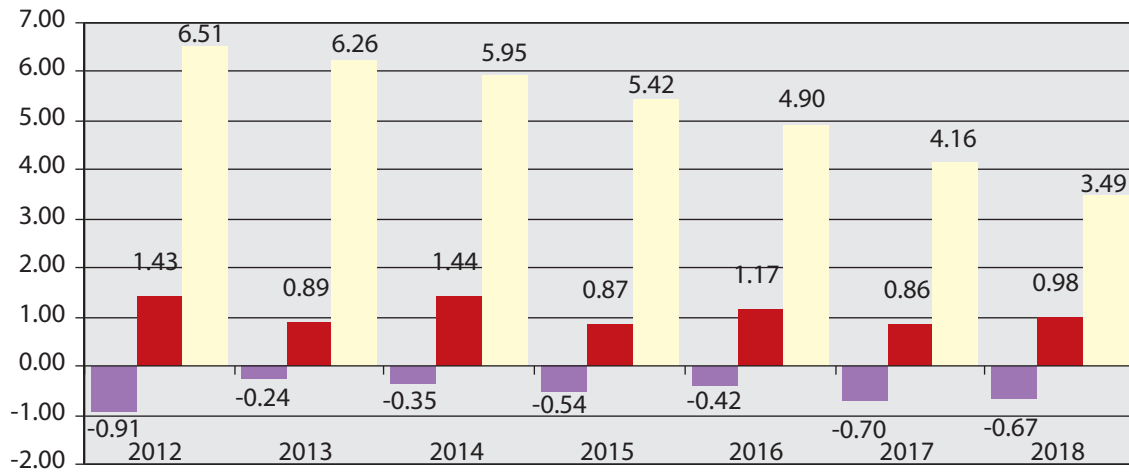
The company has also been managing its expenses in order to curtail its losses to the minimum possible.

Financial Review

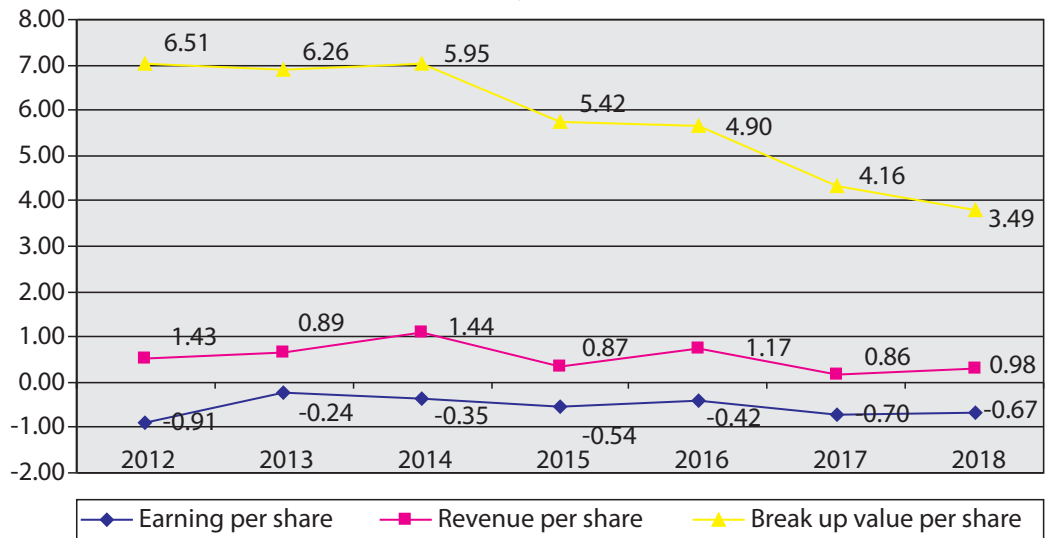
	2018 Rupees	2017 Rupees
Gross revenue	31,450,707	27,362,682
Operating Expenses	(58,166,329)	(50,866,026)
Profit/(Loss) before provisions	(26,715,622)	(23,503,344)
Reversal of provisions (Net)	5,602,057	1,326,448
Profit/(Loss) before taxation	(21,113,565)	(22,176,896)
Taxation:	(349,920)	(333,598)
(Loss) after taxation	(21,463,485)	(22,510,494)
Earnings/(loss) per share - basic and diluted	(0.67)	(0.70)

The revenue from operations improved compared to the last year on account of fresh business written. Administrative expenses recorded increase of 7.9% mainly on account of increase in salaries, rentals, legal charges for effecting recoveries and advertisements for meeting various requirements. The financial charges recorded increase of 39.7% on enhanced utilization of finance facility and increase in benchmark rate used for the financing.

Key Ratios

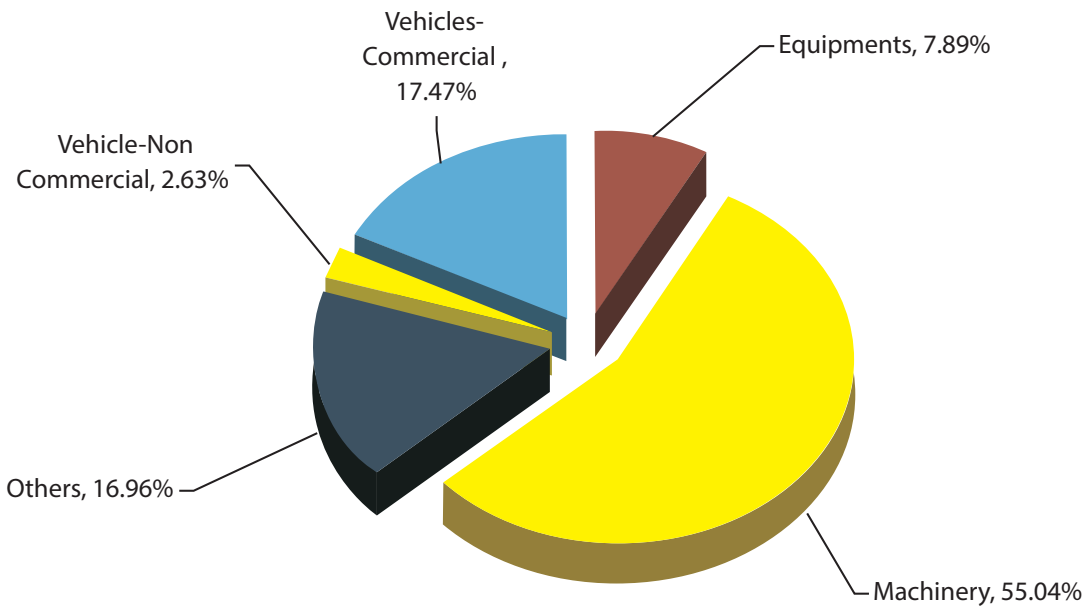
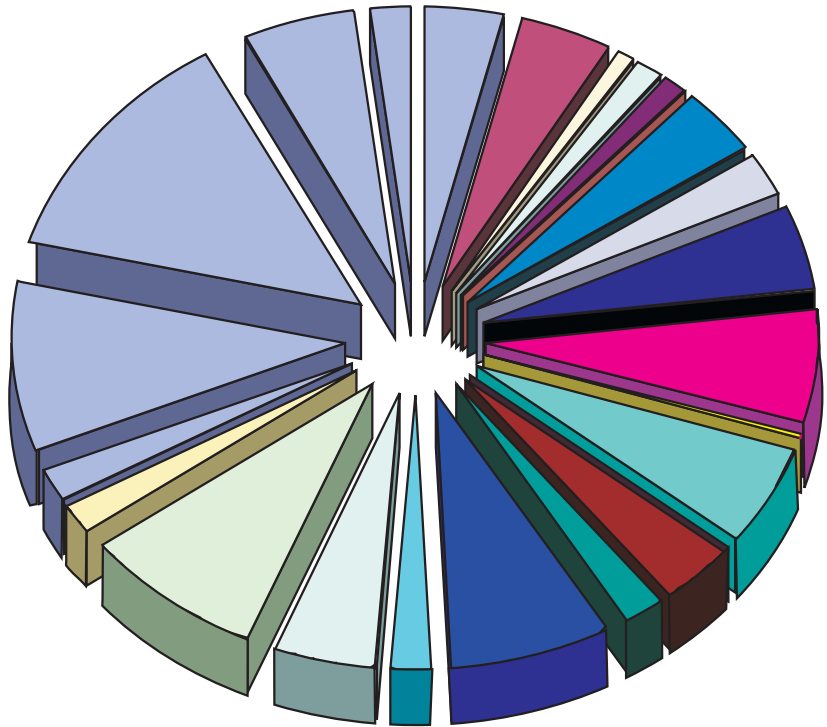


Key Ratios





Cargo Carriers	3.88%
Chemicals	4.42%
Communication	0.92%
Confectionary	1.37%
Construction And Building Products	1.10%
Dates	0.07%
Education	3.76%
Engineering	2.43%
Entertainment	5.07%
Film Processing	6.81%
Fisheries	0.17%
Food And Beverages	5.80%
Furniture	0.13%
Garments	3.56%
Gems & Jeweler	1.89%
Health Care	7.77%
Leather & Tannery	2.08%
Miscellaneous	4.91%
Oil & Gas	8.81%
Pharma	1.66%
Plastic	1.91%
Printing & Packaging	10.07%
Public Transport Services	13.88%
Rubber	5.52%
Textile	2.01%



Economic review

There is increase in macro sectors of the economy with massive CPEC investment and Improvement in security and power supply. The acceleration in economic growth may affect well for the masses. However, due to rising imbalance in exports and imports and loan repayment obligations the Rupee has recently seen significant plunge. Further the rising inflation has resulted in increase in the SBP rate to 10 %. The fiscal deficit, rising inflation and low exchange reserves shall be the key challenges. Appropriate steps are being taken by the Government to plug the holes and rectify the situation. Despite the macroeconomic imbalances in the last financial year the GDP growth rate is expected to record at 5.0 percent in 2018-19.

Dividend

Due to the company having incurred a loss 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 SECP.

Future Prospects

In the absence of access to funds from the market other than the credit line available from the parent bank, the company is solely relying on the internal cash generation through recovery measures which can help us in bringing a steady improvement in the years to come. It is hoped that various financing and refinancing modes available to the SME sector in banking industry shall also open to the non-banking financial institutions.

The shareholders are informed that privatization of our parent company "SME Bank" is in the active list of the entities to be privatized .Upon successful completion of privatization of the parent company, the majority shareholding in our company will be taken over by the acquirer of SME Bank. This is likely to result in advantage to all the stakeholders.

Human Resources

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

Board of Directors

Election of the directors was held on 23rd July 2018. Following two independent directors retired after completion of their two consecutive terms as independent directors:

Mr. Ateeq Ur Rahman
Ms. Mehnaz Saleem

Following directors were elected on 23rd July 2018:

- | | |
|--|----------------------|
| 1. Mr. Bilal Mustafa | Independent Director |
| 2. Mr. Abdul Waseem | Independent Director |
| 3. Ms. Darakhshan S. Vohra | Independent Director |
| 4. Mr. Ihsan ul Haq khan | Nominated Director |
| 5. Mr. Dilshad Ali Ahmad | Nominated Director |
| 6. Mr. Muhammad Farrukh
Mansoor Malik | Nominated Director |
| 7. Mir Javed Hashmat | AS CEO |

SME Bank being the majority shareholders and the sole lender to the company nominated three directors on the board.

The new board elected Mr. Bilal Mustafa as Chairman of the Board. Mr. Abdul Waseem was appointed as Chairman of the Audit Committee by the Board of Directors place of Mr. Bilal Mustafa

The Board's composition is as under :

Independent directors	3
Non-executive directors	3
Executive director	1
Total	7

Committees of the Board :

Following is the composition of the Committees of the Board

AUDIT COMMITTEE

Mr. Abdul Waseem- Chairman	(Independent director)
Mr. Mohammad Farrukh Mansoor Malik - Member	(Non - executive director)
Ms. Darakshan S. Vohra - Member	(Independent director)

RISK MANAGEMENT COMMITTEE

Mr. Dilshad Ali Ahmad - Chairman	(Non - executive director)
Mr. Abdul Waseem - Member	(Independent director)
Mr. Bilal Mustafa - Member	(Independent director)

HUMAN RESOURCE COMMITTEE

Mr. Bilal Mustafa - Chairman	(Independent director)
Mr. Dilshad Ali Ahmad - Member	(Non -executive director)
Mir Javed Hashmat - Member	(Executive director)
Ms. Darakshan S. Vohra Member	(Independent director)

Four meetings of the Board of Directors and the Audit committee were held during the year. Detail of the attendance by each member of the Board and Audit Committee (including the two directors who retired on 22nd July 2018) during the year were as follows:

Board of Directors Meetings

Director	Meetings attended	Director	Meetings attended
Mr. Ihsan-ul-Haq Khan	3		
Mr. Dilshad Ali Ahmad	4	Mr. Ateeq Ur Rehman	2
Mr. Muhammad Farrukh Mansoor Malik	4	Ms. Mehnaz Saleem	2
Mr. Bilal Mustafa	4	Mir Javed Hashmat	4
Mr. Abdul Waseem	2		
Ms. Darakshan S. Vohra	2		

Audit Committee Meetings

Director	Meetings attended	Director	Meetings attended
Mr. Ateeq Ur Rehman	2	Mr. Bilal Mustafa	2
Mr. Abdul Waseem	2		
Darakshan S. Vohra	2		
Mr. Muhammad Farrukh Mansoor Malik	4		

Subsequent to the year end, on 4th January 2019 SME Bank nominated Mr. Mubeen Mufti in place of Mr. Ihsan-ul-Haq Khan. This new appointment has been approved by the Board subject to SECP approval. Various regulatory requirements are in process of completion for this new appointment.

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

Corporate Governance - Public Sector Companies

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

Business Ethics

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

Directors' Declaration:

The Board of the company is fully cognizant of its responsibility as recognized by the Code of Corporate Governance, detailed in listing regulation and Public Sector Companies (Corporate Governance) Rules, 2013 issued by the Securities and Exchange Commission of Pakistan. Following are the comments on acknowledgement of 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;
- vii) 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.
- viii) 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;
- ix) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations and Public Sector Code of Corporate Governance;
- x) Key operating and financial data for last six years in summarized form is included in the Annual report.
- xi) The value of investments of recognized provident fund as at December 31, 2018, was Rs 4.78 million (un-audited) and as at December 31, 2017, was Rs 4.57 million (Audited).



- xii) No trading in shares of the Company was carried out by the Directors, Chief Executive, Chief Financial Officer/Company Secretary and their spouses and minor children during the year.

Credit Rating

PACRA has maintained its previous ratings as at 30th November 2018 as under:

- Long term entity rating B+ (B positive)
- Short term B

The outlook has been changed to "Negative" from "stable" on account of ratings of the parent Company SME Bank Limited .

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 & Co, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment for the year ending December 31, 2019. On the proposal of Board Audit Committee, the Board recommends the appointment of M/s Grant Thornton Anjum Rahman & Company, Chartered Accountant, as statutory auditors of the company for the year 2019.

Pattern of Shareholding

The pattern of shareholding of the Company as on December 31, 2018, is annexed with this report.

Acknowledgement

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

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

On behalf of Board of Directors

Bilal Mustafa
Chairman

Dated: January 29, 2019



ڈائریکٹرز رپورٹ

ایس ایم ای لیزنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2018ء 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 لسٹڈ 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 ایم ای 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 انٹرنیشنل پرائیویٹ اور ورکنگ کیٹیگریز کی سہولیات فراہم کرنا شامل ہے۔

عملی جائزہ:

ہم یہاں پر کچھ محدود عملی ماحول اور مالیاتی دباؤ کے بارے میں بھی مطلع کرنا چاہتے ہیں کمپنی نے ریکوری اور نئے کاروبار کرنے کیلئے ذرائع استعمال کرنے پر نظر مرکوز کی ہوئی ہے۔ مجموعی طور پر مبلغ 112 ملین روپے کی ریکوریز ہوئیں جبکہ مبلغ 116 ملین روپے کا نیا کاروبار ہوا۔

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

مالیاتی جائزہ:

2017	2018	
27,362,682	31,450,707	کل آمدنی
(50,866,026)	(58,063,861)	عملی اخراجات
(23,503,344)	(26,613,154)	نفع/(نقصان) پروویژن سے پہلے
1,326,448	5,602,057	پروویژن
(22,176,896)	(21,011,098)	ٹیکس سے قبل نفع/(نقصان)
(333,598)	(349,920)	ٹیکسیشن
(22,510,494)	(21,361,018)	خسارہ بعد از ٹیکس
(0.70)	(0.67)	فی شیئر آمدنی/(خسارہ)۔ بنیادی اور اجمالی



نئے کاروبار میں آپریشن کی آمدنی میں پچھلے سال کے مقابلے میں بہتری آئی ہے۔ تنخواہوں، کرایہ داری اور پبلیٹیٹی کے نرخوں میں اضافے کے باعث انتظامی اخراجات میں 7.9% کا اضافہ ہوا، مالیاتی سہولت کے بہتر استعمال پر مالیاتی چارجز میں 39.7% کا اضافہ ہوا اور مالیاتی سہولت کے استعمال کردہ پنچ مارک کی شرح میں اضافہ ہوا۔

اقتصادی جائزہ:

اقتصادی شعبوں میں اضافی سی پی ای سی سرمایہ کاری اور سیکیورٹی میں بہتری اور بجلی کی فراہمی میں اضافہ ہوا ہے۔ اقتصادی ترقی میں تیز رفتاری عوام پر اچھا اثر قائم کر سکتی ہے۔ تاہم درآمدات اور برآمدات میں بڑھتے ہوئے عدم توازن کی وجہ سے اور قرضہ جات کی ادائیگی کی ذمہ داریوں نے حال ہی میں روپے کی قدر میں کمی میں اہم کردار ادا کیا ہے۔ مزید بڑھتی ہوئی افراط زر کے نتیجے میں ایس بی پی کی شرح میں 10% اضافہ ہوا ہے۔ مالی خسارہ، بڑھتی ہوئی افراط زر اور ایکسیج کے کم ذخائر اہم چیلنج ہوں گے۔ اس خلاء اور صورتحال کو بہتر بنانے کیلئے حکومت کی جانب سے مناسب اقدامات کئے جا رہے ہیں۔ گذشتہ مالی سال میں اقتصادی معاشی خرابی کے باوجود 2018-19 میں جی ڈی پی کی ترقی کی شرح 5.0 فیصد پر ریکارڈ ہو سکتی ہے۔

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:

مارکیٹ سے فنڈز تک رسائی نہ ہونے، متعلقہ بینک کی جانب سے دستیاب کریڈٹ لائن کے علاوہ، کمپنی کو انٹرنل کیش پر یقین ہے جو کہ آنے والے سالوں میں بحالی کے اقدامات کے ذریعے ہماری مدد کر سکتا ہے۔ امید ہے کہ مستقبل میں بینکنگ انڈسٹری کی طرز پر ایس ایم ای کے شعبہ کیلئے مختلف فنانسنگ اور ری فنانسنگ طریقے اور نان بینکنگ مالیاتی اداروں کو بھی حاصل ہو سکیں گے۔

شیر ہولڈرز کو مطلع کیا جاتا ہے کہ ہماری متعلقہ کمپنی ”ایس ایم ای بینک“ کی نجکاری نجی اداروں کی سرگرم فہرست میں شامل ہے۔ متعلقہ کمپنی کی نجکاری کی کامیاب تکمیل پر ہماری کمپنی میں شیر ہولڈنگ کی اکثریت کو ایس ایم ای بینک سے لے لیا جائے گا۔ اس کے نتیجے میں تمام اسٹیک ہولڈرز کو فائدہ ہو سکتا ہے۔

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 ریسورسز کی ترقی میں اضافہ ہو۔



بورڈ آف ڈائریکٹرز:

ڈائریکٹرز کے انتخابات مورخہ 23 جولائی 2018ء کو منعقد ہوئے تھے۔ درج ذیل دو آزاد ڈائریکٹرز اپنی مدت پوری کرنے کے بعد ریٹائر ہو گئے:

جناب عتیق الرحمن
مس مہناز سلیم

مورخہ 23 جولائی 2018ء کو درج ذیل ڈائریکٹرز منتخب کئے گئے:

۱۔	جناب بلال مصطفیٰ	آزاد ڈائریکٹر
۲۔	جناب عبدالوسیم	آزاد ڈائریکٹر
۳۔	مس درخشاں ایس و ہرہ	آزاد ڈائریکٹر
۴۔	جناب احسان الحق خان	نامزد ڈائریکٹر
۵۔	جناب دلشاد علی احمد	نامزد ڈائریکٹر
۶۔	جناب محمد فرخ منصور ملک	نامزد ڈائریکٹر
۷۔	میر جاوید حشمت	بطور چیف ایگزیکٹو آفیسر

ایس ایم ای بینک کی شیئر ہولڈرز میں اکثریت ہے اور کمپنی کے واحد قرض دہندہ ہونے کی وجہ سے بورڈ پر کمپنی کے تین ڈائریکٹرز کے نام نامزد کئے ہیں۔

نئے بورڈ نے جناب بلال مصطفیٰ کو بطور چیئر مین منتخب کیا ہے۔ جناب عبدالوسیم کو بورڈ آف ڈائریکٹرز کی طرف سے جناب بلال مصطفیٰ کی جگہ بطور چیئر مین آڈٹ کمیٹی تقرر کیا گیا تھا۔

بورڈ کی تشکیل درج ذیل ہے:

3	آزاد ڈائریکٹرز
3	نان ایگزیکٹو ڈائریکٹرز
1	ایگزیکٹو ڈائریکٹر
7	ٹوٹل

کمیٹی کے ممبران:

آڈٹ کمیٹی:

۱۔	جناب عبدالوسیم	چیئر مین
۲۔	مس درخشاں و ہرہ	ممبر
۳۔	جناب محمد فرخ منصور ملک	ممبر



رسک کمیٹی:

۱۔	جناب دلشاد علی احمد	چیئر مین
۲۔	جناب عبدالوسیم	ممبر
۳۔	جناب یلال مصطفیٰ	ممبر

ایچ آر کمیٹی:

۱۔	جناب یلال مصطفیٰ	چیئر مین
۲۔	جناب جاوید حشمت	ممبر
۳۔	جناب دلشاد علی احمد	ممبر
۴۔	مس درخشاں وہرہ	ممبر

دوران سال بورڈ آف ڈائریکٹرز اور آڈٹ کمیٹی کی چار میٹنگز ہوئیں۔ بورڈ اور آڈٹ کمیٹی کے ہر ممبر (بشمول دو ڈائریکٹرز جو کہ 22 جولائی 2018ء کو ریٹائر ہوئے تھے) کی شرکت کی تفصیل درج ذیل ہے:

بورڈ آف ڈائریکٹرز کی میٹنگ:

ڈائریکٹرز	میٹنگ میں شرکت کی تعداد	ڈائریکٹرز	میٹنگ میں شرکت کی تعداد
جناب احسان الحق خان	3	جناب عتیق الرحمن	2
جناب دلشاد علی احمد	4	مس مہناز سلیم	2
جناب محمد فرخ منصور ملک	4	میر جاوید حشمت	4
جناب یلال مصطفیٰ	4		
جناب عبدالوسیم	2		
جناب درخشاں ایس وہرہ	2		

آڈٹ کمیٹی کی میٹنگز:

ڈائریکٹرز	میٹنگ میں شرکت کی تعداد	ڈائریکٹرز	میٹنگ میں شرکت کی تعداد
جناب عتیق الرحمن	2	جناب یلال مصطفیٰ	2
جناب عبدالوسیم	2		
مس درخشاں ایس وہرہ	2		
جناب فرخ منصور ملک	4		



سال کے اختتام کے بعد مورخہ 4 جنوری 2019ء کو ایس ایم ای بینک نے جناب احسان الحق خان کی جگہ جناب مبین مفتی کو ڈائریکٹر نامزد کیا ہے۔ بورڈ کی جانب سے اس نئی تقرری کی منظوری دے دی گئی ہے جو کہ ایس ایم ای پی کی منظوری سے منسلک ہے۔

میٹنگ میں شرکت نہ کرنے والے ڈائریکٹر ان کو چھٹی دی گئی تھی۔

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 کے کوڈ پر بھی عملدرآمد کیا ہے۔ اس سلسلے میں جائزہ کی رپورٹ 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 اور کارپوریٹ گورننس کے کوڈ کے تحت ہے، اس سلسلے میں قواعد کی تفصیلات اور پبلک سیکیورٹیز (کارپوریٹ گورننس) روز 2013ء جس کا اجراء سیکورٹیز 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 پورا عملدرآمد کیا جا رہا ہے اور وہ رول جس پر عملدرآمد نہیں کیا جا رہا ہے اس کی شناخت کر دی گئی ہے اور اس پر عملدرآمد نہ کرنے کے اسباب بھی بیان کئے گئے ہیں۔
- ۲- مالیاتی حسابات کو ایس ایم ای لیڈنگ 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 پیکس 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- بورڈ کے غیر ایکویٹیڈ اور آزاد ممبران کی تنخواہوں کو مقرر نہیں کیا گیا ہے اور انہیں ہر میٹنگ میں شرکت کیلئے مقرر کردہ فیس دی جاتی ہے۔ مذکورہ فیس کا فیصلہ بورڈ کے تمام ممبران مشترکہ طور پر کرتے ہیں۔
- ۸- 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۔
- ۹- کارپوریٹ گورننس کی بہترین پریکٹس سے کوئی انحراف نہیں کیا گیا ہے جس کی تفصیلات کارپوریٹ گورننس کے پبلک سیکیورٹیز میں موجود ہے۔



- ۱۰۔ اہم امور اور گزشتہ چھ سالوں کا مالیاتی ڈیٹا سالانہ رپورٹ میں شامل ہے۔
- ۱۱۔ سرمایہ کاری کی ویلیو کے حوالے سے پروویڈنٹ فنڈ 31 دسمبر 2018ء کو مبلغ 4.78 بلین روپے (غیر آڈٹ شدہ) اور 31 دسمبر 2017ء کو مبلغ 4.57 بلین روپے (آڈٹ شدہ) تھا۔
- ۱۲۔ ڈائریکٹر، چیف ایگزیکٹو، چیف فنانشل آفیسر/کمپنی سیکریٹری ان کی زوجات اور چھوٹے بچوں نے دوران سال کمپنی کے شیئر میں کوئی تجارت نہیں کی۔

کرڈٹ کی ریٹنگ:

پی اے سی آر اے نے 30 نومبر 2018ء کو اپنی کچھلی ریٹنگ کو برقرار رکھا ہے جو کہ درج ذیل ہے:

- طویل مدتی ریٹنگ B+ (بی مثبت)

- مختصر مدتی B

آؤٹ لک متعلقہ کمپنی ایس ایم ای بینک لمیٹڈ کی ریٹنگ کے حساب سے ”مستحکم“ سے ”منفی“ میں تبدیل ہو گیا ہے۔

متعلقہ کمپنی:

ایس ایم ای بینک لمیٹڈ کمپنی میں 73.14% شیئر کے حامل ہے۔

آڈیٹرز:

کمپنی کے موجودہ آڈیٹر میسرز گرانٹ تھورنٹن انجم رحمان اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس جو کہ ریٹائر ہوئے اور انہوں نے 31 دسمبر 2019ء کیلئے اپنے آپ کو دوبارہ تقرری کیلئے پیش کیا۔ بورڈ آڈٹ کمیٹی کی تجویز پر بورڈ نے میسرز گرانٹ تھورنٹن انجم رحمان اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کی تقرری برائے سال 2019ء کی سفارش کی ہے۔

شیئر ہولڈنگ کی ساخت:

مورخہ 31 دسمبر 2018ء کی شیئر ہولڈنگ کی ساخت جو کارپوریٹ گورننس کو درکار ہے وہ اس رپورٹ کے آخر میں 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 کر سکیں کیونکہ انہوں نے مستقل طور پر پیشہ ورانہ مدد فراہم کی ہے اس کے علاوہ ہم شیئر ہولڈرز کے بھی ہم پر مکمل اعتماد کرنے پر مشکور ہیں۔ ہم اپنے اسٹاک سے بھی اظہار تشکر ریکارڈ پر لانا چاہتے ہیں جنہوں نے ہمارے ساتھ اس ادارے کی ترقی کے لئے نہایت جانفشانی اور محنت سے کام کیا۔

بتوسط بورڈ آف ڈائریکٹرز

بیلال مصطفیٰ

چیئرمین

مورخہ: 29 جنوری 2019

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 2018

The company remained focused on recoveries from both regular and irregular portfolio and utilizing these resources in writing fresh quality business. The Company 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. Fresh funding is required in converting the company into a profitable institution .Currently, the only source of funding is a credit line provided by the Parent Company SME Bank Limited. 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 of our major shareholder SME Bank Limited is actively being pursued by the Privatization Board and we expect that this once materialized will have positive impact on the performance of our company as well.

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 met once and the Human Resource and Remuneration Committee had two meetings 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 consider that it has effectively played its oversight function operating through the various meetings held during the year.



Bilal Mustafa
Chairman

Karachi: 29th January, 2019

Financial Highlights

(Rupees in 000)

Balance Sheet	2018	2017	2016	2015	2014	2013
Paid-up Capital	320,000	320,000	320,000	320,000	320,000	320,000
Total Equity	111,680	133,251	156,956	173,373	190,474	200,334
Gross Lease Receivable	621,899	609,310	632,010	676,450	777,084	697,016
Net Investment in Lease	411,412	389,669	342,510	443,243	519,173	459,877
Long-Term Liabilities	188,291	177,555	204,736	58,533	72,553	62,452
Current Liabilities	209,030	166,839	142,075	335,336	395,357	279,299
Current Assets	164,379	116,575	82,160	447,217	427,864	421,028
Total Assets	509,001	477,644	503,767	567,241	658,384	542,085

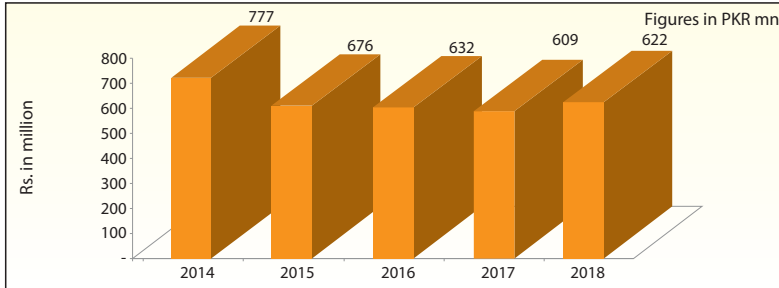
(Rupees in 000)

Income Statement	2018	2017	2016	2015	2014	2013
Lease Income	31,160	26,671	32,531	27,700	46,063	26,204
Total Revenue	31,451	27,363	37,415	27,889	46,220	28,392
Financial Charges	14,422	10,318	13,225	17,665	16,535	7,362
Administrative Expenses	43,642	40,548	38,111	38,378	37,945	29,416
Provisions	(5,602)	(1,326)	(864)	(5,975)	2,322	(954)
Total Expenses	(58,064)	50,866	51,336	50,068	56,803	35,824
(Loss) Before Taxation	(21,011)	(22,177)	(13,057)	(21,106)	(10,583)	(7,433)
(Loss) After Taxation	(21,361)	(22,510)	(13,382)	(17,312)	(11,046)	(7,717)

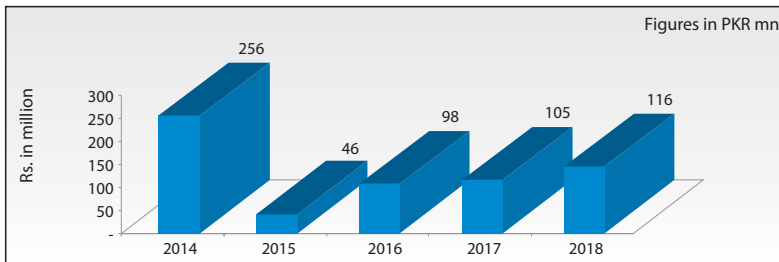
Financial Indicators	2018	2017	2016	2015	2014	2013
Breakup Value (Rs per share)	3.49	4.16	4.90	5.42	5.95	6.26
Current Ratio (X)	0.79	0.70	0.58	1.33	1.08	1.51
Earning Per Share (Rs.)	(0.67)	(0.70)	(0.42)	(0.54)	(0.35)	(0.24)
Financial Charges to Total Exps (%)	(24.84)	20.28	25.76	35.28	29.11	20.55
Financial Charges to Total Revenue (%)	45.86	37.71	35.35	63.34	35.78	25.93
Income Expense Ratio (Times)	(0.54)	0.52	0.63	0.55	0.81	0.73
Net Profit Margin (%)	(67.92)	(82.27)	(35.77)	(62.07)	(23.90)	(27.18)
Return on Average Equity (%)	(17.44)	(15.51)	(8.10)	(9.52)	(5.65)	(3.78)
Return to Shareholders (%)	-	-	-	-	-	-
Revenue Per Share (Rs.)	0.98	0.86	1.17	0.87	1.44	0.89

Financial Highlights and Charts

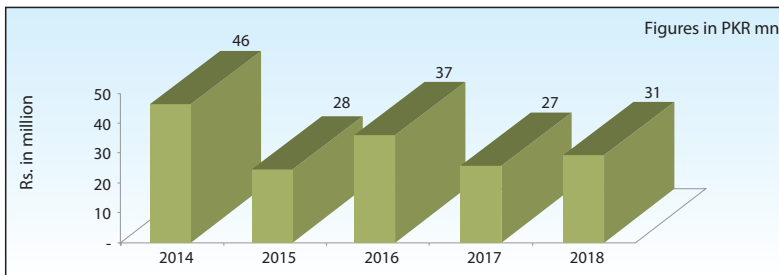
Gross Lease Receivables



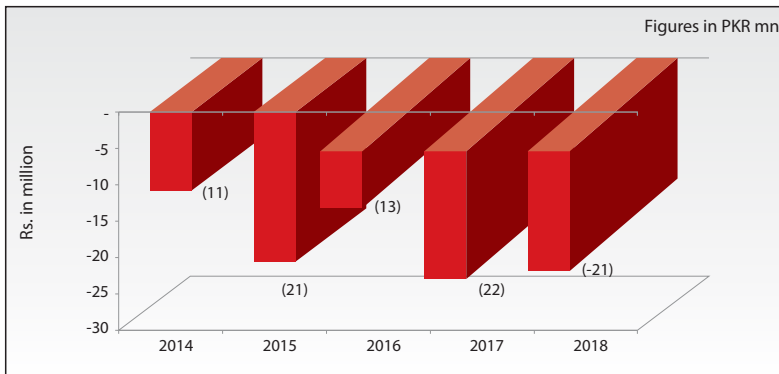
Disbursements



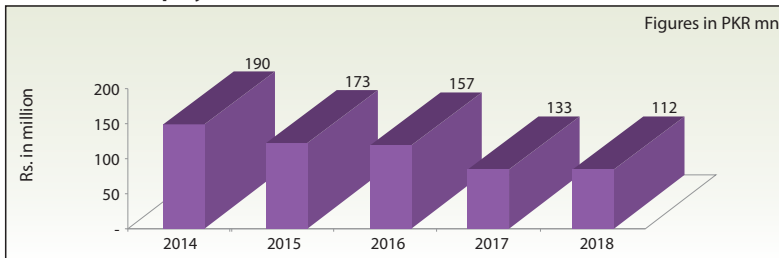
Total Revenue



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: **Dec 31, 2018**

- 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>Mr. Abdul Waseem</td> <td>23-07-2018</td> </tr> <tr> <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>Executive Director</td> <td>Mr. Mir Javed Hashmat</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. Ihsan-ul-Haq Khan</td> <td>23-07-2018</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors	Mr. Abdul Waseem	23-07-2018	Ms. Darakhshan S. Vohra	23-07-2018	Mr. Bilal Mustafa	23-07-2018	Executive Director	Mr. Mir Javed Hashmat	23-07-2018	Non-Executive Directors	Mr. Dilshad Ali Ahmad	23-07-2018	Mr. M. Farrukh Mansoor Malik	23-07-2018	Mr. Ihsan-ul-Haq Khan	23-07-2018				
Category	Names	Date of Appointment																							
Independent Directors	Mr. Abdul Waseem	23-07-2018																							
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	Mr. M. Farrukh Mansoor Malik	23-07-2018																							
	Mr. Ihsan-ul-Haq Khan	23-07-2018																							
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)			✓		Code of Conduct is disseminated through their website and also published in financial statements.
	(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.					
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) 6(ii)	✓			
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5) 6(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) 6(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) 6(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.	6(1)	✓			
	(b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓			
	(c) The minutes of the meetings were appropriately recorded and circulated.	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.	(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. (b) In case of listed PSCs, the board has prepared half yearly accounts and undertaken limited scope review by the auditors. (c) The Board has placed the annual financial statements on the company's website.	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.	(a) The board has formed the requisite committees, as specified in the Rules. (b) The committees were provided with written term of reference defining their duties, authority and composition. (c) The minutes of the meetings of the committees were circulated to all the board members. (d) The committees were chaired by the following non -executive directors:	12	✓	✓		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. 2. Nomination Committee HR committee of the Board is performing the role of Nomination Committee .																		
	<table border="1"> <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>Mr Ateeq-ur-Rehman</td> </tr> <tr> <td>Risk Management Committee</td> <td>3</td> <td>Mr. Dilshad Ali Ahmad</td> </tr> <tr> <td>Human Resource Committee</td> <td>4</td> <td>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	Mr Ateeq-ur-Rehman	Risk Management Committee	3	Mr. Dilshad Ali Ahmad	Human Resource Committee	4	Bilal Mustafa	Procurement Committee	-	-	Nomination Committee	-	-		✓		
Committee	Number of members	Name of Chair																						
Audit Committee	3	Mr Ateeq-ur-Rehman																						
Risk Management Committee	3	Mr. Dilshad Ali Ahmad																						
Human Resource Committee	4	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>Abdul Waseem</td> <td>Chairman</td> <td>Ex-Banker</td> </tr> <tr> <td>Muhammad Farrukh Mansoor Malik</td> <td>Member</td> <td>CFO-SME Bank Limited and a Chartered Accountant</td> </tr> <tr> <td>Darakshshan S. Vohra</td> <td>Member</td> <td>Lawyer</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	Abdul Waseem	Chairman	Ex-Banker	Muhammad Farrukh Mansoor Malik	Member	CFO-SME Bank Limited and a Chartered Accountant	Darakshshan S. Vohra	Member	Lawyer	21(1) and 21(2)	✓			
Name of Member	Category	Professional Background																
Abdul Waseem	Chairman	Ex-Banker																
Muhammad Farrukh Mansoor Malik	Member	CFO-SME Bank Limited and a Chartered Accountant																
Darakshshan S. Vohra	Member	Lawyer																
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 qualification criteria is currently not met and we have obtained SECP exemption for this.												
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)	✓															



Mir Javed Hashmat
Chief Executive Officer



Bilal Mustafa
Chairman

Statement of Compliance

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

Certain additional disclosures as required under Companies Code of Corporate Governance (CCG) Regulation 2017

1. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, DFI or NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
2. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
3. The total number of directors are seven (7) as per the following :
 - a) Male 6
 - b) Female 1
4. The board has set up an effective internal audit function however, qualification criteria for internal auditor is not met for which Company has obtained exemption from SECP.
5. The meetings of the Audit Committee were held at least once in every quarter, prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Audit Committee have been framed and approved by the Board and have been advised to the Committee for compliance.

Risk Committee and Human Resource & Remuneration Committee met on a need basis during the year .
6. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold share of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
7. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to Directors, employees and stock exchange.
8. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
9. We confirm that all other material principles contained in the CCG have been complied with.



Mir Javed Hashmat
Chief Executive Officer



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, 2017 and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as Codes) prepared by the Board of Directors of SME Leasing Limited (the Company) for the year ended December 31, 2018 to comply with the requirements of Regulation 40 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Regulations 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 Rules 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 requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Moreover, the rules of Public Sector Companies (Corporate Governance) Rules 2013, requires the Board to ensure compliance with the law as well as the Company's internal rules and procedures relating to procurement, tender verification, purchasing and technical standards when dealing with suppliers of goods and services in accordance with Public Procurement Rules 2004. We hereby only performed our procedures to client's compliance with above mentioned rules on a test basis as a part of our audit of the financial statements of the Company.

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 best practices contained in the Codes as applicable to the Company for the year ended December 31, 2018 except for the non-compliance of serial no.23 and 33(b) as explained in the enclosed Statement of Compliance.



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

Dated: **21 March 2019**

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, 2018**, and the statement of profit or loss, 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 (here-in-after referred to as "the financial statements"), 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, the statement of 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, 2018 and of the loss, 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 (the Code) as adopted by the Institute of Chartered Accountants of Pakistan 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 1.2 to the financial statements which states that the Company incurred loss of Rs. 21.36 million (2017: Rs. 22.51 million) for the year ended December 31, 2018, resulting in accumulated loss of Rs. 256.78 million (2017: Rs. 235.21 million) as at statement of financial position date and as of that date the Company's current liabilities exceed its current assets by Rs. 44.65 million (2017: Rs. 50.27 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 above matters.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were 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 these matters.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matters
<p>Net investment in finance lease (NIFL) and long term finances and loans</p> <p>SME Leasing has a concentration of credit exposure on number of customers in different sectors of economy and these customers are facing difficult business conditions. In order to avoid significant credit losses, proper monitoring and management of credit risk is a key.</p> <p>In addition investment in finance lease is a main driver of the Company's performance and net asset value, a discrepancy in the valuation or existence of NIFL could cause the financial statements to be materially misstated which would also impact the Company's reported performance.</p> <p>Refer to notes 9, 10 and 11 to the financial statements and the accounting policy in notes 5.6 and 5.7 to the financial statements</p> <p>At year end the Company reported gross lease receivables and finances & loans in financial statements amounting to Rs. 621.89 million (refer note 11.1) and Rs.90.21 million (refer note 10) as at December 31, 2018 and provision amounting to Rs. 139.86 million and Rs.10.71 million respectively. Significant degree of judgement is required to determine the timing and amount of provision to recognize with respect to lease portfolio.</p> <p>We have focused on the following critical judgements and estimates which could give rise to risk of material misstatement or are potentially subject to management bias.</p> <ul style="list-style-type: none"> ○ Completeness and timing of recognition of loss in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). 	<p>Our audit work included assessing and testing the design and operations of key controls over the recognition, valuation and existence of NIFL.</p> <p>We have 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 (the NBFC Regulations) and the credit manual of the Company. In addition we have circularized confirmations for sampled lessees and checked recoveries from the same.</p> <p>Detailed testing and assessment of provision/reversal of receivables to ensure that these amounts are in line with the NBFC Regulations</p> <p>We checked the underlying calculations and data used in such calculations.</p> <p>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, We found no material exceptions in these tests.</p>

Key audit matter	How our audit addressed the key audit matters
<ul style="list-style-type: none"> ◦ Assessed forced sale value for securities against the loans. <p>We identified the impairment allowance for potential lease and loan losses as a key audit matter due to the inherent uncertainty and judgment used by the management in determining impairment allowance.</p>	
<p>Gratuity obligation valuation and provision for compensated absences</p> <p>As described in Note 5.5 (accounting policies), note 18 (provision for compensated absences) and note 19 (deferred liabilities), the Company operates an unapproved defined benefit plan. The Company recorded a net retirement obligation amounting to Rs. 9.09 million (2017: Rs. 6.91 million) and net liability against provision for compensated absences amounting to Rs. 2.49 million (2017: Rs. 2.38 million). The gratuity valuation is dependent on market conditions and assumptions made and provision for compensated absences is dependent on demographic assumptions. These obligations are key audit matters mainly because the amounts are significant, the assessment process is complex and it requires key management estimates to determine the actuarial assumptions and fair value of assets.</p>	<p>We obtained a detailed understanding and evaluated the design and implementation of controls that the Company has established in relation to the book keeping process.</p> <p>We assessed management assumptions (actuarial and other assumptions) the numerical data, actuarial parameters, calculation of provision as well as presentation in the financial statements.</p> <p>We assessed and reviewed the compliance and accuracy of disclosure in the note 19 to the financial statement in accordance with IAS 19 and reviewed the key actuarial assumptions used, both financial and demographic, and considered the methodology utilized to derive these assumptions and assessed deviations of assumptions from actual figures.</p>
<p>First time application of third and fourth schedules to the Companies Act, 2017</p> <p>As referred to in note 4.1 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended December 31, 2018.</p> <p>The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said third and fourth schedules, the management made amendments in disclosures required in the Company's financial statements.</p>	<p>Our audit procedures include the following:</p> <p>Considering the management's process to identify the necessary amendments required in the Company's financial statements.</p> <p>Evaluating the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business.</p> <p>Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements.</p>

Key audit matter	How our audit addressed the key audit matters
We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017	

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

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

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 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; and
- 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 safeguards.

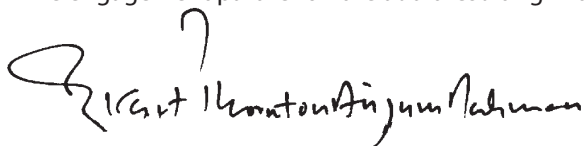
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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, 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: 21 March 2019

Chartered Accountants
Member of Grant Thornton International Ltd

Offices in Islamabad, Lahore

Statement of Financial Position

As At December 31, 2018

	Note	31 December 2018	31 December 2017
----- (Rupees) -----			
ASSETS			
Current assets			
Cash and bank balances	6	6,130,435	1,902,743
Advances	7	3,345,945	2,803,744
Prepayments and other receivables	8	1,158,965	956,092
Accrued interest on loan		51,276	9,337
Current maturity of non current assets	9	153,691,926	110,903,503
Total current assets		164,378,547	116,575,419
Non-current assets			
Long term finances and loans	10	65,390,531	64,098,814
Net investment in finance leases	11	273,329,996	289,282,913
Long-term deposits and prepayments	12	824,901	1,186,898
Fixed assets	13	5,076,809	6,500,443
Total non-current assets		344,622,237	361,069,068
Total assets		509,000,784	477,644,487
LIABILITIES			
Current liabilities			
Trade and other payables	14	3,743,855	3,677,308
Unclaimed dividend		19,694	20,629
Mark-up accrued on borrowings	15	1,299,884	918,407
Short term borrowings	16	141,556,042	110,351,822
Current maturity of non-current liabilities	17	51,707,395	41,275,989
Provision for compensated absences	18	2,491,591	2,379,069
Taxation - net		8,208,790	8,215,355
Total current liabilities		209,027,251	166,838,579
Non-current liabilities			
Long-term deposits	11.1	179,200,619	170,644,000
Deferred liabilities	19	9,090,662	6,911,306
Total non-current liabilities		188,291,281	177,555,306
Total liabilities		397,318,532	344,393,885
NET ASSETS		111,682,252	133,250,602
FINANCED BY			
Authorized share capital			
100,000,000 (2017: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	20	320,000,000	320,000,000
Reserves		48,466,329	48,466,329
Accumulated loss		(256,784,077)	(235,215,727)
Total shareholder's equity		111,682,252	133,250,602
Contingencies and commitments	21		

The annexed notes from 1 to 37 form an integral part of these financial statements.



Mir Javed Hashmat
Chief Executive Officer



Liaquat Ali
Chief Financial Officer



Abdul Waseem
Director

Statement of Profit or Loss

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
REVENUE			
Income from leasing operations	22	31,159,986	26,671,176
Other operating income			
Other income	23	290,721	691,506
Total revenue		31,450,707	27,362,682
EXPENSES			
Administrative	24	(43,641,984)	(40,548,391)
Finance cost	25	(14,421,877)	(10,317,635)
Total expenses		(58,063,861)	(50,866,026)
Operating loss before provisions		(26,613,154)	(23,503,344)
REVERSALS/(PROVISIONS)			
Reversals for potential lease losses	11.4	5,528,195	3,065,489
(Reveral)/(provision) for loans and receivables	10.4	73,861	(1,739,041)
Total provisions		5,602,056	1,326,448
LOSS BEFORE TAXATION		(21,011,098)	(22,176,896)
Taxation	26	(349,920)	(333,598)
LOSS FOR THE YEAR		(21,361,018)	(22,510,494)
Loss per share - basic and diluted	27	(0.67)	(0.70)

The annexed notes from 1 to 37 form an integral part of these financial statements.



Mir Javed Hashmat
Chief Executive Officer



Liaquat Ali
Chief Financial Officer



Abdul Waseem
Director



Statement Of Comprehensive Income

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
Loss for the year		(21,361,018)	(22,510,494)
Other comprehensive loss			
Items to be reclassified to profit or loss in subsequent years			
Actuarial loss on defined benefit obligation	19	(207,332)	(1,194,471)
Items not to be reclassified to profit or loss in subsequent years		-	-
Total comprehensive loss for the year		<u>(21,568,350)</u>	<u>(23,704,965)</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.


Mir Javed Hashmat
Chief Executive Officer


Liaquat Ali
Chief Financial Officer


Abdul Waseem
Director



Statement of Cash Flows

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(21,011,098)	(22,176,896)
Adjustment for:			
Depreciation and amortization	24	1,506,217	1,750,080
Gratuity expense	19.2	2,054,696	1,200,314
Provision for compensated absences	18	826,439	1,432,525
Finance cost	25	14,421,877	10,306,292
Profit on bank accounts/return on investments		(129,043)	(128,999)
Financial charges on leased assets	25	-	11,343
Gain on disposal of property and equipment	13.1.1	(161,678)	(545,867)
Provision for potential lease losses	11.4	(5,528,195)	(3,065,489)
Provision for loans and receivables	10.4	(73,861)	1,739,041
		12,916,452	12,699,240
Operating loss before working capital changes		(8,094,646)	(9,477,656)
Movement in working capital			
(Increase) / decrease in operating assets			
Accrued interest on loan		(41,939)	(5,585)
Net investment in lease		(16,214,419)	20,167,640
Finances and loans		(6,284,221)	3,932,525
Deposits, prepayments & other receivables		(202,873)	587,906
Long-term deposits and prepayments		361,997	(22,463)
Advances		(542,201)	(135,625)
		(22,923,656)	24,524,398
(Decrease) / increase in operating liabilities			
Trade and other payables		(66,547)	(468,373)
Unclaimed dividend		935	-
		(65,612)	(468,373)
Cash (used in)/ generated from operations		(31,083,914)	14,578,369
Financial charges paid		(13,932,630)	(10,194,779)
Interest income received		129,043	134,756
Gratuity paid	19.3	(82,672)	(636,336)
Benefits paid	18	(713,917)	(1,155,733)
Taxes paid		(359,056)	(319,168)
Long term deposits paid/(used-in)		18,988,025	(8,868,945)
		4,028,793	(21,040,205)
Net cash used in operating activities		(27,055,121)	(6,461,836)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure	13.1	(84,395)	(111,129)
Proceeds from disposal of fixed assets	13.1.1	162,990	1,056,021
Net cash generated from investing activities		78,595	944,892
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		-	(612,649)
Net cash used in financing activities		-	(612,649)
Net decrease in cash and cash equivalents		(26,976,526)	(6,129,593)
Cash and cash equivalents at beginning of the year		(108,449,079)	(102,319,486)
Cash and cash equivalents at end of the year	30	(135,425,605)	(108,449,079)

The annexed notes from 1 to 37 form an integral part of these financial statements.


Mir Javed Hashmat
Chief Executive Officer


Liaquat Ali
Chief Financial Officer


Abdul Waseem
Director

Statement of Changes in Equity

For The Year Ended December 31, 2018

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves		Total shareholder equity
		Share premium	Statutory reserve	Reserve against future losses	Accumu- lated loss	
----- (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 income						
Actuarial loss on 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, 2017	320,000,000	10,000,000	28,019,277	10,447,052	(211,510,762)	156,955,567
Total Comprehensive loss for the year ended December 31, 2017						
Loss for the year after taxation	-	-	-	-	(22,510,494)	(22,510,494)
Other comprehensive loss						
Actuarial loss on obligation	-	-	-	-	(1,194,471)	(1,194,471)
Balance as at December 31, 2017	320,000,000	10,000,000	28,019,277	10,447,052	(235,215,727)	133,250,602

The annexed notes from 1 to 37 form an integral part of these financial statements.



Mir Javed Hashmat
Chief Executive Officer



Liaquat Ali
Chief Financial Officer



Abdul Waseem
Director

Notes to the Financial Statements

For The Year Ended December 31, 2018

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% (2017: 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+ (2017: B+) and a short-term rating of B (2017: B) to the Company in the month of November 2018.
- 1.2** The Company has been incurring losses since year ended December 31, 2009 which has resulted in erosion of equity. During the year ended December 31, 2018, the Company has incurred a loss of Rs. 21.36 million (2017: Rs. 22.51 million) which has further increased accumulated losses to Rs. 256.79 million (2017: Rs. 235.22 million) as at the year end. Further, the net assets of the Company amounting to Rs. 111.68 million (2017: Rs. 133.25 million) includes non-performing leases and loans and finances, net of provisions of Rs. 131.79 million (2017: Rs. 142.39 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, the relaxation provided by SBP to SME Bank has been expired on June 2018 and the holding company has applied for relaxation of the aforesaid requirement in respect of its financing to the Company to the State Bank of Pakistan. The State Bank of Pakistan vide its letter no. BPRD/BA&CPD/646/3321/19 dated February 12, 2019 communicated to the Holding Company that the request for extension in the exemption from the applicable MCR, CAR and Prudential Regulations R-1 and R-2 may be considered, if some tangible progress in the Holding Company's Privatization/ revival process is witnessed.

The above factors indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. However, these financial statements have been prepared on going concern basis considering the factors mentioned below:

- The Holding Company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 141.556 million has been utilized as at December 31, 2018 (2017: Rs. 110.351 million). The said facility can be extended to the extent of Rs. 300 million as per the stand-by agreement for finance facility. Holding company has applied for relaxation to the State Bank of Pakistan from the requirements of related party exposure limits in order to continue its support towards the Company. The holding company will not call off the said amount till December 31, 2019 and the Holding Company will facilitate, assist and support the Company in arrangement of financing from external sources as and when required by the Company. Further, the Company is dependent on the holding company which has been in the list of privatization by Government of Pakistan. Upon successful completion of privatization of the parent company, the majority shareholding in SME Leasing Limited will be taken over by the acquirer of SME Bank Limited.
- The management of the Company has prepared cash flow projections which reflect that based on financial support by the parent company the Company will be able to continue its business on going concern basis in the foreseeable future.
- Concerted efforts are being made for the recovery of non-performing leases and loans and finances and in this respect during the year Rs. 21.748 million (2017: Rs. 39.715 million) has been recovered.
- 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 of the profitable operations 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, 2018

	Note	2018 Rupees	2017 Rupees
2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES			
Net lease disbursements	2.1	83,022,401	74,558,000
Recoveries	2.2	112,051,179	117,180,686

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

2.2 This represents recoveries from non-performing loans amounting to Rs. 21,747,959 (2017:Rs. 39,715,210) And regular parties amounting to Rs. 90,303,220 (2017:Rs. 77,465,476).

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). 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 and compensated absences 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 Pakistan Rupees, which is the Company's functional and presentation currency. The figures are rounded off to the nearest rupee.

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 estimate is 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.

The significant judgments made by the management in applying the accounting policies and the key sources of estimating uncertainty were the same as those applied to financial statements for the year ended December 31, 2017.

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:

Notes to the Financial Statements

For The Year Ended December 31, 2018

- Provision for current and deferred taxation and recognition and measurement of deferred tax assets and liabilities (notes 5.14 and 26).
- Classification and provision of net investment in finance lease and loans and finances (notes 5.6,5.7, 9 and 11).
- Determination and measurement of useful life and residual value of operating fixed assets (note 5.2 and 13).
- Staff retirement benefits (note 5.5 and 19).
- Staff compensated absences (note 5.5 & note 18).

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

4.1 Promulgation of Companies Act, 2017

The Companies Act, 2017 applicable for periods ending after December 31, 2017 which result in additional disclosures and certain changes in financial statements presentation.

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, 2018 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.

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.

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.

IFRS 15 'Revenue from contracts with customers' - This standard is effective for periods beginning from or after July 1, 2018. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 16 'Leases' - This standard is effective for periods beginning from or after January 1, 2019. IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
Annual Improvements to IFRSs 2015 - 2017 Cycle	January 1, 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.

Notes to the Financial Statements

For The Year Ended December 31, 2018

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	IASB effective date (Annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 17 - Insurance Contracts	January 1, 2021

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 cash flows.

5.2 Fixed assets

5.2.1 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 13.1 after taking into account residual value, if any. Depreciation on additions is charged from the month the assets are put to use while no depreciation is charged in the month in which the assets are disposed off. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each 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 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.

5.2.2 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 13.3 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.

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.

5.3 Assets acquired under finance lease

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

Notes to the Financial Statements

For The Year Ended December 31, 2018

5.4 Assets held for sale

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

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

5.5 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 accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences.

Defined benefit plan

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

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

5.6 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.

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.

Notes to the Financial Statements

For The Year Ended December 31, 2018

5.7 Provision for potential lease losses and doubtful loans and receivables

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

5.8 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 loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to 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.

5.9 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:

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

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

Subsequent to initial recognition these are 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.

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.

Notes to the Financial Statements

For The Year Ended December 31, 2018

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.

5.10 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.

5.11 Impairment

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

5.12 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.

5.13 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.

5.14 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.

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.

5.15 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.

Notes to the Financial Statements

For The Year Ended December 31, 2018

5.16 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.

5.17 Revenue recognition

- The Company follows the finance lease method in accounting for the recognition of lease income. Under this method, the unearned lease income i.e. the excess of gross lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease contract, so as to produce a systematic return on the net investment in finance lease. 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.

5.18 Earnings / (loss) per share

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

5.19 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.

5.20 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.

Notes to the Financial Statements

For The Year Ended December 31, 2018

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. Consequently, during the current year the Company has transferred an amount of Rs. Nil due to loss (2017: Rs. Nil) to its statutory reserve.

Reserve against future losses

This reserve represents amounts set aside in view of the risks associated with the economic cyclical nature of the business and is 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, 2018.

5.21 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.

	Note	2018 Rupees	2017 Rupees
6 CASH AND BANK BALANCES			
Balance with SBP in current account		21,642	21,642
Balances with banks:			
- in current accounts	6.1	5,955,850	1,733,001
- in saving accounts	6.2	86,531	81,688
Cash in hand		66,412	66,412
		<u>6,130,435</u>	<u>1,902,743</u>

6.1 These include balance with related party amounting to Rs. 1.562 million (2017: Rs. 0.056 million)

6.2 These carry profit rate of 4% per annum (2017: 3.5% per annum).

	Note	2018 Rupees	2017 Rupees
7 ADVANCES-considered good			
Advances to:			
- employees	7.1	1,295,960	805,048
- others		2,049,985	1,998,696
		<u>3,345,945</u>	<u>2,803,744</u>

7.1 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.

Notes to the Financial Statements

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
8 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		1,093,965	847,129
Advance payment to provident fund		-	43,963
Other receivable		1,769,706	1,769,706
		2,863,671	2,660,798
Less:Provision for other receivables		(1,704,706)	(1,704,706)
		1,158,965	956,092
9 CURRENT MATURITY OF NON CURRENT ASSETS			
Current portion of:			
- Long term finances and loans	10	15,610,031	10,517,139
- Net investment in finance leases	11	138,081,895	100,386,364
		153,691,926	110,903,503
10 LONG TERM FINANCES AND LOANS - secured			
Related parties - considered good			
-employees	10.1 & 10.2	1,504,534	1,884,251
Others			
Customers			
-considered good	10.3	27,211,350	18,135,402
-considered doubtful		62,999,191	65,384,674
		90,210,541	83,520,076
Less:Provision for doubtful finances and loans - net	10.4	(10,714,513)	(10,788,374)
		81,000,562	74,615,953
Less:current maturity			
Related parties - employees		(429,377)	(390,984)
Other than related parties - customers		(15,180,654)	(10,126,155)
	9	(15,610,031)	(10,517,139)
	10.5	65,390,531	64,098,814
10.1 Movement in loan to employees			
Balance at the beginning of the year		1,884,251	1,361,073
Disbursements		128,983	523,178
Repayments		(508,700)	-
Balance at the end of the year		1,504,534	1,884,251

Notes to the Financial Statements

For The Year Ended December 31, 2018

10.2 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% (2017: 5% to 7%) per annum.

10.3 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 9.5% to 27% (2017: 11.5% to 27.02%) per annum.

10.4 Provision for doubtful finances and loans - net

	Note	2018 Rupees	2017 Rupees
Balance at the beginning of the year		10,788,374	9,049,333
Provision for the year		61,554	2,201,274
Reversal for the year		(135,415)	(462,233)
		(73,861)	1,739,041
Balance at the end of the year		10,714,513	10,788,374

10.5 This includes no performing loans of Rs. 80.569 million (2017: Rs. 83.131 million) which have not been fully provided due to FSV benefits amount to Rs. 92.832 million (2017: 92.698 million)

11 NET INVESTMENT IN FINANCE LEASES

	Note	2018 Rupees	2017 Rupees
Net investment in finance leases	11.1	411,411,891	389,669,277
Current portion shown under current assets	9	(138,081,895)	(100,386,364)
		273,329,996	289,282,913

11.1 Net investment in finance leases

		2018			2017		
		Total	One to five year	Not later than five year	Total	One to five year	Not later than five year
----- (Rupees) -----							
Minimum Lease payments	11.1.2	391,364,518	291,883,192	99,481,326	397,763,577	325,363,245	72,400,332
Add : Residual Value of Leased Assets	11.2	230,534,781	179,200,619	51,334,162	211,546,756	170,644,000	40,902,756
Gross Investment in Leases		621,899,299	471,083,811	150,815,488	609,310,333	496,007,245	113,303,088
Unearned lease Income		(19,640,718)	(6,907,125)	(12,733,593)	(20,861,514)	(7,944,790)	(12,916,724)
Markup held in Suspense Account		(50,984,383)	(50,984,383)	-	(53,389,040)	(53,389,040)	-
		(70,625,101)	(57,891,508)	(12,733,593)	(74,250,554)	(61,333,830)	(12,916,724)
Provision for potential lease losses	11.4	551,274,198	413,192,303	138,081,895	535,059,779	434,673,415	100,386,364
		(139,862,307)	(139,862,307)	-	(145,390,502)	(145,390,502)	-
Net Investment in Finance leases		411,411,891	273,329,996	138,081,895	389,669,277	289,282,913	100,386,364

Notes to the Financial Statements

For The Year Ended December 31, 2018

- 11.1.1** The internal rate of return (IRR) on lease contract receivable ranges from 9.5% to 27.02% per annum (2017: 9.5% to 27.02% per annum).
- 11.1.2** This include amount receivable in respect of non performing leases of Rs. 134.060 million (2017: Rs. 134.656 million) which have not been fully provided due to FSV benefit amounting to Rs. 204.254 million (2017 Rs.206.166 million).
- 11.2** These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases. The amount is net of security deposit held against non-performing leases amounting to Rs. 154.936 million (2017: Rs. 159.360 million).
- 11.3** Lease rentals received during the year aggregate to Rs. 112.051 million (2017: Rs. 117.180 million). Lease disbursed during the year amounts to Rs. 83.022 million (2017: Rs. 74.558 million).

	Note	2018 Rupees	2017 Rupees
11.4 Provision for potential lease losses			
Balance at the beginning of the year		145,390,502	148,455,991
Provision for the year		429,250	4,425,231
Reversed during the year		(5,957,445)	(7,490,720)
Net charge		(5,528,195)	(3,065,489)
Balance at the end of the year		<u>139,862,307</u>	<u>145,390,502</u>
12 LONG TERM DEPOSITS AND PREPAYMENTS			
Other deposits		782,222	782,222
Prepayments		42,679	404,676
		<u>824,901</u>	<u>1,186,898</u>
13 FIXED ASSETS			
Property and equipment	13.1	4,998,971	6,189,293
Intangible assets	13.2	77,838	311,150
		<u>5,076,809</u>	<u>6,500,443</u>

Notes to the Financial Statements

For The Year Ended December 31, 2018

13.1 Property and equipment

	COST		ACCUMULATED DEPRECIATION				BOOK VALUE		Depreciatio Rate %	
	As at 1 January 2018	Additions/ Transfer Deletion	As at Dec 31, 2018	As at January 1, 2018	For the year	On disposal	Transfer	As at Dec 31, 2018		As at Dec 31, 2018
	----- (Rupees) -----		----- (Rupees) -----				-----			
Owned										
Furniture and fixtures	1,596,878	-	1,596,878	1,081,050	137,799	-	-	1,218,849	378,029	20
Office equipment	1,179,864	76,439	(20,000)	899,253	85,502	(18,188)	-	966,567	269,736	15
Building improvements	750,933	-	750,933	750,933	-	-	-	750,933	-	33.33
Office premises	9,514,190	-	9,514,190	4,738,418	475,710	-	-	5,214,128	4,300,062	5
Computers	1,452,070	7,956	-	1,327,147	96,969	-	-	1,424,116	35,910	33.33
Owned Vehicles	6,097,050	-	(1,549,900)	5,604,891	476,925	(1,549,900)	-	4,531,916	15,234	20
	20,590,985	84,395	(1,569,900)	19,105,480	1,272,905	(1,568,088)	-	14,106,509	4,998,971	

Notes to the Financial Statements

For The Year Ended December 31, 2018

	COST			ACCUMULATED DEPRECIATION				BOOK VALUE	Depreciation Rate %		
	As at 1 January 2017	Additions/Transfer	Deletion	As at Dec 31, 2017	As at January 1, 2017	For the year	On disposal	Transfer		As at Dec 31, 2017	As at Dec 31, 2017
	(Rupees)			(Rupees)							
Owned											
Furniture and fixtures	1,508,383	88,495	-	1,596,878	935,003	146,047	-	-	1,081,050	515,828	20
Office equipment	1,179,864	-	-	1,179,864	818,568	80,685	-	-	899,253	280,611	15
Building improvements	750,933	-	-	750,933	747,533	3,400	-	-	750,933	-	33.33
Office premises	9,514,190	-	-	9,514,190	4,262,708	475,710	-	-	4,738,418	4,775,772	5
Computers	1,429,436	22,634	-	1,452,070	1,204,127	123,020	-	-	1,327,147	124,923	33.33
Owned Vehicles	5,618,150	2,143,000	(1,664,100)	6,097,050	4,916,658	575,633	(1,153,467)	1,266,067	5,604,891	492,159	20
	20,000,956	2,254,129	(1,664,100)	20,590,985	12,884,597	1,404,495	(1,153,467)	1,266,067	14,401,692	6,189,293	
Leased											
Vehicles	2,143,000	-	(2,143,000)	-	1,158,917	107,150	-	(1,266,067)	-	-	20
	22,143,956	2,254,129	(3,807,100)	20,590,985	14,043,514	1,511,645	(1,153,467)	-	14,401,692	6,189,293	

Notes to the Financial Statements

For The Year Ended December 31, 2018

13.1.1 Particulars of disposal of property and equipment

Particulars	Cost	WDV	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of buyers
Owned vehicles	599,900	-	59,990	59,990	Company policy	Naeem Ul Hasan
Owned vehicles	950,000	-	95,000	95,000	Company policy	Asghar Maqsood
Batteries	10,000	1,812	5,000	3,688	-	Market
UPS Battery	10,000	-	3,000	3,000	-	Market
December 31, 2018	1,569,900	1,812	162,990	161,678		
December 31, 2017	1,664,100	510,533	1,056,400	545,867		

13.2 Intangible Assets

	2018							
	Cost			Accumulated Amortisation			Net book value at December 31, 2018	Amortization rate (%)
	As at 1 January 2018	Additions	As at 31 December 2018	As at January 1, 2018	Charge for the year	As at 31 December 2018		
Software and licenses	1,507,142	-	1,507,142	1,195,992	233,312	1,429,304	77,838	33%

	2017							
	Cost			Accumulated Amortisation			Net book value at December 31, 2017	Amortization rate (%)
	As at 1 January 2017	Additions	As at 31 December 2017	As at January 1, 2017	Charge for the year	As at 31 December 2017		
Software and licenses	1,507,142	-	1,507,142	959,858	236,134	1,195,992	311,150	33%

Note	2018 Rupees	2017 Rupees
------	-------------	-------------

14 TRADE AND OTHER PAYABLES

Accrued liabilities	629,840	479,059
Payable on termination / maturity of leases	597,920	320,750
Insurance payable	2,295,245	2,380,823
Sales tax payable	1,866	2,360
Others	218,984	494,316
	3,743,855	3,677,308

Notes to the Financial Statements

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
15 ACCRUED MARK-UP ON BORROWINGS			
Interest accrued on:			
- Short term borrowings	15.1	<u>1,299,884</u>	<u>918,407</u>

15.1 The amount represents accrued interest payable to the holding company.

16 SHORT TERM BORROWING

The Company has a running finance facility available from the holding company amounting to Rs.150 million (2017: Rs.150 million) at mark-up rates ranging between 9.97% to 10.43% (2017: 9.96% to 9.97%) per annum. Above arrangements are secured by way of hypothecation of the Company's specific leased assets and related receivables of the Company. Further, the said facility can be extended to the extent of Rs. 300 million (2017: Rs. 300 million) as per the stand-by agreement for finance facility.

	Note	2018 Rupees	2017 Rupees
17 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term finance	17.1	<u>373,233</u>	<u>373,233</u>
Long term deposits	11.1	<u>51,334,162</u>	<u>40,902,756</u>
		<u>51,707,395</u>	<u>41,275,989</u>

17.1 This represents balance due against financing facilities amounting to Rs. 0.373 million (2017: Rs. 0.373 million) from National Energy Conservation Centre (Enercon). The facilities from Enercon have been obtained under an agreement whereby they have agreed to provide funds to the Company for granting lease / finance facility to its customers for procuring and using energy efficient equipments. The facility carries mark-up at the rate of 5% per annum payable on quarterly basis subject to the condition that the Company will provide lease /finance facility to its customers at a preferential mark-up rate.

	Note	2018 Rupees	2017 Rupees
18 PROVISION FOR COMPENSATED ABSENCES			
Changes in present value of defined benefit obligations			
Present value of defined benefit obligations- Opening		<u>2,379,069</u>	<u>2,102,277</u>
Current service cost		<u>888,418</u>	<u>856,037</u>
Interest cost on defined benefit obligation		<u>166,824</u>	<u>144,819</u>
Benefits paid		<u>(713,917)</u>	<u>(1,155,733)</u>
Remeasurement			
- Actuarial gains from changes in assumptions		<u>15,656</u>	<u>(3,799)</u>
- Experience adjustments		<u>(244,459)</u>	<u>435,468</u>
Present value of defined benefit obligations- Closing		<u>2,491,591</u>	<u>2,379,069</u>
Expenses to be charged to statement of profit or Loss			
Current service cost		<u>888,418</u>	<u>856,037</u>
Experience adjustments		<u>(244,459)</u>	<u>435,468</u>
Actuarial gains from changes in financial assumptions		<u>15,656</u>	<u>(3,799)</u>
Interest cost on defined benefit obligation		<u>166,824</u>	<u>144,819</u>
Expense chargeable to statement of profit or loss	24.1	<u>826,439</u>	<u>1,432,525</u>
Changes in net liability			
Statement of financial position liability- Opening		<u>2,379,069</u>	<u>2,102,277</u>
Expenses chargeable to statement of profit or loss		<u>826,439</u>	<u>1,432,525</u>
Benefits paid		<u>(713,917)</u>	<u>(1,155,733)</u>
Statement of financial position liability- Closing		<u>2,491,591</u>	<u>2,379,069</u>

Notes to the Financial Statements

For The Year Ended December 31, 2018

19 DEFERRED LIABILITIES-Gratuity

The Company operates an unapproved and unfunded gratuity scheme for all of its permanent employees. Number of employees covered under the scheme are 34 (2017: 33).

Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out on December 31, 2018 by Nauman Associates using the Projected Unit Credit Method. The following significant assumptions were used for valuation of the scheme:

		2018	2017
Valuation Discount rate		13.25%	8.25%
Expected long term rate of increase in salary level		13.25%	8.25%
19.1 Liability in statement of financial position			
Present value of defined benefit obligation	19.2	<u>9,090,662</u>	<u>6,911,306</u>
19.2 Movement in liability during the year			
Balance as at January 01,		6,911,306	5,152,857
Charged to statement of profit or loss		2,054,696	1,200,314
Remeasurements chargeable in other comprehensive income		207,332	1,194,471
Benefits paid during the year		(82,672)	(636,336)
Balance as at December 31,		<u>9,090,662</u>	<u>6,911,306</u>
19.3 Reconciliation of the present value of defined benefit obligations			
Present value of obligations as at January 01,		6,911,306	5,152,857
Current service cost		1,201,017	741,019
Interest cost		566,773	459,295
Past service cost		286,906	
Benefits paid during the year		(82,672)	(636,336)
Remeasurements loss / (gain) chargeable in other comprehensive income		207,332	1,194,471
Present value of obligations as at December 31,		<u>9,090,662</u>	<u>6,911,306</u>
19.4 Charge for the year			
Current services cost		1,201,017	741,019
Past service cost		286,906	-
Interest cost		566,773	459,295
		<u>2,054,696</u>	<u>1,200,314</u>
19.5 Re-measurements recognized in other comprehensive income			
Actuarial losses/(gains) on obligation		50,533	(10,435)
Experience adjustment		156,799	1,204,906
Total re-measurements recognized in other comprehensive income		<u>207,332</u>	<u>1,194,471</u>

Notes to the Financial Statements

For The Year Ended December 31, 2018

19.6 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:

	Rupees	Rate effect
Discount rate effect		
Original liability	9,090,662	13.3%
1% increase	8,436,833	14.3%
1% decrease	9,847,807	12.3%
Salary increase rate effect		
Original liability	9,090,662	13.3%
1% increase	9,851,244	14.3%
1% decrease	8,421,950	12.3%

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.

19.7 Maturity profile

The weighted average duration of the obligation (in years)

2018	2017
8	9

20 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2018 (Number of shares)	2017		2018 Rupees	2017 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
32,000,000	32,000,000		320,000,000	320,000,000

20.1 At December 31, 2018, The holding company and its nominees hold 73.14% (2017: 73.14%) ordinary shares of the Company.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

There are no contingencies as at year end except disclosed in Note 27.2 of the financial statements (2017: Nil).

Notes to the Financial Statements

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
21.2 Commitments			
21.2.1 Lease disbursement	21.2.2	8,624,950	9,750,000
21.2.2 These represent lease and finances which have been approved by the Company at the year end.			
21.2.3 Commitments in respect of rent agreement are as follows:			
Not later than one year		1,698,695	2,177,549
Later than one year but not later than five years		376,200	684,342
		2,074,895	2,861,891
22 INCOME FROM OPERATIONS			
Income from finance leases		26,471,227	21,883,371
Income on finances and loans to customers		4,688,759	4,787,805
		31,159,986	26,671,176
23 OTHER INCOME			
Income from financial assets			
Mark-up on loan to employees		115,355	124,845
Profit on bank account/return on investment		5,244	4,154
Income from non-financial assets			
Gain on disposal of fixed assets	13.1.1	161,678	545,867
Other income		8,444	16,640
		290,721	691,506
24 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	24.1	27,040,411	24,449,178
Directors' fee	24.3	785,000	765,000
Rent, rates and taxes		3,302,068	3,001,764
Electricity, gas and water		942,210	1,030,929
Telephone and postage		939,711	762,157
Repairs and maintenance		434,907	487,388
Books and periodicals		42,680	33,410
Vehicle running		297,336	456,948
Advertising		594,043	246,550
Training and development		189,500	146,583
Travelling, conveyance and entertainment		1,634,119	1,424,057
Printing and stationery		725,550	948,269
Auditors' remuneration	24.4	509,825	485,000
Depreciation and amortization	13.1 & 13.3	1,506,217	1,750,080
Legal and professional		3,176,303	2,875,624
Insurance		998,848	915,213
Commission and brokerage charges		-	102,916
Miscellaneous		523,256	667,325
		43,641,984	40,548,391

Notes to the Financial Statements

For The Year Ended December 31, 2018

	Note	2018 Rupees	2017 Rupees
24.1 Salaries allowance and other benefits include:			
Staff gratuity fund	19	2,054,696	1,200,314
Staff provident fund		619,432	574,748
Compensated absences	18	826,439	1,432,525

24.2 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:

	2018		2017	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	2,904,000	1,432,818	2,640,000	2,733,930
Housing and utilities	1,452,000	716,409	1,320,000	1,366,965
Provident fund	232,320	114,625	-	218,714
Medical and other perquisites	290,400	143,282	264,000	273,393
Gratuity	387,200	-	352,000	254,165
Leave encashment	193,600	-	176,000	127,083
Leave fare assistance	387,200	-	352,000	-
Others	-	-	-	-
	<u>5,846,720</u>	<u>2,407,134</u>	<u>5,104,000</u>	<u>4,974,250</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>1</u>	<u>4</u>

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.

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

	2018 Rupees	2017 Rupees
24.4 Auditors' remuneration		
Annual audit	250,000	250,000
Half yearly review	55,600	50,000
Other certifications	50,000	50,000
Out of pocket expenses	154,225	135,000
	<u>509,825</u>	<u>485,000</u>

25 FINANCE COST

	2018 Rupees	2017 Rupees
Mark-up on short term borrowings	14,314,107	10,153,264
Lease finance charges	-	11,343
Bank charges	107,770	153,028
	<u>14,421,877</u>	<u>10,317,635</u>

Notes to the Financial Statements

For The Year Ended December 31, 2018

26 TAXATION

26.1 Current tax liability

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

26.2 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.

26.3 Deferred tax asset of Rs. 80.834 million (2017: Rs. 100.677 million) has not been recognized as the Company does not foresee future taxable profits against which unused tax losses will be utilized.

26.4 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

27 LOSS PER SHARE - BASIC AND DILUTED

Loss after taxation attributable to ordinary shareholders

2018 Rupees	2017 Rupees
<u>(21,361,018)</u>	<u>(22,510,494)</u>
(Number of shares)	
<u>32,000,000</u>	<u>32,000,000</u>
(Rupees)	
<u>(0.67)</u>	<u>(0.70)</u>

Weighted average number of outstanding ordinary shares

Loss per share - basic and diluted

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

28 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of 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, 2018

		2018 Rupees	2017 Rupees	
28.1	BALANCES			
	SME Bank Limited (holding company)			
	Short term borrowing	16	141,556,042	110,351,822
	Staff Provident Fund (Payable)/receivable from staff provident fund	8	-	43,963
28.2	TRANSACTIONS			
	SME Bank Limited (holding company)			
	Mark up expense for the year	25	14,314,107	10,158,795
	Repayment of short term borrowing facility-net		(31,204,220)	(5,512,891)
	Rent expense		423,288	423,288
	Key management personnel			
	Key management remuneration		7,725,360	6,503,388
	Post retirement benefits		440,600	461,375
	Staff provident fund			
	Company's contribution towards provident fund		619,432	574,748
29	PROVIDENT FUND			
	Size of the fund (Net assets)		4,795,600	4,614,643
	Cost of investment made		4,590,796	4,575,869
	Percentage of investment made		95.73%	99.16%
	Fair value of investments		4,785,749	4,590,796

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

29.1 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	2018 Rupees	2017 Rupees
30	CASH AND CASH EQUIVALENTS			
	Cash and bank balances	6	6,130,435	1,902,743
	Short term borrowings	16	(141,556,040)	(110,351,822)
			<u>(135,425,605)</u>	<u>(108,449,079)</u>
31	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, 2018

31.1 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.

31.2 Credit risk

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

31.2.1 Management of credit risk

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

31.2.2 Exposure to credit risk

In summary, compared to the maximum amount included in the balance sheet, the maximum exposure to credit risk as at December 31, 2018 is as follows:

	2018		2017	
	Statement of financial position	Maximum exposure	Statement of financial position	Maximum exposure
	------(Rupees)-----			
Bank balances	6,064,023	6,108,793	1,769,919	1,881,101
Advances	3,345,945	3,345,945	2,803,744	2,803,744
Accrued interest on working capital loans	51,276	-	9,337	-
Net investment in finance lease	411,411,891	411,411,891	389,669,277	389,669,277
Long term finances and loans	81,000,562	81,000,562	74,615,953	74,615,953
Short term and long term deposits	1,983,866	1,983,866	2,142,990	2,142,990
	<u>503,857,563</u>	<u>503,851,057</u>	<u>471,011,220</u>	<u>471,113,065</u>

Notes to the Financial Statements

For The Year Ended December 31, 2018

31.2.3 Credit ratings and collaterals

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

	2018	2017
Ratings		
A1+	2.93%	4.84%
A-1+	71.36%	90.67%
Others	25.71%	4.49%
	<u>100%</u>	<u>100%</u>

31.2.4 Description of Collateral held

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

Details of exposures and the collateral as at December 31, 2018 against them are as follows:

	Net Exposure (Rupees)	Lower of collateral and gross exposure (Rupees)
Lease Finance		
- Regular	179,169,321	179,169,321
- Non performing net of provision	232,242,570	232,242,570
	<u>411,411,891</u>	<u>411,411,891</u>
Working Capital Finance		
- Regular	27,212,297	27,212,297
- Non Performing net of provision	52,283,731	52,283,731
	<u>79,496,028</u>	<u>79,496,028</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 on sale.

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

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

Notes to the Financial Statements

For The Year Ended December 31, 2018

31.2.5 Impairment losses and past due balances

	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>

	2017			
	Total	Loans and receivables	Net investment in finance lease	Impairment recognised
	------(Rupees)-----			
Not past due	158,452,045	17,974,372	140,477,673	-
1 - 179 days	8,781,109	238,619	8,542,490	-
180 days - 1 year	9,476,514	-	9,476,514	-
More than 1 year	285,691,311	65,307,085	376,563,102	(156,178,876)
	<u>462,400,979</u>	<u>83,520,076</u>	<u>535,059,779</u>	<u>(156,178,876)</u>

31.2.6 Concentration of credit risk - gross investment in finance lease

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

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

Notes to the Financial Statements

For The Year Ended December 31, 2018

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

Category	2018		2017	
	Rupees	Percentage	Rupees	Percentage
Cargo Carriers	28,654,192	3.88%	57,941,411	8.08
Chemicals	32,660,785	4.42%	15,270,451	2.13
Communication	6,802,623	0.92%	32,915,215	4.59
Confectionary	10,114,506	1.37%	16,783,257	2.34
Construction & Building Products	8,131,225	1.10%	18,055,160	2.52
Dates	550,947	0.07%	5,357,055	0.75
Education	27,791,490	3.76%	33,737,331	4.70
Engineering	17,962,590	2.43%	77,940,599	10.87
Entertainment	37,426,843	5.07%	24,273,002	3.38
Film Processing	50,249,843	6.81%	66,686,496	9.30
Fisheries	1,285,857	0.17%	15,371,041	2.14
Food & Beverages	42,840,480	5.80%	29,677,637	4.14
Furniture	972,448	0.13%	5,998,129	0.84
Garments	26,315,598	3.56%	26,028,752	3.63
Gems & Jeweler	13,921,662	1.89%	4,151,522	0.58
Health Care	57,355,514	7.77%	38,614,096	5.38
Leather & Tannery	15,364,218	2.08%	2,319,558	0.32
Miscellaneous	36,220,855	4.91%	24,753,223	3.45
Oil & Gas	65,036,320	8.81%	26,645,421	3.72
Pharma	12,244,365	1.66%	8,636,214	1.20
Plastic	14,138,949	1.91%	11,660,678	1.63
Printing & Packaging	74,340,247	10.07%	43,063,932	6.00
Public Transport Services	102,465,283	13.88%	95,227,881	13.28
Rubber	40,741,231	5.52%	25,485,294	3.55
Textile	14,832,903	2.01%	10,570,723	1.47
	738,420,974	100%	717,164,078	100

31.3 Liquidity risk

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

31.3.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Due to nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfill its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

31.3.2 Maturity analysis for financial liabilities

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

Notes to the Financial Statements

For The Year Ended December 31, 2018

	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

	2017			
	Total	Contractual cash flow	Upto one year	More than one year
	----- (Rupees) -----			
Financial Liabilities				
Accrued and other liabilities	3,697,937	3,697,937	3,697,937	-
Short term borrowings	110,351,822	110,351,822	110,351,822	-
Long term finances - secured	373,233	373,233	373,233	
Long term deposits	211,546,756	211,546,756	3,675,000	207,871,756
Markup accrued	918,407	918,407	918,407	
	326,888,155	326,888,155	119,016,399	207,871,756

31.4 Market risk

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

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

31.4.1 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, 2018

31.4.2 Interest rate risk

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

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

		Carrying amount	
		2017 (Rupees)	2016 (Rupees)
Fixed rate instruments			
Financial assets			
Net investments in finance lease	9.5% to 27%	411,411,891	389,669,277
Long term finance and loans	9.5% to 27%	81,000,562	74,615,953
		492,412,453	464,285,230
Financial liabilities			
Long term finance	-	373,233	373,233
Liabilities against assets subject to finance lease	15.01%	-	-
		373,233	373,233
Variable rate instruments			
Financial assets			
Bank balances	4.55%	86,531	81,688
		86,531	81,688
Financial liabilities			
Short term borrowings	9.97% to 10.43%	141,556,042	110,351,822
		141,556,042	110,351,822

31.4.3 Fair value sensitivity analysis for fixed rate instruments

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

31.4.4 Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by Rs. 0.144 million (2017: Rs. 0.103 million). This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis which were used for the year ended December 31, 2017.

31.4.5 Interest rate gap position

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

Notes to the Financial Statements

For The Year Ended December 31, 2018

		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	86,531	86,531	-	-	
Long term finances and loans	81,000,562	15,180,654	1,504,534	64,315,374	
Net investment in finance lease	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	13,721,091	337,645,370	
Financial liabilities					
Short term borrowings	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	(127,834,951)	337,645,370	
Total interest rate sensitivity gap	350,569,709	140,759,290	12,924,339	350,569,709	

		2017			
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	81,688	81,688	-	-	
Long term finances and loans	74,615,953	17,974,372	(5,963,966)	62,605,547	
Net investment in finance lease	389,669,277	140,477,673	(189,376,261)	438,567,865	
Total financial assets as on December 31, 2017	464,366,918	158,533,733	(195,340,227)	501,173,412	
Financial liabilities					
Short term borrowings	110,351,822	-	110,351,822	-	
Long term finances	373,233	373,233	-	-	
Total financial liabilities as on December 31, 2017	110,725,055	373,233	110,351,822	-	
On balance sheet gap	353,641,863	158,160,500	(305,692,049)	501,173,412	
Total interest rate sensitivity gap	353,641,863	158,160,500	(147,531,549)	353,641,863	

Notes to the Financial Statements

For The Year Ended December 31, 2018

31.5 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Company is not exposed to equity securities price risk as the Company does not hold any equity securities as at December 31, 2017.

32 CAPITAL RISK MANAGEMENT

32.1 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.

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

	2018 Rupees	2017 Rupees
Total debt	373,233	373,233
Total equity	111,682,252	133,250,602
Total capital employed	<u>112,055,485</u>	<u>133,623,835</u>
Gearing ratio	<u>0.33%</u>	<u>0.28%</u>

32.3 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.

32.4 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).

As at December 31, 2018, the Company held the following classes of financial instruments measured at fair value:

Notes to the Financial Statements

For The Year Ended December 31, 2018

December 31, 2018	Note	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 not measured at fair value									
	6	6,130,435	-	-	6,130,435	-	-	-	-
	7	3,345,945	-	3,345,945	-	-	-	-	-
	8	-	1,158,965	-	1,158,965	-	-	-	-
	10	-	-	-	-	-	-	-	-
		-	81,000,562	-	81,000,562	-	-	-	-
	11	-	411,411,891	-	411,411,891	-	-	-	-
		6,130,435	496,917,363	-	503,047,798	-	-	-	-
Financial liabilities not measured at fair value									
	14	-	-	3,743,855	-	-	-	-	-
	15	-	-	1,299,884	-	-	-	-	-
	16	141,556,042	-	-	-	-	-	-	-
	18	-	-	2,491,591	-	-	-	-	-
	17	-	-	373,233	-	-	-	-	-
	11	-	-	179,200,619	-	-	-	-	-
	19	-	-	9,090,662	-	-	-	-	-
		141,556,042	-	196,199,844	-	-	-	-	-

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

32.6 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, 2017, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.



Notes to the Financial Statements

For The Year Ended December 31, 2018

December 31, 2017	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 not measured at fair value									
Cash and bank balance	6	1,902,743	-	-	1,902,743	-	-	-	-
Advances	7	2,803,744	-	2,803,744	-	-	-	-	-
Deposits, prepayments and other receivables	8	-	956,092	-	956,092	-	-	-	-
Long term finances and loans and accrued interest thereon	10	-	74,615,953	-	74,615,953	-	-	-	-
Net investment in finance leases	11	-	389,669,277	-	389,669,277	-	-	-	-
		1,902,743	468,045,066	-	469,947,809	-	-	-	-
Financial liabilities not measured at fair value									
Accrued and other liabilities	14	-	-	3,677,308	3,677,308	-	-	-	-
Accrued mark-up on borrowings	15	-	-	918,407	918,407	-	-	-	-
Short term borrowings	16	110,351,822	-	110,351,822	-	-	-	-	-
Provision for compensated absences	18	-	-	2,379,069	2,379,069	-	-	-	-
Long term finances	17	-	-	373,233	373,233	-	-	-	-
Liabilities against assets subject to finance lease		-	-	601,306	601,306	-	-	-	-
Long term deposits	11	-	-	170,644,000	170,644,000	-	-	-	-
Deferred liabilities	19	-	-	6,911,306	6,911,306	-	-	-	-
		110,351,822	-	185,504,629	295,856,451	-	-	-	-

Notes to the Financial Statements

For The Year Ended December 31, 2018

33 SEGMENT INFORMATION

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

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

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

	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 operating expenses					(43,641,984)
					<u>(58,063,861)</u>
Loss before tax					(21,011,098)
Taxation					(349,920)
Loss after tax					<u>(21,361,018)</u>
Other information					-
Segment assets	411,411,891	79,496,028	-	-	490,907,919
Unallocated assets				18,092,865	18,092,865
Total assets					<u>509,000,784</u>
Segment liabilities	233,427,946	-	-	-	233,427,946
Unallocated liabilities				163,890,586	163,890,586
Total liabilities					<u>397,318,532</u>
Net assets					<u>111,682,252</u>
Capital expenditure	-	-	-	84,395	84,395

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

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

Notes to the Financial Statements

For The Year Ended December 31, 2018

	2017				Total
	Finance lease	Loans and receivables	Investment	Others	
	----- (Rupees) -----				
Segment revenue	<u>23,066,962</u>	<u>9,464,198</u>	<u>1,790,051</u>	<u>3,093,906</u>	<u>37,415,117</u>
Segment profit	<u>27,540,356</u>	<u>5,854,666</u>	<u>1,790,051</u>	<u>3,093,906</u>	<u>38,278,979</u>
Segment result					<u>38,278,979</u>
Unallocated cost					
Finance cost					13,224,768
Administrative and operating expenses					38,111,121
					51,335,889
Loss before tax					(22,176,896)
Taxation					(333,598)
Loss after tax					(22,510,494)
Other information					
Segment assets	406,932,035	78,926,446	-	-	485,858,481
Unallocated assets				17,908,548	17,908,548
Total assets					503,767,029
Segment liabilities	223,733,484	-	-	-	223,733,484
Unallocated liabilities				123,077,978	123,077,978
Total liabilities					346,811,462
Net assets					<u>156,955,567</u>
Capital expenditure	-	-	-	1,280,792	<u>1,280,792</u>

34 CORRESPONDING FIGURES

Items presented in the statement of financial position as at December 31, 2017 have been reclassified to confirm to current year's presentation. Effect of these reclassifications are presented in the following table:

	As previously reported	Reclassification	Currently reported
Net investment in leases			
Residual value of leased assets			
-Not later than one year	6,300,000	34,602,756	40,902,756
-Later than one but not later than five years			
	<u>205,246,756</u>	(34,602,756)	<u>170,644,000</u>
	<u>211,546,756</u>		<u>211,546,756</u>
Transferred unclaimed dividend from trade and other payables			
Trade and other payable	3,697,937	(20,629)	3,677,308
Unclaimed dividend	-	20,629	20,629
	<u>3,697,937</u>		<u>3,697,937</u>

Notes to the Financial Statements

For The Year Ended December 31, 2018

Corresponding figures for remuneration to Chief Executive, Directors and Executives disclosed in the note 24.2 have been recalculated based on the definition of Executive as per Companies Act, 2017.

35 NUMBER OF EMPLOYEES

The number of employees as on the year end were 34 (2017: 33) and average number of employees during the year were 33 (2017: 35).

36 SUBSEQUENT EVENTS

No adjusting or significant non-adjusting events have occurred between the date of report and date of authorization.

37 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 29th January, 2019 by the Board of Directors of the Company.



Mir Javed Hashmat
Chief Executive Officer



Liaquat Ali
Chief Financial Officer



Abdul Waseem
Director



Pattern of Shareholding

As at December 31, 2018

Shareholding		No of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	18	150	0.00
101	500	204	101,157	0.32
501	1,000	39	38,900	0.12
1,001	5,000	56	165,410	0.52
5,001	10,000	16	133,499	0.42
10,001	15,000	3	40,000	0.13
15,001	20,000	5	96,500	0.30
20,001	25,000	4	91,000	0.28
25,001	30,000	1	30,000	0.09
45,001	50,000	2	96,000	0.30
50,001	55,000	2	105,525	0.33
55,001	60,000	2	117,000	0.37
70,001	75,000	1	70,500	0.22
100,001	105,000	1	104,500	0.33
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
730,001	735,000	1	732,500	2.29
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	2,601,500	8.13
23,405,001	23,410,000	1	23,405,198	73.14
		365	32,000,000	100

Categories of Shareholders

As at December 31, 2018

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. Mir Javed Hashmat	1	-	1	0.00
Mr. Dilshad Ali Ahmad	1	-	1	0.00
Mr. Ihsan-ul-Haq Khan	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	-	155,000	155,000	0.48
Other Companies, Corporate Bodies, Trust etc.	46,000	1,362,202	1,408,202	4.40
General Public	137,000	4,419,616	4,556,616	14.24
	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			2,601,500	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 17th Annual General Meeting of the Company to be held on April 24, 2019 and at any adjournment thereof.

Signed this _____ of _____ 2019.
(day) (date, month)

Signature of Member: _____

Folio Number: _____

Number of shares held : _____

Witnesses:

1. _____
2. _____

Please affix
Revenue Stamp

Signature and Company Seal

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

Affix
Correct
Postage

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



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



SME Leasing Limited

(A subsidiary of SME Bank Ltd.)

Office No. 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, Karachi

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