



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

ANNUAL REPORT 2020





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.

Contents

04	Corporate Information
06	Notice of the 19th Annual General Meeting
08	Directors' Report
23	Chairman Report
25	Financial Highlights and Charts
27	Code of Conduct
29	Statement of Compliance with the Code of Corporate Governance
37	Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance
39	Independent Auditor's Report to the Members
43	Statement of Financial Position
44	Statement of Profit or Loss
45	Statement of Comprehensive Income
46	Statement of Changes in Equity
47	Statement of Cash Flow
48	Notes to the Financial Statements
86	Pattern of Shareholding
	Proxy Form



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

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: 022-2782418

LAHORE

Office No. 805, 8th Floor, Al-Hafeez Heights,
65-D-A, Sir Syed/Ghalib Road, Gulberg III, Lahore.
Phone: 042-35751660

ISLAMABAD

Office No. 15, 2nd Floor, Rehmat Centre, I-8 Markaz.
Phone: 051-4861407, 051-4938279

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, 091-5254004, Fax: 091-9211683

Corporate Information

BOARD OF DIRECTORS

Mr. Bilal Mustafa - Chairman
Mr. Dilshad Ali Ahmad
Mr. Javed Mahmood
Mr. Muhammad Mubeen Mufti
Ms. Darakhshan S. Vohra
Ms. Sameena Gul

CHIEF EXECUTIVE OFFICER

Mr. Asghar Maqsood (Officiating)

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Mr. Javed Mahmood - Chairman
Mr. Bilal Mustafa
Ms. Darakhshan S. Vohra

HUMAN RESOURCE COMMITTEE

Mr. Bilal Mustafa - Chairman
Mr. Dilshad Ali Ahmad
Ms. Darakhshan S. Vohra
Mr. Sohail Imran - Committee Secretary

Corporate Information

COMPANY SECRETARY & CFO

Mr. M. Shahzad

EXTERNAL AUDITORS

Grant Thornton Anjum Rahman
Chartered Accountants

INTERNAL AUDITOR

Mr. Asad Ali

TAX CONSULTANTS

EY Ford Rhodes
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Company
Advocate & Legal Consultant

CREDIT RATING

Long Term: B Short Term: B

REGISTERED OFFICE

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

MAIN OFFICE

Office No.304, 3rd Floor, Business Arcade, Shahra-e-Faisal, Karachi
Tel: (+92-21) 34322128-129-137
Fax: (+92-21) 34322082
E-mail: info@smelease.com

REGISTRAR AND SHARE TRANSFER CERTIFICATE

Corptec Associates (Pvt.) Limited
503-E, Johar Town, Lahore

BANKS AND LENDING INSTITUTIONS

SME Bank Limited
Meezan Bank Limited

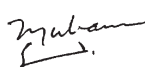
Notice of the 19th Annual General Meeting

Notice is hereby given that the Nineteenth Annual General Meeting of the shareholders of SME Leasing Limited (the Company) will be held at Hotel Crown Plaza, Islamabad on Tuesday, April 27, 2021 at 09:30 am to transact the following business:

ORDINARY BUSINESS.

1. To confirm the minutes of the 18th Annual General Meeting of the Company held on June 29, 2020.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended December 31, 2020 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company for the year ending December 31, 2021 and fix their remuneration. The Board of Directors has recommended appointment of M/s. BDO Ebrahim & Co, Chartered Accountants as auditors of the Company, for the year ending December 31, 2021.
4. To transact any other business with the permission of the Chair.

By Order of the Board



M. Shahzad
Company Secretary

Karachi: March 04, 2021

Notes:

1. The Register of the members of the Company will remain closed from April 21, 2021 to April 27, 2021 (both days inclusive).
2. In view of the current situation due to COVID-19 and in line with the directions issued to listed companies by the SECP, vide its circular No. 4 of 2021 dated February 15, 2021 and subsequent circular No. 6 of 2021 dated March 3, 2021, the Company has made special arrangements for attending the AGM through electronic means.

The entitled shareholders (whose name appeared in the Books of the Company by close of business on April 21, 2021 interested in attending the AGM through electronic means are requested to get themselves registered with the Company Secretary Office at least 48 hours before the holding of AGM at 19agm@smelease.com by providing the following:

Name of shareholder	CNIC No.	Folio / CDS No.	Cell No.	Email address
---------------------	----------	-----------------	----------	---------------

Login facility will be opened thirty minutes before the meeting time to enable the participants to join the meeting after identification process. Shareholders will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for identification and verification of the shareholders.

The entitled shareholders may send their comments and suggestions relating to the agenda items of the AGM to the Company Secretary office at least two working days before the AGM, at above mentioned email address. Shareholder are required to mention their full name, CNIC No. and Folio / CDS No. for this purpose.

3. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend, speak and vote at the meeting on his / her behalf. The proxy form must be deposited at the Main office of the Company situated at 304, 3rd Floor, Business Arcade, Shakra-e-Faisal, and Karachi not later than 48 hours before the time of the meeting.
4. For attending the meeting and appointing proxies, CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by the SECP. The rights of members and their proxies exercisable during meetings and all other relevant information are listed in section 137 of the Companies Act, 2017.
5. Shareholders are requested to notify the change of their address, if any, to the share Registrar of the Company.
6. The annual report 2020 has been dispatched at the registered address of all the members. For future, as allowed under SECP Notification S.R.O.787(1)/2014, the annual report will be dispatched at the email address of those members who have provided their email address and consent to receive the annual report electronically. For this purpose, a standard request form is available at the company's web site www.smelease.com.

Directors' Report

The Board of Directors of SME Leasing Limited ("SLL") is pleased to present the annual audited financial statements for the year ended December 31, 2020.

The Company

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

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

Operational Review

During 2020, the world faced extraordinary challenges caused by COVID-19 and is still taking measures to address the issue and to keep the economy moving. The management believes that it has handled COVID challenge successfully.

Considering funding constraints, the Company remained focused on its strategy of recoveries from its portfolio and writing new good quality leases with the target of minimum default. Total recoveries aggregated to Rs.79.541 million whereas fresh leases of Rs. 27 million (Net) were written during the year. The default rate in the new business over the last 05 years has continued to remain low.

The only source of funding at the disposal of the Company is a credit line of the Parent Company SME Bank Limited, which is almost fully utilized.

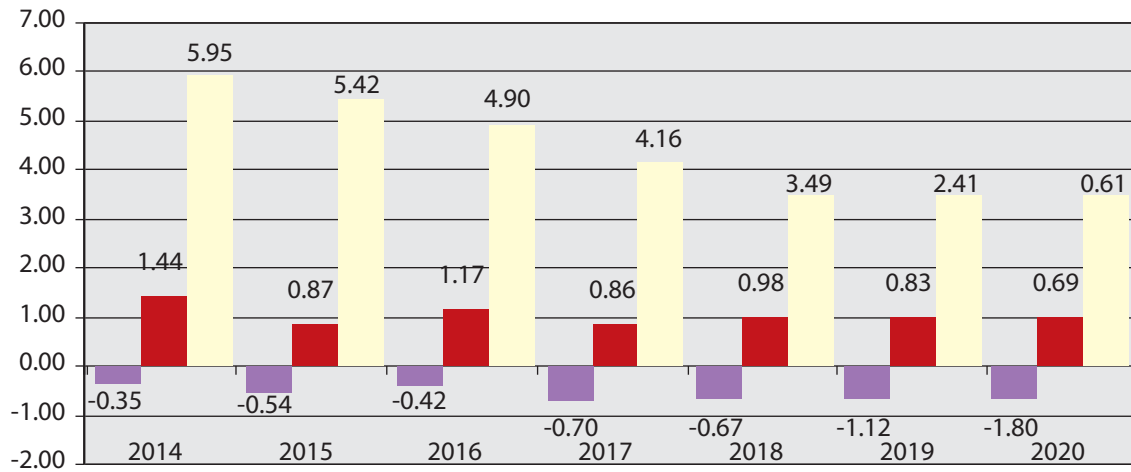
The company has also been managing its expenses in order to curtail its losses to the minimum possible.

Financial Review

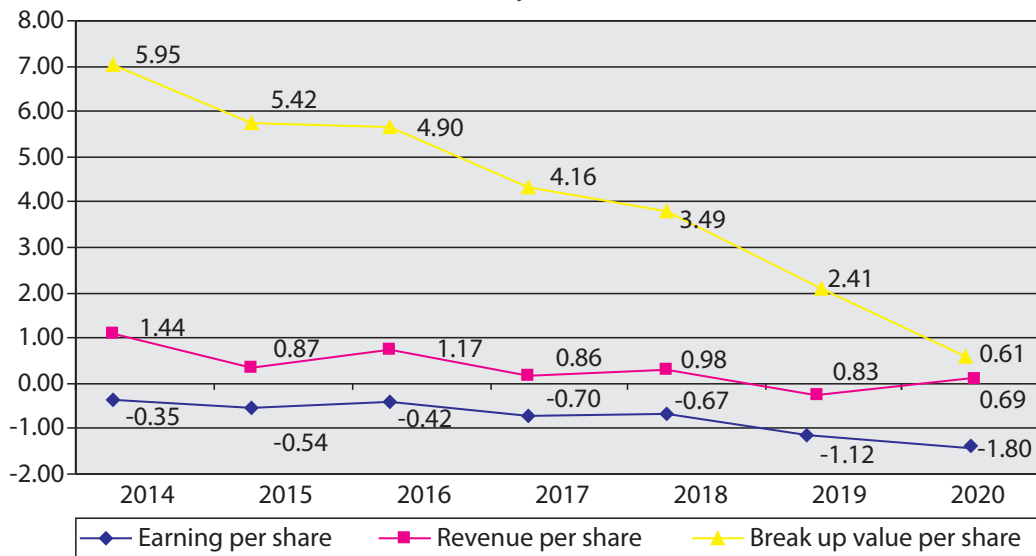
	2020	2019
	----- Rupees -----	
Gross revenue	21,954,906	26,577,638
Operating Expenses	(65,251,558)	(66,693,186)
Profit/(Loss) before provisions	(43,296,652)	(40,115,548)
Total (provisions) / reversals	(14,056,185)	4,730,977
(Loss) before taxation	(57,352,837)	(35,384,571)
Taxation	(323,749)	(309,759)
(Loss) after taxation	(57,676,586)	(35,694,330)
(Loss) per share - basic and diluted	(1.80)	(1.12)

The revenue from operations decreased compared to the last year due to COVID-19, maturity of leases and less business written during the year. Administrative expenses almost remained same recorded decrease of 1%. The financial charges recorded decrease of 3.96% due to decrease in benchmark rate used for the financing. The provision for the year was Rs 14 million against reversal of Rs 4.7 million in 2019.

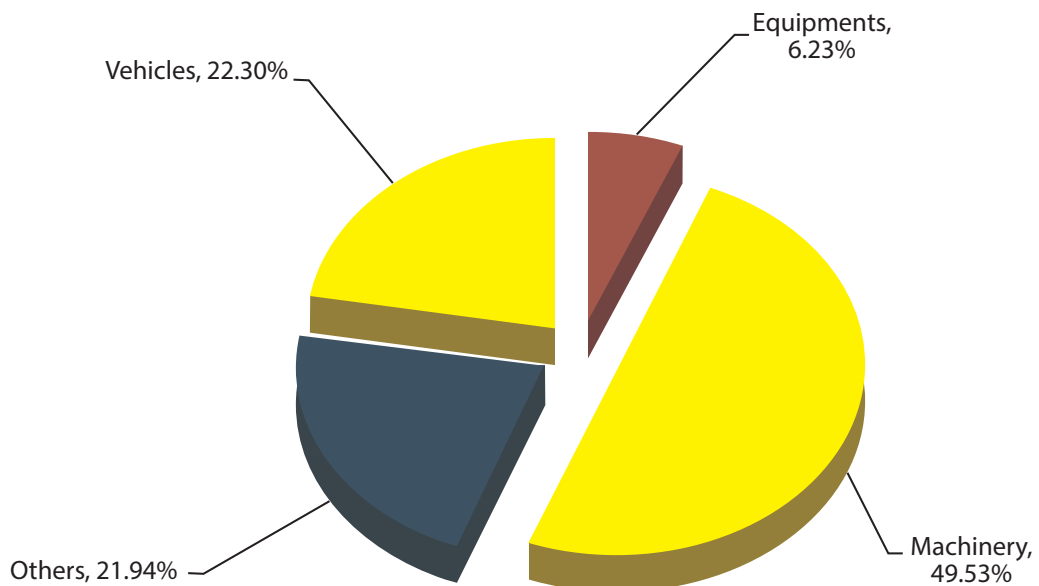
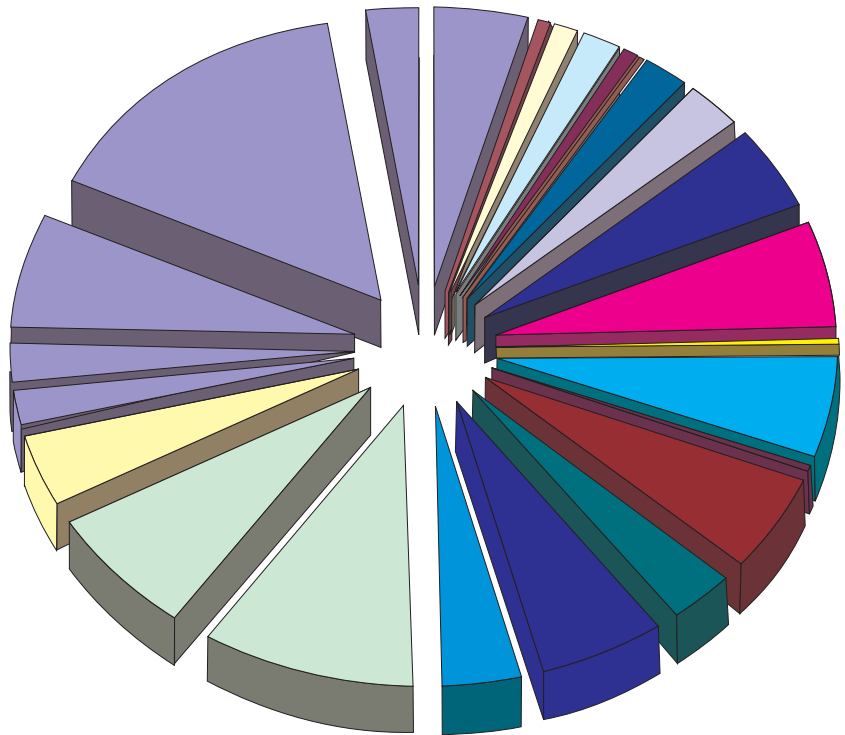
Key Ratios



Key Ratios



Cargo Carriers	4.40%
Chemicals	0.58%
Communication	1.16%
Confectionary	1.81%
Construction And Building Products	0.74%
Dates	0.13%
Education	2.18%
Engineering	2.69%
Entertainment	4.78%
Film Processing	6.11%
Fisheries	0.31%
Food And Beverages	5.86%
Furniture	0.10%
Garments	5.81%
Gems & Jeweler	3.20%
Health Care	6.06%
Leather & Tannery	3.65%
Miscellaneous	10.12%
Oil & Gas	7.34%
Pharma	4.12%
Plastic	1.99%
Printing & Packaging	25.27%
Public Transport Services	6.54%
Rubber	15.59%
Textile	2.47%



The Auditors have expressed qualified opinion due to non-obtaining of sufficient appropriate audit evidence about the carrying amount of provision for taxation - net amounting to Rs. 8.1 million (2019: Rs. 8.1 million).

Economic review

During the year the Central Bank reduced the discount rate due to which the Company's financial cost was substantially reduced. The Company strategically focused on recoveries from not only regular & irregular but also from problematic / NPL portfolios and used the same funds in writing fresh quality business. The chronic non-performing portfolio and non-availability of funds is still the main cause of continuing losses.

During the year under review, the SBP due to various factors reduced the discount rate to 7%. The inflation, current account deficit; fiscal deficit; exchange reserves shall remain the key challenges in the year to come.

Dividend

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

Minimum equity requirements

Your company being a non-deposit taking entity is required to meet minimum capital requirement of Rs.50 million. Due to continued losses, the equity has been eroded and as at December 31, 2020 the Company equity was Rs 19.694 million. The Company is not meeting with the minimum equity requirement.

Future Prospects

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

With regard to the privatization of the SME Bank Limited, we would like to apprise that the privatization of the Parent Company SME Bank Limited is at advance stage and hopefully the process will be completed in the first half of 2021. After which, the majority shares of SME Leasing Ltd will be taken by the acquirer of SME Bank Ltd and it would also prove beneficial for the Company.

Human Resource

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

Board of Directors

During the year two casual vacancies occurred on the Board due to resignation of Mr. Muhammad Farrukh Mansoor Malik and due to sad demise of Mr. Abdul Waseem. The Board appointed Ms. Sameena Gul, Non-executive Director, a Nominated Director of SME Bank Limited, for the remainder of the term, in place of Mr. Malik.

The board is comprising of following:

Male Directors	4
Female Directors	2
Total Directors	6

The Board's composition is as follows:

	Total	Male	Female
Independent Directors	3	2	1
Non-executive Directors	3	2	1
Total	6	4	2

Committees of the Board:

Following is the composition of the Committees of the Board (as at December 31, 2020)

Audit Committee

Mr. Javed Mahmood	Chairman	Independent Director
Ms. Darakshan S. Vohra	Member	Independent Director
Mr. Muhammad Mubeen Mufti	Member	Non-executive Director

Risk Management Committee

Mr. Javed Mahmood	Chairman	Independent Director
Mr. Bilal Mustafa	Member	Independent Director
Ms. Darakshan S. Vohra	Member	Independent Director

Human Resource Committee

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

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

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

Meetings of the Board of Directors

During the year under review, three meetings of the Board of Directors were held. Due to COVID-19, the BOD's meeting was not held in first quarter of 2020. The details of attendance are as follows:

Name of Director	Total number of meetings entitled to attend	Total meetings attended
Mr. Bilal Mustafa	3	3
Mr. Dilshad Ali Ahmad	3	3
Mr. Javed Mahmood	3	3
Ms. Darakshan S. Vohra	3	2
Mr. Muhammad Mubeen Mufti	3	3
Ms. Sameena Gul	1	1
Mr. Muhammad Farrukh Mansoor Malik (Resigned accepted with effect from 10 April 2020)	0	0
Mr. Abdul Waseem (Passed away on 24 May 2020)	0	0

Meetings of the Audit Committee

During the year under review, three meetings of the Audit Committee were held. Due to COVID-19, the Audit Committee's meeting was not held in first quarter of 2020. The details of attendance are as follows:

Name of Director	Total number of meetings entitled to attend	Total meetings attended
Mr. Javed Mahmood	3	3
Ms. Darakshan S. Vohra	3	2
Mr. Muhammad Mubeen Mufti	3	3

Meeting of the Risk Management Committee

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

Name of Director	Total number of meeting entitled to attend	Total meeting attended
Mr. Javed Mahmood	1	1
Mr. Bilal Mustafa	1	1
Ms. Darakshan S. Vohra	1	1

Meeting of the Human Resource Committee

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

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

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

Remuneration Policy of Executive and Non-Executive Directors

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

Corporate Governance - Public Sector Companies

The Board of Directors is committed to uphold the highest standards of Corporate Governance. The Company has also implemented the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013 and a Review Report to the Members on the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013 on compliance with best practices of the Code of Corporate Governance by the statutory auditors is annexed with this report.

Business Ethics

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

Directors' Declaration:

The Board of the company is fully cognizant of its responsibility as recognized by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013 issued by the Securities and Exchange Commission of Pakistan. Following are the comments on acknowledgement of commitment towards high standards of corporate governance and continuous improvements:

- i) Compliance has been made with the relevant principles of corporate governance, and the rules that have not been complied with, have been identified along with the period in which such non-compliance is made, and reasons for such non-compliance.
- ii) The financial statements prepared by the management of SME Leasing Limited present fairly its statement of affairs, the results of its operations, cash flows, statement of comprehensive income and changes in its equity;
- iii) Proper books of accounts of the company have been maintained;
- iv) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- v) International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements;
- vi) The system of internal control is sound in design and has been effectively implemented and monitored;
- 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 Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013;
- 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, 2019 was Rs 5.725 million (un-audited) and as at December 31, 2018, was Rs4.786 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 except following

No of shares	Sold by Outgoing Director	Purchased by Incoming Director
1	Mr. Muhammad Farrukh Mansoor Malik	Ms. Sameena Gul

Credit Rating

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

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

Parent Company

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

Auditors

The present auditors M/s Grant Thornton Anjum Rahman, Chartered Accountants, are retiring this year. As they have completed five years, they are not offering themselves for re-appointment for the year ending December 31, 2021. On the proposal of Board Audit Committee, the Board recommends the appointment of M/s BDO Ebrahim & Co., Chartered Accountant, as statutory auditors of the company for the year 2021, on remuneration of Rs=355,600/-.

Pattern of Shareholding

The pattern of shareholding of the Company as on December 31, 2020, is annexed with this report.

Acknowledgement

The Board would like to place on record appreciation to the Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange, other regulatory authorities, and the Board of Directors and the management of the parent company, SME Bank Limited for their continued support and professional guidance, and the shareholders for the trust and confidence reposed in us.

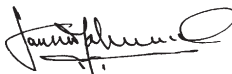
We also would like to place on record, our thanks and appreciation to the staff for their commitment and dedication which has contributed towards strengthening of the organization.

As the appointment of full time CEO is in process, the financial statements and other related documents have been signed by Mr. Muhammad Mubeen Mufti, Director and Javed Mehmood, Director of the Company, in place of the full time CEO.

On behalf of Board of Directors



Muhammad Mubeen Mufti
Director



Javed Mehmood
Director



Bilal Mustafa
Chairman

Dated: Islamabad, March 04, 2021

ڈائریکٹرز رپورٹ:

ایس ایم ای لیزنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2020ء 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 ای سی پی کی جانب سے جاری کردہ نان بینکنگ فنانس کمپنیز رولز کے تحت ہے۔

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

عملی جائزہ:

2020ء کے دوران، پوری دنیا نے COVID-19 کی وجہ سے کی وجہ سے کافی چیلنجز کا مشاہدہ کیا اور اب بھی صحت اور حفاظت کے امور کو حل کرنے اور معیشت کو متحرک رکھنے کے لئے اقدامات کر رہی ہے۔ انتظامیہ کا خیال ہے کہ اس نے کورونا کے چیلنج کو کامیابی کے ساتھ قابو کیا ہے۔

فڈ ز کی رکاوٹوں کے پیش نظر کمپنی نے اپنے پورٹ فولیو سے ریکوریز اور کم نقصان کے ہدف کے ساتھ نئی معیاری لیزز لکھنے پر نظر مرکوز کی ہوئی ہے۔ دوران سال مجموعی طور پر 79.541 ملین روپے کی ریکوریز ہوئیں جبکہ ملین 27 روپے (خالص) کی نئی لیزز لکھی گئیں۔ گذشتہ پانچ سالوں میں نئے کاروبار میں شرح عدم ادائیگی کا تناسب کم رہا ہے۔

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

مالیاتی جائزہ:

2019	2020	
26,577,638	21,954,906	کل آمدنی
(66,693,186)	(65,251,558)	عملی اخراجات
(40,115,548)	(43,296,652)	نفع/(نقصان) قبل از پروویژن
4,730,977	(14,056,185)	مجموعی (پروویژن)/ریورسل
(35,384,571)	(57,352,837)	قبل از ٹیکس نفع/(نقصان)
(309,759)	(323,749)	ٹیکسیشن
(35,694,330)	(57,676,586)	بعد از ٹیکس خسارہ
(1.12)	(1.80)	فی شیئر (خسارہ)۔ بنیادی اور اجمالی

دوران سال Covid-19 کے باعث لیزز اور کم کاروبار لکھنے کی وجہ سے گزشتہ سال کے مقابلے میں دوران سال آپریشن کی آمدنی میں کمی واقع ہوئی۔ انتظامی اخراجات میں تقریباً 1 فیصد کمی ریکارڈ کی گئی۔ مالیاتی سہولت کے استعمال کردہ بیٹج مارک کی شرح میں ٹیکس کی وجہ سے مالیاتی چارجز میں 3.96 فیصد کمی ریکارڈ کی گئی۔ سال 2019 کے مبلغ 4.7 ملین روپے کے ریورسل کے مقابلے میں پروویژن مبلغ 14 ملین روپے رہا۔

آڈیٹرز نے مناسب آڈٹ شواہد حاصل نہ کرنے کی وجہ سے ٹیکسیشن کیلئے پروویژن کی رقم مبلغ 8.1 ملین روپے (2019: مبلغ 8.1 ملین روپے) کے بارے میں اپنی ماہر اندر رائے کا اظہار کیا ہے۔

اقتصادی جائزہ:

دوران سال سینٹرل بینک نے ڈسکاؤنٹ ریٹ میں کمی کی وجہ سے کمپنی کی مالی لاگت میں کافی حد تک کمی واقع ہوئی۔ کمپنی نے نہ صرف باقاعدہ اور بے قاعدہ، بلکہ پیچیدہ/این پی ایل پورٹ فولیو سے بھی ریکوریز پر توجہ مرکوز رکھی بلکہ جدید معیار کے کاروبار کو لکھنے میں وسائل کا استعمال کیا۔ عدم کارکردگی کا مظاہرہ کرنے والے پورٹ فولیو اور فنڈز کی عدم فراہمی کا ایک لاگ اب بھی جاری نقصانات کی اصل وجہ ہے۔

زیر جائزہ سال کے دوران، مختلف عوامل کی وجہ سے اسٹیٹ بینک نے ڈسکاؤنٹ ریٹ کو 7 فیصد تک کم کر دیا۔ آنے والے سال میں مہنگائی، کرنٹ اکاؤنٹ خسارہ اور مالیاتی خسارہ زرمبادلہ کے ذخائر میں کلیدی چیلنج ہونگے۔

ڈویڈنڈ:

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

کم از کم ایکویٹی کی ضروریات:

آپ کی کمپنی کو نان ڈپازٹ کمپنی کی حیثیت سے ایس ای سی پی کی جانب سے سرمایہ کی کم سے کم مبلغ 50 ملین روپے درکار ہیں۔ مسلسل نقصانات کی وجہ سے، یہ ایکویٹی ختم ہوگئی ہے اور 31 دسمبر 2020 کو کمپنی کی ایکویٹی 19.694 ملین روپے تھی۔ کمپنی کم سے کم ایکویٹی کی ضروریات کو پورا نہیں کر رہی ہے۔

مستقبل کا نظریہ:

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

ایس ایم ای بینک لمیٹڈ کی نجکاری کے سلسلے میں، ہم مطلع کرنا چاہتے ہیں کہ متعلقہ کمپنی ایس ایم ای بینک لمیٹڈ کی نجکاری پیشگی مرحلے پر ہے اور امید ہے کہ یہ عمل 2021 کی پہلی ششماہی میں مکمل ہو جائے گا۔ بعد ازاں، ایس ایم ای لیزنگ لمیٹڈ کے اکثریتی شیئرز ایس ایم ای بینک لمیٹڈ کے ذریعہ حاصل کئے جائیں گے اور یہ کمپنی کے لئے بھی فائدہ مند ثابت ہوگا۔

ہیومن ریسورسز:

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

بورڈ آف ڈائریکٹرز:

دوران سال جناب محمد فرخ منصور ملک کے استعفیٰ اور جناب عید الوہیم کے انتقال کے باعث بورڈ میں عارضی طور پر دو آسامیاں خالی ہوئیں۔ بورڈ نے جناب ملک کی بقید مدت کیلئے ایس ایم ای بیٹک لمیٹڈ کی نامزد ڈائریکٹر محترمہ شمیمہ گل کا بطور نان ایگزیکٹو ڈائریکٹر تقرر کیا۔

بورڈ درج ذیل پر مشتمل ہے:

4	مرد ڈائریکٹرز
2	خواتین ڈائریکٹرز
6	ٹوٹل ڈائریکٹرز

بورڈ کی تشکیل درج ذیل ہے:

مرد	خواتین	کل	
2	1	3	آزاد ڈائریکٹرز
2	1	3	غیر ایگزیکٹو ڈائریکٹرز
4	2	6	ٹوٹل

بورڈ کی کمیٹیاں:

بورڈ کی کمیٹیاں درج ذیل پر مشتمل ہیں (31 دسمبر 2020)

آڈٹ کمیٹی	چیئر مین	ممبر
جناب جاوید محمود	آزاد ڈائریکٹر	ممبر
محترمہ درخششاں ایس و ہرہ	آزاد ڈائریکٹر	ممبر
جناب محمد مبین مفتی	آزاد ڈائریکٹر	ممبر

رسک مینجمنٹ کمیٹی	چیئر مین	ممبر
جناب جاوید محمود	آزاد ڈائریکٹر	ممبر
جناب بلال مصطفیٰ	آزاد ڈائریکٹر	ممبر
محترمہ درخششاں ایس و ہرہ	آزاد ڈائریکٹر	ممبر

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

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

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

بورڈ آف ڈائریکٹرز کی میٹنگ:

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

ڈائریکٹر کا نام	میٹنگ میں شرکت کرنے کیلئے کل تعداد	میٹنگ میں شرکت کی کل تعداد
جناب بلال مصطفیٰ	3	3
جناب دانشا علی احمد	3	3
جناب جاوید محمود	3	3
محترمہ درخشاں الیس و ہرہ	3	2
جناب محمد مبین مفتی	3	3
محترمہ شمیرہ بیگم	1	1
جناب محمد فرخ منصور ملک (10 اپریل 2020 کو استعفیٰ قبول کر لیا گیا)	0	0
جناب عبدالوسیم (24 مئی 2020 کو انتقال کر گئے)	0	0

آڈٹ کمیٹی کی مینٹنرز:

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

مینٹنگ میں شرکت کی کل تعداد	مینٹنگ میں شرکت کرنے کیلئے کل تعداد	ڈائریکٹر کا نام
3	3	جناب جاوید محمود
2	3	محترمہ درخشاں ایس و ہرہ
3	3	جناب محمد مبین مفتی

رسک مینجمنٹ کمیٹی:

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

مینٹنگ میں شرکت کی کل تعداد	مینٹنگ میں شرکت کرنے کیلئے کل تعداد	ڈائریکٹر کا نام
1	1	جناب جاوید محمود
1	1	جناب بلال مصطفیٰ
1	1	محترمہ درخشاں ایس و ہرہ

ہیومن ریسورس کمیٹی کی مینٹنگ:

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

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

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

ایگزیکٹو اور غیر ایگزیکٹو ڈائریکٹرز کے معاوضہ کی پالیسی:

غیر ایگزیکٹو ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کے ہر اجلاس میں شرکت کیلئے بالترتیب مبلغ 25,000 روپے اور 10,000 روپے فیس ادا کی جاتی ہے۔ ایگزیکٹو ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کی مینٹنرز میں شرکت کیلئے ادائیگی نہیں کی جاتی جبکہ بورڈ کے ذریعے طے شدہ معاوضے ادا کئے جاتے ہیں۔

کارپوریٹ گورننس - پبلک سیکورٹیز:

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

کاروباری اصول:

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

ڈائریکٹرز کا اقرار نامہ:

کمپنی کا بورڈ جو کہ اپنی ذمہ داریوں کو اچھی طرح سے سمجھتا ہے جو کہ سیکورٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019ء اور پبلک سیکورٹیز (کارپوریٹ گورننس) رولز 2013ء کے تحت ہے 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 عملدرآمد کیا جا رہا ہے اور وہ رول جس پر عملدرآمد نہیں کیا جا رہا ہے اس کی شناخت دورانیے کے ساتھ کر دی گئی ہے اور اس پر عملدرآمد نہ کرنے کے اسباب بھی بیان کئے گئے ہیں۔
- ۲- مالیاتی حسابات ایس ایم ای لیزنگ لیٹڈ کی انتظامیہ نے تیار کئے ہیں اور ان حسابات کے امور، اس کے آپریٹرز کے نتائج، کیش فلو، آمدنی اور ایکویٹی میں تبدیلی سے متعلق حسابات مکمل اور شفاف پیش کئے گئے ہیں۔
- ۳- کمپنی کی بکس آف اکاؤنٹس 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 اسٹینڈرڈز 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 نان ایگزیکٹو ممبران (بشمول آزاد ڈائریکٹرز) کے پاس مقرر کردہ معاوضہ نہیں ہے اور انہیں ہر میٹنگ میں شرکت کیلئے مقرر کردہ فیس ادا کی جا رہی ہے۔ مذکورہ فیسوں کا فیصلہ بورڈ آف ڈائریکٹرز اجتماعی 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 نوٹس میں شامل کیا گیا ہے۔
- ۹- کارپوریٹ گورننس کی بہترین پریکٹس سے کوئی اخراج نہیں کیا گیا ہے جس کی تفصیلات کارپوریٹ گورننس کے پبلک سیکورٹیز میں موجود ہے۔
- ۱۰- اہم امور اور گذشتہ چھ سالوں کا مالیاتی ڈیٹا سالانہ رپورٹ میں شامل ہے۔
- ۱۱- سرمایہ کاری کی ویلیو کے حوالے سے پروویڈنٹ فنڈ 31 دسمبر 2019ء کو مبلغ 5.725 ملین روپے (غیر آڈٹ شدہ) اور 31 دسمبر 2018ء کو مبلغ 4,786 ملین روپے (آڈٹ شدہ) تھا۔
- ۱۲- ڈائریکٹر، چیف ایگزیکٹو، چیف فنانس آفیسر/کمپنی سیکریٹری ان کوزوجات اور چھوٹے بچوں نے دوران سال کمپنی کے شیئر میں کوئی تجارت نہیں کی۔

شیرز کی تعداد	سکدوش ہونے والے ڈائریکٹر کی جانب سے فروخت	آنے والے ڈائریکٹر کی جانب سے خرید
۱	جناب محمد فرخ منصور ملک	محترمہ شمیدہ گل

کریڈٹ کی ریٹنگ:

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

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

متعلقہ کمپنی:

ایس ایم ای بینک لمیٹڈ اور اس کے نامزدگان کمپنی میں 73.14% شیئرز کے حامل ہیں۔

آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز میسرز گرانٹ تھورٹن انجمن رحمان اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس جو کہ اس سال ریٹائر ہو رہے ہیں جیسا کہ انہوں نے پانچ سال مکمل کر لئے ہیں اس لئے انہوں نے 31 دسمبر 2021ء کیلئے اپنے آپ کو دوبارہ تقرری کیلئے پیش نہیں کیا۔ بورڈ آڈٹ کمیٹی کی تجویز پر بورڈ نے میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کی تقرری مبلغ 355,600 روپے برائے سال 2021ء کی سفارش کی ہے۔

شیئرز ہولڈنگ کی ساخت:

مورخہ 31 دسمبر 2020ء کی شیئرز ہولڈنگ کی ساخت جو کارپوریٹ گورننس کو درکار ہے وہ اس رپورٹ کے آخر منسلک ہے۔

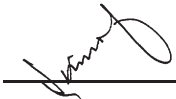
اظہار تشکر:

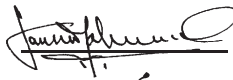
ہمیں یہ موقع حاصل ہوا ہے کہ ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان اسٹاک ایکسچینج اور دیگر اتھارٹیز اور قرض فراہم کرنے والے مالیاتی اداروں سے اظہار تشکر کریں کیونکہ انہوں نے مستقل طور پر پیشہ ورانہ مدد فراہم کی ہے اس کے علاوہ ہم شیئرز ہولڈرز کے بھی ہم پر مکمل اعتماد کرنے پر مشکور ہیں۔

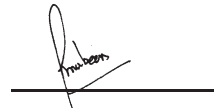
ہم اپنے اسٹاف سے بھی اظہار تشکر ریکارڈ پر لانا چاہتے ہیں جنہوں نے ہمارے ساتھ اس ادارے کی ترقی کیلئے نہایت جانفشانی اور محنت سے کام کیا۔

چونکہ کل وقتی CEO کی تقرری زیر عمل ہے، مالیاتی حسابات اور دیگر متعلقہ دستاویزات پر کل وقتی CEO کی جگہ کمپنی کے ڈائریکٹر جناب جاوید محمود نے دستخط کیے ہیں۔

توسط بورڈ آف ڈائریکٹرز


 بلال مصطفیٰ
 چیئرمین


 جاوید محمود
 ڈائریکٹر


 محمد مبین مفتی
 ڈائریکٹر

اسلام آباد، مورخہ: 04 مارچ 2021ء

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 2020.

During 2020, the world witnessed unprecedented challenges caused by COVID-19; and is still taking measures to address the health and safety issues and keep the economy rolling.

During the year the SBP considerably reduced the discount rate due to which the Company's financial cost was substantially reduced. The Company remained focus on recoveries from not only regular and irregular but also from problematic / NPL portfolios and used the resources in writing fresh quality business. The backlog of non-performing portfolio and non-availability of funds is still the main cause of continuing losses.

The only source of funding at the disposal of the Company is a credit line provided by the Parent Company SME Bank Limited, which almost exhausted.

The privatization of parent Company, SME Bank Limited is expected to be completed in first half of 2021, whereafter shareholding of 73% will be taken over by the acquirer of SME Bank, which is likely to result in advantage to all the stakeholders.

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

Effectiveness of the Board:

During the year under review, the Board and Audit Committees have met three times during the year, instead of four times. Due to lockdown and other measures taken by the Federal as well as provincial governments due to COVID-19, the Board was not able to meet in the first quarter of 2020. The Risk Committee and the Human Resource and Remuneration Committee met once during the year. The committees operated under their terms of reference approved by the Board. The performance of the Board was evaluated as required under the Regulations. The Board considers that it has effectively played its oversight function operating through the various meetings held during the year.



Bilal Mustafa
Chairman

Islamabad: 04 March 2021

چیئر مین کی جائزہ رپورٹ برائے شیئر ہولڈرز

میں شیئر ہولڈرز کیلئے SME لیزنگ لمیٹڈ کی کارکردگی کی رپورٹ برائے سال 2020ء پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

2020ء کے دوران، پوری دنیا نے COVID-19 کی وجہ سے کافی چیلنجز کا مشاہدہ کیا اور اب بھی صحت اور حفاظت کے امور کو حل کرنے اور معیشت کو متحرک رکھنے کے لئے اقدامات کر رہی ہے۔

دوران سال اسٹیٹ بینک نے ڈسکاونٹ ریٹ میں خاطر خواہ کمی کی جس کی وجہ سے کمپنی کی مالی لاگت میں کمی واقع ہوئی۔ کمپنی نے نہ صرف باقاعدہ اور بے قاعدہ، بلکہ پیچیدہ/ این پی ایل پورٹ فولیو سے بھی ریکوریز پر توجہ مرکوز رکھی بلکہ نئے معیاری کاروبار کو لکھنے میں وسائل کا استعمال کیا۔ عدم کارکردگی کا مظاہرہ کرنے والے پورٹ فولیو اور فنڈز کی عدم فراہمی کا بیک لاگ اب بھی جاری نقصانات کی اصل وجہ ہے۔

کمپنی کے ڈسپوزل پرفنڈنگ کا واحد ذریعہ پیرنٹ کمپنی ایس ایم ای بینک لمیٹڈ کے ذریعہ فراہم کردہ ایک کریڈٹ لائن ہے، جو تقریباً ختم ہو چکا ہے۔


توقع ہے کہ ماتحت کمپنی، ایس ایم ای بینک لمیٹڈ کی نجکاری 2021 کی پہلی ششماہی میں مکمل ہو جائے گی۔ اس کے بعد ایس ایم ای بینک کے حصول کے ذریعہ 73 فیصد کی شیئر ہولڈنگ حاصل کی جائے گی، جس کے نتیجے میں تمام اسٹیک ہولڈرز کو فائدہ ہوگا۔

کمپنی کے مالیاتی حسابات (ایف ایس) مختلف تشویشناک عوامل پر مرتب کئے گئے ہیں جو کہ ایف ایس میں بیان کیے گئے ہیں۔

بورڈ پر اثر انداز ہونے والے عوامل:

زیر جائزہ سال کے دوران، بورڈ اور آڈٹ کمیٹیوں کے دوران سال چار کی بجائے تین اجلاس ہوئے۔ لاک ڈاؤن اور وفاقی اور صوبائی حکومتوں کے ذریعہ Covid-19 کی وجہ سے کئے گئے دیگر اقدامات کے باعث، 2020ء کی پہلی سہ ماہی میں بورڈ اجلاس منعقد نہ کر سکا۔ دوران سال رسک کمیٹی اور ہیومن ریسورس اور اجرتی کمیٹی کا ایک اجلاس منعقد ہوا۔ کمیٹیوں نے بورڈ کے ذریعہ ان کی منظور شدہ شرائط کے تحت کام کیا۔ ضابطے کے تحت بورڈ کی کارکردگی کی تشخیص کی گئی۔ بورڈ کا خیال ہے کہ اس نے دوران سال ہونے والے مختلف اجلاسوں کے ذریعے اپنی کارکردگی موثر طریقہ سے ادا کی ہے۔

اسلام آباد: 4 مارچ 2021



بلاں مصطفیٰ
چیئر مین

Financial Highlights

(Rupees in 000)

Balance Sheet	2020	2019	2018	2017	2016	2015
Paid-up Capital	320,000	320,000	320,000	320,000	320,000	320,000
Total Equity	19,560	77,108	111,680	133,251	156,956	173,373
Gross Lease Receivable	533,660	587,376	621,899	609,310	632,010	676,450
Net Investment in Lease	323,368	383,222	411,412	389,669	342,510	443,243
Long-Term Liabilities	160,557	181,674	188,291	177,555	204,736	58,533
Current Liabilities	225,501	222,938	209,030	166,839	142,075	335,336
Current Assets	158,212	168,134	164,379	116,575	82,160	447,217
Total Assets	405,618	481,720	509,001	477,644	503,767	567,241

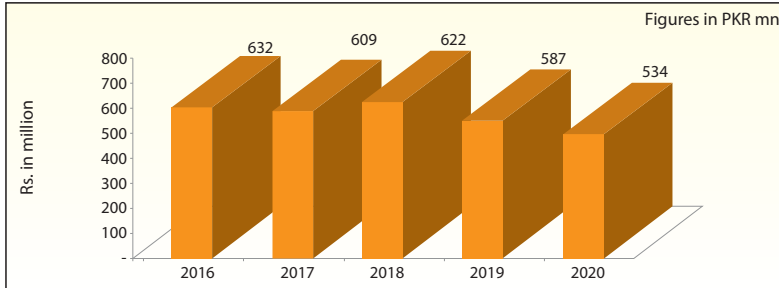
(Rupees in 000)

Income Statement	2020	2019	2018	2017	2016	2015
Lease Income	21,583	26,466	31,160	26,671	32,531	27,700
Total Revenue	21,955	26,578	31,451	27,363	37,415	27,889
Financial Charges	21,570	22,459	14,422	10,318	13,225	17,665
Administrative Expenses	43,682	44,234	43,642	40,548	38,111	38,378
Provisions / (Reversal)	14,056	(4,731)	(5,602)	(1,326)	(864)	(5,975)
Total Expenses	65,252	66,693	(58,064)	50,866	51,336	50,068
(Loss) Before Taxation	(57,353)	(35,385)	(21,011)	(22,177)	(13,057)	(21,106)
(Loss) After Taxation	(57,677)	(35,694)	(21,361)	(22,510)	(13,382)	(17,312)

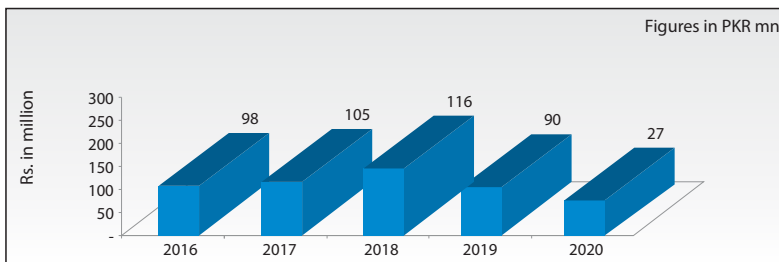
Financial Indicators	2020	2019	2018	2017	2016	2015
Breakup Value (Rs per share)	0.61	2.41	3.49	4.16	4.90	5.42
Current Ratio (X)	0.70	0.75	0.79	0.70	0.58	1.33
Earning Per Share (Rs.)	(1.80)	(1.12)	(0.67)	(0.70)	(0.42)	(0.54)
Financial Charges to Total Exps (%)	33.06	33.68	(24.84)	20.28	25.76	35.28
Financial Charges to Total Revenue (%)	98.25	84.51	45.86	37.71	35.35	63.34
Income Expense Ratio (Times)	0.33	0.40	(0.54)	0.52	0.63	0.55
Net Profit Margin (%)	(262.70)	(134.30)	(67.92)	(82.27)	(35.77)	(62.07)
Return on Average Equity (%)	(119.33)	(37.81)	(17.44)	(15.51)	(8.10)	(9.52)
Return to Shareholders (%)	-	-	-	-	-	-
Revenue Per Share (Rs.)	0.69	0.83	0.98	0.86	1.17	0.87

Financial Highlights and Charts

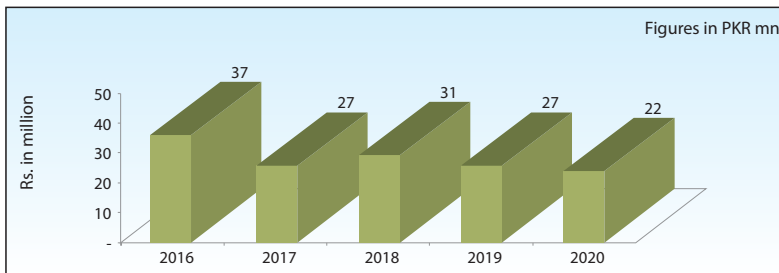
Gross Lease Receivables



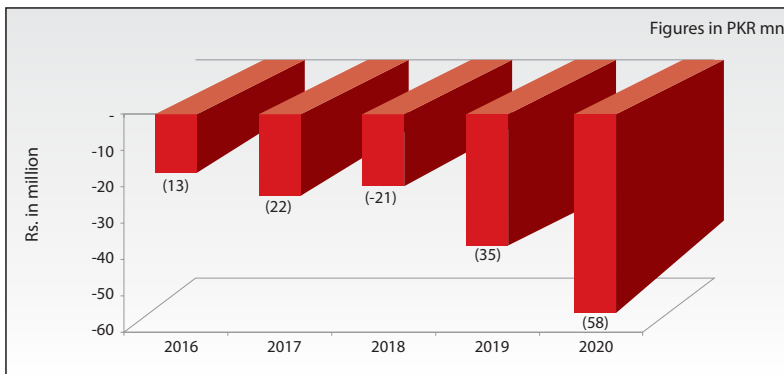
Disbursements



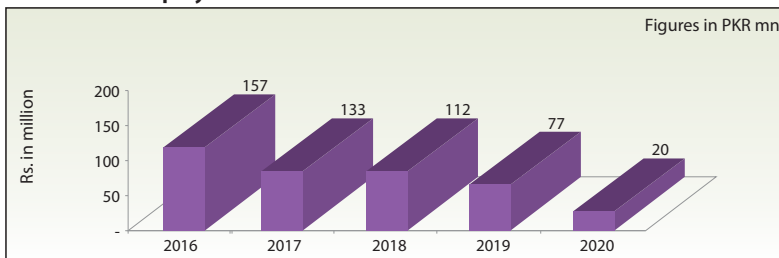
Total Revenue



Profit & Loss before taxation



Shareholder's Equity



Code of Conduct

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

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

The salient features of the Code are as follows;

1. Business conduct.

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

2. Compliance with laws and regulations.

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

3. Competition and fair dealing.

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

4. Conflict of interest.

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

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

5. Gifts and favors

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

Code of Conduct

6. Political contributions and activities.

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

7. Human rights and dignity of the individuals.

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

8. Guarding Corporate Assets.

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

9. Communication & disclosure.

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

Statement of Compliance

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

Schedule I

Name of Company: **SME Leasing Limited**
Name of Ministry: **Ministry of Finance**
For the year ended: **December 31, 2020**

- 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	Remarks																	
1.	Company is directed and managed by a sufficient number of persons who are fit and proper persons to hold the positions which they hold.	2A (1)		✓	The position of one Director and full time CEO are vacant.																	
	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																			
2.	The Board has at least one third of its total members as independent directors. At present the Board includes:	3(2)	✓																			
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Independent Directors</td> <td>Ms. Darakhshan S. Vohra</td> <td>23-07-2018</td> </tr> <tr> <td>Mr. Bilal Mustafa</td> <td>23-07-2018</td> </tr> <tr> <td>Mr. Javed Mahmood</td> <td>11-10-2019</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>Mr. Dilshad Ali Ahmad</td> <td>23-07-2018</td> </tr> <tr> <td>Mr. M. Mubeen Mufti</td> <td>01-02-2019</td> </tr> <tr> <td>Ms. Sameena Gul</td> <td>08-10-2020</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors	Ms. Darakhshan S. Vohra	23-07-2018	Mr. Bilal Mustafa	23-07-2018	Mr. Javed Mahmood	11-10-2019	Non-Executive Directors	Mr. Dilshad Ali Ahmad	23-07-2018	Mr. M. Mubeen Mufti	01-02-2019	Ms. Sameena Gul	08-10-2020				
Category	Names	Date of Appointment																				
Independent Directors	Ms. Darakhshan S. Vohra	23-07-2018																				
	Mr. Bilal Mustafa	23-07-2018																				
	Mr. Javed Mahmood	11-10-2019																				
Non-Executive Directors	Mr. Dilshad Ali Ahmad	23-07-2018																				
	Mr. M. Mubeen Mufti	01-02-2019																				
	Ms. Sameena Gul	08-10-2020																				
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)	✓																			

S. No.	Provision of the Rules	Rule no.	Y	N	Remarks
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website (www.smelease.com) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓		Code of Conduct is disseminated through website and also published in financial statements.
			✓		
			✓		
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b)(ii)	✓		
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5) (b)(vi)	✓		
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5) (c)(ii)	✓		
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5) (c)(iii)	✓		
14.	The board has developed a vision or mission statement, corporate strategy and significant policies of the company.	5(6)	✓		
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(7)	✓		
16.	The board has quantified the outlay of any action in respect of any service delivered or a good sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A		
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)		✓	Due to lockdown and other measures taken by the Federal as well as provincial governments due to COVID-19, the Board was not able to meet in the first quarter of 2020.
	(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)	✓		

S. No.	Provision of the Rules	Rule no.	Y	N	Remarks																		
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	✓																				
21.	(a) The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end. (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: <table border="1" data-bbox="236 1249 946 1630"> <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. Javed Mahmood</td> </tr> <tr> <td>Risk Management Committee</td> <td>3</td> <td>Mr. Javed Mahmood</td> </tr> <tr> <td>Human Resource Committee</td> <td>4</td> <td>Mr. Bilal Mustafa</td> </tr> <tr> <td>Procurement Committee</td> <td>-</td> <td>-</td> </tr> <tr> <td>Nomination Committee</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Committee	Number of members	Name of Chair	Audit Committee	3	Mr. Javed Mahmood	Risk Management Committee	3	Mr. Javed Mahmood	Human Resource Committee	4	Mr. Bilal Mustafa	Procurement Committee	-	-	Nomination Committee	-	-	12		✓ ✓ ✓	<p>1. Procurement Committee</p> <p>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 in excess Rs.1 million will be submitted to the Board for approval.</p> <p>2. Nomination Committee</p> <p>HR Committee of the Board is performing the role of Nomination Committee</p>
Committee	Number of members	Name of Chair																					
Audit Committee	3	Mr. Javed Mahmood																					
Risk Management Committee	3	Mr. Javed Mahmood																					
Human Resource Committee	4	Mr. Bilal Mustafa																					
Procurement Committee	-	-																					
Nomination Committee	-	-																					
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	✓																				
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the rules.	14	✓																				
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of subsection (1) of section 225 of the Act.	16	✓																				

S. No.	Provision of the Rules	Rule no.	Y	N	Remarks												
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	✓														
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="236 913 944 1128"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Javed Mahmood</td> <td>Chairman</td> <td>Banker</td> </tr> <tr> <td>Ms. Darakshan S. Vohra</td> <td>Member</td> <td>Lawyer</td> </tr> <tr> <td>Mr. Mohammad Mubeen Mufti</td> <td>Member</td> <td>Head of IT</td> </tr> </tbody> </table> <p>The chief executive and chairman of the Board are not members of the audit committee.</p>	Name of Member	Category	Professional Background	Mr. Javed Mahmood	Chairman	Banker	Ms. Darakshan S. Vohra	Member	Lawyer	Mr. Mohammad Mubeen Mufti	Member	Head of IT	21(1) and 21(2)	✓ ✓		
Name of Member	Category	Professional Background															
Mr. Javed Mahmood	Chairman	Banker															
Ms. Darakshan S. Vohra	Member	Lawyer															
Mr. Mohammad Mubeen Mufti	Member	Head of IT															
32.	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. (b) The audit committee met the external auditors, at least once a year, without the presence of chief financial officer, the chief internal auditor and other executives. (c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓ ✓ ✓														
33.	(a) The Board has setup an effective internal audit function, which has an audit charter, duly approved by the audit committee. (b) The chief internal auditor has requisite qualification and experience prescribed in the Rules. (c) The internal audit reports have been provided to the external auditors for their review.	22	✓ ✓ ✓														
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)	✓														



Muhammad Mubeen Mufti
Director



Javed Mahmood
Director



Bilal Mustafa
Chairman

Statement of Compliance

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

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

SCHEDULE II

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

S. No.	Rule / sub-rule No.	Reasons for non-compliance	Future course of action
1.	12(1) d & e	<p>The Board, in consideration of limited operations; cost and benefits; Company's financial position; and advice of management, have not formed Procurement Committee and Nomination Committee.</p> <p>Procurement Committee - At present the Company is involved in very little procurement of day to day items, in consideration thereof the Board is directly looking after procurement matters and required the management to obtain approval of the Board for all procurement in excess Rs.1 million.</p> <p>Nomination Committee - The Board has decided that the HR Committee of the Board will perform functions of the Nomination Committee.</p>	The Board is reviewing the matter on ongoing basis.
2.	2A(1)	The Public Sector Company is directed and managed by sufficient number of persons who are Fit and Proper persons to hold the positions which they hold.	The Board is in process of appointing full time CEO; and to fill in the casual vacancy caused due to demise of Mr Abdul Waseem.

Statement of Compliance

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

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

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

- 1) The total number of directors are 6 as per the following:
 - a) Male: 4
 - b) Female: 2
- 2) The composition of the Board is as follows:
 - i. Female directors**
 - Darakhshan Sheikh Vohra
 - Sameena Gul
- 3) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- 4) The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- 5) During the year, the Board has not arranged Directors' Training program.
- 6) The Board has formed committees comprising of members given below:
 - a) Audit Committee (Name of members and Chairman)

Name of Member	Designation
Mr. Javed Mahmood	Chairman
Ms. Darakshan S. Vohra	Member
Mr. Muhammad Mubeen Mufti	Member

- b) HR and Remuneration Committee (if applicable)

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

- c) Nomination Committee (if applicable)

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

Name of Member	Designation
Mr. Javed Mahmood	Chairman
Mr. Bilal Mustafa	Member
Ms. Darakshan S. Vohra	Member

7) The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

8) The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee;

Quarterly

b) HR and Remuneration Committee (if applicable);

Yearly

c) Nomination Committee (if applicable);

N/A

d) Risk Management Committee (if applicable);

Yearly

9) The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

10) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

11) We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and

12) Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below

Reference of Rule	Description	Explanation
24	<p>No person shall be appointed as the company secretary unless he holds the qualification as specified under the relevant Regulations by the Commission:</p> <p>Provided, the same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company.</p>	<p>These Regulations are applicable based on "comply or explain approach" except the requirements which are mandatory.</p> <p>The Regulation 24 is also a non-mandatory requirement and therefore either it should be complied or explained.</p> <p>The person holding the positions of CFO and the Company Secretary have the requisite qualifications and experience and is qualified to be appointed as the Company Secretary and the CFO of the company.</p>
31(2)	<p>"The head of internal audit shall functionally report to the audit committee and administratively to the chief executive officer and his performance appraisal shall be done jointly by the Chairman of the audit committee and the chief executive officer."</p> <p>Performance appraisal of the Internal Auditor was not performed during the year.</p>	<p>The Board in consideration of the financial health of the Company and as the person meets with requirements prescribed for holding the positions of the CFO; and the Company Secretary have not appointed separate individual for these posts. The matter has been noted for compliance and in year 2021 the performance review will be done.</p>

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

Review Report on the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'Codes') prepared by the Board of Directors of SME Leasing Limited for the year ended December 31, 2020 to comply with the requirements of regulation No 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and regulation 24 of the Public Sector Companies (Corporate Governance) Rules, 2013.

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

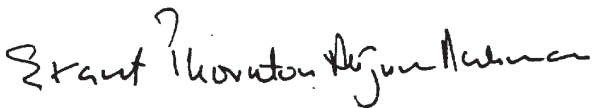
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control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

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Codes as applicable to the Company for the year ended December 31, 2020.

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

S. No.	Statement of Compliance reference	Description
Statement of Compliance as per Public Sector Companies (Corporate Governance) Rules, 2013		
1.	23	Company does not have nomination committee.
2.	2A (1)	The company does not comply with the requirement of minimum number of directors.
Statement of Compliance as per Listed Companies (Code of Corporate Governance) Regulations, 2019		
3.	24	The Chief Financial Officer also holds the position of Company Secretary.
4.	31	Performance appraisal of the Internal Auditor was not performed during the year.



Grant Thornton Anjum Rahman
Chartered Accountants

Karachi
Dated: 04th March, 2021

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

Report on the Audit of the Financial Statements Qualified 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, 2020** along with the statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information; and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, except for the possible effects of the matter described in the **Basis for Qualified Opinion** section of our report, the statement of financial position, the statement of profit or loss account, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

Taxation - net includes an amount of Rs. 8.1 million (2019: Rs. 8.1 million) which was pertaining to prior years as provision for taxation. In order to ascertain the above, we requested supporting documents and management informed us that they are unable to locate these documents. We were unable to substantiate "Taxation — net" amounting to Rs. 8.1 million due to non-availability of records and being old in nature. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 within the meaning of International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty relating to Going Concern

We draw attention to note 1.4 to the financial statements which states that the Company has incurred a net loss of Rs. 57.676 million (December 31, 2019: Rs. 35.694 million), resulting in accumulated losses of Rs. 348.906 million (December 31, 2019: Rs. 291.358 million) as at statement of financial position date and as of that date the Company's current liabilities exceed its current assets by Rs. 67.154 million (December 31, 2019: Rs. 54.804 million). Further, it is fully explained in note 1.2, application with the Securities and Exchange Commission of Pakistan for renewal of license to operate as a leasing company is still pending.

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 modified in respect of this matter.

Emphasis of Matter

We draw attention to note 1.3 to the financial statements which states the status of non-compliance with the Regulation 4 of Non-Banking Finance Companies and Notified Entities Regulations, 2008. Our opinion is not modified in respect of this matter

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. In addition to the matters described in the 'Basis for Qualified Opinion' and the 'Material Uncertainty Related to Going Concern' section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter is as follows:

S. No.	Key audit matter	How the matter was addressed in our audit
1.	<p>Impairment allowance for potential lease and loan losses</p> <p>Refer to notes 9, 10 and 15 to the financial statements and the accounting policy in notes 5.9 and 5.10 to the financial statements</p> <p>The Company's portfolio of net investment in finance leases and long term finances and loans amounts to Rs. 323.368 million and Rs. 61.08 million respectively having provision of Rs. 148.813 million and Rs. 11.088 million respectively.</p> <p>We identified the impairment allowance for potential lease and loan losses as a key audit matter due to the inherent uncertainty and judgement used by the management and compliance of the applicable regulations issued by Securities and Exchange Commission of Pakistan (SECP).</p>	<p>Our audit work included:</p> <ul style="list-style-type: none"> - obtaining an understanding and evaluating the design of the key controls; - performing detailed assessment of the credit approval procedures of the leases sanctioned in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and die credit manual of the Company. - detailed testing and assessment of provision/reversal of net investment in finance leases and long-term finances and loans to ensure that these amounts are in line with applicable regulations. - testing a sample of lease portfolio to ascertain whether the loss event (that is the point at which impairment is recognized) had been identified in a timely manner including, where relevant, how recoveries have been made and where impairment has been identified.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

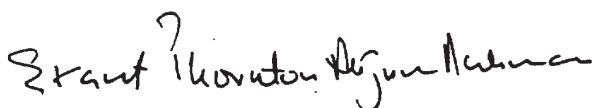
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes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

Report on Other Legal and Regulatory Requirements

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

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

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



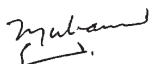
Grant Thornton Anjum Rahman
Karachi
Date: 04th March, 2021

Statement of Financial Position

As At December 31, 2020

	Note	2020	2019
		Rupees	
ASSETS			
Non-current assets			
Property and equipment	6	3,903,811	4,510,324
Right-of-use asset	7	7,770,109	12,053,712
Intangible asset	8	-	-
Net investment in finance leases	9	187,152,253	237,195,651
Long term finances and loans - secured	10	47,385,562	57,932,105
Long-term loans to employees - secured	11	323,196	732,683
Long-term deposits and prepayments	12	870,558	1,162,410
Total non-current assets		247,405,489	313,586,885
Current assets			
Advances	13	5,007,025	3,369,958
Prepayments and other receivables	14	1,496,938	951,154
Current maturity of non current assets	15	150,082,218	163,024,745
Cash and bank balances	16	1,626,307	787,718
Total current assets		158,212,488	168,133,575
Total assets		405,617,977	481,720,460
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
100,000,000 (2019: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	24	320,000,000	320,000,000
Capital reserves		38,019,277	38,019,277
		358,019,277	358,019,277
Revenue reserves			
Reserve against future losses		10,447,052	10,447,052
Accumulated losses		(348,905,989)	(291,358,265)
		(338,458,937)	(280,911,213)
Total shareholders' equity		19,560,340	77,108,064
Non-current liabilities			
Liabilities against assets subject to finance lease	21	7,214,310	10,505,675
Long-term deposits	9	144,177,595	163,545,094
Defined benefit obligations	23	9,164,855	7,623,230
Total non-current liabilities		160,556,760	181,673,999
Current liabilities			
Trade and other payables	17	5,040,042	4,870,238
Unclaimed dividend		-	19,694
Mark-up accrued on borrowings	18	4,211,211	2,143,384
Short term borrowings - secured	19	144,790,638	142,156,359
Current maturity of non-current liabilities	20	57,381,913	60,590,939
Current maturity of liabilities against finance lease assets	21	2,913,768	2,489,296
Provision for compensated absences	22	2,959,558	2,500,565
Taxation - net		8,203,747	8,167,922
Total current liabilities		225,500,877	222,938,397
Total equity and liabilities		405,617,977	481,720,460
Contingencies and commitments			
	25		

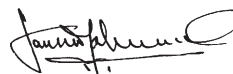
The annexed notes from 1 to 42 from an integral part of these financial statements.



M. Shahzad
Chief Financial Officer



Muhammad Mubeen Mufti
Director



Javed Mehmood
Director



Bilal Mustafa
Director

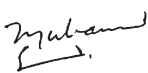
* Filling for vacancy of CEO is in process.

Statement of Profit or Loss Account

For The Year Ended December 31, 2020

	Note	2020 Rupees	2019
REVENUE			
Income from operations	26	21,583,297	26,466,198
Other operating income			
Other income	27	<u>371,609</u>	<u>111,440</u>
Total revenue		21,954,906	26,577,638
EXPENSES			
Administrative and general	28	<u>(43,681,689)</u>	<u>(44,233,719)</u>
Finance cost	29	<u>(21,569,869)</u>	<u>(22,459,467)</u>
Total expenses		(65,251,558)	(66,693,186)
Operating loss before reversals / (provisions)		(43,296,652)	(40,115,548)
(PROVISIONS)/REVERSALS			
(Provisions)/reversals for potential lease losses - net	9.6	<u>(12,461,567)</u>	<u>3,510,494</u>
(Provisions)/reversals for loans and receivables - net	10.2	<u>(1,594,618)</u>	<u>1,220,483</u>
Total (provisions) / reversals		(14,056,185)	4,730,977
LOSS BEFORE TAXATION		(57,352,837)	(35,384,571)
Taxation	30	<u>(323,749)</u>	<u>(309,759)</u>
LOSS FOR THE YEAR		(57,676,586)	(35,694,330)
Loss per share - basic and diluted	31	(1.80)	(1.12)

The annexed notes from 1 to 42 from an integral part of these financial statements.


M. Shahzad
Chief Financial Officer


Muhammad Mubeen Mufti
Director


Javed Mehmood
Director


Bilal Mustafa
Director

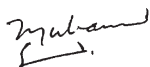
* Filling for vacancy of CEO is in process.

Statement of Comprehensive Income


For The Year Ended December 31, 2020

	Note	2020 ----- Rupees-----	2019 ----- Rupees-----
Loss for the year		(57,676,586)	(35,694,330)
Other comprehensive loss			
<i>Items that will be reclassified to profit or loss account in subsequent years</i>			
Actuarial gain on defined benefit obligation	23	128,862	1,120,142
<i>Items not to be reclassified to profit or loss account in subsequent years</i>		-	-
Total comprehensive loss for the year		<u>(57,547,724)</u>	<u>(34,574,188)</u>

The annexed notes from 1 to 42 from an integral part of these financial statements.



M. Shahzad
Chief Financial Officer



Muhammad Mubeen Mufti
Director



Javed Mehmood
Director



Bilal Mustafa
Director

* Filling for vacancy of CEO is in process.

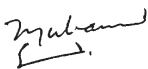
Statement of Changes in Equity

For The Year Ended December 31, 2020

	Issued, subscribed and paid-up share capital	Capital reserves		Revenue reserves		Total shareholders' equity
		*Share premium	*Statutory reserves	Reserve against future losses	Accumu- lated losses	
----- (Rupees) -----						
Balance as at January 01, 2019	320,000,000	10,000,000	28,019,277	10,447,052	(256,784,077)	111,682,252
Total Comprehensive loss for the year ended December 31, 2019						
Loss for the year	-	-	-	-	(35,694,330)	(35,694,330)
Other comprehensive loss						
Actuarial gain on defined benefit obligation	-	-	-	-	1,120,142	1,120,142
Balance as at December 31, 2019	<u>320,000,000</u>	<u>10,000,000</u>	<u>28,019,277</u>	<u>10,447,052</u>	<u>(291,358,265)</u>	<u>77,108,064</u>
Balance as at January 01, 2020	320,000,000	10,000,000	28,019,277	10,447,052	(291,358,265)	77,108,064
Total Comprehensive loss for the year ended December 31, 2020						
Loss for the year	-	-	-	-	(57,676,586)	(57,676,586)
Other comprehensive loss						
Actuarial gain on defined benefit obligation	-	-	-	-	128,862	128,862
Balance as at December 31, 2020	<u>320,000,000</u>	<u>10,000,000</u>	<u>28,019,277</u>	<u>10,447,052</u>	<u>(348,905,989)</u>	<u>19,560,340</u>

* Share premium and Statutory reserves are reflected as capital reserves in statement of financial position.

The annexed notes from 1 to 42 from an integral part of these financial statements.


M. Shahzad
Chief Financial Officer


Muhammad Mubeen Mufti
Director


Javed Mehmood
Director


Bilal Mustafa
Director

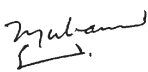
* Filling for vacancy of CEO is in process.

Statement of Cash Flows

For The Year Ended December 31, 2020

	Note	2020	2019
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(57,352,837)	(35,384,571)
Adjustment for:			
Depreciation and amortization	28	3,579,845	3,517,675
Gratuity expense	23.2	1,722,387	2,433,115
Provision for compensated absences	22	1,524,411	1,348,605
Finance cost	29	21,569,869	22,459,467
Gain on disposal of property and equipment	27	(310,128)	(2,500)
Provisions/(reversals) for potential lease losses - net	9.6	12,461,567	(3,510,494)
Provisions/(reversals) for loans and receivables - net	10.2	1,594,618	(1,220,483)
		<u>42,142,569</u>	<u>25,025,385</u>
Operating loss before working capital changes		(15,210,268)	(10,359,186)
Movement in working capital			
(Increase) / decrease in operating assets			
Net investment in lease		48,409,860	33,002,556
Finances and loans		11,893,462	5,211,350
Long-term loans to employees - secured		599,710	-
Prepayments and other receivables		(545,784)	259,087
Long-term deposits and prepayments		291,852	(337,509)
Long term deposits paid		(22,576,525)	(6,771,981)
Advances		(1,637,067)	(24,013)
		<u>36,435,508</u>	<u>31,339,490</u>
(Decrease) / increase in operating liabilities			
Trade and other payables		169,804	1,126,383
Unclaimed dividend		(19,694)	-
		<u>150,110</u>	<u>1,126,383</u>
Cash generated from operations		21,375,350	22,106,687
Financial charges paid		(19,734,352)	(19,579,127)
Interest income received		61,481	108,940
Gratuity paid	23.3	(51,900)	(2,780,405)
Benefits paid	22	(1,065,418)	(1,339,631)
Taxes paid		(287,924)	(350,627)
		<u>(21,078,113)</u>	<u>(23,940,850)</u>
Net cash generated from / (used in) operating activities		297,236	(1,834,163)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure	6	(145,600)	(272,011)
Proceeds from disposal of fixed assets	27	1,766,000	2,500
Net cash generated /(used in) from investing activities		1,620,400	(269,511)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		(3,713,326)	(3,839,362)
Net cash used in financing activities		(3,713,326)	(3,839,362)
Net decrease in cash and cash equivalents		(1,795,690)	(5,943,036)
Cash and cash equivalents at beginning of the year		(141,368,641)	(135,425,605)
Cash and cash equivalents at end of the year	34	(143,164,331)	(141,368,641)

The annexed notes from 1 to 42 from an integral part of these financial statements.


M. Shahzad
Chief Financial Officer


Muhammad Mubeen Mufti
Director


Javed Mehmood
Director


Bilal Mustafa
Director

* Filling for vacancy of CEO is in process.

Notes to the Financial Statements

For The Year Ended December 31, 2020

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% (2019: 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 PACRA Credit Rating Agency has assigned a long term rating of B (2019: B) and a short-term rating of B (2019: B) to the Company in the month of April 2020.
- 1.2** The license of the company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via application reference # SMEL/MO/2019 dated April 16, 2019 for its renewal in the manner so required by the NBFC rules, 2003. However, renewal of license was in progress till the year end.
- 1.3** 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 not complied with said requirement of NBFC Regulations 2008 of maintaining minimum capital requirement.
- 1.4** During the year ended December 31, 2020, the Company has incurred a net loss of Rs. 57.676 million (December 31, 2019: Rs. 35.694 million), resulting in accumulated losses of Rs. 348.906 million (December 31, 2019: Rs. 291.358 million) at the end of the year. Further, the net assets of the Company amounts to Rs. 19.694 million (December 31, 2019: Rs. 77.108 million). The Company has negative cash and cash equivalent of Rs. 143.164 million (December 31, 2019: Rs. 141.368 million) which comprise of running finance facility from SME Bank Limited and as of that date the Company's current liabilities exceed its current assets by Rs. 67.154 million (2019: Rs. 54.805 million)

Further, the Company is dependent on the running finance facility granted by the holding company. The revised prudential regulation of State Bank of Pakistan (SBP) applicable from June 2015 has restricted the exposure by bank to a related party to the extent of 7.5% of its equity. However, SBP on letter BPRD/BA&CPD/646/332/20 dated January 06, 2020 had granted relaxation the Parent Company relaxation of the aforesaid requirement, which had expired on December 31, 2019. During the year, the Parent Company has requested SBP to allow exemption form related party exposure limit till December 31, 2020 and correspondence regarding this was in progress till year end.

These factors along with other factors may cast significant doubt on the Company's ability to continue as a going concern and the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

However, these financials are prepared using going concern assumption 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. 144.747 million has been utilized as at December 31, 2020 (2019: Rs. 142.156 million). The said facility can be extended to the extent of Rs. 300 million as per the standby agreement for finance facility. The holding company will not call off the said amount till June 30, 2022 and the holding company will facilitate, assist and support the Company in arrangement of finance from external sources as and when required by the Company.
- The management of the Company has prepared cash flow projections which reflect that based on financial support by the holding company the Company will be able to continue its business on going concern basis in the foreseeable future.
- Concerted efforts are being made for the recovery of non-performing leases and loans and finances and in this respect during the year Rs. 25,048 million (2019: Rs. 17.612 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 that the company would be able to survive in the foreseeable future and therefore, has prepared the financial statements on going concern basis.

Notes to the Financial Statements

For The Year Ended December 31, 2020

	Note	2020 ----- Rupees -----	2019 ----- Rupees -----
2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES			
Net lease disbursements	2.1	27,000,000	64,460,000
Recoveries	2.2	79,532,814	113,127,363

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. 20,714,737 (2019: Rs. 17,612,272) and regular parties amounting to Rs. 58,818,077 (2019: Rs. 95,515,091).

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, compensated absences and liabilities against asset subject to finance lease, which is carried at present value. These financial statements are prepared on accrual basis of accounting.

3.3 Functional and presentation currency

These financial statements are presented in 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, 2019.

Notes to the Financial Statements

For The Year Ended December 31, 2020

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

- Provision for current and deferred taxation and recognition and measurement of deferred tax assets and liabilities (notes 5.17 and 30).
- Classification and provision of net investment in finance lease and loans and finances (notes 5.9, 5.10, 9 and 10).
- Determination and measurement of useful life and residual value of property and equipment, right of use asset and intangibles (note 5.2, 5.3, 5.6, 6, 7 and 8).
- Staff retirement benefits (note 5.8 and 23).
- Staff compensated absences (note 5.8 and 22).
- Impairment of non-financial assets (note 5.14).

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS

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

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

Standard or Interpretation	effective date (Annual periods beginning on or after)
IAS 1 "Presentation of financial statements (amendments)"	January 1, 2020
IAS 8 "Accounting policies, change in accounting estimates and errors (amendments)"	January 1, 2020
IFRS 3 "Business Combinations (amendments)"	January 1, 2020

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

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

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 9, IAS 39, IFRS7, IFRS4, and IFRS16 Interest Rate Benchmark Reform Phase 2	January 1, 2021
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	January 1, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	January 1, 2022
IFRS 17 and IFRS 4 Ammenment to IFRS 17 Insurance Contracts	January 1, 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41 Annual Improvements to IFRS Standards 2018-2020 cycle	January 1, 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

Notes to the Financial Statements

For The Year Ended December 31, 2020

The above standards, amendments and interpretations are not expected to have a material impact on the Company's financial statements when they become effective.

4.3 Standards, amendments and interpretations to the published standards that are notified by the Securities and Exchange Commission of Pakistan (SECP)

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

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
----------------------------	---

Financial Instruments - IFRS 9	January 1, 2022
--------------------------------	-----------------

The SECP vide S.R.O. 1332(I)/2019 has modify the effective date for applicability of International Financial Reporting Standard - Financial Instruments (IFRS-9) in place of International Accounting Standard (IAS-39) (Financial Instruments: recognition and Measurement) for Non Banking Finance Companies as "Reporting period/year ending on or after 30 June, 2020.

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 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 account by using the straight line method at the rates specified in note 6 after taking into account residual value, if any. Depreciation on additions is charged from the month the assets are 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 account as and when incurred.

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

5.3 Right-of-use assets

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

Notes to the Financial Statements

For The Year Ended December 31, 2020

5.4 Lease liabilities

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

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

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

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

5.6 Intangible

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over its estimated useful life at the rate specified in note 8 after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate at each statement of financial position date. Subsequent costs are included in the assets' carrying amounts only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

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

5.7 Staff retirement benefits

Defined contribution plan

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

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

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.

Notes to the Financial Statements

For The Year Ended December 31, 2020

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 account.

5.8 Net investment in lease finance

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

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

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 account on a basis account 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 account over the lease term on the same basis as the finance lease income.

5.9 Provision for potential lease losses and doubtful loans and receivables

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

5.10 Financial assets and liabilities

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company losses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to statement of profit or loss account 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 trade and other payables.

5.11 Investments

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

Notes to the Financial Statements

For The Year Ended December 31, 2020

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 account.

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 account over the term of the investment.

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

5.12 Loans and receivables

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

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

5.13 Impairment of non-financial assets

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

5.14 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently premeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value is recognized in the statement of profit or loss account.

Notes to the Financial Statements

For The Year Ended December 31, 2020

5.15 Offsetting of financial assets and financial liabilities

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

5.16 Taxation

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

Current

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

Deferred

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

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

5.17 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arise from past events but it is not probable that an outflow of resources embodying benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.18 Provisions

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

5.19 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.

Notes to the Financial Statements

For The Year Ended December 31, 2020

5.20 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.
- Other income is recognized on receipt basis.

5.21 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.

5.22 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.

5.23 Capital and revenue reserves

Share premium

The share premium was recorded in the year 2006 on issue of shares in accordance with requirements of the Companies Ordinance, 1984 the repealed Ordinance. This premium is available for restrictive use as per section 81 of the Companies Act 2017.

Statutory reserves

In accordance with the requirements of the NBFC Regulations, an amount of not less than 20% of after tax profits shall be transferred to statutory reserve till such time when the reserve equals the amount of paid-up capital, and thereafter a sum of not less than 5 percent shall be transferred. Consequently, during the current year the Company has transferred an amount of Rs. nil due to loss (2019: Rs. nil) to its statutory reserve.

Notes to the Financial Statements

For The Year Ended December 31, 2020

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. This was applicable when the company was deposit taking NBFC till year 2008, however, subsequently when the status of company changed from deposit taking NBFC to non-deposit taking NBFC, this policy is no more applicable. Therefore, no such reserve has been created by the Company for the year ended December 31, 2020.

5.24 Segment reporting

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

5.25 Deposits and prepayments

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

5.26 Accrued and other payables

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

5.27 Expenses

Operating expenses are recognised in the statement of profit or loss account upon utilisation of the service or at the date of their origin.

5.28 Other receivables

Other receivables are stated at cost less impairment losses, if any which equals to the fair value of the consideration to be received in future.

5.29 Finance cost

Finance cost on short term borrowings and lease liabilities is recognised in statement of profit or loss account as and when accrued. It also includes transaction charges incurred on bank accounts.

Notes to the Financial Statements

For The Year Ended December 31, 2020

6 PROPERTY AND EQUIPMENT

2020	COST			ACCUMULATED DEPRECIATION			BOOK VALUE As at Dec 31, 2020	Depreciation rate per annum %
	As at 1 January 2020	Additions/ transfer	Disposal Transfer	As at Dec 31, 2020	As at January 1, 2020	For the year		
	------(Rupees)-----							
Owned								
Furniture and fixtures	1,596,878	6,800	-	1,603,678	1,356,646	130,474	1,487,120	20
Office equipment	1,451,913	110,800	(17,500)	1,545,213	1,045,250	123,371	1,151,121	15
Building improvements	750,933	-	-	750,933	750,933	-	750,933	33.33
Office premises	9,514,190	-	-	9,514,190	5,689,826	475,710	6,165,536	5
Computers	1,497,527	28,000	-	1,525,527	1,458,462	22,559	1,481,021	33.33
Motor Vehicles	4,547,150	-	-	4,547,150	4,547,150	-	4,547,150	20
	<u>19,358,591</u>	<u>145,600</u>	<u>(17,500)</u>	<u>19,486,691</u>	<u>14,848,267</u>	<u>752,114</u>	<u>15,582,881</u>	
	------(Rupees)-----							
2019								
Owned								
Furniture and fixtures	1,596,878	-	-	1,596,878	1,218,849	137,797	1,356,646	20
Office equipment	1,236,303	234,510	(18,900)	1,451,913	966,567	97,583	1,045,250	15
Building improvements	750,933	-	-	750,933	750,933	-	750,933	33.33
Office premises	9,514,190	-	-	9,514,190	5,214,128	475,698	5,689,826	5
Computers	1,460,026	37,501	-	1,497,527	1,424,116	34,346	1,458,462	33.33
Motor vehicles	4,547,150	-	-	4,547,150	4,531,916	15,234	4,547,150	20
	<u>19,105,480</u>	<u>272,011</u>	<u>(18,900)</u>	<u>19,358,591</u>	<u>14,106,509</u>	<u>760,658</u>	<u>14,848,267</u>	

Notes to the Financial Statements

For The Year Ended December 31, 2020

7 RIGHT-OF-USE ASSET

	COST				ACCUMULATED DEPRECIATION				BOOK VALUE	
	As at January 1, 2020	Adjustment on transition to IFRS 16	Additions/transfer	Disposal Transfer	As at 31 December 2020	As at January 1, 2020	For the year	On disposal	As at Dec 31, 2020	As at Dec 31, 2020
	----- (Rupees) -----									
Office premises	12,950,191	-	-	-	12,950,191	2,590,044	2,590,038	-	5,180,082	7,770,109
Motor Vehicles	1,782,700	-	-	1,782,700	-	89,135	237,693	(326,828)	-	-
	<u>14,732,891</u>	<u>-</u>	<u>-</u>	<u>1,782,700</u>	<u>12,950,191</u>	<u>2,679,179</u>	<u>2,827,731</u>	<u>(326,828)</u>	<u>5,180,082</u>	<u>7,770,109</u>

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

7.1 Particulars of Disposal of Right of used assets

	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Profit / (Loss) on Disposal	Mode of Disposal	Particulars of Buyer	Relationship
	----- (Rupees) -----							
Motor Vehicle								
Suzuki Cultus	1,782,700	326,828	1,455,872	1,760,000	304,128	Insurance claim	Insurance Company	Third party
	<u>1,782,700</u>	<u>326,828</u>	<u>1,455,872</u>	<u>1,760,000</u>	<u>304,128</u>			

Note	2020	2019
------	------	------

8 INTANGIBLE ASSETS

Software and licenses

8.1

-	-
-	-
<u>-</u>	<u>-</u>

Notes to the Financial Statements

For The Year Ended December 31, 2020

8.1 Movement of intangible assets

2020	COST			ACCUMULATED DEPRECIATION					BOOK VALUE	
	As at January 1, 2020	Additions/transfer	Disposal Transfer	As at 31 December 2020	As at January 1, 2020	For the year	On disposal	As at Dec 31, 2020	As at Dec 31, 2020	Depreciation Rate per annum
----- (Rupees) -----										
Owned Software and licenses	1,507,142	-	-	1,507,142	1,507,142	-	-	1,507,142	-	33%
	1,507,142	-	-	1,507,142	1,507,142	-	-	1,507,142	-	

2019	COST			ACCUMULATED DEPRECIATION					BOOK VALUE	
	As at January 1, 2019	Additions/transfer	Disposal Transfer	As at 31 December 2019	As at January 1, 2019	For the year	On disposal	As at Dec 31, 2019	As at Dec 31, 2019	Depreciation Rate per annum
----- (Rupees) -----										
Owned Software and licenses	1,507,142	-	-	1,507,142	1,429,304	77,838	-	1,507,142	-	33%
	1,507,142	-	-	1,507,142	1,429,304	77,838	-	1,507,142	-	

Note	2020	2019
------	------	------

9 NET INVESTMENT IN FINANCE LEASES

Net investment in finance leases	9.1	323,368,379	383,222,542
Less: Current maturity	15	(136,216,126)	(146,026,891)
		187,152,253	237,195,651

Notes to the Financial Statements

For The Year Ended December 31, 2020

9.1 Net investment in finance leases

		December 31, 2020			December 31, 2019		
		Total	Later than one year and less than five years	Not later than one year	Total	Later than one year and less than five years	Not later than one year
----- (Rupees) -----							
Minimum lease payments	9.3	332,473,338	252,615,664	79,857,674	363,613,847	266,683,943	96,929,904
Add: Residual Value of leased assets	9.4	201,186,275	144,177,595	57,008,680	223,762,800	163,545,094	60,217,706
Gross Investment in leases		533,659,613	396,793,259	136,866,354	587,376,647	430,229,037	157,147,610
Less: Unearned lease Income		(12,813,448)	(12,163,220)	(650,228)	(18,120,622)	(6,999,903)	(11,120,719)
Less: Markup held in Suspense Account		(48,664,406)	(48,664,406)	-	(49,681,670)	(49,681,670)	-
		(61,477,854)	(60,827,626)	(650,228)	(67,802,292)	(56,681,573)	(11,120,719)
		472,181,759	335,965,633	136,216,126	519,574,355	373,547,464	146,026,891
Less: Provision for potential lease losses	9.6	(148,813,380)	(148,813,380)	-	(136,351,813)	(136,351,813)	-
Net Investment in Finance leases		323,368,379	187,152,253	136,216,126	383,222,542	237,195,651	146,026,891

- 9.2** The internal rate of return (IRR) on lease contract receivable ranges from 9.5% to 25% per annum (2019: 9.5% to 25% per annum).
- 9.3** This include amount receivable in respect of non performing leases of Rs. 199.204 million (2019: Rs. 124.601 million) which have not been fully provided due to forced sales value benefit amounting to Rs. 87.345 million (2019: Rs. 150.100 million).
- 9.4** These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases. The amount is net of security deposit held against non-performing leases amounting to Rs. 144.988 million (2019: Rs. 145.463 million).
- 9.5** Lease rentals received during the year aggregate to Rs. 79.533 million (2019: Rs. 113.127 million). Lease disbursed during the year amounts to Rs. 27 million (2019: Rs. 64.460 million).

Notes to the Financial Statements

For The Year Ended December 31, 2020

	Note	2020	2019
		Rupees	
9.6 Provision for potential lease losses			
Balance at the beginning of the year		136,351,813	139,862,307
Provision for the year		29,052,904	9,403,368
Recovered during the year		(16,591,337)	(12,913,862)
Net provision		12,461,567	(3,510,494)
Balance at the end of the year		148,813,380	136,351,813
10 LONG TERM FINANCES AND LOANS - SECURED			
Customers			
-considered good	10.1	20,351,243	24,244,705
-considered doubtful		51,818,056	59,818,056
	10.3	72,169,299	84,062,761
Less: Provision for doubtful finances and loans - net	10.2	(11,088,650)	(9,494,030)
		61,080,649	74,568,731
Less: Current maturity			
Customers	15	(13,695,087)	(16,636,626)
		47,385,562	57,932,105

10.1 These represent loans to customers for a period of three to five years on mark-up basis and are secured by way of hypothecation of stock and immovable property. The rate of mark-up ranges from 11.35% to 17.33% (2019: 15% to 27%) per annum.

	Note	2020	2019
		Rupees	
10.2 Provision for doubtful finances and loans - net			
Balance at the beginning of the year		9,494,030	10,714,513
Provision for the year		5,718,015	3,588,157
Recovered during the year		(4,123,397)	(4,808,640)
Net provision		1,594,618	(1,220,483)
Balance at the end of the year		11,088,648	9,494,030

10.3 This includes non performing loans of Rs. 59.140 million (2019: Rs. 75.661 million) which have not been fully provided due to FSV benefits amount to Rs. 63.832 million (2019: 76.025 million).

Notes to the Financial Statements

For The Year Ended December 31, 2020

	Note	2020	2019
		Rupees	
11 LONG-TERM LOANS TO EMPLOYEES - SECURED			
Related parties - considered good			
- house loans		-	155,352
- car loans		494,201	938,559
	11.1&11.2	494,201	1,093,911
Less: Current maturity	15	(171,005)	(361,228)
		323,196	732,683
11.1 Movement in loan to employees			
Balance at the beginning of the year		1,093,911	1,504,534
Disbursements		49,500	89,567
Repayments		(649,210)	(500,190)
Balance at the end of the year		494,201	1,093,911

11.2 These represent housing loans and car loans given to employees. These loans are recovered through deduction from salaries over varying periods up to a maximum period of 20 years. These loans are granted to the employees in accordance with their terms of employment. The housing loans are secured by registered mortgage in favor of the Company. Car loans are secured by the title of car in the Company's name. These loans carry mark-up at 5% to 7% (2019: 5% to 7% per annum).

	Note	2020	2019
		Rupees	
12 LONG-TERM DEPOSITS AND PREPAYMENTS			
Other deposits	12.1	787,222	787,222
Prepayments		864,004	1,062,373
Less: Current maturity	14	(780,668)	(687,185)
Non-current prepayments		83,336	375,188
		870,558	1,162,410
12.1 Other deposits			
Deposit On Rent: Branches		711,000	711,000
Deposit - Central Depository Company		50,000	50,000
Miscellaneous Deposits		14,422	14,422
Deposit On BRR Security Vault		11,800	11,800
		787,222	787,222
13 ADVANCES			
Considered good - unsecured			
- employees	13.1	1,678,710	1,180,216
- legal advisors	13.2	2,289,853	2,053,200
- others		137,426	136,542
- Advance against lease vehicle		886,036	-
- SBP deposit		15,000	-
		5,007,025	3,369,958

Notes to the Financial Statements

For The Year Ended December 31, 2020

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

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

	Note	2020 ----- Rupees-----	2019 ----- Rupees-----
14 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		780,668	838,786
Other receivable		65,000	65,000
Accrued interest on long term finances and loans		651,270	47,368
		1,496,938	951,154
15 CURRENT MATURITY OF NON CURRENT ASSETS			
Current maturity of:			
- Net investment in finance leases	9	136,216,126	146,026,891
- Long term finances and loans	10	13,695,087	16,636,626
- Long term loans to employees	11	171,005	361,228
		150,082,218	163,024,745
16 CASH AND BANK BALANCES			
Balance with State Bank of Pakistan in current account		-	6,282
Balances with banks in:			
- Current accounts		1,466,000	633,408
- Saving accounts	16.1	93,895	81,616
Cash in hand		66,412	66,412
		1,626,307	787,718

16.1 These carry profit rate of 5.5% to 11.25% per annum (2019: 4% per annum).

	Note	2020 ----- Rupees-----	2019 ----- Rupees-----
17 TRADE AND OTHER PAYABLES			
Payable on termination/maturity of leases		2,132,445	1,323,320
Insurance payable		1,829,706	2,023,774
Accrued expenses		798,429	1,206,715
Others		255,933	316,429
Sales tax payable		23,529	-
		5,040,042	4,870,238

Notes to the Financial Statements

For The Year Ended December 31, 2020

	Note	2020	2019
		Rupees	
18 MARK-UP ACCRUED ON BORROWINGS			
Interest accrued on:			
- Short term borrowings	18.1	<u>4,211,211</u>	<u>2,143,384</u>

18.1 This amount represents accrued interest payable to the holding company.

19 SHORT TERM BORROWINGS - SECURED			
Short term borrowings	19.1	<u>144,790,638</u>	<u>142,156,359</u>

19.1 The Company has a running finance facility available from the holding company amounting to Rs.150 million (2019: Rs.150 million) at mark-up rates ranging between 11.35% to 17.33% (2019: 10.43% to 17.33%) per annum. Above arrangements are secured by way of hypothecation of the Company's specific leased assets and related receivables of the Company.

	Note	2020	2019
		Rupees	
20 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term deposits	9.1	<u>57,008,680</u>	60,217,706
Long term finance	20.1	<u>373,233</u>	373,233
		<u>57,381,913</u>	<u>60,590,939</u>

20.1 This represents balance due against financing facilities amounting to Rs. 0.373 million (2019: Rs. 0.373 million) from National Energy Conservation Centre (Enercon). The facilities from Enercon were obtained under an agreement whereby they agreed to provide funds to the Company for granting lease / finance facility to its customers at a preferential mark-up rate for procuring and using energy efficient equipments. The facility requires sharing of profit @ 5% of the financing amount on quarterly basis. However, this facility is no more active.

21 CURRENT MATURITY OF LIABILITIES AGAINST FINANCE LEASE ASSETS

	2020		2019	
	Minimum lease payment	Present value	Minimum lease payment	Present value
	(Rupees)		(Rupees)	
Upto one year	<u>4,200,835</u>	<u>2,913,768</u>	4,392,078	2,489,296
Later than one year but not later than five years	<u>8,392,048</u>	<u>7,214,310</u>	13,183,867	10,505,675
Total minimum lease payments	<u>12,592,883</u>	<u>10,128,078</u>	17,575,945	12,994,971
Less: Finance charges not due yet	<u>(2,464,805)</u>	-	(4,580,974)	-
Present value of minimum lease payments	<u>10,128,078</u>	<u>10,128,078</u>	12,994,971	12,994,971
Less: Current portion	<u>(2,913,768)</u>	<u>(2,913,768)</u>	(2,489,296)	(2,489,296)
Non-current portion	<u>7,214,310</u>	<u>7,214,310</u>	<u>10,505,675</u>	<u>10,505,675</u>

Notes to the Financial Statements

For The Year Ended December 31, 2020

	Note	2020	2019
		Rupees	
22 PROVISION FOR COMPENSATED ABSENCES			
Changes in present value of defined benefit obligations			
Present value of defined benefit obligations- Opening		2,500,565	2,491,591
Current service cost		1,266,197	820,743
Interest cost on defined benefit obligation		221,384	241,385
Benefits paid		(1,065,418)	(1,339,631)
Remeasurement			
- Actuarial gains from changes in assumptions		(5,872)	(4,307)
- Experience adjustments		42,702	290,784
Present value of defined benefit obligations- Closing		2,959,558	2,500,565
Expenses to be charged to statement of profit or loss account			
Current service cost		1,266,197	820,743
Experience adjustments		42,702	290,784
Actuarial gains from changes in financial assumptions		(5,872)	(4,307)
Interest cost on defined benefit obligation		221,384	241,385
Expense chargeable to statement of profit or loss account	28.1	1,524,411	1,348,605
Changes in net liability			
Statement of financial position liability- Opening		2,500,565	2,491,591
Expenses chargeable to statement of profit or loss account		1,524,411	1,348,605
Benefits paid		(1,065,418)	(1,339,631)
Statement of financial position liability- Closing		2,959,558	2,500,565

23 DEFINED BENEFIT OBLIGATIONS

The Company operates an unapproved and unfunded gratuity scheme for all of its permanent employees. Number of employees covered under the scheme are 27 (2019: 28).

Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out on December 31, 2020 by Nauman Associates using the Projected Unit Credit Method. The following significant assumptions were used for valuation of the scheme:

	2020	2019
Valuation discount rate	11.25%	11.25%
Expected long term rate of increase in salary level	11.25%	11.25%

	Note	2020	2019
		Rupees	
23.1 Liability in statement of financial position			
Present value of defined benefit obligation	23.2	9,164,855	7,623,230

Notes to the Financial Statements

For The Year Ended December 31, 2020

	Note	2020	2019
		----- Rupees -----	
23.2 Movement in liability during the year			
Balance at the beginning of the year		7,623,230	9,090,662
Charged to statement of profit or loss account	28.1	1,722,387	2,433,115
Remeasurements chargeable in other comprehensive income	23.5	(128,862)	(1,120,142)
Benefits paid during the year		(51,900)	(2,780,405)
Balance at the end of the year		9,164,855	7,623,230
23.3 Reconciliation of the present value of defined benefit obligations			
Present value of obligations at beginning of the year		7,623,230	9,090,662
Current service cost		867,693	1,412,804
Interest cost		854,694	1,020,311
Past service cost		-	-
Benefits paid during the year		(51,900)	(2,780,405)
Remeasurements gain chargeable in other comprehensive income		(128,862)	(1,120,142)
Present value of obligations at the end of the year		9,164,855	7,623,230
23.4 Charged to statement of profit or loss account			
Current services cost		867,693	1,412,804
Past service cost		-	-
Interest cost		854,694	1,020,311
		1,722,387	2,433,115
23.5 Remeasurements gain chargeable in other comprehensive income			
Actuarial gains on obligation		(19,855)	(23,258)
Experience adjustment		(109,007)	(1,096,884)
Total re-measurements recognized in other comprehensive income		(128,862)	(1,120,142)

23.6 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

Discount rate effect	Rupees	Rate effect
Original liability	9,164,855	11.25%
1% increase	10,081,341	12.25%
1% decrease	8,248,370	10.25%

Notes to the Financial Statements

For The Year Ended December 31, 2020

Salary increase rate effect	Rupees	Rate effect
Original liability	9,164,855	11.25%
1% increase	10,081,341	12.25%
1% decrease	9,073,206	10.25%

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

23.7 Maturity profile

The weighted average duration of the obligation (in years)

2020	2019
Rupees	
10	10

24 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2020 (Number of shares)	2019		2020	2019
			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

24.1 SME Bank Limited is a public limited company incorporated in Pakistan on October 30, 2001 under the Companies Ordinance, 1984 having its registered office at 56-F, Nazim-ud-Din Road, F-6/1, Blue Area Islamabad. The Bank obtained its business commencement certificate on April 16, 2005 which became effective from the date of its issue. The Bank is a Scheduled Commercial Bank engaged in the business engaged in the business of banking with primary objective to support and develop Small and Medium Enterprise (SME) sector in Pakistan by providing necessary financial assistance and business support services on sustainable basis. At December 31, 2020, The holding company and its nominees hold 73.14% (2019: 73.14%) ordinary shares of the Company.

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

There are no contingencies as at December 31, 2020 (2019: Nil).

25.2 Commitments

There are no commitments as at December 31, 2020 (2019: Nil).

Notes to the Financial Statements

For The Year Ended December 31, 2020

	Note	2020	2019
		Rupees	
26 INCOME FROM OPERATIONS			
Income from finance leases		17,776,964	19,634,038
Income on finances and loans		3,806,333	6,832,160
		21,583,297	26,466,198
27 OTHER INCOME			
Income from financial assets			
Mark-up on loan to employees		59,299	89,003
Profit on bank account/return on investment		6,998	-
Income from non-financial assets			
Gain on disposal of fixed assets		310,128	2,500
Other (loss)/income		(4,816)	19,937
		371,609	111,440
28 ADMINISTRATIVE AND GENERAL			
Salaries, allowances and other benefits	28.1	30,075,743	28,359,429
Depreciation and amortization	6, 7 & 8	3,579,845	3,517,675
Legal and professional		2,977,654	2,754,034
Insurance		1,182,235	970,843
Travelling, conveyance and entertainment		958,947	1,660,194
Electricity, gas and water		887,010	958,523
Telephone and postage		759,466	899,205
Miscellaneous		599,259	782,187
Auditors' remuneration	28.6	622,000	509,825
Directors' fee	28.4	515,000	660,000
Printing and stationery		471,352	706,202
Repairs and maintenance		441,005	479,549
Rent, rates and taxes		257,372	507,025
Vehicle running		218,273	474,076
Advertising		97,363	327,545
Books and periodicals		36,165	59,407
Training and development		3,000	608,000
		43,681,689	44,233,719
28.1 Salaries allowance and other benefits include:			
Staff gratuity fund	23.4	1,722,387	2,433,115
Staff provident fund		775,716	665,233
Compensated absences	22	1,524,411	1,348,605
		4,022,514	4,446,953

Notes to the Financial Statements

For The Year Ended December 31, 2020

28.2 Remuneration of Chief Executive Officer and Executives

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

	2020		2019	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	1,576,625	2,981,253	1,057,813	2,101,935
Housing and utilities	500,813	1,490,629	528,906	1,050,968
Provident fund	26,709	72,000	-	-
Medical and other perquisites	463,343	628,017	105,781	210,194
Gratuity	-	-	1,548,800	-
Leave encashment	-	192,500	270,911	67,375
Leave fare assistance	-	-	387,200	-
	<u>2,567,490</u>	<u>5,364,399</u>	<u>3,899,411</u>	<u>3,430,472</u>
Number of person(s)	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>

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

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

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

28.6 Auditors' remuneration

	2020	2019
Annual audit fee	285,000	250,000
Half yearly review fee	56,000	55,600
9 Month review fee	56,000	-
Fee for other certifications	50,000	50,000
Out of pocket expenses	175,000	154,225
	<u>622,000</u>	<u>509,825</u>

29 FINANCE COST

Mark-up on short term borrowings	19,611,282	20,290,115
Interest expense for leasing arrangements	1,835,517	2,036,840
Bank charges	123,070	132,512
	<u>21,569,869</u>	<u>22,459,467</u>

Notes to the Financial Statements

For The Year Ended December 31, 2020

30 TAXATION

30.1 Current tax liability

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

30.2 Current status of tax assessments

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

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

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

30.3 Deferred tax asset of Rs.43.620 million (2019: Rs. 125.357 million) has not been recognized as the Company does not foresee future taxable profits against which unused tax losses will be utilized.

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

	2019 Rupees	2018 Rupees	2017 Rupees
Tax provision as per accounts	309,759	349,920	333,598
Tax payable/paid as per tax return	350,627	349,920	383,785

31 LOSS PER SHARE - BASIC AND DILUTED

Loss after taxation attributable to ordinary shareholders

2020	2019
Rupees	
(57,676,586)	(35,694,330)
(Number of shares)	
32,000,000	32,000,000
(Rupees)	
(1.80)	(1.12)

Weighted average number of outstanding ordinary shares

Loss per share - basic and diluted

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

32 TRANSACTIONS WITH RELATED PARTIES

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

Notes to the Financial Statements

For The Year Ended December 31, 2020

		2020	2019
		----- Rupees -----	
32.1 Balances			
SME Bank Limited (holding company)			
Short term borrowing	19	144,790,638	142,156,359
32.2 Transactions			
SME Bank Limited (holding company)			
Mark up on short-term borrowings	29	19,611,282	20,290,115
Acquisition of short term borrowing facility-net		2,634,279	600,317
Rent expense paid for Peshawar branch		550,272	544,805
Key management personnel			
Key management remuneration		7,931,889	7,329,883
Staff provident fund			
Company's contribution towards provident fund	28.1	775,716	665,233
		Unaudited	Audited
		2019	2018
		----- Rupees -----	
33 Provident fund			
Size of the fund (Net assets)		5,674,170	5,418,176
Cost of Investment made		5,719,414	5,282,289
Percentage of investment made		100.80%	97.49%
Fair value of investments		5,851,465	5,608,363

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

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

		2020	2019
		----- Rupees -----	
34 Cash and cash equivalents			
Cash and bank balances	16	1,626,307	787,718
Short term borrowings	19	(144,790,638)	(142,156,359)
		(143,164,331)	(141,368,641)

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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, 2020

Risk management framework

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

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

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

35.1 Credit risk

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

35.1.1 Management of credit risk

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

35.1.2 Exposure to credit risk

In summary, compared to the maximum amount included in the balance sheet, the maximum exposure to credit risk as at December 31, 2020 is as follows:

	2020		2019	
	Statement of financial position	Maximum exposure	Statement of financial position	Maximum exposure
	----- (Rupees) -----			
Bank balances	1,559,895	1,559,895	721,306	715,024
Advances	152,426	152,426	136,542	136,542
Net investment in finance lease	323,368,379	323,368,379	383,222,542	383,222,542
Long term finances and loans	61,080,649	61,080,649	74,568,731	74,568,731
Long-term loans to employees	494,201	494,201	1,093,911	1,093,911
Deposits and other receivables	852,222	852,222	899,590	899,590
	<u>387,507,771</u>	<u>387,507,771</u>	<u>460,642,622</u>	<u>460,636,340</u>

Notes to the Financial Statements

For The Year Ended December 31, 2020

35.1.3 Credit ratings and collaterals

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

	2020	2019
Ratings		
A1+	0.00%	0.00%
A-1+	99.13%	99.13%
Others	0.87%	0.87%
	<u>100%</u>	<u>100%</u>

35.1.4 Description of collaterals held

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

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

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.

35.1.4 Impairment losses and past due balances

	2020			
	Total	Loans and receivables	Net investment in finance lease	Impairment recognised
	----- (Rupees) -----			
Not past due	130,495,171	13,043,817	117,451,354	-
1 - 179 days	19,416,042	651,270	18,764,772	-
180 days - 1 year	-	-	-	-
More than 1 year	234,537,815	58,474,212	335,965,633	(159,902,030)
	<u>384,449,028</u>	<u>72,169,299</u>	<u>472,181,759</u>	<u>(159,902,030)</u>

Notes to the Financial Statements

For The Year Ended December 31, 2020

	2019			
	Total	Loans and receivables	Net investment in finance lease	Impairment recognised
	------(Rupees)-----			
Not past due	143,898,499	16,636,626	127,261,873	-
1 - 179 days	18,812,386	47,368	18,765,018	-
180 days - 1 year	-	-	-	-
More than 1 year	295,127,756	67,378,767	373,547,464	(145,845,843)
	<u>490,439,687</u>	<u>84,062,761</u>	<u>519,574,355</u>	<u>(145,845,843)</u>

35.1.5 Concentration of credit risk - net 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.

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

Category	2020		2019	
	Rupees	Percentage	Rupees	Percentage
Public Transport Services	99,353,265	15.86%	99,445,189	14.51%
Printing & Packaging	56,780,997	9.06%	59,389,249	8.66%
Miscellaneous	55,650,938	8.88%	33,863,905	4.94%
Film Processing	47,365,497	7.56%	48,744,973	7.11%
Oil & Gas	42,958,603	6.86%	49,316,299	7.20%
Food & Beverages	40,569,788	6.48%	42,898,326	6.26%
Health Care	40,277,035	6.43%	56,529,752	8.25%
Garments	30,850,275	4.92%	38,339,582	5.59%
Cargo Carriers	29,661,613	4.74%	24,697,886	3.60%
Entertainment	28,862,877	4.61%	31,122,877	4.54%
Rubber	28,681,331	4.58%	58,935,095	7.21%
Leather & Tannery	17,164,218	2.74%	15,364,218	2.24%
Engineering	16,500,306	2.63%	16,925,999	2.47%
Textile	14,092,568	2.25%	14,293,784	2.09%
Plastic	13,950,099	2.23%	12,894,665	1.88%
Gems & Jeweler	13,781,662	2.20%	13,921,662	2.03%
Pharma	12,236,745	1.95%	12,236,745	1.79%
Education	10,229,377	1.63%	17,651,360	2.58%
Confectionary	9,107,485	1.45%	9,637,726	1.41%
Communication	6,802,623	1.09%	6,802,623	0.99%
Construction & Building Products	5,192,256	0.83%	5,192,256	0.76%
Chemicals	4,086,174	0.65%	24,438,035	3.57%
Fisheries	1,285,857	0.21%	1,285,857	0.19%
Dates	551,021	0.09%	550,947	0.08%
Furniture	421,872	0.07%	441,872	0.06%
	<u>626,414,482</u>	<u>100%</u>	<u>694,920,882</u>	<u>100%</u>

Notes to the Financial Statements

For The Year Ended December 31, 2020

35.2 Liquidity risk

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

35.2.1 Management of liquidity risk

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

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

35.2.2 Maturity analysis for financial liabilities

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

	2020			
	Total	Contractual cash flow	Upto one year	Two to five years
	----- (Rupees) -----			
Financial Liabilities				
Trade and other payables	5,040,042	5,040,042	5,040,042	-
Lease liability	10,128,078	10,128,078	2,913,768	7,214,310
Short term borrowings	144,790,638	144,790,638	144,790,638	-
Long term finances	373,233	373,233	373,233	-
Long term deposits	201,186,275	201,186,275	57,008,680	144,177,595
Markup accrued	4,211,211	4,211,211	4,211,211	-
	365,729,477	365,729,477	214,337,572	151,391,905
	2019			
	Total	Contractual cash flow	Upto one year	Two to five years
	----- (Rupees) -----			
Financial Liabilities				
Accrued and other liabilities	4,870,238	4,870,238	4,870,238	-
Lease liability	12,994,971	12,994,971	2,489,296	10,505,675
Short term borrowings	142,156,359	142,156,359	142,156,359	-
Long term finances - secured	373,233	373,233	373,233	-
Long term deposits	223,762,800	223,762,800	60,217,706	163,545,094
Markup accrued	2,143,384	2,143,384	2,143,384	-
	386,300,985	386,300,985	212,250,216	174,050,769

Notes to the Financial Statements

For The Year Ended December 31, 2020

35.3 Market risk

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

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

35.3.1 Management of market risk

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

35.3.2 Interest rate risk

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

At December 31, 2020, details of the interest rate profile of the Company's interest bearing financial instruments were as follows:

	Effective Interest rate %	Carrying amount	
		2020 (Rupees)	2019 (Rupees)
Fixed rate instruments			
Financial assets			
Net investments in finance lease	9.5% to 25%	323,368,379	383,222,542
Long term finance and loans	15% to 27%	61,080,649	74,568,731
Long-term loans to employees - secured	5% to 7%	494,201	1,093,911
		384,943,229	458,885,184
Financial liabilities			
Long term finance	0%	373,233	373,233
Liabilities against assets subject to finance lease	17.33% to 18.26%	10,128,078	12,994,971
		10,501,311	13,368,204
Variable rate instruments			
Financial assets			
Bank balances	5.5% to 11.25%	93,895	81,616
		93,895	81,616
Financial liabilities			
Short term borrowings	10.43% to 17.33%	144,790,638	142,156,359
		144,790,638	142,156,359

Notes to the Financial Statements

For The Year Ended December 31, 2020

35.3.3 Fair value sensitivity analysis for fixed rate instruments

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

35.3.4 Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by Rs. 0.144 million (2019: Rs. 0.142 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, 2019.

35.3.5 Interest rate gap position

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

	Effective mark-up / interest / profit rate	2020			
		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	5.5% to 11.25%	93,895	93,895	-	-
Long term finances and loans	15% to 27%	61,080,649	13,043,817	-	47,385,562
Long-term loans to employees - secured	5% to 7%	494,201	-	171,005	323,196
Net investment in finance lease	9.5% to 25%	323,368,379	-	136,216,126	187,152,253
Total financial assets as on December 31, 2020		385,037,124	13,137,712	136,387,131	234,861,011
Financial liabilities					
Lease liability	17.33%	10,128,078	598,001	2,315,767	7,214,310
Short term borrowings	10.43% to 17.33%	144,790,638	-	144,790,638	-
Long term finances	0%	373,233	373,233	-	-
Total financial liabilities as on December, 2020		155,291,949	971,234	147,106,405	7,214,310
On balance sheet gap		229,745,175	12,166,478	(10,719,274)	227,646,701
Total interest rate sensitivity gap		229,745,175	12,166,478	1,447,204	229,093,905



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

Notes to the Financial Statements

For The Year Ended December 31, 2020

	Effective mark-up / interest / profit rate	2019			
		Total	Exposed to mark-up / interest / profit rate risk		
			Upto three months	More than three months and upto one year	More than one year
%		------(Rupees)-----			
Financial assets					
Cash and bank balances	4.0%	81,616	81,616	-	-
Long term finances and loans	15% to 27%	74,568,731	16,636,626	-	57,932,105
Long-term loans to employees	5% to 7%	1,093,911	-	361,228	732,683
Net investment in finance lease	9.5% to 25%	383,222,542	-	146,026,891	237,195,651
Total financial assets as on December 31, 2019		458,966,800	16,718,242	146,388,119	295,860,439
Financial liabilities					
Lease liability	17.33%	12,994,971	438,657	2,050,639	10,505,675
Short term borrowings	10.43% to 17.33%	142,156,359	-	142,156,359	-
Long term finances	0%	373,233	373,233	-	-
Total financial liabilities as on December, 2019		155,524,563	811,890	144,206,998	10,505,675
On balance sheet gap		303,442,237	15,906,352	2,181,121	285,354,764
Total interest rate sensitivity gap		303,442,237	15,906,352	18,087,473	303,442,237

35.4 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Company is not exposed to equity securities price risk as the Company does not hold any equity securities as at December 31, 2019.

Notes to the Financial Statements

For The Year Ended December 31, 2020

36 CAPITAL RISK MANAGEMENT

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

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

	2020	2019
	----- Rupees -----	
Total debt	10,128,078	12,994,971
Total equity	19,560,340	77,108,064
Total capital employed	29,688,418	90,103,035
Gearing ratio	34.11%	14.42%

36.3 Financial risk management objectives and policies

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

36.4 Fair value and risk management

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

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

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

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

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

Notes to the Financial Statements

For The Year Ended December 31, 2020

36.5 For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2020, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

As at December 31, 2020, the Company held the following classes of financial instruments measured at fair value:

December 31, 2020	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									
Cash and bank balance	16	1,626,307	-	-	1,626,307	-	-	-	-
Advances	13	-	5,007,025	-	5,007,025	-	-	-	-
Deposits; prepayments and other receivables	14	-	1,496,938	-	1,496,938	-	-	-	-
Long term finances and loans and accrued interest thereon	10	-	61,080,649	-	61,080,649	-	-	-	-
Net investment in finance leases	9	-	323,368,379	-	323,368,379	-	-	-	-
		1,626,307	390,952,991	-	392,579,298	-	-	-	-
Financial liabilities									
Accrued and other liabilities	17	-	-	5,040,042	5,040,042	-	-	-	-
Accrued mark-up on borrowings	18	-	-	4,211,211	4,211,211	-	-	-	-
Short term borrowings	19	144,790,638	-	-	144,790,638	-	-	-	-
Provision for compensated absences	22	-	-	2,959,558	2,959,558	-	-	-	-
Long term finances	20	-	-	373,233	373,233	-	-	-	-
Long term deposits	9	-	-	7,214,310	7,214,310	-	-	-	-
Defined benefit obligations	23	-	-	9,164,855	9,164,855	-	-	-	-
Lease liabilities	21	-	-	10,128,078	10,128,078	-	-	-	-
		144,790,638	-	39,091,287	183,881,925	-	-	-	-

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

Notes to the Financial Statements

For The Year Ended December 31, 2020

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

Note

Notes to the Financial Statements

For The Year Ended December 31, 2020

37 SEGMENT INFORMATION

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

The Company's reportable segments under IFRS 8 are therefore finance lease, loans and receivables, and investments.

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

	2020			Total
	Finance lease	Loans and receivables	Others	
	----- (Rupees) -----			
Segment revenue	<u>17,776,964</u>	<u>3,806,333</u>	<u>371,609</u>	<u>21,954,906</u>
Segment profit	<u>30,238,531</u>	<u>5,400,951</u>	<u>371,609</u>	<u>36,011,091</u>
Segment result				<u>36,011,091</u>
Unallocated cost				
Finance cost				(21,569,869)
Administrative and general expenses				(43,681,689)
				<u>(65,251,558)</u>
Loss before tax				(57,352,837)
Taxation				(323,749)
Loss after tax				(57,676,586)
Other information				8,214,867
Segment assets	323,368,379	61,080,649	-	384,449,028
Unallocated assets			21,168,949	21,168,949
Total assets				405,617,977
Segment liabilities	203,814,410	-	-	203,814,410
Unallocated liabilities			182,243,227	182,243,227
Total liabilities				386,057,637
Net assets				19,560,340
Capital expenditure	-	-	145,600	145,600

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

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

Notes to the Financial Statements

For The Year Ended December 31, 2020

	2019				Total
	Finance lease	Loans and receivables	Investment	Others	
	----- (Rupees) -----				
Segment revenue	<u>19,634,038</u>	<u>6,832,160</u>	-	<u>111,440</u>	<u>26,577,638</u>
Segment profit	<u>16,123,544</u>	<u>5,611,677</u>	-	<u>111,440</u>	<u>21,846,661</u>
Segment result					<u>21,846,661</u>
Unallocated cost					
Finance cost					(22,459,467)
Administrative and general expenses					(44,233,719)
					<u>(66,693,186)</u>
Loss before tax					(35,384,571)
Taxation					(309,759)
Loss after tax					<u>(35,694,330)</u>
Other information					
Segment assets	383,222,542	74,568,731	-	-	457,791,273
Unallocated assets				23,929,187	23,929,187
Total assets					<u>481,720,460</u>
Segment liabilities	226,993,289	-	-	-	226,993,289
Unallocated liabilities				177,619,107	177,619,107
Total liabilities					<u>404,612,396</u>
Net assets					<u>77,108,064</u>
Capital expenditure	-	-	-	(272,011)	<u>(272,011)</u>

37.3 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

38 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The World Health Organisation declared COVID-19 a global pandemic in March 2020. Like other parts of the world, Pakistan also went into lockdown to reduce the spread of pandemic. The lockdown globally impacted the economies and businesses in different facets. In Pakistan, the financial sector encountered an overall increase in credit risk pertaining to its loans and advances portfolio in certain sectors, reduced income due to slowdown in business activity, operational issues such as preventing spread of virus at work place and managing cyber security threat, etc. Subsequent to the financial year-end and before the approval of these financial statements, most of the lockdown restrictions have been lifted by the Government especially related to businesses and their operations. The major aspects of COVID-19 on the Company's risk management policies are discussed below along with measures and controls adopted to mitigate those risks.

Similar to the financial relief offered by the State Bank of Pakistan (SBP) to the customers of financial institutions governed by it, the Securities and Exchange Commission of Pakistan (SECP) vide its Circular (the Circular) dated March 31, 2020 allowed NBFCs to defer customers' principal repayments on their finance obligations by up to one year along with relaxing other regulatory criteria related to restructuring / rescheduling of financing limits. As per the Circular, the customers were required to apply by June 30, 2020 to avail the deferment. SECP subsequently extended the deadline for application till September 30, 2020.

Notes to the Financial Statements

For The Year Ended December 31, 2020

The Company has processed all the eligible deferment requests received and agreed with its customers. The management of the Company has approved a total of 8 customers availing finance lease arrangements with aggregate balance of Rs. 43.48 million as per the treatment prescribed in the Circular. All necessary legal and procedural arrangements were executed to ensure the timely processing of eligible deferment requests. Furthermore, the recovery status and credit risk of financing exposures under both regular and deferred arrangements are being closely monitored amid changing economic and overall situation in the country due to COVID-19.

39 NUMBER OF EMPLOYEES

The number of employees as on the year end were 32 (2019: 32) and average number of employees during the year were 33 (2019: 33).

40 SUBSEQUENT EVENTS

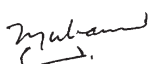
No adjusting or significant non-adjusting events have occurred between the date of report and date of authorization.

41 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

42 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 04 March, 2021 by the Board of Directors of the Company.



M. Shahzad
Chief Financial Officer



Muhammad Mubeen Mufti
Director



Javed Mehmood
Director



Bilal Mustafa
Director

* Filling for vacancy of CEO is in process.

Pattern of Shareholding

As at December 31, 2020

Shareholding		No of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	20	56	0.00
101	500	187	92,815	0.29
501	1,000	50	49,403	0.15
1,001	5,000	77	243,502	0.76
5,001	10,000	16	124,999	0.39
10,001	15,000	6	79,500	0.25
15,001	20,000	4	74,000	0.23
20,001	25,000	4	95,000	0.30
25,001	30,000	3	89,500	0.28
30,001	35,000	2	70,000	0.22
35,001	40,000	1	40,000	0.13
40,001	45,000	1	44,000	0.14
45,001	50,000	2	96,000	0.41
50,001	55,000	3	160,525	0.50
75,001	80,000	1	75,500	0.24
95,001	100,000	1	100,000	0.31
110,001	115,000	2	226,000	0.71
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
275,001	280,000	2	557,500	1.74
450,001	455,000	1	453,525	1.42
910,001	915,000	1	910,477	2.85
1,295,001	1,300,000	1	1,298,500	4.06
3,140,001	3,145,000	1	3,144,000	9.83
23,405,001	23,410,000	1	23,405,198	73.14
		390	32,000,000	100

Categories of Shareholders

As at December 31, 2020

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. Bilal Mustafa Siddiqui	1	-	1	0.00
Ms. Sameena Gul	1	-	1	0.00
Mr. Javed Mahmmod	1	-	1	0.00
Mr. Dilshad Ali Ahmad	1	-	1	0.00
Mr. Muhammad Mubeen Mufti	1	-	1	0.00
	6	-	6	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	-	5,352,977	5,352,977	16.73
NBFCs, DFIs	-	215,000	215,000	0.67
	-	5,567,977	5,567,977	17.40
Insurance Companies	-	155,000	155,000	0.48
Other Companies, Corporate Bodies, Trust etc.	46,000	945,702	991,702	3.10
General Public	136,501	1,692,616	1,829,117	5.88
	182,507	31,817,493	32,000,000	100.00
Shareholders More Than 5.00%				
SME BANK LIMITED			23,405,198	73.14
SUMMIT BANK LIMITED			3,144,000	9.83

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 19th Annual General Meeting of the Company to be held on April 27, 2021 and at any adjournment thereof.

Signed this _____ of _____ 2021.
(day) (date, month)

Signature of Member: _____

Folio Number: _____

Number of shares held : _____

Witnesses:

1. _____
2. _____

Please affix
Revenue Stamp

Signature and Company Seal

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

Affix
Correct
Postage

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



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



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

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