

annual report 2021



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





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(A subsidiary of SME Bank Ltd.)

Mission Statement

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

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

Vision Statement

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



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Branch Network

KARACHI

Main Branch:

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

HYDERABAD

M-06, Mezzanine Floor, Rabi Shopping Centre,
Cantonment Area, Saddar.
Phone: 022-9200747, Fax: 022-2782418

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. Javed Mahmood, Chairman
Mr. Dilshad Ali Ahmad
Mr. Tahir Saeed Effendi
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din
Ms. Darakshan S. Sheikh Vohra
Mr. Asghar Maqsood *

** Approval of the SECP is in process.*

CHIEF EXECUTIVE OFFICER

Mr. Asghar Maqsood

AUDIT COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din

RISK MANAGEMENT COMMITTEE

Mr. Javed Mahmood, Chairman
Mr. Muhammad Mubeen Mufti
Mr. Bilal Mohy Ud Din

HUMAN RESOURCE COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Dilshad Ali Ahmad
Mr. Muhammad Mubeen Mufti
Mr. Asghar Maqsood

PROCUREMENT COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Dilshad Ali Ahmad
Mr. Bilal Mohy Ud Din

NOMINATION COMMITTEE

Mr. Tahir Saeed Effendi, Chairman
Mr. Dilshad Ali Ahmad
Mr. Muhammad Mubeen Mufti



Corporate Information

COMPANY SECRETARY & CFO

Mr. M. Shahzad

EXTERNAL AUDITORS

BDO Ebrahim & Co,
Chartered Accountants

INTERNAL AUDITOR

Mr. Khurram Ali

TAX CONSULTANTS

EY Ford Rhodes
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Co.
Corporate Legal Consultants | Barristers & Advocates | High Courts & Supreme Courts

CREDIT RATING

Long Term: B- (B Minus) Short Term: A4

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

SHARES REGISTRAR

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

BANKS AND LENDING INSTITUTIONS

SME Bank Limited
Meezan Bank Limited



Notice of the 20th Annual General Meeting

Notice is hereby given that the Twentieth Annual General Meeting of the shareholders of SME Leasing Limited (the Company) will be held at Hotel Crown Plaza, Islamabad on Tuesday, April 26, 2022 at 09:30 am to transact the following business:

ORDINARY BUSINESS.

1. To confirm the minutes of the 8th Extraordinary General Meeting of the Company held on July 26, 2021.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended December 31, 2021 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company for the year ending December 31, 2022 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, 2022.
4. To transact any other business with the permission of the Chair.

By Order of the Board

M. Shahzad

Company Secretary

Karachi: March 04, 2022

Notes:

1. The Register of the members of the Company will remain closed from April 19, 2022 to April 26, 2022 (both days inclusive).
2. In view of the continuing threats posed by the COVID-19 pandemic 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 19, 2022 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 20agm@smelease.com by providing the following:

Name of shareholder	CNIC No.	Folio / CDS No.	Cell No.	Email address
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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. Shareholders 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 2021 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, 2021.

The Company

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

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

Operational Review

In order to address the challenges caused by COVID-19, measures were also taken in 2021 to keep the economy moving. The management believes that it has handled challenge caused by COVID-19 successfully.

Considering funding constraints, the Company remained focused on its aggressive strategy of recoveries from its portfolio and writing new good quality leases with the target of minimum default. During the year total recoveries amounted to Rs.83 million were made whereas fresh leases of Rs. 17.704 million (Gross) were written. Out of total recovery of Rs 83 million, Rs 51 million were from chronic NPLs. The default rate in the new business over the last 5 years has continued to remain low.

The only source of funding at the disposal of the Company is a credit line from the Parent Company, SME Bank Limited which has almost exhausted. The company managing its expenses in order to curtail losses.

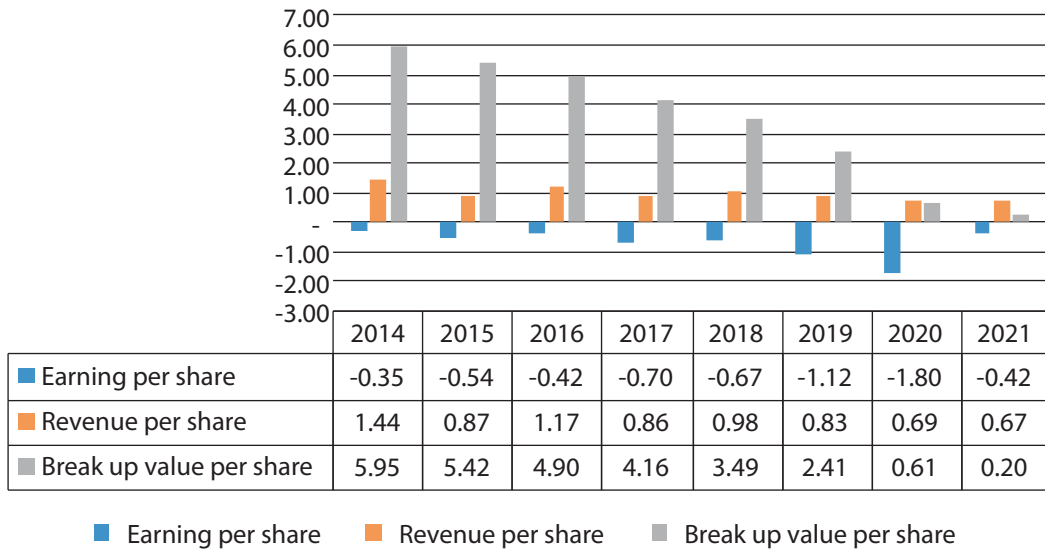
Financial Review

	2021	2020
	----- Rupees -----	
Revenue	21,393,608	21,954,906
Expenses	(62,579,566)	(65,251,558)
Operating (loss) before reversals / (provisions)	(41,185,958)	(43,296,652)
Total reversals / (provisions)	28,054,207	(14,056,185)
(Loss) before taxation	(13,131,751)	(57,352,837)
Taxation	(267,420)	(323,749)
(Loss) after taxation	(13,399,171)	(57,676,586)
(Loss) per share - basic and diluted	(0.42)	(1.80)

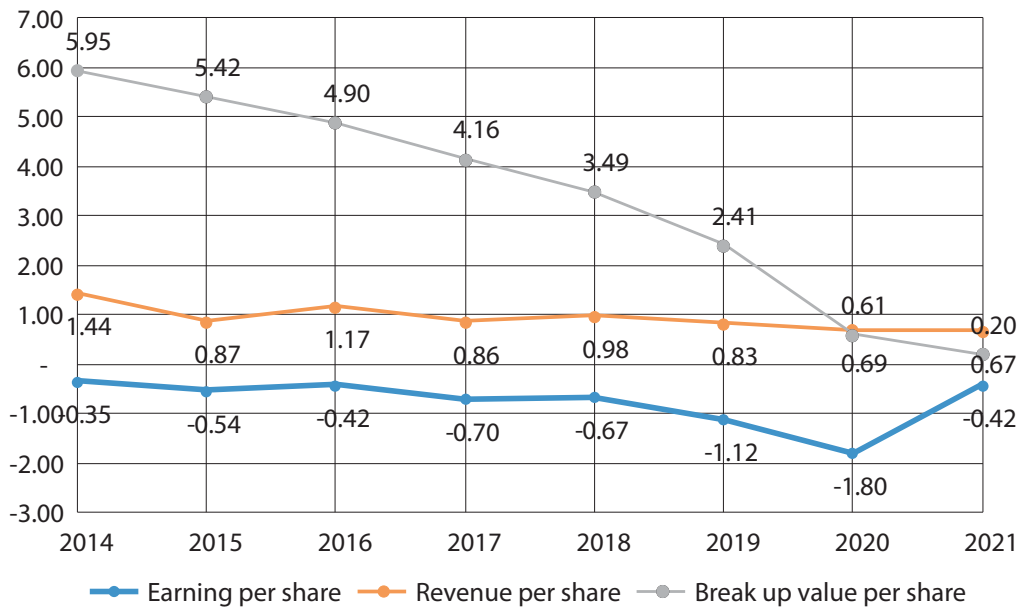
The revenue from operations decreased by 2.5% due to maturity of leases and less business written during the year. Administrative expenses recorded increase of 1% which was due to inflation. The financial charges recorded decrease of 14% due to decrease in benchmark rate used for the financing.



Key Ratios

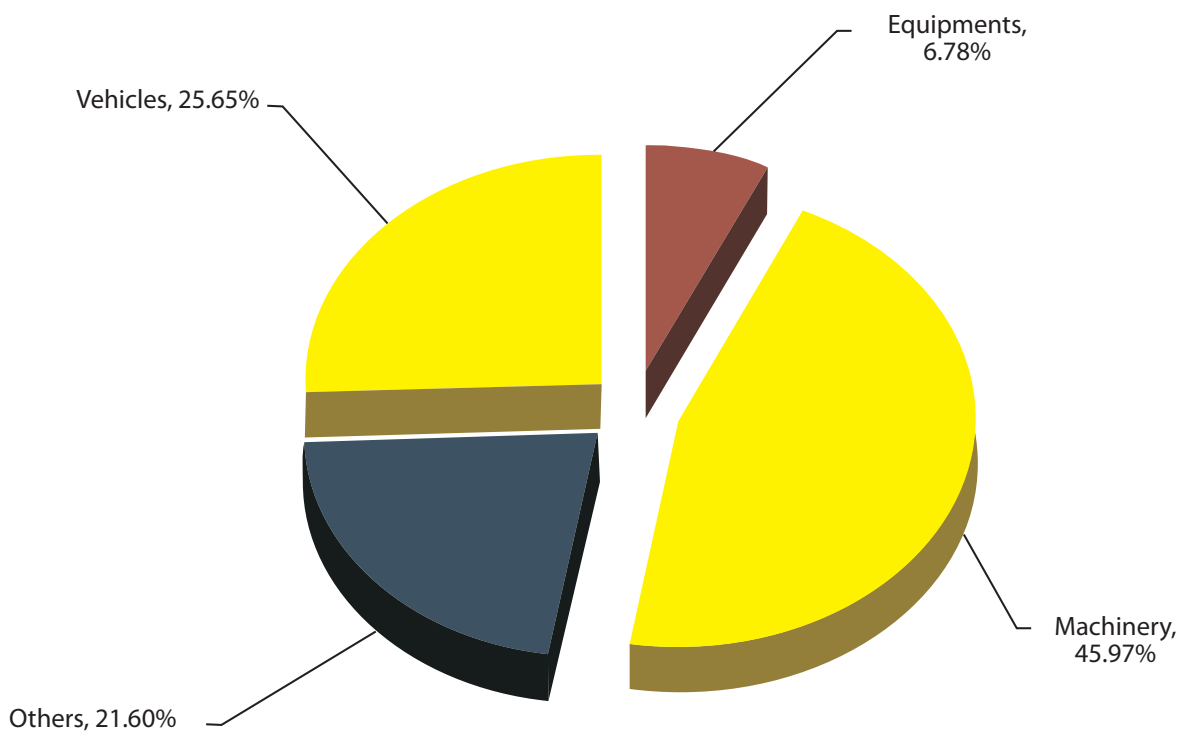
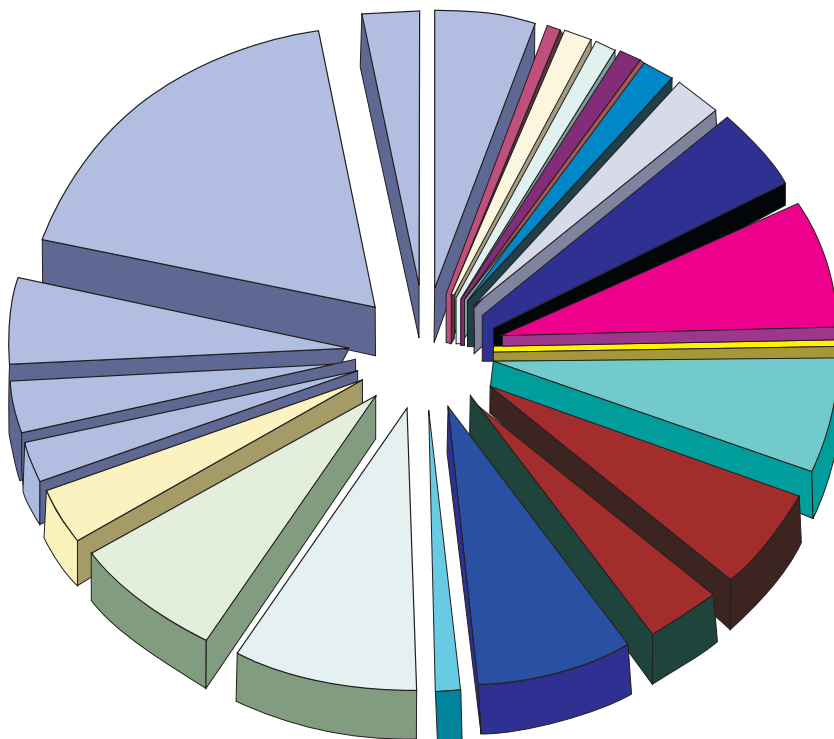


Key Ratios





Cargo Carriers	4.70%
Chemicals	0.60%
Communication	1.37%
Confectionary	1.05%
Construction And Building Products	0.87%
Dates	0.16%
Education	1.50%
Engineering	2.33%
Entertainment	4.60%
Film Processing	7.25%
Fisheries	0.36%
Food And Beverages	6.56%
Furniture	0.12%
Garments	5.82%
Gems & Jeweler	3.77%
Health Care	7.45%
Leather & Tannery	1.06%
Miscellaneous	8.65%
Oil & Gas	7.23%
Pharma	3.12%
Plastic	2.35%
Printing & Packaging	2.93%
Public Transport Services	4.99%
Rubber	18.48%
Textile	2.67%





The Auditors have expressed qualified opinion due to non-obtaining of sufficient appropriate audit evidence about the reversal of provision for taxation amounting to Rs. 7.9 million.

Economic review

In 2020 the State Bank of Pakistan (the SBP) reduced the discount rate due to which the Company's finance cost was substantially reduced. However, during the year the discount rate was increased to 11% by the SBP due to various economic indicators. Due to increase in discount rate, it is expected that the Company's finance cost will increase in 2022.

The Company remained aggressively focused on recoveries 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.

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

The 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, 2021 the Company equity was Rs 6.535 million. The Company is not meeting with the minimum equity requirement.

Future Prospects

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

With regard to the privatization of the SME Bank Limited, it may be recalled that the Cabinet Committee on Privatization (CCOP) approved the new privatization program of the Bank on March 06, 2019 to divest the GOPs equity stake in the Bank along with management control to a strategic investor as per the decision dated November 19, 2018 of the Government of Pakistan, whereafter the due process was started wherein various stakeholders participated including the prospective investors. However, due to lack of interest of prospective investor, Board of Privatization Commission in its meeting held on November 25, 2021 has recommended delisting of SME Bank Limited from list of privatizations. The Financial Adviser (FA) of Privatization Commission asserted that despite all efforts and iterative interactions with the pre-qualified bidders to date positive feedback from the pre-qualified bidders is not forthcoming and owing to the deteriorating financial position of Bank, the FA recommended to shelve the Transaction. Recommendation of the Board of Privatization was presented to the CCOP in its meeting held on December 31, 2021. The CCOP decided to ascertain the way forward for the bank prior to its delisting from list of privatisations; and in this regard constituted a committee consisting of Deputy Governor SBP, Secretary Finance, Secretary Privatization Commission, Chairman SECP and Minister of Finance.

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

In July 2021 election of Directors were held and Mr Javed Mahmood; Mr Tahir Saeed Effendi; and Ms Darakhshan S Vohra elected unopposed. During the year due to resignation of Ms. Sameena Gul, the Board appointed Mr. Bilal Mohy Ud Din as a Non-executive Director, who is nominated by SME Bank Limited.



The board is comprising of following:

Male Directors	6	*	**
Female Directors	1		**
Total Directors	7		

* Including the Chief Executive Officer.

** Approval of the SECP in respect of two Directors is in process.

The Board's composition is as follows:

	Total	Male	Female
Independent Directors **	3	2	1
Non-executive Directors	3	3	0
Executive Director * **	1	1	0
Total	7	6	1

* The Chief Executive Officer.

** Approval of the SECP in respect of two Directors is in process.

Committees of the Board:

Following is the composition of the Committees of the Board (as at December 31, 2021)

Audit Committee

Mr. Tahir Saeed Effendi	Chairman	Independent Director
Mr. Muhammad Mubeen Mufti	Member	Non-executive Director
Mr. Bilal Mohy Ud Din	Member	Non-executive Director

Risk Management Committee

Mr. Javed Mahmood	Chairman	Independent Director
Mr. Muhammad Mubeen Mufti	Member	Non-executive Director
Mr. Bilal Mohy Ud Din	Member	Non-executive Director

Human Resource Committee

Mr. Tahir Saeed Effendi	Chairman	Independent Director
Mr. Dilshad Ali Ahmad	Member	Non-executive Director
Mr. Muhammad Mubeen Mufti	Member	Non-executive Director
Mr. Asghar Maqsood	Member	CEO

Procurement Committee

Mr. Tahir Saeed Effendi	Chairman	Independent Director
Mr. Dilshad Ali Ahmad	Member	Non-executive Director
Mr. Bilal Mohy Ud Din	Member	Non-executive Director

Nomination Committee

Mr. Tahir Saeed Effendi	Chairman	Independent Director
Mr. Dilshad Ali Ahmad	Member	Non-executive Director
Mr. Muhammad Mubeen Mufti	Member	Non-executive Director



Meetings of the Board of Directors

During the year under review, three meetings of the Board of Directors were held. Due to unavoidable circumstances, the meeting was not held in third quarter of 2021. 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
Mr. Dilshad Ali Ahmad	3	3
Mr. Muhammad Mubeen Mufti	3	3
Ms. Darakshan S. Vohra	2	2
Mr. Tahir Saeed Effendi	1	1
Mr. Bilal Mohy Ud Din	1	1
Mr. Bilal Mustafa (retired on 26 July 2021)	2	2
Ms. Sameena Gul (resigned on 05 July 2021)	2	2

Meetings of the Audit Committee

During the year under review, three meetings of the Audit Committee were held. Due to unavoidable circumstances, the meeting was not held in third quarter of 2021. The audit committee was reconstituted on 27 October 2021. The details of attendance are as follows:

Name of Director	Total number of meetings entitled to attend	Total meetings attended
Mr. Tahir Saeed Effendi	1	1
Mr. Muhammad Mubeen Mufti	3	3
Mr. Bilal Mohy Ud Din	1	1
Mr. Javed Mahmood	2	2
Ms. Darakshan S. Vohra	2	2

Meeting of the HR and Remuneration 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

Meeting of the Risk Management Committee; Procurement Committee; and Nomination Committee

During the year under review, no meeting of the Risk Management Committee; Procurement Committee; and Nomination Committee was held.

Leave of absence was granted to the Directors who could not attend the Meetings of the Board as well as its committees.



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 Director is not paid for attending the meeting of the Board and its committees; and is 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, 2021 was Rs 6.697 million (un-audited) and as at December 31, 2020, was Rs 5.851 million (un-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	Purchased by
1	Ms. Sameena Gul	Mr. Tahir Saeed Effendi
1	Mr. Bilal Mustafa	Mr. Tahir Saeed Effendi
1	Mr. Tahir Saeed Effendi	Mr. Bilal Mohy Ud Din

Credit Rating

On April 06, 2021, PACRA downgraded the entity rating, which is as under:

- Long term "B-"
- Short term "A4"
- Outlook "Negative"

Parent Company

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

Internal Control

There is an efficient system of internal financial controls in place for ensuring of effective and efficient conduct of operations, safeguarding of Company assets, compliance with applicable laws and regulations and reliable financial reporting. The monitoring of implementation of measures are being done by the Internal Audit function and the Audit Committee reviews the effectiveness thereof.

Auditors

The present auditors M/s BDO Ebrahim & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment for the year ending December 31, 2022. On the proposal of the Board's Audit Committee, the Board recommends the appointment M/s BDO Ebrahim & Co., Chartered Accountants, as statutory auditors of the Company for the year 2022, on remuneration of Rs 355,600/-.

Pattern of Shareholding

The pattern of shareholding of the Company as on December 31, 2021, is annexed with this report.

Acknowledgement

The Board recognises and appreciates the continued support of all stakeholders.

On behalf of Board of Directors

Asghar Maqsood
Chief Executive Officer

Javed Mahmood
Chairman

Dated: Islamabad, March 04, 2022



ڈائریکٹرز رپورٹ

ایس ایم ای لیزنگ لمیٹڈ (ایس ایل ایل) کے بورڈ آف ڈائریکٹرز 31 دسمبر 2021ء 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 فنانشل کمپنی (این بی ایف سی) کو چلانے کی حامل لائسنس ہے اور یہ کاروبار ایس ایم ای سی پی کی جانب سے جاری کردہ نان بینکنگ فنانشل کمپنیز رولز کے تحت ہے۔

کمپنی کے اہم مقاصد میں اس ملک میں چھوٹے اور درمیانے کاروبار کو اجارہ اور قرضے کی سہولیات فراہم کرنا شامل ہے۔

عملی جائزہ:

کوروناباء کے باعث پیدا ہونے والے چیلنجز سے نمٹنے کے لیے، سال 2021ء میں معیشت رواں دواں رکھنے کیلئے بھی اقدامات کیے گئے۔ انتظامیہ کو یقین ہے کہ انہوں نے کوروناباء سے پیدا ہونے والے چیلنجز کا کامیابی سے سامنا کیا ہے۔

فنانسنگ کی رکاوٹوں کو مد نظر رکھتے ہوئے، کمپنی نے اپنے پورٹ فولیو سے ریکوری کیلئے اپنی حکمت عملی پر توجہ مرکوز رکھی اور کم از کم ڈیفالٹ کے ہدف کے ساتھ اچھے معیار کی نئی لیزز تحریر کیں۔ دوران سال مجموعی طور پر 83 ملین روپے کی ریکوریز کی گئیں جبکہ 17.704 ملین روپے کی فریش لیزز (مجموعی) تحریر کی گئیں۔ 83 ملین روپے کی کل ریکوریز میں سے 51 ملین روپے NPLs سے تھیں۔ گذشتہ 5 سالوں میں نئے کاروبار میں ڈیفالٹ شرح مسلسل کم رہی ہے۔

کمپنی کے اختیار میں فنڈنگ کا واحد ریجیو پیئرٹ کمپنی، ایس ایم ای بینک لمیٹڈ کی طرف سے ایک کریڈٹ لائن ہے جو تقریباً استعمال ہو چکی ہے۔ کمپنی اپنے طور پر اس نقصان کو کم کرنے کیلئے اخراجات کو بھی کم کر رہی ہے۔

مالیاتی جائزہ:

2020	2021	
21,954,906	21,393,608	آمدنی
(65,251,558)	(62,579,566)	اخراجات
(43,296,652)	(41,185,958)	ریورسل / (پروویژن) سے قبل آپریٹنگ (خسارہ)
(14,056,185)	28,054,207	کل ریورسل / (پروویژن)
(57,352,837)	(13,131,751)	قبل از ٹیکس (خسارہ)
(323,749)	(267,420)	ٹیکسیشن
(57,676,586)	(13,399,171)	بعد از ٹیکس خسارہ
(1.80)	(0.42)	فی شیئر آمدنی (خسارہ)۔ بنیادی اور اجمالی



دوران سال لیزر کی میچورٹی اور کم کاروبار تحریر کرنے کی وجہ سے آپریشنز سے حاصل ہونے والی آمدنی میں 2.5 فیصد کمی ہوئی۔ افراط زر کی وجہ سے انتظامی اخراجات میں 1% کا اضافہ ہوا۔ فنانسنگ کے لیے استعمال ہونے والے بیچ مارک ریٹ میں کمی کے باعث مالیاتی چارجز میں 14% کی کمی ہوئی۔

آڈیٹرز نے 7.9 ملین روپے کی رقم کے ٹیکس کیلئے پروویژن کے ریورسل کے بارے میں مناسب آڈٹ ثبوت حاصل نہ کرنے کی وجہ سے اپنی رائے کا اظہار کیا ہے۔

اقتصادی جائزہ:

2020 میں اسٹیٹ بینک آف پاکستان (SBP) نے ڈسکاؤنٹ ریٹ میں کمی کی جس کی وجہ سے کمپنی کی مالیاتی لاگت کافی حد تک کم ہو گئی۔ تاہم، دوران سال مختلف اقتصادی اشاروں کی وجہ سے اسٹیٹ بینک نے ڈسکاؤنٹ ریٹ کو بڑھا کر 11% کر دیا۔ ڈسکاؤنٹ ریٹ میں اضافے کی وجہ سے، توقع ہے کہ سال 2022ء میں کمپنی کی مالیاتی لاگت میں اضافہ ہوگا۔

کمپنی نے NPL پورٹ فولیو سے ریکوری پر مستقل توجہ مرکوز رکھی اور نئے کاروبار میں وہی فنڈز استعمال کیے۔ اب بھی مسلسل خسارے کی بنیادی وجہ نان پرفارمنگ پورٹ فولیو اور فنڈز کی عدم دستیابی ہے۔

ڈویڈنڈ:

بورڈ نے کمپنی کو خسارہ ہونے کے باعث زیر جائزہ سال کیلئے کسی بھی ڈویڈنڈ کی سفارش نہیں کی ہے۔

کم از کم ایکویٹی کی ضروریات:

نان ڈپازٹ کمپنی کی حیثیت سے کم سے کم ایکویٹی مبلغ 50 ملین روپے درکار ہے۔ مسلسل نقصانات کے باعث ایکویٹی کم ہو گئی ہے اور 31 دسمبر 2021 تک کمپنی کی ایکویٹی 6.535 ملین روپے تھی۔ کمپنی کم از کم ایکویٹی کی ضروریات کو پورا نہیں کر رہی ہے۔

مستقبل کا نظریہ:

پیئرٹ کمپنی کی جانب سے کمپنی کے اختیار میں واحد کریڈٹ لائن تقریباً ختم ہو چکی ہے، لہذا کمپنی ریکوری کے اقدامات کے ذریعے مکمل طور پر انٹرل کیش جنریشن پر انحصار کر رہی ہے، جو آنے والے سالوں میں بہتری لانے میں مدد کر سکتی ہے۔

ایس ایم ای بینک لمیٹڈ کی نجکاری کے حوالے سے، یاد رہے کہ کمیٹی آف پرائیویٹائزیشن (CCOP) نے 06 مارچ 2019 کو حکومت پاکستان کے فیصلے مورخہ 19 نومبر 2018 کے مطابق انتظامی کنٹرول کے ساتھ بینک میں GOPs کے ایکویٹی شیئرز کو ایک اسٹراٹجک سرمایہ کار کے حوالے کرنے کے لیے بینک کے نئے نجکاری پروگرام کی منظوری دی تھی، بعد ازاں مناسب عمل شروع کیا گیا جس میں ممکنہ سرمایہ کاران سمیت مختلف اسٹیک ہولڈرز نے شرکت کی۔ تاہم، ممکنہ سرمایہ کار کی عدم دلچسپی کے باعث، بورڈ آف پرائیویٹائزیشن کمیٹی نے 25 نومبر 2021 کو ہونے والے اپنے اجلاس میں ایس ایم ای بینک لمیٹڈ کو نجکاری کی فہرست سے خارج کرنے کی سفارش کی ہے۔ نجکاری کمیٹی کے فنانشل ایڈوائزر (FA) نے زور دیتے ہوئے کہا کہ تمام کوششوں اور پری کوالیفائیڈ بولی دہندگان کے ساتھ بار بار بات چیت کے باوجود پہلے سے اہل بولی دہندگان کی جانب سے مثبت فیڈ بیک نہیں آیا ہے اور بینک کی گہڑتی ہوئی مالی حالت کی وجہ سے، FA نے ٹرانزیکشن روکنے کی سفارش کی۔ 31 دسمبر 2021 کو ہونے والے اجلاس میں بورڈ آف پرائیویٹائزیشن کی سفارشات CCOP کو پیش کی گئیں۔ CCOP نے فیصلہ کیا کہ بینک کو نجکاری کی فہرست سے خارج کرنے سے پہلے اس کے لیے آگے کاراستہ تلاش کیا جائے۔ اور اس سلسلے میں ڈپٹی گورنر اسٹیٹ بینک، سیکریٹری خزانہ، سیکریٹری نجکاری کمیٹی، چیئرمین ایس ایم ای سی پی اور وزیر خزانہ پر مشتمل ایک کمیٹی تشکیل دی گئی۔



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۔ ہر ممکنہ طور پر ہیومن ریسورسز اندرونی اور بیرونی ٹریننگ پروگرام کے توسط سے نافذ کیا جا رہا ہے تاکہ ہیومن ریسورس کی ترقی میں اضافہ ہو۔

بورڈ آف ڈائریکٹرز:

ڈائریکٹرز کے انتخابات جولائی 2021ء میں ہوئے اور جناب جاوید محمود، جناب طاہر سعید آفندی اور محترمہ درخشاں ایس و ہرہ بلا مقابلہ منتخب ہوئیں۔ دوران سال محترمہ شمینہ کے استعفیٰ کے باعث بورڈ نے جناب بلال محی الدین کونان ایگزیکٹو ڈائریکٹر مقرر کیا جنہیں ایس ایم ای بینک لمیٹڈ نے نامزد کیا ہے۔

بورڈ درج ذیل پر مشتمل ہے:

**	*	6	مرد ڈائریکٹرز
**		1	عورت ڈائریکٹرز
		7	ٹوٹل ڈائریکٹرز

* بشمول چیف ایگزیکٹو آفیسر

** دو ڈائریکٹرز کے حوالے سے ایس ایم ای پی سے منظوری عمل جاری ہے۔

بورڈ کی تشکیل درج ذیل ہے:

عورت	مرد	ٹوٹل	
1	2	3	آزاد ڈائریکٹرز **
0	3	3	نان ایگزیکٹو ڈائریکٹرز
0	1	1	ایگزیکٹو ڈائریکٹر * **
1	6	7	ٹوٹل

* چیف ایگزیکٹو آفیسر

** دو ڈائریکٹرز کے حوالے سے ایس ایم ای پی سے منظوری عمل جاری ہے۔

بورڈ کی کمیٹیاں:

31 دسمبر 2021ء تک بورڈ کی کمیٹیوں کی تشکیل درج ذیل ہے:

آڈٹ کمیٹی		
آزاد ڈائریکٹر	چیئر مین	جناب طاہر سعید آفندی
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب محمد مبین مفتی
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب بلال محی الدین



رسک مینجمنٹ کمیٹی		
آزاد ڈائریکٹر	چیئر مین	جناب جاوید محمود
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب محمد مبین مفتی
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب بلال محی الدین

ہیومن ریسورس کمیٹی		
آزاد ڈائریکٹر	چیئر مین	جناب طاہر سعید آفندی
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب دلشاد علی احمد
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب محمد مبین مفتی
چیف ایگزیکٹو آفیسر	ممبر	جناب اصغر منصور

پروکیورمنٹ کمیٹی		
آزاد ڈائریکٹر	چیئر مین	جناب طاہر سعید آفندی
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب دلشاد علی احمد
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب بلال محی الدین

نامنیشن کمیٹی		
آزاد ڈائریکٹر	چیئر مین	جناب طاہر سعید آفندی
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب دلشاد احمد
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب محمد مبین مفتی

بورڈ آف ڈائریکٹرز کی مینٹنگ:

دوران سال بورڈ آف ڈائریکٹرز کی تین مینٹنگز ہوئیں۔ نامساعد حالات کے باعث 2021ء کی تیسری سہ ماہی میں کوئی مینٹنگ منعقد نہ ہو سکی۔ شرکت کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	شرکت کیلئے مینٹنگ کی کل تعداد	مینٹنگ میں شرکت کی کل تعداد
جناب جاوید محمود	3	3
جناب دلشاد علی احمد	3	3



3	3	جناب محمد مبین مفتی
2	2	محترمہ مدد رخشائیں الیس و ہرہ
1	1	جناب طاہر سعید آفندی
1	1	جناب بلال محی الدین
2	2	جناب بلال مصطفیٰ (26 جولائی 2021 کو ریٹائر ہو گئے)
2	2	محترمہ شمیمہ گل (5 جولائی 2021 کو مستعفی ہو گئیں)

آڈٹ کمیٹی کی مینٹنگز:

دوران سال آڈٹ کمیٹی کی تین مینٹنگز ہوئیں۔ نامساعد حالات کے باعث 2021ء کی تیسری سہ ماہی میں کوئی مینٹنگ منعقد نہ ہو سکی۔ 27 اکتوبر 2021 کو آڈٹ کمیٹی کی تشکیل نو کی گئی۔ شرکت کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	شرکت کیلئے مینٹنگ کی کل تعداد	مینٹنگ میں شرکت کی کل تعداد
جناب طاہر سعید آفندی	1	1
جناب محمد مبین مفتی	3	3
جناب بلال محی الدین	1	1
جناب جاوید محمود	2	2
محترمہ مدد رخشائیں الیس و ہرہ	2	2

HR اور ریپوزیشن کمیٹی کی مینٹنگ:

ڈائریکٹر کا نام	شرکت کیلئے مینٹنگ کی کل تعداد	مینٹنگ میں شرکت کی کل تعداد
جناب بلال مصطفیٰ	1	1
جناب دانشا علی احمد	1	1
محترمہ مدد رخشائیں الیس و ہرہ	1	1

رسک مینجمنٹ کمیٹی، پروکیورمنٹ کمیٹی اور نامینیشن کمیٹی کی مینٹنگ:

دوران جائزہ سال رسک مینجمنٹ کمیٹی، پروکیورمنٹ کمیٹی اور نامینیشن کمیٹی کی کوئی مینٹنگ منعقد نہیں ہوئی۔

جوڈائریکٹرز بورڈ اور اس کی کمیٹیوں کی مینٹنگز میں شرکت نہ کر سکے انہیں غیر حاضری کی رخصت دی گئی۔



ایگزیکٹو بورڈ اور نان ایگزیکٹو ڈائریکٹرز کے معاوضہ کی پالیسی:

نان ایگزیکٹو ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کے ہر اجلاس میں شرکت کے لیے بالترتیب 25,000 روپے اور 10,000 روپے فیس ادا کی جاتی ہے۔ بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت کے لیے ایگزیکٹو ڈائریکٹرز کو معاوضہ ادا نہیں کیا جاتا بلکہ انہیں بورڈ کے ذریعے شدہ معاوضہ ادا کیا جاتا ہے۔

کارپوریٹ گورننس - پبلک سیکیورٹیز:

بورڈ آف ڈائریکٹرز نے اس بات کا اعادہ کیا ہے کہ کارپوریٹ گورننس کے معیار کو مزید بہتر کیا جائے۔ کمپنی نے پبلک سیکیورٹیز (کارپوریٹ گورننس) رولز 2013 کی دفعات پر بھی عمل کیا ہے اور لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پبلک سیکیورٹیز (کارپوریٹ) کے ساتھ تعمیل کے بیان پر قانونی آڈیٹرز کے ذریعے میران کی ایک جائزہ رپورٹ کوڈ آف کارپوریٹ گورننس کے بہترین اصولوں کی تعمیل سے متعلق گورننس) رولز 2013 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 اپنی ذمہ داریوں کو اچھی طرح سے سمجھتا ہے جو کہ پبلک سیکیورٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پبلک سیکیورٹیز (کارپوریٹ گورننس) رولز 2013 کے تحت ہے جس کا اجراء سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے کیا ہے۔ درج ذیل ایس ایم ای ایل کا اقرار نامہ جو کہ کارپوریٹ گورننس کے اعلیٰ معیار کے تحت ہے اور مستقل بہتری کیلئے ہے۔

- ۱- کارپوریٹ گورننس کے متعلقہ اصولوں پر پورا عملدرآمد کیا جا رہا ہے اور وہ رول جس پر عملدرآمد نہیں کیا جا رہا ہے اس کی شناخت دورانے کے ساتھ کر دی گئی ہے اور اس پر عملدرآمد نہ کرنے کے اسباب بھی بیان کئے گئے ہیں۔
- ۲- مالیاتی حسابات کو ایس ایم ای لیزنگ لمیٹڈ کی انتظامیہ نے تیار کئے ہیں اور ان حسابات کے امور، اس کے آپریشنز کے نتائج، کیش فلو، آمدنی اور ایکویٹی میں تبدیلی سے متعلق حسابات مکمل اور شفاف پیش کئے گئے ہیں۔
- ۳- کمپنی کی بکس آف اکاؤنٹ کو درست رکھنے کا اہتمام کیا گیا ہے۔
- ۴- مناسب اکاؤنٹنگ کی پالیسیز پر بھی عملدرآمد کیا گیا ہے جس میں مالیاتی حسابات اور اکاؤنٹنگ کے تخمینہ کی بنیاد صحیح فیصلے پر ہے۔
- ۵- انٹرنیشنل اکاؤنٹنگ 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 اور آزاد میران کی تنخواہوں کو مقرر نہیں کیا گیا ہے اور انہیں ہر میٹنگ میں شرکت کیلئے مقرر کردہ فیس دی جاتی ہے۔ مذکورہ فیس کا فیصلہ بورڈ کے تمام میران مشترکہ طور پر کرتے ہیں۔
- ۸- کمپنی کے کاروباری معاملات کو جاری رکھنے کی اہلیت پر کسی قسم کے کوئی شبہات نہیں ہیں جسے مالیاتی حسابات کے تحریر کردہ نوٹ میں شامل کیا گیا ہے۔
- ۹- لسٹڈ کمپنی (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پبلک سیکیورٹیز (کارپوریٹ گورننس) رولز 2013 سے کوئی اخراج نہیں کیا گیا ہے۔
- ۱۰- اہم امور اور گزشتہ چھ سالوں کا مالیاتی ڈیٹا سالانہ رپورٹ میں شامل ہے۔
- ۱۱- سرمایہ کاری کی ویلیو کے حوالے سے پروویڈنٹ فنڈ 31 دسمبر 2021ء کو مبلغ 6.697 بلین روپے (غیر آڈٹ شدہ) اور 31 دسمبر 2020ء کو مبلغ 5.851 بلین روپے (غیر آڈٹ شدہ) تھا۔



۱۲۔ درج ذیل کے علاوہ ڈائریکٹر، چیف ایگزیکٹو، چیف فنانشل آفیسر/کمپٹی سیکریٹری ان کی زوجات اور چھوٹے بچوں نے دوران سال کمپنی کے شیئرز میں کوئی تجارت نہیں کی

شیرز کی تعداد	فروخت کنندہ	خرید کنندہ
1	محترمہ شمین گل	جناب طاہر سعید آفندی
1	جناب بلال مصطفیٰ	جناب طاہر سعید آفندی
1	جناب طاہر سعید آفندی	جناب بلال محی الدین

کرڈٹ کی ریٹنگ:

PACRA نے 106 اپریل 2021ء کو ریٹنگ میں کمی کی ہے جو کہ درج ذیل ہے:

- طویل مدتی ریٹنگ "B"
- مختصر مدتی "A4"
- آؤٹ لک "منفی"

متعلقہ کمپنی:

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

داخلی کنٹرول:

آپریٹنگ کے موثر اور موثر انعقاد کو یقینی بنانے، کمپنی کے اثاثوں کی حفاظت، قابل اطلاق قوانین اور ضوابط کی تعمیل اور قابل اعتماد مالیاتی رپورٹنگ کو یقینی بنانے کے لیے داخلی مالیاتی کنٹرول کا ایک موثر نظام موجود ہے۔ اقدامات کے نفاذ کی نگرانی انٹرنل آڈٹ فنکشن کے ذریعے کی جاتی ہے اور آڈٹ کمیٹی ان کی تاثیر کا جائزہ لیتی ہے۔

آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس جو کہ ریٹائر ہوئے اور انہوں نے 31 دسمبر 2022ء کیلئے اپنے آپ کو دوبارہ تقرری کیلئے پیش کیا۔ بورڈ آڈٹ کمیٹی کی تجویز پر بورڈ نے مبلغ 355,600 روپے کے معاوضہ پر میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کی تقرری برائے سال 2022ء کی سفارش کی ہے۔

شیئرز ہولڈنگ کی ساخت:


مورخہ 31 دسمبر 2021ء تک کمپنی کی شیئرز ہولڈنگ کا پیٹرن اس رپورٹ کے ساتھ منسلک ہے۔

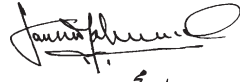


اظہار شکر:

بورڈ اپنے تمام اسٹیک ہولڈرز کا ان کے مستقل تعاون پر مشکور ہے۔

بتوسط بورڈ آف ڈائریکٹرز


اسمٰن قسوی
چیف ایگزیکٹو آفیسر


جاوید محمود
چیرمین

اسلام آباد مورخہ: 4 مارچ 2022ء



Chairman's Review Report to the Shareholders

I am pleased to present my report to the shareholders on the performance of **SME Leasing Limited** (the Company) during the year 2021.

After the retirement of Mr Bilal Mustafa, Chairman who completed his two terms fresh elections were held and Mr Tahir Saeed Effendi was elected as new Director alongwith Mr Bilal Mohy Ud Din who replaced Ms Sameena Gul who resigned on her own accord.

In the year 2020, the State Bank of Pakistan (the SBP) reduced the policy rate which greatly benefited your company. However, this did not last long as the policy rate was once again increased impacting our cost of doing business.

Your company has been endeavouring to reduce the Non Performing Portfolio. The recovery of approximately Rs 83 million were made and I am pleased to inform you that Rs 51 million of this amount constituted long stuck up leases.

Due to pandemic related constraints, minimum equity requirement, and unavailability of financial resources your company has remained under severe operational constraints. The limited availability of a line of credit from the Parent (SME Bank) has helped to some extent the Company to remain operational. The massive Non Performing Portfolio and liquidity constraints remain our major cause of concern. For long the Company along with the parent was to have been privatised but of late the Privatisation Commission has decided that they will not pursue the privatisation of the parent bank. This now requires your Board to further request the parent (SME Bank) to inject the required equity and cash resources to ensure continuing operation of the Company profitably.

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. Due to material uncertainty the Auditors still consider the Company as a going concern.

Effectiveness of the Board:

Due to the prevailing pandemic conditions, the Board and Audit Committee could not meet for more than three times during the year. Also due to prevailing pandemic related conditions the Human Resource and Remuneration Committee could meet only once in a year. Unfortunately, no meeting could take place of the Risk Management Committee. The Board being aware of these lapses will ensure that in the coming year it will be able to fulfil all its obligations.

I on behalf of the Board recognise and appreciate the continued support of all stakeholders.

Javed Mahmood
Chairman

Islamabad: 04 March 2022



چیئر مین کی جائزہ رپورٹ برائے شیئر ہولڈرز

مجھے ایس ایم ای لیزنگ لمیٹڈ (کمپنی) کی کارکردگی رپورٹ برائے سال 2021ء شیئر ہولڈرز کو پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

جناب بلال مصطفیٰ، چیئر مین جنہوں نے اپنی دو مدتیں مکمل کیں، کی ریٹائرمنٹ کے بعد، نئے انتخابات منعقد ہوئے اور جناب طاہر سعید آفندی کے ساتھ جناب بلال محی الدین کو مختصر مہتمدینگی کی جگہ نیا ڈائریکٹر منتخب کیا گیا جنہوں نے اپنی مرضی سے استعفیٰ دیا تھا۔

سال 2020 میں، اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی ریٹ میں کمی کی جس سے آپ کی کمپنی کو کافی فائدہ ہوا۔ تاہم، یہ زیادہ دیر تک نہیں چل سکا کیونکہ پالیسی کی شرح میں ایک بار پھر اضافہ ہوا جس سے ہماری کاروباری لاگت متاثر ہوئی۔

آپ کی کمپنی نان پرفارمنگ پورٹ فولیو کو کم کرنے کی کوشش کر رہی ہے۔ دوران مدت تقریباً 83 ملین روپے کی ریکوری ہوئی اور مجھے یہ بتاتے ہوئے خوشی ہو رہی ہے کہ اس رقم میں سے 51 ملین روپے طویل عرصے سے رکھی ہوئی لیزز پر مشتمل ہیں۔

وبائی امراض سے متعلق رکاوٹوں، ایکویٹی کی کم از کم ضروریات، اور مالی وسائل کی دستیابی کے باعث آپ کی کمپنی شدید آپریشنل رکاوٹوں کا شکار رہی۔ پیرنٹ کمپنی (SME بینک) کی طرف سے ایک لائن آف کریڈٹ کی محدود دستیابی نے کسی حد تک کمپنی کو فعال رہنے میں مدد کی ہے۔ بڑے پیمانے پر نان پرفارمنگ پورٹ فولیو اور لیکویڈٹی کی رکاوٹیں ہماری تشویش کا اہم سبب بنی ہوئی ہیں۔ طویل عرصہ قبل پیرنٹ کے ساتھ کمپنی کی نجکاری کی جانی تھی لیکن نجکاری کمیشن نے حال ہی میں فیصلہ کیا کہ وہ پیرنٹ بینک کی نجکاری کو آگے نہیں بڑھائیں گے۔ اس کے لیے اب آپ کے بورڈ کو پیرنٹ (SME بینک) سے مزید درخواست کرنے کی ضرورت ہے کہ وہ کمپنی کے منافع بخش طریقے سے کام جاری رکھنے کو یقینی بنانے کے لیے مطلوبہ ایکویٹی اور نقد وسائل کا استعمال کرے۔

کمپنی کے مالیاتی حسابات (FS) مختلف تخفیفی عوامل کے تحت جاری تشویش کی بنیاد پر تیار کئے گئے ہیں جیسا کہ FS میں بیان کیا گیا ہے۔ مادی غیر یقینی صورتحال کے باعث آڈیٹر اب بھی کمپنی کے معاملات کو جاری رکھنے کی اہلیت پر تشویش ہیں۔

بورڈ کی تاثیر:

موجودہ وبائی صورتحال کے باعث بورڈ اور آڈٹ کمیٹی سال کے دوران تین بار سے زیادہ میٹنگ نہیں کریں گے۔ نیز وبائی امراض سے متعلق موجودہ حالات کی وجہ سے ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی سال میں صرف ایک بار میٹنگ ہوئی۔ بد قسمتی سے رسک مینجمنٹ کمیٹی کی کوئی میٹنگ نہیں ہوئی۔ بورڈ ان کوتاہیوں سے باخبر ہونے کے بعد اس بات کو یقینی بنائے گا کہ آنے والے سال میں وہ اپنی تمام ذمہ داریوں کو پورا کرنے کے قابل ہو جائے گا۔

میں بورڈ کی جانب سے تمام اسٹیک ہولڈرز کی جانب سے کئے جانے والے مستقل تعاون پر بے حد مشکور ہوں۔

جاوید محمود

چیئر مین

اسلام آباد: 4 مارچ 2022ء



Financial Highlights

(Rupees in 000)

Balance Sheet	2021	2020	2019	2018	2017	2016
Paid-up Capital	320,000	320,000	320,000	320,000	320,000	320,000
Total Equity	6,535	19,560	77,108	111,680	133,251	156,956
Gross Lease Receivable	460,988	533,660	587,376	621,899	609,310	632,010
Net Investment in Lease	275,342	323,368	383,222	411,412	389,669	342,510
Long-Term Liabilities	143,988	160,557	181,674	188,291	177,555	204,736
Current Liabilities	196,022	225,501	222,938	209,030	166,839	142,075
Current Assets	114,140	158,212	168,134	164,379	116,575	82,160
Total Assets	346,546	405,618	481,720	509,001	477,644	503,767

(Rupees in 000)

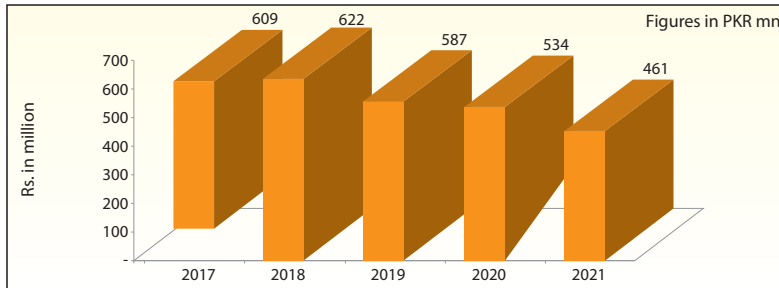
Income Statement	2021	2020	2019	2018	2017	2016
Lease Income	21,303	21,583	26,466	31,160	26,671	32,531
Total Revenue	21,394	21,955	26,578	31,451	27,363	37,415
Financial Charges	18,489	21,570	22,459	14,422	10,318	13,225
Administrative Expenses	44,090	43,682	44,234	43,642	40,548	38,111
Provisions / (Reversal)	(28,054)	14,056	(4,731)	(5,602)	(1,326)	(864)
Total Expenses	62,580	65,252	66,693	(58,064)	50,866	51,336
(Loss) Before Taxation	(13,132)	(57,353)	(35,385)	(21,011)	(22,177)	(13,057)
(Loss) After Taxation	(13,399)	(57,677)	(35,694)	(21,361)	(22,510)	(13,382)

Financial Indicators	2021	2020	2019	2018	2017	2016
Breakup Value (Rs per share)	0.20	0.61	2.41	3.49	4.16	4.90
Current Ratio (X)	0.58	0.70	0.75	0.79	0.70	0.58
Earning Per Share (Rs.)	(0.42)	(1.80)	(1.12)	(0.67)	(0.70)	(0.42)
Financial Charges to Total Exps (%)	29.55	33.06	33.68	(24.84)	20.28	25.76
Financial Charges to Total Revenue (%)	86.43	98.25	84.51	45.86	37.71	35.35
Income Expense Ratio (Times)	0.34	0.33	0.40	(0.54)	0.52	0.63
Net Profit Margin (%)	(62.63)	(262.70)	(134.30)	(67.92)	(82.27)	(35.77)
Return on Average Equity (%)	(102.69)	(119.33)	(37.81)	(17.44)	(15.51)	(8.10)
Return to Shareholders (%)	-	-	-	-	-	-
Revenue Per Share (Rs.)	0.67	0.69	0.83	0.98	0.86	1.17

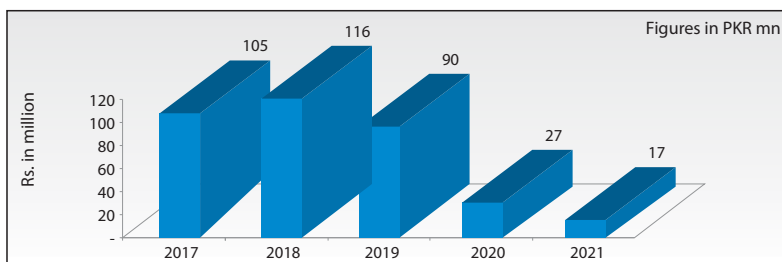


Financial Highlights and Charts

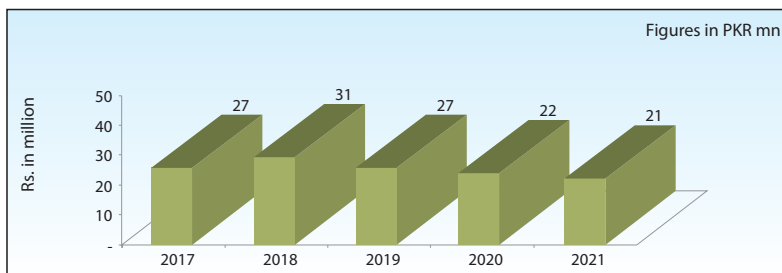
Gross Lease Receivables



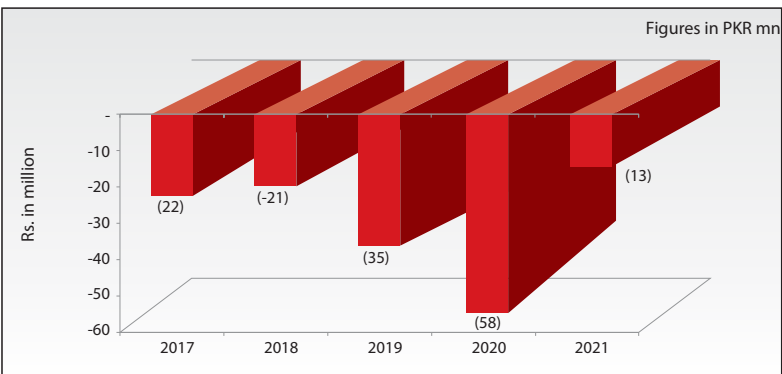
Disbursements



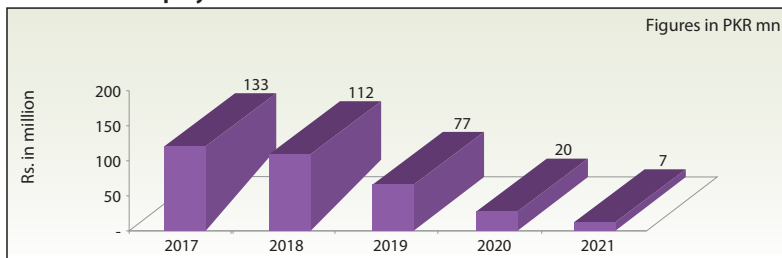
Total Revenue



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, 2021**

- 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 application for issuance of NOC of the SECP in respect of two Directors is in process.												
	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)	✓		* Application for issuance of the NOC by the SECP is in process												
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>Mr. Javed Mahmood Mr. Tahir Saeed Effendi Ms. Darakhshan S. Vohra</td> <td>30-08-2021 30-08-2021 *</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr. Dilshad Ali Ahmad Mr. M. Mubeen Mufti Mr. Bilal Mohy Ud Din</td> <td>30-08-2021 30-08-2021 12-10-2021</td> </tr> <tr> <td>Executive Director</td> <td>Mr. Asghar Maqsood</td> <td>*</td> </tr> </tbody> </table>	Category	Names	Date of Appointment		Independent Directors	Mr. Javed Mahmood Mr. Tahir Saeed Effendi Ms. Darakhshan S. Vohra	30-08-2021 30-08-2021 *	Non-Executive Directors	Mr. Dilshad Ali Ahmad Mr. M. Mubeen Mufti Mr. Bilal Mohy Ud Din	30-08-2021 30-08-2021 12-10-2021	Executive Director	Mr. Asghar Maqsood	*			
Category	Names	Date of Appointment															
Independent Directors	Mr. Javed Mahmood Mr. Tahir Saeed Effendi Ms. Darakhshan S. Vohra	30-08-2021 30-08-2021 *															
Non-Executive Directors	Mr. Dilshad Ali Ahmad Mr. M. Mubeen Mufti Mr. Bilal Mohy Ud Din	30-08-2021 30-08-2021 12-10-2021															
Executive Director	Mr. Asghar Maqsood	*															
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. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	 ✓ ✓	✓	Due to unavoidable circumstances, the Board was not able to meet in the third quarter of 2021.

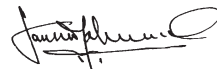


S. No.	Provision of the Rules	Rule no.	Y	N	Remarks																		
19.	The board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓																				
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. Tahir Saeed Effendi</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. Tahir Saeed Effendi</td> </tr> <tr> <td>Procurement Committee</td> <td>3</td> <td>Mr. Tahir Saeed Effendi</td> </tr> <tr> <td>Nomination Committee</td> <td>3</td> <td>Mr. Tahir Saeed Effendi</td> </tr> </tbody> </table>	Committee	Number of members	Name of Chair	Audit Committee	3	Mr. Tahir Saeed Effendi	Risk Management Committee	3	Mr. Javed Mahmood	Human Resource Committee	4	Mr. Tahir Saeed Effendi	Procurement Committee	3	Mr. Tahir Saeed Effendi	Nomination Committee	3	Mr. Tahir Saeed Effendi	12		✓ ✓ ✓ ✓	
Committee	Number of members	Name of Chair																					
Audit Committee	3	Mr. Tahir Saeed Effendi																					
Risk Management Committee	3	Mr. Javed Mahmood																					
Human Resource Committee	4	Mr. Tahir Saeed Effendi																					
Procurement Committee	3	Mr. Tahir Saeed Effendi																					
Nomination Committee	3	Mr. Tahir Saeed Effendi																					
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 1137"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Tahir Saeed Effendi</td> <td>Chairman</td> <td>Banker</td> </tr> <tr> <td>Mr. Muhammad Mubeen Mufti</td> <td>Member</td> <td>Head of IT</td> </tr> <tr> <td>Mr. Bilal Mohy Ud Din</td> <td>Member</td> <td>Banker</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. Tahir Saeed Effendi	Chairman	Banker	Mr. Muhammad Mubeen Mufti	Member	Head of IT	Mr. Bilal Mohy Ud Din	Member	Banker	21(1) and 21(2)	✓ ✓		
Name of Member	Category	Professional Background															
Mr. Tahir Saeed Effendi	Chairman	Banker															
Mr. Muhammad Mubeen Mufti	Member	Head of IT															
Mr. Bilal Mohy Ud Din	Member	Banker															
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	✓ N/A ✓		The Chief Internal Auditor resigned during the year; and in his absence Head of Compliance is working as Officiating CIA. The process of hiring of CIA is in process.												
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)	✓														


Asghar Maqsood
Chief Executive Officer


Javed Mahmood
Chairman



Statement of 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.	2A(1)	The application has been submitted to the SECP for obtaining of approval for the remaining two Directors which is in process.	After issuance of NOC by the SECP remaining two Directors will assume the office. The Company is coordinating is coordinating with the SECP in this regard.
2.	6(1)	Due to some unavoidable circumstance the Board could not meet in 3rd quarter of 2021.	The Company has taken measures for holding of meetings in every quarter of 2022.



Statement of Compliance

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

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

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

- 1) The total number of directors are 7* as per the following:
 - a) Male: 6
 - b) Female: 1

* The application for issuance of NOC of the SECP in respect of two Directors is in process.

- 2) The composition of the Board is as follows:

i. Female directors

Ms Darakhshan Sheikh Vohra *

* The application for issuance of NOC of the SECP in respect of Ms Darakhshan Sheikh Vohra is in process.

- 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 Member	Designation
Mr Tahir Saeed Effendi	Chairman
Mr Muhammad Mubeen Mufti	Member
Mr Bilal Mohy Ud Din	Member

- b) HR and Remuneration Committee

Name of Member	Designation
Mr Tahir Saeed Effendi	Chairman
Ms. Dilshad Ali Ahmad	Member
Mr Muhammad Mubeen Mufti	Member
Mr Asghar Maqsood, CEO	Member



c) Nomination Committee

Name of Member	Designation
Mr Tahir Saeed Effendi	Chairman
Ms. Dilshad Ali Ahmad	Member
Mr Muhammad Mubeen Mufti	Member

d) Risk Management Committee

Name of Member	Designation
Mr. Javed Mahmood	Chairman
Mr Muhammad Mubeen Mufti	Member
Mr Bilal Mohy Ud Din	Member

e) Procurement Committee

Name of Member	Designation
Mr Tahir Saeed Effendi, Chairman	Chairman
Mr Dilshad Ali Ahmad, Member	Member
Mr Bilal Mohy Ud Din, Member	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 (Due to unavoidable circumstances, the Audit Committee was not able to meet in the third quarter of 2021).

b) HR and Remuneration Committee;

Yearly

c) Nomination Committee;

As and when required.

d) Risk Management Committee;

Yearly

e) Procurement Committee;

As and when required.



- 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
19 19(1)	Directors' Training.- It is encouraged that by 30 June 2021 at least 75% of the directors on the Board of the Company acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	As on 30 June 2021, 67% of the directors on the board acquired prescribed certification. As election of the Board was due in July 2021, the certification was not arranged for the remaining directors.
23	From 06 April 2021 till 31 December 2021, the existing employee officiated the position of internal auditor who did not had requisite qualifications. During this period the Company was in the process of hiring.	The hiring of internal auditors is expected to be completed in March 2022.
24	No person shall be appointed as the company secretary unless he holds the qualification as specified under the relevant Regulations by the Commission: Provided, the same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company.	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. 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.



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Pakistan

REVIEW REPORT TO THE MEMBERS ON THE STATEMENTS 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, 2021 to comply with the requirements of regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and rule 24 of the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) respectively.

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

Based on our review, nothing has come to our attention that causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended December 31, 2021.

Further, we Highlight below instances of non-compliance with the requirement of the Codes as reflected in the paragraph reference where these are stated in the statement of Compliance:

Statement of Compliance as per Public Sector Companies (Corporate Governance) Rules, 2013	
Reference of Rule	Description
2A(1)	The company does not comply with the requirement of minimum number of directors.
6(1)	The Board did not hold meeting in the 3 rd quarter of 2021.



Statement of Compliance as per Listed Companies (Code of Corporate Governance) Regulations, 2019

Reference of Regulation	Description
7	The Company does not have a female director during the reporting period. A female director Ms. Darakshan Sheikh Vohra was elected on July 26, 2021 whose application for the approval of SECP is in process at the reporting date.
19 & 19(1)	The criteria of acquiring of any director training program at least by 75% of directors as on June 30, 2021 has not been achieved. Only 67% of directors on the board have acquired the prescribed certification in respect of said director training.
23	The position of internal auditor is vacant since April 2021.
24	The Chief Financial Officer also holds the position of Company Secretary.

KARACHI

DATED: MARCH 4, 2022

UDIN#: CR202110067dtW4F5RTe

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer



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Pakistan

AUDITORS' REPORT TO THE MEMBERS OF SME LEASING LIMITED

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, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and the 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 effects of the matters described in the Basis for Qualified Opinion, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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, 2021 and of the loss, its other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Qualified Opinion

Management has recorded a reversal of income tax provision amounting to Rs. 7.979 million during the year. The legitimate basis of such reversal in terms of supporting documents has not been provided to us by the management. Recognition criteria for this reversal as income has not been met and we could not verify the occurrence of such income.

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

Material Uncertainty relating to Going Concern

We draw attention to note 1.5 to the financial statements which indicates that the Company incurred net loss after tax for the year ended December 31, 2021 amounting to Rs. 13.399 million (2020: Rs. 57.676 million) and its accumulated loss as at December 31, 2021 amounted to Rs. 361.931 million (2020: Rs. 348.906 million). The Company's current liabilities aggregating to Rs. 196.022 million (2020: 225.501 million) exceeded the current assets by Rs. 81.882 million (2020: 67.154 million). There is material uncertainty about the Company's ability to continue as a going concern in the foreseeable future. The Company's financial statements for the year ended December 31, 2021 are being prepared on a going concern basis. Our opinion is not modified in respect of this matter.



Emphasis of matter

Without modifying our opinion,

- a) We draw attention to Note 1.2 to the financial statements which fully explain the status of the application filed with the Securities and Exchange Commission of Pakistan for renewal of license to operate as a leasing company.
- b) We draw attention to Note 1.3 to the financial statements which fully explains the status of non-compliance with the Regulation 4 of Non - Banking Finance Companies and Notified Entities Regulation, 2008.

Key Audit Matter

Key Audit matter is the matter that in our professional judgement, was of most significance in our audit of the financial statements of the current year. The 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 any 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 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 8, 9 and 14 to the financial statements and the accounting policy in notes 5.8 and 5.9 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. 275.342 million and Rs. 53.118 million respectively having provision of Rs. 132.387 million and Rs. 7.440 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 the 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. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with 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 of this 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 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 are 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 the 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:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



Report on Other Legal and Regulatory Requirements

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

- a) except for the possible effect 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 effect 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, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Other matters

The financial statements of the Company for the year ended December 31, 2020 were audited by another firm of chartered accountants, who through their report dated March 04, 2021, expressed a modified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's review report is Zulfikar Ali Causer.

KARACHI

DATED: 04 MAR 2022

UDIN #: [AR202110067VgyuBCrR9](#)

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer



Statement of Financial Position

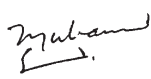
As At December 31, 2021

	Note	2021	2020
		Rupees	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	3,340,157	3,903,811
Right-of-use asset	7	6,697,288	7,770,109
Net investment in finance leases	8	177,323,371	187,152,253
Long term finances and loans - secured	9	43,914,041	47,385,562
Long-term loans to employees - secured	10	343,921	323,196
Long-term deposits and prepayments	11	787,222	870,558
TOTAL NON-CURRENT ASSETS		232,406,000	247,405,489
CURRENT ASSETS			
Advances	12	2,779,957	5,007,025
Prepayments and other receivables	13	749,393	1,496,938
Current maturity of non current assets	14	107,452,416	150,082,218
Cash and bank balances	15	3,157,864	1,626,307
TOTAL CURRENT ASSETS		114,139,630	158,212,488
TOTAL ASSETS		346,545,630	405,617,977
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
AUTHORIZED SHARE CAPITAL			
100,000,000 (2020: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	16	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		(361,930,933)	(348,905,989)
		(351,483,881)	(338,458,937)
TOTAL SHAREHOLDERS' EQUITY		6,535,396	19,560,340
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	17	4,020,884	7,214,310
Long-term deposits	8.1	130,202,795	144,177,595
Defined benefit obligations	18	9,764,513	9,164,855
TOTAL NON-CURRENT LIABILITIES		143,988,192	160,556,760
CURRENT LIABILITIES			
Trade and other payables	19	2,736,096	5,040,042
Mark-up accrued on borrowings	20	4,209,212	4,211,211
Short term borrowings - secured	21	137,183,616	144,790,638
Current maturity of non-current liabilities	22	44,918,469	57,381,913
Current maturity of liabilities against finance lease assets	17	3,594,336	2,913,768
Provision for compensated absences	23	3,045,411	2,959,558
Taxation - net		334,902	8,203,747
TOTAL CURRENT LIABILITIES		196,022,042	225,500,877
TOTAL EQUITY AND LIABILITIES		346,545,630	405,617,977
CONTINGENCIES AND COMMITMENTS	24		

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


Asghar Maqsood
Chief Executive Officer


Javed Mehmood
Director


M. Shahzad
Chief Financial Officer



Statement of Profit or Loss

For The Year Ended December 31, 2021

	Note	2021 ----- Rupees -----	2020 ----- Rupees -----
REVENUE			
Income from operations	25	21,303,331	21,583,297
Other income	26	90,277 21,393,608	371,609 21,954,906
EXPENSES			
Administrative and general	27	(44,090,102)	(43,681,689)
Finance cost	28	(18,489,464)	(21,569,869)
		(62,579,566)	(65,251,558)
Operating loss before reversals / (provisions)		(41,185,958)	(43,296,652)
Write back of / (provision for) potential lease losses	8.6	16,426,638	(12,461,567)
Reversal of income tax provision		7,979,392	-
Reversal of / (provision for) on loans and receivables	9.2	3,648,177	(1,594,618)
		28,054,207	(14,056,185)
LOSS BEFORE TAXATION		(13,131,751)	(57,352,837)
TAXATION	29	(267,420)	(323,749)
LOSS FOR THE YEAR		(13,399,171)	(57,676,586)
Loss per share - basic and diluted	30	(0.42)	(1.80)

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

Asghar Maqsood
Chief Executive Officer

Javed Mehmood
Director

M. Shahzad
Chief Financial Officer



Statement of Comprehensive Income

For The Year Ended December 31, 2021

	Note	2021 ----- Rupees-----	2020 ----- Rupees-----
Loss for the year		(13,399,171)	(57,676,586)
Other comprehensive income		-	-
<i>Items that will be reclassified to profit and loss account in subsequent years</i>			
Actuarial gain on defined benefit obligation	18	374,227	128,862
Total comprehensive loss for the year		<u>(13,024,944)</u>	<u>(57,547,724)</u>

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

Asghar Maqsood
Chief Executive Officer

Javed Mehmood
Director

M. Shahzad
Chief Financial Officer



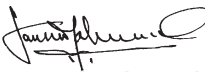
Statement of Changes in Equity

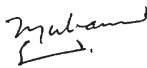
For The Year Ended December 31, 2021

	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, 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 income						
Actuarial gain on defined benefit obligation	-	-	-	-	128,862	128,862
Balance as at December 31, 2020	320,000,000	10,000,000	28,019,277	10,447,052	(348,905,989)	19,560,340
Balance as at January 01, 2021	320,000,000	10,000,000	28,019,277	10,447,052	(348,905,989)	19,560,340
Total Comprehensive loss for the year ended December 31, 2021						
Loss for the year	-	-	-	-	(13,399,171)	(13,399,171)
Other comprehensive income						
Actuarial gain on defined benefit obligation	-	-	-	-	374,227	374,227
Balance as at December 31, 2021	320,000,000	10,000,000	28,019,277	10,447,052	(361,930,933)	6,535,396

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


Asghar Maqsood
 Chief Executive Officer


Javed Mehmood
 Director


M. Shahzad
 Chief Financial Officer



Statement of Cash Flows

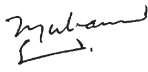
For The Year Ended December 31, 2021

	Note	2021	2020
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(13,131,751)	(57,352,837)
Adjustment for:			
Depreciation and amortization	27	3,594,888	3,579,845
Gratuity expense	18.2	1,761,032	1,722,387
Provision for compensated absences	23	1,384,461	1,524,411
Finance cost	28	18,437,187	21,569,869
Gain on disposal of property and equipment	26	(38,000)	(310,128)
Potential lease losses written back	8.6	(16,426,638)	12,461,567
Reversal of income tax provision		(7,979,392)	-
Credit losses on loans and receivables reversal	9.2	(3,648,177)	1,594,618
		(2,914,639)	42,142,569
Operating loss before working capital changes		(16,046,390)	(15,210,268)
Movement in working capital			
(Increase) / decrease in operating assets			
Net investment in lease		64,452,510	48,409,860
Finances and loans		11,610,385	11,893,462
Long-term loans to employees - secured		(78,600)	599,710
Prepayments and other receivables		747,545	(545,784)
Long-term deposits and prepayments		83,336	291,852
Long term deposits paid		(26,438,244)	(22,576,525)
Advances		2,227,068	(1,637,067)
		52,604,000	36,435,508
(Decrease) / increase in operating liabilities			
Trade and other payables		(2,303,946)	169,804
Unclaimed dividend		-	(19,694)
		(2,303,946)	150,110
Cash generated from operations		34,253,664	21,375,350
Financial charges paid		(16,843,325)	(19,734,352)
Interest income received		52,277	61,481
Gratuity paid	18.3	(787,147)	(51,900)
Benefits paid	23	(1,298,608)	(1,065,418)
Taxes paid		(156,872)	(287,924)
		(19,033,675)	(21,078,114)
Net cash flows from operating activities		15,219,989	297,236
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure	6	(163,413)	(145,600)
Proceeds from disposal of fixed assets	26	38,000	1,766,000
Net cash (used in)/flows from investing activities		(125,413)	1,620,400
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		(5,955,997)	(3,713,326)
Net cash used in financing activities		(5,955,997)	(3,713,326)
Net increase/(decrease) in cash and cash equivalents		9,138,579	(1,795,690)
Cash and cash equivalents at beginning of the year		(143,164,331)	(141,368,641)
Cash and cash equivalents at end of the year	33	(134,025,752)	(143,164,331)

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


Asghar Maqsood
Chief Executive Officer


Javed Mehmood
Director


M. Shahzad
Chief Financial Officer



Notes to the Financial Statements

For The Year Ended December 31, 2021

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 Parent Company), who holds 73.14% (2020: 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- (2020: B) and a short-term rating of A4 (2020: B) to the Company in the month of April 2021.
- 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, the Company has not complied with said requirement of NBFC Regulations 2008 of maintaining minimum capital requirement.
- 1.4** The Company is dependent on the running finance facility granted by the Parent company. The revised prudential regulation of State Bank of Pakistan (SBP) applicable from June 2015 has restricted the exposure by a 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 to the Parent Company of the aforesaid requirement, which had expired on December 31, 2019. In prior year, the Parent Company has requested SBP to allow exemption form related party exposure limit till December 31, 2021 and correspondence regarding this is in progress till the current period end. However, no intimation has so far been received from SBP in this regard.
- 1.5** During the year ended December 31, 2021, the Company has incurred loss for the year of Rs. 13.399 million (December 31, 2020: Rs. 57.676 million), resulting in accumulated losses of Rs. 361.931 million (December 31, 2020: Rs. 348.906 million) at the end of the year. Further, the net assets of the Company amounts to Rs. 6.535 million as at December 31, 2021 (December 31, 2020: Rs. 19.560 million). The Company has negative cash and cash equivalent of Rs. 134.026 million (December 31, 2020: Rs. 143.164 million) which comprise of running finance facility from SME Bank Limited and at the end of the year the Company's current liabilities exceed its current assets by Rs. 81.882 million (2020: Rs. 67.288 million).

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

However, these financial statements are prepared by management using going concern assumption considering the factors mentioned below:

- The Parent Company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 137.184 million has been utilized as at December 31, 2021 (2020: Rs. 144.791 million). The said facility can be extended to the extent of Rs. 300 million as per the standby agreement for finance facility. The Parent company will not call off the said amount till June 30, 2022 and the Parent 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 Parent company the Company will be able to continue its business on going concern basis in the foreseeable future.
- Concerted efforts are being made for the recovery of non-performing leases and loans and finances and in this respect during the year Rs. 51.468 million (2020: Rs. 20.714 million) has been recovered.
- Efforts are also being made by the management to reduce the overall operational cost of the Company.



Notes to the Financial Statements

For The Year Ended December 31, 2021

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.

- 1.6** With respect to privatization of the Parent Company, SME Bank Limited (Bank) and its Subsidiary, the Cabinet Committee on Privatization (CCOP) approved the new privatization program of the Bank on March 06, 2019 to divest the Government of Pakistan (GOP) equity stake in the Bank along with management control to a strategic investor as per the decision dated November 19, 2018 of the GOP, whereas the due process was started and various stakeholders participated including the prospective investors. However, due to lack of interest of prospective investors, Board of Privatization Commission in its meeting held on November 25, 2021 has recommended delisting of SME Bank Limited from list of privatizations. The Financial Adviser (FA) of Privatization Commission asserted that despite all efforts and iterative interactions with the pre-qualified bidders to date positive feedback from the pre-qualified bidders is not forthcoming and owing to the deteriorating financial position of Bank, the FA recommended to shelve the Transaction. Recommendation of the Board of Privatization was presented to the CCOP in its meeting held on December 31, 2021, where the CCOP decided to ascertain the way forward of the bank prior to delisting from list of privatization; and in this regard constituted a committee consisting of Deputy Governor SBP, Secretary Finance, Secretary Privatization Commission, Chairman SECP and Minister of Finance. The Committee has not yet met for any deliberation in this regard.

	Note	2021 Rupees	2020 Rupees
2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES			
Gross lease and loans and finances disbursements	2.1	17,704,000	27,000,000
Recoveries	2.2	83,255,855	79,532,814

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. 51.468 million (2020: Rs. 20.714 million) and regular parties amounting to Rs. 31.787 million (2020: Rs. 58.818 million).

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with accounting and reporting standards as applicable in Pakistan. Accounting and reporting 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.



Notes to the Financial Statements

For The Year Ended December 31, 2021

3.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting 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, 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:

- Classification and provision of net investment in finance lease and loans and finances (notes 5.8, 5.9, 8 and 9);
- Impairment of non-financial assets (note 5.13);
- 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 and 7);
- Provision for current and deferred taxation and recognition and measurement of deferred tax assets and liabilities (notes 5.16 and 29); and
- Staff retirement benefits (note 5.8 and 18) and Staff compensated absences (note 5.7 and 23).

4 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	effective date (Annual periods beginning on or after)
Amendments to IFRS 16 'Leases' - Covid - 19 related rent concessions	June 01, 2020
Interest Rate Bench march Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

Certain annual improvements have also been made to a number of IFRSs.



Notes to the Financial Statements

For The Year Ended December 31, 2021

4.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	effective date Standard or Interpretation (Annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards; and
IFRS 17 Insurance Contracts.

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.

	Effective Date (Annual periods beginning on or after)
Financial Instruments - IFRS 9	June 30, 2022

The SECP has issued S.R.O. 800(I)/2021 and has extended 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 from reporting period/year ending on or after June 30, 2022.



Notes to the Financial Statements

For The Year Ended December 31, 2021

An extensive assessment is required to be made, because the actual impact of adopting IFRS 9 on or after June 30, 2022 may result in changes as:

- IFRS 9 requires the Company to revise its accounting processes and internal controls and these changes are not yet complete including consequential changes to its governance framework;
- The company is refining and finalizing its models for ECL calculations mainly for finance lease receivables and finance loans; and

IFRS 9 requires the Company to revise its accounting processes and internal controls and these changes are not yet complete;

- The company is refining and finalizing its models for ECL calculations mainly for finance lease receivables and finance loans; and
- The new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalizes its financial statements for the year ending December 31, 2022.

IFRS 9 contains requirements in the following areas:

- Classification and Measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments.
- Impairment: IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

The Board of Directors anticipate that classification and measurement of debt instruments will be driven by the entity's business model for managing the financial asset and contractual cash flows of financial assets.

A debt instrument is measured at amortized cost if the objective of the business model to hold the financial assets for the collection of contractual cash flows and the contractual cash flows under the instrument solely represent the payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold financial statements both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognized at fair value through profit or loss. The Board of Directors anticipate that majority of financial assets and liabilities would be classified at amortized cost.

The application of the expected credit loss model of IFRS 9 may result in recognition of credit losses for the respective financial assets and finance lease receivables and may increase the amount of loss allowance for these items. The Board of Directors anticipate transition impact analysis as financial assets and finance lease receivables under IFRS 9 indicate that the expected credit loss as per IFRS 9 might be more than the cumulative loss allowance as per the current regulatory requirements for impairment as at December 31, 2021. However, the transition impact will be reported in the subsequent reporting period.

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.



Notes to the Financial Statements

For The Year Ended December 31, 2021

5.2 Property and equipment

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

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

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

5.3 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.

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 reporting 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.



Notes to the Financial Statements

For The Year Ended December 31, 2021

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

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

5.7 Staff retirement benefits

Defined contribution plan

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

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

Employees' compensated absences

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

Defined benefit plan

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

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

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

5.8 Net investment in finance lease

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

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

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognized in the statement of profit or loss on a basis 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 over the lease term on the same basis as the finance lease income.



Notes to the Financial Statements

For The Year Ended December 31, 2021

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

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

Financial liabilities carried at the reporting 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. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognized and classified as follows:

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

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

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

Available-for-sale

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

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

Held to maturity

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

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

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



Notes to the Financial Statements

For The Year Ended December 31, 2021

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

5.12 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognized at fair value plus any related transaction costs directly attributable to the acquisition. Subsequent to initial recognition, they are carried at amortized cost.

5.13 Impairment of non-financial assets

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

5.14 Derivative financial instruments

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

5.15 Offsetting of financial assets and financial liabilities

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

5.16 Taxation

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

Current

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

Deferred

Deferred tax is provided using the 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 reporting 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.



Notes to the Financial Statements

For The Year Ended December 31, 2021

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 reporting 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 rate method.

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.



Notes to the Financial Statements

For The Year Ended December 31, 2021

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 (2020: Rs. nil) to its statutory reserve.

Reserve against future losses

This reserve represents amounts set aside in view of the risks associated with the economic cyclical nature of the business and is recognized as an appropriation of retained earnings. Any credits resulting from reduction of such amounts result in an increase in unappropriated profit and are not included in the determination of profit or loss for the period. The amount to be set aside against future losses is determined at the rate of 0.5 % of the outstanding balance of the regular portfolio of leases and loans and receivables at each reporting date. This was applicable when the Company was deposit taking NBFC till year 2008, however, subsequently when the status of the 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, 2021.

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 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 as and when accrued. It also includes transaction charges incurred on bank accounts.



Notes to the Financial Statements

For The Year Ended December 31, 2021

6 PROPERTY AND EQUIPMENT

2021	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	Depreciation rate per annum %
	As at 1 January 2021	Additions/transfer	Disposal	As at Dec 31, 2021	As at January 1, 2021	For the year		
	------(Rupees)-----							
Owned								
Furniture and fixtures	1,603,678	25,000	-	1,628,678	1,487,120	104,198	-	20
Office equipment	1,545,213	47,513	-	1,592,726	1,151,121	120,345	-	15
Building improvements	750,933	-	-	750,933	750,933	-	-	33.33
Office premises	9,514,190	-	-	9,514,190	6,165,536	475,709	-	5
Computers	1,525,527	-	-	1,525,527	1,481,021	22,270	-	33.33
Motor vehicles	4,547,150	90,900	(160,495)	4,477,555	4,547,150	4,545	(160,495)	20
	<u>19,486,691</u>	<u>163,413</u>	<u>(160,495)</u>	<u>19,489,609</u>	<u>15,582,881</u>	<u>727,067</u>	<u>(160,495)</u>	<u>3,340,157</u>
	------(Rupees)-----							
2020								
Owned								
Furniture and fixtures	1,596,878	6,800	-	1,603,678	1,356,646	130,474	-	20
Office equipment	1,451,913	110,800	(17,500)	1,545,213	1,045,250	123,371	(17,500)	15
Building improvements	750,933	-	-	750,933	750,933	-	-	33.33
Office premises	9,514,190	-	-	9,514,190	5,689,826	475,710	-	5
Computers	1,497,527	28,000	-	1,525,527	1,458,462	22,559	-	33.33
Motor Vehicles	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>(17,500)</u>	<u>3,903,811</u>



Notes to the Financial Statements

For The Year Ended December 31, 2021

7 RIGHT-OF-USE ASSET

	COST				ACCUMULATED DEPRECIATION				BOOK VALUE	
	As at January 1, 2021	Adjustment on transition to IFRS 16	Additions/ transfer	Disposal	As at 31 December 2021	As at January 1, 2021	For the year	On disposal	As at Dec 31, 2021	As at Dec 31, 2021
	----- (Rupees) -----									
Office premises	12,950,191	-	-	-	12,950,191	5,180,082	2,590,044	-	7,770,126	5,180,065
Motor vehicles	-	-	1,795,000	-	1,795,000	-	277,777	-	277,777	1,517,223
	<u>12,950,191</u>	<u>-</u>	<u>1,795,000</u>	<u>-</u>	<u>14,745,191</u>	<u>5,180,082</u>	<u>2,867,821</u>	<u>-</u>	<u>8,047,903</u>	<u>6,697,288</u>

	COST				ACCUMULATED DEPRECIATION				BOOK VALUE	
	As at January 1, 2020	Adjustment on transition to IFRS 16	Additions/ transfer	Disposal	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>

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	2021	2020
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8 NET INVESTMENT IN FINANCE LEASES

Net investment in finance leases	8.1	275,342,507	323,368,379
Less: Current maturity	14	(98,019,136)	(136,216,126)
		<u>177,323,371</u>	<u>187,152,253</u>



Notes to the Financial Statements

For The Year Ended December 31, 2021

9.1 Net investment in finance leases

		December 31, 2021			December 31, 2020		
		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	8.3	286,239,684	227,716,296	58,523,388	332,473,338	252,615,664	79,857,674
Add: Residual Value of leased assets	8.4	174,748,031	130,202,795	44,545,236	201,186,275	144,177,595	57,008,680
Gross Investment in leases		460,987,715	357,919,091	103,068,624	533,659,613	396,793,259	136,866,354
Less: Unearned lease Income		(8,728,447)	(3,678,959)	(5,049,488)	(12,813,448)	(12,163,220)	(650,228)
Less: Markup held in Suspense Account		(44,530,019)	(44,530,019)	-	(48,664,406)	(48,664,406)	-
		(53,258,466)	(48,208,978)	(5,049,488)	(61,477,854)	(60,827,626)	(650,228)
		407,729,249	309,710,113	98,019,136	472,181,759	335,965,633	136,216,126
Less: Provision for potential lease losses	8.6	(132,386,742)	(132,386,742)	-	(148,813,380)	(148,813,380)	-
Net Investment in Finance leases		275,342,507	177,323,371	98,019,136	323,368,379	187,152,253	136,216,126

- 8.2** The internal rate of return (IRR) on lease contract receivable ranges from 9.5% to 25% per annum (2020: 9.5% to 25% per annum).
- 8.3** This include amount receivable in respect of non performing leases of Rs. 190.664 million (2020: Rs. 199.204 million) which have not been fully provided due to forced sales value benefit amounting to Rs. 85.188 million (2020: Rs. 87.345 million).
- 8.4** 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. 143.907 million (2020: Rs. 144.988 million).
- 8.5** Lease rentals received during the year aggregate to Rs. 51.866 million (2020: Rs. 79.533 million). Lease disbursed during the year amounts to Rs. 11.004 million (2020: Rs. 27 million).



Notes to the Financial Statements

For The Year Ended December 31, 2021

	Note	2021 Rupees	2020 Rupees
8.6 Provision for potential lease losses			
Balance at the beginning of the year		148,813,380	136,351,813
Provision for the year		2,038,658	29,052,904
Recovered during the year		(18,465,296)	(16,591,337)
Net provision		(16,426,638)	12,461,567
Balance at the end of the year		132,386,742	148,813,380
9 LONG TERM FINANCES AND LOANS - SECURED			
Customers			
Considered good	9.1	12,489,003	20,351,243
Considered doubtful		48,069,911	51,818,056
	9.3	60,558,914	72,169,299
Less: Provision for doubtful finances and loans - net	9.2	(7,440,473)	(11,088,650)
		53,118,441	61,080,649
Less: Current maturity			
Customers	14	(9,204,400)	(13,695,087)
		43,914,041	47,385,562

9.1 These represent loans to customers for a period of three to five years on mark-up basis and are secured by way of hypothecation of stock and immovable property. The rate of mark-up ranges from 15% to 24.50% (2020: 11.35% to 17.33%) per annum.

	Note	2021 Rupees	2020 Rupees
9.2 Provision for doubtful finances and loans - net			
Balance at the beginning of the year		11,088,648	9,494,030
Provision for the year		-	5,718,015
Recovered during the year		(3,648,177)	(4,123,397)
Net provision		(3,648,177)	1,594,618
Balance at the end of the year		7,440,471	11,088,648

9.3 This includes non performing loans of Rs. 48.70 million (2020: Rs. 59.140 million) which have not been fully provided due to FSV benefits amount to Rs. 63.184 million (2020: 63.832 million).



Notes to the Financial Statements

For The Year Ended December 31, 2021

	Note	2021	2020
		Rupees	
10 LONG-TERM LOANS TO EMPLOYEES - SECURED			
Considered good			
Car loans	10.1&10.2	572,801	494,201
Less: Current maturity	14	(228,880)	(171,005)
		<u>343,921</u>	<u>323,196</u>
10.1 Movement in loan to employees			
Balance at the beginning of the year		494,201	1,093,911
Disbursements		447,252	49,500
Repayments		(368,652)	(649,210)
Balance at the end of the year		<u>572,801</u>	<u>494,201</u>

10.2 These represent 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. Car loans are secured by the title of car in the Company's name. These loans carry mark-up at 5% to 7% (2020: 5% to 7%) per annum.

	Note	2021	2020
		Rupees	
11 LONG-TERM DEPOSITS AND PREPAYMENTS			
Other deposits	11.1	787,222	787,222
Prepayments		-	864,004
Less: Current maturity	13	-	(780,668)
Non-current prepayments		-	83,336
		<u>787,222</u>	<u>870,558</u>
11.1 Other deposits			
Rent		711,000	711,000
Central Depository Company		50,000	50,000
Miscellaneous		14,422	14,422
BRR Security Vault		11,800	11,800
		<u>787,222</u>	<u>787,222</u>
12 ADVANCES			
Considered good - unsecured			
Employees	12.1	466,858	1,678,710
Legal advisors	12.2	2,175,980	2,289,853
Others		122,119	137,426
Advance against lease vehicle		-	886,036
SBP deposit		15,000	15,000
		<u>2,779,957</u>	<u>5,007,025</u>



Notes to the Financial Statements

For The Year Ended December 31, 2021

12.1 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.

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

	Note	2021 Rupees	2020 Rupees
13 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		622,659	780,668
Other receivable		65,000	65,000
Accrued interest on long term finances and loans		61,734	651,270
		749,393	1,496,938
14 CURRENT MATURITY OF NON CURRENT ASSETS			
Current maturity of :			
Net investment in finance leases	8	98,019,136	136,216,126
Long term finances and loans	9	9,204,400	13,695,087
Long term loans to employees	10	228,880	171,005
		107,452,416	150,082,218
15 CASH AND BANK BALANCES			
Balances with banks in:			
- Current accounts		3,091,452	1,466,000
- Saving accounts	15.1	-	93,895
Cash in hand		66,412	66,412
		3,157,864	1,626,307

15.1 These carry profit rate of nil (2020: 5.5% to 11.25% per annum).

16 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2021 (Number of shares)	2020		2021 Rupees	2020 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



Notes to the Financial Statements

For The Year Ended December 31, 2021

16.1 SME Bank Limited (the Bank) 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 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, 2021, the Parent company and its nominees hold 73.14% (2020: 73.14%) ordinary shares of the Company.

17 LIABILITIES AGAINST FINANCE LEASE ASSETS

	2021			2020		
	Minimum lease payment	Finance charges not due yet	Present value of minimum lease payments	Minimum lease payment	Finance charges not due yet	Present value of minimum lease payments
	----- (Rupees) -----			----- (Rupees) -----		
Payable not later than one year	4,535,365	941,029	3,594,336	4,200,835	1,287,067	2,913,768
Payable later than one year but not later than five years	4,376,388	355,504	4,020,884	8,392,048	1,177,738	7,214,310
Total	<u>8,911,753</u>	<u>1,296,533</u>	<u>7,615,220</u>	<u>12,592,883</u>	<u>2,464,805</u>	<u>10,128,078</u>

18 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 23 (2020: 27).

Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out on December 31, 2021 by Nauman Associates using the Projected Unit Credit Method. The following significant assumptions were used for valuation of the scheme:

	2021	2020
Valuation discount rate	9.75%	11.25%
Expected long term rate of increase in salary level	11.75%	11.25%

	Note	2021 ----- Rupees -----	2020 ----- Rupees -----
18.1 Liability in statement of financial position			
Present value of defined benefit obligation	18.2	<u>9,764,513</u>	<u>9,164,855</u>
18.2 Movement in liability during the year			
Balance at the beginning of the year		9,164,855	7,623,230
Charged to statement of profit or loss account	27.1	1,761,032	1,722,387
Remeasurements chargeable in other comprehensive income		(374,227)	(128,862)
Benefits paid during the year	18.5	<u>(787,147)</u>	<u>(51,900)</u>
Balance at the end of the year		<u>9,764,513</u>	<u>9,164,855</u>



Notes to the Financial Statements

For The Year Ended December 31, 2021

Note	2021	2020
	Rupees	
18.3 Reconciliation of the present value of defined benefit obligations		
Present value of obligations at beginning of the year	9,164,855	7,623,230
Current service cost	905,832	867,693
Interest cost	855,200	854,694
Benefits paid during the year	(787,147)	(51,900)
Remeasurements gain chargeable in other comprehensive income	(374,227)	(128,862)
Present value of obligations at the end of the year	<u>9,764,513</u>	<u>9,164,855</u>
18.4 Charged to statement of profit or loss account		
Current services cost	905,832	867,693
Interest cost	855,200	854,694
	<u>1,761,032</u>	<u>1,722,387</u>
18.5 Remeasurements gain chargeable in other comprehensive income		
Actuarial losses/(gains) on obligation	24,973	(19,855)
Experience adjustment	(399,200)	(109,007)
Total re-measurements recognized in other comprehensive income	<u>(374,227)</u>	<u>(128,862)</u>

18.6 Based on the actuarial advice, the Company intends to charge an amount of approximately Rs. 1.917 million in respect of contribution to gratuity fund in the financial statements for the year ending December 31, 2022.

18.7 Sensitivity analysis

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

Discount rate effect	Rupees	Rate effect
Original liability	9,764,513	9.75%
1% increase	10,740,964	10.75%
1% decrease	8,788,062	8.75%
Salary increase rate effect		
Original liability	9,764,513	11.75%
1% increase	10,740,964	12.75%
1% decrease	8,788,062	10.75%



Notes to the Financial Statements

For The Year Ended December 31, 2021

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.

18.8 Maturity profile

The weighted average duration of the obligation (in years)

2021

2020

10

10

19 TRADE AND OTHER PAYABLES

Payable on termination/maturity of leases

325,788

2,132,445

Insurance payable

1,619,667

1,829,706

Provident fund payable

426,111

798,429

Accrued expenses

310,467

255,933

Others

54,063

23,529

Sales tax payable

2,736,0965,040,042

20 MARK-UP ACCRUED ON BORROWINGS

Interest accrued on:

Short term borrowings

20.1

4,209,2124,211,211

20.1 This amount represents accrued interest payable to the Parent Company.

21 SHORT TERM BORROWINGS - SECURED

Short term borrowings

21.1

137,183,616144,790,638

21.1 The Company has a running finance facility available from the Parent Company amounting to Rs.150 million (2020: Rs.150 million) at mark-up rates ranging between 11.35% to 11.65% (2020: 11.35% 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.

22 CURRENT MATURITY OF NON-CURRENT LIABILITIES

Long term deposits

8.1

44,545,236

57,008,680

Long term finance

22.1

373,233

373,233

44,918,46957,381,913

22.1 This represents balance due against financing facilities amounting to Rs. 0.373 million (2020: 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.



Notes to the Financial Statements

For The Year Ended December 31, 2021

Note	2021	2020
	Rupees	
23 PROVISION FOR COMPENSATED ABSENCES		
Changes in present value of defined benefit obligations		
Present value of defined benefit obligations- Opening	2,959,558	2,500,565
Current service cost	1,005,186	1,266,197
Interest cost on defined benefit obligation	225,250	221,384
Benefits paid	(1,298,608)	(1,065,418)
Remeasurement		
- Actuarial losses/(gains) from changes in assumptions	7,213	(5,872)
- Experience adjustments	146,812	42,702
Present value of defined benefit obligations- Closing	3,045,411	2,959,558
Expenses to be charged to statement of profit or loss account		
Current service cost	1,005,186	1,266,197
Experience adjustments	146,812	42,702
Actuarial gains from changes in financial assumptions	7,213	(5,872)
Interest cost on defined benefit obligation	225,250	221,384
Expense chargeable to statement of profit or loss account	27.1 1,384,461	1,524,411
Changes in net liability		
Statement of financial position liability- Opening	2,959,558	2,500,565
Expenses chargeable to statement of profit or loss account	1,384,461	1,524,411
Benefits paid	(1,298,608)	(1,065,418)
Statement of financial position liability- Closing	3,045,411	2,959,558
24 CONTINGENCIES AND COMMITMENTS		
24.1 Contingencies		
A suit has been filed against the Company impleaded it for declaration, injunction and damages amounting to Rs. 3.5 million in the Honorable High Court of Sindh. The evidence of the parties has been completed before the commissioner and the case is at the stage of final arguments.		
24.2 Commitments		
There are no commitments at reporting date. (2020: Nil).		
25 INCOME FROM OPERATIONS		
Income from finance leases	10,646,338	17,776,964
Income on finances and loans	10,656,993	3,806,333
	21,303,331	21,583,297



Notes to the Financial Statements

For The Year Ended December 31, 2021

	Note	2021	2020
		Rupees	
26 OTHER INCOME			
Income from financial assets			
Mark-up on loan to employees		47,277	59,299
Profit on bank account/return on investment		-	6,998
Income from non-financial assets			
Gain on disposal of fixed assets		38,000	310,128
Other income/(loss)		5,000	(4,816)
		<u>90,277</u>	<u>371,609</u>
27 ADMINISTRATIVE AND GENERAL			
Salaries, allowances and other benefits	27.1	29,049,407	30,075,743
Depreciation	6 & 7	3,594,888	3,579,845
Legal and professional		3,628,273	2,977,654
Insurance		995,119	1,182,235
Travelling, conveyance and entertainment		968,518	958,947
Electricity, gas and water		1,042,373	887,010
Telephone and postage		786,820	759,466
Miscellaneous		683,486	599,259
Auditors' remuneration	27.6	430,400	622,000
Directors' fee	27.4	545,000	515,000
Printing and stationery		615,828	471,352
Repairs and maintenance		557,988	441,005
Rent, rates and taxes		445,712	257,372
Vehicle running		284,129	218,273
Advertising		411,776	97,363
Books and periodicals		39,885	36,165
Training and development		10,500	3,000
		<u>44,090,102</u>	<u>43,681,689</u>
27.1 Salaries allowance and other benefits include:			
Staff gratuity fund	18.4	1,761,032	1,722,387
Staff provident fund		750,155	775,716
Compensated absences	23	1,384,461	1,524,411
		<u>3,895,648</u>	<u>4,022,514</u>



Notes to the Financial Statements

For The Year Ended December 31, 2021

27.2 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:

	2021		2020	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	797,000	2,275,580	1,576,625	2,981,253
Housing and utilities	398,500	1,137,790	500,813	1,490,629
Provident fund	63,760	24,000	26,709	72,000
Medical and other perquisites	1,702,815	588,191	463,343	628,017
Leave encashment	52,400	286,417	-	192,500
	<u>3,014,475</u>	<u>4,311,978</u>	<u>2,567,490</u>	<u>5,364,399</u>
Number of person(s)	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>

27.3 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.

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

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

27.6 Auditors' remuneration

	2021	2020
Annual audit fee	255,000	285,000
Half yearly review fee	50,000	56,000
9 Month review fee	-	56,000
Fee for other certifications	45,000	50,000
Out of pocket expenses	80,400	175,000
	<u>430,400</u>	<u>622,000</u>

28 FINANCE COST

Mark-up on short term borrowings	16,726,118	19,611,282
Interest expense for leasing arrangements	1,648,138	1,835,517
Bank charges	115,208	123,070
	<u>18,489,464</u>	<u>21,569,869</u>

29 TAXATION

29.1 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.



Notes to the Financial Statements

For The Year Ended December 31, 2021

29.2 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 Ordinance 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. The 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 the Ordinance 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 of the Ordinance and tax credit not allowed. No action has been taken by the tax officer yet.

The Company's case, the year 31 December 2015, has been selected for audit under section 214 of the Ordinance. The taxation officer vide notice issued under section 177 of the Ordinance has called for certain information /documents, which is being complied by the Company. The taxation office has not passed any order yet."

29.3 Deferred tax asset of Rs. 38.155 million (2020: Rs. 43.620 million) has not been recognized as the Company does not foresee future taxable profits against which unused tax losses will be utilized.

29.4 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:

	2020 Rupees	2019 Rupees	2018 Rupees
Tax provision as per accounts	323,749	309,759	349,920
Tax payable/paid as per tax return	287,924	350,627	349,920

30 LOSS PER SHARE - BASIC AND DILUTED

Loss after taxation attributable to ordinary shareholders (Rupees)

2021	2020
Rupees	

<u>(13,399,171)</u>	<u>(57,676,586)</u>
---------------------	---------------------

(Number of shares)

Weighted average number of outstanding ordinary shares (No.)

<u>32,000,000</u>	<u>32,000,000</u>
-------------------	-------------------

(Rupees)

(Rupees)

Loss per share - basic and diluted (Rupees per share)

<u>(0.42)</u>	<u>(1.80)</u>
---------------	---------------

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

31 TRANSACTIONS WITH RELATED PARTIES

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



Notes to the Financial Statements

For The Year Ended December 31, 2021

		2021	2020
		Rupees	
31.1 Balances			
	SME Bank Limited (Parent company)		
	Short term borrowing	21	137,183,616
			144,790,638
31.2 Transactions			
	SME Bank Limited (Parent company)		
	Mark up on short-term borrowings	28	16,726,118
	Short term borrowing facility-net repayment/obtained		(7,607,022)
	Rent expense paid for Peshawar branch		550,272
			550,272
	Directors and key management personnel		
	Compensation of directors and key management personnel		
	Directors fee paid		545,000
	Key management remuneration		7,326,453
	Company's contribution towards provident fund	27.1	750,155
	Total compensation of directors and key management personnel		8,621,608
			515,000
			7,931,889
			775,716
			9,222,605

		Unaudited 2021	Audited 2020
		Rupees	
32 PROVIDENT FUND			
	Size of the fund (net assets)	5,949,846	5,674,170
	Cost of Investment made	6,427,364	5,719,414
	Percentage of investment made	108.03%	100.80%
	Fair value of investments	6,697,291	5,851,465

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

32.1 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.

		2021	2020
		Rupees	
33 CASH AND CASH EQUIVALENTS			
	Cash and bank balances	15	3,157,864
	Short term borrowings	21	(137,183,616)
			1,626,307
			(144,790,638)
			(143,164,331)

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction and overview

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

- credit risk;
- liquidity risk; and
- 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, 2021

Risk management framework

The 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.

34.1 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.

34.1.1 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. 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.

34.1.2 Exposure to credit risk

In summary, compared to the maximum amount included in the statement of financial position, the maximum exposure to credit risk at the end of the reporting period is as follows:

	2021		2020	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
	----- (Rupees) -----			
Bank balances	3,091,452	3,091,452	1,559,895	1,559,895
Advances	137,119	137,119	152,426	152,426
Net investment in finance lease	275,342,507	275,342,507	323,368,379	323,368,379
Long term finances and loans	53,118,441	53,118,441	61,080,649	61,080,649
Long-term loans to employees	572,801	572,801	494,201	494,201
Deposits and other receivables	852,222	852,222	852,222	852,222
	<u>333,114,542</u>	<u>333,114,542</u>	<u>387,507,771</u>	<u>387,507,771</u>



Notes to the Financial Statements

For The Year Ended December 31, 2021

34.1.3 Credit ratings and collaterals

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

	2021	2020
Ratings		
A1+	0.00%	0.00%
A-1+	86.36%	99.13%
Others	13.64%	0.87%
	<u>100%</u>	<u>100%</u>

Settlement risk

Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash or other assets as contractually agreed on sale. This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

34.1.4 Impairment losses and past due balances

	2021			
	Total	Loans and receivables	Net investment in finance lease	Impairment recognised
	------(Rupees)-----			
Not past due	95,215,206	9,204,400	86,010,806	-
1 - 179 days	12,070,064	61,734	12,008,330	-
180 days - 1 year	-	-	-	-
More than 1 year	500,830,108	51,292,780	309,710,113	139,827,215
	<u>608,115,378</u>	<u>60,558,914</u>	<u>407,729,249</u>	<u>139,827,215</u>

	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, 2021

34.1.5 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	2021		2020	
	Rupees	Percentage	Rupees	Percentage
Public Transport Services	99,362,614	18.46%	99,353,265	15.86%
Printing & Packaging	40,848,222	7.59%	56,780,997	9.06%
Miscellaneous	43,814,320	8.14%	55,650,938	8.88%
Film Processing	44,799,057	8.32%	47,365,497	7.56%
Oil & Gas	32,668,305	6.07%	42,958,603	6.86%
Food & Beverages	39,176,723	7.28%	40,569,788	6.48%
Health Care	38,209,285	7.10%	40,277,035	6.43%
Garments	26,857,389	4.99%	30,850,275	4.92%
Cargo Carriers	26,715,593	4.96%	29,661,613	4.74%
Entertainment	20,120,072	3.74%	28,862,877	4.61%
Others	25,685,231	4.77%	28,681,331	4.58%
Leather & Tannery	3,772,518	0.70%	17,164,218	2.74%
Engineering	12,710,613	2.36%	16,500,306	2.63%
Textile	13,225,741	2.46%	14,092,568	2.25%
Plastic	14,592,745	2.71%	13,950,099	2.23%
Gems & Jeweler	13,691,662	2.54%	13,781,662	2.20%
Pharma	12,236,745	2.27%	12,236,745	1.95%
Education	6,399,349	1.19%	10,229,377	1.63%
Confectionary	5,215,299	0.97%	9,107,485	1.45%
Communication	6,802,623	1.26%	6,802,623	1.09%
Construction & Building Products	5,192,256	0.96%	5,192,256	0.83%
Chemicals	3,779,865	0.70%	4,086,174	0.65%
Fisheries	1,285,857	0.24%	1,285,857	0.21%
Dates	551,021	0.10%	551,021	0.09%
Furniture	421,872	0.08%	421,872	0.07%
	538,134,977	100%	626,414,482	100%



Notes to the Financial Statements

For The Year Ended December 31, 2021

34.2 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.

34.2.1 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 liquidity ratios against internal and external requirements and maintaining debt financing plans.

34.2.2 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).

	2021			
	Total	Contractual cash flow	Upto one year	Two to five years
	----- (Rupees) -----			
Financial Liabilities				
Trade and other payables	2,736,096	2,736,096	2,736,096	-
Lease liability	7,615,220	7,615,220	3,594,336	4,020,884
Short term borrowings	137,183,616	137,183,616	137,183,616	-
Long term finances	373,233	373,233	373,233	-
Long term deposits	174,748,031	174,748,031	44,545,236	130,202,795
Markup accrued	4,209,212	4,209,212	4,209,212	-
	326,865,408	326,865,408	192,641,729	134,223,679
	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



Notes to the Financial Statements

For The Year Ended December 31, 2021

34.3 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.

34.3.1 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.

34.3.2 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 the end of the reporting period, details of the interest rate profile of the Company's interest bearing financial instruments were as follows:

	Effective Interest rate %	Carrying amount	
		2021 (Rupees)	2020 (Rupees)
Fixed rate instruments			
Financial assets			
Net investments in finance lease	9.5% to 25%	275,342,507	323,368,379
Long term finance and loans	15% to 24.5%	53,118,441	61,080,649
Long-term loans to employees - secured	5% to 7%	572,801	494,201
		329,033,749	384,943,229
Financial liabilities			
Long term finance	0%	373,233	373,233
Liabilities against assets subject to finance lease	17.33% to 18.26%	7,615,220	10,128,078
		7,988,453	10,501,311
Variable rate instruments			
Financial assets			
Bank balances		-	93,895
		-	93,895
Financial liabilities			
Short term borrowings	11.35% to 11.65%	137,183,616	144,790,638
		137,183,616	144,790,638



Notes to the Financial Statements

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34.3.3 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 the statement of profit or loss. Therefore, a change in interest rates at the reporting date would not affect the statement of profit or loss.

34.3.4 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. 0.137 million (2020: Rs. 0.144 million). This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis which were used for the comparative reporting period.

34.3.5 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	2021			
		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					
Long term finances and loans	15% to 24.5%	53,118,441	9,204,400	-	43,914,041
Long-term loans to employees - secured	5% to 7%	572,801	-	228,880	343,921
Net investment in finance lease	9.5% to 25%	275,342,507	-	98,019,136	177,323,371
Total financial assets as on December 31, 2021		329,033,749	9,204,400	98,248,016	221,581,333
Financial liabilities					
Lease liability	17.33% to 18.26%	7,615,220	598,001	2,996,335	4,020,884
Short term borrowings	11.35% to 11.65%	137,183,616	-	137,183,616	-
Long term finances	0%	373,233	373,233	-	-
Total financial liabilities as on December, 2021		145,172,069	971,234	140,179,951	4,020,884
On statement of financial position gap		183,861,680	8,233,166	(41,931,935)	217,560,449
Total interest rate sensitivity gap		183,861,680	8,233,166	(33,698,769)	183,861,680



Notes to the Financial Statements

For The Year Ended December 31, 2021

	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



Notes to the Financial Statements

For The Year Ended December 31, 2021

34.4 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, 2021 (2020: none).

34.5 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).

34.6 For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2021, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.



Notes to the Financial Statements

For The Year Ended December 31, 2021

As at December 31, 2021, 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
Financial assets									
Cash and bank balance	15	3,157,864	-	-	3,157,864	-	-	-	-
Advances	12	-	2,779,957	-	2,779,957	-	-	-	-
Deposits, prepayments and other receivables	13	-	749,393	-	749,393	-	-	-	-
Long term finances and loans and accrued interest thereon	9	-	53,118,441	-	53,118,441	-	-	-	-
Net investment in finance leases	8	-	275,342,507	-	275,342,507	-	-	-	-
		3,157,864	331,990,298	-	335,148,162	-	-	-	-
Financial liabilities									
Accrued and other liabilities	19	-	-	2,736,096	2,736,096	-	-	-	-
Accrued mark-up on borrowings	20	-	-	4,209,212	4,209,212	-	-	-	-
Short term borrowings	21	137,183,616	-	-	137,183,616	-	-	-	-
Provision for compensated absences	23	-	-	3,045,411	3,045,411	-	-	-	-
Long term finances	22	-	-	373,233	373,233	-	-	-	-
Long term deposits	8	-	-	130,202,795	130,202,795	-	-	-	-
Defined benefit obligations	18	-	-	9,764,513	9,764,513	-	-	-	-
Lease liabilities	17	-	-	7,615,220	7,615,220	-	-	-	-
		137,183,616	-	157,946,480	295,130,096	-	-	-	-

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, 2021

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	15	1,626,307	-	-	1,626,307	-	-	-	-
Advances	12	-	5,007,025	-	5,007,025	-	-	-	-
Deposits, prepayments and other receivables	13	-	1,496,938	-	1,496,938	-	-	-	-
Long term finances and loans and accrued interest thereon	9	-	61,080,649	-	61,080,649	-	-	-	-
Net investment in finance leases	8	-	323,368,379	-	323,368,379	-	-	-	-
		1,626,307	390,952,991	-	392,579,298	-	-	-	-
Financial liabilities									
Accrued and other liabilities	19	-	-	5,040,042	5,040,042	-	-	-	-
Accrued mark-up on borrowings	20	-	-	4,211,211	4,211,211	-	-	-	-
Short term borrowings	21	144,790,638	-	-	144,790,638	-	-	-	-
Provision for compensated absences	23	-	-	2,959,558	2,959,558	-	-	-	-
Long term finances	22	-	-	373,233	373,233	-	-	-	-
Long term deposits	8	-	-	7,214,310	7,214,310	-	-	-	-
Defined benefit obligations	18	-	-	9,164,855	9,164,855	-	-	-	-
Lease liabilities	17	-	-	10,128,078	10,128,078	-	-	-	-
		144,790,638	-	39,091,287	183,881,925	-	-	-	-



Notes to the Financial Statements

For The Year Ended December 31, 2021

35 CAPITAL MANAGEMENT

- 35.1** 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.
- 35.2** 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:

	2021	2020
	----- Rupees -----	
Total debt	7,615,220	10,128,078
Total equity	6,535,396	19,560,340
Total capital employed	14,150,616	29,688,418
Gearing ratio	53.82%	34.11%

- 35.3** As required under the NBFC Regulations, every investment financing company involved in non deposit taking shall maintain a minimum capital of Rs 50 million, the Company has not complied with said requirement of NBFC Regulations 2008 of maintaining minimum capital requirement.

35.4 Capital 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.



Notes to the Financial Statements

For The Year Ended December 31, 2021

36 SEGMENT INFORMATION

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

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

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

	2021			Total
	Finance lease	Loans and receivables	Others	
	----- (Rupees) -----			
Segment revenue	<u>10,646,338</u>	<u>10,656,993</u>	<u>90,277</u>	<u>21,393,608</u>
Reversal of provision	<u>16,426,638</u>	<u>3,648,177</u>	<u>7,979,392</u>	<u>28,054,207</u>
Segment result	<u>27,072,976</u>	<u>14,305,170</u>	<u>8,069,669</u>	<u>49,447,815</u>
Unallocated cost				
Finance cost	-	-	-	(18,489,464)
Administrative and general expenses	-	-	-	(44,090,102)
				<u>(62,579,566)</u>
Loss before tax	-	-	-	(13,131,751)
Provision for taxation	-	-	-	(267,420)
Loss for the year	-	-	-	(13,399,171)
Other information	8,214,867			
Segment assets	275,342,507	53,118,441	-	328,460,948
Unallocated assets	-	-	18,084,682	18,084,682
Total assets				346,545,630
Segment liabilities	176,793,809	-	-	176,793,809
Unallocated liabilities	-	-	163,216,425	163,216,425
Total liabilities	340,010,234			
Net assets	-	-	-	6,535,396
Capital expenditure	-	-	163,413	163,413

36.1 Revenue reported above represents revenue from external customers. There are no inter-segment sales.

36.2 Revenue from finance lease includes income from finance lease operations and gain/loss on termination of lease. Revenue from loans and receivable includes mark-up income on loans to customers and employees.



Notes to the Financial Statements

For The Year Ended December 31, 2021

	2020			Total
	Finance lease	Loans and receivables	Others	
	(Rupees)			
Segment revenue	17,776,964	3,806,333	371,609	21,954,906
Provision -Net	(12,461,567)	(1,594,618)	-	(14,056,185)
Segment result	5,315,397	2,211,715	371,609	7,898,721
Unallocated cost				
Finance cost	-	-	-	(21,569,869)
Administrative and general expenses	-	-	-	(43,681,689)
				(65,251,558)
Loss before tax	-	-	-	(57,352,837)
Provision for taxation	-	-	-	(323,749)
Loss for the year	-	-	-	(57,676,586)
Other information				
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

36.3 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

37 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial position of the Company for the year ended December 31, 2021 due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Company has introduced a host of measures on both the financial and operational fronts by issuing certain circulars and notifications from time to time.

The management of the Company is closely monitoring the situation, and in response to the developments, taking all possible precaution and measures to safeguard health and safety of employees and other stakeholders, and also implemented a number of measures to minimise the impact to the extent possible.



Notes to the Financial Statements

For The Year Ended December 31, 2021

38 NUMBER OF EMPLOYEES

The number of employees as at the year end were 28 (2020: 32) and average number of employees during the year were 25 (2020: 33).

39 SUBSEQUENT EVENTS

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

40 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 year.

41 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 04 March, 2022 by the Board of Directors of the Company.

Asghar Maqsood
Chief Executive Officer

Javed Mehmood
Director

M. Shahzad
Chief Financial Officer



Pattern of Shareholding

As at December 31, 2021

Shareholding		No of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	21	103	0.00
101	500	188	93,407	0.29
501	1,000	49	48,403	0.15
1,001	5,000	78	225,363	0.70
5,001	10,000	15	122,999	0.38
10,001	15,000	13	175,000	0.55
15,001	20,000	3	55,500	0.17
20,001	25,000	3	74,000	0.23
25,001	30,000	2	60,000	0.19
30,001	35,000	3	99,500	0.31
35,001	40,000	1	39,000	0.12
45,001	50,000	2	96,000	0.41
50,001	55,000	3	160,525	0.50
65,001	70,000	1	66,500	0.21
95,001	100,000	1	100,000	0.31
110,001	115,000	1	112,500	0.35
125,001	130,000	1	127,500	0.40
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	1	279,500	0.87
280,001	285,000	1	282,500	0.88
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
		395	32,000,000	100



Categories of Shareholders

As at December 31, 2021

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. Tahir Saeed Effendi	1	-	1	0.00
Mr Bilal Mohy Ud Din	1	-	1	0.00
Mr. Javed Mahmood	1	-	1	0.00
Mr. Dilshad Ali Ahmad	1	-	1	0.00
Mr. Muhammad Mubeen Mufti	1	-	1	0.00
Mr. Asghar Maqsood	500	-	500	0.00
	506	-	506	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	942,202	988,202	3.09
General Public	136,001	1,747,116	1,883,617	5.89
	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 _____
of _____ (full address)

as my / our Proxy to attend and vote for me / us and on my / our behalf at the 20th Annual General Meeting of the Company to be held on on April 26, 2022 and at any adjournment thereof.

Signed this _____ of _____ 2022.
(day) (date, month)

Signature of Member: _____

Folio Number: _____

Number of shares held : _____

Witnesses:

1. _____
2. _____

Please affix
Revenue Stamp

Signature and Company Seal

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



Affix
Correct
Postage

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



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



SME Leasing Limited

(A subsidiary of SME Bank Ltd.)

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

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