



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

**2023**  
**Annual**  
**Report**



**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. 04, Ground Floor, Fahad Arcade,  
Regal Chowk, The Mall Road, Lahore.  
Phone: 042-37235234

## ISLAMABAD

SME Bank Limited, 1st Floor, 5-6/1,  
Blue Area, Islamabad.  
Phone: 051-9217000 Ext. 54

## 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 Mehmood, Chairman  
Mr. Tahir Saeed Effendi  
Mr. Muhammad Mubeen Mufti  
Ms. Darakhshan S. Vohra

## CHIEF EXECUTIVE OFFICER

Mr. Asghar Maqsood

## AUDIT COMMITTEE

Mr. Tahir Saeed Effendi, Chairman  
Mr. Muhammad Mubeen Mufti

## RISK MANAGEMENT COMMITTEE

Mr. Javed Mehmood, Chairman  
Mr. Muhammad Mubeen Mufti  
Ms. Darakhshan S. Vohra

## HUMAN RESOURCE COMMITTEE

Mr. Tahir Saeed Effendi, Chairman  
Mr. Muhammad Mubeen Mufti  
Mr. Asghar Maqsood  
Ms. Darakhshan S. Vohra

## PROCUREMENT COMMITTEE

Mr. Tahir Saeed Effendi, Chairman

## NOMINATION COMMITTEE

Mr. Tahir Saeed Effendi, Chairman  
Mr. Muhammad Mubeen Mufti



## Corporate Information

### **COMPANY SECRETARY & CFO**

Ms. Uzma Ehsan

### **EXTERNAL AUDITORS**

BDO Ebrahim & Co,  
Chartered Accountants

### **INTERNAL AUDITOR**

Syed Khurram Ali

### **TAX CONSULTANTS**

EY Ford Rhodes  
Chartered Accountants

### **LEGAL ADVISOR**

Mohsin Tayebaly & Company  
Advocate & Legal Consultant

### **CREDIT RATING**

Not rated in 2023

### **REGISTERED OFFICE**

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

### **MAIN OFFICE**

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

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

Fax: (+92-21) 34322082

E-mail: info@smelease.com

### **REGISTRAR AND SHARE TRANSFER CERTIFICATE**

**Corptec Associates (Pvt.) Limited**

503-E, Johar Town, Lahore

### **BANKS AND LENDING INSTITUTIONS**

SME Bank Limited

Meezan Bank Limited



# Notice of the 22<sup>nd</sup> Annual General Meeting

Notice is hereby given that the Twenty Second Annual General Meeting of the shareholders of SME Leasing Limited (the Company) will be held on Monday, July 22, 2024 at 09:30 am via online over Zoom, to transact the following business:

## **ORDINARY BUSINESS.**

1. To confirm the minutes of the 21st Annual General Meeting of the Company held on January 11, 2024.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended December 31, 2023 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company for the year ending December 31, 2024 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, 2024.
4. To transact any other business with the permission of the Chair.

By Order of the Board

**Uzma Ehsan**  
Company Secretary

Karachi: July 2, 2024

Email: 22agm@smelease.com

Zoom ID: <https://us04web.zoom.us/j/72079400024?pwd=BLWRqsBYsi7bEPBKmGqTvesKG1DBLa.1>

Meeting ID: 720 7940 0024

Passcode: 22Smel

## **Notes:**

1. The Register of the members of the Company will remain closed from July 16, 2024 to July 22, 2024 (both days inclusive).
2. In line with the directions issued to the listed companies by the SECP, vide circular No. 6 of 2021 dated March 03, 2021, the Company intends to convene the Annual General Meeting (AGM) virtually via video link facility managed from the Registered Office of the Company, located at, SME Bank Limited. 56-F, Nazim-ud-din Road, F-6/1, Blue Area, P.O Box 1587, Islamabad for the facility of all its Shareholders. The virtual meeting is being held in line with Company's austerity measures in the wake of current macro-economic situation and in order to ensure maximum participation of Shareholders.

The entitled shareholders (whose name appeared in the Books of the Company by close of business on July 16, 2024 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 22agm@smelease.com by providing the following:



<b>Name of shareholder</b>	<b>CNIC No.</b>	<b>Folio / CDS No.</b>	<b>Cell No.</b>	<b>Email address</b>
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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 2023 (CD) 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](http://www.smelease.com).





# Directors' Report

The Board of Directors of **SME Leasing Limited** ("Company") is pleased to present this Annual Report together with the Audited financial statements for the year ended December 31, 2023.

## The Company

The Company was incorporated in Pakistan in July 2002 and acquired the status of the listed Company in December 2006. It 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 Company's core objective is to extend the lease and working capital financing facilities to small and medium enterprises in the country.

## Economic review

Pakistan faced unprecedented challenges during FY 23 due to political instability and financial crisis in the country..

Average inflation rate in Pakistan stood at approximately 29.1% during FY 23 compared to 11.0% in the same period last year.

Due to persistent inflationary pressures and external sectors imbalances, SBP decided to raise the policy rate and combat inflationary pressures.

The performance of PSX declined during 9m FY 23. The top sectors, where market capitalization increased were technology and communication, sugar and allied industries, investment companies, REIT and transport.

The company faced challenges and obstacles due to the overall economic situation of the country. The Commission had put the license renewal on hold, adding to the difficulties already faced by the Company. Additionally, the SME Bank (the parent company) was in the process of winding down, further impacting the company's operations. As a result, the company's performance remained aggressively focus on recovery from problematic / NPL portfolios. However, the chronic non-performing portfolio and non-availability of funds would remain the leading cause of continuing losses.

## Operational Review

Due to funding constraints, the Company remained focused on its aggressive strategy of recoveries from its portfolio. During the year, total recoveries amounted to Rs 45.615 million were made whereas fresh leases of Rs. 2.170 million (Gross) were written. Out of a total recovery, Rs16.618 million were from chronic NPLs. Over the last six years, the default rate in the new business has remained low.

The only source of funding at the disposal of the Company is a credit line of Rs 150 million from the Parent Company, SME Bank Limited, which has exhausted, and as of December 31, 2023, the outstanding balance was Rs149.923 million. The Company manages its expenses to curtail losses.



## Financial Review

	2023	2022
	----- Rupees -----	
Revenue	<b>12,708,084</b>	20,997,856
Expenses	<b>(78,707,453)</b>	(72,527,457)
Operating (loss) before reversals	<b>(65,999,369)</b>	(51,529,601)
Total reversals	<b>3,207,709</b>	53,022,235
Profit/(Loss) before taxation	<b>(69,207,078)</b>	1,492,634
Taxation	<b>(142,526)</b>	(262,615)
Profit/(Loss) after taxation	<b>(69,349,604)</b>	1,230,019
Profit/(Loss) per share - basic and diluted	<b>(2.17)</b>	0.04

For the year ended on December 31, 2023, the Company has incurred a loss of Rs. 69.350 million (December 31, 2022: profit of Rs. 1.230 million) resulting in accumulated losses of Rs.428.352 million (December 31, 2022: Rs.360.614 million) at the reporting date. The Company's current liabilities exceed its current assets by Rs.169.241 million (December 31, 2022: Rs.139.981 million) and as of that date, the Company has negative cash and cash equivalent of Rs.145.173 million (December 31, 2022: Rs.138.343 million). The Company has been incurring losses since the year ended December 31, 2009, which has resulted in the erosion of equity.

The Company's Financial Statements (FS) have been prepared on a going concern basis based on various mitigating factors as explained in the FS. In their report to the Company members, the auditors have added a para related to adverse opinion: inappropriate going concern assumption.

### Dividend

The Board has not recommended any dividend for the year under review.

### Minimum equity requirements

The Company being a non-deposit-taking NBFC shall as per section 4 (Schedule I) of NBFC Regulations 2008, have minimum equity of Rs. 50 million. The Company has not complied with the said requirement resulting in a show cause notice through letter no. SECP/SCD/Adj-I/30/2022-056 dated January 12, 2024, from SECP.

The Company has also been placed in defaulter segment of Pakistan Stock Exchange (PSX).

### The License of the Company

The license of the Company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via application reference no. SMEL/MO/2019 dated April 16, 2019, and SMEL/MO/2022 dated April 15, 2022, for its renewal in the manner so required by the NBFC Rules, 2003. However, the license has not been renewed till the release date of these financial statements.

### Future Prospects

In such circumstances, despite the SME Bank's unwillingness to cooperate due to its non-constraints, we consistently approached the Bank's management at various stages to address our MER and liquidity concerns. Regrettably, our requests were disregarded by the Bank. Because of ongoing winding up of the SME Bank Limited (The Parent Company), lack of a viable plan for the Company going forward from Parent Company and related matters, the Company was unable to release its financial results on time. As a result of the adjournment to hold Annual General Meeting and submit Annual Audited Accounts within the designated timeframe, the Company has been categorized under the non-compliance segment. The vacancy of two members on the Board still persists as the parent company (SME Bank holding 73.14% shares) has not yet nominated its candidates.



The Company's Board will conclude its three-year term on July 26, 2024 and retire thereafter.

Vide letter no. SSL/2024/0030 dated January 31, 2024, the Company requested the holding company (the Bank) to seek guidance from the Ministry of Finance (MOF) about the show cause notice against which Holding Company received a response from MOF vide their letter no. F. No. 3(27) IF-III/2005-435 dated February 19, 2024, wherein it is advised to initiate the process of the liquidation of Company in conjunction with the liquidation of the bank. The bank has commenced the winding down process as per winding down plan sanctioned by cabinet on March 17, 2023, however, the leasing has not been provided with the exact timeline on the liquidation. Despite the liquidation in process, the management has classified the assets and liabilities in current and non-current categories in the financial statements at the reporting date.

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 to meet its obligations.

Due to inadequate availability of cash, the SME Bank was unable to meet its statutory solvency requirements by SBP. SBP had exempted the said requirements on Bank up to December 31, 2019, or restructuring/ privatization, whichever was earlier, subject to submission of a concrete plan from the Ministry of Finance to provide a firm commitment to inject the required amount of capital funds in the Bank, If the Bank's privatization does not materialize by March 31, 2020.

However, the exemption had not been extended and no plan was submitted by the MoF. During 2022, the dissolution of the Bank is taking effect, where the Bank has entered into its liquidation phase, which has a consequential impact as the SBP may require the Bank to recall its running finance facility. However, the SBP in a letter # SBPHOK-BPRD-RAPD-SME-52895 dated August 28, 2023 allowed the Bank to renew the running finance facilities that went into irregular category due to stoppage of renewals because of the Bank's winding down process. Consequently, in a facility letter dated September 09, 2023. The Bank has renewed the running finance facility amounting to Rs. 150 million of the SME leasing limited till September 09, 2024. However, facility has already been fully exhausted by the company and bank had commenced the winding down process, therefore, we are unable to evaluate the likelihood of the support by the Bank.

The CCoP in its meeting held on December 28, 2022 approved the delisting of the holding Company from the privatization list. Subsequent to year-end, the federal Cabinet, in a meeting held on March 17, 2023, approved winding down plan for the Holding Company. In this scenario we had approached the SME Bank Limited (The Parent Company) to give a way forward plan for the SME Leasing Limited. Ministry of Finance vide letter no. F.No.3(27) IF-III/2005-435 dated February 19, 2024 advised to process the liquidation of SME Bank Limited (The Parent Company) along with the liquidation of SME Leasing Limited in conjunction of the Holding Company.

The Board is of the view that in the foregoing circumstances, the Company will not remain as a going concern in the forthcoming period. Further, the Board to put forward a scheme of amalgamation of SME Leasing with SME Bank.

### Board of Directors

The board is comprising of the following:

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

\* Including the Chief Executive Officer.

\*\* Not nominated by the parent bank since vacancy exists.

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.



### Committees of the Board:

Following is the composition of the Committees of the Board (as of December 31, 2023).

#### Audit Committee

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

#### Risk Management Committee

Mr.JavedMahmood	Chairman	Independent Director
Ms.Darakhshan S. Vohra	Member	Independent Director
Mr. Muhammad Mubeen Mufti	Member	Non-executive Director

#### Human Resource Committee

Mr. Tahir Saeed Effendi	Chairman	Independent Director
Mr. Muhammad Mubeen Mufti	Member	Non-executive Director
Mr.AsgharMaqsood	Member	CEO

#### Meetings of the Board of Directors

During the year under review, two meetings of the Board of Directors were held. Due to unavoidable circumstances, the meeting was not held in the second and third quarter of 2023. The details of attendance are as follows:

Name of Director	Total number of meetings entitled to attend	Total meetings held	Total meetings attended
Mr.JavedMahmood	4	2	2
Mr.Dilshad Ali Ahmad	4	2	1
Mr. Muhammad Mubeen Mufti	4	2	2
Ms.Darakhshan S. Vohra	3	2	2
Mr. Tahir Saeed Effendi	4	2	2
Mr. Bilal MohyUd Din	4	2	1

#### Meetings of the Audit Committee

During the year under review, two meetings of the Audit Committee were held. Due to unavoidable circumstances, the meeting was not held in the second and third quarter of 2023. The details of attendance are as follows:

Name of Director	Total number of meetings entitled to attend	Total meetings attended
Mr. Tahir Saeed Effendi	4	2
Mr. Muhammad Mubeen Mufti	4	2
Mr. Bilal MohyUd Din	4	1

#### Meeting of the HR and Remuneration Committee

During the year under review, one meeting of the HR and Remuneration Committee was held. 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.Dilshad Ali Ahmad	1	0
Mr.AsgharMaqsood	1	1
Mr. Muhammad Mubeen Mufti	1	1



### **Meetings of the Risk Management Committee**

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

### **Meeting of the Procurement Committee; and Nomination Committee**

During the year under review, no meeting of the 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 upholding 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 Company's Code of conduct sets out a framework for all the employees of the Company to perform in an environment of integrity and honesty with complete dedication ensuring the highest standards of ethical business conduct and compliance with the applicable laws.

### **Directors' Declaration:**

The Company's Board 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 the acknowledgement of commitment towards high standards of corporate governance and continuous improvements:

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



- vi) The non-executive members of the Board(including independent directors) do not have fixed remuneration and are being paid a fixed fee for each meeting attended. The said fees are decided upon by the entire Board of directors collectively.
- vii) There are no significant doubts upon the Company's ability to continue as a going concern in view of the mitigating factors as stated in notes to the financial statements;
- viii) There has been no material departure from the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013;
- ix) Key operating and financial data for last six years in summarized form is included in the Annual report.
- x) The value of investments of recognized provident fund as at December 31, 2023 was Rs4.487million (un-audited) and as at December 31, 2022, was Rs4.681 million(un-audited).
- xi) No trading in shares of the Company was carried out by the Directors, Chief Executive, Chief Financial Officer/Company Secretary and their spouses and minor children during the year

### Credit Rating

The Company was unrated in 2023.

### 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 effective and efficient conduct of operations, safeguarding of Company assets, compliance with applicable laws and regulations and reliable financial reporting. The monitoring of the implementation of measures is 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, 2024. On the proposal of the Board's Audit Committee, the Board recommends the appointment of M/s BDO Ebrahim& Co., Chartered Accountants, as statutory auditors of the Company for the year 2024, on remuneration as follows:

Description	Fees (Rs) *
Annual Audit	575,000
Half yearly review	230,000
Other certificatons	375,000

\* The fee is exclusive of out of pocket expenses and Sindh sales tax.

### Pattern of Shareholding

The pattern of shareholding of the Company as on December 31, 2023, is annexed with this report.



### **Acknowledgement**

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

On behalf of Board of Directors

**AsgharMaqsood**  
Chief Executive Officer

Dated: Karachi, 20 June 2024

**JavedMahmood**  
Chairman



### ڈائریکٹرز رپورٹ:

ایس ایم ای لیزنگ لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز 31 دسمبر 2023ء کو ختم ہونے والے سال کیلئے سالانہ رپورٹ بشمول آڈٹ شدہ مالیاتی حسابات آپ کے سامنے پیش کر رہے ہیں۔

### کمپنی کا تعارف:

کمپنی جولائی 2002 میں پاکستان میں قائم ہوئی اور دسمبر 2006 میں اس نے لسٹڈ کمپنی کا درجہ حاصل کیا۔ یہ SME بینک لمیٹڈ کا ذیلی ادارہ ہے، جو کہ کمپنی کے 73.14 فیصد حصص کا حامل ہے۔ کمپنی کو سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے جاری کردہ نان بینکنگ فنانش کمپنیز رولز کے تحت ایک نان بینکنگ فنانش کمپنی (NBFC) کے طور پر لیز کاروبار کرنے کا لائسنس حاصل ہے۔

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

### عملی جائزہ:

مالی سال 2023ء کے دوران پاکستان کو ملک میں سیاسی عدم استحکام اور مالیاتی بحران کے باعث کافی مشکلات کا سامنا کرنا پڑا۔

مالی سال 23 کے دوران پاکستان میں مہنگائی کی اوسط شرح تقریباً 29.1 فیصد رہی جو کہ گزشتہ سال کی اسی مدت میں 11.0 فیصد تھی۔

بیرونی شعبے میں افراط زر کے دباؤ اور عدم توازن کے باعث اسٹیٹ بینک آف پاکستان (SBP) نے افراط زر کے دباؤ سے نمٹنے کے لیے پالیسی شرح میں اضافہ کا فیصلہ کیا۔

مالی سال 2023 کے پہلے نو مہینوں کے دوران پاکستان اسٹاک ایکسچینج کی کارکردگی میں کمی آئی۔ سرفہرست شعبے جہاں مارکیٹ کپٹلائزیشن میں اضافہ ہوا وہ ٹیکنالوجی اور مواصلات، شوگر اور اس سے منسلک صنعتیں، سرمایہ کار کمپنیاں، رئیل اسٹیٹ انویسٹمنٹ ٹرسٹ (REIT) اور ٹرانسپورٹ تھے۔

ملک کی مجموعی اقتصادی صورتحال کی وجہ سے کمپنی کو چیلنجز اور رکاوٹوں کا سامنا کرنا پڑا۔ کمیشن نے کمپنی کی مشکلات میں اضافہ کرتے ہوئے لائسنس کی تجدید کو روک دیا تھا۔ مزید برآں، SME بینک (پیمنٹ کمپنی) بند ہونے کے عمل میں تھا، جس سے کمپنی کے آپریٹنگ مزید متاثر ہو رہے تھے۔ نتیجتاً، کمپنی کی کارکردگی مسائل زدہ/نان پرفارمنگ لون (NPL) پورٹ فولیوز سے ریکوری پر مرکوز رہی۔ تاہم، کروٹک نان پرفارمنگ پورٹ فولیوز اور فنڈز کی عدم دستیابی مسلسل نقصانات کی اہم وجوہات رہیں گی۔





## کارکردگی کا جائزہ:

فنڈنگ کی رکاوٹوں کے باعث کمپنی کی توجہ اپنے پورٹ فولیو سے ریکوریز کی اپنی جارحانہ حکمت عملی پر مرکوز رہی۔ دوران سال، مجموعی ریکوریز کی رقم 45.615 ملین روپے رہی جبکہ 2.170 ملین روپے کی مجموعی تازہ لیزیز تحریر کی گئیں۔ مجموعی ریکوری میں سے 16.618 ملین روپے کروٹک نان پر فارمنگ پورٹ فولیو سے حاصل ہوئے۔ گذشتہ چھ سالوں میں، نئی لیزوں میں نادر ہندگی کی شرح کم رہی۔

کمپنی کو دستیاب فنڈنگ کا واحد ذریعہ پیرنٹ کمپنی، ایس ایم ای بینک لمیٹڈ کی جانب سے 150 ملین روپے کی کریڈٹ لائن ہے، جو کہ ختم ہو چکی ہے۔ 31 دسمبر 2023 تک بقایا رقم 149.923 ملین روپے تھی۔ کمپنی نقصانات کو کم کرنے کے لیے اپنے اخراجات کا انتظام کرتی ہے۔

## مالیاتی جائزہ:

2022	2023	
20,997,856	12,708,084	آمدنی
(72,527,457)	(78,707,453)	اخراجات
(51,529,601)	(65,999,369)	ریورسل / (پروویژن) سے قبل آپریٹنگ (خسارہ)
53,022,235	3,207,709	کل ریورسل / (پروویژن)
1,492,634	(69,207,078)	قبل از ٹیکس منافع / (خسارہ)
(262,615)	(142,526)	ٹیکسیشن
1,230,019	(69,349,604)	بعد از ٹیکس خسارہ
0.04	(2.17)	فی حصص منافع / (خسارہ)۔ بنیادی اور رتیق

31 دسمبر 2023 کو ختم ہونے والے سال کے لیے، کمپنی کو 69.350 ملین روپے کا خسارہ ہوا، جبکہ 31 دسمبر 2022 کو 1.230 ملین روپے کا منافع ہوا تھا، جس کے نتیجے میں رپورٹنگ کی تاریخ پر 31 دسمبر 2022 کو 360.614 ملین روپے کے مقابلے میں 428.352 ملین روپے کا خسارہ ہوا۔ کمپنی کی موجودہ قرضہ جات اس کے موجودہ اثاثوں سے 169.241 ملین روپے سے زیادہ ہیں جو کہ 31 دسمبر 2022 کو 139.981 ملین روپے تھے، اور اس تاریخ تک، کمپنی کے پاس دسمبر 2022 کے 138.34313 ملین روپے کے مقابلے میں 145.173 ملین روپے کے منفی نقد اور نقد کے مساوی ہیں۔ 31 دسمبر 2009 کو ختم ہونے والے سال سے کمپنی کو خسارہ کا سامنا ہے، جس کے نتیجے میں ایکویٹی میں کمی واقع ہوئی ہے۔



کمپنی کے مالی بیانات اس مفروضے پر تیار کیے گئے ہیں کہ کمپنی کام کرتی رہے گی۔ یہ مالی بیانات میں بیان کردہ مختلف تخفیف کرنے والے عوامل پر مبنی ہے۔ تاہم، کمپنی کے ممبران کو دی گئی اپنی رپورٹ میں، آڈیٹرز نے ایک پیرا گراف کو شامل کیا ہے جس میں ایک منفی رائے کا اظہار کیا گیا ہے، جس میں کہا گیا ہے کہ کمپنی کو گونگ کنسرن کے طور پر جاری رکھنے کا مفروضہ نامناسب ہے۔

ڈویڈنڈ:

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

کم از کم ایکویٹی کی ضروریات:

نان ڈپازٹ ٹیلنگ NBFC کی حیثیت سے NBFC ریگولیشنز 2008 کے سیکشن 4 (شیڈول I) کے مطابق کمپنی کو کم از کم 50 ملین روپے کی ایکویٹی درکار ہے۔ کمپنی نے اس ضرورت کو پورا نہیں کیا، جس کے نتیجے میں پاکستان اسٹاک ایکسچینج کی جانب سے بذریعہ لیٹر نمبر SECP/SCD/Adj-I/30/2022-056 مورخہ 12 جنوری 2024 ایک شوکا ز نوٹس جاری کیا گیا۔

کمپنی کا لائسنس:

بطور لیزنگ کمپنی کام کرنے کے لیے کمپنی کے لائسنس کی میعاد 20 مئی 2019 کو ختم ہو گئی ہے۔ بعد ازاں کمپنی نے بذریعہ حوالہ نمبر SMEL/MO/2019 مورخہ 16 اپریل 2019ء اور SMEL/MO/2022 مورخہ 15 اپریل 2022ء کو NBFC رولز 2003ء کی ضروریات کے مطابق لائسنس کی تجدید کیلئے درخواست دی۔ تاہم، ان مالی بیانات کی ریلیز کی تاریخ کے مطابق لائسنس کی تجدید نہیں کی گئی ہے۔

مستقبل کا نظریہ:

اس صورت حال میں، اگرچہ SME بینک تعاون کرنے پر آمادہ نہیں تھا کیونکہ ان پر کوئی پابندی نہیں تھی، لیکن ہم مختلف اوقات میں بینک کی انتظامیہ سے اپنے مالی اور لیکویڈیٹی خدشات کے بارے میں بات کرتے رہے۔ بد قسمتی سے، بینک نے ہماری درخواستوں کو نظر انداز کر دیا۔ SME بینک لمیٹڈ (پیزنٹ کمپنی) کی جاری بندش، پیزنٹ کمپنی کی جانب سے مستقبل کے پلان کی عدم دستیابی اور متعلقہ مسائل کی وجہ سے کمپنی اپنے مالیاتی نتائج وقت پر جاری نہیں کر سکی۔ چونکہ سالانہ جنرل میٹنگ میں تاخیر ہوئی تھی اور سالانہ آڈٹ شدہ اکاؤنٹس وقت پر جمع نہیں کیے گئے تھے، کمپنی اب عدم تعمیل والے حصے کے تحت درج ہے۔ مزید برآں، بورڈ میں اب بھی دو اسامیاں خالی ہیں کیونکہ پیزنٹ کمپنی (SME) بینک، جس کے 73.14% شیئرز ہیں) نے ابھی تک اپنے امیدواروں کو نامزد نہیں کیا ہے۔

کمپنی کا بورڈ اپنی تین سالہ مدت 26 جولائی 2024 کو مکمل کرے گا اور اس کے بعد ریٹائر ہو جائے گا۔



لیٹر نمبر SSL/2024/0030 مورخہ 31 جنوری 2024 میں کمپنی نے ہولڈنگ کمپنی (بینک) سے کہا کہ وہ شوکا زونٹس کے بارے میں وزارت خزانہ (MOF) سے رہنمائی حاصل کرے۔ ہولڈنگ کمپنی کو MOF کی طرف سے ان کے لیٹر نمبر F.No.3(27) کا عمل شروع کرنے کا مشورہ دیا گیا تھا۔ بینک نے 17 مارچ 2023 کو کاہینہ کے منظور کردہ منصوبے کے مطابق اسٹڈنگ کا عمل شروع کیا۔ تاہم، لیز دینے والی کمپنی کو لیکو ایڈیشن کے لیے کوئی درست ٹائم لائن نہیں دی گئی۔ لیکو ایڈیشن کے جاری عمل کے باوجود، انتظامیہ نے رپورٹنگ کی تاریخ کے مطابق مالیاتی بیانات میں اثاثوں اور واجبات کو موجودہ اور غیر موجودہ کے طور پر درجہ بندی کیا ہے۔

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 اندرونی وسائل پر انحصار کر رہی ہے۔

نا کافی نقدی کی وجہ سے، SME بینک اسٹیٹ بینک آف پاکستان (SBP) کی جانب سے مقرر کردہ قانونی سالیونسی کی ضروریات کو پورا نہیں کر سکا۔ اسٹیٹ بینک نے بینک کے لیے ان ضروریات کو 31 دسمبر 2019 تک، یا تنظیم نو/نجکاری تک، جو بھی پہلے آئے، مستثنیٰ کر دیا تھا۔ یہ استثنیٰ وزارت خزانہ کی جانب سے 31 مارچ 2020 تک اس کی نجکاری نہ ہونے کی صورت میں بینک میں مطلوبہ سرمایہ داخل کرنے کے پختہ عزم کے ساتھ ایک ٹھوس منصوبہ پیش کرنے سے مشروط تھا۔

تاہم، استثنیٰ میں توسیع نہیں کی گئی، اور وزارت خزانہ کی طرف سے کوئی منصوبہ پیش نہیں کیا گیا۔ 2022 میں، بینک کی تحلیل شروع ہوئی، اور بینک اپنے لیکو ایڈیشن کے مرحلے میں داخل ہوا۔ نتیجے کے طور پر، اسٹیٹ بینک آف پاکستان (SBP) بینک سے اپنی چل رہی مالیاتی سہولت کو ری کال کرنے کا مطالبہ کر سکتا ہے۔ تاہم، SBP نے لیٹر نمبر SBPHOK-BPRD-RAPD-SME-52895 مورخہ 28 اگست 2023 میں بینک کو جاری مالیاتی سہولیات کی تجدید کرنے کی اجازت دی جو بینک کے ختم ہونے کے عمل کی وجہ سے تجدید روکنے کی وجہ سے بے قاعدہ ہو گئی تھیں۔ نتیجتاً، 09 ستمبر 2023 کو ایک فیسلٹی لیٹر میں، بینک نے SME لیزنگ لمیٹڈ کے لیے 150 ملین روپے کی مالیاتی سہولت کی 09 ستمبر 2024 تک تجدید کی۔ تاہم، کمپنی کی طرف سے یہ سہولت پہلے ہی مکمل طور پر ختم ہو چکی ہے، اور بینک نے ختم کرنے کا عمل شروع کر دیا ہے۔ اس لیے، ہم بینک کی جانب سے مسلسل تعاون کے امکان کا اندازہ لگانے سے قاصر ہیں۔

کاہینہ کمیٹی برائے نجکاری (CCoP) نے 28 دسمبر 2022 کو ہونے والے اجلاس میں ہولڈنگ کمپنی کو نجکاری کی فہرست سے خارج کرنے کی منظوری دی۔ سال کے اختتام کے بعد، وفاقی کاہینہ نے 17 مارچ 2023 کو منعقدہ اجلاس میں ہولڈنگ کمپنی کے لیے اسٹڈنگ پلان کی منظوری دی۔ اس صورت حال میں، ہم نے SME بینک لمیٹڈ (پیئرٹ کمپنی) سے رابطہ کیا تاکہ SME لیزنگ لمیٹڈ کے مستقبل کے لیے ایک منصوبہ فراہم کیا جاسکے۔ وزارت خزانہ نے 19 فروری 2024 کو بذریعہ لیٹر نمبر F.No.3(27)IF-III/2005-435 کے ذریعے SME بینک لمیٹڈ (پیئرٹ کمپنی) کو SME لیزنگ لمیٹڈ کے لیکو ایڈیشن کے ساتھ ہولڈنگ کمپنی کے ساتھ مل کر آگے بڑھنے کا مشورہ دیا۔



مذکورہ بالا حالات کے پیش نظر، بورڈ کا خیال ہے کہ کمپنی مستقبل قریب میں جاری تشویش کے طور پر جاری نہیں رہے گی۔ مزید برآں، بورڈ نے SME بینک کے ساتھ SME لیزنگ کے انضمام کے لیے ایک اسکیم پیش کرنے کی تجویز پیش کی ہے۔

بورڈ آف ڈائریکٹرز:

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 ای سی 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

بورڈ کی کمیٹیاں:

31 دسمبر 2023ء تک بورڈ کی کمیٹیوں کی تشکیل درج ذیل ہے:

آڈٹ کمیٹی		
آزاد ڈائریکٹر	چیرمین	جناب طاہر سعید آفندی
نان ایگزیکٹو ڈائریکٹر	ممبر	جناب محمد مبین مفتی



رسک مینجمنٹ کمیٹی		
جناب جاوید محمود	چیئر مین	آزاد ڈائریکٹر
محترمہ درخشاں ایس و ہرہ	ممبر	آزاد ڈائریکٹر
جناب محمد مبین مفتی	ممبر	نان ایگزیکٹو ڈائریکٹر

ہیومن ریورس کمیٹی		
جناب طاہر سعید آفندی	چیئر مین	آزاد ڈائریکٹر
جناب محمد مبین مفتی	ممبر	نان ایگزیکٹو ڈائریکٹر
جناب اصغر مقصود	ممبر	چیف ایگزیکٹو آفیسر

بورڈ آف ڈائریکٹرز کی میٹنگ:

دوران سال بورڈ آف ڈائریکٹرز کی دو میٹنگز ہوئیں۔ نامساعد حالات کے باعث 2023ء کی تیسری سہ ماہی میں کوئی میٹنگ منعقد نہ ہو سکی۔

شرکت کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	شرکت کیلئے میٹنگ کی کل تعداد	منعقدہ میٹنگز کی کل تعداد	میٹنگ میں شرکت کی کل تعداد
جناب جاوید محمود	4	2	2
جناب دلشاد علی احمد	4	2	1
جناب محمد مبین مفتی	4	2	2
محترمہ درخشاں ایس و ہرہ	3	2	2
جناب طاہر سعید آفندی	4	2	2
جناب بلال محی الدین	4	2	1



### آڈٹ کمیٹی کی میٹنگز:

دوران سال آڈٹ کمیٹی کی دو میٹنگز ہوئیں۔ نامساعد حالات کے باعث 2023ء کی تیسری سہ ماہی میں کوئی میٹنگ منعقد نہ ہو سکی۔ شرکت کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	شرکت کیلئے میٹنگ کی کل تعداد	میٹنگ میں شرکت کی کل تعداد
جناب طاہر سعید آفندی	4	2
جناب محمد مبین مفتی	4	2
جناب بلال محی الدین	4	1

### HR اور ریپوزیشن کمیٹی کی میٹنگ:

دوران سال HR اور ریپوزیشن کمیٹی کی ایک میٹنگ ہوئی۔ شرکت کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	شرکت کیلئے میٹنگ کی کل تعداد	میٹنگ میں شرکت کی کل تعداد
جناب طاہر سعید آفندی	1	1
جناب دلشاد علی احمد	1	0
جناب اصغر مقصود	1	1
جناب محمد مبین مفتی	1	1

### رسک مینجمنٹ کمیٹی کی میٹنگ:

دوران جائزہ سال رسک مینجمنٹ کمیٹی کی کوئی میٹنگ منعقد نہیں ہوئی۔

### پروکیورمنٹ کمیٹی اور نامینیشن کمیٹی کی میٹنگ:

دوران جائزہ سال پروکیورمنٹ کمیٹی اور نامینیشن کمیٹی کی کوئی میٹنگ منعقد نہیں ہوئی۔

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

### ایگزیکٹیو اور نان ایگزیکٹیو ڈائریکٹرز کے معاوضہ کی پالیسی:

نان ایگزیکٹیو 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 ایگزیکٹیو ڈائریکٹر کو معاوضہ ادا نہیں کیا جاتا بلکہ انہیں بورڈ کے ذریعے طے شدہ معاوضہ ادا کیا جاتا ہے۔



## کارپوریٹ گورننس - پبلک سیکورٹیز:

بورڈ آف ڈائریکٹرز نے اس بات کا اعادہ کیا ہے کہ کارپوریٹ گورننس کے معیار کو مزید بہتر کیا جائے۔ کمپنی نے پبلک سیکورٹیز (کارپوریٹ گورننس) رولز 2013 کی دفعات پر بھی عمل کیا ہے اور لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پبلک سیکورٹیز (کارپوریٹ) کے ساتھ تعمیل کے بیان پر قانونی آڈیٹرز کے ذریعہ ممبران 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 لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پبلک سیکورٹیز (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 دورانیے کے ساتھ کردی 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 ممبران کی تنخواہوں کو مقرر نہیں کیا گیا ہے اور انہیں ہر مینٹنگ میں شرکت کیلئے مقرر کردہ فیس دی جاتی ہے۔ مذکورہ فیس کا فیصلہ بورڈ کے تمام ممبران مشترکہ طور پر کرتے ہیں۔
- ۸- کمپنی کے کاروباری معاملات کو جاری رکھنے کی اہلیت پر کسی قسم کے کوئی شبہات نہیں ہیں جسے مالیاتی حسابات کے تحریر کردہ نوٹ میں شامل کیا گیا ہے۔
- ۹- لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پبلک سیکورٹیز (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 2023ء کو مبلغ 4.487 ملین روپے (غیر آڈٹ شدہ) اور 31 دسمبر 2022ء کو مبلغ 4.681 ملین روپے (غیر آڈٹ شدہ) تھا۔
- ۱۲۔ درج ذیل کے علاوہ ڈائریکٹر، چیف ایگزیکٹو، چیف فنانشل آفیسر/کمپنی سیکریٹری ان کی زوجات اور بچوں نے دوران سال کمپنی کے شیئرز میں کوئی تجارت نہیں کی۔

کرڈٹ کی ریٹنگ:

کمپنی کو 2023ء میں غیر درجہ بند کیا گیا تھا۔

متعلقہ کمپنی:

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

داخلی کنٹرول:

آپریشن 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 آڈیٹر میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس جو کہ ریٹائر ہوئے اور انہوں نے 31 دسمبر 2024ء کیلئے اپنے آپ کو دوبارہ تقرر کیلئے پیش کیا۔ بورڈ آڈٹ کمیٹی کی تجویز پر بورڈ نے میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کو سال 2024ء کیلئے کمپنی کے قانونی آڈیٹرز کے طور پر درج ذیل معاوضے پر تقرر کی سفارش کی ہے:

تفصیل	فیس (روپے)*
سالانہ آڈٹ	575,000
ششماہی جائزہ	230,000
دیگر سرٹیفیکیشن	375,000
* فیس جیب خرچ اور سندھ سیلز ٹیکس کے علاوہ ہے۔	





شیر ہولڈنگ کی ساخت:  
مورخہ 31 دسمبر 2023ء تک کمپنی کی شیر ہولڈنگ کا پیٹرن اس رپورٹ کے ساتھ منسلک ہے۔

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

بتوسط بورڈ آف ڈائریکٹرز

جاوید محمود  
چیئر مین

اصغر مقصود  
چیف ایگزیکٹو آفیسر

کراچی، مورخہ: 20 جون 2024ء



# Chairman's Review Report to the Shareholders

Dear Shareholders

It is with a sense of realism and a commitment to transparency that I present this report on the company's performance over the past year. Despite our best efforts, the company has faced significant challenges; i.e. cost of doing business along with overall economic situation of the country; resulting in financial losses.

It has been a tumultuous year for the country. The economic fallout and its consequences have been disastrous specially to your company which has been struggling for years to survive. We have been constantly accumulating losses resulting in negative equity.

Your company survived only because of Rs150 million RF facility from its major shareholder, the SME Bank and the facility has been exhausted. After commencement of winding down process of the Parent Company (SME Bank) the credit line has also come to cease; therefore, the Company is solely relying on internal cash generation through recovery measures to meet its obligations.

The massive Non-Performing Portfolio and liquidity constraints remain our primary cause of concern. The Company's dependency on the Parent Company to inject the required equity and cash resources to ensure the continuous operation of the Company and to convert it from a loss-making entity to a profitable one has also become superseded by the Parent Company's winding up.

As mentioned, we are endeavouring to reduce our limited operational costs wherever possible. We would like to assure our shareholders that we shall continue to give our utmost to remain floating despite the severity of the existing economic situation.

The Company's Financial Statements (FS) have been prepared on a going concern basis based on various mitigating factors as explained in the FS. In addition, in their report to the Company members, the auditors have added para related to adverse opinion: inappropriate going concern assumption. The Parent company has advised us to wind down as they have no ability or desire to inject equity or any other measures that could salvage the company. Our collective efforts to remain afloat are now meaningless. In this context we will also compile the financial statements for the company for June 2024 using the assumption of non-continuation, assuming that the company will not continue its operations beyond that point. This may involve making adjustments to the financial statements to reflect the potential discontinuation of the company, such as recognizing any potential impairment of assets or liabilities related to winding down operations.

## Effectiveness of the Board:

The Board and Audit Committee met two times during the year; however, due to a delay in the finalisation of the Financial Statements for the year ended on 31 December 2022, no meeting of the Board and Audit was held in the second and third quarter of 2023. The Human Resource and Remuneration Committee met once a year, while there is no Risk Management Committee was held during the year. The Board is aware of the lapse and will ensure that it will be able to fulfil all its obligations in the coming year.

This year, the Company will also be conducting board of directors' election. It is anticipated that the new elected board will be able to introduce positive changes in the Company's operations. We extended our heartfelt wishes to all the members participating in the elections.

I wish to offer my sincere thanks and gratitude to my colleagues and the management for their support. I also wish to offer my sincere thanks to the Parent Bank, SBP, SECP, PSX and other institutions for their support, guidance and understanding during this difficult period.

**Javed Mahmood**

Chairman

Karachi: June 20, 2024





# 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, 2023**

- 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 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)	✓		*A casual vacancy of Mr. Dilshad Ali Ahmad and Mr., Bilal Mohy ud Din occurred on the board was filled up appointing Mr. Tahir Qureshi and Mr. Waheed Iqbal by the directors. 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 rowspan="3">Independent Directors</td> <td>Mr. Javed Mahmood</td> <td>30-08-2021</td> </tr> <tr> <td>Mr. Tahir Saeed Effendi</td> <td>30-08-2021</td> </tr> <tr> <td>Ms. Darakhshan S. Vohra</td> <td>11-03-2022</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr. M. Mubeen Mufti *Mr. Tahir Hussain Qureshi *Mr. Waheed Iqbal</td> <td>30-08-2021</td> </tr> <tr> <td>Executive Director</td> <td>Mr. Asghar Maqsood</td> <td>31-12-2021</td> </tr> </tbody> </table>	Category	Names	Date of Appointment		Independent Directors	Mr. Javed Mahmood	30-08-2021	Mr. Tahir Saeed Effendi	30-08-2021	Ms. Darakhshan S. Vohra	11-03-2022	Non-Executive Directors	Mr. M. Mubeen Mufti *Mr. Tahir Hussain Qureshi *Mr. Waheed Iqbal	30-08-2021	Executive Director	Mr. Asghar Maqsood	31-12-2021			
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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 fit and proper of these directors was underway as the two nominated directors resigned.	3(4)		✓																	
5.	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)	✓																		
6.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓																		
7.	The chairman has been elected by the board of directors except where chairman of the Board has been appointed by the Government.	4(4)	✓																		



S. No.	Provision of the Rules	Rule no.	Y	N	Remarks
8.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓		
9.	(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.
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b)(ii)	✓		
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5) (b)(vi)	✓		
13.	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)	✓		
14.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5) (c)(iii)	✓		
15.	The board has developed a vision or mission statement, corporate strategy and significant policies of the company.	5(6)	✓		
16.	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)	✓		
17.	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		
18.	The Board has ensured compliance with policy direction requirements received from the Government.	5(11)	✓		
19.	(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)	✓  ✓  ✓		



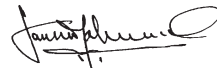
S. No.	Provision of the Rules	Rule no.	Y	N	Remarks																	
20.	The board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓																			
21.	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	✓																			
22.	(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	✓  ✓  ✓																			
23.	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	✓																			
24.	(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																				
25.	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	✓																			
26.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the rules.	14	✓																			
27.	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									
28.	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	✓											
29.	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	✓											
30.	(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	✓  ✓											
31.	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	✓											
32.	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 1084"> <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>Chartered Accountant/Banker</td> </tr> <tr> <td>Mr. Muhammad Mubeen Mufti</td> <td>Member</td> <td>Head of IT</td> </tr> </tbody> </table> The chief executive and chairman of the Board are not members of the audit committee.	Name of Member	Category	Professional Background	Mr. Tahir Saeed Effendi	Chairman	Chartered Accountant/Banker	Mr. Muhammad Mubeen Mufti	Member	Head of IT	21(1) and 21(2)	✓   ✓		
Name of Member	Category	Professional Background												
Mr. Tahir Saeed Effendi	Chairman	Chartered Accountant/Banker												
Mr. Muhammad Mubeen Mufti	Member	Head of IT												
33.	(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)	✓  ✓  ✓											
34.	(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	✓  ✓  ✓											
35.	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)	✓											
36.	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.	3(4)	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 Directors will assume the office. The Company is coordinating with the SECP in this regard.



# 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 are in process.

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

**i. Female directors**

Ms Darakhshan Sheikh Vohra

- 3) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- 4) The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- 5) 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

**b) HR and Remuneration Committee**

Name of Member	Designation
Mr Tahir Saeed Effendi	Chairman
Mr Muhammad Mubeen Mufti	Member
Mr Asghar Maqsood, CEO	Member



**c) Nomination Committee**

<b>Name of Member</b>	<b>Designation</b>
Mr Tahir Saeed Effendi	Chairman
Mr Muhammad Mubeen Mufti	Member

**d) Risk Management Committee**

<b>Name of Member</b>	<b>Designation</b>
Mr. Javed Mahmood	Chairman
Mr Muhammad Mubeen Mufti	Member

**e) Procurement Committee**

<b>Name of Member</b>	<b>Designation</b>
Mr Tahir Saeed Effendi, Chairman	Chairman

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

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

**a) Audit Committee;**

Quarterly

**b) HR and Remuneration Committee;**

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 31 December 2023, 84% of the directors on the board acquired prescribed certification.
25	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.

**Asghar Maqsood**  
Chief Executive Officer

**Javed Mehmood**  
Chairman

Dated: Karachi, June 20, 2024



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

### Adverse 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, 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a material accounting policies information 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, because of the significance of the matters as discussed in the basis for the adverse opinion section of our report, the accompanying financial statements do not present fairly the financial position of the Company as at December 31, 2023, and of the loss, its other comprehensive income, its changes in equity and the cash flows for the year then ended in all material respects in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Adverse Opinion

1. For the year ended on December 31, 2023, the Company has incurred a loss of Rs. 69.350 million resulting in accumulated losses of Rs. 428.352 million at the reporting date. The Company's current liabilities exceed its current assets by Rs. 169.241 million and as of that date, the Company has negative cash and cash equivalent of Rs. 145.173 million. The Company has been incurring losses since the year ended December 31, 2009, which has resulted in the erosion of equity.
2. Vide letter no. SSL/2024/0030 dated January 31, 2024, the Company requested the holding company (the Bank) to seek guidance from the Ministry of Finance (MOF) about the show cause notice against which, the Bank received a response from MOF vide their letter no. F. No. 3(27)IF-III/2005-435 dated February 19, 2024, in which it has been advised to process the liquidation of Company in conjunction with the liquidation of the Bank. The bank has already commenced the winding down process as per winding down plan sanctioned by cabinet on March 17, 2023 however, we have not been provided with the exact timeline on the liquidation. Despite the liquidation in process, the management has continued to classify the assets and liabilities in current and non-current in the financial statements at the reporting date.
3. The license of the Company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via application reference no. SMEL/MO/2019 dated April 16, 2019, and thereafter the Company applied via application reference no. SMEL/MO/2022 dated April 15, 2022, for its renewal in the manner so required by the NBFC Rules, 2003 which is pending to date. The Company has also been placed to defaulter segment of Pakistan stock exchange.
4. The Company being a non-deposit-taking NBFC shall as per section 4 (Schedule I) of NBFC Regulations 2008, have minimum equity of Rs. 50 million. The Company has not complied with the said requirement resulting in a show cause notice through letter no. SECP/SCD/Adj-I/30/2022-056 dated January 12, 2024, from SECP.





5. With reference to note 1.6 and 1.7 of the financial statements, The State Bank of Pakistan (SBP) via its Circular No. BPRD (R&PD) /SME/2023/3729 dated May 10, 2023 prohibited the Bank from receiving fresh deposits with effect from the close of business on March 27, 2023. Further, in terms of Clause (a) of Sub-Section (1) of Section 21 of the Deposit Protection Corporation Act, 2016, the Bank is hereby declared as a failed institution effective from the close of business as of March 27, 2023 which may result in calling off of the short-term running finance amounting to Rs. 150 million granted to the Company. The SBP in a letter # SBPHOK-BPRD-RAPD-SME-52895 dated August 28, 2023 allowed the Bank to renew the running finance facilities that went into irregular category due to stoppage of renewals because of Bank's winding down process till September 09, 2024. However, since facility has already been fully exhausted by the company and bank has already commenced the winding down process, we are unable to evaluate the likelihood of the financial support by the Bank.

Based on the above-stated fact, we believe that the Company is not be able to continue as a going concern. However, the management of the Company has prepared these financial statements on a going concern basis of accounting without any adjustment to the carrying amounts of assets and liabilities at the reporting date. Accordingly, we do not agree with the management's preparation and presentation of the financial statements on a going concern basis. Had the financial statements been prepared on a liquidation basis of accounting, we believe that it would have had a significant negative effect on the Company's financial position and financial performance.

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 adverse opinion.

#### Key Audit Matters

Key Audit matter is the matter that in our professional judgment, was of most significance in our audit of the financial statements of the current 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. Except for the matters described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

#### 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 the 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.

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

### **Auditor's Responsibilities for the Audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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) proper books of account except for the adjustments in respect of the matters stated in our basis for qualification have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditures 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.

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

KARACHI:

DATED:

UDIN:

**BDO EBRAHIM & CO.**  
**CHARTERED ACCOUNTANTS**



# Statement of Financial Position

As At December 31, 2023

	Note	2023	2022
		Rupees	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	3,203,091	4,125,665
Right-of-use asset	7	-	2,535,715
Net investment in finance leases	8	7,048,431	30,626,004
Long term finances and loans - secured	9	32,824,320	38,197,867
Long-term loans to employees - secured	10	-	195,773
Long-term deposits and prepayments	11	713,222	1,105,566
		<b>43,789,064</b>	<b>76,786,590</b>
<b>CURRENT ASSETS</b>			
Advances	12	2,248,932	2,499,935
Prepayments and other receivables	13	758,196	853,893
Current maturity of non current assets	14	232,277,153	253,867,134
Cash and bank balances	15	4,749,544	832,854
		<b>240,033,825</b>	<b>258,053,816</b>
<b>TOTAL ASSETS</b>		<b>283,822,889</b>	<b>334,840,406</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>AUTHORIZED SHARE CAPITAL</b>			
100,000,000 (2022: 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
		<b>358,019,277</b>	<b>358,019,277</b>
<b>REVENUE RESERVES</b>			
Reserve against future losses		10,447,052	10,447,052
Accumulated losses		(428,351,767)	(360,613,560)
		<b>(417,904,715)</b>	<b>(350,166,508)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>(59,885,438)</b>	<b>7,852,769</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term deposits	8.1	5,524,050	19,334,500
Defined benefit obligations	18	9,909,185	10,182,680
		<b>15,433,235</b>	<b>29,517,180</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	5,056,545	5,764,896
Mark-up accrued on borrowings	20	31,804,693	6,479,106
Short term borrowings - secured	21	149,922,699	139,175,806
Current maturity of non-current liabilities	22	138,803,587	138,215,224
Current maturity of liabilities against finance lease assets	17	156,907	3,871,502
Provision for compensated absences	23	2,312,008	3,613,944
Taxation - net		218,653	349,979
		<b>328,275,092</b>	<b>297,470,457</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>283,822,889</b>	<b>334,840,406</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	24		

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer



# Statement of Profit or Loss

For The Year Ended December 31, 2023

	Note	2023 ----- Rupees-----	2022 -----
<b>REVENUE</b>			
Income from operations	25	11,402,096	20,870,846
Other income	26	1,305,988	127,010
		<b>12,708,084</b>	<b>20,997,856</b>
<b>EXPENSES</b>			
Administrative and general expenses	27	(42,906,999)	(48,918,465)
Finance cost	28	(35,800,454)	(23,608,992)
		<b>(78,707,453)</b>	<b>(72,527,457)</b>
Operating loss		<b>(65,999,369)</b>	<b>(51,529,601)</b>
<b>(PROVISION) / REVERSALS OF PROVISIONS</b>			
Potential lease losses - net	8.6	(4,512,783)	50,798,754
loans and receivables - net	9.2	1,305,074	2,223,481
		<b>(3,207,709)</b>	<b>53,022,235</b>
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(69,207,078)</b>	<b>1,492,634</b>
Taxation	29	(142,526)	(262,615)
<b>(LOSS) / PROFIT FOR THE YEAR</b>		<b>(69,349,604)</b>	<b>1,230,019</b>
(Loss) / Earnings per share - basic and diluted	30	<b>(2.17)</b>	<b>0.04</b>

The annexed notes from 1 to 40 from an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer



# Statement of Comprehensive Income

For The Year Ended December 31, 2023

	Note	2023 Rupees	2022 Rupees
(Loss) / profit for the year		(69,349,604)	1,230,019
<b>Other comprehensive income</b>			
Actuarial gain on defined benefit obligation -net	18	1,611,397	87,354
<b>Total comprehensive (loss) / income for the year</b>		<b>(67,738,207)</b>	<b>1,317,373</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer



# Statement of Changes in Equity

For The Year Ended December 31, 2023

	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) -----						
<b>Balance as at January 01, 2022</b>	320,000,000	10,000,000	28,019,277	10,447,052	(361,930,933)	6,535,396
<b>Total Comprehensive profit for the year ended December 31, 2022</b>						
Profit for the year	-	-	-	-	1,230,019	1,230,019
<b>Other comprehensive gain</b>						
Actuarial gain on defined benefit obligation	-	-	-	-	87,354	87,354
<b>Balance as at December 31, 2022</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>28,019,277</b>	<b>10,447,052</b>	<b>(360,613,560)</b>	<b>7,852,769</b>
<b>Balance as at January 01, 2023</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>28,019,277</b>	<b>10,447,052</b>	<b>(360,613,560)</b>	<b>7,852,769</b>
<b>Total Comprehensive profit for the year ended December 31, 2023</b>						
Loss for the year	-	-	-	-	(69,349,604)	(69,349,604)
<b>Other comprehensive gain</b>						
Actuarial gain on defined benefit obligation	-	-	-	-	1,611,397	1,611,397
<b>Balance as at December 31, 2023</b>	<b>320,000,000</b>	<b>10,000,000</b>	<b>28,019,277</b>	<b>10,447,052</b>	<b>(428,351,767)</b>	<b>(59,885,438)</b>

The annexed notes from 1 to 40 from an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer



# Statement of Cash Flows

For The Year Ended December 31, 2023

	Note	2023	2022
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(69,207,078)	1,492,634
Adjustment for non cash and other items:			
Depreciation expense	27	3,356,401	3,557,400
Gratuity expense	18.2	2,266,702	1,898,449
Provision for compensated absences	23	(342,661)	1,443,497
Finance cost	28	34,859,303	23,576,904
Gain on disposal of property and equipment	26	(364,837)	(94,922)
Reversals for potential lease losses - net	8.6	4,512,783	(50,798,754)
Reversals for loans and receivables - net	9.2	(1,305,074)	(2,223,481)
		42,982,617	(22,640,907)
Operating loss before working capital changes		(26,224,461)	(16,046,390)
Changes in working capital			
Decrease / (increase) in operating assets			
Net investment in lease		37,143,454	45,817,220
Finances and loans		10,041,827	13,123,071
Long-term loans to employees - secured		343,886	228,915
Prepayments and other receivables		30,697	(104,500)
Long-term deposits and prepayments		392,344	(318,344)
Long term deposits paid		(12,848,854)	(17,571,540)
Advances		251,003	280,022
		35,354,357	41,454,844
Increase / (decrease) in operating liabilities			
Trade and other payables		(708,351)	3,028,800
		(708,351)	3,028,800
Cash generated from operations		8,421,545	23,335,371
Financial charges paid		(9,930,038)	(20,468,845)
Interest income received		12,914	32,088
Gratuity paid	18.3	(1,078,600)	(1,392,928)
Benefits paid	23	(398,077)	(874,964)
Taxes paid		(273,852)	(247,537)
		(11,667,653)	(22,952,186)
Net cash (used in) / generated from operating activities		(3,246,108)	383,185
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure	6	(164,500)	(1,467,489)
Proceeds from disposal of fixed assets	26	364,837	94,922
Net cash generated from / (used in) investing activities		200,337	(1,372,567)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease rentals paid		(3,784,432)	(3,327,818)
Net cash used in financing activities		(3,784,432)	(3,327,818)
<b>Net (decrease) in cash and cash equivalents</b>		<b>(6,830,203)</b>	<b>(4,317,200)</b>
Cash and cash equivalents at beginning of the year		(138,342,952)	(134,025,752)
Cash and cash equivalents at end of the year	33	(145,173,155)	(138,342,952)

The annexed notes from 1 to 40 from an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer



# Notes to the Financial Statements

For The Year Ended December 31, 2023

## 1 LEGAL STATUS AND NATURE OF BUSINESS

**1.1** SME Leasing Limited (the 'Company') was incorporated in Pakistan on July 12, 2002, as an unlisted public company and acquired the status of a listed company on December 13, 2006. The Company is a subsidiary of SME Bank Limited (the 'Holding Company'), which holds 73.14% (2022: 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 the 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 in the Country. In March 2023, PACRA decided to withdraw its ratings for SME Leasing Limited. This withdrawal likely happened because SME Leasing Limited's management choose to discontinue the process of having its entity rated by PACRA.

**1.2** The Company requested the Holding Company vide letter no. SSL/2024/0030 dated January 31, 2024 to seek guidance from Ministry of Finance about the show cause notice (refer 1.5) and against which, Holding Company received a response from MOF vide their letter no. F.No. 3(27)IF-III/2005-435 dated February 19, 2024 in which it has been advised to process the liquidation of SME leasing Limited in conjunction with the liquidation of the Holding Company(refer no 1.6)

Pakistan Stock Exchange through its notice No. PSX/N-32, dated January 10, 2024 has placed the SME leasing Limited under the Defaulters' Segment of PSX with effect from January 11, 2024 under PSX Regulation 5.11.1.(i).

These factors along with other factors mentioned below (refer 1.3 to 1.6) indicate that the Company's is not a going concern and the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. However, these financial statements have been prepared by the management on a going concern basis of accounting without any adjustment to the carrying amounts of assets and liabilities.

**1.3** During the year ended December 31, 2023, the Company incurred a net loss of Rs. 69.35 million (2022: earned a net profit of Rs. 1.230 million), resulting in accumulated losses of Rs. 428.352 million (2022: Rs. 360.614 million) at the end of the year. Further, the net liabilities of the Company amount to Rs. 59.885 million (2022: Net assets Rs. 7.853 million). The Company has negative cash and cash equivalent of Rs. 145.173 million (2022: Rs. 138.343 million) which comprise of running finance facility from SME Bank Limited and as of that date the Company's current liabilities exceed its current assets by Rs. 88.241 million (2022: Rs. 39.416 million).

**1.4** The license of the Company to operate as a leasing company expired on May 20, 2019. Thereafter, the Company applied via application reference no. SMEL/MO/2019 dated April 16, 2019 and thereafter the Company applied via application reference no. SMEL/MO/2022 dated April 15, 2022 for its renewal in the manner so required by the NBFC Rules, 2003. However, the renewal of llicense was in progress till the year end.

**1.5** The Company obtained license of non deposit taking NBFC and as per section 4 (Schedule I) of NBFC Regulations 2008, a non deposit taking NBFC shall have minimum equity of Rs. 50 million. The Company being non deposit taking NBFC has not complied with said requirement of NBFC Regulations 2008 of maintaining minimum capital requirement.

The Company has received a show cause notice through letter no. SECP/SCD/Adj-I/30/2022-056 dated January 12, 2024 from SECP upon the continuous non-compliance of minimum equity requirements of Rs. 50 million and approval of winding down plan of Holding Company by Federal Government (refer 1.7).

**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.





## Notes to the Financial Statements

For The Year Ended December 31, 2023

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 CCoP meeting was held on December 26, 2022, wherein a summary dated December 24, 2022, submitted by the Ministry of Privatization regarding "privatization of the Holding Company" and approved the recommendation of PC Board, in its meeting held on November 25, 2022, regarding the delisting of SME Bank Limited (the Holding Company) from privatization program, to enable Finance Division and SBP to proceed further in the matter. However, CCoP in its meeting held on December 28, 2022 has approved the delisting of the Holding Company from the privatization list. Subsequent to year-end, the federal cabinet, in a meeting held on March 17, 2023, approved winding down plan for the Holding Company.

The State Bank of Pakistan (SBP) via its Circular No. BPRD (R&PD) /SME/2023/3729 dated May 10, 2023, specifies that the SBP has prohibited the Holding Company from receiving fresh deposits with effect from the close of business on March 27, 2023. Further, in terms of Clause (a) of Sub-Section (1) of Section 21 of the Deposit Protection Corporation Act, 2016, the Holding Company is hereby declared as a failed institution effective from the close of business as of March 27, 2023.

The Holding Company has granted a short term running finance facility to the Company amounting to Rs. 150 million out of which Rs. 149.923 million has been utilized as at December 31, 2023 (2021: Rs. 139.176 million). The said facility can be extended to the extent of Rs. 300 million as per the standby agreement for finance facility. The Holding Company will not call off the said amount till June 30, 2024 and the holding company will facilitate, assist and support the Company in arrangement of finance from external sources as and when required by the Company.

During the year 2022, the dissolution of the Holding Company is taking effect, where the Holding Company has entered into its liquidation phase, which has a consequential impact as the SBP may require the Holding Company to recall its running finance facility. However, the SBP in a letter # SBPHOK-BPRD-RAPD-SME-52895 dated August 28, 2023 allowed the SME Bank to renew the running finance facilities that went into irregular category due to stoppage of renewals because of Bank's winding down process. Consequently, in a facility letter dated September 09, 2023. The SME Bank has renewed the running finance facility amounting to Rs. 150 million of the SME leasing limited till September 09, 2024 however the facility has already been fully exhausted by the company.

	Note	2023	2022
		Rupees	
<b>2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND BALANCES</b>			
Total disbursements made during the year	2.1	<b>2,170,000</b>	14,983,300
Total recoveries made during the year	2.2 & 2.3	<b>45,616,392</b>	80,621,928
<b>2.1</b>	This represents Rs. 1.17 million disbursed against net investment in finance lease and Rs. 1 million disbursed against long term loans and finance during the year, as disclosed in note 8 and note 9 of these financial statements.		
<b>2.2</b>	This represents Rs. 31.529 million recovered against net investment in finance lease and Rs. 14.086 million against long term loans and finance during the year, as disclosed in note 8 and note 9 of these financial statements.		
<b>2.3</b>	This represents recoveries from non-performing loans amounting to Rs. 28.997 million (2022: Rs. 52.719 million) and regular parties amounting to Rs. 16.618 million (2022: Rs. 27.905 million).		





# Notes to the Financial Statements

For The Year Ended December 31, 2023

## 3 BASIS OF PREPARATION

### 3.1 Statement of compliance

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

### 3.2 Basis of measurement

These financial statements have been prepared under the historical cost basis, 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 rupee ('Rupees' or 'Rs.'), which is the Company's functional and presentation currency. The figures are rounded off to the nearest rupee unless stated otherwise.

### 3.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates.

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

The significant judgments made by the management in applying the accounting policies and the key sources of estimating uncertainty were the same as those applied to financial statements for the year ended December 31, 2023.

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).
- 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).
- Staff retirement benefits and staff compensated absences (note 5.7, 18 and 23).
- Provision for current and deferred taxation and recognition and measurement of deferred tax assets and liabilities (notes 5.16 and 29).
- Impairment of non-financial assets (note 5.13).



# Notes to the Financial Statements

For The Year Ended December 31, 2023

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

### New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2023

The following standards, amendments and interpretations are effective for the year ended December 31, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	<b>Effective date (Annual periods beginning on or after)</b>
Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 Making Materiality Judgements- 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 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.	January 01, 2023
Certain annual improvements have also been made to a number of IFRSs.	

The Company adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Company to provide useful entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 5 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

### 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.



## Notes to the Financial Statements

For The Year Ended December 31, 2023

	<b>Effective date (Annual periods beginning on or after)</b>
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements.	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions.	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025

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
IFRS 17	Insurance Contracts:

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

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

##### **Standard or Interpretation**

Financial Instruments - IFRS 9 June 30, 2024

The SECP vide S.R.O. 1827/2022 has modify the effective date for applicability of International Financial Reporting Standard - Financial Instruments (IFRS-9) in place of International Accounting Standard (IAS-39) (Financial Instruments: recognition and Measurement) for Non Banking Finance Companies as "Reporting period/year ending on or after 30 June, 2024.

An extensive assessment is required to be made, because the actual impact of adopting IFRS 9 on or after June 30, 2024 may results 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 finances 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 finances loans; and



# Notes to the Financial Statements

For The Year Ended December 31, 2023

- 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, 2024.

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, 2022. However, the transaction impact will be reported in the subsequent reporting period.

## 5 MATERIAL ACCOUNTING POLICIES INFORMATION

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

### 5.1 Cash and cash equivalents

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

### 5.2 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to statement of profit or loss account by using the straight line method at the rates specified in note 6 after taking into account residual value, if any. Depreciation on additions is charged from the month the assets are put to use while no depreciation is charged in the month in which the assets are disposed off. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

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

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



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 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 statement of financial position date. Subsequent costs are included in the assets' carrying amounts only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

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

### 5.7 Staff retirement benefits

#### Defined contribution plan

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



# Notes to the Financial Statements

For The Year Ended December 31, 2023

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 account.

## **5.8 Net investment in lease finance**

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

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

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

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

## **5.9 Provision for potential lease losses and doubtful loans and receivables**

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

## **5.10 Financial assets and liabilities**

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



## Notes to the Financial Statements

For The Year Ended December 31, 2023

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

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

### 5.11 Investments

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

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

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

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

#### Available-for-sale

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

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

#### Held to maturity

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

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

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

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

### 5.12 Loans and receivables

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

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



# Notes to the Financial Statements

For The Year Ended December 31, 2023

## 5.13 Impairment of non-financial assets

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

## 5.14 Derivative financial instruments

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

## 5.15 Offsetting of financial assets and financial liabilities

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

## 5.16 Taxation

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

### Current

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

### Deferred

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

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

## 5.17 Contingent liabilities

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

## 5.18 Provisions

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





# Notes to the Financial Statements

For The Year Ended December 31, 2023

## 5.19 Long term finances

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

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

## 5.20 Revenue recognition

- The Company follows the finance lease method in accounting for the recognition of lease income. Under this method, the unearned lease income i.e. the excess of gross lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease contract, so as to produce a systematic return on the net investment in finance lease. Unrealized lease income is held in suspense account, where necessary, in accordance with the requirements of the NBFC Regulations.
- Front-end fees and documentation charges are taken to income when realized.
- Income on investments is accounted for on accrual basis.
- Dividend income is recognized when the right to receive the dividend is established.
- Income on loans and finances is accounted for on accrual basis using effective interest method.
- Unrealized lease income and unrealized income on loans and finances is held in suspense account, where necessary, in accordance with requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- Profit on bank deposit and short term placements is accrued on a time proportion basis.
- Gain or loss arising on sale of investments are taken to income in the period in which they arise.
- Other income is recognized on receipt basis.

## 5.21 Earnings / (loss) per share

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

## 5.22 Dividend distribution and transfer between reserves

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

## 5.23 Capital and revenue reserves

### Share premium

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



# Notes to the Financial Statements

For The Year Ended December 31, 2023

## **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 (2022: Rs. nil) to its statutory reserve.

## **Reserve against future losses**

This reserve represents amounts set aside in view of the risks associated with the economic cyclical nature of the business and is recognized as an appropriation of retained earnings. Any credits resulting from reduction of such amounts result in an increase in unappropriated profit and are not included in the determination of profit or loss for the period. The amount to be set aside against future losses is determined at the rate of 0.5 % of the outstanding balance of the regular portfolio of leases and loans and receivables as at each year end. This was applicable when the company was deposit taking NBFC till year 2008, however, subsequently when the status of company changed from deposit taking NBFC to non-deposit taking NBFC, this policy is no more applicable. Therefore, no such reserve has been created by the Company for the year ended December 31, 2023.

## **5.24 Segment reporting**

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

## **5.25 Deposits and prepayments**

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

## **5.26 Accrued and other payables**

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

## **5.27 Expenses**

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

## **5.28 Other receivables**

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

## **5.29 Finance cost**

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





## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 7 RIGHT-OF-USE ASSET

	COST				ACCUMULATED DEPRECIATION				BOOK VALUE	
	As at January 1, 2023	Adjustment on transition to IFRS 16	Additions/ transfer	Disposal	As at 31 December 2023	As at January 1, 2023	For the year	On disposal	As at Dec 31, 2023	As at Dec 31, 2023
	----- (Rupees) -----									
Office premises	12,678,636	-	-	(1,982,107)	10,696,529	10,142,921	2,304,449	(1,750,841)	10,696,529	-
Motor vehicles	-	-	-	-	-	-	-	-	-	-
	<b>12,678,636</b>	<b>-</b>	<b>-</b>	<b>(1,982,107)</b>	<b>10,696,529</b>	<b>10,142,921</b>	<b>2,304,449</b>	<b>(1,750,841)</b>	<b>10,696,529</b>	<b>-</b>

	COST				ACCUMULATED DEPRECIATION				BOOK VALUE	
	As at January 1, 2022	Adjustment on transition to IFRS 16	Additions/ transfer	Disposal	As at 31 December 2022	As at January 1, 2022	For the year	On disposal	As at Dec 31, 2022	As at Dec 31, 2022
	----- (Rupees) -----									
Office premises	12,950,191	-	-	271,555	12,678,636	7,770,126	2,567,409	(194,614)	10,142,921	2,535,715
Motor vehicles	1,795,000	-	-	1,795,000	-	277,777	359,000	(636,777)	-	-
	<b>14,745,191</b>	<b>-</b>	<b>-</b>	<b>2,066,555</b>	<b>12,678,636</b>	<b>8,047,903</b>	<b>2,926,409</b>	<b>(831,391)</b>	<b>10,142,921</b>	<b>2,535,715</b>

Note	2023	2022
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### 8 NET INVESTMENT IN FINANCE LEASES

Net investment in finance leases	8.1	<b>238,667,804</b>	280,324,041
Less: Current maturity	14	<b>(231,619,373)</b>	<u>(249,698,037)</u>
		<b><u>7,048,431</u></b>	<u>30,626,004</u>



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 8.1 Net investment in finance leases

	Note	December 31, 2023			December 31, 2022		
		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	221,404,662	12,217,160	209,187,502	251,764,111	12,709,792	239,054,319
Add: Residual Value of leased assets	8.4	144,327,637	5,524,050	138,803,587	157,176,491	19,334,500	137,841,991
Gross Investment in leases		365,732,299	17,741,210	347,991,089	408,940,602	32,044,292	376,896,310
Less: Unearned lease Income		(1,596,161)	(298,445)	(1,297,716)	(6,371,584)	(1,418,288)	(4,953,296)
Less: Markup held in Suspense Account		(39,367,563)	(2,182,126)	(37,185,437)	(40,656,989)	-	(40,656,989)
		(40,963,724)	(2,480,571)	(38,483,153)	(47,028,573)	(1,418,288)	(45,610,285)
		324,768,575	15,260,639	309,507,936	361,912,029	30,626,004	331,286,025
Less: Provision for potential lease losses	8.6	(86,100,771)	(8,212,208)	(77,888,563)	(81,587,988)	-	(81,587,988)
Net Investment in Finance leases		238,667,804	7,048,431	231,619,373	280,324,041	30,626,004	249,698,037

**8.2** The internal rate of return (IRR) on lease contract receivable ranges from 9.49% to 27% per annum (2022: 9.49% to 25.68% per annum).

**8.3** This includes the amount receivable in respect of non-performing leases of Rs.142.203 million (2022: Rs. 173.978 million) which have not been fully provided due to forced sales value benefit amounting to Rs. 122.843 million (2022: Rs. 94.404 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.126.029 million (2022: Rs. 131.421 million).

**8.5** Lease rentals received during the year aggregate to Rs. 30.203 million (2022: Rs. 80.62 million). Lease disbursed during the year amounts to Rs. 1.170 million (2022: Rs. 10.583 million).



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 8.6 Provision for potential lease losses

	Note	2023	2022
		Rupees	
Balance at the beginning of the year		81,587,988	132,386,742
Provision for the year		7,124,655	534,460
Reversed during the due to revision in forced sale value		(2,611,872)	(51,333,214)
Net provision		4,512,783	(50,798,754)
Balance at the end of the year		86,100,771	81,587,988

### 9 LONG TERM FINANCES AND LOANS - SECURED

#### Customers

-considered good	9.1	1,269,124	6,349,199
-considered doubtful		36,124,892	41,086,644
	9.3	37,394,016	47,435,843
Less: Provision for doubtful finances and loans - net	9.2	(3,911,916)	(5,216,992)
		33,482,100	42,218,851
<b>Less: Current maturity</b>			
Customers	14	(657,780)	(4,020,984)
		32,824,320	38,197,867

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 26% (2022: 15% to 24.50%) per annum.

### 9.2 Provision for doubtful finances and loans - net

	Note	2023	2022
		Rupees	
Balance at the beginning of the year		5,216,990	7,440,471
Provision for the year		-	-
Reversed during the due to revision in forced sale value		(1,305,074)	(2,223,481)
Net provision		(1,305,074)	(2,223,481)
Balance at the end of the year		3,911,916	5,216,990

9.3 This includes non performing loans of Rs. 45.109 million (2022: Rs. 41.08 million) which have not been fully provided due to forced sale value benefits amount to Rs. 58.991 million (2022: 63.01 million).

9.4 Principle received during the year aggregate to Rs. 13.111 million (2022: Rs. 24.422 million). Loan disbursed during the year amounts to Rs.1 million (2022: Rs. 4.40 million).



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 10 LONG-TERM LOANS TO EMPLOYEES - SECURED

#### Related parties - considered good

	Note	2023	2022
Car loans	10.1&10.2	-	343,886
Less: Current maturity	14	-	(148,113)
		-	195,773

### 10.1 Movement in loan to employees

Balance at the beginning of the year		343,886	572,801
Disbursements		-	32,022
Repayments		(343,886)	(260,937)
Balance at the end of the year		-	343,886

**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% (2022: 5% to 7%) per annum.

### 11 LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2023	2022
Other deposits	11.1	713,222	772,222
Prepayments		758,196	1,122,237
Less: Current maturity	13	(758,196)	(788,893)
Non-current prepayments		-	333,344
		713,222	1,105,566

#### 11.1 Other deposits

Rent		637,000	696,000
Central Depository Company		50,000	50,000
Miscellaneous		14,422	14,422
BRR security vault		11,800	11,800
		713,222	772,222

### 12 ADVANCES

Considered good - unsecured			
- Employees	12.1	185,057	368,541
- Legal advisors	12.2	2,027,500	1,952,000
- Others		21,375	164,394
- SBP deposit		15,000	15,000
		2,248,932	2,499,935



## Notes to the Financial Statements

For The Year Ended December 31, 2023

**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	2023 Rupees	2022 Rupees
<b>13 PREPAYMENTS AND OTHER RECEIVABLES</b>			
Prepayments		<b>758,196</b>	788,893
Other receivable		-	65,000
		<b>758,196</b>	<b>853,893</b>
<b>14 CURRENT MATURITY OF NON CURRENT ASSETS</b>			
<b>Current maturity of :</b>			
- Net investment in finance leases	8	<b>231,619,373</b>	249,698,037
- Long term finances and loans	9	<b>657,780</b>	4,020,984
- Long term loans to employees	10	-	148,113
		<b>232,277,153</b>	<b>253,867,134</b>
<b>15 CASH AND BANK BALANCES</b>			
Balances with banks in:			
- Current accounts		<b>4,695,132</b>	778,442
Cash in hand		<b>54,412</b>	54,412
		<b>4,749,544</b>	<b>832,854</b>

### 16 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2023 (Number of shares)			2023 Rupees		2022 Rupees	
<b>10,100,000</b>	10,100,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	<b>101,000,000</b>		101,000,000	
<b>19,900,000</b>	19,900,000	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	<b>199,000,000</b>		199,000,000	
<b>2,000,000</b>	2,000,000	Ordinary shares of Rs 10 each issued as fully paid bonus shares	<b>20,000,000</b>		20,000,000	
<b>32,000,000</b>	<b>32,000,000</b>		<b>320,000,000</b>		<b>320,000,000</b>	





## Notes to the Financial Statements

For The Year Ended December 31, 2023

**16.1** SME Bank Limited is a public limited company incorporated in Pakistan on October 30, 2001 under the Companies Ordinance, 1984 having its registered office at 56-F, Nazim-ud-Din Road, F-6/1, Blue Area Islamabad. The Bank obtained its business commencement certificate on April 16, 2005 which became effective from the date of its issue. The Bank is a Scheduled Commercial Bank engaged in the business 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, 2023, The Holding Company and its nominees hold 73.14% (2022: 73.14%) ordinary shares of the Company.

### 17 LIABILITIES AGAINST FINANCE LEASE ASSETS

	2023			2022		
	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	156,907	-	156,907	4,535,365	348,325	3,871,502
Payable later than one year but not later than five years	-	-	-	-	-	-
Total	<u>156,907</u>	<u>-</u>	<u>156,907</u>	<u>4,535,365</u>	<u>348,325</u>	<u>3,871,502</u>

### 18 DEFINED BENEFIT OBLIGATIONS

The Company operates an unapproved and unfunded gratuity scheme for all of its permanent employees. Total number of employees covered under the scheme are 14 (2022: 16).

#### Principal actuarial assumptions

The latest actuarial valuation of the gratuity scheme was carried out on December 31, 2023 by M/s Nauman Associates using the Projected Unit Credit Method. The following significant assumptions were used for valuation of the scheme:

	2023	2022
Valuation discount rate	14.50%	11.75%
Expected long term rate of increase in salary level	15.50%	14.50%

Note	2023	2022
	----- Rupees -----	

#### 18.1 Liability in statement of financial position

Present value of defined benefit obligation	18.2	<u>9,909,185</u>	<u>10,182,680</u>
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#### 18.2 Movement in liability during the year

Balance at the beginning of the year		10,182,680	9,764,513
Charged to statement of profit or loss account	18.4	2,416,502	1,898,449
Remeasurements chargeable in other comprehensive income		(1,611,397)	(87,354)
Benefits paid during the year	18.5	(1,078,600)	(1,392,928)
Balance at the end of the year		<u>9,909,185</u>	<u>10,182,680</u>



## Notes to the Financial Statements

For The Year Ended December 31, 2023

Note	2023	2022
	Rupees	
<b>18.3 Reconciliation of the present value of defined benefit obligations</b>		
Present value of obligations at beginning of the year	10,182,680	9,764,513
Current service cost	891,430	832,953
Past service cost (credit)	138,266	-
Interest cost	1,386,806	1,065,496
Benefits due but not paid (payables)	(158,400)	-
Benefits paid during the year	(1,078,600)	(1,392,928)
Remeasurements gain chargeable in other comprehensive income	(1,611,397)	(87,354)
Present value of obligations at the end of the year	<u>9,750,785</u>	<u>10,182,680</u>
<b>18.4 Charged to statement of profit or loss account</b>		
Current services cost	891,430	832,953
Past service cost	138,266	-
Interest cost	1,386,806	1,065,496
	<u>2,416,502</u>	<u>1,898,449</u>
<b>18.5 Remeasurements gain chargeable in other comprehensive income</b>		
Actuarial gains on obligation	6,929	24,353
Experience adjustment	(1,618,326)	(111,707)
Net re-measurements recognized in other comprehensive income	<u>(1,611,397)</u>	<u>(87,354)</u>

**18.6** Based on the actuarial advice, the company intends to charge an amount of approximately Rs. 2.417 million in respect of contribution to gratuity fund in the financial statements for the year ending December 31, 2023.

### 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	9,909,185	14.50%
1% increase	9,275,202	15.50%
1% decrease	10,272,949	13.50%
Salary increase rate effect	Rupees	Rate effect
Original liability	9,909,185	15.50%
1% increase	10,275,436	16.50%
1% decrease	9,264,576	14.50%



## Notes to the Financial Statements

For The Year Ended December 31, 2023

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)

	2023	2022
	5	10

### 19 TRADE AND OTHER PAYABLES

Payable on termination/maturity of leases  
Insurance payable  
Accrued expenses  
Others  
Sales tax payable

	2023	2022
	Rupees	
	110,911	2,303,873
	1,225,673	1,570,260
	3,132,511	1,002,700
	425,520	683,350
	161,930	204,713
	<u>5,056,545</u>	<u>5,764,896</u>

### 20 MARK-UP ACCRUED ON BORROWINGS

Interest accrued on:  
- Short term borrowings

20.1

	31,804,693	6,479,106
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20.1 This amount represents accrued interest payable to the Holding Company.

### 21 SHORT TERM BORROWINGS - SECURED

Short term borrowings

21.1

	<u>149,922,699</u>	<u>139,175,806</u>
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21.1 The Company has a running finance facility available from the Holding Company amounting to Rs.150 million (2022: Rs.150 million) at mark-up rates ranging between 18.10% to 26.27% (2022: 11.35% to 11.65%) 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  
Long term finance

8.1  
22.1

	138,803,587	137,841,991
	-	373,233
	<u>138,803,587</u>	<u>138,215,224</u>



# Notes to the Financial Statements

For The Year Ended December 31, 2023

## 23 PROVISION FOR COMPENSATED ABSENCES

### Changes in present value of defined benefit obligations

	2023	2022
Present value of defined benefit obligations- Opening	3,613,944	3,045,411
Current service cost	492,176	760,339
Interest cost on defined benefit obligation	493,196	306,432
Benefits paid	(398,077)	(874,964)
Remeasurements:		
- Actuarial losses / (gains) from changes in assumptions	1,483	8,623
- Experience adjustments	(1,890,714)	368,103
Present value of defined benefit obligations- Closing	<u>2,312,008</u>	<u>3,613,944</u>

### Expenses to be charged to statement of profit or loss account

Current service cost	492,176	760,339
Experience adjustments	(1,890,714)	368,103
Actuarial gains from changes in financial assumptions	1,483	8,623
Interest cost on defined benefit obligation	493,196	306,432
Expense chargeable to statement of profit or loss account	<u>27.1 (903,859)</u>	<u>1,443,497</u>

### Changes in net liability

Statement of financial position liability- Opening	3,613,944	3,045,411
(Income) / Expenses chargeable to statement of profit or loss account	(903,859)	1,443,497
Benefits paid	(398,077)	(874,964)
Statement of financial position liability- Closing	<u>2,312,008</u>	<u>3,613,944</u>

## 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 as at December 31, 2023 (2022: Nil).

## 25 INCOME FROM OPERATIONS

	2023	2022
Income from finance leases	6,329,037	12,392,230
Income on finances and loans	5,073,059	8,478,616
	<u>11,402,096</u>	<u>20,870,846</u>



## Notes to the Financial Statements

For The Year Ended December 31, 2023

	Note	2023	2022
		Rupees	
<b>26 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Mark-up on loan to employees		12,914	32,088
<b>Income from non-financial assets</b>			
Gain on disposal of fixed assets		364,837	94,922
Miscellaneous income		928,237	-
		<u>1,305,988</u>	<u>127,010</u>
<b>27 ADMINISTRATIVE AND GENERAL</b>			
Salaries, allowances and other benefits	27.1	27,758,571	32,533,341
Depreciation	6 & 7	3,356,401	3,557,400
Legal and professional		4,369,378	4,496,445
Insurance		888,680	918,170
Travelling, conveyance and entertainment		618,650	1,284,440
Electricity, gas and water		1,335,903	1,285,272
Telephone and postage		746,167	764,487
Miscellaneous		683,337	624,917
Auditors' remuneration	27.6	1,232,500	692,568
Directors' fee	27.4	360,000	845,000
Printing and stationery		389,176	616,717
Repairs and maintenance		582,708	589,275
Rent, rates and taxes		189,128	161,036
Vehicle running		327,315	366,899
Advertising		-	127,811
Books and periodicals		50,585	41,687
Training and development		-	13,000
Brokerage Expense		18,500	-
		<u>42,906,999</u>	<u>48,918,465</u>
<b>27.1 Salaries allowance and other benefits include:</b>			
Staff gratuity fund	18.4	2,416,502	1,898,449
Staff provident fund		655,939	789,475
Compensated absences	23	(903,859)	1,443,497
		<u>2,168,582</u>	<u>4,131,421</u>



# Notes to the Financial Statements

For The Year Ended December 31, 2023

## 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:

	2023		2022	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	2,250,000	850,780	2,242,484	2,052,185
Housing and utilities	1,125,000	450,390	1,121,242	615,656
Provident fund	179,399	-	179,399	164,175
Medical and other perquisites	225,000	370,873	330,354	
Leave encashment	150,000	-	150,000	136,125
	<u>3,929,399</u>	<u>1,301,170</u>	<u>4,063,998</u>	<u>3,298,494</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

**27.3** The Chief Executive Officer and the executive are 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

	2023	2022
Annual audit fee	500,000	255,000
Half yearly review fee	200,000	56,000
Fee for other certifications	325,000	225,000
Out of pocket expenses	207,500	156,834
	<u>1,232,500</u>	<u>692,834</u>

## 28 FINANCE COST

Mark-up on short term borrowings	35,255,625	22,656,070
Interest expense for leasing arrangements	481,533	870,253
Bank charges	63,296	82,669
	<u>35,800,454</u>	<u>23,608,992</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 113/113C of the Income Tax Ordinance, 2001 (the Ordinance).



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 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.

- (a) 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) ("CIR(A)") 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 appeal before the Appellate Tribunal Inland Revenue ("ATIR") and the appeal has not yet been fixed for hearing. The Department has also filed appeal before the ATIR against the CIR(A)'s order.

In respect of minimum tax for the year ended December 31, 2011, the tax authorities have served order under section 124 of the Ordinance for additional amount of minimum tax of Rs. 0.14 million payables 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.

- (b) 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. Subsequently the taxation officer amended the deemed assessment of the Company under section 122(1) of the Ordinance for disallowances of expenses, initial allowance and adjustable taxes. The Company preferred an appeal against the DCIR's order before the CIR(A) who confirmed the taxation officer's order.

**29.3** Deferred tax asset of Rs. 45.106 million (2022: Rs. 52.565 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:

	2022 Rupees	2021 Rupees	2020 Rupees
Tax provision as per accounts	262,615	267,420	323,749
Tax payable/paid as per tax return	247,537	156,872	287,924

### 30 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

(Loss) / Profit after taxation attributable to ordinary shareholders

**(69,349,604)** 1,230,019

(Number of shares) (Number of shares)

Weighted average number of outstanding ordinary shares

**32,000,000** 32,000,000

(Rupees) (Rupees)

(Loss) / profit per share - basic and diluted

**(2.17)** 0.04

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

### 31 TRANSACTIONS WITH RELATED PARTIES

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



# Notes to the Financial Statements

For The Year Ended December 31, 2023

		2023	2022
		----- Rupees -----	
<b>31.1</b>	<b>Balances at the year end:</b>		
	SME Bank Limited (holding company)		
	Short term borrowing	21	149,922,699
			139,175,806
<b>31.2</b>	<b>Transactions during the year:</b>		
	<b>SME Bank Limited (holding company)</b>		
	Mark up on short-term borrowings	28	35,255,625
	(Repayment) / Acquisition of Short term borrowings facility-net		(9,930,038)
	Rent expense paid for Peshawar branch		357,678
			716,856
	<b>Director's and Key management personnel</b>		
	Compensation of directors and key management personnel		
	Director's fee paid		360,000
	Key management remuneration		5,230,569
	Company's contribution towards provident fund	27.1	655,939
	Total compensation of directors and key management personnel		6,246,508
			8,621,608

		2023	2022
		----- Rupees -----	
		(Un-Audited)	(Un-Audited)
<b>32</b>	<b>PROVIDENT FUND</b>		
	Size of the fund (Net assets)	6,552,083	7,385,571
	Cost of Investment made	3,941,987	5,841,832
	Percentage of investment made	60.16%	79.10%
	Fair value of investments	4,487,110	4,681,832

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.

		2023	2022
		----- Rupees -----	
<b>33</b>	<b>CASH AND CASH EQUIVALENT</b>		
	Cash and bank balances	15	4,749,544
	Short term borrowings	21	(149,922,699)
			832,854
			(139,175,806)
			(145,173,155)
			(138,342,952)

## **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
- 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, 2023

### Risk management framework

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

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

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

### 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 balance sheet, the maximum exposure to credit risk as at December 31, 2023 is as follows:

	2023		2022	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
	----- (Rupees) -----			
Bank balances	4,695,132	4,695,132	778,442	778,442
Advances	36,375	36,375	179,394	179,394
Net investment in finance lease	238,667,804	238,667,804	280,324,041	280,324,041
Long term finances and loans	33,482,100	33,482,100	42,218,851	42,218,851
Long-term loans to employees	-	-	343,886	343,886
Deposits and other receivables	713,222	713,222	837,222	837,222



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 34.1.3 Credit ratings and collaterals

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

	2023	2022
<b>Ratings</b>		
A1+	0.00%	0.00%
A-1+	100.00%	100.00%
Others	0.00%	0.00%
	<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

	2023			
	Total	Loans and receivables	Net investment in finance lease	Impairment recognised
	------(Rupees)-----			
Not past due	17,998,166	657,780	17,340,386	-
1 - 179 days	-	-	-	-
180 days - 1 year	1,481,210	40,210	1,441,000	-
More than 1 year	432,695,902	36,696,026	305,987,189	90,012,687
	<u>452,175,278</u>	<u>37,394,016</u>	<u>324,768,575</u>	<u>90,012,687</u>

	2022			
	Total	Loans and receivables	Net investment in finance lease	Impairment recognised
	------(Rupees)-----			
Not past due	33,165,778	3,980,774	29,185,004	-
1 - 179 days	1,481,210	40,210	1,441,000	-
180 days - 1 year	-	-	-	-
More than 1 year	461,505,862	43,414,859	331,286,025	86,804,978
	<u>496,152,850</u>	<u>47,435,843</u>	<u>361,912,029</u>	<u>86,804,978</u>



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 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	2023		2022	
	Rupees	Percentage	Rupees	Percentage
Cargo Carriers	15,540,304	3.76%	23,511,914	3.89%
Chemicals	2,932,939	0.71%	3,583,865	0.59%
Communication	6,073,184	1.47%	7,590,738	1.26%
Confectionary	2,250,866	0.54%	4,330,587	0.72%
Construction	2,108,656	0.51%	8,349,459	1.38%
Dates	550,947	0.13%	538,908	0.09%
Education	10,380,004	2.51%	16,987,688	2.81%
Engineering	11,500,233	2.78%	19,641,212	3.25%
Entertainment	9,283,844	2.24%	18,400,245	3.04%
Film processing	44,708,077	10.81%	67,777,886	11.21%
Fisheries	880,886	0.21%	880,885	0.15%
Food and beverages	33,264,171	8.04%	42,126,640	6.97%
Furniture	416,872	0.10%	421,872	0.07%
Garments	4,813,135	1.16%	24,047,926	3.98%
Gems & jeweler	-	0.00%	11,643,014	1.93%
Health care	25,191,284	6.09%	59,587,546	9.86%
Hotels & tourism	-	0.00%	139,887	0.02%
Leather & tannery	3,772,518	0.91%	4,336,518	0.72%
Miscellaneous	24,478,902	5.92%	30,329,268	5.02%
Oil & gas	29,381,713	7.10%	38,484,117	6.37%
Others	4,095,251	0.99%	9,571,420	1.58%
Pharma	11,704,685	2.83%	12,612,345	2.09%
Plastic	13,641,177	3.30%	16,641,267	2.75%
Printing & packaging	33,913,806	8.20%	58,173,127	9.62%
Public transport services	98,420,469	23.79%	102,801,399	17.01%
Gems & Jewellery	10,835,665	2.62%	-	0.00%
Commerce And Trade-Retail Trade	2,076,310	0.50%	-	0.00%
Textile	11,517,943	2.78%	21,951,561	3.63%
	<b>413,733,841</b>	<b>100%</b>	<b>604,461,294</b>	<b>100%</b>



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 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 balance sheet 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).

	2023			
	Total	Contractual cash flow	Upto one year	Two to five years
	----- (Rupees) -----			
<b>Financial Liabilities</b>				
Trade and other payables	5,056,545	5,056,545	5,056,545	-
Lease liability	156,907	156,907	156,907	-
Short term borrowings	149,922,699	149,922,699	149,922,699	-
Long term finances	-	-	-	-
Long term deposits	144,327,637	144,327,637	138,803,587	5,524,050
Markup accrued	31,804,693	31,804,693	31,804,693	-
	<b>331,268,481</b>	<b>331,268,481</b>	<b>325,744,431</b>	<b>5,524,050</b>

	2022			
	Total	Contractual cash flow	Upto one year	Two to five years
	----- (Rupees) -----			
<b>Financial Liabilities</b>				
Trade and other payables	5,764,896	5,764,896	5,764,896	-
Lease liability	3,871,502	3,871,502	3,871,502	-
Short term borrowings	139,175,806	139,175,806	139,175,806	-
Long term finances	373,233	373,233	373,233	-
Long term deposits	157,176,491	157,176,491	19,334,500	137,841,991
Markup accrued	6,479,106	6,479,106	6,479,106	-
	<b>312,841,034</b>	<b>312,841,034</b>	<b>174,999,043</b>	<b>137,841,991</b>



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 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 December 31, 2023, details of the interest rate profile of the Company's interest bearing financial instruments were as follows:

	Effective Interest rate %	Carrying amount	
		2023 (Rupees)	2022 (Rupees)
<b>Fixed rate instruments</b>			
<b>Financial assets</b>			
Net investments in finance lease	9.49% to 27%	<b>238,667,804</b>	280,324,041
Long term finance and loans	15% to 26%	<b>33,482,100</b>	42,218,851
Long term finances and loans - secured	5% to 7%	-	343,886
		<b>272,149,904</b>	<b>322,886,778</b>
<b>Financial liabilities</b>			
Long term finance	0%	-	373,233
Liabilities against assets subject to finance lease	17.33% to 18.26%	<b>156,907</b>	3,871,502
		<b>156,907</b>	4,244,735
<b>Variable rate instruments</b>			
<b>Financial assets</b>			
Bank balances		<b>4,695,132</b>	778,442
<b>Financial liabilities</b>			
Short term borrowings	18.10% to 26.27%	<b>149,922,699</b>	139,175,806
		<b>145,227,567</b>	138,397,364



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 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 profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

### 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. 0.353 million (2022: Rs. 0.139 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	2023			
		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)			
<b>Financial assets</b>					
Long term finances and loans	15% to 26%	33,482,100	657,780	-	32,824,320
loans - secured	5% to 7%	-	-	-	-
Net investment in finance lease	9.49% to 27%	238,667,804	-	231,619,373	7,048,431
<b>Total financial assets as on December 31, 2023</b>		<b>272,149,904</b>	<b>657,780</b>	<b>231,619,373</b>	<b>39,872,751</b>
<b>Financial liabilities</b>					
Lease liability	17.33% to 18.26%	156,907	-	156,907	-
Short term borrowings	18.10% to 26.27%	149,922,699	-	149,922,699	-
Long term finances	0%	-	-	-	-
<b>Total financial liabilities as on December, 2023</b>		<b>150,079,606</b>	<b>-</b>	<b>150,079,606</b>	<b>-</b>
<b>On balance sheet gap</b>		<b>122,070,298</b>	<b>657,780</b>	<b>81,539,767</b>	<b>39,872,751</b>
<b>Total interest rate sensitivity gap</b>		<b>122,070,298</b>	<b>657,780</b>	<b>82,197,547</b>	<b>122,070,298</b>



## Notes to the Financial Statements

For The Year Ended December 31, 2023

	Effective mark-up / interest / profit rate	Total	2022		
			Exposed to mark-up / interest / profit rate risk		
			Upto three months	More than three months and upto one year	More than one year
	%		------(Rupees)-----		
<b>Financial assets</b>					
Long term finances and loans	15% to 24.5%	42,218,851	3,980,774	-	38,197,867
Long-term loans to employees - secured	5% to 7%	343,886	-	148,113	195,773
Net investment in finance lease	9.5% to 25%	280,324,041	-	30,626,004	249,698,037
<b>Total financial assets as on December 31, 2022</b>		<b>322,886,778</b>	<b>3,980,774</b>	<b>30,774,117</b>	<b>288,091,677</b>
<b>Financial liabilities</b>					
Lease liability	17.33% to 18.26%	3,871,502	598,001	3,273,501	-
Short term borrowings	11.65% to 18.10%	139,175,806	-	139,175,806	-
Long term finances	0%	373,233	373,233	-	-
<b>Total financial liabilities as on December, 2022</b>		<b>143,420,541</b>	<b>971,234</b>	<b>142,449,307</b>	<b>-</b>
<b>On balance sheet gap</b>		<b>179,466,237</b>	<b>3,009,540</b>	<b>(111,675,190)</b>	<b>288,091,677</b>
<b>Total interest rate sensitivity gap</b>		<b>179,466,237</b>	<b>3,009,540</b>	<b>(108,665,650)</b>	<b>179,426,027</b>



## Notes to the Financial Statements

For The Year Ended December 31, 2023

### 34.4 Other 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, 2023 none (2022: none).

### 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:

Note	2023	2022
	Rupees	
Total debt	156,907	3,871,502
Total equity	(59,885,438)	7,852,769
Total capital employed	(59,728,531)	11,724,271
Gearing ratio	-0.26%	33.02%

### 35.3 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).

**35.4** 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, 2023, 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, 2023

As at December 31, 2023, the Company held the following classes of financial instruments, none of which measured at fair value, as mentioned below:

December 31, 2023	Note	Carrying amount		Fair value					
		Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees) -----									
<b>Financial assets</b>									
	15	4,749,544	-	-	4,749,544	-	-	-	-
	12	-	2,248,932	-	2,248,932	-	-	-	-
	13	-	758,196	-	758,196	-	-	-	-
	9	-	33,482,100	-	33,482,100	-	-	-	-
	8	-	238,667,804	-	238,667,804	-	-	-	-
		4,749,544	275,157,032	-	279,906,576	-	-	-	-
<b>Financial liabilities</b>									
	19	-	-	5,056,545	5,056,545	-	-	-	-
	20	-	-	31,804,693	31,804,693	-	-	-	-
	21	149,922,699	-	-	149,922,699	-	-	-	-
	23	-	-	2,312,008	2,312,008	-	-	-	-
	8	-	-	5,524,050	5,524,050	-	-	-	-
	18	-	-	9,909,185	9,909,185	-	-	-	-
	17	-	-	156,907	156,907	-	-	-	-
		149,922,699	-	54,763,388	204,686,087	-	-	-	-

35.5 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, 2023

December 31, 2022	Note	Carrying amount		Fair value					
		Cash and cash equivalent	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>									
	15	832,854	-	-	832,854	-	-	-	-
	12	-	2,499,935	-	2,499,935	-	-	-	-
	13	-	853,893	-	853,893	-	-	-	-
	9	-	42,218,851	-	42,218,851	-	-	-	-
	8	-	280,324,041	-	280,324,041	-	-	-	-
		<b>832,854</b>	<b>325,896,720</b>	-	<b>326,729,574</b>	-	-	-	-
<b>Financial liabilities</b>									
	19	-	-	5,764,896	5,764,896	-	-	-	-
	20	-	-	6,479,106	6,479,106	-	-	-	-
	21	139,175,806	-	-	139,175,806	-	-	-	-
	23	-	-	3,613,944	3,613,944	-	-	-	-
	22	-	-	373,233	373,233	-	-	-	-
	8	-	-	137,841,991	137,841,991	-	-	-	-
	18	-	-	10,182,680	10,182,680	-	-	-	-
	17	-	-	3,871,502	3,871,502	-	-	-	-
		<b>139,175,806</b>	-	<b>168,127,352</b>	<b>307,303,158</b>	-	-	-	-

**35.5** 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, 2023

### 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.

	2023			Total
	Finance lease	Loans and receivables	Others	
	(Rupees)			
Segment revenue	<u>6,329,037</u>	<u>5,073,059</u>	<u>1,305,988</u>	<u>12,708,084</u>
(Provision) / Reversal of provision	<u>(4,512,783)</u>	<u>1,305,074</u>	<u>-</u>	<u>(3,207,709)</u>
Segment result	<u>1,816,254</u>	<u>6,378,133</u>	<u>1,305,988</u>	<u>9,500,375</u>
<b>Unallocated cost</b>				
Finance cost				<u>(35,800,454)</u>
Administrative and general expenses				<u>(42,906,999)</u>
				<u>(78,707,453)</u>
Profit before tax				<u>(69,207,078)</u>
Provision for taxation				<u>(142,526)</u>
Profit for the year				<u>(69,349,604)</u>
Other information				<u>8,214,867</u>
Segment assets	<u>238,667,804</u>	<u>33,482,100</u>	<u>-</u>	<u>272,149,904</u>
Unallocated assets	<u>-</u>	<u>-</u>	<u>11,672,985</u>	<u>11,672,985</u>
<b>Total assets</b>				<u>283,822,889</u>
Segment liabilities	<u>148,685,821</u>	<u>-</u>	<u>-</u>	<u>148,685,821</u>
Unallocated liabilities	<u>-</u>	<u>-</u>	<u>195,022,506</u>	<u>195,022,506</u>
Total liabilities				<u>343,708,327</u>
<b>Net assets</b>				<u>(59,885,438)</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>164,500</u>	<u>164,500</u>

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

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



## Notes to the Financial Statements

For The Year Ended December 31, 2023

	2022			Total
	Finance lease	Loans and receivables	Others	
	(Rupees)			
Segment revenue	12,392,230	8,478,616	127,010	20,997,856
Provision -Net	50,798,754	2,223,481	-	53,022,235
Segment result	63,190,984	10,702,097	127,010	74,020,091
<b>Unallocated cost</b>				
Finance cost				(23,608,992)
Administrative and general expenses				(48,918,465)
				(72,527,457)
Profit before tax				1,492,634
Provision for taxation				(262,615)
Loss for the year				1,230,019
<b>Other information</b>				
Segment assets	280,324,041	42,218,851	-	322,542,892
Unallocated assets			12,297,514	12,297,514
<b>Total assets</b>				334,840,406
Segment liabilities	159,749,451	-	-	159,749,451
Unallocated liabilities	-	-	167,238,186	167,238,186
Total liabilities				326,987,637
<b>Net assets</b>				7,852,769
Capital expenditure	-	-	1,467,489	1,467,489

### 36.3 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

### 37 NUMBER OF EMPLOYEES

The number of employees as on the year end were 19 (2022: 16) and average number of employees during the year were 22 (2022: 18).

### 38 EVENTS AFTER REPORTING DATE

**38.1** Pakistan Stock Exchange through its notice No. PSX/N-32, dated January 10, 2024 has placed the SME leasing Limited under the Defaulters' Segment of PSX with effect from January 11, 2024 under PSX Regulation 5.11.1.(i).

**38.2** The Holding Company received a letter from Ministry of Finance (MOF) dated February 19, 2024 in which the Holding Company has been advised to process liquidation of SME Leasing Limited at the time of liquidation of the Bank.

### 39 CORRESPONDING FIGURES

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



## Notes to the Financial Statements

For The Year Ended December 31, 2023

Statement of Financial statement Reclassification from	Reclassification to	Amount Rupees
Net Investment in lease non current portion	Net Investment in lease current portion	249,698,037
Net Investment in lease current portion	Net Investment in lease non current portion	30,626,004
Long term deposit non current Portion	Long term deposit Current Portion	137,841,991
Long term deposit current Portion	Long term deposit non current Portion	19,334,500

#### 40 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on June 20, 2024 by the Board of Directors of the Company.

Chief Executive Officer

Director

Chief Financial Officer



## Pattern of Shareholding

As at December 31, 2023

Shareholding		No of Shareholders	Total Shares Held	Percentage %
From	To			
1	100	28	58	0.00
101	500	190	96,053	0.30
501	1,000	39	39,804	0.12
1,001	5,000	78	220,009	0.69
5,001	10,000	15	104,351	0.33
10,001	15,000	11	150,000	0.47
15,001	20,000	3	52,000	0.16
20,001	25,000	2	49,000	0.15
25,001	30,000	1	30,000	0.09
30,001	35,000	5	163,000	0.51
35,001	40,000	1	39,000	0.12
45,001	50,000	1	46,000	0.20
50,001	55,000	3	160,525	0.50
55,001	65,000	1	60,000	0.19
90,001	100,000	4	387,500	1.21
101,001	115,000	2	214,500	0.67
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	279,000	0.87
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
		<b>394</b>	<b>32,000,000</b>	<b>100</b>



# Categories of Shareholders

As at December 31, 2023

Categories of	Physical	CDC	Total	Percentage %
<b>Directors, Chief Executive Officer, Their Spouses and Minor Children</b>				
<b>Directors</b>				
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
<b>Executives</b>	-	51,000	51,000	0.16
	-	51,000	51,000	0.16
<b>Associated Companies, Undertakings &amp; Related Parties</b>				
M/s. SME BANK LIMITED	-	23,405,198	23,405,198	73.14
	-	23,405,198	23,405,198	73.14
<b>Banks, NBFCs, DFIs, Takaful, Pension Funds</b>				
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
<b>Insurance Companies</b>	-	155,000	155,000	0.48
<b>Other Companies, Corporate Bodies, Trust etc.</b>	46,000	941,702	987,702	3.09
<b>General Public</b>	136,001	1,747,116	1,883,617	5.89
	182,507	31,817,493	32,000,000	100.00
<b>Shareholders More Than 5.00%</b>				
SME BANK LIMITED			23,405,198	73.14
BANK MUKARRAMAH LIMITED			3,144,000	9.83







# Proxy Form

I/We \_\_\_\_\_  
of \_\_\_\_\_ (full address)

being a member of SME Leasing Limited hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ (full address)

or failing him/her \_\_\_\_\_ (full address)  
of \_\_\_\_\_ (full address)

as my / our Proxy to attend and vote for me / us and on my / our behalf at the 22nd Annual General Meeting of the Company to be held on July 22, 2024 and at any adjournment thereof.

Signed this \_\_\_\_\_ of \_\_\_\_\_ 2024.  
(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.)

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